SEMAFO Inc.

Interim Consolidated Financial Statements (unaudited)
September 30, 2011

Interim consolidated statement of financial position

(Expressed in thousands of U.S. dollars - unaudited)

	As at September 30, 2011 $	As at December 31, 2010 $ (note 21)	As at January 1, 2010 $ (note 21)
Assets			
Current assets			
Cash and cash equivalents (note 4)	221,711	220,439	62,481
Restricted cash	–	3,750	–
Trade and other receivables (note 5)	16,160	6,021	9,894
Inventories (note 6)	74,102	68,952	60,300
Other current assets	6,697	5,238	4,556
	318,670	304,400	137,231
Non-current assets			
Restricted cash	962	657	4,407
Property, plant and equipment (note 7)	329,903	257,413	200,375
Investment and other non-current assets	29,400	29,400	27,093
	360,265	287,470	231,875
	678,935	591,870	369,106
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	54,142	36,789	33,658
Income tax payable	14,937	21,231	5,019
Current portion of long-term debt (note 8)	–	14,824	18,808
	69,079	72,844	57,485
Non-current liabilities			
Long-term debt (note 8)	–	–	15,612
Advance payable (note 9)	2,055	1,911	1,737
Provisions (note 10)	9,166	7,008	5,879
Deferred income tax liabilities	3,250	3,317	5,485
	83,550	85,080	86,198
Equity			
Equity shareholders of the Corporation			
Share capital (note 11)	454,240	452,542	329,759
Contributed surplus	10,387	8,053	5,998
Accumulated other comprehensive income	8,480	8,480	6,360
Retained earnings (deficit)	111,243	32,761	(59,209)
	584,350	501,836	282,908
Non-controlling interests	11,035	4,954	–
	595,385	506,790	282,908
	678,935	591,870	369,106

Commitments (note 18)

Approved by the Board of Directors,

Jean Lamarre, Director

Benoit La Salle, FCA, Director

Interim consolidated statement of income

(Expressed in thousands of U.S. dollars, except per share amounts – unaudited)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2011	2010	**2011**	2010
	$	$	**$**	$
		(note 21)		(note 21)
Revenue – Gold sales	**102,297**	86,223	**282,062**	236,883
Costs of operations				
Mining operation expenses (note 12)	**43,825**	34,503	**124,554**	97,823
Depreciation of property, plant and equipment	**10,997**	9,259	**28,870**	31,886
General and administrative (note 13)	**5,747**	3,728	**18,036**	11,736
Stock-based compensation (note 14)	**972**	784	**3,886**	2,853
Operating income	**40,756**	37,949	**106,716**	92,585
Other expense (income)				
Finance income	**(100)**	(129)	**(329)**	(179)
Finance costs (note 15)	**741**	950	**2,068**	3,161
Foreign exchange loss (gain)	**(211)**	(2,031)	**1,056**	(2,843)
Income before income taxes	**40,326**	39,159	**103,921**	92,446
Income tax expense (recovery)				
Current	**6,909**	9,103	**19,442**	18,994
Deferred	**2,097**	(2,336)	**(84)**	(1,607)
	9,006	6,767	**19,358**	17,387
Net income for the period	**31,320**	32,392	**84,563**	75,059
Attributable to:				
Equity shareholders of the Corporation	**29,682**	32,102	**78,482**	73,812
Non-controlling interests (note 16)	**1,638**	290	**6,081**	1,247
	31,320	32,392	**84,563**	75,059
Earnings per share (note 17)				
Basic	**0.11**	0.12	**0.29**	0.28
Diluted	**0.11**	0.12	**0.28**	0.28

Interim consolidated statement of comprehensive income

(Expressed in thousands of U.S. dollars - unaudited)

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2011	2010	2011	2010
	$	$	$	$
		(note 21)		(note 21)
Net income for the period	31,320	32,392	84,563	75,059
Other comprehensive income				
Change in fair value of available-for-sale financial asset (net of tax)	–	2,120	–	2,120
Other comprehensive income for the period, net of tax	–	2,120	–	2,120
Comprehensive income for the period	31,320	34,512	84,563	77,179
Attributable to:				
Equity shareholders of the Corporation	29,682	34,222	78,482	75,932
Non-controlling interests	1,638	290	6,081	1,247
	31,320	34,512	84,563	77,179

Interim consolidated statement of changes in equity

(Expressed in thousands of U.S. dollars – unaudited)

	Attributable to equity shareholders of the Corporation						
	Share capital $	Contributed surplus $	Accumulated other comprehensive income $	Retained earnings (deficit) $	Total $	Non-controlling interests $	TOTAL EQUITY $
Balance – January 1, 2011	**452,542**	**8,053**	**8,480**	**32,761**	**501,836**	**4,954**	**506,790**
Net income and comprehensive income for the period	–	–	–	78,482	78,482	6,081	84,563
Stock-based compensation (note 14)	–	2,755	–	–	2,755	–	2,755
Shares issued from the exercise of options (notes 11 and 14)	1,698	(421)	–	–	1,277	–	1,277
Balance – September 30, 2011	**454,240**	**10,387**	**8,480**	**111,243**	**584,350**	**11,035**	**595,385**
Balance – January 1, 2010	329,759	5,998	6,360	(59,209)	282,908	–	282,908
Net income for the period	–	–	–	73,812	73,812	1,247	75,059
Shares issued and paid in cash	113,018	–	–	(6,311)	106,707	–	106,707
Stock-based compensation (note 14)	–	2,853	–	–	2,853	–	2,853
Shares issued from the exercise of options (notes 11 and 14)	4,576	(1,070)	–	–	3,506	–	3,506
Shares issued from the exercise of warrants (note 11)	3,600	–	–	–	3,600	–	3,600
Change in fair value of available-for-sale financial asset	–	–	2,120	–	2,120	–	2,120
Non-controlling interests' share of transactions in subsidiaries' equity	–	–	–	(2,178)	(2,178)	2,178	–
Balance – September 30, 2010	450,953	7,781	8,480	6,114	473,328	3,425	476,753

Interim consolidated statement of cash flows

(Expressed in thousands of U.S. dollars – unaudited)

	Three-month period ended September 30		Nine-month period ended September 30	
	2011 $	2010 $ (note 21)	2011 $	2010 $ (note 21)
Cash flows from (used in):				
Operating activities				
Net income for the period	31,320	32,392	84,563	75,059
Adjustments for :				
Depreciation of property, plant and equipment	10,997	9,259	28,870	31,886
Stock-based compensation	972	784	3,886	2,853
Non-cash net finance costs	238	315	700	1,056
Unrealized foreign exchange loss (gain)	(2,485)	1,362	(552)	(767)
Deferred income taxes (recovery) expense	2,097	(2,336)	(84)	(1,607)
	43,139	41,776	117,383	108,480
Changes in non-cash working capital items (note 19 a)	(950)	(4,740)	(5,395)	(10,811)
	42,189	37,036	111,988	97,669
Financing activities				
Reimbursement of long-term debt	(7,500)	(5,122)	(15,000)	(15,443)
Proceeds on issuance of share capital	279	5,748	1,277	120,124
Share issue expense	–	–	–	(6,311)
	(7,221)	626	(13,723)	98,370
Investing activities				
Additions to property, plant and equipment	(42,009)	(21,626)	(101,007)	(65,480)
Decrease in restricted cash	3,750	–	3,445	–
	(38,259)	(21,626)	(97,562)	(65,480)
Effect of exchange rate changes on cash and cash equivalents	2,302	(1,735)	569	228
Change in cash and cash equivalents during the period	(989)	14,301	1,272	130,787
Cash and cash equivalents – beginning of period	222,700	178,967	220,439	62,481
Cash and cash equivalents – end of period	221,711	193,268	221,711	193,268
Interest paid	221	466	724	1,686
Interest received	100	129	329	179
Income tax paid	4,856	–	25,023	5,343

Supplementary cash flow information (note 19)

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

1. Incorporation and nature of activities

SEMAFO Inc. (the "Corporation") is governed by the *Business Corporation Act* (Quebec) and is listed on the Toronto Stock Exchange.

