SEMAFO (the "Corporation") is a Canadian-based mining company with gold production and exploration activities in West Africa. The Corporation and its subsidiaries currently operate three gold mines: the Mana Mine in Burkina Faso, the Samira Hill Mine in Niger and the Kiniero Mine in Guinea. SEMAFO is committed to evolve in a conscientious manner to become a major player in its geographical areas of interest. SEMAFO's strategic focus is to maximize shareholder value by effectively managing its existing assets as well as pursuing organic and strategic growth opportunities.

This Management's Discussion and Analysis ("MD&A") provides an analysis to enable readers to assess material changes in financial condition and results of operations for the three-month and nine-month periods ended September 30, 2011 compared to the corresponding periods last year. This MD&A, prepared as of November 8, 2011, is intended to complement and supplement our Unaudited Interim Consolidated Financial Statements (the "financial statements") as at September 30, 2011. It should be read in conjunction with our MD&A and Audited Consolidated Financial Statements and notes thereto for the year ended December 31, 2010 as well as with our MD&A and Unaudited Interim Consolidated Financial Statements published for the first quarter of 2011. 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") and in accordance with International Accounting Standards 34, *Interim Financial Reporting* ("IAS 34"). Previously, the Corporation prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Corporation's 2010 comparatives in this MD&A have been presented in accordance with IFRS. All dollar amounts contained in this MD&A are expressed in US dollars, unless otherwise specified.

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

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	**2010**	**2011**	**2010**
Gold ounces produced	**61,500**	65,500	**185,300**	199,600
Gold ounces sold	**59,600**	69,500	**182,400**	198,700
(In thousands of dollars, except amounts per ounce, per tonne and per share)				
Revenues – Gold sales	**102,297**	86,223	**282,062**	236,883
Operating income	**40,756**	37,949	**106,716**	92,585
Net income	**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	**1,638**	290	**6,081**	1,247
Basic net income per share	**0.11**	0.12	**0.29**	0.28
Diluted net income per share	**0.11**	0.12	**0.28**	0.28
Cash flow from operating activities [1]	**43,139**	41,776	**117,383**	108,480
Operating cash flow per share [2]	**0.16**	0.15	**0.43**	0.42
Average realized selling price (per ounce)	**1,717**	1,241	**1,546**	1,192
Cash operating cost (per ounce produced) [3]	**637**	454	**602**	445
Cash operating cost (per tonne processed) [3]	**37**	34	**36**	32
Total cash cost (per ounce sold) [4]	**733**	496	**682**	492
Total cash margin (per once sold) [5]	**984**	745	**864**	700

1 Cash flow from operating activities excludes changes in non-cash working capital items.

2 Operating cash flow per share is a non-GAAP financial performance measure with no standard definition under IFRS. See the "Non-GAAP financial performance measures" section of this MD&A.

3 Cash operating cost is a non-GAAP financial performance measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed. See the "Non-GAAP financial performance measures" section of this MD&A.

4 Total cash cost is a non-GAAP financial performance measure with no standard definition under IFRS and represents the mining operating expenses and Government royalties per ounce sold.

5 Total cash margin is a non-GAAP financial performance measure with no standard definition under IFRS and is calculated using the average realized selling price and the total cash cost.

A Word from the CEO[1]

The constant solid performance of our Mana Mine in Burkina Faso, bolstered by a strong gold price, has allowed SEMAFO to deliver all-time highs in gold revenues, operating income, and margins.

Our 2011 third quarter revenues increased by 19% over the same period last year, to attain $102.3 million. Operating income was $40.8 million for the quarter, an increase of 7% year over year and 15% for the first nine months of the year compared to the same period in 2010. Our net income of $31.3 million for the quarter brings our year-to-date total to $84.6 million, a 13% increase over the first nine-month period of 2010. During the quarter, cash flow from operating activities[2] amounted to $43.1 million or $0.16 per share.

Part of our operations strategy is to maximize cash flow. This was evidenced by the fact that, despite rapidly rising energy costs industry wide, we realized a record total cash margin of $984 per ounce sold for the quarter. Our cash operating cost per tonne increased by only 9% for the quarter compared to the same period last year, demonstrating effective cost management. The nine-month total cash margin was $864 per ounce sold compared to $700 for the same period in 2010, a 23% increase.

On the operations side, as our Mana Mine continues to demonstrate its growth potential, we announced another phase of plant expansion aimed at increasing capacity to 14,000 tonnes per day ("tpd") and representing as much as an additional 120,000 gold ounces annually. This can potentially bring Mana's total production to more than 300,000 ounces of gold per annum by 2014. Our decision to further expand the plant is supported by the positive drill results from the Fofina, Fobiri and Yaho zones and currently foresees the construction of a satellite crushing and milling facility, which will prepare the ore for final processing at the main plant. Contingent on the continued success of our exploration programs and resulting augmentation of our reserves and resources, we could justify further production capacity increases that could lead to reaching our annualized production capacity objective of up to 500,000 ounces of gold by the end of 2015.

SEMAFO's geology team reported consistent values and widths confirming the high-grade mineralization in the Fofina area, with some similarities to the gold-producing Nyafé zone. Also, during the quarter initial drill results from the Massala-Saoura zone, located at the northern tip of our property, provided encouraging results. The team expanded the Wona SW deep zone with drill results including 4.07 g/t Au over 43 meters, while parallel zones showed interesting values and thickness that suggest important swelling, which will be taken in consideration in the underground development. Very recently, Kona open pit area infill drilling confirmed the distribution of the mineralization and outlined higher-grade zones.

We continue to believe that our 115-kilometer long Mana property is one of best gold projects in West Africa, with the potential to become a mining district. Our systematic approach has led us to discover the very important Fofina and Fobiri zones some 18 months ago and the new Yaho zone, which is located in the same general area, early this year. Our drilling campaign continues to provide noteworthy results, identifying potential reserves and resources development opportunities and project expansion possibilities. Taking into consideration our growth strategy and production objectives, during the third quarter we allocated an additional $8.5 million to Mana's exploration budget, bringing the 2011 total budget for the property to $38.5 million.

We recently entered into an agreement with Burkina Faso's National Electricity Company, Sonabel for the construction of a 73-kilometer high-voltage transmission line to deliver power to our Mana Mine. The 26-megawatt transmission line will be connected to the national power grid and should provide sufficient energy to power the mine, resulting in potential cash operating cost savings of up to $40 per ounce.

[1] Certain statements in *A Word from the CEO* are forward-looking. For more information on forward-looking statements, see note 22.

[2] Cash flow from operating activities excludes changes in non-cash working capital items.

A Word from the CEO[1] (continued)

We recently saw the commencement of trading of our common shares through a secondary listing on the NASDAQ OMX Stockholm exchange in Sweden. Via this new listing, we are providing European investors with the opportunity to take advantage of our unique savoir-faire, consistent solid operating results, and to participate in the potential discovery of a new mining district.

With our continued solid performance and significant cash flows, SEMAFO is well-positioned to fund its operations and has the economic capacity to internally finance value-creation activities. It is with this in mind that on November 8, 2011, SEMAFO's Board of Directors approved an inaugural cash dividend of CA $0.02 per common share. The Board of Directors is of the opinion that this is the right time to provide a dividend return to our shareholders. We believe that the payment of this inaugural dividend is evidence of SEMAFO's ongoing commitment to maximize shareholder value.

Our dedicated team is devoted to bringing Mana to be ranked among the best gold projects in Africa, thus delivering on our commitment to grow responsibly and create value for our shareholders.

Benoit La Salle, FCA
President and Chief Executive Officer

[1] Certain statements in A Word from the CEO are forward-looking. For more information on forward-looking statements, see note 22.

THIRD QUARTER 2011 – HIGHLIGHTS

- Gold production of 61,500 ounces
- Record gold sales of $102.3 million, a 19% increase over the same period in 2010
- Record operating income of $40.8 million, an increase of 7% compared to the same period in 2010
- Net income of $31.3 million, a decrease of 3% compared to the same period last year
- Net income attributable to equity shareholders of the Corporation of $29.7 million or $0.11 per share compared to $32.1 million or $0.12 per share for the same period last year
- Cash flow from operating activities[1] of $43.1 million or $0.16 per share
- Debt free after the full repayment of our long-term debt
- Announced expansion project plan to increase Mana's processing capacity to 14,000 tonnes per day
- Agreement with National Electricity Company, Sonabel to build a power line connecting the Mana Mine to the National Power Grid
- Listing of SEMAFO's common shares on NASDAQ OMX Stockholm on October 20, 2011
- Declaration of inaugural dividend of CA $0.02 on November 8, 2011

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

2011 – Objectives[1]

Maximize Value

- Pursue aggressive at-depth and on-surface exploration programs at Mana – initial budget of $30 million
- Commence development of Wona Deep underground mining operation
- Maintain robust exploration at Samira Hill – budget of $4.8 million

Disciplined Growth

- Achieve production of between 238,000 and 263,000 ounces of gold at a cash operating cost of between $595 and $645 per ounce
- Increase Mana plant capacity to attain throughput of up to 8,000 tonnes per day in blended ore
- Attract and retain best mining talent

Responsible Mining

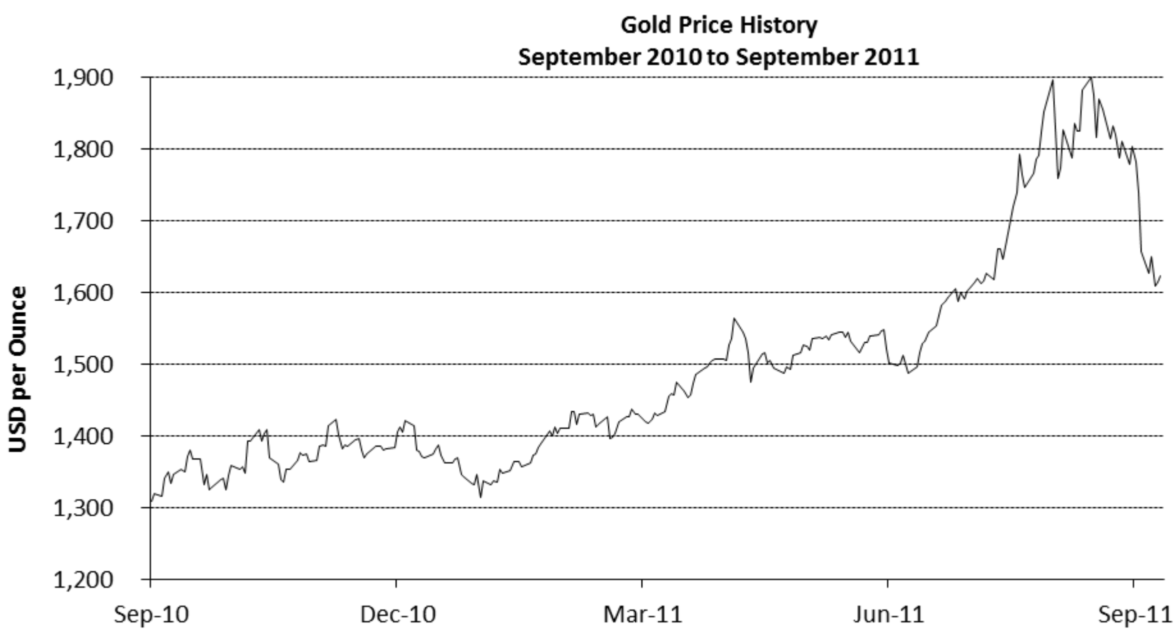
- Manage effectively to minimize our environmental footprint
- Continue corporate philanthropy program, donating up to 2% of net income to *Fondation SEMAFO*
- Support government initiatives in host countries
- Increase employee training and development programs
- Maintain and improve our health and safety programs

[1] These statements are forward-looking. For more information on forward-looking statements, see note 22.

2. Key Economic Trends

Price of Gold

The price of gold is the most significant factor affecting our profitability and our operating cash flows. Accordingly, our current and future financial performance is closely linked to the price of gold. The price of gold is subject to volatile price movements over short periods of time and is affected by various industries and macroeconomic factors that are beyond our control, such as currency exchange rate fluctuations and the relative strength of the US dollar, inflation expectations and increased demand for gold as an investment class asset from retail and institutional investors. During the third quarter of 2011 the price of gold, based on the London Gold Fix, fluctuated from $1,483 to a high of $1,895 per ounce. We believe that this is mainly due to continuing economic and political uncertainties. The average market gold price for the quarter was $1,702 per ounce, representing an increase of $475 or 39% compared to the $1,227 per ounce average market gold price for the same period in 2010.



