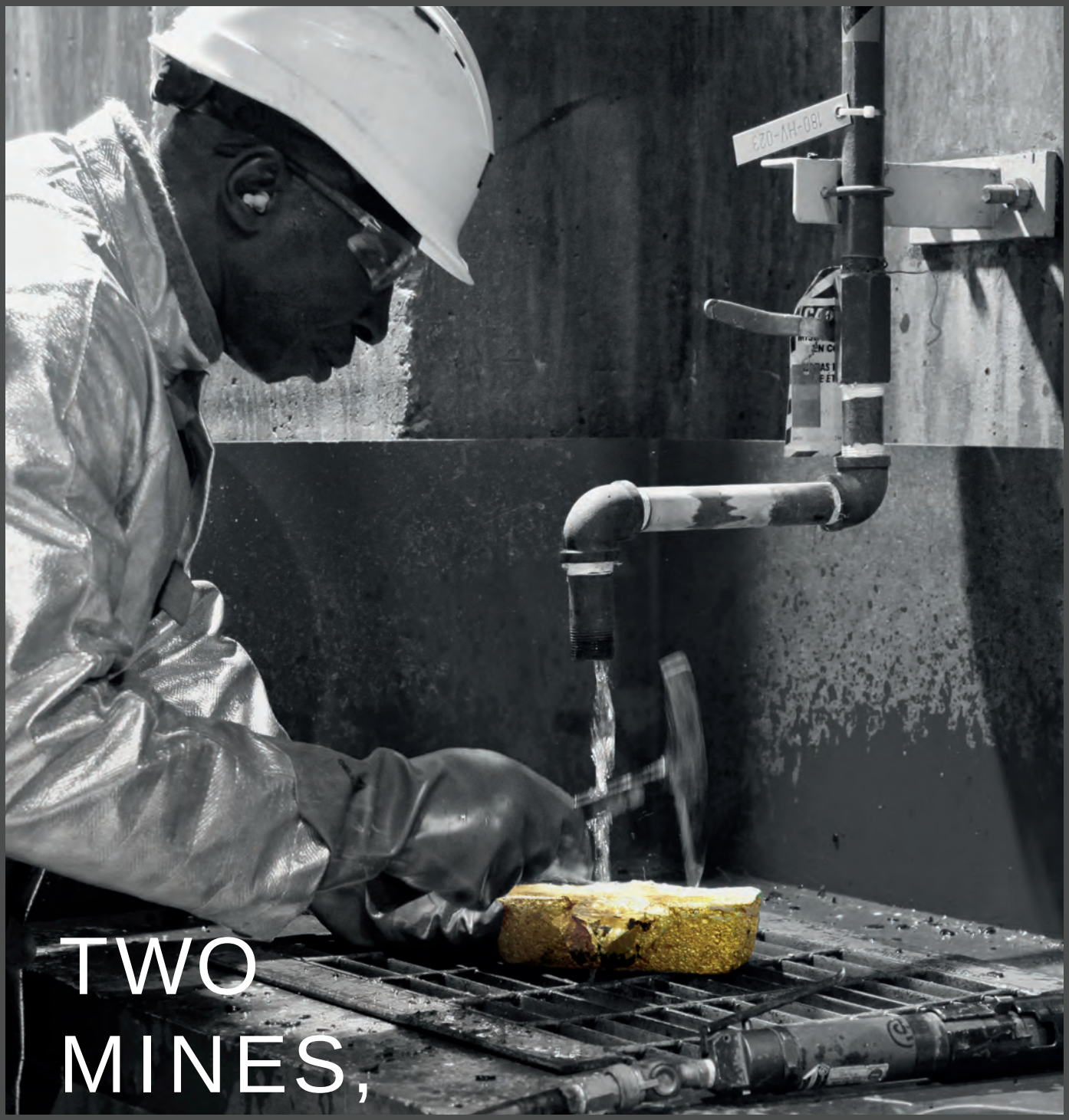
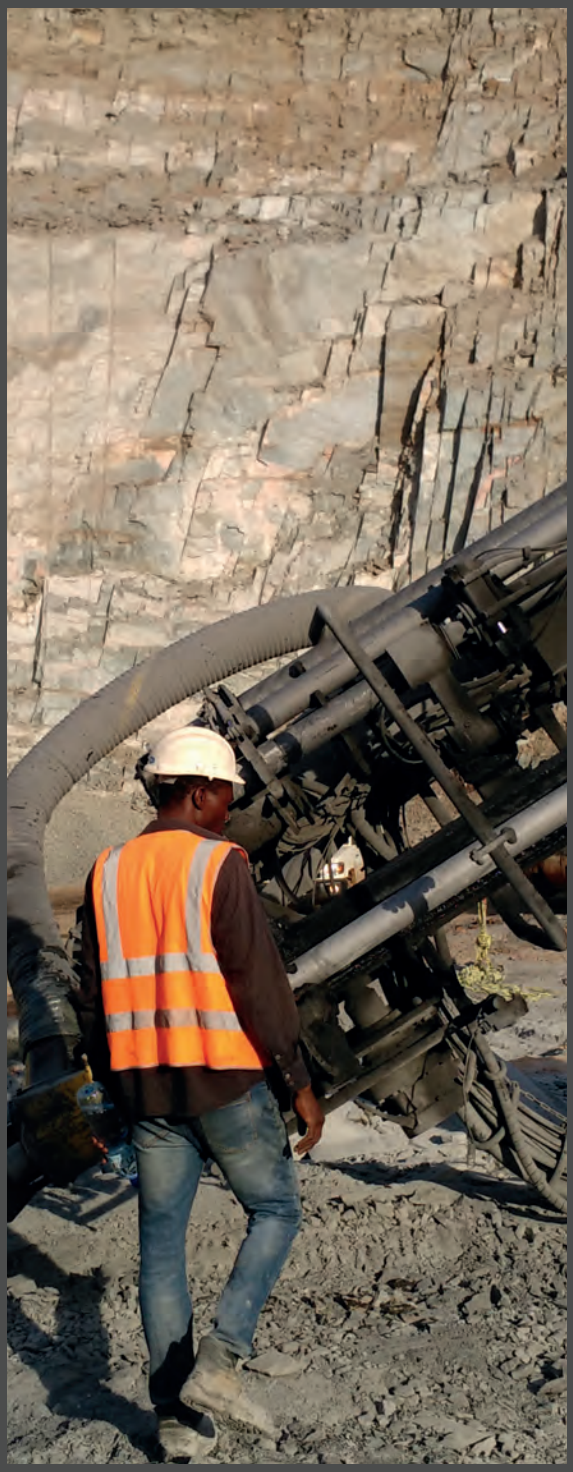


TWO MINES, ONE FORCE

FIRST QUARTER
PERIOD ENDED
MARCH 31, 2019

SEM AFO
INTERNATIONAL EXPERTISE®
HUMAN ADVOCACY

MANAGEMENT'S DISCUSSION AND ANALYSIS



SEMAFO Inc. ("SEMAFO" or the "Corporation") is a Canadian-based intermediate gold producer with over twenty years' experience building and operating mines 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.

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Corporation's business, strategy and performance, as well as how it manages risks and capital resources. This MD&A, prepared as of May 7, 2019, is intended to complement and supplement our Condensed Interim Consolidated Financial Statements (the "financial statements") as at March 31, 2019 and for the period then ended. Our financial statements and this MD&A are intended to provide investors with a reasonable basis for assessing our results of operation and our financial performance.

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

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

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

1. 2019 First Quarter Highlights

As commercial production at the Boungou Mine commenced on September 1, 2018, the comparative figures only include the Mana Mine:

- Consolidated gold production of 102,400 ounces, compared to 45,500 ounces for the same period in 2018, an increase of 125%
- Production at Boungou of 61,900 ounces of gold in the quarter, reflecting average head grade of 6.50 g/t Au
- Gold sales of $138.5 million compared to $62.7 million for the same period in 2018, an increase of 121%
- All-in sustaining cost[1] of $745 per ounce sold compared to $1,083 for the same period in 2018, an improvement of 31%
- Operating income of $40.4 million compared to a loss of $8.1 million for the same period in 2018
- Net income attributable to shareholders of the Corporation of $17.7 million or $0.05 per share, including a non-cash deferred income tax expense of $15.0 million compared to a net loss of $4.7 million or loss of $0.01 per share for the same period in 2018
- Cash flows from operating activities[2] of $79.0 million or $0.24 per share[1] compared to $18.4 million or $0.06 per share[1] for the same period in 2018, an increase of 329%
- Initiation of Savary Gold acquisition and its subsequent closing on April 30, 2019

[1] All-in sustaining cost and operating cash flows per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A, note 19.