The Corporation's subsidiaries are engaged in gold mining activities including exploration, development and operations. These activities are conducted in West Africa. The Corporation's subsidiaries presently own and operate three gold mines in Burkina Faso, Niger and Guinea. 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 obtaining of all required permits, the Corporation's ability to obtain appropriate financing to put these properties into production and the ability to realize a profitable return for the Corporation.

2. Basis of preparation and adoption of International Financial Reporting Standards ("IFRS")

The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate IFRS, and requires publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Corporation commenced reporting on this basis in its 2011 interim consolidated financial statements. In these interim consolidated financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting* ("IAS 34"), and IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"). The accounting policies followed in these interim consolidated financial statements are the same as those applied in the Corporation's interim consolidated financial statements for the period ended March 31, 2011. The Corporation has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 21 discloses the impact of the transition to IFRS on the Corporation's reported equity as at September 30, 2010 and comprehensive income for the three-month and nine-month periods ended September 30, 2010, including the nature and effect of significant changes in accounting policies from those used in the Corporation's consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these interim consolidated financial statements are based on IFRS effective for the year ended December 31, 2011, as issued and outstanding as of November 8, 2011, the date when the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Corporation's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including transition adjustments recognized on the change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with the Corporation's Canadian GAAP annual financial statements for the year ended December 31, 2010, and the Corporation's interim financial statements for the quarter ended March 31, 2011 prepared in accordance with IFRS applicable to interim financial statements.

3. New accounting standards issued but not yet in effect

The International Accounting Standards Board ("IASB") issued or amended the following standards which are relevant but have not yet been adopted by the Corporation: IFRS 9, *Financial instruments*; IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*; IFRS 12, *Disclosure of Interests in Other Entities*; IFRS 13, *Fair Value Measurement*; amended IAS 27, *Separate Financial Statements* and IAS 28, *Investments in Associates and Joint Ventures*; and IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mining*. Each of the new standards or amendments is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. Also, there were amendments to IAS 1*, Presentation of Financial Statements* effective for annual periods beginning on or after July 1, 2012. The Corporation has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or determining whether to adopt in advance any of the new requirements.

3. New accounting standard issued but not yet in effect (continued)

The following is a brief summary of the new standards or amendments:

IFRS 9, *Financial instruments* ("IFRS 9")
IFRS 9 was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple categories and measurement models in IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"), for debt instruments with a new mixed measurement model with only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 10, *Consolidated Financial Statements* ("IFRS 10")
IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation – Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements.*

IFRS 11, *Joint Arrangements* ("IFRS 11")
IFRS 11 supersedes IAS 31, *Interest in Joint Ventures*, and SIC-13, *Jointly Controlled Entities – Non-monetary Contributions by Venturers*, and requires a single method to account for interests in jointly controlled entities.

IFRS 12, *Disclosure of Interests in Other Entities* ("IFRS 12")
IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose entities and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13, *Fair Value Measurement* ("IFRS 13")
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures on fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* ("IFRIC 20")
IFRIC 20 was issued in October 2011. It provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods.

Amendments to Other Standards
In addition, there have been amendments to existing standards, including IAS 27, *Separate Financial Statements* ("IAS 27R"), and IAS 28, *Investments in Associates and Joint Ventures* ("IAS 28"). IAS 27R addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13. Moreover, amendments to IAS 1, *Presentation of Financial Statements* have been made to require entities to group items within other comprehensive income that may be reclassified to net income.

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4. Cash and cash equivalents

	As at September 30, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Cash	**134,711**	220,439	62,481
Cash equivalents	**87,000**	–	–
	221,711	220,439	62,481

Cash comprises cash on hand and demand deposits amounted to $134,711,000, which includes $52,665,000 of cash on hand bearing interest at a rate of 0.35% annually as at September 30, 2011.

Cash equivalents are composed of two 63-day zero coupon $10,000,000 (totalling $20,000,000) bank deposits bearing interest at a rate of 0.29% per annum and both maturing on October 3, 2011; five 180-day zero coupon $10,000,000 (totalling $50,000,000) bank deposits bearing interest at a rate of 0.20% per annum and all maturing on March 27, 2012; as well as a 273-day zero coupon $17,000,000 bank deposit bearing interest at a rate of 0.12% per annum and maturing on October 20, 2011. Despite some bank deposits having an investment period of over 90 days, they are deemed highly liquid cash equivalent items as they can be redeemed at any time without penalties.

5. Trade and other receivables

	As at September 30, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Gold Trade receivables	**8,868**	358	3,869
Other receivables	**7,292**	5,663	6,025
	16,160	6,021	9,894

Trade receivables relate to gold shipments not yet collected. They are non-interest bearing and are generally settled within 15 days after the day of the shipment.

6. Inventories

	As at September 30, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Doré bars	**4,716**	1,789	1,053
Gold in circuit	**6,297**	6,294	8,547
Stockpiles	**3,655**	7,727	10,675
Supplies and spare parts	**59,434**	53,142	40,025
	74,102	68,952	60,300

The cost of inventory that was charged to expenses represents mostly mining operation expenses and essentially all of the depreciation of property, plant and equipment. There were neither write-downs nor reversals of write-downs during the period.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

7. Property, plant and equipment

	Property, acquisition costs, deferred exploration and development costs $	Buildings and equipment related to mining production $	Mining equipment $	Rolling stock, communication and computer equipment $	Stripping costs $	TOTAL $
Nine-month period ended September 30, 2011						
Opening net book amount	105,237	99,283	36,466	4,219	12,208	257,413
Additions	40,897	19,010	22,864	2,251	17,352	102,374
Depreciation charge	(12,825)	(8,203)	(5,620)	(1,048)	(2,188)	(29,884)
Closing net book amount	**133,309**	**110,090**	**53,710**	**5,422**	**27,372**	**329,903**
As at September 30, 2011						
Cost	234,314	166,824	74,792	13,446	33,388	522,764
Accumulated depreciation	(101,005)	(56,734)	(21,082)	(8,024)	(6,016)	(192,861)
Net book amount	**133,309**	**110,090**	**53,710**	**5,422**	**27,372**	**329,903**
Assets not subject to depreciation included in above[1]	2,013	12,765	7,728	365	–	22,871
As at January 1, 2010						
Cost	174,276	109,713	26,425	8,640	3,694	322,748
Accumulated depreciation	(69,040)	(35,767)	(9,843)	(6,081)	(1,642)	(122,373)
Net book amount	105,236	73,946	16,582	2,559	2,052	200,375
Year ended December 31, 2010						
Opening net book amount	105,236	73,946	16,582	2,559	2,052	200,375
Additions	19,141	38,101	25,503	2,555	12,342	97,642
Depreciation charge	(19,140)	(12,764)	(5,619)	(895)	(2,186)	(40,604)
Closing net book amount	105,237	99,283	36,466	4,219	12,208	257,413
As at December 31, 2010						
Cost	193,417	147,814	51,928	11,195	16,036	420,390
Accumulated depreciation	(88,180)	(48,531)	(15,462)	(6,976)	(3,828)	(162,977)
Net book amount	105,237	99,283	36,466	4,219	12,208	257,413
Assets not subject to depreciation included in above[1]	–	6,633	1,073	–	–	7,706