During the third quarter of 2011, our average realized selling price was $1,717 per ounce compared to the average London Gold Fix of $1,702.

	2011			2010		
(In dollars per ounce)	Q3	Q2	Q1	Q3	Q2	Q1
Average London Gold Fix	1,702	1,506	1,386	1,227	1,197	1,109
Average realized selling price	1,717	1,519	1,400	1,241	1,210	1,111

Cost Pressures

The Corporation has been impacted by industry-wide cost pressures on development and operating costs. Since our mining activities are fuel intensive, a change in fuel prices can have a significant impact on our operations and associated financial results. Our three sites have experienced ongoing fuel cost increases during the first nine months of 2011 compared to the same period in 2010. As a market indicator explaining the rise in fuel costs, the Brent Crude price averaged $112 per barrel during the third quarter of 2011, compared with $77 per barrel for the same period in 2010, representing a significant 45% increase.

2. Key Economic Trends (continued)

Foreign Currencies

Our mining operations and exploration activities are carried out in West Africa, with a portion of operating costs and capital expenditures denominated in foreign currencies, especially the Euro. Overall, during the third quarter of 2011, the Euro was stronger relative to the US dollar when compared with the same period in 2010, which negatively impacted our operating cost, except for the last part of the third quarter of 2011, where the US dollar had gained some strength relative to the Euro. Economists believe that the recovery of the US dollar is due to the loss of confidence in the Euro fuelled by the persistent inability of the region’s politicians to adequately resolve the debt crisis. Despite the recovery of the US dollar at the end of the third quarter of 2011, the overall impact on our 2011 third quarter operating cost is negative.

3. Exploration Programs

SEMAFO's 2011 exploration program with a budget of $48.5 million, including $38.5 million for our Mana property in Burkina Faso, is well underway on our more than 4,500 square kilometers of permitted land.

Burkina Faso

From the ongoing exploration and in-fill drilling program on the Wona SW zone, located immediately southwest and parallel to the Wona Deep zone, core drilling results added underground depth potential revealing wide and high-grade mineralization. Results with values including WDC319, which returned 4.07 g/t Au (4.33 g/t Au uncut) over 43 meters, extend the mineralization at-depth and suggest a mineralized plunge similar to the central portion of the Wona Main zone.

Results from Wona's Parallel zones show interesting values and thickness that suggest important swelling as confirmed by hole WDC322, which returned 4.43 g/t Au (8.63 g/t Au uncut) over 25 meters (Figure 1).

The last 34,659 meters of core drilling (up to WDC421) have been completed on the Wona and Wona SW zones with the available results to date presented below. All assays remain pending for holes WDC328 to WDC421.

Wona SW Zone Results

DDH No.***	Zone	Section (N)	From	To	Au* / Length**
WDC288	Wona SW	15750	164.0	172.0	3.30 g/t / 8.0 m
WDC289	Wona SW	15750	199.0	217.0	3.16 g/t / 18.0 m
					(4.28 g/t uncut)
Including			199.7	204.0	6.90 g/t / 4.3 m
					(11.60 g/t uncut)
WDC290	Wona	17000	555.0	569.0	3.51 g/t / 14.0 m
WDC291	Wona SW	15750	243.0	255.0	2.78 g/t / 12.0 m
WDC293	Wona SW	15750	329.0	336.0	3.08 g/t / 7.0 m
WDC294	Wona	17100	502.0	506.0	2.95 g/t / 4.0 m
WDC295	Wona SW	15550	209.0	234.0	2.86 g/t / 25.0 m
Including			222.0	230.0	4.00 g/t / 8.0 m
WDC296	Wona	17150	533.7	536.0	5.05 g/t / 2.3 m
WDC297	Wona SW	15550	309.0	327.0	3.82 g/t / 18.0 m
Including			319.0	327.0	5.43 g/t / 8.0 m
WDC298	Wona SW	15450	253.0	272.0	2.36 g/t / 19.0 m
Including			264.0	272.0	3.27 g/t / 8.0 m
WDC299	Wona	17150	581.0	585.0	1.10 g/t / 4.0 m
WDC300	Wona SW	15550	388.0	396.0	3.41 g/t / 8.0 m
					(4.36 g/t uncut)
WDC302	Wona	16850	389.3	391.3	3.43 g/t / 2.0 m
WDC304	Wona SW	15450	185.0	208.0	2.56 g/t / 23.0 m
Including			196.0	204.0	3.95 g/t / 8.0 m
WDC306	Wona SW	15750	373.0	391.0	2.11 g/t / 18.0 m
Including			388.0	391.0	5.02 g/t / 3.0 m
WDC308	Wona SW	15850	203.0	213.0	2.68 g/t / 10.0 m
Including			209.0	213.0	4.25 g/t / 4.0 m
WDC309	Wona SW	15850	160.0	168.0	1.76 g/t / 8.0 m
WDC310	Wona SW	16450	302.5	321.0	4.64 g/t / 18.5 m
					(4.94 g/t uncut)
Including			303.5	310.0	6.03 g/t / 6.5 m
					(6.89 g/t uncut)

* All individual samples are cut at 15 g/t as per Wona Deposit procedures.
** All lengths are measured along the hole axis; additional information is required to determine true widths.
*** WDC301, WDC303 and WDC305 have not been drilled on the Wona - Kona zone, and WDC292 and WDC307 were cancelled due to strong deviation.

3. Exploration Programs (continued)

Burkina Faso (continued)

Wona SW Zone Results (continued)

DDH No.***	Zone	Section (N)	From	To	Au* / Length**
WDC311	Wona	16900	541.0	547.0	4.00 g/t / 6.0 m
WDC312	Wona SW	15850	235.0	249.0	2.30 g/t / 14.0 m
WDC313	Wona SW	16450	347.0	361.0	2.47 g/t / 14.0 m
Including			347.0	350.0	5.88 g/t / 3.0 m
WDC314	Wona SW	15850	293.0	299.0	2.72 g/t / 6.0 m
WDC315	Wona	16800	355.0	362.0	2.92 g/t / 7.0 m
WDC316	Wona SW	16450	435.5	440.0	1.51 g/t / 4.5 m
WDC317	Wona SW	15850	349.6	361.0	3.73 g/t / 11.4 m
Including			351.8	358.4	4.75 g/t / 6.6 m
WDC318	Wona	16750	422.0	428.1	2.25 g/t / 6.1 m
WDC319	Wona SW	15850	486.0	529.0	4.07 g/t / 43.0 m
					(4.33 g/t uncut)
Including			507.0	521.0	5.16 g/t / 14.0 m
					(5.79 g/t uncut)
WDC320	Wona SW	16450	551.2	557.2	2.73 g/t / 6.0 m
WDC321	Wona	17000	665.4	668.8	3.10 g/t / 3.4 m
WDC322	Wona SW	15600	380.0	387.0	1.05 g/t / 7.0 m
WDC323					Pending
WDC324	Wona	17200	379.0	385.0	4.92 g/t / 6.0 m
WDC325					Pending
WDC326					Pending
WDC327	Wona SW	16550	356.9	365.3	2.57 g/t / 8.4 m

* All individual samples are cut at 15 g/t as per Wona Deposit procedures.
** All lengths are measured along the hole axis; additional information is required to determine true widths.
*** WDC301, WDC303 and WDC305 have not been drilled on the Wona - Kona zone, and WDC292 and WDC307 were cancelled due to strong deviation.

Core drilling completed includes infill drilling of the Wona and Wona SW as well as extensions. The results confirmed the high-grade potential of the Wona SW zone with values of up to 4.64 g/t Au (4.94 g/t Au uncut) across 18.5 meters, as well as identified a wide and higher-grade zone at greater depths with hole WDC319 returning 4.07 g/t Au across 43 meters. Hole WDC319 belongs to the same trend as previously announced holes WDC284 and WDC287 (reference SEMAFO's press release dated May 12, 2011), which returned 2.27 g/t Au over 51 meters and 2.24 g/t Au over 29 meters respectively. This suggests the presence of a second wide ore shoot plunging slightly north, similar to the Wona main ore shoot, and could hold a large area of wide gold mineralization. Further drilling is scheduled to test this area and its extensions.

3. Exploration Programs (continued)

Burkina Faso (continued)

Parallel Zones
The parallel zones, located 10 to 30 meters east of the Wona structure, continue to be increasingly significant towards the southwest showing areas of swelling with above-average grades as confirmed by hole WDC322 which returned 4.43 g/t Au (8.63 g/t Au uncut) across 25 meters and hole WDC297 with 3.12 g/t Au (7.03 g/t Au uncut) over 13 meters.

Parallel Zones Highlights

DDH No.	Zone	Section (N)	From	To	Au* / Length**
WDC291	Parallel	15750	342.0	346.0	2.39 g/t / 4.0 m
WDC291	Parallel	15750	352.0	358.0	3.93 g/t / 6.0 m
WDC291	Parallel	15750	364.0	369.0	4.49 g/t / 5.0 m
WDC293	Parallel	15750	315.0	322.0	2.55 g/t / 7.0 m
WDC293	Parallel	15750	426.0	431.0	2.33 g/t / 5.0 m
WDC294	Parallel	17100	601.0	605.0	3.28 g/t / 4.0 m
WDC295	Parallel	15550	302.0	305.0	7.14 g/t / 3.0 m
WDC297	Parallel	15550	286.0	290.0	3.01 g/t / 4.0 m
WDC297	Parallel	15550	378.0	391.0	3.12 g/t / 13.0 m
					(7.03 g/t uncut)
WDC298	Parallel	15450	291.0	305.5	1.73 g/t / 14.5 m
WDC298	Parallel	15450	329.0	336.0	4.01 g/t / 7.0 m
WDC302	Parallel	16850	352.3	356.8	5.04 g/t / 4.5 m
WDC306	Parallel	15750	359.0	366.0	1.95 g/t / 7.0 m
WDC306	Parallel	15750	454.0	464.0	3.03 g/t / 10.0 m
WDC308	Parallel	15850	247.0	251.0	2.78 g/t / 4.0 m
WDC311	Parallel	16900	642.0	646.3	1.89 g/t / 4.3 m
WDC311	Parallel	16900	680.0	682.0	5.96 g/t / 2.0 m
WDC314	Parallel	15850	366.0	370.0	1.61 g/t / 4.0 m
WDC314	Parallel	15850	383.2	388.0	7.35 g/t / 4.8 m
WDC318	Parallel	16750	333.0	343.0	1.48 g/t / 10.0 m
WDC322	Parallel	15600	409.0	434.0	4.43 g/t / 25.0 m
					(8.63 g/t uncut)
Including			427.0	434.0	7.31 g/t / 7.0 m
					(22.17 g/t uncut)
WDC323	Parallel	16550	319.0	333.0	1.40 g/t / 14.0 m
WDC324	Parallel	17200	649.0	658.7	1.68 g/t / 9.7 m

* All individual samples are cut at 15 g/t as per Wona Deposit procedures.
** All lengths are measured along the hole axis; additional information is required to determine true widths.

Results from the reverse circulation ("RC") infill drilling over the Kona open pit area confirmed the distribution of the mineralization. Results also outline zones of higher grade mineralization as revealed by holes MRC11-367, which returned 6.18 g/t Au (6.61 g/t Au uncut) over 18 meters, MRC11-360 with 3.46 g/t Au over 29 meters and hole MRC11-373 returning 4.0 g/t Au (4.65 g/t Au uncut) over 14 meters.

Kona RC drill result highlights are listed in the following table and illustrated on figure 2.