[2] Cash flows from operating activities exclude changes in non-cash working capital items and are a non-IFRS performance measure.

2. 2019 Outlook and Strategy[1]

2019 Outlook

2019 Guidance	Consolidated	Boungou	Mana
Gold production ('000 oz)	390-430	220-240	170-190
All-in sustaining cost[2] ("AISC") ($/oz)	685-735	470-510	950-1,020
Capital Expenditure (included in AISC) (in millions of $)			
Sustaining	14	4	10
Stripping	64	21	43
	78	25	53
Non-recurring Development Expenditure (not included in AISC) (in millions of $)			
Siou underground development	41	—	41
Air strips & mill optimisations	8	6	2
	49	6	43

The general and administrative expense for 2019 has been forecast at $16 million.

Assumptions

A number of assumptions were made in preparing the 2019 guidance, including:

- Price of gold: $1,250 US dollars per ounce
- Price of fuel: $1.19 US dollars per litre for Light Fuel Oil ("LFO")
  $0.77 US per litre for Heavy Fuel OIl ("HFO")
- Exchange rate: $0.73 US dollars to the Canadian dollar
- Exchange rate: $1.14 US dollars to the Euro

We expect to attain our consolidated 2019 production outlook of between 390,000 and 430,000 ounces of gold and to meet our all-in sustaining cost[2] outlook of between $685 and $735 per ounce.

2019 Exploration

Initial exploration expenditure for 2019 has been set at $19 million, $9 million of which will be spent at Boungou, $4 million at Mana, $3 million at Bantou, $2 million at Nabanga and the remaining $1 million at Korhogo.

In the third quarter of 2019, we will provide an update on the Karankasso 2019 exploration program and the overall exploration strategy for the entire 1,250 km² district scale land package.

[1] This section contains forward-looking statements. For more information on forward-looking statements, see note 21.
[2] All-in sustaining cost is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A, note 19.

3. Key Economic Factors

Price of Gold

During the three-month period ended March 31, 2019, the price of gold, based on the London Gold Fix PM, fluctuated from a high of $1,344 to a low of $1,280 per ounce. The average market gold price in the three-month period ended March 31, 2019 was $1,304 per ounce compared to $1,329 per ounce in the same period in 2018, representing a decrease of $25.

(in dollars per ounce)	2019 Q1	2018 Q1
Average London Gold Fix	**1,304**	1,329
Average realized selling price (consolidated)	**1,306**	1,336

Cost Pressures

We are affected by industry-wide pressures on development and operating costs. Since our mining activities are energy intensive, a change in fuel price can have a significant impact on our operations and associated financial results. As a benchmark for fuel costs, the Brent Crude price averaged $64 per barrel in the three-month period ended March 31, 2019 compared to $67 per barrel in the same period in 2018.

We purchase our fuel exclusively from the government of Burkina Faso in FCFA, the local currency, at a price fixed by decree that reflects market price fluctuations with a time lag. The average price fixed by decree was as follows:

	2019 Q1		2018 Q1	
	FCFA	(in $)	FCFA	(in $)
LFO fuel (per litre)	**681**	**1.18**	597	1.12
HFO fuel (per litre)	**440**	**0.76**	—	—

Foreign Currencies

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

During the three-month period ended March 31, 2019, the US dollar was stronger relative to the Euro compared to the same period in 2018. As approximately 75% of our costs are nominated in foreign currencies other than the US dollar, the foreign exchange fluctuation positively impacted our all-in sustaining cost[1].

Natural hedges mitigate our net exposure to foreign currency fluctuations as there is an inverse correlation between the gold price and the US dollar.

Exchange rates are as follows:

	CAD / USD $		EUR / USD $	
	2019	2018	2019	2018
March 31 (closing)	**1.3347**	1.2892	**0.8913**	0.8112
December 31 (closing)	**—**	1.3630	**—**	0.8737
First quarter (average)	**1.3282**	1.2646	**0.8801**	0.8139

[1] All-in sustaining cost is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A, note 19.

4. Consolidated Results and Mining Operations

Financial and Operating Highlights

	Three-month period ended March 31,		
	2019	2018	Variation
Gold ounces produced	**102,400**	45,500	125%
Gold ounces sold	**106,100**	46,900	126%
(in thousands of dollars, except amounts per share)			
Revenues – Gold sales	**138,541**	62,698	121%
Mining operation expenses	**44,250**	36,634	21%
Government royalties and development taxes	**7,155**	3,144	128%
Depreciation of property, plant and equipment	**39,628**	25,428	56%
Share-based compensation	**2,832**	1,418	100%
Other	**4,317**	4,139	4%
Operating income (loss)	**40,359**	(8,065)	—
Finance income	**(548)**	(641)	(15%)
Finance costs	**3,556**	313	1,036%
Foreign exchange loss (gain)	**496**	(428)	—
Income tax expense (recovery)	**15,733**	(2,409)	—
Net income (loss) for the period	**21,122**	(4,900)	—
Net income (loss) attributable to shareholders of the Corporation	**17,666**	(4,710)	—
Basic earnings (loss) per share	**0.05**	(0.01)	—
Diluted earnings (loss) per share	**0.05**	(0.01)	—
Adjusted amounts			
Adjusted operating income (loss)[1]	**41,974**	(7,968)	—
Adjusted net income (loss) attributable to shareholders of the Corporation[1]	**22,632**	(6,548)	—
Per share[1]	**0.07**	(0.02)	—
Cash flows			
Cash flows from operating activities[2]	**78,980**	18,391	329%
Per share[1]	**0.24**	0.06	300%
Statistics (in dollars)			
Average realized selling price (per ounce)	**1,306**	1,336	(2%)
Total cash cost (per ounce sold)[1]	**484**	848	(43%)
All-in sustaining cost (per ounce sold)[1]	**745**	1,083	(31%)

[1] Adjusted operating income, adjusted net income attributable to shareholders of the Corporation, adjusted basic earnings per share, operating cash flows per share, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A, note 19.

[2] Cash flows from operating activities exclude changes in non-cash working capital items and are a non-IFRS performance measure.

4. Consolidated Results and Mining Operations (continued)

First quarter of 2019 v. First quarter of 2018

As commercial production at the Boungou Mine commenced on September 1, 2018, the comparative figures only include the Mana Mine:

- In the first quarter of 2019, gold sales amounted to $138,541,000 compared to $62,698,000 for the same period in 2018. The increase in gold sales and gold ounces produced and sold is mainly due to the contribution of the Boungou Mine. The variation between gold ounces sold and gold ounces produced in the first quarter of 2019 is due to the timing of delivery.
- The higher mining operation expenses mainly reflect the contribution of Boungou mining operating expenses and are partially offset by lower expenses at the Mana Mine due to the lower operational stripping ratio.
- Higher government royalties and development taxes are a direct result of higher gold sales.
- The increase in depreciation of property, plant and equipment mainly reflects the contribution of the Boungou Mine. This is partially offset by the lower capitalized stripping ratio from Wona at the Mana Mine in the first quarter of 2019 compared to the same period in 2018.
- Higher share-based compensation expense in the first quarter of 2019 compared to the same period in 2018 is due to the increase in our share price.
- The increase in finance costs in the first quarter of 2019 compared to the first quarter of 2018 is due to ceasing capitalization of borrowing costs following the commencement of commercial production at the Boungou Mine on September 1, 2018.
- The increase in income tax expense in the first quarter of 2019 is mainly caused by timing differences arising from local expenses that are deductible earlier for tax purposes. The effect of these timing differences defers payment of the tax expense to the future. Therefore, $14,999,000 of the $15,733,000 is deferred income tax expense that has no cash impact in the current year.
- The increase in cash flow from operating activities[1] in the first quarter of 2019 compared to the first quarter of 2018 mainly reflects the contribution from Boungou Mine.

