

**2019**



INTERNATIONAL EXPERTISE<sup>®</sup>  
HUMAN ADVOCACY

# ANNUAL REPORT





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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 March 3, 2020, is intended to complement and supplement our Annual Audited Consolidated Financial Statements (the "financial statements") as at December 31, 2019 and for the year then ended. Our financial statements and this MD&A are intended to provide investors with a reasonable basis for assessing our results of operation and our financial performance.

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

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

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

## 1. Financial and Operating Highlights

The following include a 10-week shutdown at the Mana Mine and a 7-week suspension at the Boungou Mine.

Commercial production at Boungou was declared on September 1, 2018.

	2019	2018	2017
Gold ounces produced <sup>1</sup> .....	340,900	244,600	206,400
Gold ounces sold <sup>2</sup> .....	346,100	235,400	205,300
(in thousands of dollars, except amounts per ounce and per share)			
Revenues – Gold sales.....	475,750	296,679	258,993
Operating income .....	113,670	10,321	11,494
Net income (loss) attributable to shareholders of the Corporation.....	50,187	(8,192)	20,036
Basic earnings (loss) per share .....	0.15	(0.03)	0.06
Diluted earnings (loss) per share .....	0.15	(0.03)	0.06
Adjusted operating income <sup>3</sup> .....	133,382	8,494	10,659
Adjusted net income (loss) attributable to shareholders of the Corporation <sup>3</sup> .....	73,715	(4,462)	864
Per share <sup>3</sup> .....	0.22	(0.01)	—
Cash flow from operating activities before changes in non-cash working capital <sup>3</sup> .....	247,427	110,203	107,023
Per share <sup>3</sup> .....	0.75	0.34	0.33
Average realized selling price (per ounce).....	1,375	1,260	1,261
Total cash cost (per ounce sold) <sup>3</sup> .....	525	698	655
All-in sustaining cost (per ounce sold) <sup>3</sup> .....	724	951	942
Total assets.....	1,110,113	1,034,275	1,028,363
Non-current liabilities .....	116,094	142,904	180,595

<sup>1</sup> Gold ounces produced exclude pre-commercial production of 12,000 ounces from Boungou in 2018.

<sup>2</sup> Gold sales exclude those resulting from pre-production activities from Boungou in 2018 that were offset against capitalized construction costs and amounted to \$14,994,000.

<sup>3</sup> Adjusted operating income, adjusted net income (loss) attributable to shareholders of the Corporation, adjusted basic earnings (loss) per share, cash flow from operating activities before changes in non-cash working capital and 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 Measures" section of this MD&A, note 24.

## 1. Financial and Operating Highlights (continued)

The following include a 4-week shutdown at the Mana Mine and a 7-week suspension at the Boungou Mine.

### Fourth Quarter Financial and Operating Highlights

	Three-month periods ended December 31,		Variation
	2019	2018	
Gold ounces produced <sup>1</sup> .....	69,900	95,200	(27%)
Gold ounces sold <sup>2</sup> .....	68,900	92,900	(26%)
(in thousands of dollars, except amounts per ounce and per share)			
Revenues – Gold sales .....	101,923	114,692	(11%)
Operating income .....	13,539	21,431	(37%)
Net income attributable to shareholders of the Corporation .....	7,913	6,486	22%
Basic earnings per share .....	0.02	0.02	—
Diluted earnings per share .....	0.02	0.02	—
Adjusted operating income <sup>3</sup> .....	26,101	20,957	25%
Adjusted net income attributable to shareholders of the Corporation <sup>3</sup> .....	16,288	7,754	110%
Per share <sup>3</sup> .....	0.05	0.02	150%
Cash flow from operating activities before changes in non-cash working capital <sup>3</sup> .....	44,589	54,932	(19%)
Per share <sup>3</sup> .....	0.13	0.17	(24%)
Average realized selling price (per ounce) .....	1,482	1,234	20%
Total cash cost (per ounce sold) <sup>3</sup> .....	569	559	2%
All-in sustaining cost (per ounce sold) <sup>3</sup> .....	698	782	(11%)

See the "Fourth Quarter Financial and Operating Results" section of this MD&A for more details, note 22.

<sup>1</sup> Gold ounces produced exclude pre-commercial production of 12,000 ounces from Boungou in 2018.

<sup>2</sup> Gold sales exclude those resulting from pre-production activities from Boungou in 2018 that were offset against capitalized construction costs and amounted to \$14,994,000.

<sup>3</sup> Adjusted operating income, adjusted net income attributable to shareholders of the Corporation, adjusted basic earnings per share, cash flow from operating activities before changes in non-cash working capital and 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 Measures" section of this MD&A, note 24. During the fourth quarter of 2019, adjusted operating income and adjusted net income attributable to equity shareholders exclude the non-cash impairment of property, plant and equipment of \$9,259,000 mainly related to the exploration and evaluation assets of the Korhogo property, a gain of \$3,782,000 in share-based compensation related to the change in fair value of the share price and \$7,085,000 of fixed expenses incurred during shutdown and suspension period. The adjusted net income attributable to equity shareholders also excludes a foreign exchange gain of \$16,000 and a recovery of deferred tax effect of currency translation on tax base of \$4,171,000.



### 2019 - THE YEAR IN REVIEW

The following 2019 highlights include a 10-week shutdown at the Mana Mine and a 7-week suspension at the Boungou Mine. As commercial production at the Boungou Mine commenced on September 1, 2018, the comparative figures include the Mana Mine and only four months of operations from the Boungou Mine. Processing of ore at the Boungou Mine restarted in early February 2020.

- Consolidated annual gold production of 340,900 ounces, compared to 244,600 ounces for the same period in 2018, a 39% increase
- Gold sales of \$475.8 million compared to \$296.7 million for the same period in 2018
- All-in sustaining cost<sup>1</sup> of \$724 per ounce sold compared to \$951 for the same period in 2018, a 24% decrease
- Operating income of \$113.7 million compared to \$10.3 million for the same period in 2018
- Adjusted operating income<sup>1</sup> of \$133.4 million compared to \$8.5 million for the same period in 2018
- Net income attributable to shareholders of the Corporation of \$50.2 million or \$0.15 per share compared to net loss of \$8.2 million or \$0.03 of loss per share for the same period in 2018
- Adjusted net income attributable to shareholders of the Corporation<sup>1</sup> of 73.7 million or \$0.22 per share<sup>1</sup> compared to adjusted net loss of \$4.5 million or \$0.01 loss per share<sup>1</sup> for the same period in 2018
- Cash flow from operating activities before changes in non-cash working capital<sup>1</sup> of \$247.4 million or \$0.75 per share<sup>1</sup> compared to \$110.2 million or \$0.34 per share<sup>1</sup> for the same period in 2018, which represent year-over-year increase of 125%
- Successful acquisition and integration of Savary Gold's Karankasso properties to the Bantou Project
- First production from Siou underground
- Completion of a positive preliminary economic assessment ("PEA") for Nabanga with after-tax NPV of \$100 million at a \$1,300 gold price
- Inferred resources at the Bantou Project increased to 2.2 million ounces

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<sup>1</sup> All-in sustaining cost, adjusted operating income, adjusted net income (loss) attributable to shareholders of the Corporation, adjusted basic earnings (loss) per share and cash flow from operating activities before changes in non-cash working capital and 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 24.

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### FOURTH QUARTER 2019 IN REVIEW

The following fourth quarter 2019 highlights include a 4-week shutdown at the Mana Mine and a 7-week suspension at the Boungou Mine.

- Gold production of 69,900 ounces compared to 95,200 ounces for the same period in 2018
  - Gold sales of \$101.9 million compared to \$114.7 million for the same period in 2018
  - Total cash cost<sup>1</sup> of \$569 per ounce sold and all-in sustaining cost<sup>1</sup> of \$698 per ounce sold compared to \$559 and \$782, respectively, for the same period in 2018
  - Operating income of \$13.5 million compared to \$21.4 million for the same period in 2018
  - Adjusted operating income<sup>1</sup> of \$26.1 million compared to \$21.0 million for the same period in 2018
  - Net income attributable to equity shareholders of \$7.9 million or \$0.02 per share compared to \$6.5 million or \$0.02 per share for the same period in 2018
  - Adjusted net income attributable to equity shareholders<sup>1</sup> of \$16.3 million or \$0.05 per share<sup>1</sup> compared to \$7.8 million or \$0.02 per share<sup>1</sup>, for the same period in 2018
  - Cash flow from operating activities before changes in non-cash working capital<sup>1</sup> of \$44.6 million or \$0.13 per share<sup>1</sup> compared to \$54.9 million or \$0.17 per share<sup>1</sup> for the same period in 2018
  - Processing of ore at the Mana Mine resumed in early November
  - Ore from Siou underground contributed to Mana production
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<sup>1</sup> Total cash cost, all-in sustaining cost, adjusted operating income, adjusted net income attributable to equity shareholders, adjusted basic earnings per share and cash flow from operating activities before changes in non-cash working capital and 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 24.



## 2019 Objectives

## 2019 Achievements

### Deliver a solid operational performance

- Revised consolidated production guidance of 350,000-380,000 oz at an all-in sustaining cost<sup>1</sup> of \$685-\$735 per ounce

- Production of 340,900 oz at an all-in sustaining cost<sup>1</sup> of \$724 per ounce. Lower consolidated production in 2019 results from the early November suspension of Boungou operations.

### Maximize growth

- Build on Boungou ramp-up to optimize operational performance and boost free cash flow
- Complete development of Siou underground on time and on budget
- Produce first ore from Siou underground by year-end
- Exploration budget of \$32.0 million
- Position the Bantou Project for delivery of inferred mineral resources of between 2.5 million and 3.0 million oz by 2020 year-end
- Explore the Boungou Project, the Mana Sector and other properties
- Support communities in regions where we are present and offer improved quality of life

- Through the contribution of Boungou, production increased 39% to 340,900 ounces and cash flow from operating activities before changes in non-cash working capital<sup>1</sup> grew to \$247.4 million
- Development completed on time and on budget with \$53.8 million incurred
- Ore from Siou underground contributed to Mana production in the fourth quarter
- Spent \$25.7 million on exploration programs to add resources
- Acquired Savary Gold Corporation to consolidate the Bantou sector
- Discovered Bantou Nord in 2019
- Increased inferred mineral resources to 2.2 million ounces by year end 2019
- Drill program discovered structures parallel to Boungou that could offer near-pit resources
- Delivered a Nabanga PEA with an after-tax NPV of \$100 million and upside potential
- Invested \$1.5 million in Compass Gold Corp. to advance exploration efforts at its properties in Mali
- Paid \$2.9 million in community development tax, representing 1% of Boungou revenue
- At Boungou, trained moderators in soil fertilization using ECOSAN produce
- Supported market gardening at Mana by setting up a water-retention pond and 3 animal farming projects for women
- Launch of the Foundation's activities close to the Bantou deposit through construction of water boreholes

### Optimize and improve efficiencies

- By increasing operational efficiencies at Mana
- By increasing operational efficiencies at Boungou
- By maintaining G&A expense at \$16.0 million
- By maintaining an injury frequency rate of 2.0 at Mana and Boungou operations, per 200,000 man-hours

- Improved tyre life performance through increased garage monitoring and enhanced road conditions
- Boosted mill output by 8% due to implementation of control loops and better mine-to-mill synergy in order to optimize blast grain size
- Reduced value of inventory levels by 11% through tighter stock management
- Installed new SAG liners design to improve daily performance
- G&A expense totalled \$16.8 million with the increase mainly due to the Canadian exchange rate
- Achieved work injury frequency rate of 1.51 at Mana
- Achieved work injury frequency rate of 0.51 at Boungou

<sup>1</sup> All-in-sustaining cost and cash flow from operating activities before changes in non-cash working capital are a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A, note 24.

## 2. 2020 Outlook and Strategy<sup>1</sup>

In 2020, our goal is to ensure smooth operations at our mines to enable us to leverage gold price strength. At Mana, we expect to increase cash flow through access to higher-grade ore from Siou underground and Siou open pit. We have adopted a phased approach to Boungou operations in the year that is contingent on the government enhancing security in the region. On the exploration front, our focus remains on investigating promising near-mine results at Boungou, following up review targets in the Siou sector and expanding Bantou resources to between 2.5 and 3 million ounces by 2020 year-end.

### 2020 Outlook

	Mana	Boungou (Feb - April)	Boungou (May - Dec.)	Boungou Total	Consolidated
Gold production ('000 oz) .....	185 - 205	42 - 46	88 - 104	130 - 150	315 - 355
All-in sustaining cost <sup>2</sup> ("AISC") (\$/oz).....	1,050 - 1,120	530 - 560	745 - 795	680 - 725	895 - 960
<b>Capital Expenditure (included in AISC) (in millions of \$)</b>					
Sustaining .....	6	—	3	3	9
Siou underground .....	14	—	—	—	14
Stripping.....	50	—	7	7	57
	70	—	10	10	80
<b>Non-recurring Development Expenditure (not included in AISC) (in millions of \$)</b>					
Air strip & security.....	2	1	2	3	5
	72	1	12	13	85

The general and administrative expense for 2020 has been forecast at \$17 million.

### Assumptions

A number of assumptions were made in preparing the 2020 guidance, including:

- Price of gold: \$1,500 US per ounce
- Price of fuel: \$1.19 US per litre for Light Fuel Oil ("LFO")  
\$0.75 US per litre for Heavy Fuel Oil ("HFO")
- Exchange rate: \$0.77 US to the Canadian dollar
- Exchange rate: \$1.12 US to the Euro

<sup>1</sup> This section contains forward-looking statements. For more information on forward-looking statements, see note 26.

<sup>2</sup> 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 24.



## 2. 2020 Outlook and Strategy<sup>1</sup>(continued)

### Operations

#### Boungou

In early February 2020, the Boungou plant restarted, and processing of the stockpile began. We are taking a measured approach to Boungou in 2020 involving a phased plan. The initial three-month phase contemplates processing the stockpile and utilizing the on-site supplies inventory with limited deliveries of new supplies. During this period, we expect production to reach between 42,000 and 46,000 ounces at an AISC of between \$530 and \$560 per ounce.

As part of our phased plan, employees and contractors who were previously travelling on the public road are being transported by air between Fada and Boungou and lodged at the mine site. Currently, we are utilizing a 10-person helicopter. When construction of the airstrip has been completed, we anticipate transitioning to an airplane.

Our phased plan foresees a restart of mining in the fourth quarter while continuing to process stockpiles. The current stockpile holds 1.1 million tonnes at an average grade of 3.4 g/t Au, representing approximately ten months of mill feed. However, we need the government to improve security on the public road and in the surrounding region in order to increase the frequency of deliveries required to operate after the initial three months. We are in discussions with the authorities regarding the necessary security plan. We are also in discussions with mining contractors to replace African Mining Services at Boungou by the fourth quarter.

Although some aspects of the Boungou 2020 plan are within our control, others require support from the government and from our existing contractors and suppliers.

#### Mana

In the year, the Mana mill should process approximately 2.3 million tonnes at an average grade of 3.0 g/t Au, with an average gold recovery rate of 91%. Approximately 600,000 tonnes of ore will be extracted from Siou underground at an average grade of 5.5 g/t Au, and approximately 1.4 million tonnes from the Siou and Wona open pits at an average grade of 2.5 g/t Au. The remaining balance will be sourced from stockpiles and low-grade material. We continue to expect to reach full production at Siou underground in the first quarter of 2020.

### 2020 Exploration

An initial exploration budget of \$7 million has been set for 2020 on our three priority properties - Bantou (\$4 million), Mana (\$2 million) and Boungou (\$1 million).

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<sup>1</sup> This section contains forward-looking statements. For more information on forward-looking statements, see note 26.

### 3. Key Economic Factors

#### Price of Gold

During the year ended December 31, 2019, the price of gold, based on the London Gold Fix PM, fluctuated from a high of \$1,546 to a low of \$1,270 per ounce. The average market gold price in the year ended December 31, 2019 was \$1,392 per ounce compared to \$1,268 per ounce in 2018, representing an increase of \$124.

	2019					2018
	Q4	Q3	Q2	Q1	Year	Year
(in dollars per ounce)						
Average London Gold Fix.....	1,481	1,472	1,309	1,304	1,392	1,268
Average realized selling price (consolidated) .....	1,482	1,466	1,313	1,306	1,375	1,260

#### 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 year ended December 31, 2019 compared to \$71 per barrel 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					2018
	Q4	Q3	Q2	Q1	Year	Year
	(in \$)	(in \$)	(in \$)	(in \$)	(in \$)	(in \$)
LFO fuel (per litre) .....	1.16	1.14	1.18	1.18	1.19	1.12
HFO fuel (per litre).....	0.75	0.75	0.78	0.76	0.76	0.74

#### Foreign Currencies

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

During the year ended December 31, 2019, the US dollar was stronger relative to the Euro compared to 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<sup>1</sup>.

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
June 30 (closing).....	1.3086	1.3128	0.8791	0.8557
September 30 (closing) .....	1.3240	1.2895	0.9160	0.8615
December 31 (closing) .....	1.3016	1.3630	0.8915	0.8737
First quarter (average).....	1.3282	1.2646	0.8801	0.8139
Second quarter (average) .....	1.3384	1.2915	0.8897	0.8387
Third quarter (average) .....	1.3199	1.3076	0.8990	0.8606
Fourth quarter (average) .....	1.3193	1.3202	0.9026	0.8759
Year (average).....	1.3265	1.2960	0.8929	0.8473

<sup>1</sup> 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 24.



## 4. Exploration Programs

### Kongolokoro (Houndé Greenstone Belt Permits)

#### Bantou

The Bantou Project includes Bantou Nord, Bantou Zone and the Karankasso Zones, located some 170 kilometers south of Mana, along the prolific Houndé Greenstone Belt in Burkina Faso. On February 24, 2020, the Corporation announced that inferred mineral resources on the Bantou Project had increased to 2.2 million ounces of gold as of year-end 2019. A total of 1.2 million drill-bit ounces was added in 2019 complementing the 0.7 million ounces added through the tuck-in acquisition of Savary Gold's Karankasso properties.

#### Highlights

##### Bantou Zone

- Inferred mineral resource estimate of 2.2M oz representing 51 Mt at an average grade of 1.37 g/t Au
- The largest deposit, Bantou Nord, was discovered in 2019 and totals 1.1M oz of pit-constrained inferred resources, representing 36.1Mt at 0.95 g/t Au with a pit-shell strip ratio of 1:1
- Bantou deposit, in addition to 282,000 ounces of inferred open-pit resources, includes 152,000 ounces of underground inferred resources grading 6.66 g/t Au at a cut-off grade of 2.00 g/t Au and remains open at depth
- Fourth-quarter discovery of Tiébi returned 14.63 g/t Au over 21 meters, offering potential for additional resources

#### Resource Overview

The inferred resource comprises two main areas. As shown in Table 1, the majority of the tonnes and ounces are centered around the Bantou and Bantou Nord Zones. The Bantou Nord Zone is located 1.5 kilometers north of the Bantou Zone with the remaining Karankasso Zones (referred to in Table 1 as "Others") located 15-30 kilometers from the main zones. The Bantou Nord resource is pit-constrained and although it has the lowest grade, its low 1:1 strip ratio would enhance the economics of the project. Sixty-five percent of the Bantou Zone resource is pit-constrained, and the remaining resource was estimated using a cut-off grade of 2 g/t Au below the pit. The Bantou Zone remains open at depth and offers potential for expansion of additional underground resources.

Table 1 - Bantou Resource by Zone

Zone	Tons (Mt)	Grade (g/t Au)	'000 oz Au
<b>Bantou Nord</b>	36.11	0.95	1,101
<b>Bantou</b>	2.26	5.98	434
<b>Others</b>	12.74	1.73	709
<b>Total*</b>	<b>51.11</b>	<b>1.37</b>	<b>2,245</b>

\*Total may not add up due to rounding errors.

#### Bantou Geology

The current resource estimate covers three groups of deposits, namely Bantou, Bantou Nord, and Karankasso. The Bantou Zone is centered on a banded iron formation and a cherty horizon deposited between intermediate volcanic sequences. The mineralization is considered bimodal with a primary stratiform type found in the magnetite-pyrite bands alternating with the silicic layers. A later mineralization possibly related to orogenic episodes is hosted by a chert horizon in the footwall where the lower and upper portions have been fractured, opening conduits where mineralizing fluids circulated and deposited the gold.

Although located 1.5 kilometers from the Bantou Zone, Bantou Nord is very different as its mineralization is associated with a very fine disseminated pyrite spread over a 300-meter by 250-meter area. The mineralization shows no deformation and/or hydrothermal alteration typical of orogenic styles. It is considered a synvolcanic gold mineralized zone affecting both a series of felsic dykes and sills and the intermediate volcanics that they intrude.

## 4. Exploration Programs (continued)

### Kongolokoro (Houndé Greenstone Belt Permits) (continued)

#### Bantou (continued)

#### Bantou Geology (continued)

Finally, the mineralization at the Karankasso Zones is similar in origin for all the occurrences and associated with quartz-vein development in sheared, folded, sericitized, silicified and carbonatized volcanics, and/or sediments. When present, felsic dykes are commonly sheared, foliated or fractured and spatially associated with the mineralization. The Karankasso Zones are considered typical orogenic style deposits located along a regional deformation zone flanking the western limit of the Houndé Belt, which also hosts the Wona-Kona deposit at our Mana property to the north.

#### Overview of Q4 2019 Bantou Exploration

In view of the early success in discovering Bantou Nord, the first nine months of 2019 were dedicated to developing the resources at Bantou and Bantou Nord. In the fourth quarter, the focus moved to areas outside the existing resources. Highlights of best results obtained in the fourth quarter are shown below in Table 2.

Table 2 - Highlights from Bantou Q4 2019 Exploration\*

Hole No.	From (m)	To (m)	Length (m)	Au (g/t)	Zone
KARC19-0127	63	84	21	14.63	Tiébi
KARC19-0136	29	37	8	1.31	Tiébi Ouest
KARC19-0136	84	86	2	5.42	Tiébi Ouest
KARC19-0162	25	29	4	1.14	Tiébi Ouest
KRC19-0531	87	91	4	2.52	Bantou Est
KRC19-0538	132	136	4	1.92	Bantou Est
KRC19-0538	158	161	3	3.04	Bantou Est
KRC19-0632	124	127	3	1.65	Bantou NW
KRC19-0634	56	60	4	2.00	Bantou NW

\*All assays are uncut. Lengths are core lengths. True widths remain undetermined.