3. Exploration Programs (continued)

Burkina Faso (continued)

Kona Zone Highlights

DDH No.***	Zone	Section (N)	From	To	Au* / Length**
MRC11-312	Kona	18525	24.0	38.0	1.76 g/t / 14.0 m
MRC11-317	Parallel	18575	34.0	43.0	1.91 g/t / 9.0 m
MRC11-318	Parallel	18625	161.0	166.0	2.78 g/t / 5.0 m
MRC11-319	Kona	18625	106.0	121.0	4.13 g/t / 15.0 m
MRC11-360	Kona	18625	69.0	98.0	3.46 g/t / 29.0 m
MRC11-361	Kona	18625	50.0	73.0	3.85 g/t / 23.0 m
					(3.87 g/t uncut)
MRC11-362	Parallel	18625	35.0	47.0	1.69 g/t / 12.0 m
MRC11-363	Kona	18675	135.0	142.0	2.28 g/t / 7.0 m
MRC11-363	Parallel	18675	104.0	105.0	15.00 g/t / 1.0 m
					(36.80 g/t uncut)
MRC11-364	Kona	18675	108.0	124.0	2.30 g/t / 16.0 m
MRC11-365	Kona	18675	71.0	84.0	4.00 g/t / 13.0 m
MRC11-366	Kona	18675	44.0	56.0	7.31 g/t / 12.0 m
					(9.83 g/t uncut)
MRC11-367	Kona	18675	8.0	26.0	6.18 g/t / 18.0 m
					(6.61 g/t uncut)
MRC11-368	Kona	18725	130.0	144.0	7.82 g/t / 14.0 m
MRC11-369	Kona	18725	108.0	141.0	2.18 g/t / 33.0 m
MRC11-370	Kona	18725	74.0	94.0	3.67 g/t / 20.0 m
MRC11-371	Kona	18725	45.0	64.0	5.84 g/t / 19.0 m
MRC11-372	Kona	18725	21.0	31.0	1.21 g/t / 10.0 m
MRC11-373	Kona	18775	128.0	142.0	4.00 g/t / 14.0 m
					(4.65 g/t uncut)
MRC11-374	Kona	18775	113.0	144.0	2.64 g/t / 31.0 m
MRC11-392	Kona	17900	23.0	36.0	1.54 g/t / 13.0 m
MRC11-393	Parallel	17900	20.0	24.0	3.12 g/t / 4.0 m
MRC11-395	Parallel	17925	42.0	45.0	3.66 g/t / 3.0 m
MRC11-396	Kona	17925	25.0	38.0	2.90 g/t / 13.0 m
MRC11-397	Kona	17925	6.0	19.0	1.64 g/t / 13.0 m
MRC11-398	Kona	17950	119.0	120.0	15.00 g/t / 1.0 m
					(53.10 g/t uncut)
MRC11-440	Kona	17950	43.0	51.0	6.11 g/t / 8.0 m
					(7.80 g/t uncut)
MRC11-441	Kona	17950	17.0	33.0	2.12 g/t / 16.0 m
MRC11-442	Parallel	17975	123.0	125.0	6.80 g/t / 2.0 m
MRC11-443	Parallel	17975	74.0	91.0	1.50 g/t / 17.0 m
MRC11-444	Kona	17975	72.0	80.0	1.59 g/t / 8.0 m
MRC11-445	Kona	17975	23.0	51.0	1.16 g/t / 28.0 m
MRC11-446	Kona	17975	6.0	20.0	2.98 g/t / 14.0 m

* All individual samples are cut at 15 g/t as per Wona Deposit procedures.
** All lengths are measured along the hole axis; additional information is required to determine true widths.
*** MRC11-320 to MRC11-359 and MRC11-400 to MRC11-439 were not drilled on Kona area.

Results from the RC infill drilling on the Kona open-pit area are concordant with the current magnitude of reserves and resources, with a potential slight gain in the northern area.

3. Exploration Programs (continued)

Niger

Exploration at the Samira Hill Mine, with a budget of $4.8 million, is focusing primarily on the identification of new oxide deposits. More than 30,000 meters of Air Core ("AC") and 40,000 meters of RC drilling are planned including:

- 25,000 meters of RC drilling over the most prospective area around Boulon Jounga open pit, and 8,000 meters of AC over more distal potentials
- 3,000 meters of RC delineation drilling over Sikia
- Various projects around Libiri
- Early stage exploration program at Tondé Babangou, Gare Garé and Bouli.

Kiniero

Kiniero's exploration drilling program recently began and will be continued through 2012 with a budget totalling $4 million, including:

- $3 million in mining project development over SGA (Secteur Gobelé A plus Gobelé D) with 16,000 meters of drilling including 4,000 meters of core drilling and 12,000 meters of RC drilling
- $900,000 for 10,000 meters of RC drilling over the OBD, OBE sectors as well as a portion of Zone D and Sud JG
- $100,000 of soil geochemical surveying and trenching over our Siguiri assets.

Figure 1

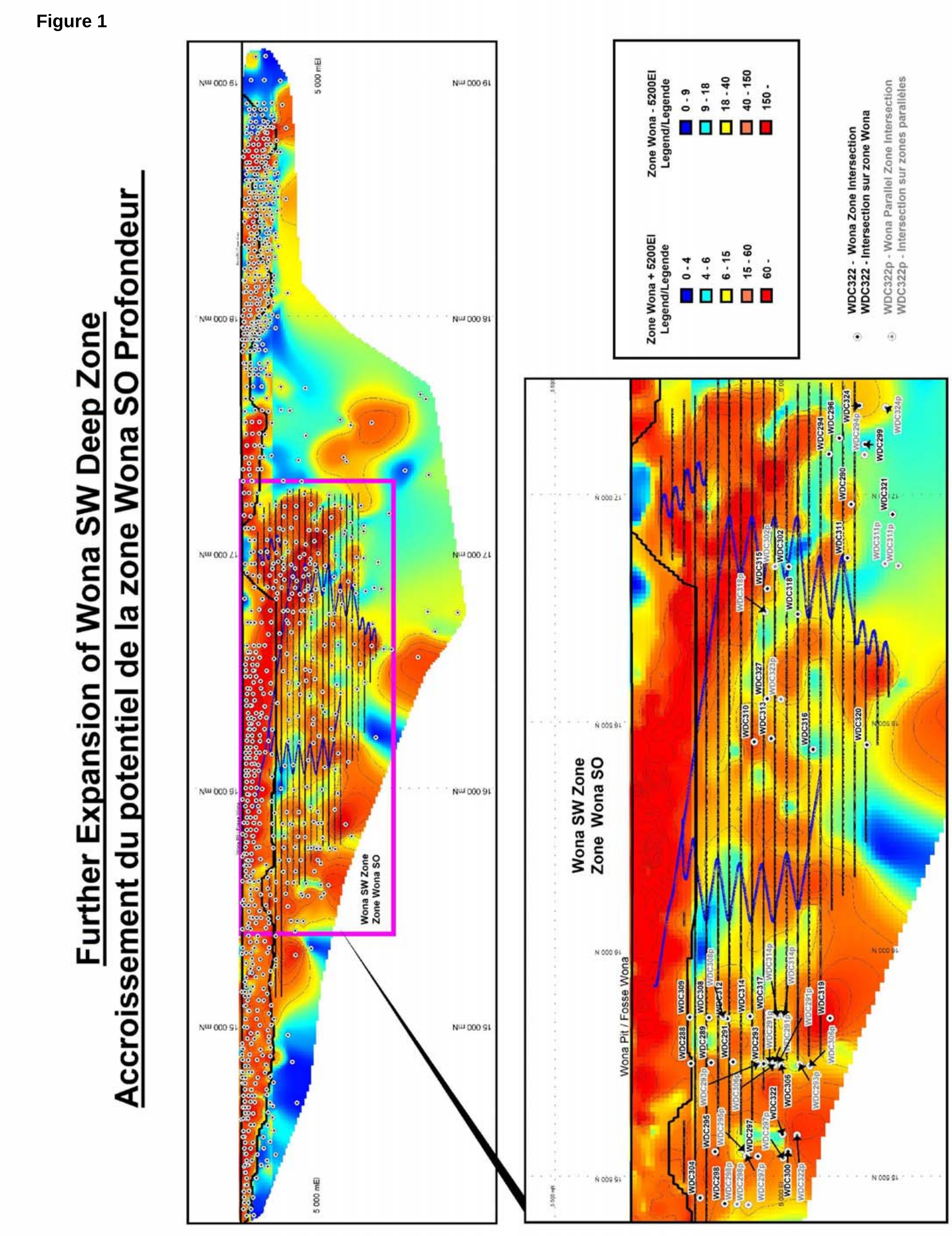
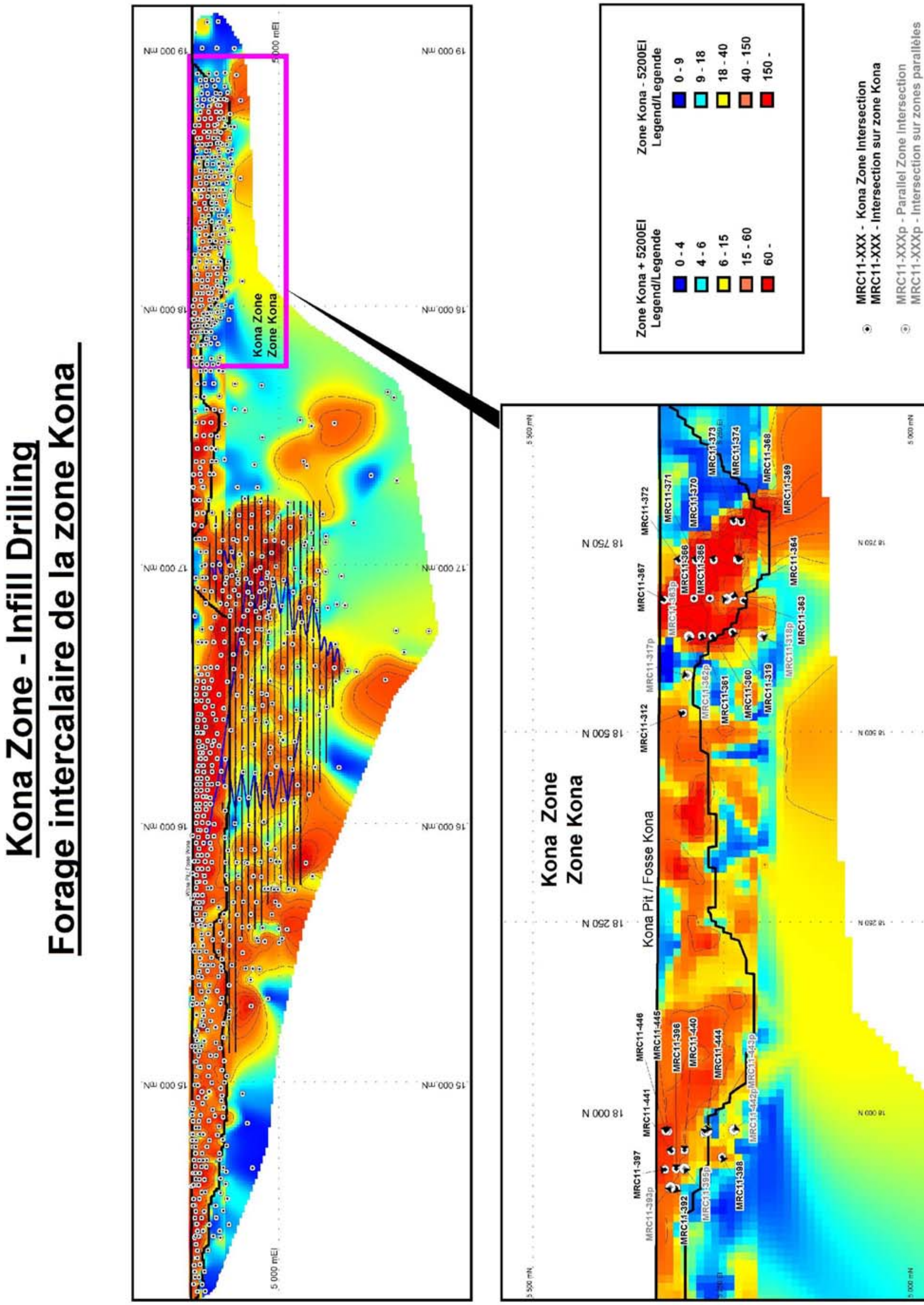

Further Expansion of Wona SW Deep Zone
Accroissement du potentiel de la zone Wona SO Profondeur
Wona SW Zone
Zone Wona SO
Wona Pit / Fosse Wona
Zone Wona + 5200El
Legend/Legende
0 - 4
4 - 6
6 - 15
15 - 60
60 -
Zone Wona - 5200El
Legend/Legende
0 - 9
9 - 18
18 - 40
40 - 150
150 -
WDC322 - Wona Zone Intersection
WDC322 - Intersection sur zone Wona
WDC322p - Wona Parallel Zone Intersection
WDC322p - Intersection sur zones parallèles