5. Operating Income (Loss) by Segment

	Three-month period ended March 31,		
(in thousands)	2019 $	2018 $	Variation %
Boungou, Burkina Faso	**37,451**	(37)	—
Mana, Burkina Faso	**9,089**	(3,232)	—
Corporate and other	**(6,181)**	(4,796)	(29%)
Operating income (loss)	**40,359**	(8,065)	—

[1] Cash flows from operating activities exclude changes in non-cash working capital items and are a non-IFRS performance measure.

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

Boungou, Burkina Faso

Mining Operations

	Three-month period ended March 31, 2019
Operating Data	
Mining	
Waste mined (tonnes)	**2,106,000**
Ore mined (tonnes)	**280,000**
Operational stripping ratio	**7.5**
Capitalized Stripping Activity	
Waste material – Boungou (tonnes)	**5,044,600**
Total strip ratio	**25.5**
Processing	
Tonnes processed (tonnes)	**308,700**
Head grade (g/t)	**6.50**
Recovery (%)	**96**
Gold ounces produced	**61,900**
Gold ounces sold	**64,700**
Financial Data (in thousands of dollars)	
Revenues – Gold sales	**84,492**
Mining operation expenses	**17,070**
Government royalties and development taxes	**4,724**
Depreciation of property, plant and equipment	**24,948**
General and administrative	**217**
Corporate social responsibility expenses	**82**
Segment operating income	**37,451**
Statistics (in dollars)	
Average realized selling price (per ounce)	**1,306**
Cash operating cost (per tonne processed)[1]	**53**
Cash operating cost, including stripping (per tonne processed)[1]	**88**
Total cash cost (per ounce sold)[1]	**337**
All-in sustaining cost (per ounce sold)[1]	**534**
Depreciation (per ounce sold)[2]	**386**

[1] Cash operating cost, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A, note 19.

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

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

Boungou, Burkina Faso (continued)

Mining Operations (continued)

2018

After eighteen months of construction, the Boungou Mine began processing ore in May 2018 and achieved its first gold pour on June 28, 2018. During the pre-commercial period from June to the end of August, Boungou produced 12,000 ounces of gold.

Commercial production was declared on September 1, 2018. In 2018, the Boungou Mine produced 63,600 ounces of gold while in commercial production.

First Quarter of 2019

- In the first quarter of 2019, we produced 61,900 ounces of gold and sold 64,700 ounces of gold. The variation between gold ounces sold and gold ounces produced during the quarter is due to the timing of delivery.
- In the first quarter of 2019, gold sales amounted to $84,492,000 with an average realized selling price of $1,306 per ounce and operating income amounted to $37,451,000.
- Mill throughput continued to improve in the first quarter of 2019 to average approximately 3,740 tonnes per day compared to 3,550 tonnes per day in the last four months of 2018.
- As expected, grade increased in the first quarter of 2019 to average 6.50 g/t Au as the mine plan reached higher-grade zones.
- Recoveries improved during the first quarter to reach 96%, an improvement of 2% over the last four months of 2018.
- As expected, in the first quarter of 2019, the all-in sustaining cost[1] reached $534 per ounce sold. As the strip ratio decreases over the year, we expect the all-in sustaining cost to decline accordingly.

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

Mana, Burkina Faso

Mining Operations

	Three-month period ended March 31,		
	2019	2018	Variation
Operating Data			
Mining			
Waste mined (tonnes)	**2,766,300**	5,205,800	(47%)
Ore mined (tonnes)	**408,100**	592,300	(31%)
Operational stripping ratio	**6.8**	8.8	(23%)
Capitalized Stripping Activity			
Waste material – Siou (tonnes)	**2,405,900**	—	—
Waste material – Wona (tonnes)	**1,825,000**	3,204,200	(43%)
	4,230,900	3,204,200	32%
Total strip ratio	**17.1**	14.2	20%
Processing			
Ore processed (tonnes)	**427,900**	612,000	(30%)
Low grade material (tonnes)	**212,300**	39,700	435%
Tonnes processed (tonnes)	**640,200**	651,700	(2%)
Head grade (g/t)	**2.27**	2.24	1%
Recovery (%)	**87**	97	(10%)
Gold ounces produced	**40,500**	45,500	(11%)
Gold ounces sold	**41,400**	46,900	(12%)
Financial Data (in thousands of dollars)			
Revenues – Gold sales	**54,049**	62,698	(14%)
Mining operations expenses	**27,182**	36,634	(26%)
Government royalties	**2,429**	3,144	(23%)
Depreciation of property, plant and equipment	**14,531**	25,332	(43%)
General and administrative	**543**	635	(14%)
Corporate social responsibility expenses	**275**	185	49%
Segment operating income	**9,089**	(3,232)	—
Statistics (in dollars)			
Average realized selling price (per ounce)	**1,306**	1,336	(2%)
Cash operating cost (per tonne processed)[1]	**41**	54	(24%)
Cash operating cost, including stripping (per tonne processed)[1]	**61**	67	(9%)
Total cash cost (per ounce sold)[1]	**715**	848	(16%)
All-in sustaining cost (per ounce sold)[1]	**1,075**	1,083	(1%)
Depreciation (per ounce sold)[2]	**351**	540	(35%)

[1] Cash operating cost, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A, note 19.

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

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

Mana, Burkina Faso (continued)

Mining Operations (continued)

First quarter of 2019 v. First quarter of 2018

- During the first quarter of 2019, significant efforts were allocated to stripping activities at the Siou North pit. Higher grade ore from the Siou North pit will only be available in the second half of 2019, which will positively impact the all-in sustaining cost. Consequently, the tonnes processed remained stable as a result of the processing of 212,300 tonnes of low grade material.
- The 10% decrease in recovery rate reflects the ore mix at the plant. In the first quarter of 2019, the ore processed was sourced almost exclusively from the Wona pit, which has a lower recovery rate than the ore sourced from the Siou and Wona pits in the same period in 2018. The Siou pit has a higher recovery rate than that of the Wona pit.
- In the first quarter of 2019, gold sales amounted to $54,049,000 compared to $62,698,000 in the first quarter of 2018. The decrease is mainly due to fewer gold ounces produced and sold in line with mine sequencing. The variation between gold ounces sold and gold ounces produced in the first quarter of 2019 is due to the timing of delivery.
- The lower mining operations expenses are mainly due to the lower operational stripping ratio.
- The decrease in depreciation of property, plant and equipment and in the depreciation per ounce sold mainly reflects the lower capitalized stripping ratio from Wona in the first quarter of 2019 compared to the higher capitalized stripping ratio from the Siou and Wona mix in the same period in 2018.

Siou Underground Development

The Siou deposit is located some twenty kilometers from the Mana Mine in Burkina Faso. In February of 2018, the Corporation completed a Mana pre-feasibility study ("PFS") that includes a reserves estimate of 3.0 million tonnes at an average grade of 5.29 g/t Au for 515,800 ounces of contained gold at Siou underground. The PFS is based on a 2,000-tpd contract mining underground operation using long-hole stoping as its principal mining method. Pre-production expenditure has been set at $51.7 million, with the 18-month development period beginning in the third quarter of 2018.