## 4. Exploration Programs (continued)

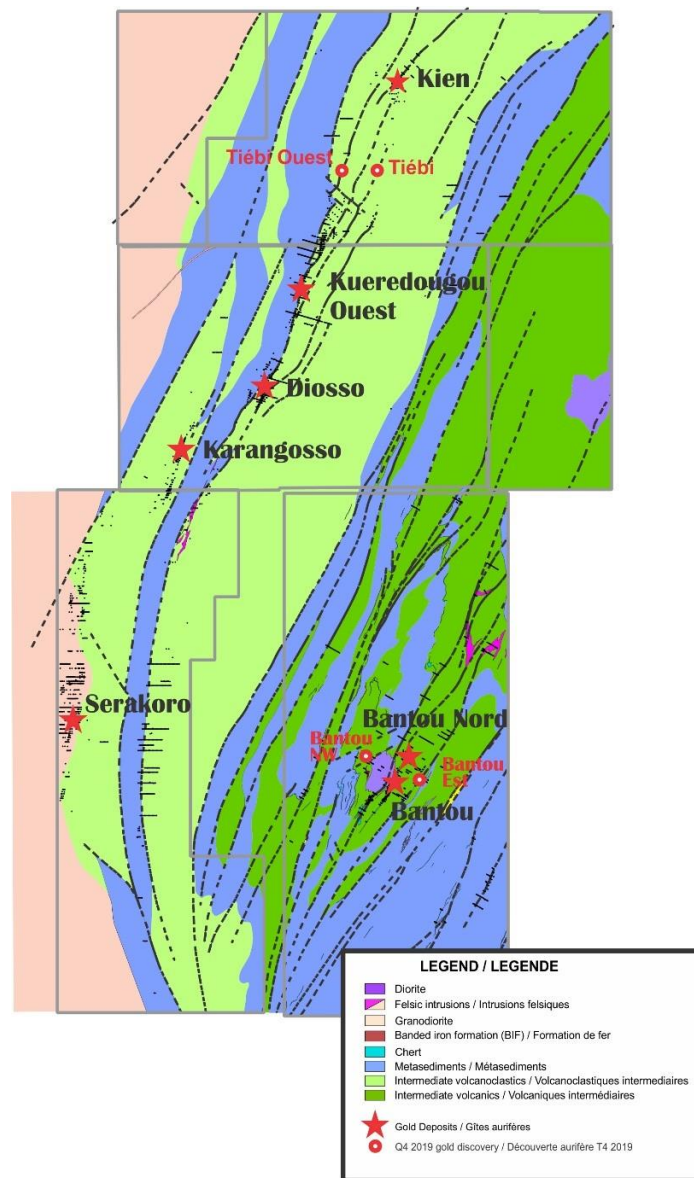
### Kongolokoro (Houndé Greenstone Belt Permits) (continued)

#### Bantou (continued)

#### Overview of Q4 2019 Bantou Exploration (continued)

Figure 1 shows the locations of the Bantou Project deposits and recently discovered mineralized zones. Tiébi is located 4 kilometers northeast of the Kuereougou Ouest deposit along what appears to be a splay of the main regional structure hosting the Karankasso deposits. Mineralization is hosted in a strongly silicified-sericitized, sheared volcanosediment and felsic intrusives zone, mineralized with varying amounts of disseminated pyrite. Hole KARC19-0127 (14.6 g/t Au over 21 meters) represents the last easternmost hole of the section and will be followed up on in 2020. This section was the only drilling completed on this interpreted splay over a strike length of more than 3 kilometers.

Figure 1 - Deposit Location Map for Bantou Project



## 4. Exploration Programs (continued)

### Kongolokoro (Houndé Greenstone Belt Permits) (continued)

#### Bantou (continued)

##### 2020 Program<sup>1</sup>

At Bantou, the initial \$4-million exploration program will involve a 19,300-meter drill program that is a continuation of last year's program on the properties and designed to test prospective areas outside of the existing resources. We remain committed to our resource goal of 2.5 - 3.0 million ounces by the end of 2020.

This initial budget is likely to increase as the exploration program moves outside the existing zones and follows up interesting intersections like 14.6 g/t Au over 21 meters at Tiébi.

### Tapoa (Boungou Mine)

Drilling during the year totaled 25,093 meters in 225 holes, mostly dedicated to the Boungou Nord sector, exploring near-surface splays of the Boungou Shear Zone. In addition, a total of 1,898 auger holes were completed in the Boungou Nord area to better define existing soil sampling anomalies.

Significant results were obtained in the area, particularly in the fourth quarter, that demonstrate the potential for outlining significant resources to enhance the future mine plan. Compilation of results is underway with the objective of isolating potential areas for near-surface resource estimation.

Hole No.	From (m)	To (m)	Length (m)	Au (g/t)
TPA1837	32	45	13	1.57
TPA1841	36	45	9	1.93
TPA1848	47	57	10	1.06
TPA1849	28	32	4	7.48
TPA1860	89	94	5	3.75
TPA1865	76	95	19	1.72
TPA1866	94	99	5	4.54
TPA1866	116	121	5	6.32
TPA1869	43	47	4	18.06
TPA1883	55	62	7	2.11
TPA1936	108	118	10	1.22
TPA1937	19	24	5	6.79

##### 2020 Program<sup>1</sup>

The \$1-million exploration program at Boungou for 2020 comprises 3,000 meters of RC drilling and has the objective of identifying new near-mine resources. Expansion of the program is contingent on an improvement in regional security. Starting in the second quarter, the RC program will follow up last year's suspended work.

### Mana Project

#### Mana - Siou

In 2019, a total of 158 holes (19,197 meters) were completed at Mana, primarily at Pompoi and Fofina Sud. A total of 3,492 auger holes had been completed earlier in the year at Pompoi prior to the RC drilling.

At Pompoi, results were disappointing due to the few local anomalous gold values obtained. Although most auger anomalies are explained by anomalous results, the holes failed to return significant gold mineralization.

<sup>1</sup> This section contains forward-looking statements. For more information on forward-looking statements, see note 26.

## 4. Exploration Programs (continued)

### Mana Project (continued)

#### Mana - Siou (continued)

At Fofina Sud, a follow-up program of four lines at 50-meter spacing was completed to assess the extension of the mineralization. Drilling covers a strike length of 250 meters. As shown in the highlight table, significant mineralization was obtained on every section and the zone remains open along strike and at depth. Saprolite is exceptionally thick in this area reaching up to 80 meters vertically.

Hole No.	Section	From (m)	To (m)	Length (m)	Au (g/t)
MRC19-5269	1 309 400N	73	77	4	2.28
MRC19-5270	1 309 400N	44	49	5	1.82
MRC19-5272	1 309 400N	52	57	5	1.58
MRC19-5275	3 309 450N	20	27	7	2.72
MRC19-5276	1 309 500N	69	76	7	2.09
MRC19-5277	1 309 500N	32	37	5	1.79
MRC19-5278	1 309 500N	7	13	6	1.04
MRC19-5282	1 309 550N	44	47	3	4.70
MRC19-5283	1 309 550N	16	30	14	1.25
MRC19-5287	1 309 600N	32	38	6	3.22

Further drilling will be required to close off the zone and establish a preliminary resource estimation. Given its location within trucking distance from the Mana Mill, this zone could offer flexibility to the operation once an economic assessment is completed.

#### 2020 Program<sup>1</sup>

At Mana, a \$2-million budget has been established to follow up targets identified by the geologic review carried out by an external consulting firm last year. The bulk of the 3,800-meter RC drill campaign will be carried out on three different areas around Siou. We will also be conducting an underground drill program to test if the mineralization extends at depth below the existing underground reserves.

### Yactibo (Nabanga Project)

#### Nabanga

On September 30, 2019, the Corporation announced positive results from the PEA<sup>2</sup> on Nabanga.

#### Highlights

- Pre-tax NPV of \$147 million and after-tax NPV of \$100 million, using a 5% discount rate
- Life of Mine ("LoM") gold production of 571,000 ounces at all-in sustaining cost of \$760/oz and a gold recovery of 92% during the 8 years of operations
  - Over the LoM, combined open-pit and underground production is estimated at 2.98 million tonnes at an average grade of 6.47 g/t Au for 626,000 ounces of gold
- Pre-production capital expenditure of \$84 million, including 20% contingency, and \$56 million in LoM sustaining capital
- Project economics (base case at \$1,300/oz gold price):
  - After-tax 5% NPV: \$100 million
  - After-tax IRR: 22.6%
  - Payback period: 4.4 years
- Preferred mining method - open-pit/ underground mining on the upper and at-depth portions of the ore zone, respectively
- Opportunities exist to improve returns through an increase in resources and additional cost saving measures in the mining operations and development

<sup>1</sup> This section contains forward-looking statements. For more information on forward-looking statements, see note 26.

<sup>2</sup> The PEA is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no guarantee that inferred resources can be converted to indicated or measured resources and as such, there is no certainty that the PEA will be realized. The PEA was conducted by DRA Met-Chem. Patrick Moryoussef, Eng., Vice-President, Mining Operations, SEMAFO and Qualified Person, as defined by National Instrument 43-101. The PEA is based on the Nabanga resource estimate as of December 31, 2018 as announced on February 20, 2019.

## 4. Exploration Programs (continued)

### Yactibo (Nabanga Project) (continued)

#### **Nabanga** (continued)

##### Mineral Resources

The PEA is based on mineral resources estimated on December 31, 2018 for the Nabanga deposit.

Category		Tonnes Mt	Au g/t	Ounces K oz
Inferred resources		3.4	7.7	840

\* Nabanga mineral resources are reported above a cut-off grade of 3.0 g/t Au.

##### Exploration Potential

On the exploration front, the Nabanga deposit remains open to the north and many of the ore shoots are open at depth. Hole NADD18 0005, drilled on the northernmost section, to date returned 5.17 g/t Au over 3.4 meters along the plunge direction, confirming the continuity of the mineralized shoot. In addition, the remainder of the 800-km<sup>2</sup> property is largely underexplored with many untested soil and auger anomalies within trucking distance of the deposit. More specifically, auger drilling carried out in 2019 within a 10-kilometer radius of the deposit identified gold geochemical anomalies that could offer proximal satellite zones of gold mineralization.

A technical report for the PEA prepared in accordance with National Instrument 43-101 was filed at [www.sedar.com](http://www.sedar.com) within 45 days of the announcement. The Nabanga PEA is not and shall not be deemed incorporated by reference in this MD&A.

### Korhogo Ouest, Côte d'Ivoire

A total of 1,235 holes of auger drilling and 2,806 meters of trenching were completed on the Korhogo property in Côte d'Ivoire during the year. Although we continue to believe in the potential of the Korhogo Property, our exploration strategy is to focus on more advanced exploration projects, particularly the Bantou Project. Consequently, we have initiated discussions with interested parties to develop the potential of the Korhogo property externally.

During the year ended December 31, 2019, the Corporation recorded an impairment loss of \$9,259,000 (2018: nil), mainly related to its Korhogo property, previously capitalized as "exploration and evaluation assets" within "property, plant and equipment". Consequently, the exploration rights costs and capitalized exploration and evaluation expenses for this property have been written off within the "other exploration" segment and have been included as "impairment of PPE" in the consolidated statement of income (loss).



## **5. 2019 Reserves and Resources**

### **Reserves & Resources - Overview as at December 31, 2019**

- Total proven and probable mineral reserves stood at 2.6 million ounces
- Measured and indicated mineral resources grew to 49.4 million tonnes averaging 2.08 g/t Au for 3.3 million ounces
- Inferred resources totaled 4 million ounces, representing an 86% increase compared to year-end 2018

All mineral resources reported are exclusive of mineral reserves.

Mineral reserves and resources at Mana and at Tapoa (Boungou Project) were estimated using a gold price of \$1,200 and \$1,400 per ounce, respectively. As at December 31, 2019 the reserves stood at 2.6 million ounces compared to 2.9 million ounces for the same period in 2018. The slight decrease is due to depletion as we produced 340,900 ounces of gold in 2019.

#### **Tapoa (Boungou Project)**

Total proven and probable reserves at the Boungou Project were 10.3 million tonnes averaging 3.72 g/t Au for 1.2 million ounces of gold in 2019, compared to 10.9 million tonnes at 3.94 g/t Au for 1.4 million ounces in 2018. The decrease is due to depletion as Boungou Mine produced a total of 205,200 ounces in 2019. Total measured and indicated ("M&I") resources increased by 60% to 5.8 million tonnes at 3.25 g/t Au for 0.6 million ounces due to a review of Boungou resource estimation parameters. The updated 2019 M&I resource is in-pit constrained and now incorporates remaining ounces at a cut-off grade of 2.0 g/t Au.

#### **Mana**

At year-end 2019, Mana's mineral reserves totalled 15 million tonnes at an average grade of 2.91 g/t Au for 1.4 million ounces, compared to 16 million tonnes averaging 2.96 g/t Au for 1.5 million ounces in 2018. Mana's mineral resources remained constant at 43.6 million tonnes at an average grade of 1.92 g/t Au for 2.7 million ounces. The decrease is due to depletion as Mana Mine produced a total of 135,700 ounces in 2019.

#### **Bantou Project**

At the end of 2019, the Bantou Project hosted a maiden inferred mineral resource estimate of 51 million tonnes at 1.37 g/t Au for 2.2 million ounces of gold. The Bantou Project, which is located approximately 170 kilometers south of the Mana Mine in Burkina Faso, comprises three groups of deposits: Bantou, Bantou Nord and Karankasso.

The mineral resources at Bantou Project were estimated using a gold price of \$1,500 per ounce.

#### **Yactibo (Nabanga Deposit)**

Inferred resources at the Nabanga deposit remain unchanged at 3.4 million tonnes at 7.69 g/t Au for 0.8 million ounces of contained gold.

## 5. 2019 Reserves and Resources (continued)

Table 4: Consolidated Reserves and Resources

PROPERTY	Mana <sup>1,2,5,6</sup>	Tapoa <sup>1,2,5,6</sup> (Boungou Project)	Yactibo <sup>1,3,5,6</sup> (Nabanga Project)	Bantou Project <sup>1,4,5,6</sup>	Total
<b>MINERAL RESERVES</b>					
<b>Proven</b>					
Tonnes	3,260,000	3,230,000			6,490,000
Grade (g/t Au)	3.56	4.47			4.01
Ounces	373,500	464,000			837,500
<b>Probable</b>					
Tonnes	11,783,000	7,068,000			18,851,000
Grade (g/t Au)	2.73	3.38			2.97
Ounces	1,033,600	769,000			1,802,600
<b>TOTAL MINERAL RESERVES</b>					
Tonnes	15,043,000	10,298,000			25,341,000
Grade (g/t Au)	2.91	3.72			3.24
Ounces	1,407,100	1,233,000			2,640,100
<b>MINERAL RESOURCES (exclusive of reserves)</b>					
<b>Measured</b>					
Tonnes	8,828,000	502,000			9,330,000
Grade (g/t Au)	1.48	4.11			1.62
Ounces	418,900	66,000			484,900
<b>Indicated</b>					
Tonnes	34,808,000	5,281,000			40,089,000
Grade (g/t Au)	2.04	3.16			2.19
Ounces	2,280,600	537,000			2,817,600
<b>TOTAL M&amp;I</b>					
Tonnes	43,636,000	5,783,000			49,419,000
Grade (g/t Au)	1.92	3.25			2.08
Ounces	2,699,500	603,000			3,302,500
<b>Inferred</b>					
Tonnes	8,945,000	1,318,000	3,402,000	51,108,000	64,773,000
Grade (g/t Au)	2.66	2.98	7.69	1.37	1.91
Ounces	765,800	126,000	841,000	2,245,000	3,977,800

- 1 The Corporation indirectly owns a 100% interest in all of its permits, except for the permits held by SEMAFO Burkina Faso S.A. and SEMAFO Boungou S.A., respectively, in which the Government of Burkina Faso holds a 10% interest.
- 2 Mineral reserves and resources at Mana and at Tapoa (Boungou project) were estimated using a gold price of \$1,200 and \$1,400 per ounce, respectively.
- 3 Mineral resources at Yactibo Permit Group (Nabanga project) were reported above a 3.0 g/t Au cut-off grade.
- 4 Mineral resources at Bantou project were estimated using a gold price of \$1,500 per ounce.
- 5 Rounding of numbers of tonnes and ounces may present slight differences in the figures.
- 6 All mineral resources reported are exclusive of mineral reserves.

## 5. 2019 Reserves and Resources (continued)

Table 5 - Consolidated Reserves and Resources by Deposit

	DEPOSITS	DECEMBER 31, 2019								
		PROVEN RESERVES			PROBABLE RESERVES			TOTAL RESERVES		
		Tonnage	Grade (g/t Au)	Ounces <sup>5</sup>	Tonnage	Grade (g/t Au)	Ounces <sup>5</sup>	Tonnage	Grade (g/t Au)	Ounces <sup>5</sup>
MANA <sup>1,2,6</sup>	WONA-KONA	734,000	2.37	55,800	9,554,000	2.31	709,400	10,288,000	2.31	765,200
	NYAFÉ	265,000	5.81	49,600	6,000	3.96	700	271,000	5.77	50,300
	FOFINA	24,000	5.20	4,000	3,000	3.95	300	27,000	4.95	4,300
	SIOU OP	567,000	3.35	61,000	168,000	1.79	9,700	735,000	2.99	70,700
	SIOU UG	1,607,000	3.78	195,200	1,401,000	6.15	276,900	3,008,000	4.88	472,100
	YAMA	-	-	-	651,000	1.75	36,600	651,000	1.75	36,600
	ROMPAD	63,000	3.90	7,900	-	-	-	63,000	3.90	7,900
	<b>TOTAL</b>	<b>3,260,000</b>	<b>3.56</b>	<b>373,500</b>	<b>11,783,000</b>	<b>2.73</b>	<b>1,033,600</b>	<b>15,043,000</b>	<b>2.91</b>	<b>1,407,100</b>
TAPOA <sup>1,2,6</sup>	BOUNGOU	2,101,000	5.04	340,000	7,068,000	3.38	769,000	9,169,000	3.76	1,109,000
	ROMPAD	1,129,000	3.40	124,000	-	-	-	1,129,000	3.40	124,000
	<b>TOTAL</b>	<b>3,230,000</b>	<b>4.47</b>	<b>464,000</b>	<b>7,068,000</b>	<b>3.38</b>	<b>769,000</b>	<b>10,298,000</b>	<b>3.72</b>	<b>1,233,000</b>
<b>TOTAL</b>		<b>6,490,000</b>	<b>4.01</b>	<b>837,500</b>	<b>18,851,000</b>	<b>2.97</b>	<b>1,802,600</b>	<b>25,341,000</b>	<b>3.24</b>	<b>2,640,100</b>

	DEPOSITS	DECEMBER 31, 2019								
		MEASURED			INDICATED			TOTAL RESOURCES		
		Tonnage	Grade (g/t Au)	Ounces <sup>5</sup>	Tonnage	Grade (g/t Au)	Ounces <sup>5</sup>	Tonnage	Grade (g/t Au)	Ounces <sup>5</sup>
MANA <sup>1,2,6</sup>	WONA-KONA	1,290,000	2.09	86,700	21,618,000	2.55	1,775,500	22,908,000	2.53	1,862,200
	NYAFÉ	286,000	3.94	36,300	223,000	5.97	42,700	509,000	4.83	79,000
	FOFINA	292,000	4.25	40,000	253,000	4.45	36,100	545,000	4.34	76,100
	YAH0	5,738,000	0.91	168,500	11,636,000	0.88	330,800	17,374,000	0.89	499,300
	FILON 67	26,000	2.72	2,300	9,000	3.59	1,000	35,000	2.93	3,300
	FOBIRI	469,000	1.80	27,100	114,000	1.52	5,600	583,000	1.74	32,700
	SIOU OP	88,000	0.63	1,800	75,000	0.64	1,500	163,000	0.63	3,300
	SIOU UG	639,000	2.74	56,200	781,000	3.29	82,500	1,420,000	3.04	138,700
	YAMA	-	-	-	99,000	1.56	4,900	99,000	1.54	4,900
	<b>TOTAL</b>	<b>8,828,000</b>	<b>1.48</b>	<b>418,900</b>	<b>34,808,000</b>	<b>2.04</b>	<b>2,280,600</b>	<b>43,636,000</b>	<b>1.92</b>	<b>2,699,500</b>
TAPOA <sup>1,2,6</sup>	BOUNGOU	502,000	4.11	66,000	5,281,000	3.16	537,000	5,783,000	3.25	603,000
<b>TOTAL</b>		<b>9,330,000</b>	<b>1.62</b>	<b>484,900</b>	<b>40,089,000</b>	<b>2.19</b>	<b>2,817,600</b>	<b>49,419,000</b>	<b>2.08</b>	<b>3,302,500</b>

- 1 The Corporation indirectly owns a 100% interest in all of its permits, except for the permits held by SEMAFO Burkina Faso S.A. and SEMAFO Boungou S.A., respectively, in which the Government of Burkina Faso holds a 10% interest.
- 2 Mineral reserves and resources at Mana and at Tapoa (Boungou project) were estimated using a gold price of \$1,200 and \$1,400 per ounce, respectively.
- 3 Mineral resources at Yactibo Permit Group (Nabanga project) were reported above a 3.0 g/t Au cut-off grade.
- 4 Mineral resources at Bantou project were estimated using a gold price of \$1,500 per ounce.
- 5 Rounding of numbers of tonnes and ounces may present slight differences in the figures.
- 6 All mineral resources reported are exclusive of mineral reserves.

## 5. 2019 Reserves and Resources (continued)

**Table 5 - Consolidated Reserves and Resources by Deposit (continued)**

	DEPOSITS	DECEMBER 31, 2019		
		INFERRED		
		Tonnage	Grade (g/t Au)	Ounces <sup>5</sup>
<b>MANA</b> <sup>1,2,6</sup>	WONA-KONA	3,377,000	3.00	325,300
	NYAFÉ	151,000	5.87	28,400
	FOFINA	67,000	4.20	9,100
	YAHO	223,000	0.78	5,600
	FILON, 67	6,000	6.32	1,100
	FOBIRI	578,000	1.39	25,800
	MAOULA	2,628,000	1.62	137,100
	SIOU	1,857,000	3.87	230,900
	YAMA	58,000	1.33	2,500
	<b>TOTAL</b>	<b>8,945,000</b>	<b>2.66</b>	<b>765,800</b>
<b>TAPOA</b> <sup>1,2,6</sup>	BOUNGOU	1,318,000	2.98	126,000
<b>YACTIBO</b> <sup>1,3,6</sup>	NABANGA	3,402,000	7.69	841,000
<b>BANTOU</b> <sup>1,4,6</sup>	BANTOU	51,108,000	1.37	2,245,000
<b>TOTAL</b>		<b>64,773,000</b>	<b>1.91</b>	<b>3,977,800</b>

1 The Corporation indirectly owns a 100% interest in all of its permits, except for the permits held by SEMAFO Burkina Faso S.A. and SEMAFO Boungou S.A., respectively, in which the Government of Burkina Faso holds a 10% interest.

2 Mineral reserves and resources at Mana and at Tapoa (Boungou project) were estimated using a gold price of \$1,200 and \$1,400 per ounce, respectively.

3 Mineral resources at Yactibo Permit Group (Nabanga project) were reported above a 3.0 g/t Au cut-off grade.

4 Mineral resources at Bantou project were estimated using a gold price of \$1,500 per ounce.

5 Rounding of numbers of tonnes and ounces may present slight differences in the figures.

6 All mineral resources reported are exclusive of mineral reserves.



## 6. Consolidated Results and Mining Operations

### Financial and Operating Highlights

Commercial production at Boungou was declared on September 1, 2018.

	2019	2018	Variation
Gold ounces produced <sup>1</sup> .....	340,900	244,600	39%
Gold ounces sold <sup>2</sup> .....	346,100	235,400	47%
<b>(in thousands of dollars, except amounts per share)</b>			
<b>Revenues – Gold sales<sup>2</sup></b> .....	<b>475,750</b>	296,679	60%
Mining operation expenses.....	167,251	150,816	11%
Government royalties and development taxes.....	25,484	13,393	90%
Depreciation of property, plant and equipment.....	139,824	103,758	35%
Share-based compensation.....	2,592	1,303	99%
Impairment of property, plant and equipment.....	9,259	—	—
Other.....	17,670	17,088	3%
<b>Operating income</b> .....	<b>113,670</b>	10,321	1,001%
Finance income.....	(2,233)	(2,283)	(2%)
Finance costs.....	10,774	5,722	88%
Foreign exchange loss.....	877	1,613	(46%)
Income tax expense.....	43,497	12,122	259%
<b>Net income (loss) for the year</b> .....	<b>60,755</b>	(6,853)	—
<b>Net income (loss) attributable to shareholders of the Corporation</b> .....	<b>50,187</b>	(8,192)	—
Basic earnings (loss) per share.....	0.15	(0.03)	—
Diluted earnings (loss) per share.....	0.15	(0.03)	—
<b>Adjusted amounts</b>			
Adjusted operating income <sup>3</sup> .....	133,382	8,494	1,470%
Adjusted net income (loss) attributable to shareholders of the Corporation <sup>3</sup> .....	73,715	(4,462)	—
Per share <sup>3</sup> .....	0.22	(0.01)	—
<b>Cash flows</b>			
Cash flow from operating activities before changes in non-cash working capital <sup>3</sup> .....	247,427	110,203	125%
Per share <sup>3</sup> .....	0.75	0.34	121%
<b>Statistics (in dollars)</b>			
Average realized selling price (per ounce).....	1,375	1,260	9%
Total cash cost (per ounce sold) <sup>3</sup> .....	525	698	(25%)
All-in sustaining cost (per ounce sold) <sup>3</sup> .....	724	951	(24%)

<sup>1</sup> Gold ounces produced exclude pre-commercial production of 12,000 ounces from Boungou in 2018.