Figure 2


Kona Zone - Infill Drilling
Forage intercalaire de la zone Kona
Kona Zone
Zone Kona
Zone Kona + 5200El
Legend/Legende
0 - 4
4 - 6
6 - 15
15 - 60
60 -
Zone Kona - 5200El
Legend/Legende
0 - 9
9 - 18
18 - 40
40 - 150
150 -
MRC11-XXX - Kona Zone Intersection
MRC11-XXX - Intersection sur zone Kona
MRC11-XXXp - Parallel Zone Intersection
MRC11-XXXp - Intersection sur zones parallèles
Kona Zone
Zone Kona
Kona Pit / Fosse Kona
18 000 N
18 250 N
18 500 N
18 750 N
15 000 mN
16 000 mN
17 000 mN
18 000 mN
19 000 mN
5 000 mEl

4. Consolidated Results and Mining Operations

	Three-month period ended September 30			Nine-month period ended September 30		
	2011	2010	Variation	2011	2010	Variation
Operating Highlights						
Gold ounces produced	**61,500**	65,500	(6%)	**185,300**	199,600	(7%)
Gold ounces sold	**59,600**	69,500	(14%)	**182,400**	198,700	(8%)
(In thousands of dollars, except amounts per ounce, per tonne and per share)						
Revenues – Gold sales	**102,297**	86,223	19%	**282,062**	236,883	19%
Mining operating expenses (excluding Government royalties)	**38,555**	31,267	23%	**110,634**	88,793	25%
Government royalties	**5,270**	3,236	63%	**13,920**	9,030	54%
Operating income	**40,756**	37,949	7%	**106,716**	92,585	15%
Income tax expense	**9,006**	6,767	33%	**19,358**	17,387	11%
Net income	**31,320**	32,392	(3%)	**84,563**	75,059	13%
Attributable to:						
Equity shareholders of the Corporation	**29,682**	32,102	(8%)	**78,482**	73,812	6%
Non-controlling interests	**1,638**	290	465%	**6,081**	1,247	388%
Cash flow from operating activities [1]	**43,139**	41,776	3%	**117,383**	108,480	8%
Basic net income per share	**0.11**	0.12	(8%)	**0.29**	0.28	4%
Diluted net income per share	**0.11**	0.12	(8%)	**0.28**	0.28	–
Operating cash flow per share [2]	**0.16**	0.15	7%	**0.43**	0.42	2%
Average realized selling price (per ounce)	**1,717**	1,241	38%	**1,546**	1,192	30%
Cash operating cost (per ounce produced) [3]	**637**	454	40%	**602**	445	35%
Cash operating cost (per tonne processed) [3]	**37**	34	9%	**36**	32	13%
Total cash cost (per ounce sold) [4]	**733**	496	48%	**682**	492	39%
Total cash margin (per ounce sold) [5]	**984**	745	32%	**864**	700	23%

1. Cash flow from operating activities excludes changes in non-cash working capital items.
2. Operating cash flow per share is a non-GAAP financial performance measure with no standard definition under IFRS. See the "Non-GAAP financial performance measures'' section of this MD&A.
3. Cash operating cost is a non-GAAP financial performance measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed. See the "Non-GAAP financial performance measures'' section of this MD&A.
4. Total cash cost is a non-GAAP financial performance measure with no standard definition under IFRS and represents the mining operating expenses and Government royalties per ounce sold.
5. Total cash margin is a non-GAAP financial performance measure with no standard definition under IFRS and is calculated using the average realized selling price and the total cash cost.

Third Quarter 2011 v. Third Quarter 2010

- Despite lower volume sold as a result of lower recovered head grade, our gold sales increased by 19% during the three-month period ended September 30, 2011 to $102,297,000 compared to $86,223,000 for the corresponding period in 2010. The improvement is the result of our higher average realized selling price, which remained superior to the average London Gold Fix.

	2011			2010		
(In dollars per ounce)	Q3	Q2	Q1	Q3	Q2	Q1
Average London Gold Fix	**1,702**	**1,506**	**1,386**	1,227	1,197	1,109
Average realized selling price	**1,717**	**1,519**	**1,400**	1,241	1,210	1,111

- The increase in mining operating expenses during the third quarter of 2011 reflects the higher fuel and reagent costs compared to the same period in 2010. Also, a factor was the incremental throughput of lower grade ore related to our higher processing capacity at the Mana Mine.

4. Consolidated Results and Mining Operations (continued)

Third Quarter 2011 v. Third Quarter 2010 (continued)

- Our record operating income of $40,756,000 for the three-month period ended September 30, 2011, compared to $37,949,000 for the same period last year is due to our higher total cash margin per ounce sold.
- Our 2011 third quarter net income slightly decreased by 3% to $31,320,000 as a result of a higher income tax expense reflecting the impact of foreign exchange movements on our foreign non-monetary assets.
- Non-controlling interests ("NCIs") represent minority equity interests in subsidiaries owned by outside parties. Under IFRS, it is required that total comprehensive income be attributed to the shareholders of the Corporation and to the NCIs, even if this results in the NCIs having a deficit balance in equity. Accordingly, despite the fact that the subsidiaries located in Niger and Guinea have a negative equity, and that the minority shareholders are not entitled to any earnings until the equity becomes positive, non-controlling interests had to be recorded starting January 1, 2010.

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	2011	2010
Non-controlling interests (in thousands of dollars)				
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

- During the third quarter of 2011, the share of our net income attributable to NCIs relates mainly to our subsidiary in Burkina Faso. The Government of Burkina Faso is entitled to 10% of SEMAFO Burkina Faso S.A.'s net income solely once the subsidiary's retained earnings are equal to the initial capital investment. This occurred in the fourth quarter of 2010. The fluctuation in the NCIs of our other two subsidiaries located in Niger and Guinea is a direct result of the variation in their local net income for the period. For more details on the IFRS accounting treatment of NCIs, which differs from Canadian GAAP, please refer to note 18 of this MD&A.

First Nine Months of 2011 v. First Nine Months of 2010

- During the first nine months of 2011, gold sales amounted to $282,062,000 compared to $236,883,000 for the same period last year. The 19% increase is attributable to a higher average realized selling price, despite lower volume sold.
- The increase in mining operating expenses during the third quarter of 2011 reflects the higher fuel and reagent costs compared to the same period in 2010. Also, a factor was the incremental throughput of lower grade ore related to our higher processing capacity at the Mana Mine.
- The 15% improvement in operating income is due to a higher total cash margin for the first nine months of 2011 when compared to the same period last year.
- Net income amounted to $84,563,000 for the first nine months of 2011, compared to $75,059,000 for the first nine months of 2010. The increase is mainly due to the improvement in operating income as previously noted.

5. Operating Income by Segment

	Three-month period ended September 30			Nine-month period ended September 30		
	2011	2010	Variation	2011	2010	Variation
(In thousands of dollars)						
Mana Mine, Burkina Faso	**39,770**	36,110	10%	**111,572**	87,941	27%
Samira Hill Mine, Niger	**4,297**	1,756	145%	**9,877**	11,684	(15%)
Kiniero Mine, Guinea	**1,649**	3,615	(54%)	**2,195**	4,134	(47%)
Corporate and others	**(4,960)**	(3,532)	40%	**(16,928)**	(11,174)	52%
	40,756	37,949	7%	**106,716**	92,585	15%

6. Mining Operations

Mana, Burkina Faso

	Three-month period ended September 30			Nine-month period ended September 30		
	2011	2010	Variation	2011	2010	Variation
Operating Data						
Ore mined (tonnes)	**539,000**	482,200	12%	**1,626,500**	1,425,300	14%
Ore processed (tonnes)	**583,100**	501,800	16%	**1,795,100**	1,457,500	23%
Head grade (g/t)	**2.62**	3.16	(17%)	**2.70**	3.30	(18%)
Recovery (%)	**85**	87	(2%)	**88**	88	–
Gold ounces produced	**45,100**	46,400	(3%)	**138,100**	133,500	3%
Gold ounces sold	**43,700**	49,700	(12%)	**137,000**	135,200	1%
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**74,674**	61,598	21%	**211,258**	161,304	31%
Mining operations expenses (excluding Government royalties)	**24,603**	17,822	38%	**70,374**	48,981	44%
Government royalties	**3,716**	1,872	99%	**9,972**	4,855	105%
Depreciation	**5,970**	5,464	9%	**17,634**	18,609	(5%)
Administrative	**476**	257	85%	**1,240**	786	58%
Corporate social responsibility expenses[1]	**139**	73	90%	**466**	132	253%
Segment operating income	**39,770**	36,110	10%	**111,572**	87,941	27%
Statistics ($)						
Average realized selling price (per ounce)	**1,709**	1,239	38%	**1,542**	1,193	29%
Cash operating cost (per ounce produced)[2]	**563**	355	59%	**511**	357	43%
Cash operating cost (per tonne processed)[2]	**43**	34	26%	**40**	34	18%
Total cash cost (per ounce sold)[3]	**648**	396	64%	**586**	398	47%
Depreciation (per ounce sold)[4]	**137**	110	25%	**129**	138	(7%)

1 Corporate social responsibility expenses exclude contributions and projects sponsored through *Fondation SEMAFO.*

2 Cash operating cost is a non-GAAP measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed. See the "Non-GAAP financial performance measures" section of this MD&A.

3 Total cash cost is a non-GAAP financial performance measure with no standard definition under IFRS and represents the mining operating expenses and Government royalties per ounce sold.

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

Third Quarter 2011 v. Third Quarter 2010

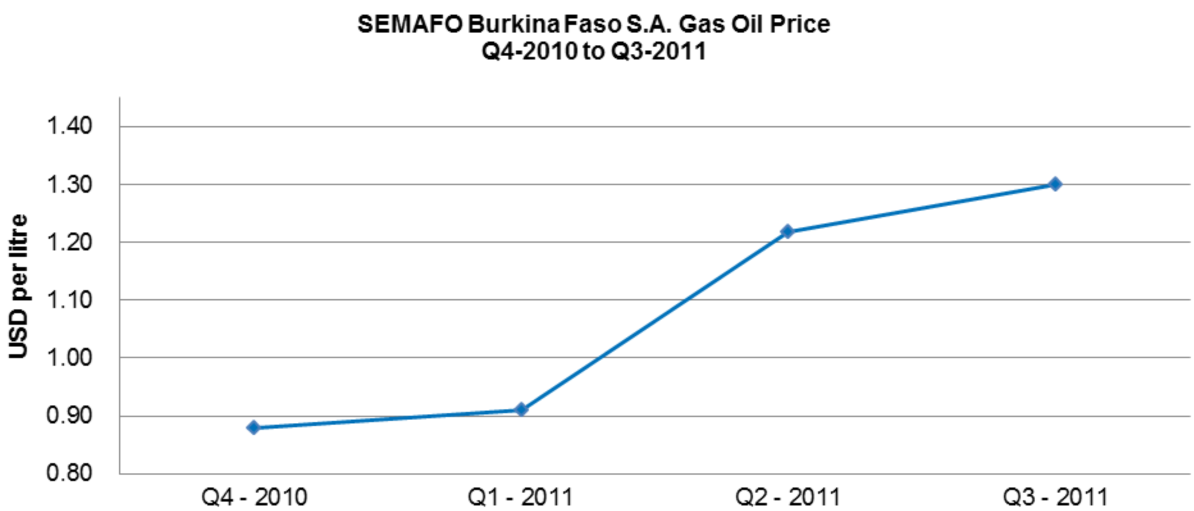
- For the three-month period ended September 30, 2011, a total of 539,000 tonnes of ore and 2,487,500 tonnes of waste material were extracted from the Wona and Nyafé pits, resulting in a stripping ratio of 4.6:1. In addition, 1,994,200 tonnes of waste material were extracted from the Wona pit during the pre-stripping phase. This compares to 482,200 tonnes of ore and 3,115,100 tonnes of waste material for the same period in 2010, which resulted in a stripping ratio of 6.5:1. The increase in total material mined year over year is mainly due to additional mining equipment.
- During the third quarter of 2011, we processed 583,100 tonnes of ore. The 16% increase in ore processed, compared to the same period last year, is a direct result of higher throughput following the completion of the plant expansions in 2010.
- The decrease in head grade in the third quarter of 2011, compared to the third quarter of 2010, is a direct result of the incremental throughput of ore sourced in higher percentages from the Wona pit, which has lower grade ore compared to the ore sourced from Nyafé.
- The slight decrease in ounces produced in the third quarter of 2011, compared to the third quarter of 2010, is the result of the lower head grade, partially compensated by the higher throughput.