1 Assets not subject to depreciation include critical spare parts not yet installed as well as assets under construction or in transit, which comprise the Mana underground project amounting to $2,013,000 as at September 30, 2011.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

8. Long-term debt

Long-term debt consists of the following:

	As at September 30, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Bank loan of $20,000,000	–	–	3,750
Term facility of $45,000,000, bearing interest at 7.62% payable quarterly, principal repayable in twelve equal quarterly installments starting March 31, 2009. The facility is secured by a pledge of shares of a subsidiary and a pledge of assets. The facility is also secured by pledges and assignments of bank accounts, intercompany advances and other intangibles[1]	–	15,000	30,000
Other loans	–	–	1,349
Long-term debt	–	15,000	35,099
Deferred transaction costs	–	(176)	(679)
Long-term debt, net of deferred transaction costs	–	14,824	34,420
Current portion of long-term debt	–	14,824	18,808
Long-term portion of long-term debt	–	–	15,612

[1] As at September 30, 2011, the Corporation had fully repaid the balance of its term facility originally due on December 31, 2011.

9. Advance payable

	As at September 30, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Advance payable to the Republic of Niger, non-interest bearing	**2,055**	1,911	1,737

The Republic of Niger has a 20% ownership interest in a subsidiary of the Corporation and is a related party.

Under the mining agreement, the Republic of Niger is entitled to receive a reimbursement for its exploration costs previously incurred on the Samira Hill project. These costs will be repaid from the operating surplus of the subsidiary, which is the owner of the Samira Hill permit. The advance is non-interest bearing and measured at amortized cost using the effective interest rate method, which amounted to 2,055,000 as at September 30, 2011. The initial cost of the advance is $3,007,000.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

10. Provisions

	As at September 30, 2011 $	As at December 31, 2010 $	As at January 1, 2010 $
Asset retirement obligations	**8,035**	7,008	5,879
Restricted share units	**1,131**	–	–
	9,166	7,008	5,879

11. Share capital

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 $0.32 (CA $0.33) 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 $0.12 (CA $0.12) per share

Movements in the Corporation's share capital are as follows:

	Nine-month period ended September 30, 2011		Nine-month period ended September 30, 2010	
	Number (in thousands)	**Amount $**	Number (in thousands)	Amount $
Common shares				
Balance – beginning of year	**272,238**	**452,542**	250,863	328,304
Issued and paid in cash	–	–	17,250	113,018
Issued from the exercise of options	**603**	**1,698**	1,674	4,576
Issued from the exercise of warrants	–	–	1,800	5,055
Balance – end of period	**272,841**	**454,240**	271,587	450,953
Warrants				
Balance – beginning of year	–	–	1,800	1,455
Exercised	–	–	(1,800)	(1,455)
Balance – end of period	–	–	–	–
Common shares and warrants	**272,841**	**454,240**	271,587	450,953

On June 4, 2010, the Corporation closed a public offering of 17,250,000 common shares at $6.55 (CA $6.95) per share for gross proceeds of $113,018,000. Share issue expenses related to this public offering totalled $6,311,000 and was recorded in the second quarter of 2010.

Rights plan

On March 15, 2011, the board of directors of the Corporation approved the adoption of a Shareholder Rights Plan ("Rights Plan") for which shareholders' approval was obtained at the Corporation's annual and special meeting of shareholders held on May 10, 2011. The purpose of the Rights Plan is to provide the shareholders and directors of the Corporation with adequate time to consider and evaluate any unsolicited bid and to provide the directors with adequate time to identify, develop and negotiate value-enhancing alternatives, if considered appropriate, to any such unsolicited bid.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

11. Share capital (continued)

The Rights Plan has been accepted by the Toronto Stock Exchange and is effective as of March 15, 2011 (the "Effective Date"). At the close of business on the Effective Date (as defined in the Rights Plan), one right (a "Right") will be issued and attached to each common share of SEMAFO outstanding at that time. A Right will also be attached to each common share issued after the Effective Date. The Rights Plan is in effect until the closing of the Corporation's annual meeting in 2014.

The Rights Plan is not triggered if an offer to acquire common shares of SEMAFO is made through a "Permitted Bid" thereby allowing sufficient time for shareholders to consider and react to the offer. A "Permitted Bid" is a take-over bid made by way of a take-over bid circular that, among other things, remains open for a minimum of 60 days and requires the acceptance by more than 50% of the common shares held by independent shareholders. The Rights Plan will be triggered by an acquisition, other than pursuant to a Permitted Bid, of 20% or more of the outstanding common shares of SEMAFO or the commencement of a take-over bid that is not a Permitted Bid.

Subsequent dividend declared

On November 8, 2011, the Board of Directors approved an inaugural cash dividend of CA $0.02 per common share, payable on January 16, 2012 to shareholders of record at the close of business on December 31, 2011.

12. Mining operation expenses

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	**2011**	2010
	$	$	**$**	$
Production costs	**38,555**	31,267	**110,634**	88,793
Government Royalties	**5,270**	3,236	**13,920**	9,030
	43,825	34,503	**124,554**	97,823

13. General and administrative

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	**2011**	2010
	$	$	**$**	$
Corporate expenses	**3,935**	2,711	**12,181**	7,628
Sites - Administrative	**1,328**	854	**4,009**	3,245
Corporate social responsibility expenses	**484**	163	**1,846**	863
	5,747	3,728	**18,036**	11,736

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

14. Stock-based compensation

a) Options

The Corporation has two stock option plans for its employees, directors, officers and consultants and those of its subsidiaries; the Stock Option Plan (the "Original Plan") and the 2010 Stock Option Plan (the "2010 Plan").

The Corporation's shareholders adopted the 2010 Plan at the 2010 Annual General and Special Meeting of the Shareholders. The 2010 Plan is similar to the Original Plan, but provides, among other things, for a five year option term instead of the 10-year option term provided under the Original Plan. Since the adoption by the Corporation's shareholders of the 2010 Plan, no further option has been granted nor will be granted under the Original Plan.

A total of 113,000 new options were issued to employees, directors, officers and consultants of the Corporation during the nine-month period ended September 30, 2011. The fair market value of these new options is evaluated at $602,000.

The following presents the assumptions used to establish the fair value assigned to the options issued using the Black-Scholes valuation model:

	Nine-month period ended September 30, 2011	Nine-month period ended September 30, 2010
Average dividend per share	**0%**	0%
Average forecasted volatility	**60%**	60%
Average risk-free interest rate	**2.25%**	2.37%
Average expected life	**5 years**	5 years
Fair value – weighted average of options issued	**$5.34**	$2.55

For the nine-month period ended September 30, 2011, the total expense for the stock-based compensation related to the stock-option plans was $2,755,000, compared to $2,853,000 for the corresponding period in 2010 ($440,000 and $784,000 for the third quarter in 2011 and 2010, respectively). Those costs were credited to contributed surplus. The stock-based compensation cost was calculated according to the weighted average fair value of options issued based on the Black-Scholes valuation model using the assumptions shown above and considering the vesting requirements.