<sup>2</sup> Gold sales exclude those resulting from pre-production activities from Boungou in 2018 that were offset against capitalized construction costs and amounted to \$14,994,000.

<sup>3</sup> Adjusted operating income, adjusted net income (loss) attributable to shareholders of the Corporation, adjusted basic earnings (loss) per share, cash flow from operating activities before changes in non-cash working capital and 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 24.

## 6. Consolidated Results and Mining Operations (continued)

The following includes 10-week and 7-week shutdowns at the Mana and Boungou Mines, respectively. As commercial production at the Boungou Mine commenced on September 1, 2018, the comparative figures include the Mana Mine and only four months of operations from the Boungou Mine.

### 2019 v. 2018

- In 2019, gold sales amounted to \$475,750,000 compared to \$296,679,000 in 2018. The increase in gold sales and gold ounces produced and sold is mainly due to the contribution of the Boungou Mine and the increase in the average realized selling gold price. The variation between gold ounces sold and gold ounces produced in 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 and Boungou Mines due to the shutdowns. The mining operating expenses includes fixed non-recoverable expenses for the Boungou and Mana Mines amounting to \$5,095,000 and \$5,933,000, respectively, totalling \$11,028,000.
- Higher government royalties and development taxes are a direct result of higher gold sales and higher royalty rates.
- The increase in depreciation of property, plant and equipment ("PPE") in 2019 compared to 2018, mainly reflects the contribution of the Boungou Mine and is partially offset by lower depreciation at the Mana Mine.
- During the year ended December 31, 2019, the Corporation recorded an impairment loss of \$9,259,000, mainly related to its Korhogo property, previously capitalized as "exploration and evaluation assets" within "PPE". The Corporation has no plans to further develop the Korhogo property internally as substantive expenditure on further exploration and evaluation of mineral resources in the Korhogo property is neither budgeted nor planned. Consequently, the exploration rights costs, capitalized exploration and evaluation expenses for this property have been written off within the "other exploration" segment and have been included as "impairment of PPE" in the consolidated statement of income (loss).
- The increase in finance costs in 2019 compared to 2018 is due to ceasing capitalization of borrowing costs following the commencement of commercial production at the Boungou Mine on September 1, 2018 and partially offset by the capitalization of borrowing costs at the Siou underground development project.
- The increase in income tax expense in 2019 is mainly due to the contribution of the taxable income of the Boungou Mine. Of the \$43,497,000, \$33,639,000 represents deferred income tax expense that has no cash impact in the current year. It is caused by timing differences arising from local expenses that are deductible earlier for tax purposes and foreign exchange adjustment on the US dollar.
- The increase in cash flow from operating activities before changes in non-cash working capital<sup>1</sup> in 2019 compared to 2018 mainly reflect the contribution of the Boungou Mine.

## 7. Operating Income by Segment

(in thousands)	2019 \$	2018 \$	Variation %
Boungou, Burkina Faso.....	122,487	22,805	437%
Mana, Burkina Faso .....	16,822	2,214	660%
Other exploration.....	(9,259)	—	—
Corporate and other .....	(16,380)	(14,698)	(11%)
Operating income .....	113,670	10,321	1,001%

<sup>1</sup> Cash flow from operating activities before changes in non-cash working capital 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 24.

## 7. Operating Income by Segment (continued)

### Bougou, Burkina Faso

#### Mining Operations

Commercial production at Bougou was declared on September 1, 2018.

	2019	2018	Variation
<b>Operating Data</b>			
<b>Mining</b>			
Waste mined (tonnes) .....	11,651,000	4,035,200	189%
Ore tonnes mined .....	1,628,400	568,300	187%
Operational stripping ratio .....	7.2	7.1	1%
<b>Capitalized Stripping Activity</b>			
Waste material – Bougou (tonnes) .....	9,568,900	4,143,200	131%
Total strip ratio .....	13.0	14.4	(10%)
<b>Processing</b>			
Tonnes processed (tonnes) .....	999,700	368,100	172%
Head grade (g/t) .....	6.65	5.75	16%
Recovery (%).....	96	94	2%
Gold ounces produced <sup>1</sup> .....	205,200	63,600	223%
Gold ounces sold <sup>2</sup> .....	214,400	54,300	295%
<b>Financial Data (in thousands of dollars)</b>			
Revenues – Gold sales <sup>2</sup> .....	295,758	66,966	342%
Mining operation expenses .....	69,489	18,564	274%
Government royalties and development taxes .....	16,997	3,338	409%
Depreciation of PPE.....	85,385	21,742	293%
General and administrative.....	1,217	186	554%
Corporate social responsibility expenses.....	183	331	(45%)
Segment operating income.....	122,487	22,805	437%
<b>Statistics (in dollars)</b>			
Average realized selling price (per ounce).....	1,380	1,233	12%
Cash operating cost (per tonne processed) <sup>3</sup> .....	61	56	9%
Cash operating cost including stripping (per tonne processed) <sup>3</sup> ..	82	79	4%
Total cash cost (per ounce sold) <sup>3</sup> .....	380	403	(6%)
All-in sustaining cost (per ounce sold) <sup>3</sup> .....	497	596	(17%)
Depreciation (per ounce sold) <sup>4</sup> .....	398	400	(1%)

<sup>1</sup> Gold ounces produced exclude pre-commercial production of 12,000 ounces.

<sup>2</sup> Gold sales exclude those resulting from pre-production activities from Bougou in 2018 that were offset against capitalized construction costs and amounted to \$14,994,000.

<sup>3</sup> Cash operating cost, cash operating cost including stripping, 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 24.

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

## **7. Operating Income by Segment** (continued)

### **Boungou, Burkina Faso** (continued)

#### **Mining Operations** (continued)

In early February 2020, the Boungou plant restarted, and processing of the stockpile began. We are taking a measured approach to Boungou in 2020 involving a phased plan. The initial three-month phase contemplates processing the stockpile and utilizing the on-site supplies inventory with limited deliveries of new supplies.

The following includes a 7-week suspension at Boungou. As commercial production at the Boungou Mine commenced on September 1, 2018, the comparative figures only include four months of operations at the Boungou Mine.

#### **2019 v. 2018**

- As expected, the grade in 2019 increased, compared to 2018, to average 6.65 g/t Au, as the mine plan reached higher-grade zones.
- In 2019, due to the higher grade, the all-in sustaining cost<sup>1</sup> was \$497 per ounce sold compared to \$596 per ounce sold in 2018.
- Recoveries improved during 2019 to reach 96%, a 2% improvement compared to 2018.
- The variation between gold ounces sold and gold ounces produced is due to the timing of delivery.
- As at December 31, 2019, the stockpile holds 1.1 million tonnes at an average grade of 3.4 g/t Au, representing approximately ten months of mill feed.

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<sup>1</sup> 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 24.



## 7. Operating Income by Segment (continued)

### Mana, Burkina Faso

#### Mining Operations

	2019	2018	Variation
<b>Operating Data</b>			
<b>Mining - Open pit</b>			
Waste mined (tonnes) .....	9,253,800	17,802,100	(48%)
Ore tonnes mined .....	1,337,800	2,109,700	(37%)
Operational stripping ratio .....	6.9	8.4	(18%)
<b>Capitalized Stripping Activity</b>			
Waste material – Siou (tonnes) .....	6,676,800	4,200,500	59%
Waste material – Wona (tonnes) .....	12,151,400	11,643,400	4%
	18,828,200	15,843,900	19%
Total strip ratio .....	21.0	15.9	32%
<b>Mining - Underground</b>			
Ore tonnes mined .....	99,600	—	—
<b>Processing</b>			
Ore processed (tonnes) .....	1,445,400	2,356,400	(39%)
Low grade material (tonnes) .....	615,800	217,500	183%
Tonnes processed (tonnes) .....	2,061,200	2,573,900	(20%)
Head grade (g/t) .....	2.28	2.36	(3%)
Recovery (%) .....	90	93	(3%)
Gold ounces produced .....	135,700	181,000	(25%)
Gold ounces sold .....	131,700	181,100	(27%)
<b>Financial Data (in thousands of dollars)</b>			
Revenues – Gold sales .....	179,992	229,713	(22%)
Mining operations expenses .....	97,762	132,252	(26%)
Government royalties .....	8,487	10,055	(16%)
Depreciation of PPE .....	53,829	81,626	(34%)
General and administrative .....	2,416	2,635	(8%)
Corporate social responsibility expenses .....	676	931	(27%)
Segment operating income .....	16,822	2,214	660%
<b>Statistics (in dollars)</b>			
Average realized selling price (per ounce) .....	1,367	1,268	8%
Cash operating cost (per tonne processed) <sup>1</sup> .....	44	51	(14%)
Cash operating cost including stripping (per tonne processed) <sup>1</sup> .....	63	68	(7%)
Total cash cost (per ounce sold) <sup>1</sup> .....	762	786	(3%)
All-in sustaining cost (per ounce sold) <sup>1</sup> .....	1,095	1,056	4%
Depreciation (per ounce sold) <sup>2</sup> .....	409	451	(9%)

<sup>1</sup> Cash operating cost, cash operating cost including stripping, 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 24.

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

## **7. Operating Income by Segment** (continued)

### **Mana, Burkina Faso** (continued)

#### **Mining Operations** (continued)

Following a pit wall failure in the Wona pit in August 2019, processing of ore at the Mana Mine was suspended for a 10-week period. Subsequently, the mining operations focused on stripping activities at the Siou and Wona open pits and on development of Siou underground.

#### **2019 v. 2018**

- The ore mined from the open pit decreased and the strip ratio was higher compared to 2018, given our focus on development activities due to the pit wall failure at Mana.
- Extraction of ore from Siou underground commenced in the fourth quarter 2019 providing 99,600 tonnes of ore at 4.6 g/t Au.
- The ore processed and gold ounces produced and sold decreased compared to 2018, following the suspension of processing activities at the Mana Mine.
- In 2019, gold sales amounted to \$179,992,000 compared to \$229,713,000 in 2018. The variation between gold ounces sold and gold ounces produced is due to the timing of delivery.
- The lower mining operations expenses are mainly due to the focus on stripping activities.
- Lower government royalties are a direct result of lower gold sales and partially offset by higher royalty rates.
- The decrease in depreciation of PPE in 2019 is due to the lower gold ounces sold compared to 2018.

#### **Siou Underground Development**

The Siou deposit is located some twenty kilometers from the Mana Mine in Burkina Faso and includes a reserves estimate of 3.0 million tonnes at an average grade of 4.88 g/t Au for 472,100 ounces of contained gold at Siou underground. The operation calls for a 2,000-tpd contract mining underground operation using long-hole stoping as its principal mining method.

In the fourth quarter of 2019, underground development prior to production continued on time and on budget. First production occurred in December, in line with reaching full production of 2,000-tpd in the first quarter of 2020.

#### Advancing 2020 Plan

In 2019, we decided to take advantage of available equipment and our mining contractor's productivity to get ahead of 2020 grade control drilling and mine development plans. As a result, by the end of 2019, we had grade-control drilled 50% of the orebody and developed up to 1,200 meters over our 2019 plan.

## **7. Operating Income by Segment** (continued)

### **Other Exploration**

#### **Impairment of Property, Plant and Equipment**

In 2015, we became owner of two exploration properties in Côte d'Ivoire that comprised part of the Orbis Gold Limited property portfolio. The permits held as of December 31, 2019, total 230 square kilometers located immediately adjacent to Barrick's Fapoha South exploration permit, and the property is considered quality grassroots landholdings proximal to significant gold deposits. Prior to 2019, we discovered new gold mineralization including the Chigata zone which returned values of up to 8.84 g/t over 14 meters from trench samples. Follow-up RC drilling did confirm some continuity, but the extent appeared limited. Nonetheless, the zone confirmed the potential of the project to host significant gold mineralization.

In 2019, a total of 1,235 holes of auger drilling and 2,806 meters of trenching were completed on the Korhogo property in Côte d'Ivoire during the year. Although we continue to believe in the potential of the Korhogo Property, our exploration strategy is to focus on more advanced exploration projects, particularly the Bantou Project. Consequently, we have initiated discussions with interested parties to develop the potential of the Korhogo property externally.

During the year ended December 31, 2019, the Corporation recorded an impairment loss of \$9,259,000, mainly related to its Korhogo property, previously capitalized as "exploration and evaluation assets" within "PPE". The Corporation has no plans to further develop the Korhogo property as substantive expenditure on further exploration and evaluation of mineral resources in the Korhogo property is neither budgeted nor planned. Consequently, the exploration rights costs and capitalized exploration and evaluation expenses for this property have been written off within the "other exploration" segment and have been included as "impairment of PPE" in the consolidated statement of income (loss).

## 7. Operating Income by Segment (continued)

### Corporate Social Responsibility

	2019	2018
	\$	\$
Community development tax .....	2,958	664
Corporate social responsibility expenses .....	859	1,262
	<b>3,817</b>	<b>1,926</b>

The Corporation is subject to a community development tax of 1% of its revenues at the Boungou Mine. For the year ended December 31, 2019, the community development tax at the Boungou Mine amounted to \$2,958,000 (2018: \$664,000). In addition, for the year ended December 31, 2019, corporate social responsibility expenses, representing contributions made to SEMAFO Foundation, totalled \$859,000 (2018: \$1,262,000).

In the fourth quarter, SEMAFO Foundation continued to support education in the Boucle du Mouhoun region hosting the Mana Mine by donating 14,208 school kits and 2,110 solar lamps to children in 56 primary schools. Furthermore, a group of 60 young people began a four-month specialized training courses in Bobo-Dioulasso in the quarter. Revenue-generating projects continued to be a priority for the Foundation in the period, in particular in the village of Dangouna, which saw the inauguration of a new beekeeping center and the commencement of construction of two new poultry-raising centers. Participants in the pig farming project also benefited from Foundation's funded training in making animal feed from local produce and veterinary care. Regional health capacity was reinforced in the period through the inauguration of a new health center and a small hospital ward.

In parallel with SEMAFO Foundation activities, the Mana Mine community team repaired local roads, supplied solar panels and hospital equipment to the Foundation's newly constructed health center, and compensated villagers for flooded fields.

In the Est region, the parents of 950 school children were supported in back-to-school expenses through the Foundation's distribution of 950 school kits and 72 solar lamps. Starting in October, young people between 18 and 35 years commenced the Foundation's specialized training courses that have been designed to increase their employability in the local area. In addition to building a coop for rearing chickens in the village of Boungou, the Foundation maintained its support of the ECOSAN project by training moderators in drying feces and their packing into bags for increasing crop yield.

Construction of three water boreholes continued in the quarter in the Cascades region where the Bantou deposit is located. Preparations are in progress to send a group of people from the area on an educational visit to the Est region in order to sensitize them to the use of ECOSAN latrines.

## 7. Operating Income by Segment (continued)

### Corporate and Other

	2019	2018
(in thousands)	\$	\$
Depreciation of PPE .....	610	390
General and administrative .....	13,178	13,005
Share-based compensation .....	2,592	1,303
Segment operating loss.....	16,380	14,698

### Share-based Compensation

	2019	2018
(in thousands)	\$	\$
Restricted Share Units .....	2,221	1,253
Deferred Share Units.....	420	36
Performance Share Units .....	(49)	14
	2,592	1,303

For the year ended December 31, 2019, our share-based compensation expense amounted to \$2,592,000 (2018: \$1,303,000). The \$2,592,000 expense included a \$3,167,000 expense for outstanding units (2018: \$3,130,000) and a recovery of \$575,000 (2018: \$1,827,000) due to the change in the fair value of our share price.

Refer to note 23 of the financial statements for more details.



## 8. Other Elements of the Statement of Income (Loss)

### Finance Costs

The finance costs amounted to \$10,774,000 in 2019 compared to \$5,722,000 in 2018 due to ceasing capitalization of borrowing costs, following the commencement of commercial production at the Boungou Mine as of September 1, 2018 and partially offset by the capitalization of borrowing costs at the Siou underground development project. Finance costs include \$4,518,000 of interest on long-term debt in 2019 (2018: \$2,701,000).

### Income Tax Expense

The increase in income tax expense in 2019 is mainly due to the contribution of the taxable income of the Boungou Mine. Of the \$43,497,000, \$33,639,000 represents deferred income tax expense that has no cash impact in the current year. It is caused by timing differences arising from local expenses that are deductible earlier for tax purposes and foreign exchange adjustment on the US dollar.

### Income Attributable to Non-Controlling Interests

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

	2019	2018
	\$	\$
Government of Burkina Faso – 10% in SEMAFO Boungou S.A. ....	9,660	1,763
Government of Burkina Faso – 10% in SEMAFO Burkina Faso S.A. ....	908	(424)
	<b>10,568</b>	<b>1,339</b>

## 9. Other Comprehensive Income (Loss)

For the year ended December 31, 2019, other comprehensive income amounted to \$3,252,000 (2018: loss of \$1,467,000), which related to the increase of our investment in GoviEx for an income of \$125,000 (2018: loss of \$1,029,000), our investment in Savary Gold for income of \$2,081,000 (2018: loss of \$388,000) and our investment in Compass Gold for income of \$1,034,000 and gain on disposal of GoviEx of \$12,000. In the year ended December 31, 2019, we do not hold other investments (2018: loss of \$50,000 on other investments).

### Investment in GoviEx

We hold an investment in GoviEx, a publicly traded mineral resources company focused on the exploration and development of uranium properties in Africa.

The Corporation estimates its fair value to be \$1,152,000 as at December 31, 2019 (December 31, 2018: \$1,079,000).

### Investment in Savary Gold Corp.

In 2018, the Corporation acquired 39,533,333 shares in Savary Gold and 3,100,000 warrants for an amount of \$1.8 million. Proceeds of the investment was used by Savary Gold to advance the Karankasso project. On initial recognition, the investment in Savary Gold was designated as a financial asset at FVOCI.

On April 30, 2019, the Corporation announced the completion of the previously announced transaction, whereby the Corporation acquired all the remaining issued and outstanding shares of Savary Gold not previously held by the Corporation (refer to note 10 of the financial statements for further details). As a consequence, the initial investment in Savary Gold classified as a financial asset at FVOCI is part of an acquisition achieved in stages. On the date of transaction, as part of the purchase price allocation, the Corporation derecognized its investment. As at April 30, 2019, the Corporation estimated the fair value of Savary Gold's common share to be \$3,533,000 and the warrants' fair value to be \$185,000.

### Investment in Compass Gold

In November 2019, the Corporation acquired 5,714,286 shares in Compass Gold for an amount of \$1,512,000. The investment in Compass Gold, a publicly traded mineral exploration company focused on gold exploration and the development of mining projects in Mali, is in line with the Corporation's strategy to invest in prospective exploration companies to complement our internal development.

The Corporation estimates its fair value to be \$2,546,000 as at December 31, 2019 (December 31, 2018: nil).

## 10. Cash Flows

The following table summarizes our cash flow activities:

(in thousands)	2019 \$	2018 \$
Cash flows		
Operating activities before changes in non-cash working capital <sup>1</sup> .....	247,427	110,203
Changes in non-cash working capital items.....	(30,189)	(2,279)
Operating activities .....	217,238	107,924
Financing activities .....	(68,857)	(4,934)
Investing activities.....	(146,047)	(202,971)
Effect of exchange rate changes on cash and cash equivalents .....	(556)	(2,450)
Change in cash and cash equivalents during the year .....	1,778	(102,431)
Cash and cash equivalents – Beginning of the year.....	96,519	198,950
Cash and cash equivalents – End of the year .....	98,297	96,519

### Operating

#### 2019 v. 2018

For the year ended December 31, 2019, operating activities before changes in non-cash working capital generated cash flows<sup>1</sup> of \$247,427,000 compared to \$110,203,000 in 2018, mainly due to the contribution of the Boungou Mine. Non-cash working capital items required liquidities of \$30,189,000 in 2019 compared to \$2,279,000 in 2018. These requirements are mainly due to the increase in stockpiles at the Boungou Mine in accordance with the mine plan.

Further details regarding the changes in non-cash working capital items are provided in note 28 a) of the financial statements.

<sup>1</sup> Cash flow from operating activities before changes in non-cash working capital 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 24.

## **10. Cash Flows** (continued)

### **Financing**

#### **2019 v. 2018**

For the year ended December 31, 2019, cash flow required for financing activities amounted to \$68,857,000, while \$4,934,000 was required in 2018.

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

We made the fourth principal repayment of \$15,000,000 from the restricted cash in the fourth quarter of 2019 for a total of \$60,000,000 in the year ended December 31, 2019 (2018: nil) under the Credit Facility.

The Corporation has entered into a second waiver and amendment agreement ("Amended agreement") dated December 20, 2019 with Macquarie that updates the original credit agreement the ("Original agreement") (refer to note 14 of the financial statements for more details).

#### **Lease Liabilities**

For the year ended December 31, 2019, we reimbursed \$10,958,000 (2018: \$5,485,000) on our lease obligations. The increase in payment is due to new lease obligations and additional obligation due to the transition to IFRS 16, *Leases* effective on January 1, 2019.

#### **Proceeds on Issuance of Share Capital**

A total of 1,552,000 options was exercised during the year ended December 31, 2019 for a cash consideration of \$2,282,000. For the year ended December 31, 2018, a total of 635,000 options was exercised for a cash consideration of \$861,000.

## 10. Cash Flows (continued)

### Investing

For the year ended December 31, 2019, cash flow used in investing activities amounted to \$146,047,000. In 2018, cash flow used in investing activities amounted to \$202,971,000.

#### Acquisitions of PPE

(in thousands)	2019 \$	2018 \$
<b>Boungou Mine</b>		
Sustaining capital .....	3,886	1,968
Stripping cost.....	21,282	8,497
<b>Total sustaining capital expenditures - Boungou Mine.....</b>	<b>25,168</b>	<b>10,465</b>
Air strips, security and mill optimisations .....	6,111	—
Construction - Boungou Mine .....	—	71,967
Sustaining cost during Boungou's suspension of operations.....	393	—
<b>Total non-recurring development expenditure - Boungou Mine (not included in AISC) .....</b>	<b>6,504</b>	<b>71,967</b>
<b>Mana Mine</b>		
Sustaining capital .....	5,256	6,366
Stripping cost.....	38,613	42,608
<b>Total sustaining capital expenditures - Mana Mine .....</b>	<b>43,869</b>	<b>48,974</b>
Siou underground capital expenditures .....	43,190	10,652
Air strips and mill optimizations .....	1,189	—
Stripping costs during Mana's shutdown .....	18,538	—
<b>Total non-recurring development expenditure - Mana Mine (not included in AISC) .....</b>	<b>62,917</b>	<b>10,652</b>
Exploration expenditures .....	25,743	29,283
Finance lease paid included in development costs of Siou underground .....	(3,506)	(647)
Finance leases paid included in construction costs of the Boungou Mine .....	—	(3,098)
Capitalized borrowing costs .....	2,433	5,487
Other .....	375	1,431
	<b>163,503</b>	<b>174,514</b>
Variation in unpaid acquisitions of property, plant and equipment .....	(3,461)	24,226
<b>Total</b>	<b>160,042</b>	<b>198,740</b>

## 10. Cash Flows (continued)

### Investing (continued)

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

	Siou Underground Development
	\$
As at December 31, 2018 .....	10,652
Addition: .....	43,190
<b>As at December 31, 2019</b> .....	<b>53,842</b>

We completed development with \$43,190,000 out of the 2019 investment budget of \$48,000,000. The difference of \$5,000,000 was recorded in mining operating expenses given that the underground production started in the fourth quarter of 2019.

### Net Cash Received on Acquisition of Savary Gold Corporation

Following the acquisition of Savary Gold, the net cash received on acquisition for the year ended December 31, 2019 amounted to \$232,000 (2018: nil).