6. Mining Operations (continued)

Mana, Burkina Faso (continued)

Third Quarter 2011 v. Third Quarter 2010 (continued)

- Our cash operating cost per tonne processed increased to $43 in the third quarter of 2011 compared to $34 in the third quarter of 2010. This variation is mainly due to the increased cost of fuel and reagents, and the need for supplementary drilling and blasting in 2011 compared to 2010. Our cash operating cost per ounce produced increased as a result of higher cash operating cost per tonne processed and lower head grade.
- During the third quarter of 2011, costs related to fuel represented $11 per tonne processed compared to $7 per tonne processed during the same period in 2010 as a result of ongoing fuel price increases in Burkina Faso.



- Higher royalties were the result of graduated royalty rates in effect as of January 1, 2011 and the increase in the average realized selling price. As the price of gold was above $1,300 per ounce during the entire three-month period ended September 30, 2011, government royalties of 5% were paid compared to royalties of 3% for the corresponding period in 2010.
- Depreciation per ounce sold in the third quarter of 2011, compared to the same period last year increased mainly as a result of increased fixed assets following the completion of plant expansions and the decrease in gold ounces sold.

First Nine Months of 2011 v. First Nine Months of 2010

- For the nine-month period ended September 30, 2011, a total of 1,626,500 tonnes of ore and 8,397,800 tonnes of waste material were extracted from the Wona and Nyafé area pits, resulting in a stripping ratio of 5.2:1. In addition, 2,505,500 tonnes of waste material were extracted from the Wona pit area during the pre-stripping phase. This compares to 1,425,300 tonnes of ore and 7,792,500 tonnes of waste material for the same period in 2010, which resulted in a stripping ratio of 5.5:1.
- The 23% increase in ore processed in the first nine months of 2011, compared to the first nine months of 2010, is the direct result of improved throughput following the completion of the plant expansions.
- As previously explained, the decrease in head grade in the first nine months of 2011, compared to the first nine months of 2010, is a direct result of the incremental throughput of ore sourced in higher percentages from the Wona pit, which has a lower grade than the Nyafé pits. Higher throughput achieved, despite processing harder ore in the first nine months of 2011, contributed to a 3% increase in gold ounces produced.
- Our cash operating cost per tonne processed increased from $34 in 2010 to $40 in 2011. This variation is mainly due to the increased cost of fuel and reagents as well as the amount of drilling and blasting required. Our cash operating cost per ounce produced increased as a result of a higher cash operating cost per tonne processed and lower head grade.

6. Mining Operations (continued)

Mana, Burkina Faso (continued)

First Nine Months of 2011 v. First Nine Months of 2010 (continued)

- During the first nine months of 2011, costs related to fuel represented $11 per tonne processed compared to $7 per tonne processed during the same period in 2010 as a result of ongoing fuel price increases in Burkina Faso.
- The corporate social responsibility expenses relate mainly to SEMAFO Energy whose purpose is to increase electricity generation in our host countries.

6. Mining Operations (continued)

Mana, Burkina Faso (continued)

Project Updates

Plant Expansion - Phase IV

- Plant capacity is expected to attain up to 7,200 tonnes per day ("tpd") in bedrock and up to 8,000 tpd in blended ore.
- Completion of Phase IV will increase throughput by 1,200 tpd, representing an additional 26,000 to 30,000 ounces of gold annually when compared to current plant capacity. Initially scheduled to be completed at year-end 2011, complete commissioning is rescheduled for early in the second quarter of 2012 due to supplier delays.
- Budget for this fourth phase of plant expansion is $25 million, including $18 million for enhancements to the plant and $7 million for additional mining equipment.
- As of September 30, 2011, $6.2 million were still committed for enhancements to the plant, while the $7 million additional mining equipment initially committed has been fully paid and is already on site.
- Payback period is estimated at less than 16 months.

The primary modifications to the processing plant include:

- Addition of a pebble crusher
- Utilization of the third ball mill, previously used as back-up
- Addition of two CIL tanks
- Addition of a thickener
- Additional gensets
- Critical spares
- Some equipment capacity upgrades.

New Facility - Phase V

In September, we announced plans to increase the processing capacity by 6,000 tpd at our Mana project in Burkina Faso. This new facility is aimed at increasing overall processing capacity to 14,000 tpd, representing as much as an additional 120,000 gold ounces annually and potentially bringing Mana's total production to more than 300,000 ounces per annum.

This phase of expansion is put forward because of the positive drill results received from the Fofina, Fobiri and Yaho zones. Currently, this new facility is planned to be located near the Fofina-Fobiri area in order to prepare the ore for final processing at the Mana plant.

Capital expenditures for this expansion are estimated at $100 to $125 million and are expected to be funded through SEMAFO's cash flow. The anticipated payback period is less than one year.

As part of the plant expansion, we also plan to build a water pipeline, for which an engineering analysis is underway. The year-round accessibility will safeguard adequate water supply levels at the mill at all times and is scheduled for commissioning in the second quarter of 2012.

This phase of expansion is scheduled to begin in early 2012 and is expected to be completed during the second half of 2013.

6. Mining Operations (continued)

Mana, Burkina Faso (continued)

Wona Deep Development

At the end of the second quarter of 2011, we green-lighted the development of the underground project following the positive results of the Mana underground feasibility study, indicating a 49% internal rate of return based on a $1,400 gold price. SEMAFO's underground technical team began engineering and optimization activities in July 2011. Additionally, surface drilling continues in the SW zone, the results of which continue to demonstrate opportunities to further increase underground reserves from those reported in the underground feasibility study.

Recent underground development activities include:

- Appointment of underground technical team
- Signature of an agreement with the mining contractor Dumas Contracting Ltd ("Dumas"). The agreement includes the scope of work to be provided by Dumas in the interim period leading to the execution of a definitive agreement expected to be signed in the coming months. To date approximately $4 million were paid to Dumas including a deposit to secure mining equipment. Equipment for all raise development will be on site by year end to commence work in January 2012. All development and production equipment are expected to be on site in the second quarter of 2012
- Commencement of the recruitment process of national employees by Dumas
- Continued engineering optimization of the underground project especially on the development and general approach to the ore bodies
- Elaboration of long hole drilling plans and combinations for the various types of stopes to estimate quantities, drilling time in order to start block sequencing and mine planning
- Detailed planning of the first two years of development on a monthly basis
- Completion of detailed engineering for elaboration of plans for the mine dry, administration office, mechanical shop and warehouse.
- Commencement of the construction of all surface infrastructures and services to support underground operations. Completion is expected by the end of the first quarter of 2012.
- Completion of the camp expansion to accommodate the underground teams
- Test hole drilling at the portal and ventilation raise to certify rock elevation and quality (RQD)
- Procurement of more than $10 million of general equipment and mining materials to date, including: gensets, compressors, surface ventilators, underground support material, ventilation piping, mine rescue equipment, dewatering pumps, and others.

National Power Grid

In October, we announced an agreement with National Electricity Company Sonabel for the construction of a 73-kilometer high-voltage transmission line to deliver power to our Mana Mine.

The 26-megawatt transmission line will be connected directly to the national power grid and should provide sufficient energy to power the mine.

Under this new power delivery agreement and considering the actual economy, we would be paying $0.18 per kilowatt-hour. Based on current fuel and consumables costs, and compared to our current cost of $0.31 per kilowatt-hour, this could represent potential savings of approximately $3 per tonne processed and up to $40 per ounce of gold produced.

The total cost of the project is estimated at $19 million for Sonabel. We will advance $9.5 million to this project. This amount is reimbursable to SEMAFO by Sonabel over an eight-year period following commissioning, which is scheduled for the second half of 2013.

6. Mining Operations (continued)

Samira Hill, Niger

	Three-month period ended September 30			Nine-month period ended September 30		
	2011	2010	Variation	**2011**	2010	Variation
Operating Data						
Ore mined (tonnes)	**332,700**	89,500	272%	**855,000**	913,800	(6%)
Ore processed (tonnes)	**394,000**	299,300	32%	**1,016,000**	901,900	13%
Head grade (g/t)	**1,56**	1.59	(2%)	**1.36**	1.87	(27%)
Recovery (%)	**60**	69	(13%)	**72**	75	(4%)
Gold ounces produced	**11,200**	10,800	4%	**31,600**	41,900	(25%)
Gold ounces sold	**11,300**	12,100	(7%)	**31,200**	41,000	(24%)
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**19,629**	15,012	31%	**48,734**	48,845	–
Mining operations expenses (excluding Government royalties)	**9,950**	9,626	3%	**27,056**	26,125	4%
Government royalties	**1,110**	849	31%	**2,731**	2,734	–
Depreciation	**3,791**	2,330	63%	**7,744**	7,001	11%
Administrative	**389**	382	2%	**1,205**	1,173	3%
Corporate social responsibility expenses[1]	**92**	69	33%	**121**	128	(5%)
Segment operating income	**4,297**	1,756	145%	**9,877**	11,684	(15%)
Statistics ($)						
Average realized selling price (per ounce)	**1,737**	1,241	40%	**1,562**	1,191	31%
Cash operating cost (per ounce produced)[2]	**880**	846	4%	**853**	638	34%
Cash operating cost (per tonne processed)[2]	**26**	31	(16%)	**26**	29	(10%)
Total cash cost (per ounce sold)[3]	**979**	866	13%	**955**	704	36%
Depreciation (per ounce sold)[4]	**335**	193	74%	**248**	171	45%

1 Corporate social responsibility expenses exclude contributions and projects sponsored through *Fondation SEMAFO.*

2 Cash operating cost is a non-GAAP financial performance measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed. See the "Non-GAAP financial performance measures" section of this MD&A.

3 Total cash cost is a non-GAAP financial performance measure with no standard definition under IFRS and represents the mining operating expenses and Government royalties per ounce sold.

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

Third Quarter 2011 v. Third Quarter 2010

- During the three-month period ended September 30, 2011, 332,700 tonnes of ore and 426,900 tonnes of waste material were extracted from the Libiri NW and Samira Main pits, resulting in a strip ratio of 1.3:1. In addition, 2,614,000 tonnes of waste material were extracted from the Samira Main and Libiri NW pits during the pre-stripping phase. For the corresponding period in 2010, 89,500 tonnes of ore and 125,900 tonnes of waste material were extracted primarily from the Libiri A West pit, resulting in a strip ratio of 1.4:1. The increase in ore mined in the third quarter of 2011, compared to the third quarter of 2010, is mainly due to the focus on pre-stripping of the Samira Main pit in 2010, and to increased productivity following the addition of our mining fleet in 2011.
- The recovery rate decreased mainly due to the processing of higher quantities of sulphide ore sourced primarily from the Samira Main pit.
- Third quarter 2011 throughput increased by 32% compared to the same period in 2010. This is mainly due to the processing of saprolite ore sourced from the Libiri NW pits as opposed to the processing of harder ore extracted from the Boundary and Boulon Jounga pits in 2010.
- In light of our current reserves, we are focusing exploration activities on oxide zones.

6. Mining Operations (continued)

Samira Hill, Niger (continued)

Third Quarter 2011 v. Third Quarter 2010 (continued)

- Gold ounces produced increased by 4% year over year as a result of higher throughput.
- The 16% improvement in cash operating cost per tonne processed during the third quarter of 2011, compared to the third quarter of 2010, related to a 32% increase in ore processed and lower transportation costs. The cash operating cost per ounce produced increased slightly as a result of lower recovered head grade.
- The depreciation per once sold increased in the third quarter of 2011, compared to the third quarter of 2010, as a result of the depreciation of Samira Main and Libiri NW pit's stripping costs as we began extracting ore in this area.