14. Stock-based compensation (continued)

a) Options (continued)

A total of 603,000 options were exercised during the first nine-month period of 2011 under the Original Plan for a cash consideration of $1,277,000. An amount of $421,000 has been reclassified from contributed surplus to share capital. In 2010, for the same period, a total of 1,674,000 options were exercised under the Original Plan for a cash consideration of $3,506,000. An amount of $1,070,000 has been reclassified from contributed surplus to share capital for the corresponding period in 2010.

The following table sets forth the options granted to employees, directors, officers and consultants under the plans:

	Nine-month period ended September 30, 2011		Nine-month period ended September 30, 2010	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	(in thousands)	$	(in thousands)	$
Balance – beginning of year	**9,948**	**2.61 (CA $2.59)**	10,438	1.93 (CA $2.02)
Forfeited	**(18)**	**10.27 (CA $10.67)**	(125)	1.95 (CA $2.01)
Exercised	**(603)**	**2.12 (CA $2.07)**	(1,674)	2.09 (CA $2.16)
Issued	**113**	**9.73 (CA $10.11)**	1,960	4.87 (CA $5.01)
Balance – end of period	**9,440**	**2.60 (CA $2.70)**	10,599	2.47 (CA $2.55)
Options exercisable – end of period	**5,777**	**2.21 (CA $2.30)**	4,688	1.90 (CA $1.96)

b) Restricted share units

Under the Corporation's Restricted Share Unit Plan ("Unit Plan"), restricted share units ("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. Pursuant to the Unit 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 current vesting rights of the RSUs correspond to the achievement of an annual objective of the mineral reserve replenishment combined with the participants remaining at the employment of the Corporation at the end of the vesting period. The annual objective for the mineral reserve replenishment is determined at the issuance date or before that date. 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 2011 activity for all restricted share units:

	RSUs non vested	**RSUs vested**
Outstanding as of January 1, 2011	–	–
Granted	505,000	–
Outstanding as of September 30, 2011	**505,000**	**–**

For the nine-month period ended September 30, 2011, the stock-based compensation expense related to the Unit Plan for the 2011 grant totalled $1,131,000 ($532,000 for the three-month period ended in September 30, 2011 and nil for the same period in 2010 as the program was created in 2011). As of September 30, 2011, none of the outstanding RSUs are vested.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

15. Finance costs

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2011	2010	**2011**	2010
	$	$	**$**	$
Interest expense on long-term debt	**283**	574	**899**	2,113
Accretion expense of asset retirement obligations	**127**	118	**380**	353
Accretion expense of advance payable to the Republic of Niger	**48**	43	**144**	130
Other finance costs	**283**	215	**645**	565
	741	950	**2,068**	3,161

16. Non-controlling interests

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	**2011**	2010
	$	$	**$**	$
Government of Burkina Faso – 10% in SEMAFO Burkina Faso S.A.	**2,822**	–	**8,231**	–
Government of Niger – 20% in Société des Mines du Liptako (SML) S.A.	**(1,199)**	178	**(1,572)**	2,041
Government of Guinea – 15% in SEMAFO Guinée S.A.	**15**	112	**(578)**	(794)
	1,638	290	**6,081**	1,247

17. Earnings per share

	Three-month period ended September 30		Nine-month period ended September 30	
(In thousands of dollars, except shares and per shares)	**2011**	2010	**2011**	2010
Net income for the period attributable to the shareholders of the Corporation	**29,682**	32,102	**78,482**	73,812
Weighted average number of outstanding common shares	**272,464**	270,658	**272,369**	259,360
Effect of dilutive stock options and warrants	**6,364**	7,359	**6,422**	7,355
Average weighted number of outstanding diluted common shares	**278,828**	278,017	**278,791**	266,715
Basic earnings per share	**0.11**	0.12	**0.29**	0.28
Diluted earnings per share	**0.11**	0.12	**0.28**	0.28

18. Commitments

Purchase obligations

As at September 30, 2011, the purchase commitments related to the Mana plant expansion, the Mana underground and other ongoing capital expenditures totalled $6,154,000, $3,498,000 and $1,701,000, respectively. In addition, on October 1, 2011, the Corporation entered into an agreement with National Electricity Company, Sonabel in Burkina Faso according to which the Corporation will advance $9,500,000 for the construction of a 73km high voltage transmission line. This amount is reimbursable to SEMAFO by Sonabel over an eight-year period following commissioning, which is scheduled for the second half of 2013.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

19. Financial information included in the consolidated statements of cash flows

a) Changes in non-cash working capital items

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	**2011**	2010
	$	$	**$**	$
Trade and other receivables	**(4,899)**	(8,103)	**(10,139)**	(5,993)
Inventories	**1,328**	(4,330)	**(4,847)**	(10,804)
Other current assets	**689**	(690)	**(1,459)**	(2,008)
Trade payables and accrued liabilities	**2,326**	584	**17,344**	(4,350)
Income tax payable	**(394)**	7,799	**(6,294)**	12,344
	(950)	(4,740)	**(5,395)**	(10,811)

b) Supplemental information on non-cash items

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	**2011**	2010
	$	$	**$**	$
Depreciation of property, plant and equipment allocated to exploration and stripping costs	**614**	20	**711**	51
Net effect of depreciation of property, plant and equipment allocated to inventories	**(167)**	(537)	**303**	(1,392)
New asset retirement obligations allocated to property, plant and equipment	**271**	184	**656**	513

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

20. Segmented information

The Corporation is conducting exploration and production activities on different sites in Burkina Faso, Niger and Guinea. These sites are managed separately given their different location and laws.

	Mana Mine, Burkina Faso $	Samira Hill Mine, Niger $	Kiniero Mine, Guinea $	Corporate and others $	Three-month period ended September 30, 2011 Total $
Revenue – Gold sales	74,674	19,629	7,994	–	102,297
Mining operating expenses	28,319	11,060	4,446	–	43,825
Depreciation of property, plant and equipment	5,970	3,791	1,183	53	10,997
General and administrative	615	481	716	3,935	5,747
Stock-based compensation	–	–	–	972	972
Operating income (loss)	**39,770**	**4,297**	**1,649**	**(4,960)**	**40,756**

					Three-month period ended September 30, 2010
Revenue – Gold sales	61,598	15,012	9,613	–	86,223
Mining operating expenses	19,694	10,475	4,334	–	34,503
Depreciation of property, plant and equipment	5,464	2,330	1,428	37	9,259
General and administrative	330	451	236	2,711	3,728
Stock-based compensation	–	–	–	784	784
Operating income (loss)	**36,110**	**1,756**	**3,615**	**(3,532)**	**37,949**

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

20. Segmented information (continued)

The Corporation is conducting exploration and production activities on different sites in Burkina Faso, Niger and Guinea. These sites are managed separately given their different location and laws.