### Equity Investments

In the year ended December 31, 2019, we invested a total of \$1,512,000 in Compass Gold and we sold equity investment for a net proceed of \$63,000.

### Restricted Cash

An amount of \$15 million was required to be held until the Credit Facility reached \$30 million. Under the Amendment Agreement, this restricted cash of \$15 million was applied against the principal payment on December 31, 2019. The restricted cash was therefore nil as at December 31, 2019, and the Corporation will be required to replenish the reserve account back to \$15 million by March 31, 2020.

## 11. Financial Instruments

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

## 12. Critical Accounting Estimates and Judgments

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

## 13. 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 PPE) 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.

## 14. New Accounting Standards Issued but not yet in Effect

The new accounting standards issued but not yet in effect are disclosed in note 5 of our annual financial statements.

## 15. Financial Position

As at December 31, 2019, we held \$108,261,000 in cash, cash equivalents and restricted cash. With our existing cash balance and our forecasted cash flow from operating activities, we are well positioned to fund all of our cash requirements for 2020 and 2021, which relate primarily to the following activities:

- Repayment of the Credit Facility
- Capital expenditure
- Exploration programs.

	As at December 31, 2019	As at December 31, 2018
(in thousands)	\$	\$
Total current assets .....	250,828	220,932
PPE .....	843,123	782,060
Other non-current assets.....	16,162	31,283
<b>Total assets</b> .....	<b>1,110,113</b>	<b>1,034,275</b>
Current liabilities .....	146,279	138,268
Non-current liabilities .....	116,094	142,904
<b>Total liabilities</b> .....	<b>262,373</b>	<b>281,172</b>
<b>Shareholders of the Corporation</b> .....	<b>798,132</b>	<b>720,682</b>
<b>Non-controlling interests</b> .....	<b>49,608</b>	<b>32,421</b>

The acquisition of Savary Gold, completed on April 30, 2019, resulted in a \$20,699,000 increase in the share capital of the Corporation, and a \$7,649,000 increase in the non-controlling interest (refer to note 10 of the financial statements for more details).



## 16. Contractual Obligations

### Asset Retirement Obligations

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

The liability for asset retirement obligations as at December 31, 2019 was \$25,617,000 (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.

	2019	2018
	\$	\$
Royalties amount paid to the Government of Burkina Faso .....	22,526	12,729
Royalty rates <sup>1</sup> .....	4% - 5%	4% - 5%

### Community Development Tax

The Corporation is subject to a community development tax of 1% of its revenues at the Boungou Mine. For the year ended ended December 31, 2019, the community development tax at the Boungou Mine amounted to \$2,958,000 (2018: \$664,000).

### Net Smelter Royalty ("NSR"), Net Profits Interest ("NPI") and Reserve Royalty

The Corporation is subject to NSRs' (varying from 1% to 1.5%), to NPIs' (varying from 0.5% to 1%), as well as a onetime Reserve Royalty payment, on certain of its exploration properties. These NSRs', NPIs' and Reserve Royalty come into effect when these properties enter into production and, in the case of the Reserve Royalty, upon probable and proven reserves being determined in a positive feasibility study.

### Purchase Obligations

As at December 31, 2019, purchase commitments totalled \$2,999,000.

### 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 December 31, 2019, we were in compliance in all material respects with the obligations related to the ownership of our material permits.

### Contingencies

#### Water Tax

On October 15, 2015, the Corporation received a water extraction tax invoice of \$3,837,000 (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 consolidated financial statements as at December 31, 2019. The Corporation is vigorously defending its position with the Water Agency.

<sup>1</sup> The Corporation is subject to royalty rates calculated using the retail market value of gold ounces sold at the time of shipment.

### 16. Contractual Obligations (continued)

#### Contingencies (continued)

##### Tax assessment

In December 2016, the Corporation received from the Burkinabe tax authorities the 2016 tax assessment totalling \$7,759,000 (4,537,818,000 FCFA) including \$1,390,000 (813,329,000 FCFA) in penalties. The 2016 tax assessment mainly covers withholding taxes which the Corporation believes are not applicable to the Corporation by virtue of fiscal stability clauses included under the Mana mining agreement.

In 2016, the Corporation has paid an amount of \$640,000 (374,000,000) FCFA from the 2016 assessment and believes the other assessed amounts and penalties should not be subjected to tax under the fiscal stability clauses.

In December 2019, the Burkinabe tax authorities offset the Corporation's VAT receivable for \$5,729,000 (3,350,489,000 FCFA) against a tax assessment covering the years 2013 to 2015 (the "2016 tax assessment"), although it had no legal and jurisdictional basis to act upon.

The Corporation is vigorously defending its position and has recorded the offset VAT as an income tax receivable of \$5,729,000 (3,350,489,000 FCFA), as it believes it has legal and fiscal enforceable rights. The final outcome of this matter is not determinable at this time and no provision was recorded as at December 31, 2019. Any provision will be recognized in the Corporation's financial statements once it becomes probable.

### 17. Related Party Transactions

The related party transactions are disclosed in note 30 of our financial statements.

### 18. Event after the Reporting Period

In early February 2020, the Boungou plant restarted, and processing of the stockpile has begun. We are taking a measured approach to Boungou in 2020 involving a phased plan. The initial three-month phase contemplates processing the stockpile and utilizing the on-site supplies inventory with limited deliveries of new supplies.

## **19. 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 our risk factors.

### **Fluctuation in Gold Prices**

The profitability of our operations could 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. Fluctuations in gold prices may materially adversely affect our financial condition and results of operation. Furthermore, 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.

### **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 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 also impair our profitability.

### **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, including safety hazards, unusual or unexpected adverse operating conditions, industrial accidents, equipment failure, unusual or unexpected rock formations, rock bursts, the failure of pit walls, pillars or dams, cave-ins or slides, flooding and fires any of which could result in damage to life or property, the environment and possible legal liability for any or all damage.

## **19. Risks and Uncertainties** (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 project, 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.

### **Limited Property Portfolio**

We currently have two mines situated in Burkina Faso. Unless we acquire or develop additional mineral properties and geographically diversify our portfolio of properties, any adverse development affecting our current mineral properties or Burkina Faso could materially adversely affect our financial condition and results of operation.

### **Political and Security 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 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. The possibility that the government may adopt substantially different policies or interpretations, which might extend to the expropriation of assets, cannot be ruled out.

We may also encounter difficulties in obtaining reimbursement of refundable tax from fiscal authorities, including with respect to value added taxes ("VAT"). Prolonged delays in the receipt of VAT could materially adversely affect our financial condition and results of operation.

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. Over the last 18 months, the security situation in Burkina Faso has deteriorated as witnessed by an increase of terrorist and criminal incidents and activities in various regions of Burkina Faso, including the November 6, 2019 attack on the road between Fada and Boungou against a convoy transporting SEMAFO national employees, contractors and suppliers, resulting in several fatalities and injuries. These terrorist and criminal activities have been disruptive and may limit our ability to hire and keep qualified personnel, suppliers and contractors. While we have implemented additional security measures and continue to cooperate with the government, security forces and third parties, there can be no assurance that these measures will be successful. Any failure to maintain the security of our personnel, contractors and assets could materially adversely affect our financial condition and results of operation.

## **19. Risks and Uncertainties** (continued)

### **Production and Cost Estimates**

No assurance can be given that the intended or expected production schedules or the estimated all-in sustaining 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.

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 costs will be similar from year to year.

### **Fluctuation in the Price of Commodities**

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 or difficulties encountered in transporting them to our mines could materially adversely affect our financial condition and results of operations.

### **Outside Contractor Risk**

Currently, the Siou underground mining operations are conducted by an outside contractor and we are looking into having an outside contractor to mine at Boungou for the fourth quarter of 2020. As a result of using contractors for mining operations, 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 the agreement is terminated
- reduced control over such aspects of operations that are the responsibility of the contractor
- failure of a contractor to perform under its 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.

### **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.

### **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.

### 19. Risks and Uncertainties (continued)

#### 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.

#### 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, an increase 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 and political conditions and lender and investor interest in our projects.

#### 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 sometimes scarce. Continuous production at our mines is dependent on our ability to access adequate water supply. Insufficient or expensive water supply, as a result of new regulations or otherwise, could materially adversely affect our financial condition and results of operation.

#### Availability of Infrastructure

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.

#### 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 resource 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.

#### 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.



### 19. Risks and Uncertainties (continued)

#### 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.

#### 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.

#### 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.

#### 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.

#### 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.

## **19. Risks and Uncertainties** (continued)

### **Anti-corruption Laws**

We operate in jurisdictions that have experienced governmental and private sector corruption to some degree. We are required to comply with the Corruption of Foreign Public Officials Act (Canada), which has 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.

### **Climate Change**

Climate change causing extreme weather events all over the world has become a growing concern. We acknowledge the risks and related impact resulting from climate change that may occur in the short, medium or long-term. Potential negative impacts on our business may include lack of essential commodities, limited availability and quality of water, operational interruptions, production efficiency as well as material and increased costs in a variety of areas including environmental, insurance, regulatory and litigation. Climate change risks are evolving and there can be no assurance that our mitigation intent and response will be sufficient. Climate change could materially adversely affect our financial condition and results of operations.

### **Integration of Acquired Business**

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

### **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.

## **20. Information on Outstanding Shares**

As at March 3, 2020, our share capital comprised 334,468,873 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 March 3, 2020, stock options allowing holders to purchase 470,000 common shares were outstanding.

## **21. 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 annual 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.

Our CEO and CFO have evaluated, or caused to be evaluated under their supervision, the design and operating effectiveness of our DC&P as defined in Regulation 52 -109 respecting Certification of Disclosure in Issuer's Annual and Interim Filings as at December 31, 2019 and have concluded that such DC&P were designed and operating effectively.

### **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.

Our CEO and CFO have evaluated the design and operating effectiveness of its ICFR as defined in Regulation 52 - 109 respecting Certification of Disclosure in Issuer's Annual and Interim Filings. The evaluation was based on the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, the CEO and CFO concluded that, as at December 31, 2019, the ICFR were appropriately designed, effective and able 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 that occurred during the period beginning on October 1, 2019 and ended on December 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.

### 22. Fourth Quarter Financial and Operating Results

The following includes a 4-week shutdown at the Mana Mine and a 7-week suspension at the Boungou Mine.

During the fourth quarter of 2019, we realized gold sales of \$101,923,000 and an operating income of \$13,539,000 compared to gold sales of \$114,692,000 and an operating income of \$21,431,000 in the same period in 2018. The decrease in our operating income is due to the suspension of operations at the Boungou Mine and the shutdown at the Mana Mine. In addition, we recorded an impairment loss of \$9,259,000 related to the Korhogo property. The above decreases are partially offset by a 20% increase of the average realized selling price during the quarter.

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<sup>1</sup> Total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial measures" section of this MD&A, note 24.

## 23. Quarterly Information

	2019					2018				
CONSOLIDATED	Q4	Q3	Q2	Q1	YTD	Q4	Q3	Q2	Q1	YTD
<b>Operating Data</b>										
Gold ounces produced <sup>1</sup> .....	69,900	68,800	99,800	102,400	340,900	95,200	58,200	45,700	45,500	244,600
Gold ounces sold <sup>1</sup> .....	68,900	68,400	102,700	106,100	346,100	92,900	50,500	45,100	46,900	235,400
<b>Results</b> (in thousands of dollars, except for amounts per share)										
Revenues – Gold sales <sup>1</sup> .....	101,923	100,301	134,985	138,541	475,750	114,692	60,772	58,517	62,698	296,679
Operating income (loss) .....	13,539	27,031	32,741	40,359	113,670	21,431	4,513	(7,558)	(8,065)	10,321
Net income (loss) .....	10,052	10,719	18,862	21,122	60,755	8,281	879	(11,113)	(4,900)	(6,853)
Attributable to:										
- Shareholders of the Corporation .....	7,913	8,903	15,705	17,666	50,187	6,486	463	(10,431)	(4,710)	(8,192)
- Non-controlling interests .....	2,139	1,816	3,157	3,456	10,568	1,795	416	(682)	(190)	1,339
Basic earnings (loss) per share .....	0.02	0.03	0.05	0.05	0.15	0.02	—	(0.03)	(0.01)	(0.03)
Diluted earnings (loss) per share .....	0.02	0.03	0.05	0.05	0.15	0.02	—	(0.03)	(0.01)	(0.03)
Cash flow from operating activities before changes in non-cash working capital <sup>2</sup> .....	44,589	49,519	74,339	78,980	247,427	54,932	21,041	15,839	18,391	110,203
<b>Statistics (in dollars)</b>										
Average realized selling price (per ounce) ..	1,482	1,466	1,313	1,306	1,375	1,234	1,205	1,298	1,336	1,260
Total cash cost (per ounce sold) <sup>2</sup> .....	569	547	522	484	525	559	670	858	848	698
All-in sustaining cost (per ounce sold) <sup>2</sup> .....	698	706	732	745	724	782	1,000	1,103	1,083	951
<b>BOUNGOU</b>										
<b>Operating Data</b>										
Ore mined (tonnes) .....	320,300	557,400	470,700	280,000	1,628,400	438,100	130,200	N/A	N/A	568,300
Tonnes processed (tonnes) .....	120,200	288,100	282,700	308,700	999,700	276,800	91,300	N/A	N/A	368,100
Head grade (g/t) .....	6.72	6.25	7.19	6.50	6.65	6.34	3.96	N/A	N/A	5.75
Recovery (%) .....	96	96	96	96	96	94	90	N/A	N/A	94
Gold ounces produced <sup>1</sup> .....	24,900	55,600	62,800	61,900	205,200	53,100	10,500	N/A	N/A	63,600
Gold ounces sold <sup>1</sup> .....	32,800	53,100	63,800	64,700	214,400	50,100	4,200	N/A	N/A	54,300
<b>Financial Data (in thousands of dollars)</b>										
Revenues – Gold sales <sup>1</sup> .....	48,821	78,301	84,144	84,492	295,758	61,957	5,009	N/A	N/A	66,966
Mining operations expenses (excluding government royalties) .....	16,354	18,446	17,619	17,070	69,489	16,513	2,051	N/A	N/A	18,564
Government royalties and development taxes .....	3,058	4,514	4,701	4,724	16,997	3,097	241	N/A	N/A	3,338
Depreciation of PPE .....	14,113	21,681	24,643	24,948	85,385	19,893	1,849	N/A	N/A	21,742
General and administrative .....	460	262	278	217	1,217	153	33	N/A	N/A	186
Corporate social responsibility expenses ..	1	95	5	82	183	175	156	N/A	N/A	331
<b>Segment Operating Income</b>	14,835	33,303	36,898	37,451	122,487	22,126	679	N/A	N/A	22,805
<b>Statistics (in dollars)</b>										
Average selling price (per ounce) .....	1,490	1,475	1,318	1,306	1,380	1,236	1,203	N/A	N/A	1,233
Cash operating cost (per tonne processed) <sup>2</sup> .....	68	68	61	53	61	56	55	N/A	N/A	56
Total cash cost (per ounce sold) <sup>2</sup> .....	436	432	350	337	380	391	550	N/A	N/A	403
All-in sustaining cost (per ounce sold) <sup>2</sup> .....	463	497	476	534	497	579	807	N/A	N/A	596
Depreciation (per ounce sold) <sup>3</sup> .....	430	408	386	386	398	397	444	N/A	N/A	400

<sup>1</sup> 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.

<sup>2</sup> Cash flow from operating activities before changes in non-cash working capital, total cash cost, all-in sustaining cost and cash operating cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A, note 24.

<sup>3</sup> 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.

### 23. Quarterly Information (continued)

	2019					2018				
MANA	Q4	Q3	Q2	Q1	YTD	Q4	Q3	Q2	Q1	YTD
<b>Operating Data</b>										
Ore tonnes mined (open pit and underground) .....	365,400	185,300	478,600	408,100	1,437,400	625,900	413,300	478,200	592,300	2,109,700
Tonnes processed (tonnes) .....	454,700	347,200	619,100	640,200	2,061,200	636,300	649,100	636,800	651,700	2,573,900
Head grade (g/t).....	3.17	1.39	2.12	2.27	2.28	2.36	2.50	2.30	2.24	2.36
Recovery (%) .....	97	85	88	87	90	87	92	96	97	93
Gold ounces produced .....	45,000	13,200	37,000	40,500	135,700	42,100	47,700	45,700	45,500	181,000
Gold ounces sold .....	36,100	15,300	38,900	41,400	131,700	42,800	46,300	45,100	46,900	181,100
<b>Financial Data (in thousands of dollars)</b>										
Revenues – Gold sales .....	53,102	22,000	50,841	54,049	179,992	52,735	55,763	58,517	62,698	229,713
Mining operations expenses (excluding government royalties) .....	24,213	17,341	29,026	27,182	97,762	30,222	29,257	36,139	36,634	132,252
Government royalties.....	2,682	1,069	2,307	2,429	8,487	2,118	2,253	2,540	3,144	10,055
Depreciation of PPE .....	17,156	5,996	16,146	14,531	53,829	17,216	16,590	22,488	25,332	81,626
General and administrative.....	736	553	584	543	2,416	662	639	699	635	2,635
Corporate social responsibility expenses ..	112	277	12	275	676	90	444	212	185	931
<b>Segment Operating Income (Loss)</b>	8,203	(3,236)	2,766	9,089	16,822	2,427	6,580	(3,561)	(3,232)	2,214
<b>Statistics (in dollars)</b>										
Average realized selling price (per ounce) ..	1,474	1,435	1,306	1,306	1,367	1,231	1,205	1,298	1,336	1,268
Cash operating cost (per tonne processed) <sup>1</sup> .....	51	33	47	41	44	49	46	56	54	51
Total cash cost (per ounce sold) <sup>1</sup> .....	690	946	805	715	762	756	681	858	848	786
All-in sustaining cost (per ounce sold) <sup>1</sup> .....	912	1,434	1,152	1,075	1,095	1,021	1,017	1,103	1,083	1,056
Depreciation (per ounce sold) <sup>2</sup> .....	475	392	415	351	409	402	358	499	540	451

<sup>1</sup> 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 24.

<sup>2</sup> 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.



## 24. Non-IFRS Financial Performance Measures

Some of the indicators used by us to analyze and evaluate our results represent non-IFRS financial measures. These measures are presented as they can provide useful information to assist investors with their evaluation of the Corporation's performance and ability to generate cash flow from its operations. Since the non-IFRS performance measures presented in the below sections 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 and Cash Operating Cost including Stripping

The Corporation reports cash operating costs and cash operating cost including stripping per tonne processed. The Corporation believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors may find that the cash operating costs and cash operating cost including stripping per tonne processed provided useful information to assist investors with their evaluation of the Corporation's performance and ability to generate cash flow from its operations. A reconciliation of cash operating cost calculated in accordance with the Gold Institute Standard to operating costs is included in the following table, for the years ended December 31, 2019 and 2018:

	2019		2018	
	Bougou	Mana	Bougou	Mana
<b>Per tonne processed</b>				
Tonnes of ore processed .....	999,700	2,061,200	368,100	2,573,900
<b>(in thousands of dollars except per tonne)</b>				
Mining operation expenses (relating to ounces sold) .....	86,486	106,249	21,902	142,307
Fixed expenses incurred during shutdown and suspension period ....	(5,095)	(5,933)	—	—
Government royalties, development taxes and selling expenses .....	(17,763)	(8,891)	(3,537)	(10,592)
Effects of inventory adjustments (doré bars and gold in circuit) .....	(2,286)	(1,136)	2,323	36
Operating costs (relating to tonnes processed) .....	61,342	90,289	20,688	131,751
Cash operating cost (per tonne processed) .....	<b>61</b>	<b>44</b>	56	51
	2019		2018	
	Bougou	Mana	Bougou	Mana
<b>Per tonne processed</b>				
Tonnes of ore processed .....	999,700	2,061,200	368,100	2,573,900
<b>(in thousands of dollars except per tonne)</b>				
Stripping cost <sup>1</sup> .....	21,282	38,613	8,497	42,608
Stripping cost (per tonne processed) .....	21	19	23	17
Cash operating cost (per tonne processed) .....	61	44	56	51
Cash operating cost including stripping (per tonne processed) .....	<b>82</b>	<b>63</b>	79	68

<sup>1</sup> Stripping cost excludes mining costs incurred during the shutdown period at the Mana Mine.

## 24. Non-IFRS Financial Performance Measures (continued)

### Total Cash Cost

The Corporation reports total cash costs based on ounces sold. The Corporation believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors may find that the total cash cost per ounce sold provided useful information to assist investors with their evaluation of the Corporation's performance and ability to generate cash flow from its operations. A reconciliation of total cash cost is included in the following table, for the years ended December 31, 2019 and 2018:

	2019			2018		
	Boungou	Mana	Total	Boungou	Mana	Total
<b>Per ounce sold</b>						
Gold ounces sold.....	214,400	131,700	346,100	54,300	181,100	235,400
<b>(in thousands of dollars except per ounce)</b>						
Mining operation expenses .....	86,486	106,249	192,735	21,902	142,307	164,209
Fixed expenses incurred during shutdown and suspension period .....	(5,095)	(5,933)	(11,028)	—	—	—
Cash cost (relating to ounce sold) .....	81,391	100,316	181,707	21,902	142,307	164,209
Total cash cost (per ounce sold).....	<b>380</b>	<b>762</b>	<b>525</b>	<b>403</b>	<b>786</b>	<b>698</b>

### All-in Sustaining Cost

All-in sustaining cost represents the total cash cost plus sustainable capital expenditures and stripping costs presented per ounce sold. The Corporation believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors may find that the all-in sustaining cost per ounce sold better meets their needs by assessing the Corporation's operating performance and its ability to generate free cash flow. The Corporation classified sustaining capital expenditures which are required to maintain existing operations and capitalized stripping. A reconciliation of all-in sustaining cost is included in the following table, for the years ended December 31, 2019 and 2018:

	2019			2018		
	Boungou	Mana	Total	Boungou	Mana	Total
<b>Per ounce sold</b>						
Gold ounces sold.....	214,400	131,700	346,100	54,300	181,100	235,400
<b>(in thousands of dollars except per ounce)</b>						
Sustaining capital expenditure <sup>1</sup> .....	25,168	43,869	69,037	10,465	48,974	59,439
Sustaining capital expenditure (per ounce sold)....	117	333	199	193	270	253
Total cash cost (per ounce sold).....	380	762	525	403	786	698
All-in sustaining cost (per ounce sold).....	<b>497</b>	<b>1,095</b>	<b>724</b>	<b>596</b>	<b>1,056</b>	<b>951</b>

### Cash Flow from Operating Activities before Changes in non-Cash Working Capital

The Corporation uses cash flow from operating activities before changes in non-cash working capital to supplement its consolidated financial statements, and calculates it by not including the period to period movement of non-cash working capital items, like trade and other receivables, income tax receivable, inventories, other current assets, trade payables and accrued liabilities, share unit plan liabilities and provisions. The Corporation believes this provides an alternative indication of its cash flow from operating activities and may be meaningful to investors in evaluating our past performance or future prospects. It is not meant to be a substitute for cash flow from operating activities, which is calculated according to IFRS.

<sup>1</sup> Sustaining capital expenditure excludes sustaining capital expenditure incurred during the shutdown period at the Mana Mine and suspension period at the Boungou Mine.