In the first quarter of 2019, underground development continued to advance well, in line with our goal of reaching full production in the first quarter of 2020. Specifically, the following milestones were met in the quarter:

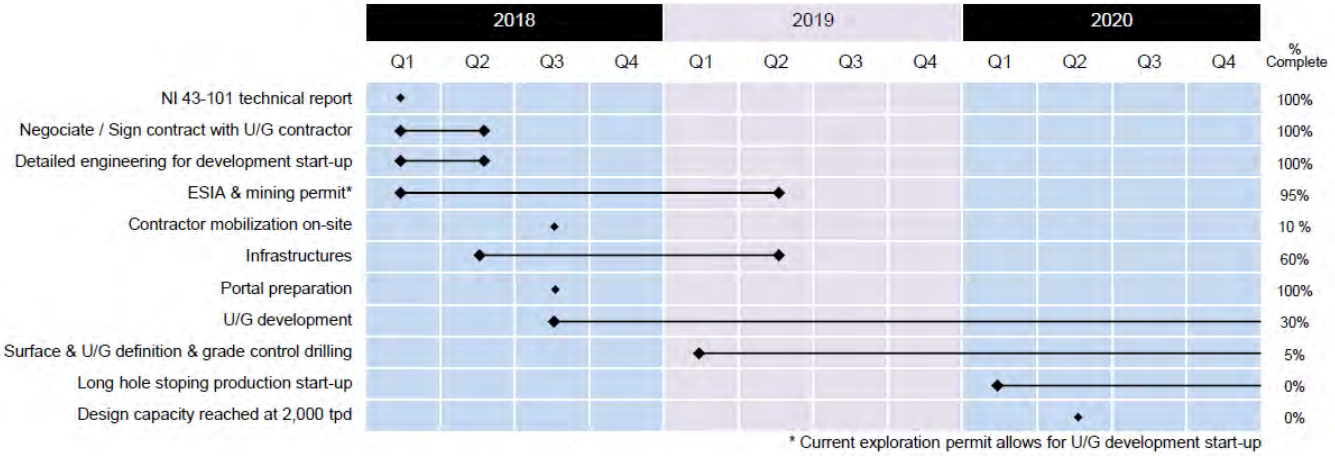
- Commencement of grade control drilling: results consistent with the block model;
- Development continues on budget, with $19.8 million of the $51.7 million budget incurred
    - Opening of two of the eight main levels, and continuing towards the first production drift;
- Construction of the contractor's permanent surface infrastructure remains on schedule; and
- In April 2019, Siou underground was approved by the National Mines Commission. The permit is expected shortly.

At the end of April 2019, we had completed 2,750 of the 5,600 meters of underground development at Siou required to commence production.

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

Siou Underground Development (continued)

Timeline for Development of Siou Underground as at March 31, 2019



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

Exploration

Boungou

The Boungou property consists of four contiguous permits - Boungou, Dangou, Pambourou and Bossoari - covering approximately 50 kilometers of strike length along the Diapaga belt in Burkina Faso.

A total of 7,517 meters of reverse-circulation (RC) drilling was completed in the first quarter on the Dangou NE and Dangou Centre targets. The 7,517 meters represent approximately 30% of the total 25,000-meter program, which is designed to test and establish continuity. Although there have been some encouraging intercepts (1 meter at 22.9 g/t Au, 9 meters at 1.36 g/t Au, 4 meters at 3.67 g/t Au, 1 meter at 6.66 g/t Au, and 3 meters at 5.69 g/t Au), an interpretation can only be provided when the full program has been completed towards the end of the year.

Mana

An RC drill program commenced late March on the satellite targets located just north of Siou. Although some results have been returned so far (3 meters at 3.3 g/t Au and 5 meters at 2.16 g/t Au), only 8 holes (1,064 meters) have been completed out of a total of 10,400 meters. The overall 2019 Mana exploration program includes 18,600 meters of RC drilling, including 7,600 meters at Pompoi.

Bantou

In the first quarter of 2019, a total of 58 RC (9,188 meters) and 5 core holes (821 meters) were drilled at Bantou. The Bantou Zone hosts a maiden inferred resource estimate of 361,000 ounces at 5.35 g/t Au. Initially, one drill was active on the Bantou property testing a variety of prospective target areas. During the quarter, we encountered an interesting area approximately two kilometers north of the Bantou Zone. The area was sufficiently interesting to warrant further drilling, and a second drill was mobilized to continue testing the other target areas. Consequently, much of the drilling in the quarter was carried out on this new area two kilometers north of the Bantou Zone. Assays are being compiled and we expect results, along with a geological interpretation, to be released in early June.

A third drill was added at Bantou in the quarter. The focus of the third drill is to test the extensions of the Bantou Zone along strike and at depth. With three active drills at Bantou, we will be increasing the exploration budget and will provide further details in early June.

Savary

The acquisition of Savary was announced in the first quarter and closed on April 30, 2019. Savary Gold's Karankasso project is contiguous to Bantou. In the third quarter, we will provide an update on the Karankasso 2019 exploration program and the overall exploration strategy for the entire 1,250 km² district scale land package.

Combined Area Highlights

- District-scale Land Package - Consolidated properties (see Figure 1 below) become ~25 km by ~50 km, which creates a district-scale, target-rich, land package
- Entire 1,250 km² Truckable to Central Plant - Ore from the entire consolidated land package could be trucked to a central plant, given a current tentative plant location in the north west of SEMAFO property. Economic trucking distance is ~25km depending on grade and recovery.
- Significant Consolidated Resource Base - Combination of existing mineral resources (Savary Gold's Karankasso hosts inferred resources of 12.3 Mt at 2.03 g/t Au for 805,000 oz; SEMAFO's Bantou has inferred mineral resources of 2.1 Mt grading 5.35 g/t Au for 361,000 oz) into a consolidated resource estimation post-closing provides a significant base from which to expand.
- Excellent Location on Prolific Houndé Greenstone Belt - The district-scale land package is located on the prospective Houndé Greenstone Belt that hosts Mana and other operating mines.
- Accelerated Resource Growth - The 2019 consolidated exploration program will focus on accelerated resource growth and will be announced in the third quarter.

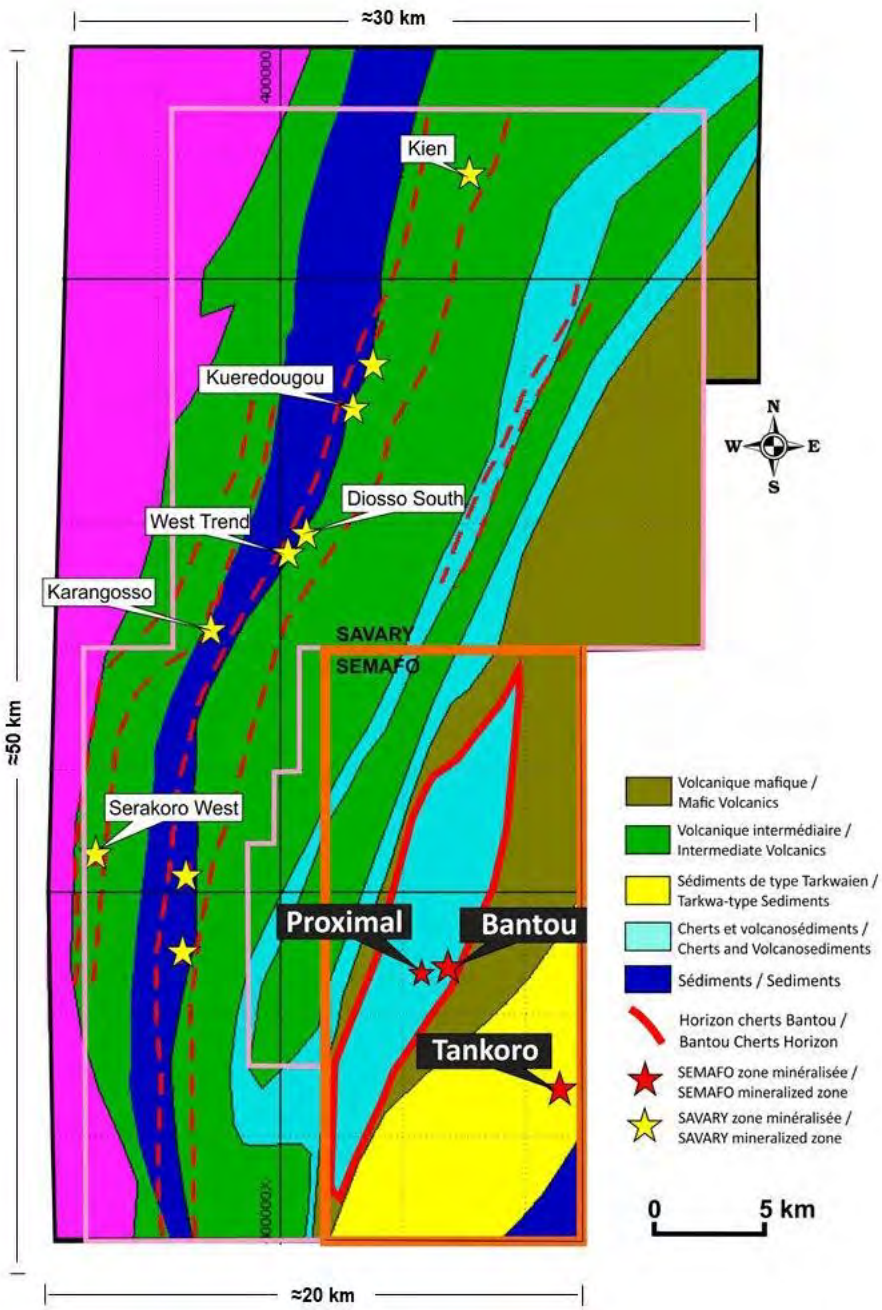
5. Operating Income (Loss) by Segment (continued)