First Nine Months of 2011 v. First Nine Months of 2010

- During the first nine months of 2011, 855,000 tonnes of ore and 2,119,200 tonnes of waste material were extracted from the Libiri NW and Samira Main pits, resulting in a stripping ratio of 2.5:1. In addition, 4,859,700 tonnes of waste material were extracted from the Samira Main and Libiri NW pits during the pre-stripping phase. For the corresponding period in 2010, 913,800 tonnes of ore and 1,612,200 tonnes of waste material were extracted from the Boundary and Boulon Jounga pits, for a stripping ratio of 1.8:1. In addition, for the first nine months of 2011, 2,908,900 tonnes of waste material were extracted from the Samira Main and Libiri NW pits during the pre-stripping phase during the first nine months of 2010.
- Throughput for the nine-month period ended September 30, 2011 increased by 13%, compared to the same period in 2010. This is mainly due to the processing of saprolite ore from the Libiri NW pits as opposed to the processing of harder ore extracted from the Boundary and Boulon Jounga pits.
- The decrease in head grade in the first nine-month period of 2011, compared to the same period last year, is due to the processing of lower grade ore sourced from the Libiri NW pits and from stockpiles in 2011, compared to the processing of higher grade ore primarily sourced from the Boulon Jounga pit during the same period in 2010.
- Recovery slightly decreased over the first nine months of 2011 due to higher quantities of sulphide ore processed, compared to the same period in 2010.
- The decrease in gold ounces produced in the first nine months of 2011, compared to the same period in 2010, is a direct result of the processing lower grade ore sourced from the Libiri NW pits.
- The cash operating cost per tonne processed improved by 10% during the first nine months of 2011, compared to the same period last year, mainly as a result of higher throughput, reduced drilling and blasting effort as well as reduced transportation costs due to ore sourced mainly from the Libiri NW pits, as opposed to Boulon Jounga in 2010. The cash operating cost per ounce produced increased in the first nine-month period of 2011, compared to the same period in 2010, mainly as a result of lower head grade.

6. Mining Operations (continued)

Kiniero, Guinea

	Three-month period ended September 30			Nine-month period ended September 30		
	2011	**2010**	**Variation**	**2011**	**2010**	**Variation**
Operating Data						
Ore mined (tonnes)	**110,100**	105,200	5%	**266,800**	411,800	(35%)
Ore processed (tonnes)	**99,400**	91,500	9%	**316,000**	358,100	(12%)
Head grade (g/t)	**1.73**	2.93	(41%)	**1.61**	2.06	(22%)
Recovery (%)	**93**	96	(3%)	**93**	93	–
Gold ounces produced	**5,200**	8,300	(37%)	**15,600**	24,200	(36%)
Gold ounces sold	**4,600**	7,700	(40%)	**14,200**	22,500	(37%)
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**7,994**	9,613	(17%)	**22,070**	26,734	(17%)
Mining operations expenses (excluding Government royalties)	**4,003**	3,819	5%	**13,206**	13,687	(4%)
Government royalties	**443**	515	(14%)	**1,215**	1,441	(16%)
Depreciation	**1,183**	1,428	(17%)	**3,331**	6,162	(46%)
Administrative	**462**	215	115%	**1,563**	1,286	22%
Corporate social responsibility expenses	**254**	21	1,110%	**560**	24	2,233%
Segment operating income	**1,649**	3,615	(54%)	**2,195**	4,134	(47%)
Statistics ($)						
Average realized selling price (per ounce)	**1,738**	1,248	39%	**1,554**	1,188	31%
Cash operating cost (per ounce produced) [1]	**760**	495	54%	**908**	596	52%
Cash operating cost (per tonne processed) [1]	**40**	45	(11%)	**43**	36	19%
Total cash cost (per ounce sold) [2]	**933**	563	66%	**1,005**	672	50%
Depreciation (per ounce sold) [3]	**257**	185	39%	**235**	274	(14%)

[1] Cash operating cost is a non-GAAP financial performance measure with no standard definition under IFRS and is calculated using ounces produced and tonnes processed. See the "Non-GAAP financial performance measures" section of this MD&A.

[2] Total cash cost is a non-GAAP financial performance measure with no standard definition under IFRS and represents the mining operating expenses and Government royalties per ounce sold.

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

Third Quarter 2011 v. Third Quarter 2010

- During the third quarter of 2011, 110,100 tonnes of ore and 887,500 tonnes of waste material were extracted from the Gobelé A sector, for an average stripping ratio of 8.1:1. During the corresponding period in 2010, our mining activities were focused on the Gobelé A and West Balan BC pits where 105,200 tonnes of ore and 1,218,600 tonnes of waste material were extracted for a strip ratio of 11.6:1.
- The 9% increase in ore processed in the third quarter of 2011 is explained by the processing of saprolite ore sourced from the Gobelé A sector during the third quarter of 2011, compared to harder ore sourced from West Balan BC pit at depth during the same period in 2010.
- The 41% decrease in head grade in the third quarter of 2011, compared to the third quarter of 2010, is mainly due to lower grade ore sourced from the Gobelé A sector and from stockpiles, compared to the processing of higher grades from the West Balan BC pit at depth in 2010.
- The 37% decrease in gold ounces produced in the third quarter of 2011, compared to the third quarter of 2010, is primarily due to the processing of lower grade ore.
- The 11% improvement in cash operating cost per tonne processed in the third quarter of 2011, compared to the third quarter of 2010, is mainly due to a decreased stripping ratio. The increased cash operating cost per ounce produced is a result of the lower head grade.

6. Mining Operations (continued)

Kiniero, Guinea (continued)

Third Quarter 2011 v. Third Quarter 2010 (continued)

- The cash operating cost per ounce produced and per tonne processed for the third quarter of 2011 exclude fixed expenses incurred during the temporary shutdown period.
- The corporate social responsibility expenses relate mainly to our support to the Government of Guinea's project to build a hydroelectric power plant on the Cogon River.

First Nine Months of 2011 v. First Nine Months of 2010

- The 35% decrease in ore mined during the first nine months of 2011, compared to the same period in 2010, is mainly the result of a higher stripping ratio, pre-stripping activities and the high level of drill and blast required.
- The 22% decrease in head grade during the first nine months of 2011 is mainly due to lower grade ore sourced from the Gobelé A sector and from stockpiles, compared to the processing of higher grades from the West Balan BC pit in 2010.
- The decrease in gold production during the first nine months of 2011 is mainly due to the processing of lower grade ore in 2011 compared to 2010.
- The increase in cash operating cost per tonne processed during the first nine months of 2011, compared to the same period in 2010, is mainly due to a higher stripping ratio combined with higher fuel prices. The cash operating cost per ounce produced increased during the first nine months of 2011 is a result of the lower head grade and higher cash operating cost per tonne processed.

Update on Operations at the Kiniero Mine in Guinea

In September, we announced a temporary suspension of operations at our Kiniero mine in Guinea following an illegal protest by a group of local residents. Guinea's Secretary General and Minister of Mines & Geology issued a letter to the Corporation affirming the Government's outrage and disdain for the events. The stoppage is a precautionary measure. At the end of October, normal exploration activities resumed. However, at this time, we cannot ascertain when operations will resume. We are in discussion with the Government in order to establish a safe environment to return to normal operations.

7. Other Elements of the Statement of Income

General and Administrative Expenses

(In thousands of dollars)	Three-month period ended September 30 2011 $	2010 $	Nine-month period ended September 30 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

General and administrative expenses totalled $5,747,000 for the third quarter of 2011 compared to $3,728,000 for the same period in 2010. The increase is consistent with our efforts to sustain growth, particularly with regard to our human resources pertaining to technical support for exploration and operational activities as well as increased public and investor relations activities related to our Stockholm listing. As previously discussed, our corporate social responsibility expenses relate to amounts invested to support *Fondation SEMAFO* as well as SEMAFO Energy, whose purpose is to increase electricity generation in our host countries.

General and administrative expenses totalled $18,036,000 for the first nine months of 2011 compared to $11,736,000 for the same period in 2010. The increase is mainly related to the growth in our human resources as discussed above and amounts invested in our corporate social responsibility expenses.

Stock-Based Compensation

Our third quarter 2011 stock-based compensation expenses include a $440,000 charge related to our stock option plans and a $532,000 charge for our new Restricted Share Unit Plan ("Unit Plan") implemented during the first quarter of 2011. The decrease of our stock option plans expense for the third quarter of 2011 to $440,000, from $784,000 for the same period in 2010 is due to a decrease in the number of options granted under the stock option plans further to the implementation of the new Unit Plan.

For the nine-month period ended September 30, 2011, our stock-based compensation expenses amounted to $3,886,000, compared to $2,853,000 for the same period in 2010. This increase is mainly due to the expense related to the Unit Plan, which amounted to $1,131,000 for the first nine months of 2011, compared to nil in 2010 as the program was only created in 2011.

Further details regarding stock based compensation are provided in note 14 of our financial statements.

7. Other Elements of the Income Statement (continued)

Finance Costs

The finance costs for the third quarter of 2011 amounted to $741,000, a decrease of 22% compared to the same period in 2010. Finance costs for the third quarter of 2011 include interest on the long-term debt of $283,000 ($574,000 in 2010). The variance from the comparative period in 2010 is due to long-term debt repayments made during the past twelve months and the full repayment of our $45,000,000 term facility, which was completed on September 30, 2011. As a result, we no longer hold any long-term debt.

For the first nine months of 2011, finance costs amounted to $2,068,000, compared to $3,161,000 for the same period last year. The decrease in finance costs is mainly related to the decrease in the interest expense on long-term debt as the result of the full repayment of our $45,000,000 term facility as previously explained.

Income Tax Expense

The income tax expense results from higher taxable income realized at the Mana Mine, which is subject to a tax rate of 17.5% as well as from higher deferred income tax expense, reflecting the impact of foreign exchange movements on our foreign non-monetary assets, which must be recognized under IFRS.

Comprehensive Income Attributable to Non-Controlling Interests (NCIs)

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	2011	2010
Non-controlling interests (in thousands of dollars)				
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**

The Government of Burkina Faso is entitled to 10% of SEMAFO Burkina Faso S.A.'s net income once the subsidiary's retained earnings surpassed the initial capital investment. As this situation only occurred during the fourth quarter of 2010, the Government of Burkina Faso was not entitled to a portion of our net income during the first nine months of 2010. The fluctuation in the NCIs of our other two subsidiaries located in Niger and Guinea is a direct result of the variation in their local net income for the period.

8. Other Comprehensive Income

For the three-month and nine-month periods ended September 30, 2011, the other comprehensive income is nil as there are no significant changes in the fair value of our available-for-sale financial asset (GoviEx), compared to $2,120,000 (net of tax) for the corresponding periods in 2010, reflecting an increase in the fair value of our investment in GoviEx during those periods. Further details on this particular investment and the impact on the other comprehensive income are described in Note 18 a).

9. Cash Flow

The following table summarizes our cash flow activities:

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	**2011**	2010
(In thousands of dollars)				
Cash flow				
Operations	**43,139**	41,776	**117,383**	108,480
Working capital items	**(950)**	(4,740)	**(5,395)**	(10,811)
Operating activities	**42,189**	37,036	**111,988**	97,669
Financing activities	**(7,221)**	626	**(13,723)**	98,370
Investing activities	**(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

Operating

Third Quarter 2011

Our primary ongoing source of liquidity is from our operating cash flows. Overall, the cash flows from operating activities before working capital items generated $43,139,000, despite a 14% decrease in gold ounces sold in the third quarter of 2011 compared to the same period in 2010. This reflects the growing cash margins due to the rise in average realized selling price. On the other hand, working capital items required liquidities of $950,000 for third quarter of 2011 compared to $4,740,000 for the same period in 2010, mainly due to higher trade receivables from gold sales for which the proceeds have been received to date and lower income tax payable as a result of tax installment payments made in 2011. In 2011, our corporate income tax is paid in three separate installments (July, October and January) representing 75% of our last year income tax expense.

First Nine Months of 2011

For the first nine months of 2011, operating activities, before working capital items, generated cash flows of $117,383,000, despite an 8% decrease in gold ounces sold compared to the first nine months of 2010, reflecting the growing cash margins due to the rise in average realized selling price. Working capital items required liquidities of $5,395,000 for the first nine months of 2011, compared to $10,811,000 for the first nine months of 2010, mainly due to an increase in trade receivables from gold sales for which the proceeds have been received to date, combined with a decrease in income tax payable as a result of tax installment payments made in 2011.

Further details regarding the changes in non-cash working capital items are provided in note 19a) of our financial statements.