## 24. Non-IFRS Financial Performance Measures (continued)

### Cash Flow from Operating Activities before Changes in non-Cash Working Capital per Share

The Corporation presents cash flow from operating activities before changes in non-cash working capital per share as it believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors may find that the cash flow from operating activities before changes in non-cash working capital per share provided useful information to assist investors with their evaluation of the Corporation's performance and ability to generate cash flow from its operations. A reconciliation of cash flow from operating activities before changes in non-cash working capital per share is included in the following table, for the years ended December 31, 2019 and 2018:

	2019	2018
<b>(in thousands of dollars except per share)</b>		
Cash flow from operating activities before changes in non-cash working capital ....	247,427	110,203
Weighted average number of outstanding common shares - Basic .....	331,392	325,478
Cash flow from operating activities before changes in non-cash working capital per share .....	<b>0.75</b>	0.34

### Adjusted Accounting Measures

Net income and operating income have been adjusted with items considered temporal and that do not reflect the Corporation core mining operations. The Corporation believes certain investors may find that the adjusted net income (loss) attributable to shareholders of the Corporation, adjusted basic earnings (loss) per share and adjusted operating income (loss) provided useful information to assist investors with their evaluation of the Corporation's performance and ability to generate cash flow from its operations. Reconciliations of adjusted accounting measures is included in the following tables, for the years ended December 31, 2019 and 2018:

	2019	2018
<b>(in thousands of dollars except per share)</b>		
Net income (loss) attributable to shareholders of the Corporation as per IFRS .....	50,187	(8,192)
Foreign exchange loss .....	877	1,613
Tax effect of currency translation on tax base .....	2,939	3,944
Share-based compensation recovery related to change in the fair value of the share price .....	(575)	(1,827)
Impairment of PPE .....	9,259	—
Fixed expenses incurred during shutdown and suspension period .....	11,028	—
<b>Adjusted net income (loss) attributable to shareholders of the Corporation ...</b>	<b>73,715</b>	<b>(4,462)</b>
Weighted average number of outstanding shares .....	331,392	325,478
<b>Adjusted basic earnings (loss) per share .....</b>	<b>0.22</b>	<b>(0.01)</b>

	2019	2018
<b>(in thousands)</b>		
Operating income as per IFRS .....	\$ 113,670	\$ 10,321
Share-based compensation recovery related to change in the fair value of the share price .....	(575)	(1,827)
Impairment of PPE .....	9,259	—
Fixed expenses incurred during shutdown and suspension period .....	11,028	—
<b>Adjusted operating income .....</b>	<b>133,382</b>	<b>8,494</b>

## **25. Additional Information and Continuous Disclosure**

This MD&A has been prepared as of March 3, 2020. Additional information on us is available through regular filings of press releases, financial statements and our Annual Information Form on SEDAR ([www.sedar.com](http://www.sedar.com)). These documents and other information about SEMAFO may also be found on our website at [www.semafo.com](http://www.semafo.com).

## **26. 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", "pipeline", "outlook", "strategy", "goal", "expect", "increase", "focus", "targets", "expanding", "forecast", "assumptions", "anticipate", "foresees", "should", "continue", "initial", "estimated", "remains", "additional", "will", "likely", "objective", "contingent on", "further", "could", "test", "initiated" 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 (i) to build value through responsible mining and leverage our development pipeline, (ii) to ensure smooth internal operations at our mines, (iii) to leverage gold price strength, (iv) to increase cash flow through access to higher-grade ore from Siou underground and Siou open pit, (v) of the government to enhance security in the Boungou region, (vi) to execute on our 2020 exploration focus, (vii) to produce between 42,000 and 46,000 ounces of gold at Boungou at an AISC of between \$530 and \$560 per ounce during the initial three-month phase, (viii) to produce between 88,000 and 104,000 ounces of gold at Boungou at an AISC of between \$745 and \$795 per ounce during the May to December period, (ix) to produce between 185,000 and 205,000 ounces of gold at Mana at an AISC of between \$1,050 and \$1,120 per ounce, (x) to keep our general and administrative expenses at \$17 million, (xi) to utilize at Boungou during the initial three-month phase the on-site supplies inventory with limited deliveries of new supplies, (xii) to transition to an airplane for the transportation of employees at Boungou when the construction of the airstrip has been completed, (xiii) to restart mining at Boungou in the fourth quarter while continuing to process stockpiles, (xiv) of the security to improve on the public road to Boungou and in the surrounding region to increase the frequency of deliveries required to operate after the initial three months, (xv) to finalize discussions with the authorities regarding the necessary security plan, (xvi) to replace African Mining Services at Boungou by the fourth quarter, (xvii) of the Mana mill to process approximately 2.3 million tonnes at an average grade of 3.0 g/t Au, with an average gold recovery rate of 91%, (xviii) to extract approximately 600,000 tonnes of ore from Siou underground at an average grade of 5.5 g/t Au and 1.4 million tonnes from the Siou and Wona open pits an average grade of 2.5 g/t Au, (xix) to reach full production at Siou underground in the first quarter of 2020, (xx) to meet our initial exploration budget of \$7 million, (xxi) to add additional underground resources at Bantou, (xxii) to test prospective areas outside of the existing resources at Bantou, (xxiii) meet our resource goal of 2.5-3.0 million ounces at Bantou by the end of 2020, (xxiv) to increase the initial 2020 exploration budget at Bantou, (xxv) of our 2020 exploration program at Boungou to identify new near-mine resources, (xxvi) 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), the security of our operations 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 our 2019 annual MD&A and other filings made with the Canadian securities regulatory authorities and available at [www.sedar.com](http://www.sedar.com). These documents are also available on our website at [www.semafo.com](http://www.semafo.com). We disclaim any obligation to update or revise these forward-looking statements, except as required by applicable law.





Boungou Mine  
Photo: Daniel Audet





## FINANCIAL STATEMENTS

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## Management's Statement of Responsibility

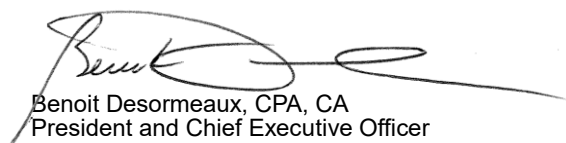
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The consolidated financial statements of SEMAFO Inc. (the "Corporation") and all information in this report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, which recognize the necessity of relying on some best estimates and informed judgments. Management has prepared the financial information presented elsewhere in the financial report and has ensured that it is consistent with that in the consolidated financial statements.

The Corporation maintains appropriate systems of internal control to give reasonable assurance that assets are safeguarded from loss or misuse and financial records are properly maintained to provide reliable information for the timely and accurate preparation of consolidated financial statements.

PricewaterhouseCoopers LLP, a partnership of Chartered Professional Accountants, are appointed by the shareholders and conducted an audit on the Corporation's consolidated financial statements. Their auditor's report is included herein.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee is comprised entirely of independent directors and meets periodically with management and with the Corporation's external auditors to discuss the results of their audit examination and to review issues related thereto. The external auditors have full access to the Audit Committee with and without the presence of management. The Audit Committee reviews the consolidated financial statements and Management's Discussion and Analysis and recommends their approval to the Board of Directors.



Benoit Desormeaux, CPA, CA  
President and Chief Executive Officer



Martin Milette, CPA, CA  
Chief Financial Officer

### *Independent auditor's report*

To the Shareholders of SEMAFO Inc.

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#### *Our opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SEMAFO Inc. and its subsidiaries (together, the Corporation) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

#### **What we have audited**

The Corporation's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of income (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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#### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### *Other information*

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the information, other than the consolidated financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Independent Auditor's Report

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Frédéric Lepage.

*PricewaterhouseCoopers LLP*<sup>1</sup>

Montréal, Quebec  
March 3, 2020

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A123475

# Consolidated Statements of Financial Position

(Expressed in thousands of US dollars)

	As at December 31, 2019 \$ (Note 4)	As at December 31, 2018 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 7).....	98,297	96,519
Trade and other receivables (note 8) .....	44,645	29,434
Income tax receivable (note 17).....	4,434	6,390
Inventories (note 9).....	98,072	83,211
Other current assets.....	5,380	5,378
	<b>250,828</b>	<b>220,932</b>
<b>Non-current assets</b>		
Advance receivable.....	1,421	2,117
Restricted cash (note 7).....	9,964	25,340
Property, plant and equipment (note 11) .....	843,123	782,060
Intangible asset.....	1,079	1,204
Other non-current financial assets (note 12).....	3,698	2,622
	<b>859,285</b>	<b>813,343</b>
<b>Total assets</b> .....	<b>1,110,113</b>	<b>1,034,275</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables and accrued liabilities (note 13).....	67,819	63,905
Current portion of long-term debt (note 14).....	59,275	60,181
Current portion of lease liabilities (note 15).....	13,073	7,820
Current portion of share unit plan liabilities (note 23).....	3,269	3,311
Provisions (note 16).....	2,843	3,051
	<b>146,279</b>	<b>138,268</b>
<b>Non-current liabilities</b>		
Long-term debt (note 14) .....	—	57,388
Lease liabilities (note 15) .....	15,244	20,144
Share unit plan liabilities (note 23) .....	2,755	2,263
Provisions (note 16) .....	25,617	23,561
Deferred income tax liabilities (note 17).....	72,478	39,548
	<b>116,094</b>	<b>142,904</b>
<b>Total liabilities</b> .....	<b>262,373</b>	<b>281,172</b>
<b>Equity</b>		
<b>Shareholders of the Corporation</b>		
Share capital (note 18).....	647,251	623,604
Contributed surplus.....	6,105	6,771
Accumulated other comprehensive loss.....	(17,351)	(18,909)
Retained earnings.....	162,127	109,216
	<b>798,132</b>	<b>720,682</b>
<b>Non-controlling interests (note 29).....</b>	<b>49,608</b>	<b>32,421</b>
<b>Total equity</b> .....	<b>847,740</b>	<b>753,103</b>
<b>Total liabilities and equity</b> .....	<b>1,110,113</b>	<b>1,034,275</b>
Financial commitments and contingencies (note 27)		
Event after the reporting period (note 32)		

Approved by the Board of Directors,

Gilles Masson, CPA, CA, Director

Benoit Desormeaux, CPA, CA, Director

# Consolidated Statements of Income (Loss)

## For the years ended December 31, 2019 and 2018

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

	2019 \$	2018 \$
<b>Revenue – Gold sales</b> .....	<b>475,750</b>	<b>296,679</b>
<b>Costs of operations</b>		
Mining operation expenses (note 21) .....	192,735	164,209
Depreciation of property, plant and equipment .....	139,824	103,758
General and administrative (note 22) .....	16,811	15,826
Corporate social responsibility expenses .....	859	1,262
Share-based compensation (note 23) .....	2,592	1,303
Impairment of property, plant and equipment (note 11) .....	9,259	—
<b>Operating income</b> .....	<b>113,670</b>	<b>10,321</b>
<b>Other expenses (income)</b>		
Finance income .....	(2,233)	(2,283)
Finance costs (note 24) .....	10,774	5,722
Foreign exchange loss .....	877	1,613
<b>Income before income taxes</b> .....	<b>104,252</b>	<b>5,269</b>
<b>Income tax expense</b>		
Current (note 17) .....	9,858	2,136
Deferred (note 17) .....	33,639	9,986
	<b>43,497</b>	<b>12,122</b>
<b>Net income (loss) for the year</b> .....	<b>60,755</b>	<b>(6,853)</b>
<b>Attributable to:</b>		
Shareholders of the Corporation .....	50,187	(8,192)
Non-controlling interests (note 25) .....	10,568	1,339
	<b>60,755</b>	<b>(6,853)</b>
<b>Earnings (loss) per share (note 26)</b>		
Basic .....	0.15	(0.03)
Diluted .....	0.15	(0.03)

# Consolidated Statements of Comprehensive Income (Loss)

## For the years ended December 31, 2019 and 2018

(Expressed in thousands of US dollars)

	2019 \$	2018 \$
<b>Net income (loss) for the year</b> .....	<b>60,755</b>	<b>(6,853)</b>
<b>Other comprehensive income (loss)</b>		
<b>Item that will not be reclassified to profit or loss</b>		
Changes in fair value of equity investments at FVOCI (net of tax of nil) (note 20) .....	3,240	(1,467)
Gain on disposal of equity investment .....	12	—
<b>Total other comprehensive income (loss)</b> .....	<b>3,252</b>	<b>(1,467)</b>
<b>Comprehensive income (loss) for the year, net of tax</b> .....	<b>64,007</b>	<b>(8,320)</b>
<b>Attributable to:</b>		
Shareholders of the Corporation .....	53,439	(9,659)
Non-controlling interests (note 25) .....	10,568	1,339
	<b>64,007</b>	<b>(8,320)</b>



# Consolidated Statements of Changes in Equity

## For the years ended December 31, 2019 and 2018

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

	Attributable to shareholders of the Corporation							
	Share capital		Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total	Non-controlling interests	TOTAL EQUITY
	Common shares (in thousands)	Amount \$						
		\$	\$	\$	\$	\$	\$	\$
<b>Balance - December 31, 2017</b>	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	—	—	—
<b>Balance - January 1, 2018</b>	324,982	622,294	7,220	(17,344)	117,310	729,480	31,082	760,562
<b>Net (loss) income for the year .....</b>	—	—	—	—	(8,192)	(8,192)	1,339	(6,853)
<b>Other comprehensive loss for the year</b>								
Changes in fair value of equity investments at FVOCI (net of tax of nil) (note 20) .....	—	—	—	(1,467)	—	(1,467)	—	(1,467)
<b>Comprehensive (loss) income for the year, net of tax .....</b>	—	—	—	(1,467)	(8,192)	(9,659)	1,339	(8,320)
Shares issued from the exercise of options (note 23) .....	635	1,310	(449)	—	—	861	—	861
Reclassification of AOCI to retained earnings on the sale of equity investment .....	—	—	—	(98)	98	—	—	—
<b>Balance – December 31, 2018</b>	<b>325,617</b>	<b>623,604</b>	<b>6,771</b>	<b>(18,909)</b>	<b>109,216</b>	<b>720,682</b>	<b>32,421</b>	<b>753,103</b>
<b>Balance – January 1, 2019</b>	325,617	623,604	6,771	(18,909)	109,216	720,682	32,421	753,103
<b>Net income for the year .....</b>	—	—	—	—	50,187	50,187	10,568	60,755
<b>Other comprehensive income for the year</b>								
Changes in fair value of equity investments at FVOCI (net of tax of nil) (note 20) .....	—	—	—	3,252	—	3,252	—	3,252
<b>Comprehensive income for the year, net of tax .....</b>	—	—	—	3,252	50,187	53,439	10,568	64,007
Shares issued from the exercise of options (note 23) .....	1,552	4,305	(2,023)	—	—	2,282	—	2,282
Reclassification of AOCI balance related to equity investments at FVOCI of Savary Gold Corporation to retained earnings (notes 10 and 20) .....	—	—	—	(1,694)	1,694	—	—	—
Change in the non-controlling interest of Savary Gold Corporation					1,030	1,030	(1,030)	—
Acquisition of Savary Gold Corporation (note 10) .....	7,299	19,342	1,357	—	—	20,699	7,649	28,348
<b>Balance – December 31, 2019</b>	<b>334,468</b>	<b>647,251</b>	<b>6,105</b>	<b>(17,351)</b>	<b>162,127</b>	<b>798,132</b>	<b>49,608</b>	<b>847,740</b>

# Consolidated Statements of Cash Flows

## For the years ended December 31, 2019 and 2018

(Expressed in thousands of US dollars)

	2019 \$	2018 \$
<b>Cash flows from (used in):</b>		
<b>Operating activities</b>		
Net income (loss) for the year .....	60,755	(6,853)
Adjustments for:		
Depreciation of property, plant and equipment .....	139,824	103,758
Share-based compensation .....	2,592	1,303
Amortization of deferred transaction costs .....	1,218	—
Unrealized foreign exchange loss .....	208	1,608
Impairment of property, plant and equipment (note 11) .....	9,259	—
Deferred income tax expense .....	33,639	9,986
Other .....	(68)	401
Cash flow from operating activities before changes in non-cash working capital .....	247,427	110,203
Changes in non-cash working capital items (note 28 a) .....	(30,189)	(2,279)
<b>Net cash provided by operating activities .....</b>	<b>217,238</b>	<b>107,924</b>
<b>Financing activities</b>		
Repayment of long-term debt (note 14) .....	(60,000)	—
Repayment of equipment financing .....	(181)	(310)
Payments of lease liabilities (note 15) .....	(10,958)	(5,485)
Proceeds on issuance of share capital, net of expenses (note 18) .....	2,282	861
<b>Net cash used in financing activities .....</b>	<b>(68,857)</b>	<b>(4,934)</b>
<b>Investing activities</b>		
Acquisitions of property, plant and equipment (note 28 b) .....	(160,042)	(198,740)
Net cash received on acquisition of Savary Gold Corporation (note 10) .....	232	—
Net acquisitions of equity investments .....	(1,449)	(1,740)
Decrease (increase) in restricted cash .....	15,212	(2,491)
<b>Net cash used in investing activities .....</b>	<b>(146,047)</b>	<b>(202,971)</b>
Effect of exchange rate changes on cash and cash equivalents .....	(556)	(2,450)
<b>Change in cash and cash equivalents during the year .....</b>	<b>1,778</b>	<b>(102,431)</b>
<b>Cash and cash equivalents – Beginning of year .....</b>	<b>96,519</b>	<b>198,950</b>
<b>Cash and cash equivalents – End of year .....</b>	<b>98,297</b>	<b>96,519</b>
Interest paid .....	9,689	9,850
Interest received .....	2,261	2,464
Income tax paid .....	1,385	5,127
Supplementary information on non-cash items (note 28 b)		

# Notes to the Consolidated Financial Statements

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

## 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

The Corporation's audited consolidated financial statements ("the financial statements") are for the group consisting of SEMAFO Inc. and its subsidiaries. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Corporation has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures, except for the adoption of new standards as further described below. The Board of Directors approved the financial statements on March 3, 2020.

### Basis of Measurement

These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value, including equity investments.

### Functional and Presentation Currency

Items included in the financial statements of each of the Corporation's entities are measured using the currency of the primary economic environment in which the entity operates the ("functional currency"). The financial statements are presented in US dollars, which is the Corporation and its subsidiaries' functional currency, and all values are rounded to the nearest thousands, except where otherwise indicated.

### Foreign Currency Translation of Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period year-end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the statement of income (loss) within foreign exchange gain or loss.

### Consolidation

#### Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Corporation has control. The Corporation controls an entity when the Corporation is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between the Corporation's subsidiaries are eliminated. Unrealized gains or losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Corporation's accounting policies.

#### Disposal of subsidiaries

When the Corporation ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income ("OCI") in respect of that entity are accounted for as if the Corporation had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in OCI are reclassified to profit or loss.

# Notes to the Consolidated Financial Statements

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

## 2. Basis of Preparation (continued)

### Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the management team, which makes strategic decisions.

### Significant Subsidiaries – Ownership

	Country	December 31, 2019	December 31, 2018
SEMAFO Boungou S.A. ....	Burkina Faso	90%	90%
SEMAFO Burkina Faso S.A. ....	Burkina Faso	90%	90%
Birimian Resources S.A.R.L. ....	Burkina Faso	100%	100%
Mana Minéral S.A.R.L. ....	Burkina Faso	100%	100%
SEMAFO (Barbados) Ltd. ....	Barbados	100%	100%
Joint Venture BF1 Inc. ("Savary Gold Corporation") .....	British Virgin Island	80%	—

## 3. Summary of Significant Accounting Policies

### Cash and Cash Equivalents

Cash and cash equivalents consist of all cash on hand, balances with banks as well as all highly liquid short-term investments with original maturities of three months or less or that can be redeemed at any time without penalties.

### Inventories

Gold (doré bars and gold in circuit) is physically measured and valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out ("FIFO") method. Production costs include the cost of raw materials, direct labor, other direct costs and related mine-site overhead expenses (based on normal operating capacity), including applicable depreciation on property, plant and equipment.

Supplies, spare parts and ore in stockpiles are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

Net realizable value is the estimated selling price in the normal course of business, less estimated costs of completion and applicable selling expenses.

### Property, Plant and Equipment ("PPE")

Items of PPE are carried at historical cost less accumulated depreciation and accumulated impairment losses. Where an item of PPE comprises major components with different useful lives, the components are accounted for as separate items of PPE. Cost includes expenditures that are directly attributable to the acquisition, the development and the construction of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost can be measured reliably.

The carrying amount of a replaced asset is derecognized when replaced. Gains and losses on disposals of PPE are determined by comparing the proceeds with the carrying amount of the asset.

Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate. Repairs and maintenance costs are charged to the statement of income (loss) during the period in which they are incurred.

Expenditures on major maintenance rebuilds or overhauls are capitalized when it is probable that the expenditure will extend the productive capacity or useful life of an asset.

### 3. Summary of Significant Accounting Policies (continued)

#### Property, Plant and Equipment ("PPE") (continued)

##### i) Property acquisition costs, deferred exploration and development costs

Costs incurred that relate to developed and undeveloped proven and probable reserves and probable non-reserve material when sufficient objective evidence exists to support a conclusion that it is probable that the non-reserve material will be produced ("probable non-reserve material") are included in the depletable amount. The Corporation chooses to exclude from the depletable amount expected future development costs.

Depletion is the systematic allocation of the depletable amount of an asset over its useful life. The depletable amount of an asset is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation begins when a project is put into commercial production and is calculated using the units of production method over the expected operating life of the mine based on estimated recoverable ounces of gold. Estimated recoverable ounces of gold include proven and probable reserves and non-reserve material when sufficient objective evidence exists to support a conclusion that it is probable that the non-reserve material will be produced.

Exploration costs incurred on a property in production are capitalized in PPE and are depreciated over the underlying property estimated recoverable ounces of gold on the basis of the related area of interest.

##### ii) Buildings and equipment related to mining production

Buildings and equipment related to mining production are recorded at cost and are depreciated net of residual value, using the units of production method, over the expected operating life of the mine based on estimated recoverable ounces of gold. However, if the anticipated useful life of the asset is less than the life of the mine, depreciation is based on its anticipated useful life.

##### iii) Mineral properties under development

Mineral properties under development are the costs incurred subsequent to the establishment of the technical feasibility and commercial viability of the extraction of resources from a particular mineral property.

Capitalized costs, including mineral property acquisition costs and certain mine development and construction costs, are not depreciated until the related mining property has reached a level of operating capacity pre-determined by management, often referred to "as commercial production" or expected capacity.

The date of transition from construction to commercial production or expected capacity accounting is based on both qualitative and quantitative criteria such as substantial physical project completion, sustained level of mining, sustained level of processing activity, and passage of a reasonable period of time. Upon completion of mine construction activities (based on the determination of commercial production or expected capacity), costs are removed from mineral properties under development assets and incorporated into the appropriate categories of PPE and supplies inventories.

##### iv) Rolling stock, mining equipment, communication and computer equipment

Rolling stock, mining equipment, communication and computer equipment are recorded at acquisition cost. Depreciation is provided for using the declining balance method at a rate of 30%, with the exception of depreciation of the mining equipment, which is calculated according to the hours-of-use method based on its estimated useful life. The depreciation expense remains capitalized for mining assets not in commercial production and will be recognized in the statement of income (loss) gradually as the mining properties are put into commercial production.

##### v) Stripping costs incurred in the production phase of a mining operation

In open pit mining operations, it is necessary to remove overburden and other waste materials to access ore from which minerals can be extracted economically. The process of mining overburden and waste materials is referred to as "stripping". Stripping costs incurred in order to provide initial access to the ore body (referred to as "pre-production stripping") are capitalized as mine development costs.

It may be also required to remove waste materials and to incur stripping costs during the production phase of the mine. The Corporation recognizes a stripping activity asset if all of the conditions below are met:

- 1) It is probable that the future economic benefit (improved access to the component of the ore body) associated with the stripping activity will flow to the Corporation;

## Notes to the Consolidated Financial Statements

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

### 3. Summary of Significant Accounting Policies (continued)

v) Stripping costs incurred in the production phase of a mining operation (continued)

- 2) The Corporation can identify the component of the ore body for which access has been improved; and
- 3) The costs relating to the stripping activity associated with that component can be measured reliably.

vi) Stripping costs incurred in the production phase of a mining operation (continued)

The Corporation measures the stripping activity at cost based on an accumulation of costs incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable mine site overhead costs.

After initial recognition, the stripping activity asset is carried at cost less depreciation and impairment losses in the same way as the existing asset of which it is a part.