Exploration (continued)

Bantou (continued)

Savary (continued)

Figure 1: Consolidated Property Package



Nabanga

A preliminary economic assessment (PEA) study has been initiated following the release of an updated inferred resource estimation at Nabanga (840,000 oz at 7.7 g/t Au). The study remains in progress and, as scheduled, will be released in the third quarter.

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

Corporate Social Responsibility

	Three-month period ended March 31, 2019	2018
	$	$
Community development tax	**856**	—
Corporate social responsibility expenses	**357**	222
	1,213	222

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). In addition, for the three-month period ended March 31, 2019, corporate social responsibility expenses, representing contributions made to SEMAFO Foundation, totalled $357,000 (Three-month period ended March 31, 2018: $222,000).

In the first quarter, the Foundation continued to support the education sector, but increasingly directed its focus to setting up revenue-generating activities in the communities and helping the local population evolve towards new trades or self-employment.

During the period, SEMAFO Foundation inaugurated no less than 12 classrooms and 3 water boreholes in the Boucle du Mouhoun region where the Mana Mine is located. In addition, the Foundation facilitated study conditions by providing food supplies to the 17 school canteens in the area and launching construction of latrines in a high school. Five revenue-generating programs were supported in the quarter through marketing support, material donations and construction of a grain bank. To support community health facilities, the Foundation launched construction of a relocated health center in the quarter and held awareness-raising campaigns on early pregnancies in schools and family planning in two villages.

To complement SEMAFO Foundation's initiatives, SEMAFO's community team at Mana supported the Siou underground ESIA, built a bridge in collaboration with the regional authorities, and liaised with service providers to improve recruitment from near-mine communities. The five-theme radio communication program launched in the fourth quarter continued in the period with a focus on updating the communities on SEMAFO Foundation activities and mine recruitment procedures.

In the Est region, the Foundation finished building three additional classrooms for the Boungou school, which also received 90 desk-benches and three hand-washing posts. Under the Foundation's two-year building electricity / welding studies project, five boys have begun their second year of study, which should enable them to obtain a certificate of professional qualification and facilitate their access to the labour market. Six of the eight revenue-generating projects in the region were supported directly in the quarter, mostly through the donation of equipment and primary supplies. Preparations are ongoing to launch a new female-focused activity involving peanut paste and soumbala spice.

Corporate and Other

	Three-month period ended March 31, 2019	2018
(in thousands)	$	$
Depreciation of property, plant and equipment	**149**	96
General and administrative	**3,200**	3,282
Share-based compensation	**2,832**	1,418
Segment operating loss	**6,181**	4,796

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

Corporate and Other (continued)

Share-based Compensation

(in thousands)	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

For the three-month period ended March 31, 2019, our share-based compensation expense amounted to $2,832,000 (Three-month period ended March 31, 2018: $1,418,000). The $2,832,000 expense included a $1,217,000 expense (Three-month period ended March 31, 2018: expense of $1,321,000) for outstanding units and an expense of $1,615,000 (Three-month period ended March 31, 2018: expense of $97,000) due to the increase in our share price.

Please refer to note 17 of the financial statements for more details.

6. Other Elements of the Statement of Income (Loss)

Finance Costs

The finance costs amounted to $3,556,000 in the first quarter of 2019 compared to $313,000 in the same period in 2018 due to ceasing capitalization of borrowing costs, following the commencement of commercial production at the Boungou Mine as of September 1, 2018.

Income Tax Expense

The increase in income tax expense in the first quarter of 2019 is mainly caused by timing differences arising from local expenses that are deductible earlier for tax purposes. The effect of these timing differences defers payment of the tax expense to the future. Therefore, $14,999,000 of the $15,733,000 is deferred income tax expense that has no cash impact in the current year.

Income Attributable to Non-Controlling Interests

The income attributable to the non-controlling interests was as follows:

	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)

7. Other Comprehensive Income (Loss)

For the three-month period ended March 31, 2019, other comprehensive income amounted to $2,349,000 (Three-month period ended March 31, 2018: loss of $553,000), which related to the variation in fair value of our investment in GoviEx for income of $97,000 (Three-month period ended March 31, 2018: loss of $588,000) and our investment in Savary Gold for income of $2,252,000 (Three-month period ended March 31, 2018: income of $75,000). In the first quarter of 2018, loss on our other investment amounted to $40,000 (2019: nil).

Investment in GoviEx

The investment in GoviEx was made in 2008. GoviEx is a publicly traded mineral resources company focused on the exploration and development of uranium properties in Africa. Based on the last closing price observed on the TSX-V, we concluded that the fair value of the investment in GoviEx is $1,176,000 as at March 31, 2019 (December 31, 2018: $1,079,000).

Investment in Savary Gold Corp.

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, we 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 with properties in Burkina Faso whose shares are traded on the TSX-V. The investment in 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, we designated our investment in Savary Gold as a financial asset at fair value through other comprehensive income. In accordance with our policy and using the last closing price observed on the TSX-V, we estimate its fair value to be $3,702,000 as at March 31, 2019 (December 31, 2018: $1,450,000).

We estimate that the warrants' fair value was $259,000 as at March 31, 2019.

For subsequent information on Savary Gold, please refer to note 14.

8. Cash Flows

The following table summarizes our cash flow activities:

	Three-month period ended March 31,	
	2019	2018
(in thousands)	$	$
Cash flows		
Operations before working capital items	**78,980**	18,391
Working capital items	**(15,736)**	(15,636)
Operating activities	**63,244**	2,755
Financing activities	**(16,772)**	(481)
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 the period	**96,519**	198,950
Cash and cash equivalents – End of the period	**98,985**	139,420

Operating

First quarter of 2019 v. First quarter of 2018

For the three-month period ended March 31, 2019, operating activities, before working capital items, generated cash flows of $78,980,000 compared to $18,391,000 in the same period in 2018, mainly due to the contribution of the Boungou Mine. Working capital items required liquidities of $15,736,000 in the first quarter of 2019 compared to $15,636,000 in the first quarter of 2018.

Further details regarding the changes in non-cash working capital items are provided in note 22 a) of the financial statements.

8. Cash Flows (continued)

Financing

First quarter of 2019 v. First quarter of 2018

For the three-month period ended March 31, 2019, cash flow required for financing activities amounted to $16,772,000, while $481,000 was required in the same period in 2018.

Credit Facility with Macquarie Bank Limited ("Credit Facility")
We made the first principal repayment of $15,000,000 on March 31, 2019 (2018: nil) under the Credit Facility. The principal is repayable in quarterly installments of $15,000,000 until the end of 2020.

Equipment Financing

For the three-month period ended March 31, 2019, we reimbursed $77,000 (Three-month period ended March 31, 2018: $77,000) on equipment financing.

Finance Leases

For the three-month period ended March 31, 2019, we reimbursed $2,125,000 (Three-month period ended March 31, 2018: $1,145,000) on our finance lease obligations. The increase is due to new lease obligations and to the transition of IFRS 16, *Leases* effective on January 1, 2019.