Nine-month period ended September 30, 2011

	Mana Mine, Burkina Faso $	Samira Hill Mine, Niger $	Kiniero Mine, Guinea $	Corporate and others $	Total $
Revenue – Gold sales	211,258	48,734	22,070	–	282,062
Mining operating expenses	80,346	29,787	14,421	–	124,554
Depreciation of property, plant and equipment	17,634	7,744	3,331	161	28,870
General and administrative	1,706	1,326	2,123	12,881	18,036
Stock-based compensation	–	–	–	3,886	3,886
Operating income (loss)	**111,572**	**9,877**	**2,195**	**(16,928)**	**106,716**
Property, plant and equipment	217,601	86,034	22,495	3,773	329,903
Total assets	318,716	117,236	40,849	202,134	678,935

Nine-month period ended September 30, 2010

	Mana Mine, Burkina Faso $	Samira Hill Mine, Niger $	Kiniero Mine, Guinea $	Corporate and others $	Total $
Revenue – Gold sales	161,304	48,845	26,734	–	236,883
Mining operating expenses	53,836	28,859	15,128	–	97,823
Depreciation of property, plant and equipment	18,609	7,001	6,162	114	31,886
General and administrative	918	1,301	1,310	8,207	11,736
Stock-based compensation	–	–	–	2,853	2,853
Operating income (loss)	**87,941**	**11,684**	**4,134**	**(11,174)**	**92,585**
Property, plant and equipment	149,465	61,262	24,544	603	235,874
Total assets	228,579	93,381	43,434	189,716	555,110

21. Transition to IFRS

The Corporation's transition date to IFRS was January 1, 2010. The Corporation prepared its opening IFRS consolidated statement of financial position at that date.

1) Exemptions and exceptions from full retrospective application elected by the Corporation

In preparing these interim consolidated financial statements in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), the Corporation has applied mandatory transition exceptions and the following exemptions from full retrospective application of IFRS:

- IFRS 3, *Business Combination* election: This election allows the Corporation to adopt IFRS 3 (R) prospectively from the date of transition. The impact of this exemption is that all prior business combinations will continue to be accounted for as they were under Canadian GAAP.

- Leases election: The exemption provided in IFRS 1 from the full retrospective application of IFRIC 4, *Determining Whether an Arrangement Contains a Lease* ("IFRIC 4") has been applied to determine whether an arrangement existing as at January 1, 2010 contains a lease based on the facts and circumstances existing at that date. An additional exemption is available to the Corporation that, under Canadian GAAP, has already made an assessment as to whether an arrangement contains a lease, provided their previous conclusion is consistent with the criteria within IAS 17, *Leases* and IFRIC 4.

- The Corporation has elected to apply the exemption from full retrospective application of decommissioning provisions as allowed under IFRS 1. As such, the Corporation has re-measured the provisions as at January 1, 2010 under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. The Corporation did this using the best estimate of the historical risk-adjusted discount rates, and recalculated the accumulated depreciation, depletion and depreciation under IFRS up to the transition date. No transitional adjustment was recorded.

- The Corporation elected under IFRS 1 not to apply IFRS 2, *Share-based Payments* ("IFRS 2"), to all equity instruments of share-based payments that had vested at the transition date. Further, the Corporation elected not to apply IFRS 2 for all cash-settled share-based payments that were settled before the transition date.

- The Corporation elected to apply IAS 23, *Borrowing Costs* prospectively from the date of transition, therefore the accounting of borrowing costs prior to the transition date was not reassessed in the opening IFRS consolidated statement of financial position.

- Non-controlling interests: According to this exception the Corporation must, prospectively from the date of transition to IFRS, attribute the Corporation's total comprehensive income to the shareholders of the Corporation as well as to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- Estimates: Hindsight is not used to create or revise estimates. The estimates previously made by the management of the Corporation under Canadian GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policies.

2) Reconciliation of IFRS and Canadian GAAP

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS has not changed the Corporation's actual cash flows, it has resulted in changes to the Corporation's reported financial position and statement of income. In order to allow the users of the financial statements to better understand these changes, the Corporation's Canadian GAAP consolidated statements of operations and comprehensive income for the year ended December 31, 2010 and the three and nine-month periods ended September 30, 2010 as well as the statements of financial position as at January 1, 2010, September 30, 2010 and December 31, 2010, and the consolidated statement of cash flows for the three and nine-month periods ended September 30, 2010 and for the year-ended December 31, 2010 have been reconciled to IFRS, with the resulting differences explained.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

21. Transition to IFRS (continued)

The Canadian GAAP consolidated balance sheet as at January 1, 2010 has been reconciled to the IFRS opening consolidated statement of financial position as follows:

		January 1, 2010		
	Ref	Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
Assets				
Current assets				
Cash and cash equivalents		62,481	–	62,481
Trade and other receivables		9,894	–	9,894
Inventories		60,300	–	60,300
Other current assets		4,556	–	4,556
		137,231	–	137,231
Non-current assets				
Restricted cash		4,407	–	4,407
Property, plant and equipment		200,375	–	200,375
Investment and other non-current assets	a	19,743	7,350	27,093
		224,525	7,350	231,875
		361,756	7,350	369,106
Liabilities				
Current liabilities				
Trade payables and accrued liabilities		33,658	–	33,658
Income tax payable		5,019	–	5,019
Current portion of long-term debt		18,808	–	18,808
		57,485	–	57,485
Non-current liabilities				
Long-term debt		15,612	–	15,612
Advance payable	b	3,007	(1,270)	1,737
Provisions		5,879	–	5,879
Deferred income tax liabilities	c	7,110	(1,625)	5,485
		89,093	(2,895)	86,198
Equity				
Equity shareholders of the Corporation				
Share capital		329,759	–	329,759
Contributed surplus		5,998	–	5,998
Accumulated other comprehensive income	a	–	6,360	6,360
Deficit	d	(63,094)	3,885	(59,209)
		272,663	10,245	282,908
		361,756	7,350	369,106

[1] Certain Canadian GAAP figures have been reclassified to conform to IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

21. Transition to IFRS (continued)

The Canadian GAAP consolidated balance sheet as at September 30, 2010 has been reconciled to the IFRS consolidated statement of financial position as follows:

	Ref	September 30, 2010		
		Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
Assets				
Current assets				
Cash and cash equivalents		193,268	–	193,268
Trade and other receivables		15,887	–	15,887
Inventories		69,712	–	69,712
Other current assets		6,562	–	6,562
		285,429	–	285,429
Non-current assets				
Restricted cash		4,407	–	4,407
Property, plant and equipment		235,874	–	235,874
Investment and other non-current assets	a	19,600	9,800	29,400
		259,881	9,800	269,681
		545,310	9,800	555,110
Liabilities				
Current liabilities				
Trade payables and accrued liabilities		29,326	–	29,326
Income tax payable		17,363	–	17,363
Current portion of long-term debt		15,034	–	15,034
		61,723	–	61,723
Non-current liabilities				
Long-term debt		4,289	–	4,289
Advance payable	b	3,007	(1,140)	1,867
Provisions		6,727	–	6,727
Deferred income tax liabilities	c	3,990	(239)	3,751
		79,736	(1,379)	78,357
Equity				
Equity shareholders of the Corporation				
Share capital		450,953	–	450,953
Contributed surplus		7,781	–	7,781
Accumulated other comprehensive income	a	–	8,480	8,480
Retained earnings	d	6,840	(726)	6,114
		465,574	7,754	473,328
Non-controlling interests	e	–	3,425	3,425
		465,574	11,179	476,753
		545,310	9,800	555,110

[1] Certain Canadian GAAP figures have been reclassified to conform to IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

21. Transition to IFRS (continued)

The Canadian GAAP consolidated statement of operations and comprehensive income for the three-month period ended September 30, 2010 have been reconciled to the IFRS consolidated statement of income and comprehensive income as follows:

		Three-month period ended September 30, 2010		
	Ref	**Cdn GAAP basis[1]**	**Effect of transition to IFRS**	**IFRS basis**
Consolidated statement of income				
Revenue – Gold sales		86,223	–	86,223
			–	
Cost of operations				
Mining operation expenses	f	34,503	–	34,503
Depreciation of property, plant and equipment		9,259	–	9,259
General and administrative	g	3,728	–	3,728
Stock-based compensation		784	–	784
Operating income		37,949	–	37,949
Other expenses (income)				
Finance income	h	(43)	–	(43)
Finance costs	i	821	43	864
Foreign exchange gain		(2,031)	–	(2,031)
Income before incomes taxes		39,202	(43)	39,159
Income tax expense (recovery)				
Current		9,103	–	9,103
Deferred	j	1,290	(3,626)	(2,336)
		10,393	(3,626)	6,767
Net income for the period	k	28,809	3,583	32,392
Attributable to:				
Equity shareholders of the Corporation	k + e	28,809	3,293	32,102
Non-controlling interests	e	–	290	290
Consolidated statement of comprehensive income				
Net income for the period	k	28,809	3,583	32,392
Other comprehensive income				
Change in fair value of available-for-sale financial asset (net of tax)	l	–	2,120	2,120
Other comprehensive income for the period, net of tax		–	2,120	2,120
Comprehensive income for the period	k + l	28,809	5,703	34,512
Attributable to:				
Equity shareholders of the Corporation		28,809	5,413	34,222
Non-controlling interests	e	–	290	290

[1] Certain Canadian GAAP figures have been reclassified to conform to IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

21. Transition to IFRS (continued)

The Canadian GAAP consolidated statement of operations and comprehensive income for the nine-month period ended September 30, 2010 have been reconciled to the IFRS consolidated statement of income and comprehensive income as follows:

		Nine-month period ended September 30, 2010		
	Ref	Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
Consolidated statement of income				
Revenue – Gold sales		236,883	–	236,883
Cost of operations				
Mining operation expenses	f	97,823	–	97,823
Depreciation of property, plant and equipment		31,886	–	31,886
General and administrative	g	11,736	–	11,736
Stock-based compensation		2,853	–	2,853
Operating income		92,585	–	92,585
Other expenses (income)				
Finance income	h	(93)	–	(93)
Finance costs	i	2,945	130	3,075
Foreign exchange gain		(2,843)	–	(2,843)
Income before incomes taxes		92,576	(130)	92,446
Income tax expense (recovery)				
Current		18,994	–	18,994
Deferred	j	(2,663)	1,056	(1,607)
		16,331	1,056	17,387
Net income for the period	k	76,245	(1,186)	75,059
Attributable to:				
Equity shareholders of the Corporation	k + e	76,245	(2,433)	73,812
Non-controlling interests	e	–	1,247	1,247
Consolidated statement of comprehensive income				
Net income for the period	k	76,245	(1,186)	75,059
Other comprehensive income				
Change in fair value of available-for-sale financial asset (net of tax)	l	–	2,120	2,120
Other comprehensive income for the period, net of tax		–	2,120	2,120
Comprehensive income for the period	k + l	76,245	934	77,179
Attributable to:				
Equity shareholders of the Corporation		76,245	(313)	75,932
Non-controlling interests	e	–	1,247	1,247

[1] Certain Canadian GAAP figures have been reclassified to conform to IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

21. Transition to IFRS (continued)

The Canadian GAAP consolidated statement of cash flows for the three-month period ended September 30, 2010 has been reconciled to the IFRS consolidated statement of cash flows as follows:

Cash flows from (used in):		**Three-month period ended September 30, 2010**		
Operating activities	**Ref**	**Cdn GAAP basis[1]**	**Effect of transition to IFRS**	**IFRS basis**
Net income for the period	**k**	28,809	3,583	32,392
Adjustments for :				
Depreciation of property, plant and equipment		9,259	–	9,259
Stock-based compensation		784	–	784
Non-cash net finance costs	**i**	272	43	315
Unrealized foreign exchange loss		1,362	–	1,362
Deferred income taxes (recovery) expense	**j**	1,290	(3,626)	(2,336)
		41,776	–	41,776
Changes in non-cash working capital items		(4,740)	–	(4,740)
		37,036	–	37,036
Financing activities				
Reimbursement of long-term debt		(5,122)	–	(5,122)
Proceeds on issuance of share capital		5,748	–	5,748
		626	–	626
Investing activities				
Additions to property, plant and equipment		(21,626)	–	(21,626)
		(21,626)	–	(21,626)
Effect of exchange rate changes on cash and cash equivalents		(1,735)	–	(1,735)
Change in cash and cash equivalents during the period		14,301	–	14,301
Cash and cash equivalents – beginning of period		178,967	–	178,967
Cash and cash equivalents – end of period		193,268	–	193,268
Interest paid		466	–	466
Interest received		43	–	43
Income tax paid		–	–	–

[1] Certain Canadian GAAP figures have been reclassified to conform to IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

21. Transition to IFRS (continued)

The Canadian GAAP consolidated statement of cash flows for the nine-month period ended September 30, 2010 has been reconciled to the IFRS consolidated statement of cash flows as follows:

Cash flows from (used in):	Ref	Nine-month period ended September 30, 2010		
		Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
Operating activities				
Net income for the period	k	76,245	(1,186)	75,059
Adjustments for :				
Depreciation of property, plant and equipment		31,886	–	31,886
Stock-based compensation		2,853	–	2,853
Non-cash net finance costs	i	926	130	1,056
Unrealized foreign exchange gain		(767)	–	(767)
Deferred income taxes recovery	j	(2,663)	1,056	(1,607)
		108,480	–	108,480
Changes in non-cash working capital items		(10,811)	–	(10,811)
		97,669	–	97,669
Financing activities				
Reimbursement of long-term debt		(15,443)	–	(15,443)
Proceeds on issuance of share capital		120,124	–	120,124
Share issue expenses		(6,311)	–	(6,311)
		98,370	–	98,370
Investing activities				
Additions to property, plant and equipment		(65,480)	–	(65,480)
		(65,480)	–	(65,480)
Effect of exchange rate changes on cash and cash equivalents		228	–	228
Change in cash and cash equivalents during the period		130,787	–	130,787
Cash and cash equivalents – beginning of period		62,481	–	62,481
Cash and cash equivalents – end of period		193,268	–	193,268
Interest paid		1,686	–	1,686
Interest received		93	–	93
Income tax paid		5,343	–	5,343

[1] Certain Canadian GAAP figures have been reclassified to conform to IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

21. Transition to IFRS (continued)

The Canadian GAAP consolidated balance sheet as at December 31, 2010 has been reconciled to the IFRS consolidated statement of financial position as follows:

	Ref	Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
		December 31, 2010		
Assets				
Current assets				
Cash and cash equivalents		220,439	–	220,439
Restricted cash		3,750	–	3,750
Trade and other receivables		6,021	–	6,021
Inventories		68,952	–	68,952
Other current assets		5,238	–	5,238
		304,400	–	304,400
Non-current assets				
Restricted cash		657	–	657
Property, plant and equipment		257,413	–	257,413
Investment and other non-current assets	a	19,600	9,800	29,400
		277,670	9,800	287,470
		582,070	9,800	591,870
Liabilities				
Current liabilities				
Trade payables and accrued liabilities		36,789	–	36,789
Income tax payable		21,231	–	21,231
Current portion of long-term debt		14,824	–	14,824
		72,844	–	72,844
Non-current liabilities				
Advance payable	b	3,007	(1,096)	1,911
Provision		7,008	–	7,008
Deferred income tax liabilities	c	3,023	294	3,317
		85,882	(802)	85,080
Equity				
Equity shareholders of the Corporation				
Share capital		452,542	–	452,542
Contributed surplus		8,053	–	8,053
Accumulated other comprehensive income	a	–	8,480	8,480
Retained earnings	d	33,841	(1,080)	32,761
		494,436	7,400	501,836
Non-controlling interests	e	1,752	3,202	4,954
		496,188	10,602	506,790
		582,070	9,800	591,870