The stripping activity asset is depreciated over the expected useful life of the identified components of the ore body that becomes more accessible as a result of the stripping activity using the "waste to ore" ratio method.

vii) Exploration properties

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized as incurred. Exploration properties comprise mining rights and deferred exploration and evaluation expenses on properties at the exploration and evaluation stages and are recorded at acquisition cost.

Exploration expenditures typically include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies.

Mining rights, deferred exploration and evaluation expenses, and options to acquire undivided interests in mining rights are amortized only when these properties are put into production.

Proceeds on the sale of exploration properties are applied to reduce the related carrying costs; any excess is reflected as a gain in the statement of income (loss). Losses on partial sales are recognized and reflected in the statement of income (loss).

Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property have been determined, which are assessed based on a combination of factors such as, among other things, the securing of financing and the obtaining of mining conventions and other permits, exploration and evaluation assets are tested for impairment and retransferred to mineral properties under development within PPE.

#### Impairment of Non-Financial Assets

The Corporation's non-financial assets, such as PPE and exploration properties are reviewed for an indication of impairment at each statement of financial position date and upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable. If indication of impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit ("CGU"), exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected cash flows of the relevant assets or CGUs). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. These are typically the individual mines. The exploration and evaluation assets located in the same area of interest of an operating mine are grouped with the existing CGUs for the purpose of the impairment test. Impairment losses are recognized in the statement of income (loss) for the year in which they occur.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

#### Impairment of Non-Financial Assets (continued)

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. However, the impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

# Notes to the Consolidated Financial Statements

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

## 3. Summary of Significant Accounting Policies (continued)

### Revenue – Gold Sales

The Corporation sells gold to a refiner. Sales are recognized when control of the gold has been transferred to the refiner, being when the gold leaves the Corporation's warehouse (gold room). Thus, the performance obligations are satisfied at a point in time, when gold leaves the gold room. At that time, the Corporation has physically transferred the gold product and the Corporation has transferred the significant risks (e.g. loss and shipping risks) and rewards relating to the gold to the refiner.

Revenue from the sale of gold is recognized based on the London FIX price. A receivable is recognized when the gold leaves the gold room. No element of financing is deemed present as payment is generally made 15 days after the gold has left the gold room.

### Financial Instruments

#### Classification

The Corporation classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Corporation has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Corporation reclassifies debt investments when and only when its business model for managing those assets changes.

#### Measurement

At initial recognition, the Corporation measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### i) Debt instruments

Subsequent measurement of debt instruments depends on the Corporation's business model for managing the asset and the cash flow characteristics of the asset. There is one measurement category into which the Corporation classifies its debt instruments:

- **Amortized cost:**  
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of income (loss).



## 3. Summary of Significant Accounting Policies (continued)

### Financial Instruments (continued)

#### Measurement (continued)

##### ii) Equity instruments

The Corporation subsequently measures all equity investments at fair value. Where the Corporation's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, but instead there is a reclassification within equity from the accumulated OCI to retained earnings. Dividends from such investments continue to be recognized in profit or loss as other income when the Corporation's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of income (loss) as applicable.

#### Impairment

The Corporation assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Corporation applies the simplified approach permitted by IFRS 9 *Financial Instruments*, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Corporation determines that there is no significant increase in credit risk for instruments that have a low credit risk.

### Transaction Costs

Transaction costs related to financial assets at FVPL are recognized as expenses as incurred. Transaction costs related to financial assets at amortized cost and at FVOCI are added to the carrying value of the asset, and transaction costs related to financial liabilities at amortized cost are netted against the carrying value of the liability. They are then recognized over the expected life of the instrument using the effective interest method.

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

### Provisions

Provisions for environmental restoration and legal claims are recognized when the Corporation has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation as per management's best estimate using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a finance cost.

At each reporting date, the liability is increased to reflect the interest element or accretion reflected in its initial measurement and will be adjusted for changes in the estimate of the amount, timing, change in discount rate and cost of the work to be carried out.

Provisions for asset retirement obligations represent the legal and constructive obligations associated with the eventual closure of the Corporation's PPE. These obligations consist of costs associated with the reclamation and monitoring of activities and the removal of tangible assets.

### Income Taxes

Tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of income (loss), except to the extent that it relates to items recognized in OCI or directly in equity. In this case, tax is also recognized in OCI or directly in equity, respectively.

##### i) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute these amounts are those that are enacted or substantively enacted by the date of the statement of financial position.

## 3. Summary of Significant Accounting Policies (continued)

### Income Taxes (continued)

#### i) Current income tax (continued)

Current tax assets and current tax liabilities are offset if, and only if, the taxable entity has a legally enforceable right to set off the recognized amounts, and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### ii) Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are recognized for all temporary differences, except:

- where the deferred income tax asset or liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

A translation gain or loss may arise for deferred income tax purposes where the local tax currency is not the same as the functional currency for certain non-monetary items. A deferred tax asset or liability is recognized on the difference between the carrying amount for accounting purposes (which reflects the historical cost in the entity's functional currency) and the underlying tax basis (which reflects the current local tax cost, translated into the functional currency using the current foreign exchange rate). The translation gain or loss is recorded as deferred income tax in the statements of income (loss).

### Share-Based Compensation

The Corporation has four distinct share-based mechanisms for employees, directors, officers and consultants.

#### i) Options

The Corporation accounts for its share-based compensation options plans using the fair value method. This method consists of recording expenses to income over the vesting period of the options granted and the counterpart is accounted for in contributed surplus on the statement of financial position. The fair value is calculated based on the Black-Scholes option-pricing model. When share options are exercised, any consideration paid, net of directly related transactional costs, is credited to share capital.

At the end of each reporting period, the Corporation revises its estimates of the number of options that are expected to vest. The Corporation recognizes the impact of the revision on the original estimates, if any, in the consolidated statement of income (loss), with a corresponding adjustment to equity.

#### ii) Restricted Share Units ("RSUs")

The RSU Plan is a non-dilutive long-term incentive plan. RSUs may be granted to employees, directors, officers and consultants as part of their long-term compensation package entitling them to receive payout in cash based on the Corporation's share price at the relevant time. For each RSU granted, the corresponding liability is recorded at fair value and equals the average closing price of the Corporation's shares in the last five trading days prior to the end of the reporting period prorated over the vesting period according to the estimation made by management of the number of RSUs that will eventually vest.

As these RSUs will be settled in cash, the expense and liability are adjusted at each reporting period for changes in the underlying share price and the revision of the estimate made by management of the number of RSUs that will eventually vest. Variations are recognized in the statement of income (loss) in the period in which they are incurred.

## 3. Summary of Significant Accounting Policies (continued)

### Share-Based Compensation (continued)

#### iii) Deferred Share Units ("DSUs")

The DSU Plan is a non-dilutive long-term incentive plan in which employees, including senior management, directors and any other person designated by the Corporation, can participate. DSUs vest immediately at the grant date and are payable in cash. Pursuant to the DSU Plan, after the participant ceases to sit on the Board or be employed or retained by the Corporation, a redemption date is proposed by the participant within the terms of the DSU Plan ("Redemption Date"). The redemption value of each DSU held by the participant is determined by multiplying the number of DSUs credited to this participant by the average closing prices of the Corporation's common shares in the last five trading days prior to the Redemption Date.

As these DSUs will be settled in cash, the expense and liability are adjusted at each reporting period for changes in the underlying share price. Variations are recognized in the statement of income (loss) in the period in which they are incurred. DSU liability is classified in current liabilities as DSUs are payable at any time at the Redemption Date.

#### iv) Performance Share Units ("PSUs")

The PSUs are granted under the RSU Plan. PSUs can be granted to employees, directors, officers and consultants as part of their long-term compensation package, entitling them to receive payout in cash if the vesting conditions are met. For each PSU granted, the corresponding liability is recorded at fair value which is calculated based on a Monte Carlo simulation model. The value of the payout is determined by multiplying the number of PSUs vested at the end of the performance cycle by the average closing price of the Corporation's shares in the last five trading days prior to the end of said performance cycle and is adjusted by a performance payout multiplier between 0% and 150%.

As these PSUs will be settled in cash, and the expense and liability are adjusted at each reporting period for changes in the underlying share price and in weighted average payout based on the Monte Carlo simulation model. Variations are recognized in the statement of income (loss) in the period in which they are incurred.

### Dividends

Dividends on common shares are recognized in the Corporation's financial statements in the period in which the dividends are approved by the Board of Directors.

### Non-Controlling Interests

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity. Their share of net income and OCI is recognized directly in equity even if the results of the non-controlling interests have a deficit balance.

The Corporation treats transactions with non-controlling interests as equity transactions. Changes in the Corporation's ownership interest in subsidiaries that do not result in loss of control are accounted for as equity transactions.

### Earnings Per Share

Basic earnings per share are calculated by dividing the net income (loss) for the year attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the year.

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options and similar instruments is computed using the treasury stock method. The Corporation's potentially dilutive common shares comprise share options.

### Borrowing Costs

Borrowing costs attributable to the acquisition, development or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. Interests on long-term debt and lease liabilities are capitalized in mineral properties under development until the related mining property has reached commercial production.

# Notes to the Consolidated Financial Statements

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

## 3. Summary of Significant Accounting Policies (continued)

### 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.

### Policies applies since January 1, 2019

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).

### 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; and
- 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.

# Notes to the Consolidated Financial Statements

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

## 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* ("IAS 17"), 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 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 PPE) 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:

	\$
<b>Operating lease commitments as per IAS 17 as at December 31, 2018</b>	<b>8,762</b>
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)
<b>Subtotal - Additional lease liability from the initial application of IFRS 16</b>	<b>7,371</b>
Add: finance lease liabilities recognized as per IAS 17 as at December 31, 2018 (note 15)	27,964
<b>Lease liability as at January 1, 2019</b>	<b>35,335</b>

### 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.

The Corporation adopted IFRIC 23 on January 1, 2019 and concluded that there is no impact on its financial statements upon its adoption.

## Notes to the Consolidated Financial Statements

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

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

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

On January 1, 2019, the Corporation adopted the amendments to IAS 23, which clarify which borrowing costs are eligible for capitalization in particular circumstances and concluded that there is no impact on its financial statements upon its adoption.

### 5. New Accounting Standards Issued but not yet in Effect

The following amendments to standards have been issued and are applicable to the Corporation for its annual periods beginning on January 1, 2020 and thereafter, with an earlier application permitted:

#### **IFRS 3, *Business Combinations* ("IFRS 3")**

Amendments to IFRS 3, Business Combinations, clarify the definition of a business. The amendments help entities determine whether an acquisition made is of a business or a group of assets. The amended definition emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. The amendments also introduce an optional "concentration test" that can lead to a conclusion that the acquisition is not a business combination.

IFRS 3 is applicable for annual periods beginning on or after January 1, 2020. The Corporation does not expect any impact in its financial statements upon the amendments of IFRS 3.

#### **IAS 1, *Presentation of Financial Statements* ("IAS 1"), and IAS 8, *Accounting Policies, Changes in accounting Estimates and Errors* ("IAS 8")**

Definition of Material (Amendments to IAS 1, Presentation of Financial Statements, and to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors) is intended to make the definition of material in IAS 1 easier to understand and is not intended to alter the underlying concept of materiality in IFRS Standards. The concept of "obscuring" material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from "could influence" to "could reasonably be expected to influence". The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1.

IAS 1 and IAS 8 are applicable for annual periods beginning on or after January 1, 2020. The Corporation does not expect any impact in its financial statements upon the amendments of IAS 1 and IAS 8.

### 6. Critical Accounting Estimates and Judgments

The preparation of the Corporation's 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 the Corporation's financial statements are addressed below.

#### **Mineral Reserves**

The estimation of mineral reserves is a complex process involving variables of very uncertain natures and requiring important and advisable decisions. This process involves variables such as geological data on the structure of each pit, production cost estimates and future gold prices. The mineral reserve estimates are calculated by qualified persons in accordance with the definitions and guidelines adopted by the Canadian Institute of Mining, Metallurgy and Petroleum.

Mineral reserve estimation may vary as a result of changes in the price of gold, production costs, and with additional knowledge of the ore deposits and mining conditions.

The reserve estimates may have a great impact on the information contained in the financial statements. A number of accounting estimates, as described below, are formulated from the reserve estimates.



## 6. Critical Accounting Estimates and Judgments (continued)

### Impairment of Non-Financial Assets

Assets are reviewed for an indication of impairment at each consolidated statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable and when criteria of assets held for sale are met. This determination requires significant judgment. Factors that could trigger an impairment review include, but are not limited to, significant negative industry or economic trends including the price of gold, and current, historical or projected losses that demonstrate continuing losses, decrease in market capitalization and deferral of capital investments.

The Corporation's recoverable amount measurement with respect to the carrying amount of non-financial assets is based on numerous assumptions and may differ significantly from actual recoverable amount.

The recoverable amount is based, in part, on certain factors that may be partially or totally outside of the Corporation's control. This evaluation involves a comparison of the estimated recoverable amount of non-financial assets to its carrying values. The Corporation's recoverable amount estimates are based on numerous assumptions such as, but not limited to, estimated realized gold prices, operating costs, gold recovery, mineral reserves and resources, capital and site restoration expenditures, potential offers of the mine for sale and estimated future foreign exchange rates, and may differ from actual values. These differences may be significant and could have a material impact on the Corporation's financial position and results of operation. Mineral reserve and resource estimates are the most important variable in the Corporation's recoverable amount estimates. A decrease in the reserves or resources may result in an impairment charge, which could reduce the Corporation's income.

Management's estimates of future cash flows are subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur with evolving economic conditions, which may affect recoverability of the Corporation's non-financial assets.

For the Corporation's projects that are still in the exploration and evaluation stage, factors which could trigger an impairment review include, but are not limited to, an expiry of the right to explore in the specific area during the period or will expire in the near future, and is not expected to be renewed; substantive exploration and evaluation expenditures in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Corporation has decided to discontinue such activities in the specific area; sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale; significant negative industry or economic trends; interruptions in exploration and evaluation activities; and a significant drop in current or forecasted gold prices.

For the year ended December 31, 2019, the total impairment loss on the exploration and evaluation assets within "PPE" amounted to \$9,259,000 (2018: nil) and was recognized in the consolidated statement of income (loss). Please refer to note 11 of the consolidated financial statements for more details.

### Depreciation of PPE

A large portion of the PPE is depreciated using the units of production method over the expected operating life of the mine based on estimated recoverable ounces of gold, which are the prime determinants of the life of a mine. Estimated recoverable ounces of gold include proven and probable reserves and non-reserve material when sufficient objective evidence exists that it is probable the non-reserve material will be produced. Changes in the estimated mineral reserves will result in changes to the depreciation charges over the remaining life of the operation. A decrease in the mineral reserves would increase depreciation expense, and this could have a material impact on the operating results. The amortization base is updated as needed based on the new mineral estimates.

### Capitalization of Stripping

Capitalization of stripping requires the Corporation to make judgments and estimates in determining the amounts to be capitalized. These judgments and estimates include and rely on the expected stripping ratio for each separate open pit, the determination of what defines separate pits, and the expected ounces to be extracted from the pit, amongst others.

### Value Added Tax ("VAT")

Included in trade and other receivables are, in majority, recoverable VAT balances owing by the fiscal authorities in Burkina Faso. The Corporation is following the relevant process in the country to recoup the VAT balances owing and continues to engage with authorities to estimate if all amounts are recoverable and to accelerate the repayment of the outstanding VAT balances.



## 6. Critical Accounting Estimates and Judgments (continued)

### Asset Retirement Obligations

Asset retirement obligations arise from the development, construction and normal operation of mining PPE as mining activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing, and expenditures have been made, and will be made in the future, to comply with such changing laws and regulations.

The estimated present value of reclamation liabilities is recorded in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the asset. The liability will be increased each period to reflect the interest element or accretion reflected in its initial measurement at fair value and will also be adjusted for changes in the estimate of the amount, in timing, in discount rate and in cost of the work to be carried out.

Future remediation costs are accrued based on management's best estimate at the end of each period of the undiscounted cash costs expected to be incurred at each site. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs that will be incurred to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. The estimates are dependent on labor costs, known environmental impacts, the effectiveness of remedial and restoration measures, inflation rates and pre-tax interest rates that reflect current market assessment for the time value of money and the risks specific to the obligation. Management also estimates the timing of the outlays, which is subject to change depending on continued operations and newly discovered mineral reserves.

Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Corporation. Increases in future costs could materially impact the operating results. Asset retirement obligations studies were completed in 2016 and 2017. The financial impact of the studies is described in note 16.

### Income Taxes

The Corporation is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Corporation recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Periodically, judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unused tax losses, require management to assess the probability that the Corporation will generate taxable profits in future periods, in order to utilize deferred tax assets. Once the evaluation is completed, if the Corporation believes that it is probable that some portion of deferred tax assets will fail to be realized, deferred tax asset is derecognized. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Corporation to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Corporation operates could limit its ability to obtain tax deductions in future periods.

Management's judgment is required in determining whether a deferred tax liability is recognized on temporary differences arising on investments in subsidiaries. Judgment is necessary in asserting management's intentions about the reinvestment of undistributed profit in the foreseeable future. Estimates on reinvestments are based on forecasts and on estimates of financial requirements of both the Corporation and its subsidiaries. To the extent that future results and financial requirements differ significantly from estimates, the deferred tax liability provided on temporary differences arising from investments in subsidiaries recorded at the reporting date could be impacted.

### Uncertain Tax Positions

The estimates relating to the different tax assessments received from the Government of Burkina Faso involve a degree of estimation and judgment with regard to certain items whose tax treatment cannot be finally determined until a resolution of an opposition process has been reached with the relevant taxation authority or, as appropriate, through a formal legal process.

The inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Corporation's financial position, results of operations and cash flows. The financial impact of the estimate is reported in note 16.

### 6. Critical Accounting Estimates and Judgments (continued)

#### Measurement of Financial Instruments

The fair value of financial instruments that are not traded on an active market is determined by using valuation techniques. The Corporation uses its judgment in assessing whether a market is considered active as per its policies. The Corporation also uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The Corporation has used the market approach valuation technique for financial assets at FVOCI that are not traded on an active market.

#### 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 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.

#### Commercial Production

Commercial production will be declared on the first day of the calendar month following achievement of the milestones pre-determined by management. Once in commercial production, the capitalization of certain mine development and construction costs cease. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate. Depletion of capitalized costs for mining properties begins when pre-determined levels of operating capacity intended by management have been reached.

#### Boungou Mine

Prior to reaching pre-determined levels of operating capacity intended by management, costs incurred were capitalized as part of "mineral properties under development" within PPE, and proceeds from sales were offset against capitalized costs. Management considers several factors in determining when a mining property has reached levels of operating capacity intended by management, including:

- when the mine is substantially complete and ready for its intended use;
- the ability to sustain ongoing production at a steady or increasing level;
- the mine has reached a level of 75% of design capacity of 4,000 tonnes per day over a 30-day period, and;
- mineral recoveries are at 93% or near the expected production level.

As at September 1, 2018, commercial production was declared for the Boungou project.

## Notes to the Consolidated Financial Statements

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

### 7. Cash

	As at December 31, 2019 \$	As at December 31, 2018 \$
<b>Cash and cash equivalents</b>		
Cash .....	82,496	70,803
Cash equivalents (a) .....	15,801	25,716
<b>Total cash and cash equivalents</b> .....	<b>98,297</b>	<b>96,519</b>
 <b>Restricted cash</b>		
Deposit account in relation with the Credit Facility with Macquarie (note 14)..	—	15,000
Funds held in trust for asset retirement obligations.....	9,445	9,639
Other .....	519	701
<b>Total restricted cash</b> .....	<b>9,964</b>	<b>25,340</b>
<b>Total cash, cash equivalents and restricted cash</b> .....	<b>108,261</b>	<b>121,859</b>

(a) Despite some bank deposits having original investment period of over 90 days, they are deemed highly liquid-cash equivalent items, as they can be redeemed at any time without penalties.

## Notes to the Consolidated Financial Statements

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

### 8. Trade and Other Receivables

	As at December 31, 2019 \$	As at December 31, 2018 \$
Gold trade receivables .....	285	92
Other receivables .....	43,524	28,489
Current portion of the advance receivable.....	836	853
	<b>44,645</b>	<b>29,434</b>

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 totalling \$32,749,000 as at December 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 \$4,634,000 as at December 31, 2019 (December 31, 2018: nil).

On December 31, 2019, the Corporation made a factoring arrangement with a financial institution and sold its VAT receivables for a total amount of \$9,753,000 at a factor rate of 5% and cashed in January 2020. This receivable is classified in Other receivables.

For the year ended December 31, 2019, no provision expense was recorded on VAT receivables (December 31, 2018: nil).

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

### 9. Inventories

	As at December 31, 2019 \$	As at December 31, 2018 \$
Doré bars.....	5,727	3,141
Gold in circuit.....	7,121	15,604
Stockpiles .....	27,342	12,176
Supplies and spare parts.....	57,882	52,290
	<b>98,072</b>	<b>83,211</b>

The cost of inventories that was charged to expenses represents mostly mining operation expenses and essentially all of the depreciation of PPE.

For the year ended December 31, 2019, mainly in relation to spare parts, a net provision expense amounting to \$922,000 was recorded (December 31, 2018: \$1,364,000).

# Notes to the Consolidated Financial Statements

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

## 10. Acquisition of Savary Gold Corporation

In 2018, the Corporation acquired 39,533,333 shares in Savary Gold Corporation ("Savary Gold") for an amount of \$1.8 million. Proceeds of the investment was used by Savary to advance the Karankasso project. On April 30, 2019, the Corporation announced the completion of the previously announced acquisition (the "Transaction") whereby SEMAFO acquired all the remaining issued and outstanding shares of Savary Gold not previously held by SEMAFO. Under the terms of the Transaction, Savary Gold shareholders received 0.0336 SEMAFO common shares for each Savary Gold common share representing 7,299,407 shares issues by SEMAFO.

In accordance with IFRS 3, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes and have the ability to generate outputs. The acquisition of Savary Gold does not meet the definition of a business combination, as the primary assets (Karankasso property) are exploration-stage properties. Consequently, the transaction has been recorded as an acquisition of a group of assets in accordance with IAS 16, Property, Plant and Equipment.

The total purchase price was allocated to the assets acquired and the liabilities assumed based on the fair value of the total consideration at the closing date of the transaction. All financial assets acquired and financial liabilities assumed were recorded at fair value.

### The purchase price was calculated as follows:

#### Consideration paid

7,299,407 SEMAFO common shares issued on closing .....	19,342
Assumed Savary Gold options and warrants on closing .....	1,380
Pre-closing common shares fair value and warrants held in Savary Gold.....	3,718
Transaction costs .....	957
Non-controlling interest <sup>1</sup> .....	7,649
	<b>33,046</b>

#### Net assets acquired

Cash and cash equivalents .....	1,136
Trade and other receivables .....	211
Other current assets .....	6
PPE .....	33,035
Trade payables and accrued liabilities.....	(1,342)
	<b>33,046</b>

### Reconciliation of net cash received on acquisition of Savary Gold

Cash acquired .....	1,136
Transaction costs <sup>2</sup> .....	(904)
	<b>232</b>

<sup>1</sup> Included a 23% non-controlling interest held by a third-party in Savary's main subsidiaries.

<sup>2</sup> The amount of transaction costs paid as at June 30, 2019.