9. Cash Flow (continued)

Financing

Third Quarter 2011

In the third quarter of 2011, cash flows used in the financing activities amounted to $7,221,000, compared to cash flow from financing activities of $626,000 for the same period in 2010.

This is mainly explained from the fact that during the third quarter of 2011, we made a reimbursement of $7,500,000 on our long-term debt compared to $5,122,000 during the corresponding period in 2010, including the prepayment of $3,750,000, initially due on December 31, 2011, of our $45,000,000 term facility. As a result, we no longer held long-term debt.

Also, during the third quarter of 2011 a total of 178,000 options were exercised under the Original Plan for a cash consideration of $279,000. In 2010, for the same period, a total of 1,034,000 options were exercised under the Original Plan for a cash consideration of $2,148,000 in addition to a total of 1,800,000 warrants that were exercised for a gross proceed of $3,600,000.

First Nine Months of 2011

During the first nine months of 2011, cash flow used in financing activities amounted to $13,723,000 compared to cash flow from financing activities of $98,370,000 for the same period in 2010. This variance is mainly explained by our June 4, 2010 public offering, which resulted in an issuance of 17,250,000 common shares for gross proceeds of $113,018,000 during the first nine months of 2010. Share issue expenses related to this public offering amounted to $6,311,000 in the first nine months of 2010.

Use of proceeds as at September 30, 2011 in comparison to the previously proposed use of proceeds of our 2010 public offerings is broken down as follows:

	Announced investment for 2010 financing $	Actual use of proceeds, September 30, 2011 $
New mining fleet	25,000,000	25,000,000
Exploration and development at the Mana Mine	15,000,000	15,000,000
General corporate purposes	73,018,000	27,752,000
	113,018,000	**67,752,000**

Moreover, during the first nine months of 2011, a total of 603,000 options were exercised under the Original Plan for a cash consideration of $1,277,000. For the same period in 2010, a total of 1,674,000 options were exercised under the Original Plan for a cash consideration of $3,506,000. Also, during the first nine months of 2011, we reimbursed our long-term debt for $15,000,000 compared to a debt reimbursement of $15,443,000 during the first nine months of 2010.

9. Cash Flow (continued)

Investing

Third Quarter 2011

During the third quarter of 2011, we made investments of $42,009,000 in property, plant and equipment, compared to investments of $21,626,000 in property, plant and equipment in 2010.

The cash flow used for investments in property, plant and equipment in the third quarter of 2011 represented exploration expenditures amounting to $10,326,000, expansion costs at the Mana Mine totalling $1,169,000, the Mana underground amounting to $1,690,000, the purchase of mining equipment totalling $10,736,000, capitalized stripping costs of $8,923,000, as well as sustainable capital expenditures in the amount of $9,165,000. In 2010, liquidities of $21,626,000 were invested as follows: $6,684,000 in exploration expenditures, $2,727,000 for the expansion of the Mana Mine, $338,000 for the underground project at Mana, $5,054,000 for the mining equipment, stripping costs of $2,826,000 as well as sustainable capital expenditures in the amount of $3,997,000.

Restricted cash of $3,750,000 was used to reimburse the last payment of our $45,000,000 term facility.

First nine months of 2011

During the first nine months of 2011, we made investments of $101,007,000 in property, plant and equipment, compared to investments of $65,480,000 in property, plant and equipment for the first nine months of 2010.

Cash flow used for investments in property, plant and equipment in the first nine months of 2011 represented exploration expenditures amounting to $34,944,000, expansion costs at the Mana Mine totalling $5,386,000, the Mana underground amounting to $2,013,000, the purchase of mining equipment totalling $21,384,000, capitalized stripping costs of $16,668,000, as well as sustainable capital expenditures in the amount of $20,612,000. In 2010, liquidities of $65,480,000 were invested as follows: $13,587,000 in exploration expenditures, $15,166,000 for the expansion of the Mana Mine, $725,000 for the underground project in Mana, $18,091,000 for the mining equipment, stripping costs of $6,265,000 as well as sustainable capital expenditures in the amount of $11,646,000.

The decrease in restricted cash of $3,445,000 for the first nine months of 2011 is mainly due to the restricted cash used for the repayment of our long-term debt, compared to nil for the same period in 2010.

Financial Position

As at September 30, 2011, we maintained a strong financial position with $222,673,000 in cash, cash equivalents and restricted cash and no long-term debt. With our existing cash balances and forecast cash flow from operations, we are well positioned to fund all our cash requirements for 2011, which relate primarily to the following activities:

Requirements and ongoing projects

- ⇨ Exploration programs
- ⇨ Mana plant expansion project
- ⇨ Purchase of additional new mining equipment
- ⇨ Wona Deep development
- ⇨ Payment of income tax installments.

10. Financial Position

(In thousands of dollars)	As at September 30, 2011	As at December 31, 2010
Current assets	**318,670**	304,400
Restricted cash	**962**	657
Property, plant and equipment	**329,903**	257,413
Investment and other non-current assets	**29,400**	29,400
Total assets	**678,935**	591,870
Total liabilities	**83,550**	85,080
Equity attributable to equity shareholders of the Corporation	**584,350**	501,836
Non-controlling interests	**11,035**	4,954

As at September 30, 2011, our total assets amounted to $678,935,000, compared to $591,870,000 as at December 31, 2010. We held cash and cash equivalents of $221,711,000, compared to $220,439,000 as at December 31, 2010. We no longer hold current restricted cash as a result of the full repayment of our long-term debt during the third quarter of 2011. The slight increase in cash from year-end 2010 is the result of our strong operating cash flows, which exceeded investments made in our extensive exploration program and the purchase of mining equipment.

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.

11. Derivative Financial Instruments

Put Options

In 2007, we implemented a 55,000 ounce gold price put protection program for the Mana Mine, a requirement under its $45,000,000 debt facility, which was fully repaid during the third quarter of 2011. Even though the debt was fully reimbursed, as at September 30, 2011, 11,250 ounces are still outstanding and will expire during the fourth quarter of 2011 (3,750 per month). Accordingly, the entire production is available to be sold at spot price and is fully exposed to any upward increase in the gold price.

12. 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 estimated undiscounted cash flow required to settle the asset retirement obligations is $10,038,000. These disbursements are expected to be made during the years 2011 to 2020. The amount accounted for as liabilities in our financial statements represents the discounted obligations from rehabilitation and closing plans. A 7% discount rate was used to evaluate the obligations.

Government Royalties and Development Taxes

Pursuant to our mining agreements, we have royalty commitments that generate obligations upon gold deliveries. If our mines do not produce gold, we have no payment obligation. Each gold shipment is subject to royalty fees ranging from 3% to 5% in Burkina Faso, 5.5% in Niger and 5% in Guinea, based on the value of the shipments, evaluated at the spot price on the delivery date. In Guinea, we are also committed to invest 0.4% of gold sales in local development projects.

Net Smelter Royalty – Samira Hill Mine

Further to the acquisition from Etruscan Resources Inc. of their minority interest in the subsidiary operating the Samira Hill Mine located in Niger, the Corporation is subject to a 1.5% net smelter royalty. The royalty comes into effect after the mine has produced 750,000 ounces, calculated from July 1, 2009. Since July 1, 2009, the Samira Hill Mine produced 108,700 ounces. The Corporation has been granted a right of first refusal should Etruscan decides to sell this royalty.

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 invest 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 September 30, 2011, we were in compliance with all obligations related to the ownership of our permits.

Purchase Obligations

As at September 30, 2011, our purchase commitments related to the Mana plant expansion, the Mana underground project and other ongoing capital expenditures totalled $6,154,000, $3,498,000 and $1,701,000 respectively. In addition, on October 1, 2011, we entered into an agreement with National Electricity Company, Sonabel in Burnika Faso according to which we will advance $9,500,000 for the construction of a 73-kilometer 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.

13. 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 could be considered speculative. Prospective purchasers or holders of our common shares should give careful consideration to all of our risks factors.

Financial Risks

Fluctuation in Gold Prices

The profitability of our operations will be significantly affected by changes in the market price of gold. Gold production from mining operations and the willingness of third parties, such as central banks, to sell or lease gold affect the gold supply. Demand for gold can be influenced by economic conditions, gold's attractiveness as an investment vehicle and the strength of the US dollar and local investment currencies. Other factors include the level of interest rates, exchange rates, inflation and political stability. The aggregate effect of these factors is impossible to predict with accuracy. Gold prices are also affected by worldwide production levels.

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

Fluctuation in Petroleum Prices

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

Exchange Rate Fluctuations

Our operations in West Africa are subject to currency fluctuations that may materially adversely affect our financial condition and results of operation. Gold is currently sold in US dollars and although the majority of our costs are also in US dollars, certain costs are incurred in other currencies. The appreciation of non-US dollar currencies against the US dollar can increase the cost of exploration and production in US dollar terms, which could materially adversely affect our financial condition and results of operation.

Operational Risks

Access to Capital Markets

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

Uncertainty of Reserve and Resource Estimates

Reserves and resources are estimates based on limited information acquired through drilling and other sampling methods. No assurance can be given that anticipated tonnages and grades will be achieved or that level of recovery will be realized. The ore grade actually recovered may differ from the estimated grades of the reserves and resources. Such figures have been determined based upon assumed gold prices and operating costs. Future production could differ dramatically from reserve 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
- declines in the market price of gold may render the mining of some or all of the reserves uneconomic.

13. Risks and Uncertainties (continued)

Operational Risks (continued)

Uncertainty of Reserve and Resource Estimates (continued)

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 different grades, may impair our profitability. Should the market price of gold fall, we could be required to materially write down our investment in mining properties, delay or discontinue production or the development of new projects.

Production and Operating Cash Cost

No assurance can be given that the intended or expected production schedules or the estimated operating cash costs will be achieved in respect of our operating gold mines. Many factors may cause delays or cost increases, including labour issues, disruptions in power, transportation or supplies, and mechanical failure. Our net income will depend, among other things, on the extent to which expected operating costs are achieved. In addition, short-term operating factors, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular period. Furthermore, our activities may be subject to prolonged disruptions due to weather conditions. Hazards, such as unusual or unexpected formations, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. Our operating cash cost to produce an ounce of gold is further dependent on a number of factors, including the grade of reserves, recovery and plant throughput. 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 cash operating cost will be similar from year to year.

Nature of Mineral Exploration and Mining

Our profitability is significantly affected by our exploration and development programs. The exploration and development of mineral deposits involve significant financial 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 prices, taxes, royalties, infrastructure, land use, importing and exporting of gold, revenue repatriation and environmental protection. The effects of these factors cannot be accurately predicted, but the combination of these factors may preclude us from receiving an adequate return on invested capital.

Our operations are, and will continue to be, subject to all of the hazards and risks normally associated with the exploration, development and production of gold, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage.

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

13. Risks and Uncertainties (continued)

Operational Risks (continued)

Availability of Infrastructure and Fluctuation in the Price of Energy and other Commodities

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

In addition, our profitability is affected by the market price and availability of commodities that are consumed or otherwise used in connection with our operations such as diesel, fuel, electricity, steel, concrete and chemical (including cyanide). Prices of such commodities are affected by factors that are beyond our control. An increase in the cost or decrease in the availability may materially adversely affect the timing and costs of our operations and projects.

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 properties and that we presently comply in all material respects with the terms of such licenses and permits. Such licenses and permits, however, are subject to change in various circumstances. There can be no guarantee that we will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop our properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.

Political Risk

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

Moreover, 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 as applied to our transactions and activities may not coincide with that of the tax authorities. As a result, transactions may be challenged by tax authorities and our operations may be assessed, which could result in significant addition in taxes, penalties and interest.

The possibility that a future government in any of these countries may adopt substantially different policies or interpretations, which might extend to the expropriation of assets, cannot be ruled out. Political risk also includes the possibility of civil disturbances and political instability in these countries.

Title Matters

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. The failure to comply with all applicable laws and regulations, including failure to pay taxes and carry out and file assessment work, may invalidate title to all or portions of the properties covered by our permits and licences.

13. Risks and Uncertainties (continued)

Operational Risks (continued)

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 a 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 risks such as the validity of ownership of unpatented mining claims and mil sites and environmental pollution 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.