Proceeds on Issuance of Share Capital from the Exercise of Options

A total of 201,000 options was exercised during the three-month period ended March 31, 2019 for a cash consideration of $430,000. In the first quarter of 2018, a total of 560,000 options was exercised for a cash consideration of $741,000.

8. Cash Flows (continued)

Investing

For the three-month period ended March 31, 2019, cash flow used in investing activities amounted to $43,179,000. In the same period of 2018, cash flow used in investing activities amounted $62,762,000.

Acquisitions of Property, Plant and Equipment

(in thousands)	Three-month period ended March 31, 2019 $	2018 $
Boungou Mine		
Sustaining capital	**2,029**	—
Stripping cost	**10,749**	—
Total sustaining capital expenditures - Boungou Mine	**12,778**	—
Construction - Boungou Mine	—	35,660
Air strips and mill optimisations	**1,431**	—
Total non-recurring development expenditure - Boungou Mine (not included in AISC)	**1,431**	35,660
Mana Mine		
Sustaining capital	**2,322**	2,304
Stripping cost	**12,577**	8,697
Total sustaining capital expenditures - Mana Mine	**14,899**	11,001
Siou underground capital expenditures	**9,114**	
Air strips and mill optimisations	**6**	—
Total non-recurring development expenditure - Mana Mine (not included in AISC)	**9,120**	—
Exploration expenditures	**4,915**	7,175
Finance lease paid included in development costs of Siou underground	**(646)**	—
Finance leases paid included in construction costs of the Boungou Mine	**—**	(1,145)
Capitalized borrowing costs	**297**	1,903
Other	**37**	17
	42,831	**54,611**
Variation in unpaid acquisitions of property, plant and equipment	**348**	6,545
Total	**43,179**	61,156

a) As at March 31, 2019, the Siou underground development project had advanced as follows:

	Siou Underground development $
As at December 31, 2018	10,652
Addition:	9,114
As at March 31, 2019	**19,766**

Equity Investments

In the three-month period ended March 31, 2018, we invested $1,606,000 in Savary Gold (2019: nil).

9. Financial Instruments

The nature and extent of risks arising from financial instruments are described in note 20 of our annual audited financial statements.

10. Critical Accounting Estimates and Judgments

The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustments to our financial statements are disclosed in note 6 of our annual audited financial statements and in note 5 of our financial statements.

11. New Accounting Standards Issued and in Effect

On January 1, 2019, the Corporation adopted IFRS 16, *Leases*. The adoption 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. Further information on the new accounting standards issued and in effect are disclosed in in note 4 of our financial statements.

12. Financial Position

As at March 31, 2019, we held $124,148,000 in cash and cash equivalents and restricted cash. With our existing cash balance and our forecasted cash flows from operations, we are well positioned to fund all of our cash requirements for 2019 and 2020, which relate primarily to the following activities:

- Exploration programs
- Underground development at Siou
- Repayment of the Credit Facility

(in thousands)	As at March 31, 2019 $	As at December 31, 2018 $
Total current assets	**233,676**	220,932
Property, plant and equipment	**796,554**	782,060
Other non-current assets	**33,383**	31,283
Total assets	**1,063,613**	1,034,275
Current liabilities	**140,169**	138,268
Non-current liabilities	**146,440**	142,904
Total liabilities	**286,609**	281,172
Shareholders of the Corporation	**741,127**	720,682
Non-controlling interests	**35,877**	32,421

As at March 31, 2019, our total assets amounted to $1,063,613,000 compared to $1,034,275,000 as at December 31, 2018.

As at March 31, 2019, our liabilities totalled $286,609,000 compared to $281,172,000 as at December 31, 2018.

13. Contractual Obligations

Asset Retirement Obligations

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

The liability for asset retirement obligations as at March 31, 2019 was $23,961,000 (December 31, 2018: $23,453,000).

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")

We are subject to an NSR from 1% to 1.5% on various exploration properties. The NSR comes into effect when we enter into commercial production. We are also subject to an NPI from 0.5% to 1% on various exploration properties.

Purchase Obligations

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

Payments to Maintain Mining Rights

In the normal course of business, in order to obtain and maintain all the advantages of our mining permits, we must commit to investing a specific amount in exploration and development on the permits during their validity period. Moreover, we must make annual payments in order to maintain certain property titles. As at March 31, 2019, we were in compliance in all material respects with the obligations related to the ownership of our material permits.

Contingencies

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 financial statements as at March 31, 2019. The Corporation is vigorously defending its position with the Water Agency.

14. Event after the Reporting Period

On April 30, 2019, we 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.

15. Risks and Uncertainties

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

Financial Risks

Fluctuation in Gold Prices

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

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

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

Fluctuation in Petroleum Prices

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

Exchange Rate Fluctuations

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

Interest Rate Fluctuations

As a borrower of long-term debt, our operations are subject to interest rate fluctuations. The long-term debt bears interest at LIBOR plus 4.75%. Therefore, a fluctuation in LIBOR could materially adversely affect our financial condition and results of operation.

Access to Capital Markets

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

Operational Risks

Uncertainty of Reserves and Resources Estimates

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

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

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

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

15. Risks and Uncertainties (continued)

Operational Risks (continued)

Production and Cost Estimates

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

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

Nature of Mineral Exploration and Mining

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

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

Outside Contractor Risk

As per their respective mining services contracts, the Boungou Mine and the Siou underground operations will each be conducted by outside contractors. As a result, our operations are subject to risks, some of which are outside of our control, including:

- the inability to replace a contractor and its operating equipment in the event that either party terminates the agreement
- reduced control over such aspects of operations that are the responsibility of the contractor
- failure of a contractor to perform under its mining services contract
- interruption of operations in the event that a contractor ceases its business due to insolvency or other events
- failure of a contractor to comply with applicable legal and regulatory requirements, and
- problems of a contractor with managing its workforce, labour unrest or other employment issues.

In addition, we may incur liability to third parties as a result of the actions of a contractor. Although the mining contractors involved with these projects are well-known and reputable, the occurrence of one or more of these risks could materially adversely affect our financial condition and results of operation.

Limited Property Portfolio

We currently have two mineral properties in operation which are both situated in Burkina Faso; our Mana Mine and our recently developed Boungou Mine. Unless we acquire or develop additional mineral properties and geographically diversify our portfolio of properties, any adverse development affecting our current mineral properties could materially adversely affect our financial condition and results of operation.

15. Risks and Uncertainties (continued)

Operational Risks (continued)

Depletion of our Mineral Reserves

We must continually replace mining reserves depleted by production to maintain production levels over the long term. This is done by expanding known mineral reserves or by locating or acquiring new mineral deposits. There is, however, a risk that depletion of reserves will not be offset by future discoveries. Exploration for minerals is highly speculative in nature and involves many risks. Many, if not most, gold projects are unsuccessful and there are no assurances that current or future exploration programs will be successful. Further, significant costs are incurred to establish mineral reserves, open new pits and construct mining and processing facilities.

Development projects have no operating history upon which to base estimates of future cash flows and are subject to the successful completion of feasibility studies, obtaining necessary government permits, obtaining title or other land rights and the availability of financing. In addition, assuming discovery of an economic mine or pit, depending on the type of mining operation involved, many years may elapse before commercial operations commence. Accordingly, there can be no assurances that our current programs will result in any new commercial mining operations or yield new reserves to replace or expand current reserves.

Water Supply

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

Availability of Infrastructure and Fluctuation in the Price of Commodities

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

In addition, our profitability is affected by the market price and availability of commodities that are consumed or otherwise used in connection with our operations such as diesel, fuel, electricity, steel, concrete and chemicals. Prices of such commodities are affected by factors that are beyond our control. An increase in the cost or decrease in the availability of needed commodities could materially adversely affect our financial condition and results of operations.