[1] Certain Canadian GAAP figures have been reclassified to conform to IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

21. Transition to IFRS (continued)

The Canadian GAAP consolidated statement of operations and consolidated statement of comprehensive income for the year ended December 31, 2010 have been reconciled to the IFRS consolidated statement of income and comprehensive income as follows:

	Ref	Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
		For the year ended December 31, 2010		
Consolidated statement of income				
Revenue – Gold sales		323,275	–	323,275
Costs of operations				
Mining operation expenses	f	134,856	–	134,856
Depreciation of property, plant and equipment		41,931	–	41,931
General and administrative	g	18,213	–	18,213
Stock-based compensation		3,525	–	3,525
Operating income		124,750	–	124,750
Other expenses (income)				
Finance income	h	(136)	–	(136)
Finance costs	i	3,607	174	3,781
Foreign exchange gain		(3,923)	–	(3,923)
Income before incomes taxes		125,202	(174)	125,028
Income tax expense (recovery)				
Current		23,776	–	23,776
Deferred	j	(3,572)	1,589	(1,983)
		20,204	1,589	21,793
Net income for the period	k	104,998	(1,763)	103,235
Attributable to:				
Equity shareholders of the Corporation	k + e	103,246	(2,787)	100,459
Non-controlling interests	e	1,752	1,024	2,776
Consolidated statement of comprehensive income				
Net income for the period	k	104,998	(1,763)	103,235
Other comprehensive income				
Change in fair value of available-for-sale financial asset (net of tax)	l	–	2,120	2,120
Other comprehensive income for the period, net of tax		–	2,120	2,120
Comprehensive income for the period	k + l	104,998	357	105,355
Attributable to:				
Equity shareholders of the Corporation		103,246	(667)	102,579
Non-controlling interests	e	1,752	1,024	2,776

[1] Certain Canadian GAAP figures have been reclassified to conform to IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

21. Transition to IFRS (continued)

The Canadian GAAP consolidated statement of cash flows for the year ended December, 2010 has been reconciled to the IFRS consolidated statement of cash flows as follows:

Cash flows from (used in):		**Year ended December 31, 2010**		
Operating activities	**Ref**	**Cdn GAAP basis[1]**	**Effect of transition to IFRS**	**IFRS basis**
Net income for the period	**k**	104,998	(1,763)	103,235
Adjustments for :				
Depreciation of property, plant and equipment		41,931	–	41,931
Stock-based compensation		3,525	–	3,525
Non-cash net finance costs	**i**	1,118	174	1,292
Unrealized foreign exchange gain		(502)	–	(502)
Deferred income taxes (recovery) expense	**j**	(3,572)	1,589	(1,983)
		147,498	–	147,498
Changes in non-cash working capital items		12,311	–	12,311
		159,809	–	159,809
Financing activities				
Reimbursement of long-term debt		(20,065)	–	(20,065)
Proceeds on issuance of share capital		121,313	–	121,313
Share issue expenses		(6,311)	–	(6,311)
		94,937	–	94,937
Investing activities				
Additions to property, plant and equipment		(96,741)	–	(96,741)
		(96,741)	–	(96,741)
Effect of exchange rate changes on cash and cash equivalents		(47)	–	(47)
Change in cash and cash equivalents during the period		157,958	–	157,958
Cash and cash equivalents – beginning of period		62,481	–	62,481
Cash and cash equivalents – end of period		220,439	–	220,439
Interest paid		2,150	–	2,150
Interest received		136	–	136
Income tax paid		5,891	–	5,891

[1] Certain Canadian GAAP figures have been reclassified to conform to IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

21. Transition to IFRS (continued)

The list of the references in the tables above regarding the IFRS transition impacts and explanation on the changes at the transition date, as at September 30, 2010 and for the three-month and the nine-month period ended September 30, 2010, and as at December 31, 2010 and for the year-end 2010 are presented below:

IFRS adjustments to the consolidated statement of financial position

a) Investment and other non-current assets

	As at January 1, 2010	As at September 30, 2010	As at December 31, 2010
Fair value of derivatives financial instruments	143	–	–
Investment in GoviEx, at cost	19,600	19,600	19,600
Canadian GAAP, as reported	19,743	19,600	19,600
Impact of measuring the investment in GoviEx at fair value	7,350	9,800	9,800
Fair value of derivatives financial instruments	143	–	–
Investment in GoviEx, at fair value	26,950	29,400	29,400
IFRS basis	27,093	29,400	29,400

Accumulated other comprehensive income

	As at January 1, 2010	As at September 30, 2010	As at December 31, 2010
Canadian GAAP, as reported	–	–	–
Impact of measuring the investment in GoviEx at fair value (net of tax)	6,360	8,480	8,480
IFRS basis	6,360	8,480	8,480

Under IFRS, the non-quoted equity investment in GoviEx Uranium Inc. ("GoviEx") is a financial instrument classified as an available-for-sale financial asset, which must be measured at fair value. The Corporation estimates the fair value of the investment in GoviEx using the most recent available information on this private equity investment. Accordingly, this investment is classified as a level 3 financial instrument according to the Corporation's fair value hierarchy as it is not based on observable market data. Should the most recent available information not be deemed appropriate to adequately determine the fair value of the investment in GoviEx, management will determine the fair value of this investment through the application of a market approach utilizing the average variation of the share price calculated from guideline of public companies or stock market index for a given period. Consequently, the Corporation is exposed to equity price risk because of its investment held and classified on the consolidated statement of financial position as available-for-sale. Equity price risk is the risk that the fair value of a financial instrument varies due to equity market changes. A variation of ± 10 % of the non-quoted equity investment in GoviEx as December 31, 2010 would result in an estimated effect in the consolidated statement of comprehensive income of $2,500,000 (net of tax) for the year ended December 31, 2010. Based on the Corporation's estimates determined using the market approach valuation technique, the investment is recorded at its fair value of $26,950,000 in our opening consolidated statement of financial position. The $7,350,000 unrealized gain on the increase in the value of this investment is recorded as part of other comprehensive income, net of deferred income taxes of $990,000 (see note d), for a total of $6,360,000. During the third quarter of 2010, the fair value of the investment increased by $2,450,000 (excluding tax impact of $330,000) to $29,400,000 and the $9,800,000 cumulative unrealized gain on the increase in the value of this investment was recorded as part of other comprehensive income, net of cumulative deferred income taxes of $1,320,000 (see note d), for a total of $8,480,000.