# Notes to the Consolidated Financial Statements

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

## 11. Property, Plant and Equipment

	Property, acquisition costs, deferred exploration and development costs	Exploration and evaluation assets (i)	Mineral properties under develop- ment and iv)	Buildings and equipment related to mining production	Mining equipment	Rolling stock, communi- cation and computer equipment	TOTAL
	\$	\$	\$	\$	\$	\$	\$
<b>Year ended December 31, 2019</b>							
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 .....	106,018	13,317	—	18,387	14,611	1,688	154,021
Acquisition of Savary Gold (iii) .....	—	33,035	—	—	—	—	33,035
Underground development (iv) .....	—	—	46,528	—	—	—	46,528
Retirement of assets (v) .....	—	—	—	(468)	(252)	—	(720)
Impairment (vi) .....	—	(9,259)	—	—	—	—	(9,259)
Right-of-use assets termination (v) (note 15) .....	—	—	—	—	(14,335)	—	(14,335)
Right-of-use assets modification (note 15) .....	—	—	—	(11)	61	—	50
Depreciation charge .....	(95,778)	—	—	(36,919)	(19,428)	(3,503)	(155,628)
<b>Closing net carrying amount.....</b>	<b>430,203</b>	<b>79,181</b>	<b>57,313</b>	<b>232,932</b>	<b>34,166</b>	<b>9,328</b>	<b>843,123</b>
<b>As at December 31, 2019</b>							
Cost .....	812,224	79,181	57,313	391,714	102,909	23,180	1,466,521
Accumulated depreciation .....	(382,021)	—	—	(158,782)	(68,743)	(13,852)	(623,398)
<b>Net book amount.....</b>	<b>430,203</b>	<b>79,181</b>	<b>57,313</b>	<b>232,932</b>	<b>34,166</b>	<b>9,328</b>	<b>843,123</b>
Right-of-use assets (note 15) .....	—	—	—	6,603	16,917	1,662	25,182
Assets not subject to depreciation included in above (vii) .....	52	79,181	57,313	4,841	1,652	415	143,454
<b>Year ended December 31, 2018</b>							
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
<b>As at December 31, 2018</b>							
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)
<b>Net book amount.....</b>	<b>419,963</b>	<b>42,088</b>	<b>10,785</b>	<b>250,227</b>	<b>49,239</b>	<b>9,758</b>	<b>782,060</b>
Assets held under finance lease .....	—	—	—	2,937	24,293	1,005	28,235
Assets not subject to depreciation included in above (vii) .....	20	42,088	10,785	3,495	3,547	116	60,051

- (i) 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.



# Notes to the Consolidated Financial Statements

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

## 11. Property, Plant and Equipment (continued)

### (ii) 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, 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 PPE 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 14) and finance costs related to the lease liabilities (note 15). Gold sales resulting from pre-production activities are offset against capitalized costs and amounted to \$14,994,000 in 2018.

- (iii) The acquisition of Savary Gold was completed as of April 30, 2019 (note 10). The total costs of the acquisition result in an addition of \$33,035,000 in PPE. Those costs were classified in the Exploration and Evaluation assets category. The costs were also allocated to specific exploration permits.

### (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 expected production. During the development period, the amount of borrowing costs capitalized for the year ended December 31, 2019 was \$3,827,000 (2018: 310,000). Borrowing costs consisted of interest expense and amortization of deferred transaction costs on the Credit Facility with Macquarie (note 14) and finance costs related to the lease liabilities (note 15). As at January 1, 2020, the development period of the underground is completed and the capitalization of the interest and the amortization has been ceased.

- (v) In the year ended December 31, 2019, the Corporation retired assets, excluding right-of-use assets termination, with a cost of \$11,180,000 and accumulated depreciation of \$10,460,000.

In the year ended December 31, 2019, the Corporation right-of-use assets termination amounted to a cost of \$29,730,000 and accumulated depreciation of \$15,395,000.

### (vi) Impairment

During the year ended December 31, 2019, the Corporation recorded an impairment loss of \$9,259,000 (2018: nil), mainly related to its Korhogo property, previously capitalized as "exploration and evaluation assets" within "property, plant and equipment". The Corporation has no plans to further develop internally the Korhogo property as substantive expenditure on further exploration and evaluation of mineral resources in the Korhogo property is neither budgeted nor planned. Consequently, the exploration rights costs and capitalized exploration and evaluation expenses for this property have been written off within the "other exploration" segment and have been included as "impairment of PPE" in the consolidated statement of income (loss).

- (vii) Assets not subject to depreciation include capital spare parts not yet installed of \$2,845,000 (December 31, 2018: \$5,171,000) as well as assets under construction, in transit or exploration and evaluation assets of \$140,609,000 (December 31, 2018: \$54,880,000).

## Notes to the Consolidated Financial Statements

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

### 12. Other Non-Current Financial Assets

	As at December 31, 2019 \$	As at December 31, 2018 \$
Investment in GoviEx Uranium Inc ("GoviEx") (note 20) .....	1,152	1,079
Investment in Compass Gold Corp. ("Compass Gold") (note 20) .....	2,546	—
Investment in Savary Gold (note 20).....	—	1,450
Other .....	—	93
	<b>3,698</b>	<b>2,622</b>

In April 2019, SEMAFO announced the completion of the previously announced Transaction whereby SEMAFO acquired all the remaining issued and outstanding shares of Savary Gold.

In November 2019, SEMAFO invested \$1,512,000 in Compass Gold. Please refer to note 20 for more details.

### 13. Trade Payables and Accrued Liabilities

	As at December 31, 2019 \$	As at December 31, 2018 \$
Trade payables .....	35,712	35,483
Royalties, development tax and withholding tax .....	14,914	7,056
Accrued expenses .....	17,193	21,366
	<b>67,819</b>	<b>63,905</b>

All payables are unsecured, non-interest bearing, incurred in the normal course of the Corporation's business operations.

# Notes to the Consolidated Financial Statements

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

## 14. Long-Term Debt

Long-term debt consists of the following:

	As at December 31, 2019 \$	As at December 31, 2018 \$
Credit Facility (a) .....	60,000	120,000
Unamortized deferred transaction costs .....	(725)	(2,612)
Equipment financing .....	—	181
<b>Long-term debt, net of deferred transaction costs .....</b>	<b>59,275</b>	<b>117,569</b>
Current portion .....	59,275	60,181
Non-current portion .....	—	57,388
	<b>59,275</b>	<b>117,569</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Balance - beginning of year .....	117,569	115,557
Principal repayment .....	(60,181)	(310)
Amortization of transaction costs .....	1,887	2,322
<b>Balance - end of year .....</b>	<b>59,275</b>	<b>117,569</b>

### (a) Credit Facility with Macquarie

As at December 31, 2019, the credit facility with Macquarie ("Credit Facility") amounted to \$60,000,000 and bore interest at a rate equal to LIBOR plus 4.75% per annum, with principal repayable in four 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.

Since commercial production has been achieved at Boungou, 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 December 31, 2019, all above mentioned covenants were met.

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

### 2019 Amendments

The Corporation has entered into a second waiver and amendment agreement (the "Amendment Agreement") dated December 20, 2019 with Macquarie that updates the original credit agreement (the "Original Agreement"). The Original Agreement remains in force, and the Amendment Agreement provides two main updates.

The first update relates to an event of default provision. The Original Agreement provided that an event of default occurred when, among other things, operations at the Boungou Mine remained suspended for a period of 30 days or more. The Corporation obtained a waiver from Macquarie in early December. Under the Amendment Agreement, a new event of default occurs if the mill has not restarted and the processing of ore from the existing stockpiles at the Boungou Mine has not commenced by February 15, 2020 or such later date that Macquarie may agree with. In early February 2020, the Boungou plant was restarted, and processing of the stockpile began.

The second update relates to the reserve account, recorded as restricted cash, in which \$15 million is required to be held until the Credit Facility reaches \$30 million. Under the Amendment Agreement, this restricted cash of \$15 million was applied against the principal payment on December 31, 2019. The restricted cash was therefore nil as at December 31, 2019, and the Corporation will be required to replenish the reserve account back to \$15 million by March 31, 2020, in addition to making the regular principal payment of \$15 million due March 31, 2020.

# Notes to the Consolidated Financial Statements

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

## 15. Leases

Right-of-use assets are included within PPE and consist of the following:

	Buildings and equipment related to mining production	Mining equipment	Rolling stock, communication and computer equipment	TOTAL
	\$	\$	\$	\$
<b>Year ended December 31, 2019</b>				
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 (b).....	3,951	13,574	188	17,713
Lease termination (b).....	—	(14,335)	—	(14,335)
Modification.....	(11)	61	—	50
Depreciation charge .....	(1,990)	(10,946)	(916)	(13,852)
<b>Closing net carrying amount .....</b>	<b>6,603</b>	<b>16,917</b>	<b>1,662</b>	<b>25,182</b>

Lease liabilities consist of the following:

	As at December 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 (b) .....	17,713	9,738
Lease termination (b) .....	(13,959)	—
Debt modification.....	148	—
Mobilization payment during the year .....	(878)	(154)
Payments during the year .....	(10,080)	(5,331)
Impact of foreign exchange .....	38	—
<b>Closing balance, lease liabilities.....</b>	<b>28,317</b>	<b>27,964</b>
Current portion .....	13,073	7,820
Non-current portion .....	15,244	20,144
	<b>28,317</b>	<b>27,964</b>

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

# Notes to the Consolidated Financial Statements

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

## 15. Leases (continued)

### Supplementary lease information

	Year ended December 31,
	2019
	\$
<b>Amounts recognized in profit or loss</b>	
Interest on lease liabilities included in finance cost (note 24) .....	1,702
Expense relating to variable lease payments not included in the measurement of lease liabilities .	4,552
	<b>15,510</b>
<b>Amounts recognized in the statement of cash flows</b>	
Total cash outflow for leases .....	<b>15,510</b>
<b>Commitment</b>	
Leases not yet commenced to which the lessee is committed .....	11,002

The future minimum lease payments with respect to the Corporation's lease liabilities are as follows:

	Less than one year	Between one year and five years	Over 5 years	Total
	\$	\$	\$	\$
Minimum lease payments .....	13,073	14,959	285	28,317
Financial charges .....	1,392	1,475	8	2,875
	<b>14,465</b>	<b>16,434</b>	<b>293</b>	<b>31,192</b>

## Notes to the Consolidated Financial Statements

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

### 15. Leases (continued)

#### (a) 2018

In 2018, the Corporation entered into an agreement for the Boungou Mine, which included a finance lease component. In the second quarter of 2018, the Corporation recognized initially \$3,033,000 as finance lease assets in PPE, as part of "Mineral properties under development". with a corresponding amount as financial lease obligation.

In 2018, the Corporation signed a mining services contract with African Underground Mining Services Burkina Faso SARL ("AUMS") to provide turnkey mining services for the Siou underground development project. As a result, in 2018, leased assets were mobilized. In 2018, the Corporation recognized \$6,705,000 as right-of-use assets in PPE, with a corresponding amount as a lease obligation.

#### (b) 2019

##### Lease termination

In July 2017, the Corporation entered into a mining services agreement ("Mining Agreement") with African Mining Service Burkina Faso SARL ("AMS") for the Boungou Mine.

The Mining Agreement has an initial duration of five years.

The mining services provided by AMS includes the extraction and haul of the ore and waste in a manner to ensure feed to the plant or designated stockpiles. AMS also provides a labor force and the equipment needed to perform the mining services. The Corporation remains responsible for the mining plan. Based on the substance of the Mining Agreement at the inception date, it was determined that it contained a lease with respect to the mining fleet.

In November 2019, AMS announced that it will take steps towards ceasing operations in the Est region of Burkina Faso and called for a force majeure on the contract it had with the Corporation at the Boungou Mine. Therefore, AMS has terminated the Mining Agreement and its operations at the Boungou Mine.

Consequently, in 2019, the Corporation derecognized the AMS lease liability of \$13,959,000 and write-off the corresponding right-of use of assets of \$14,335,000. A loss of \$376,000 was recorded as an increase of "depreciation expense" in the statement of income (loss).

##### 2019 lease assets mobilization

During 2019, additional leased assets were mobilized. The Corporation recognized \$17,713,000 as right-of-use assets in PPE, with a corresponding amount as a lease liabilities. These assets are mostly related to the AUMS mining services contract at the Mana Mine.

## Notes to the Consolidated Financial Statements

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

### 16. Provisions

	As at December 31, 2019 \$	As at December 31, 2018 \$
Current.....	2,843	3,051
Non-current.....	25,617	23,561
	<b>28,460</b>	<b>26,612</b>

	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.....	523	—	523
Variation due to accretion expense, exchange rate and provision used during the year.....	1,641	(316)	1,325
<b>As at December 31, 2019.....</b>	<b>25,617</b>	<b>2,843</b>	<b>28,460</b>

#### Asset Retirement Obligations

The liability for asset retirement obligations as at December 31, 2019 was \$25,617,000 (December 31, 2018: \$23,453,000). In the year ended December 31, 2019, the Corporation recognized additional asset retirement obligations of \$523,000. In the year ended December 31, 2018, the Corporation recognized additional asset retirement obligations of \$10,599,000, of which \$10,242,000 was specifically related to the Boungou Mine.

The estimated undiscounted value of this liability was \$38,035,000 (December 31, 2018: \$37,287,000). These disbursements are expected to be made during the years 2020 to 2030.

In the year ended December 31, 2019, an accretion expense component of \$1,641,000 (note 24) (December 31, 2018: \$915,000) was charged to operations in "finance costs" to reflect an increase in the carrying amount of the asset retirement obligation which was determined using a weighted average discount rate of 7% (December 31, 2018: 7%).

#### Other

Other provisions also include various tax exposures amounting to \$2,722,000 as at December 31, 2019 (December 31, 2018: \$2,849,000). From time to time, the Corporation is subject to reviews of its income tax filings and other taxes and, in connection with such reviews, disputes can arise with the taxation authorities over the interpretation or application of certain rules to the Corporation's business conducted in a given country. The Corporation is currently subject to various tax exposures which management estimates could range from nil to \$3,000,000 (December 31, 2018: nil to \$3,000,000). Management believes its current provision is sufficient to cover for significant tax exposures.

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



## Notes to the Consolidated Financial Statements

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

### 17. Income Taxes

#### a) Deferred Income Tax

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Operating losses carried forward \$	Unrealized foreign exchange losses \$	Reserve \$	Total \$
As at January 1, 2018 .....	—	422	—	422
Charged to statement of (loss) income .....	33,293	948	—	34,241
Exchange differences .....	(1,324)	(44)	—	(1,368)
As at December 31, 2018 .....	<b>31,969</b>	<b>1,326</b>	<b>—</b>	<b>33,295</b>
Charged to statement of income (loss) .....	(26,076)	(27)	980	(25,123)
Exchange differences .....	(631)	(27)	—	(658)
<b>As at December 31, 2019 .....</b>	<b>5,262</b>	<b>1,272</b>	<b>980</b>	<b>7,514</b>

The movement in deferred income tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Inventories \$	PPE \$	Reserve \$	Investments in subsidiaries \$	Total \$
As at January 1, 2018 .....	(1,109)	(24,436)	(7)	(5,814)	(31,366)
Charged to statement of (loss) income .....	(775)	(43,356)	(96)	—	(44,227)
Exchange differences .....	71	2,676	3	—	2,750
As at December 31, 2018 .....	<b>(1,813)</b>	<b>(65,116)</b>	<b>(100)</b>	<b>(5,814)</b>	<b>(72,843)</b>
Credited (charged) to statement of income (loss) .....	217	(10,520)	100	1,687	(8,516)
Exchange differences .....	36	1,331	—	—	1,367
<b>As at December 31, 2019 .....</b>	<b>(1,560)</b>	<b>(74,305)</b>	<b>—</b>	<b>(4,127)</b>	<b>(79,992)</b>

# Notes to the Consolidated Financial Statements

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

## 17. Income Taxes (continued)

### a) Deferred Income Tax (continued)

The net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to \$103,400,000 as at December 31, 2019 (2018: \$93,323,000). Of these amounts, \$7,508,000 as at December 31, 2019 (2018: \$14,762,000) has no expiration date and \$95,892,000 (2018: \$78,561,000) in respect of losses and donations that can be carried forward against future taxable income and expiring between 2020 and 2039.

In addition, the Corporation has \$33,209,000 (2018: \$27,243,000) of net capital losses carried forward for which deferred tax assets have not been recognized. Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains.

At December 31, 2019, no deferred tax liabilities were recognized for temporary differences of \$415,620,000 (2018: \$293,478,000) related to investments in subsidiaries because Semafo controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

### b) Income Tax Expense

	2019 \$	2018 \$
<b>Current tax</b>		
Current tax on profits for the year.....	9,839	2,136
Adjustments in respect of prior years .....	19	—
<b>Total current tax</b> .....	<b>9,858</b>	<b>2,136</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences.....	33,639	9,986
<b>Income tax expense</b> .....	<b>43,497</b>	<b>12,122</b>

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

	2019 \$	2018 \$
<b>Income before income taxes</b> .....	<b>104,252</b>	<b>5,269</b>
Canadian combined tax rate.....	26.60%	26.70%
Tax calculated at Canadian combined tax rate .....	27,731	1,407
Tax effects of:		
Difference in tax rate of foreign subsidiaries .....	365	1,182
Unrecorded tax benefits .....	3,239	1,791
Depreciation subject to initial recognition exemption.....	6,158	1,531
Expenses (income) not deductible (taxable) for tax purposes.....	240	(1,062)
Non-deductible (taxable) capital (gains) losses .....	(433)	1,821
Adjustment in respect of prior years .....	47	(132)
Foreign exchange loss (gain) not materialized.....	18	(867)
Effect of currency translation on tax base .....	2,939	3,944
Other taxes included in income tax expense.....	1,762	2,134
Other .....	1,431	373
<b>Income tax expense</b> .....	<b>43,497</b>	<b>12,122</b>

The applicable statutory tax rate in 2019 is 26.6% (2018: 26.7%). The decrease to the statutory tax rate is due to a tax rate decrease in the province of Quebec.

## Notes to the Consolidated Financial Statements

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

### 18. Share Capital

#### a) Authorized

The Corporation's share capital consists of authorized:

- Unlimited number of common shares without par value
- Unlimited number of Class "A" preferred shares, no par value, non-voting, non-participating and redeemable at the option of the holder at a price of \$0.23 (C\$0.32) per share
- Unlimited number of Class "B" preferred shares, no par value, non-voting, non-participating and redeemable at the option of the Corporation at a price of \$0.09 (C\$0.12) per share

#### b) Options

	2019	2018
Number of options exercised under Share Option Plan ("Original Plan") and 2010 Share Option Plan ("2010 Plan") .....	1,552	635
	\$	\$
Cash consideration for options exercised .....	2,282	861
Amount reclassified from contributed surplus to share capital .....	2,023	449

### 19. Capital Risk Management

Capital is defined as long-term debt (Credit Facility) plus shareholders of the Corporation:

	As at December 31, 2019	As at December 31, 2018
	\$	\$
Long-term debt (Credit Facility) .....	59,275	117,388
Shareholders of the Corporation .....	798,132	720,682
	857,407	838,070

The Corporation's capital risk management objectives are as to:

- Safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders to maintain an optimal capital structure to enhance shareholders' value in the long-term;
- Ensure sufficient capital is available to meet short-term business requirements and pursue the development of its mining projects and operations;
- Maintain an optimal capital structure and reduce the cost of capital; and
- Ensure sufficient capital for business development.

As a growing business, the Corporation requires extensive capital. The Corporation raises capital, as necessary, to meet its needs and take advantage of opportunities and, therefore, does not have a defined numeric target for its capital structure.

# Notes to the Consolidated Financial Statements

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

## 20. 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 December 31, 2019 and December 31, 2018.

	As at December 31, 2019 \$	As at December 31, 2018 \$
<b>Financial assets</b>		
Financial assets at amortized cost		
Cash and cash equivalents .....	98,297	96,519
Restricted cash .....	9,964	25,340
Gold trade receivables .....	285	92
Advance receivable .....	2,257	2,970
Other receivables (excluding VAT) .....	10,775	1,258
Total investments at amortized cost	121,578	126,179
Financial assets at FVOCI		
Investment in GoviEx .....	1,152	1,079
Investment in Compass Gold .....	2,546	—
Investment in Savary Gold .....	—	1,450
Total investments at FVOCI	3,698	2,529
Other .....	773	776
	126,049	129,484
<b>Financial liabilities</b>		
Financial liabilities at amortized cost		
Trade payables and other financial liabilities .....	52,905	56,849
Long-term debt .....	59,275	117,569
	112,180	174,418

### 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.

# Notes to the Consolidated Financial Statements

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

## 20. Financial Instruments (continued)

### Financial Risk Factors (continued)

#### a) Market (continued)

##### i. Fair Value (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 December 31, 2019 was \$2,257,000 (December 31, 2018: \$2,970,000) and was not significantly different from its carrying amount.

##### Financial assets at FVOCI

The Corporation has investments in equity instruments that, on initial recognition, were elected and classified as financial assets at FVOCI. The equity instruments are classified as a Level 1 in the fair value hierarchy. Their fair values are a recurring measurement and are estimated using the last closing price observed on the TSX-V, in accordance with the Corporation's policy. The equity investments designated as financial assets at FVOCI are as follows:

##### Investment in GoviEx

The investment in GoviEx, a publicly traded mineral resources company focused on the exploration and development of uranium properties in Africa.

The Corporation estimates its fair value to be \$1,152,000 as at December 31, 2019 (December 31, 2018: \$1,079,000).

##### Investment in Savary Gold

In 2018, the Corporation acquired 39,533,333 shares in Savary Gold and 3,100,000 warrants for an amount of \$1.8 million. Proceeds of the investment was used by Savary Gold to advance the Karankasso project. On initial recognition, the investment in Savary Gold was designated as a financial asset at FVOCI.

On April 30, 2019, the Corporation announced the completion of the previously announced the transaction, whereby the Corporation acquired all the remaining issued and outstanding shares of Savary Gold not previously held by the Corporation (please refer to note 10 for further details). As a consequence, the initial investment in Savary Gold classified as a financial asset at FVOCI is part of an acquisition achieved in stages. On the date of transaction, as part of the purchase price allocation, the Corporation derecognized its investment, which as at April 30, 2019, the Corporation estimated the fair value of Savary Gold's common share to be \$3,533,000 and the warrants' fair value to be \$185,000.

##### Investment in Compass Gold

In November 2019, the Corporation acquired 5,714,286 shares in Compass Gold for an amount of \$1,512,000. The investment in Compass Gold, a publicly traded mineral exploration company focused on gold exploration and the development of mining projects in Mali, is in line with the Corporation's strategy to invest in prospective exploration companies to complement our internal development.

The Corporation estimates its fair value to be \$2,546,000 as at December 31, 2019 (December 31, 2018: nil).

There were no transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2019.

##### Financial income from cash and cash equivalents

Financial income of \$2,233,000 in 2019 (2018: \$2,283,000) is derived from the Corporation's financial assets and is calculated using the effective interest method.

## Notes to the Consolidated Financial Statements

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

### 20. Financial Instruments (continued)

#### Financial Risk Factors (continued)

##### a) Market (continued)

###### ii. Interest Rate Risk

Interest rate risk is the risk that the value or cash flow of assets and liabilities will change when the related interest rates change.

The Corporation is exposed to cash flow interest rate risk primarily on its long-term debt and does not take any particular measures to protect itself against fluctuations in interest rates.

The long-term debt provides for an interest on the outstanding principal amount from the date of advance to the Corporation at a rate equal to LIBOR plus 4.75%. Related interest rates are based on market interest rates. An increase (decrease) in the LIBOR rate for the long-term debt of 1% would generate an increase (decrease) of \$600,000 in net income and equity over a 12 months horizon based on the outstanding balances outstanding as at December 31, 2019. An increase in the LIBOR rate for the long-term debt of 1% would generate an increase of \$600,000 in net income and equity over a 12 months horizon based on the outstanding balances outstanding as at December 31, 2019.

With the exception of its long-term debt, the Corporation's current financial assets and financial liabilities are not significantly exposed to interest rate risk because either they are of a short-term nature or because they are non-interest bearing.

The Corporation's advance receivable is non-interest bearing and therefore bears no interest rate risk.

###### iii. Foreign Exchange Risk

The Corporation's operations in Burkina Faso are subject to currency fluctuations and such fluctuations may materially affect its financial position and results. Gold is currently sold in US dollars. The majority of the costs of the Corporation are also in non-US dollars. The appreciation of non-US dollar currencies against the US dollar can increase the cost of exploration and production in US dollar terms. The Corporation does not use derivatives to mitigate its exposure to foreign currency risk.