Licenses and Permits

We require licenses and permits from various governmental authorities. We believe that we hold all necessary licenses and permits under applicable laws and regulations in respect of our material properties and that we presently comply in all material respects with the terms of such licenses and permits. These licenses and permits, however, are subject to change in various circumstances including as a result of a change in the interpretation of applicable laws or with respect to the exercise of a discretionary power. There can be no guarantee that we will be able to obtain or maintain all necessary licenses and permits that may be required to continue to operate our current undertakings, explore and develop properties or commence construction or operation of mining facilities and properties under exploration or development. Failure to obtain new licenses and permits or successfully maintain current ones could materially adversely affect our financial condition and results of operation.

Political Risk

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

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

15. Risks and Uncertainties (continued)

Operational Risks (continued)

Political Risk (continued)

The possibility that the government may adopt substantially different policies or interpretations, which might extend to the expropriation of assets, cannot be ruled out. Political risk also includes the possibility of civil disturbances and political instability in our or neighboring countries as well as threats to the security of our mines and workforce due to political unrest, civil wars or terrorist attacks. Moreover, during the second half of 2018, armed incidents on the roads to our Mana and Boungou Mines were reported. These incidents occurred as part of an increase in similar incidents carried out by bandits or terrorists in various regions of Burkina Faso. Although there is no reason to believe that our employees or operations are targeted, criminal activities in the region may disrupt our operations, limit our ability to hire and keep qualified personnel as well as restrict our access to capital.

Title Matters

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

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

Suppliers' Risk

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

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

Integration of Acquired Business

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

Competition

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

Qualified and Key Personnel

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

Labour and Employment Relations

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

15. Risks and Uncertainties (continued)

Operational Risks (continued)

Environmental Risks, Hazards and Costs

All phases of our operations are subject to environmental regulation. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. Environmental hazards which are unknown to us at present and which have been caused by previous or existing owners or operations of the properties may exist on our properties. Failure to comply with applicable environmental laws and regulations may result in enforcement actions and may include corrective measures that require capital expenditures or remedial actions. There is no assurance that future changes in environmental laws and regulations and permits governing operations and activities of mining companies, if any, will not materially adversely affect our financial condition and results of operations.

Mining production involves the use of sodium cyanide, which is a toxic material. Should sodium cyanide leak or otherwise be discharged from the containment system, we may become subject to liability for clean-up work that may not be insured. While all steps have been taken to prevent discharges of pollutants into ground water and the environment, we may become subject to liability for hazards that may also not be insured.

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

Insufficient Insurance

While we may obtain insurance against certain risks in such amounts as we consider adequate, available insurance may not cover all the potential risks associated with mining company operations. We may also be unable to maintain insurance to cover insurable risks at economically feasible premiums, and insurance coverage may not be available in the future or may not be adequate to cover any resulting loss. Moreover, insurance covering risks such as mill sites, environmental pollution, waste disposal or other hazards as a result of exploration and production is not generally available to gold mining companies on acceptable terms. The potential costs which may be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, materially adversely affecting our financial condition and results of operation.

Resource Nationalism

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

Relations with Surrounding Communities

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

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

Reliance on Information Technology Systems

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

15. Risks and Uncertainties (continued)

Operational Risks (continued)

Cybersecurity Threats

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

Litigation

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

Anti-corruption Laws

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

16. Information on Outstanding Shares

As at May 7, 2019, our share capital comprised 333,117,705 common shares issued and outstanding.

We have two stock option plans for our employees, officers, consultants and directors and those of our subsidiaries: the Share Option Plan ("Original Plan") and the 2010 Share Option Plan ("2010 Plan"). Since the adoption of the 2010 Plan by our shareholders at the 2010 Annual General and Special Shareholders' Meeting, no options have been granted under the Original Plan and no options have been granted under the 2010 Plan since January 24, 2014.

The plans provide for the grant of non-transferable options for the purchase of common shares. As at May 7, 2019, stock options allowing holders to purchase 1,115,000 common shares were outstanding.

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

Disclosure Controls and Procedures

Our President and Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed disclosure controls and procedures ("DC&P"), or caused to be designed under their supervision to provide reasonable assurance that:

i) Material information relating to our Corporation is made known to us by others, particularly during the period in which the interim filings are being prepared; and

ii) Information required to be disclosed by us in our annual filings, interim filings or other reports filed or submitted by us under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Control over Financial Reporting

Our CEO and CFO are responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no changes in our ICFR during the period beginning on January 1, 2019 and ended on March 31, 2019 which have materially affected or are reasonably likely to materially affect our ICFR.

Limitations of DC&P and ICFR

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

18. Quarterly Information

	2019	2018				2017		
CONSOLIDATED	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Operating Data								
Gold ounces produced[1]	102,400	95,200	58,200	45,700	45,500	49,500	53,900	47,600
Gold ounces sold[1]	106,100	92,900	50,500	45,100	46,900	49,200	54,500	46,900
Results								
(in thousands of dollars, except for amounts per share)								
Revenues – Gold sales[1]	138,541	114,692	60,772	58,517	62,698	62,960	69,832	59,315
Operating income (loss)	40,359	21,431	4,513	(7,558)	(8,065)	2,215	11,819	(755)
Net income (loss)	21,122	8,281	879	(11,113)	(4,900)	2,792	13,807	9,348
Attributable to:								
- Shareholders of the Corporation	17,666	6,486	463	(10,431)	(4,710)	1,649	12,224	8,854
- Non-controlling interests	3,456	1,795	416	(682)	(190)	1,143	1,583	494
Basic earnings (loss) per share	0.05	0.02	—	(0.03)	(0.01)	0.01	0.04	0.03
Diluted earnings (loss) per share	0.05	0.02	—	(0.03)	(0.01)	0.01	0.04	0.03
Cash flows from operating activities[2]	78,980	54,932	21,041	15,839	18,391	25,409	34,853	23,614
Statistics (in dollars)								
Average realized selling price (per ounce)	1,306	1,234	1,205	1,298	1,336	1,278	1,282	1,265
Total cash cost (per ounce sold)[3]	484	559	670	858	848	667	557	703
All-in sustaining cost (per ounce sold)[3]	745	782	1,000	1,103	1,083	982	841	1,074
BOUNGOU								
Operating Data								
Ore mined (tonnes)	280,000	438,100	130,200	N/A	N/A	N/A	N/A	N/A
Tonnes processed (tonnes)	308,700	276,800	91,300	N/A	N/A	N/A	N/A	N/A
Head grade (g/t)	6.50	6.34	3.96	N/A	N/A	N/A	N/A	N/A
Recovery (%)	96	94	90	N/A	N/A	N/A	N/A	N/A
Gold ounces produced[1]	61,900	53,100	10,500	N/A	N/A	N/A	N/A	N/A
Gold ounces sold[1]	64,700	50,100	4,200	N/A	N/A	N/A	N/A	N/A
Financial Data (in thousands of dollars)								
Revenues – Gold sales[1]	84,492	61,957	5,009	N/A	N/A	N/A	N/A	N/A
Mining operations expenses (excluding government royalties)	17,070	16,513	2,051	N/A	N/A	N/A	N/A	N/A
Government royalties and development taxes	4,724	3,097	241	N/A	N/A	N/A	N/A	N/A
Depreciation of property, plant and equipment	24,948	19,893	1,849	N/A	N/A	N/A	N/A	N/A
General and administrative	217	153	33	N/A	N/A	N/A	N/A	N/A
Corporate social responsibility expenses	82	175	156	N/A	N/A	N/A	N/A	N/A
Segment Operating Income	37,451	22,126	679	N/A	N/A	N/A	N/A	N/A
Statistics (in dollars)								
Average selling price (per ounce)	1,306	1,236	1,203	N/A	N/A	N/A	N/A	N/A
Cash operating cost (per tonne processed)[3]	53	56	55	N/A	N/A	N/A	N/A	N/A
Total cash cost (per ounce sold)[3]	337	391	550	N/A	N/A	N/A	N/A	N/A
All-in sustaining cost (per ounce sold)[3]	534	579	807	N/A	N/A	N/A	N/A	N/A
Depreciation (per ounce sold)[4]	386	397	444	N/A	N/A	N/A	N/A	N/A

1 Gold ounces produced exclude pre-commercial production of 12,000 ounces from Boungou in 2018. Gold sales exclude sales resulting from pre-production activities that were offset against capitalized construction costs and amounted to $14,994,000.