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

21. Transition to IFRS (continued)

IFRS adjustments to the consolidated statement of financial position (continued)

b) Advance payable

	As at January 1, 2010	As at September 30, 2010	As at December 31, 2010
Canadian GAAP, as reported	3,007	3,007	3,007
Impact of measuring the advance at its amortized cost[1]	(1,270)	(1,270)	(1,270)
Accretion expense for the advance payable to the Republic of Niger	–	130	174
IFRS basis	1,737	1,867	1,911

[1] Under IFRS, the advance payable to the Republic of Niger has to be measured at its amortized cost using the original effective interest rate method. The amortized cost calculated under IFRS amounted to $1,737,000 in the opening consolidated statement of financial position, resulting in a $1,270,000 (see note d) increase in the opening shareholders' equity and a corresponding decrease in liability.

c) Deferred income tax liabilities

	As at January 1, 2010	As at September 30, 2010	As at December 31, 2010
Canadian GAAP, as reported	7,110	3,990	3,023
Recognition of exchange gain (loss) on foreign non-monetary assets	(1,625)	(239)	294
IFRS basis	5,485	3,751	3,317

Upon application of IFRS standards, a deferred tax liability (asset) must be recognized for exchange gains and losses relating to foreign non-monetary assets and liabilities that are re-measured into the functional currency using historical exchange rates. This GAAP difference resulted in a reduction of $1,625,000 in deferred tax liability and an adjustment to the opening deficit at the transition date. The Corporation recorded a decrease in deferred tax liabilities of $3,296,000 during the third quarter of 2010 (net increase of $1,386,000 for the nine-month period ended September 30, 2010) and an increase of $533,000 during the last quarter of 2010 for a total net increase of $1,919,000 at the end of the year ended December 31, 2010 as a result of the foreign exchange rate effective at the end of these periods.

d) Retained earnings (Deficit)

	As at January 1, 2010	As at September 30, 2010	As at December 31, 2010
Canadian GAAP, as reported	(63,094)	6,840	33,841
Impact of measuring the investment in GoviEx at fair value (note a)	990	1,320	1,320
Impact of measuring the advance at its amortized cost (note b)	1,270	1,270	1,270
Recognition of exchange gain (loss) on foreign non-monetary assets (note c)	1,625	239	(294)
Attribution of non-controlling interests (note e)	–	(3,425)	(3,202)
Accretion expense for the advance payable to the Republic of Niger (note b)	–	(130)	(174)
IFRS basis	(59,209)	6,114	32,761
Total variation	3,885	(726)	(1,080)

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

21. Transition to IFRS (continued)

IFRS adjustments to the consolidated statement of financial position (continued)

e) Non-controlling interests

	Mana, Burkina Faso	SML, Niger	Kiniero, Guinea	TOTAL
As at January 1, 2010	–	–	–	–
Share of net income (loss)	–	680	(511)	169
Share of transactions in subsidiaries' equity	–	1,792	386	2,178
As at March 31, 2010	–	2,472	(125)	**2,347**
Share of net income (loss)	–	1,183	(395)	788
As at June 30, 2010	–	3,655	(520)	**3,135**
Share of net income (loss)	–	178	112	290
As at September 30, 2010	–	3,833	(408)	**3,425**
Share of net income (loss)	1,752	(126)	(97)	1,529
As at December 31, 2010	1,752	3,707	(505)	**4,954**

Under IFRS, the amended IAS 27 requires that total comprehensive income be attributed to the equity shareholders of the Corporation and to the non-controlling interests ("NCIs"), even if this results in the NCIs having a deficit balance to equity. The standard also prevents the reallocation of previous losses to NCIs, if these losses were previously attributed to the equity of the shareholders of the Corporation. The standard requires prospective application of the amendment from the date of transition, which is January 1, 2010 for SEMAFO. Accordingly, despite the fact that the subsidiaries located in Niger and Guinea have negative equity, and that the NCIs are not entitled to any earnings until the equity becomes positive, NCIs had to be recorded starting January 1, 2010. Under IFRS, the NCIs' share of the net assets of subsidiaries is included in equity and their share of the comprehensive income of subsidiaries is allocated directly to equity. Under Canadian GAAP, NCIs were presented as a separate item between liabilities and equity in the consolidated statement of financial position and the NCIs' share of income and comprehensive income were deducted in calculating net income and comprehensive income of the entity. Accordingly, NCIs have been reclassified to equity.

IFRS adjustments to the consolidated income statement

f) Mining operation expenses

	Three-month period ended September 30, 2010	Nine-month period ended September 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	31,267	88,793	122,144
Reclassification of Government royalties	3,236	9,030	12,712
Canadian GAAP, as adjusted for IFRS format	34,503	97,823	134,856

Under IFRS, Government royalties are presented as part of "Mining operation expenses".

g) General and administrative

	Three-month period ended September 30, 2010	Nine-month period ended September 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	3,728	11,157	17,145
Charitable donations - *Fondation SEMAFO*	–	579	1,068
Canadian GAAP, as adjusted for IFRS format	3,728	11,736	18,213

Under IFRS, charitable donations are presented as part of "General and administrative expenses".

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

21. Transition to IFRS (continued)

IFRS adjustments to the consolidated income statement (continued)

h) Finance income

	Three-month period ended September 30, 2010	Nine-month period ended September 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	–	–	–
Interest, banking fees and other income (gross)	(43)	(93)	(136)
Canadian GAAP, as adjusted for IFRS format	(43)	(93)	(136)

Under IFRS, "Finance income" and "Finance costs" are presented separately on a gross basis.

i) Finance costs

	Three-month period ended September 30, 2010	Nine-month period ended September 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	–	–	–
Interest on long term debt	574	2,113	2,728
Interest, banking fees and other income (gross)[1]	84	334	264
Accretion expense of asset retirement obligations[2]	118	353	470
Change in the fair value of derivative financial instruments[2]	45	145	145
Canadian GAAP, as adjusted for IFRS format	821	2,945	3,607
Accretion expense for the advance payable to the Republic of Niger[3]	43	130	174
IFRS basis	864	3,075	3,781

[1] Under IFRS, "Finance income" and "Finance costs" are presented separately on a gross basis.

[2] For IFRS purposes, accretion expenses and change in fair value of derivative financial instruments are combined to interest expense and are presented as "Finance costs".

[3] Consult reference b) for explanations on the accretion expense for the advance payable to the Republic of Niger.

j) Deferred tax expense (recovery)

	Three-month period ended September 30, 2010	Nine-month period ended September 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	1,290	(2,663)	(3,572)
Recognition of exchange gain (loss) on foreign non-monetary assets (note c)	(3,296)	1,386	1,919
Deferred income tax recovery on unrealized gain of GoviEx (note a)	(330)	(330)	(330)
IFRS basis	(2,336)	(1,607)	(1,983)

(Expressed in U.S. dollars except where otherwise indicated – amounts in tables are presented in thousands of U.S. dollars – unaudited)

21. Transition to IFRS (continued)

IFRS adjustments to the consolidated income statement (continued)

k) Net income for the period

	Three-month period ended September 30, 2010	Nine-month period ended September 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	28,809	76,245	103,246
Non-controlling interests (note e)	–	–	1,752
Canadian GAAP, as adjusted for IFRS format	28,809	76,245	104,998
Recognition of exchange loss (gain) on foreign non-monetary assets (note c)	3,296	(1,386)	(1,919)
Deferred income tax recovery on unrealized gain of GoviEx (note a)	330	330	330
Accretion expense for the advance payable to the Republic of Niger (note i)	(43)	(130)	(174)
IFRS basis	32,392	75,059	103,235
Total variation	3,583	(1,186)	(1,763)

IFRS adjustments to the consolidated statement of comprehensive income

l) Other comprehensive income

	Three-month period ended September 30, 2010	Nine-month period ended September 30, 2010	Year ended December 31, 2010
Canadian GAAP, as reported	–	–	–
Impact of measuring the investment in GoviEx at fair value (net of tax) (note a)	2,120	2,120	2,120
IFRS basis	2,120	2,120	2,120