The Corporation's currencies statement of financial position contains balances of cash and cash equivalents, restricted cash and other receivables, advance receivable, trade payables and other financial liabilities payable in currencies other than its functional currency. Accordingly, the Corporation is exposed to foreign exchange risk.

The balances in currencies are as follows as at December 31, 2019 and 2018:

	2019	2018
	EUR	EUR
Cash and cash equivalents .....	59,822	50,917
Restricted cash .....	8,421	8,422
Other receivables .....	9,989	1,419
Advance receivable .....	2,013	2,596
Trade payables and other financial liabilities .....	(44,266)	(37,044)
	35,979	26,310
US dollar equivalents.....	40,358	30,113

The FCFA currency is fixed against the Euro currency. The balance in Euro currency includes the balance in FCFA as the foreign exchange risk of both currencies is managed simultaneously.

Assuming that all other variables are constant, a weakening of 10% in the Euro exchange rate would have generated a decrease of \$3,669,000 in net income and equity for the year ended December 31, 2019 (2018: \$2,738,000). A strengthening of 10% in the Euro exchange rate would have generated an increase of \$4,484,000 in net income and equity for the year ended December 31, 2019 (2018: \$3,346,000).

## Notes to the Consolidated Financial Statements

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

### 20. Financial Instruments (continued)

#### Financial Risk Factors (continued)

##### a) Market (continued)

###### iv. Equity Price Risk

The Corporation is exposed to equity price risk for equity investments at FVOCI. Equity price risk is the risk that the fair value of a financial instrument varies due to equity market changes. The Corporation's quoted equity investments in GoviEx and Compass Gold are exposed to equity price risk since their fair value is determined through the last closing share price on the TSX-V. As at December 31, 2019, a variation of 10% of the quoted equity investments in GoviEx and Compass Gold would result in an estimated effect in the statement of comprehensive income (loss) and in equity of \$370,000 (net of tax) for the year ended December 31, 2019 (December 31, 2018: \$253,000).

##### b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist of cash and cash equivalents, restricted cash, gold trade receivables and other receivables and advance receivables. The Corporation offsets these risks by depositing its cash and cash equivalents, including restricted cash, with Canadian and international financial institutions with credit rating between AA- and B, with one bank in Africa having a credit rating of B and other banks in Africa, with no credit rating. The Corporation only performs transactions with one counterparty for the sale of gold. The Corporation has receivables from the Government of Burkina Faso and receivables from a purchaser. With regard to advance receivable and other receivables, a credit analysis is performed on the counterparties assuring the risk to the Corporation as being minimal.

##### c) Liquidity Risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities as at December 31, 2019:

	Between 0 and 6 months	Between 6 and 12 months	Between one year and five years	Over 5 years
	\$	\$	\$	\$
Trade payables and other financial liabilities .....	52,759	146	—	—
Long-term debt including interest .....	31,871	30,802	—	—
Gross finance lease obligations .....	8,387	6,078	16,434	293

The Corporation does not have any financial liabilities over a 12 month period.

The Corporation's growth is financed through a combination of cash on hand, cash flows from operations, the issuance of equity and long-term debt. One of management's primary goals is to maintain an optimal level of liquidity through the active management of assets and liabilities, as well as cash flows.

Surplus cash held over and above the balance required for working capital management and other expected needs are invested in interest-bearing current accounts and bank deposits. Liquidity risk is considered minimal because the Corporation has surplus cash. As at December 31, 2019, the Corporation held cash comprising cash on hand and demand deposits amounting to \$82,496,000 (2018: \$70,803,000); and cash equivalents that are composed of bank deposits and money market investments of \$15,801,000 (2018: \$25,716,000).



## Notes to the Consolidated Financial Statements

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

### 21. Mining Operation Expenses

The following table details mining operation expenses by nature:

	2019 \$	2018 \$
Operating and maintenance supplies and services .....	131,435	95,555
Fuel .....	71,527	58,005
Employee benefits expenses .....	36,455	31,671
Reagents .....	15,188	13,992
Inventory change .....	(10,669)	2,698
Less: Production expenses capitalized as stripping cost .....	(76,685)	(51,105)
Total Production costs .....	167,251	150,816
Government royalties and development taxes .....	25,484	13,393
<b>Mining operation expenses .....</b>	<b>192,735</b>	<b>164,209</b>

The mining operating expenses include fixed non-recoverable expenses incurred during the year ended December 31, 2019 with respect to the temporary shutdowns of the Boungou and Mana Mines. The fixed non-recoverable expenses for the Boungou and Mana Mines amounted to \$5,095,000 and \$5,933,000, respectively, totalling \$11,028,000.

### 22. General and Administrative

	2019 \$	2018 \$
Corporate expenses .....	13,178	13,005
Sites – Administrative .....	3,633	2,821
	<b>16,811</b>	<b>15,826</b>

## Notes to the Consolidated Financial Statements

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

### 23. Share-Based Compensation

The following table details the share unit plan liabilities:

	As at December 31, 2019 \$	As at December 31, 2018 \$
Current .....	3,269	3,311
Non-current .....	2,755	2,263
	<b>6,024</b>	<b>5,574</b>

As at December 31, 2019, the total intrinsic value of share unit plan liabilities for which the counterparty's right to cash had vested amounted to \$3,269,000 (December 31, 2018: \$3,311,000).

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

	2019 \$	2018 \$
RSU (a) .....	2,221	1,253
DSU (b) .....	420	36
PSU (c) .....	(49)	14
	<b>2,592</b>	<b>1,303</b>

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

	2019 \$	2018 \$
Expense related to outstanding units .....	3,167	3,130
Recovery related to change in the fair value of the share price .....	(575)	(1,827)
	<b>2,592</b>	<b>1,303</b>

## Notes to the Consolidated Financial Statements

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

### 23. Share-Based Compensation (continued)

#### a) RSU

Under the Corporation's RSU Plan, RSUs can be granted to employees, directors, officers and consultants as part of their long-term compensation package, entitling them to receive payout in cash if the vesting conditions are met. Pursuant to the RSU Plan, the RSUs granted are scheduled for payout after three years provided that the applicable vesting conditions are met at the end of the performance cycle. The value of the payout is determined by multiplying the number of RSUs vested at the end of the performance cycle by the average closing price of the Corporation's shares in the last five trading days prior to the end of said performance cycle.

The following table provides the activity for all RSUs for the years ended December 31, 2019 and 2018:

	Number of RSUs
Outstanding as at January 1, 2018 .....	3,742,000
Granted under the 2018 plan .....	1,434,000
Vested and paid .....	(1,696,000)
Forfeited .....	(333,000)
Outstanding as at December 31, 2018 .....	3,147,000
Outstanding as at January 1, 2019 .....	3,147,000
Granted under the 2019 plan .....	1,698,000
Vested and paid .....	(1,033,000)
Forfeited .....	(374,000)
Outstanding as at December 31, 2019 .....	3,438,000

A total of 807,000 RSUs vested as at December 31, 2019, which was settled for a cash consideration of \$1,680,000 in January 2020.

#### b) DSU

The DSU Plan is a non-dilutive long-term incentive plan in which employees, including senior management, directors and any other person designated by the Corporation, can participate. DSUs are payable in cash. Pursuant to the DSU Plan, after the participant ceases to sit on the Board or be employed or retained by the Corporation, a redemption date is proposed by the participant within the terms of the DSU plan ("Redemption Date"). The redemption value of each DSU held by the participant is determined by multiplying the number of DSUs credited to this participant by the average closing prices of the Corporation's common shares in the last five trading days prior to the Redemption Date.

The following table provides the activity for all DSUs for the years ended December 31, 2019 and 2018:

	Number of DSUs
Outstanding as at January 1, 2018 .....	596,000
Granted .....	148,000
Paid .....	(180,000)
Outstanding as at December 31, 2018 .....	564,000
Outstanding as at January 1, 2019 .....	564,000
Granted .....	200,000
Outstanding as at December 31, 2019 .....	764,000

## Notes to the Consolidated Financial Statements

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

### 23. Share-Based Compensation (continued)

#### c) PSU

The PSUs are granted under the RSU Plan. PSUs can be granted to employees, directors, officers and consultants as part of their long-term compensation package, entitling them to receive payout in cash if the vesting conditions are met. The PSUs granted are scheduled for payout after three years provided that the applicable vesting conditions are met at the end of the performance cycle. The performance criterion is based on the Corporation's share price in comparison to a customized index regrouping peer companies. The value of the payout is determined by multiplying the number of PSUs vested at the end of the performance cycle by the average closing price of the Corporation's shares in the last five trading days prior to the end of said performance cycle and adjusted by a performance payout multiplier between 0% and 150%.

	Number of PSUs
Outstanding as at January 1, 2018 .....	454,000
Granted.....	317,000
Forfeited .....	(298,000)
	<b>473,000</b>
Outstanding as at December 31, 2018 .....	<b>473,000</b>
<b>Outstanding as at January 1, 2019</b> .....	473,000
Granted.....	339,000
Forfeited .....	(211,000)
<b>Outstanding as at December 31, 2019</b> .....	<b>601,000</b>

### 24. Finance Costs

	2019 \$	2018 \$
Interest on long-term debt.....	4,518	2,701
Interest on lease liabilities .....	1,702	613
Accretion expense .....	1,651	933
Amortization of deferred transaction costs .....	1,218	734
Other .....	1,685	741
	<b>10,774</b>	5,722

#### Capitalization of borrowing costs

Borrowing costs capitalized and excluded from finance costs consisted of interest expense and amortization of deferred transaction costs on the credit facility with Macquarie and finance costs related to the lease obligations.

##### Boungou project

In 2018, prior to commercial production being reached at the Boungou project, the amount of borrowing costs capitalized was \$7,930,000 and nil in 2019.

##### Siou underground development project

During the development period, the amount of borrowing cost capitalized for the year ended December 31, 2019 was \$3,827,000 (2018: \$310,000).

## Notes to the Consolidated Financial Statements

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

### 25. Non-Controlling Interests

	2019	2018
	\$	\$
Government of Burkina Faso – 10% in SEMAFO Boungou S.A.....	9,660	1,763
Government of Burkina Faso – 10% in SEMAFO Burkina Faso S.A. ....	908	(424)
	<b>10,568</b>	<b>1,339</b>

### 26. Earnings (Loss) per Share

	2019	2018
	\$	\$
<b>(in thousands, except shares and per share amounts)</b>		
Net income (loss) for the year attributable to shareholders of the Corporation.....	50,187	(8,192)
Average weighted number of outstanding common shares – basic.....	331,392	325,478
Dilutive effect of options <sup>1</sup> .....	—	—
Weighted average number of outstanding common shares – diluted .....	331,392	325,478
Earnings (loss) per share .....	0.15	(0.03)
Diluted earnings (loss) per share <sup>1</sup> .....	0.15	(0.03)

<sup>1</sup> 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.

# Notes to the Consolidated Financial Statements

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

## 27. Financial Commitments and Contingencies

### Purchase Obligations

As at December 31, 2019, purchase commitments totalled \$2,999,000.

### 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.

	2019	2018
	\$	\$
Royalties amount paid to the Government of Burkina Faso .....	22,526	12,729
Royalty rates <sup>1</sup> .....	4% - 5%	4% - 5%

In 2018, this excludes any amounts paid during the construction of the Boungou Mine, which were capitalized in PPE.

### Community Development Tax

The Corporation is subject to a community development tax of 1% of its revenues at the Boungou Mine. For the year ended December 31, 2019, the community development tax at the Boungou Mine amounted to \$2,958,000 (2018: \$664,000). In 2018, it excludes any amounts paid during the construction of the Boungou Mine, which were capitalized in PPE.

### Net Smelter Royalty ("NSR"), Net Profits Interest ("NPI") and Reserve Royalty

The Corporation is subject to NSRs' (varying from 1% to 1.5%), to NPIs' (varying from 0.5% to 1%), as well as a onetime Reserve Royalty payment, on certain of its exploration properties. These NSRs', NPIs' and Reserve Royalty come into effect when these properties enter into production and, in the case of the Reserve Royalty, upon probable and proven reserves being determined in a positive feasibility study.

### Contingencies

#### Water Extraction Tax

On October 15, 2015, the Corporation received a water extraction tax invoice of \$3,837,000 (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 December 31, 2019. The Corporation is vigorously defending its position with the Water Agency.

#### Tax assessment

In December 2016, the Corporation received from the Burkinabe tax authorities the 2016 tax assessment totalling \$7,759,000 (4,537,818,000 FCFA) including \$1,390,000 (813,329,000 FCFA) in penalties. The 2016 tax assessment mainly covers withholding taxes which the Corporation believes are not applicable to the Corporation by virtue of fiscal stability clauses included under the Mana mining agreement.

In 2016, the Corporation has paid an amount of \$640,000 (374,000,000) FCFA from the 2016 assessment and believes the other assessed amounts and penalties should not be subjected to tax under the fiscal stability clauses.

In December 2019, the Burkinabe tax authorities offset the Corporation's VAT receivable for \$5,729,000 (3,350,489,000 FCFA) against a tax assessment covering the years 2013 to 2015 (the "2016 tax assessment"), although it had no legal and jurisdictional basis to act upon.

The Corporation is vigorously defending its position and has recorded the offset VAT as an income tax receivable of \$5,729,000 (3,350,489,000 FCFA), as it believes it has legal and fiscal enforceable rights. The final outcome of this matter is not determinable at this time and no provision was recorded as at December 31, 2019. Any provision will be recognized in the Corporation's financial statements once it becomes probable.

<sup>1</sup> The Corporation is subject to royalty rates calculated using the retail market value of gold ounces sold at the time of shipment.

## Notes to the Consolidated Financial Statements

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

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

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

	2019	2018
	\$	\$
Trade and other receivables.....	(14,183)	(5,947)
Income tax receivable .....	1,956	(3,204)
Inventories .....	(16,184)	(2,881)
Other current assets.....	4	(1,284)
Trade payables and accrued liabilities .....	(965)	15,622
Share unit plan liabilities .....	(2,142)	(5,271)
Provisions .....	1,325	686
	<b>(30,189)</b>	<b>(2,279)</b>

#### b) Reconciliation of additions presented in PPE schedule to the acquisition of the PPE presented in the cash flows

	2019	2018
	\$	\$
<b>Additions of PPE presented in the PPE schedule (note 11)</b>	<b>(241,005)</b>	<b>(207,162)</b>
Depreciation of PPE allocated to exploration and development costs .....	9,374	5,810
Depreciation of PPE allocated to mineral properties under development .....	3,743	5,124
Depreciation of PPE capitalized during the temporary shutdown at the Mana and the Boungou Mines .....	5,024	—
New asset retirement obligations allocated to PPE .....	523	10,599
Variation in accounts payable related to PPE .....	3,461	(24,226)
PPE acquired from the Savary Gold transaction (note 10) .....	33,035	—
Variation in lease liabilities obligations related to PPE .....	25,134	9,527
Capitalization of the amortization deferred transaction costs on the Credit Facility (note 14) .....	669	1,588
<b>Acquisitions of the PPE as per cash flows from investing activities</b>	<b>(160,042)</b>	<b>(198,740)</b>

#### Supplemental information on Non-Cash Items

Net effect of depreciation of PPE allocated to inventories .....	(1,323)	2,854
Retirement of assets (note 10) .....	(720)	—
Mineral properties under development reclassified to inventories after commercial production of the Boungou Mine .....	—	11,067

#### c) Supplemental information on acquisitions of PPE

	2019	2018
	\$	\$
Acquisitions of exploration and evaluation assets .....	(14,522)	(10,344)
Acquisitions of other PPE.....	(145,520)	(188,396)
	<b>(160,042)</b>	<b>(198,740)</b>



## Notes to the Consolidated Financial Statements

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

### 29. Subsidiaries and Transactions with Non-Controlling Interests

Set out below is the Corporation's summarized financial information for its subsidiaries, SEMAFO Boungou S.A. and SEMAFO Burkina Faso S.A. in Burkina Faso, which have material non-controlling interests. The amounts disclosed for subsidiaries are based on those included in the financial statements before inter-company eliminations.

#### SEMAFO Boungou S.A.

##### Summarized statement of financial position for SEMAFO Boungou S.A. before inter-company eliminations

	As at December 31, 2019 \$	As at December 31, 2018 \$
<b>Non-controlling interest percentage</b> .....	<b>10%</b>	10%
<b>Current assets</b> .....	<b>122,503</b>	55,214
Current liabilities		
Other current liabilities .....	<b>33,424</b>	34,611
Current inter-company liabilities .....	<b>171,759</b>	259,142
<b>Total current liabilities</b> .....	<b>205,183</b>	293,753
	<b>(82,680)</b>	(238,539)
<b>Non-current assets</b> .....	<b>257,280</b>	298,270
<b>Non-current liabilities</b> .....	<b>55,645</b>	37,381
	<b>201,635</b>	260,889
<b>Net assets</b> .....	<b>118,955</b>	22,350

##### Summarized statement of income (loss) for SEMAFO Boungou S.A. before inter-company eliminations

	2019 \$	2018 \$
Revenue .....	295,758	66,966
Net income and comprehensive income .....	96,604	17,364
<b>Net income attributable to non-controlling interest</b> .....	<b>9,660</b>	1,763
<b>Dividends paid to non-controlling interest</b> .....	<b>—</b>	—

The accumulated non-controlling interest in SEMAFO Boungou S.A. was \$11,894,000 as at December 31, 2019 (2018: \$2,234,000).

##### Summarized cash flows for SEMAFO Boungou S.A. before inter-company eliminations

	2019 \$	2018 \$
Cash flows from operating activities .....	168,186	49,714
Cash flows from financing activities .....	(119,632)	60,689
Cash flows from investing activities .....	(32,103)	(111,469)

## Notes to the Consolidated Financial Statements

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

### 29. Subsidiaries and Transactions with Non-Controlling Interests (continued)

#### SEMAFO Burkina Faso S.A.

##### Summarized statement of financial position for SEMAFO Burkina Faso S.A. before inter-company eliminations

	As at December 31, 2019 \$	As at December 31, 2018 \$
<b>Non-controlling interest percentage</b> .....	<b>10%</b>	10%
Current assets .....	<b>196,027</b>	238,001
Current liabilities .....	<b>60,934</b>	45,280
	<b>135,093</b>	192,721
Non-current assets .....	<b>351,267</b>	272,465
Non-current liabilities .....	<b>58,467</b>	46,371
	<b>292,800</b>	226,094
Net assets.....	<b>427,893</b>	418,815

##### Summarized statement of income (loss) for SEMAFO Burkina Faso S.A. before inter-company eliminations

	2019 \$	2018 \$
Revenue.....	<b>179,992</b>	229,713
Net income (loss) income and comprehensive income (loss) .....	<b>9,079</b>	(4,248)
<b>Net income (loss) attributable to non-controlling interest</b> .....	<b>908</b>	(424)
<b>Dividends paid to non-controlling interest</b> .....	<b>—</b>	—

The accumulated non-controlling interest in SEMAFO Burkina Faso S.A. was \$31,095,000 as at December 31, 2019 (2018: \$30,187,000).

##### Summarized cash flows for SEMAFO Burkina Faso S.A. before inter-company eliminations

	2019 \$	2018 \$
Cash flows from operating activities .....	<b>57,355</b>	70,824
Cash flows from financing activities .....	<b>49,342</b>	1,966
Cash flows from investing activities .....	<b>(101,769)</b>	(66,065)

## Notes to the Consolidated Financial Statements

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

### 30. Related Party Transactions

Key management includes directors, executive officers and management team members. The remuneration of key management personnel was as follows:

	2019	2018
	\$	\$
Short-term employee benefits .....	3,904	3,353
Share-based compensation .....	1,828	927
	<b>5,732</b>	<b>4,280</b>

The Corporation provides termination and change of control benefits to key management members. Had all these individuals been terminated on December 31, 2019, the Corporation would have incurred a termination expense of approximately \$9,609,000 (2018: \$6,395,000).

## Notes to the Consolidated Financial Statements

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

### 31. 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.

	2019			
	Boungou, Burkina Faso	Mana, Burkina Faso	Other exploration	Corporate and other
	\$	\$	\$	\$
Revenue – Gold sales .....	295,758	179,992	—	—
Mining operating expenses .....	86,486	106,249	—	—
Depreciation of PPE .....	85,385	53,829	—	610
General and administrative .....	1,217	2,416	—	13,178
Corporate social responsibility expenses .....	183	676	—	—
Share-based compensation .....	—	—	—	2,592
Impairment of PPE .....	—	—	9,259	—
<b>Operating income (loss) .....</b>	<b>122,487</b>	<b>16,822</b>	<b>(9,259)</b>	<b>(16,380)</b>
PPE .....	378,661	382,319	79,389	2,754
Total assets .....	474,786	517,206	80,076	38,045
				1,110,113

	2018			
	Boungou, Burkina Faso	Mana, Burkina Faso	Other exploration	Corporate and other
	\$	\$	\$	\$
Revenue – Gold sales .....	66,966	229,713	—	—
Mining operating expenses .....	21,902	142,307	—	—
Depreciation of PPE .....	21,742	81,626	—	390
General and administrative .....	186	2,635	—	13,005
Corporate social responsibility expenses .....	331	931	—	—
Share-based compensation .....	—	—	—	1,303
<b>Operating income (loss) .....</b>	<b>22,805</b>	<b>2,214</b>	<b>—</b>	<b>(14,698)</b>
PPE .....	438,461	299,864	42,246	1,489
Total assets .....	496,769	425,700	44,162	67,644
				1,034,275

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.

### 32. Event After the Reporting Period

In early February 2020, the Boungou plant restarted, and processing of the stockpile has begun. We are taking a measured approach to Boungou in 2020 involving a phased plan. The initial three-month phase contemplates processing the stockpile and utilizing the on-site supplies inventory with limited deliveries of new supplies.





Siou Underground Mine  
Photo: Czar



## CORPORATE OFFICE CANADA

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## TRANSFER AGENT AND REGISTRAR

### COMPUTERSHARE TRUST COMPANY OF CANADA

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t: 1 800 564-6253

## ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders will be held at 10:00 (EDT) on Thursday, May 14, 2020 at SEMAFO's office  
100 Alexis-Nihon Blvd., 7<sup>th</sup> Floor  
Saint-Laurent, Quebec  
H4M 2P3

## STOCK EXCHANGE LISTINGS

### THE TORONTO STOCK EXCHANGE THE NASDAQ OMX STOCKHOLM

Symbol: SMF  
CUSIP: 816922  
ISIN: CA8169221089

## ANNUAL REPORT

For investor inquiries, including additional copies of this report in French or English, please contact Investor Relations at SEMAFO Inc.  
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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### JOHN LeBOUTILLIER, CM 2\*

Chair of the Board

#### BENOIT DESORMEAUX, CPA, CA

TERENCE F. BOWLES, ENG., MBA, ICD.D 1,3\*

DANIEL BURON, 1, 2

HÉLÈNE CARTIER, 3

FLORE KONAN, 1

GILLES MASSON, CPA, CA 1\*, 3

TERTIUS ZONGO, 2, 3

<sup>1</sup> Member of the Audit Committee

<sup>2</sup> Member of the Human Resources and Corporate Governance Committee

<sup>3</sup> Member of the Environment, Health and Safety and Sustainable Development Committee

\* Committee Chair



### SENIOR MANAGEMENT

#### BENOIT DESORMEAUX, CPA, CA

President and Chief Executive Officer

#### SYLVAIN DUCHESNE, Eng.

Vice-President, Construction and Engineering

#### JOHN JENTZ, CPA, CA, MBA

Vice-President, Corporate Development & Investor Relations

#### ALAIN MÉLANSON, CHRP

Vice-President, Human Resources

#### MARTIN MILETTE, CPA, CA

Chief Financial Officer

#### PATRICK MORYOUSSEF, Eng.

Vice-President, Mining Operations

#### ERIC PAUL-HUS, LL.L

Vice-President, Law, Chief Compliance Officer and Corporate Secretary

#### RICHARD ROY, PGeo

Vice-President, Exploration



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