2 Cash flows from operating activities exclude changes in non-cash working capital items and are a non-IFRS performance measure.

3 Cash operating cost, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A, note 19.

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

18. Quarterly Information (continued)

	2019	2018				2017		
MANA	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Operating Data								
Ore mined (tonnes)	408,100	625,900	413,300	478,200	592,300	768,800	516,700	503,200
Tonnes processed (tonnes)	640,200	636,300	649,100	636,800	651,700	653,500	679,100	675,500
Head grade (g/t)	2.27	2.36	2.50	2.30	2.24	2.43	2.55	2.31
Recovery (%)	87	87	92	96	97	97	97	95
Gold ounces produced	40,500	42,100	47,700	45,700	45,500	49,500	53,900	47,600
Gold ounces sold	41,400	42,800	46,300	45,100	46,900	49,200	54,500	46,900
Financial Data (in thousands of dollars)								
Revenues – Gold sales	54,049	52,735	55,763	58,517	62,698	62,960	69,832	59,315
Mining operations expenses (excluding government royalties)	27,182	30,222	29,257	36,139	36,634	30,112	27,329	30,573
Government royalties	2,429	2,118	2,253	2,540	3,144	2,714	3,011	2,389
Depreciation of property, plant and equipment	14,531	17,216	16,590	22,488	25,332	22,643	21,831	24,705
General and administrative	543	662	639	699	635	697	686	626
Corporate social responsibility expenses	275	90	444	212	185	262	302	57
Segment Operating Income (Loss)	9,089	2,427	6,580	(3,561)	(3,232)	6,532	16,673	965
Statistics (in dollars)								
Average realized selling price (per ounce)	1,306	1,231	1,205	1,298	1,336	1,278	1,282	1,265
Cash operating cost (per tonne processed)[1]	41	49	46	56	54	47	42	43
Total cash cost (per ounce sold)[1]	715	756	681	858	848	667	557	703
All-in sustaining cost (per ounce sold)[1]	1,075	1,021	1,017	1,103	1,083	982	841	1,074
Depreciation (per ounce sold)[2]	351	402	358	499	540	460	401	527

[1] Cash operating cost, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A, note 19.

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

19. Non-IFRS Financial Performance Measures

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

Cash Operating Cost

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

	Three-month period ended March 31,		
		2019	2018
	Boungou	Mana	Mana
Per tonne processed			
Tonnes of ore processed	308,700	640,200	651,700
(in thousands of dollars except per tonne)			
Mining operation expenses (relating to ounces sold)	21,794	29,611	39,778
Government royalties, development taxes and selling expenses	(4,948)	(2,560)	(3,302)
Effects of inventory adjustments (doré bars and gold in circuit)	(572)	(746)	(993)
Operating costs (relating to tonnes processed)	16,274	26,305	35,483
Cash operating cost (per tonne processed)	**53**	**41**	54

Cash Operating Cost, including stripping

	Three-month period ended March 31,		
		2019	2018
	Boungou	Mana	Mana
Per tonne processed			
Tonnes of ore processed	308,700	640,200	651,700
(in thousands of dollars except per tonne)			
Stripping cost	10,749	12,577	8,697
Stripping cost (per tonne processed)	35	20	13
Cash operating cost (per tonne processed)	53	41	54
Cash operating cost, including stripping (per tonne processed)	**88**	**61**	67

Total Cash Cost

	Three-month period ended March 31,			
			2019	2018
	Boungou	Mana	Total	Mana
Per ounce sold				
Gold ounce sold	64,700	41,400	106,100	46,900
(in thousands of dollars except per ounce)				
Mining operation expenses	21,794	29,611	51,405	39,778
Total cash cost (per ounce sold)	**337**	**715**	**484**	848

19. Non-IFRS Financial Performance Measures (Continued)

All-in Sustaining Cost

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

			Three-month period ended March 31,	
	Boungou	Mana	2019 Total	2018 Mana
Per ounce sold				
Gold ounce sold	64,700	41,400	106,100	46,900
(in thousands of dollars except per ounce)				
Sustaining capital expenditure	12,778	14,899	27,677	11,001
Sustaining capital expenditure (per ounce sold)	197	360	261	235
Total cash cost (per ounce sold)	337	715	484	848
All-in sustaining cost (per ounce sold)	**534**	**1,075**	**745**	1,083

Operating Cash Flows per Share

	Three-month period ended March 31,	
	2019	2018
(in thousands of dollars except per share)		
Cash flows from operating activities[1]	78,980	18,391
Weighted average number of outstanding common shares - Basic	325,644	325,062
Operating cash flows per share	**0.24**	0.06

Adjusted Accounting Measures

	Three-month period ended March 31,	
	2019	2018
(in thousands of dollars except per share)		
Net income (loss) attributable to shareholders of the Corporation as per IFRS	17,666	(4,710)
Foreign exchange loss (gain)	496	(428)
Tax effect of currency translation on tax base	2,855	(1,507)
Share-based compensation recovery related to change in the fair value of the share price	1,615	97
Adjusted net income (loss) attributable to shareholders of the Corporation	**22,632**	(6,548)
Weighted average number of outstanding shares	325,644	325,062
Adjusted basic earnings (loss) per share	**0.07**	(0.02)

	Three-month period ended March 31,	
	2019	2018
(in thousands)	$	$
Operating income (loss) as per IFRS	40,359	(8,065)
Share-based compensation expense related to change in the fair value of the share price	1,615	97
Adjusted operating income (loss)	**41,974**	(7,968)

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

20. Additional Information and Continuous Disclosure

This MD&A has been prepared as of May 7, 2019. Additional information on us is available through regular filings of press releases, financial statements and our Annual Information Form on SEDAR (www.sedar.com). These documents and other information about SEMAFO may also be found on our web site at www.semafo.com.

21. Forward-Looking Statements

This MD&A contains forward-looking statements. All statements other than statements of present or historical facts are forward-looking. Forward-looking statements involve known and unknown risks, uncertainties and assumptions and accordingly, actual results and future events could differ materially from those expressed or implied in such statements. You are hence cautioned not to place undue reliance on forward-looking statements. These forward-looking statements include statements regarding our expectations as to the market price of gold, production targets, timetables, mining operation expenses, capital expenditures and mineral reserves and resources estimates. Forward-looking statements include words or expressions such as "committed", "building", "leveraging", "development", "outlook", "strategy", "forecast", "expect", "initial", "will", "goal", "timeline", "encouraging" and other similar words or expressions. Factors that could cause future results or events to differ materially from current expectations expressed or implied by the forward-looking statements include the ability to (i) build value through responsible mining and leverage our development pipeline, (ii) meet our 2019 general and administrative expense forecast of $16 million, (iii) attain our 2019 consolidated guidance of between 390,000 and 430,000 ounces of gold at an all-in sustaining cost of between $685 and $735 per ounce, including the guidance for each of our Mana Mine and our Boungou Mine, (iv) meet our 2019 initial exploration budget, (v) develop the Siou Underground on-time and on-budget, (vi) reach full production at the Siou Underground in the first quarter of 2020, (vii) obtain the Siou Underground permit shortly, (viii) release exploration results from Bantou in early June, the accuracy of our assumptions, fluctuation in the price of currencies, gold prices and operating costs, mining industry risks, uncertainty as to calculation of mineral reserves and resources, delays, political and social stability in Africa (including our ability to maintain or renew licenses and permits) and other risks described in SEMAFO's documents filed with Canadian securities regulatory authorities. You can find further information with respect to these and other risks in filings made with the Canadian securities regulatory authorities and available at www.sedar.com. These documents are also available on our website at www.semafo.com. We disclaim any obligation to update or revise these forward-looking statements, except as required by applicable law.

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.

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Interim Consolidated Statements of Financial Position

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

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.

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

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).

9. 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	Rolling stock, communi-cation 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.

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

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.

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.

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**

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.

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

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.

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)

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.


Mana Mine

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