Outside Contractor Risk

A significant portion of our operations in Niger continues to be conducted by contractors. As a result, our operations are subject to a number of risks, some of which are outside of our control, including:

- negotiating agreements with contractors on acceptable terms;
- the inability to replace a contractor and its operating equipment in the event that either party terminates the agreement;
- reduced control over such aspects of operations that are the responsibility of the contractor;
- failure of a contractor to perform under our contractual arrangement;
- 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, to the extent that it is responsible for such compliance; 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. The occurrence of one or more of these risks could have a material adverse effect on our financial condition and results of operation.

Competition

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

Qualified and Key Personnel

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

13. Risks and Uncertainties (continued)

Operational Risks (continued)

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 the relevant governmental authorities. Labour disruptions at any of our properties could have a material adverse impact on our financial condition and results of operation. 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 in the future. Labour disruptions at any of our properties could have a material adverse impact on our financial condition and results of operation.

Surrounding Communities Relations

Our properties in Burkina Faso, Niger and Guinea 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.

Environmental Risks and Hazards

All phases of our operations are subject to environmental regulation in the various jurisdictions in which we operate. 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 operations or result in substantial costs and liabilities to us in the future.

Production at our mines 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 not be insured.

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 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 legal proceeding will not have a material adverse effect on our financial condition and results of operation.

14. Summary of Quarterly Information

(Unaudited, in accordance with IFRS (Canadian GAAP for 2009))

(In thousands of dollars, except for amounts per share)	2011			2010				2009
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Gold sales	**102,297**	100,398	79,367	86,392	86,223	87,085	63,575	73,286
Operating income	**40,756**	40,590	25,370	32,165	37,949	36,565	18,071	17,494
Net income	**31,320**	32,851	20,392	28,176	32,392	30,704	11,963	10,483
Attributable to :								
- Equity shareholders of the Corporation	**29,682**	30,631	18,169	26,647	32,102	29,916	11,794	10,483
- Non-controlling interests	**1,638**	2,220	2,223	1,529	290	788	169	–
Comprehensive income	**31,320**	32,851	20,392	28,176	34,512	30,704	11,963	10,483
Attributable to :								
- Equity shareholders of the Corporation	**29,682**	30,631	18,169	26,647	34,222	29,916	11,794	10,483
- Non-controlling interests	**1,638**	2,220	2,223	1,529	290	788	169	–
Basic net income per share	**0.11**	0.11	0.07	0.10	0.12	0.12	0.05	0.04
Diluted net income per share	**0.11**	0.11	0.07	0.10	0.12	0.11	0.05	0.04
Cash flow from operating activities [1]	**43,139**	43,191	31,220	39,128	41,776	41,314	25,989	23,902

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

15. Information on Outstanding Shares

As at November 8, 2011, our share capital is comprised of 272,841,185 common shares issued and outstanding.

We have two stock option plans for our employees, officers, consultants and directors and those of our subsidiaries; the Stock Option Plan (the "Original Plan") and the 2010 Stock Option Plan (the "2010 Plan"). At the 2010 Annual General and Special Shareholders' Meeting, our shareholders adopted the 2010 Plan. Since the adoption of the 2010 Plan by SEMAFO's shareholders, no further options have been granted under the original plan.

The plans provide for the grant of non-transferable options for the purchase of common shares. As at November 8, 2011 stock options allowing its holders to purchase 9,439,750 common shares were outstanding.

16. Shareholders' 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 shareholder 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.

17. Additional Information

Exchange rates are as follows:

	CA $ / US $		Euros / US $	
	2011	2010	**2011**	2010
December 31 (closing)	**–**	0.9946	**–**	0.7468
March 31 (closing)	**0.9718**	1.0156	**0.7051**	0.7393
June 30 (closing)	**0.9643**	1.0606	**0.6885**	0.8137
September 30 (closing)	**1.0389**	1.0298	**0.7436**	0.7353
First quarter (average)	**0.9844**	1.0403	**0.7307**	0.7212
Second quarter (average)	**0.9696**	1.0253	**0.6957**	0.7840
Third quarter (average)	**0.9791**	1.0399	**0.7083**	0.7747

18. Transition to International Financial Reporting Standards ("IFRS")

Effective January 1, 2011, IFRS became Canadian generally accepted accounting principles (''Canadian GAAP'') for publicly accountable enterprises. As a result, our interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") and IFRS 1, *First Time Adoption of International Financial Reporting Standards* ("IFRS 1") using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). As our transition date to IFRS was January 1, 2010, we prepared our opening IFRS consolidated statement of financial position at that date.

We have developed and executed a changeover plan in order to begin reporting in accordance with IFRS from January 1, 2011. The changeover plan included a scoping and diagnostic phase, an impact analysis, an evaluation and design phase, and an implementation and review phase, each of which set out activities to be performed over the life of the project, resulting in the Corporation's first interim reporting under IFRS for the first quarter of 2011. The implementation phase will continue to culminate in the preparation of our financial reporting under IFRS in 2011.

Throughout 2011, we will continue to execute the final phase of our changeover plan. Activities in this respect include continuing to execute business process and internal control changes, testing internal controls impacted by our IFRS changeover in connection with our 2011 annual internal controls program, monitoring accounting and regulatory developments and evaluating impacts on our financial reporting, and continuing to fulfill presentation and reporting requirements.

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

In preparing these condensed interim consolidated financial statements in accordance with 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.

18. Transition to International Financial Reporting Standards (continued)

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

- We have 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.
- We 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, we elected not to apply IFRS 2 for all cash-settled share-based payments that were settled before the transition date.
- We 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 we must, prospectively from the date of transition to IFRS, attributed 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.

18. Transition to International Financial Reporting Standards (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:

	Ref	January 1, 2010		
		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 our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

18. Transition to International Financial Reporting Standards (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 our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

18. Transition to International Financial Reporting Standards (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:

	Ref	Three-month period ended September 30, 2010		
		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 our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

18. Transition to International Financial Reporting Standards (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:

	Ref	Nine-month period ended September 30, 2010		
		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 our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

18. Transition to International Financial Reporting Standards (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):	Ref	Three-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	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 our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

18. Transition to International Financial Reporting Standards (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
Oerating 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 our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

18. Transition to International Financial Reporting Standards (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	December 31, 2010 Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
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 our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

18. Transition to International Financial Reporting Standards (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	For the year ended December 31, 2010 Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
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 our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

18. Transition to International Financial Reporting Standards (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):	Ref	Year ended December 31, 2010		
		Cdn GAAP basis[1]	Effect of transition to IFRS	IFRS basis
Operating activities				
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 our IFRS financial statements presentation. Refer to references at the end of the transition tables for explanation of those differences.

18. Transition to International Financial Reporting Standards (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 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

(In thousands of dollars)	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

(In thousands of dollars)	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.

18. Transition to International Financial Reporting Standards (continued)

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

b) Advance payable

(In thousands of dollars)	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 our 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

(In thousands of dollars)	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. We 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)

(In thousands of dollars)	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 Republic of Niger (note b)	–	(130)	(174)
IFRS basis	(59,209)	6,114	32,761
Total variation	3,885	(726)	(1,080)

18. Transition to International Financial Reporting Standards (continued)

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

e) Non-controlling interests

(In thousands of dollars)	Mana, Burkina Faso	SML, Niger	Kinireo, 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

(In thousands of dollars)	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

(In thousands of dollars)	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".

18. Transition to International Financial Reporting Standards (continued)

IFRS adjustments to the consolidated income statement (continued)

h) Finance income

(In thousands of dollars)	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

(In thousands of dollars)	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 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 Republic of Niger.

j) Deferred tax expense (recovery)

(In thousands of dollars)	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)

18. Transition to International Financial Reporting Standards (continued)

IFRS adjustments to the consolidated income statement (continued)

k) Net income for the period

(In thousands of dollars)	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

(In thousands of dollars)	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

19. Disclosure Controls and Procedures

In accordance with National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*, an evaluation of the effectiveness of the Corporation's disclosure controls and procedures ("DC&P") and its internal control over financial reporting ("ICFR") was conducted. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that DC&P and ICFR were effective as of the three-month period ended September 30, 2011, and that, as a result, ICFR design provides reasonable assurance that material information relating to the Corporation is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the Corporation must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the time frames prescribed by this legislation. Furthermore, ICFR design provides reasonable assurance that the Corporation's financial information is reliable and that its financial statements have been prepared, for the purpose of publishing financial information, in accordance with IFRS. Lastly, no changes to the ICFR that have had or are likely to have a significant effect on this control mechanism were identified by management during the accounting period commencing on July 1, 2011 and ending on September 30, 2011.

20. Non-GAAP Financial Performance Measures

Throughout this document, we have provided measures prepared according to IFRS and Canadian GAAP, as well as some non-GAAP financial performance measures. Because the non-GAAP performance measures do not have any standardized definition prescribed by IFRS and Canadian GAAP, they may not be comparable to similar measures presented by other companies. We provide these non-GAAP financial performance measures as they may be used by some investors to evaluate our financial performance. 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 and Canadian GAAP. For the non-GAAP financial performance measures not already reconciled within the document, we have defined the non-GAAP financial performance measures below and reconciled them to reported IFRS and Canadian GAAP measures.

Cash Operating Cost

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

	Three month period ended September 30, 2011			
Per Ounce Produced	**Mana**	**Samira Hill**	**Kiniero**	**Total**
Gold ounces produced	**45,100**	**11,200**	**5,200**	**61,500**
(In thousands of dollars except per ounce)				
Mining operation expenses (relating to ounces sold)	**28,319**	**11,060**	**4,446**	**43,825**
Fixed expenses incurred during the temporary shutdown period	**–**	**–**	**(152)**	**(152)**
Government royalties and selling expenses	**(3,962)**	**(1,193)**	**(488)**	**(5,643)**
Effects of inventory adjustments (doré bars)	**1,031**	**(16)**	**148**	**1,163**
Operating costs (relating to ounces produced)	**25,388**	**9,851**	**3,954**	**39,193**
Cash operating cost (per ounce produced)	**563**	**880**	**760**	**637**

	Three month period ended September 30, 2010			
Per Ounce Produced	**Mana**	**Samira Hill**	**Kiniero**	**Total**
Gold ounces produced	46,400	10,800	8,300	65,500
(In thousands of dollars except per ounce)				
Mining operation expenses (relating to ounces sold)	19,694	10,475	4,334	34,503
Government royalties and selling expenses	(2,108)	(918)	(562)	(3,588)
Effects of inventory adjustments (doré bars)	(1,121)	(420)	338	(1,203)
Operating costs (relating to ounces produced)	16,465	9,137	4,110	29,712
Cash operating cost (per ounce produced)	355	846	495	454

19. Non-GAAP Financial Performance Measures (continued)

Cash Operating Cost (continued)

Per Tonne Processed	Mana	Samira Hill	Three month period ended September 30, 2011 Kiniero	Total
Tonnes of ore processed	**583,100**	**394,000**	**99,400**	**1,076,000**
(In thousands of dollars except per ounce)				
Mining operation expenses (relating to ounces sold)	**28,319**	**11,060**	**4,446**	**43,825**
Fixed expenses incurred during the temporary shutdown period	**–**	**–**	**(152)**	**(152)**
Government royalties and selling expenses	**(3,962)**	**(1,193)**	**(488)**	**(5,643)**
Effects of inventory adjustments (doré bars and gold in circuit)	**689**	**449**	**198**	**1,336**
Operating costs (relating to tonnes processed)	**25,046**	**10,317**	**4,004**	**39,366**
Cash operating cost (per tonne processed)	**43**	**26**	**40**	**37**

Per Tonne Processed	Mana	Samira Hill	Three month period ended September 30, 2010 Kiniero	Total
Tonnes of ore processed	501,800	299,300	91,500	892,600
(In thousands of dollars except per ounce)				
Mining operation expenses (relating to ounces sold)	19,694	10,475	4,334	34,503
Government royalties and selling expenses	(2,108)	(918)	(562)	(3,588)
Effects of inventory adjustments (doré bars and gold in circuit)	(544)	(135)	344	(335)
Operating costs (relating to tonnes processed)	17,042	9,422	4,116	30,580
Cash operating cost (per tonne processed)	34	31	45	34

Operating Cash Flow Per Share

	Three month period ended September 30		Nine-month period ended September 30	
	2011	2010	2011	2010
(In thousands except per share)				
Cash flow from operating activities [1]	**43,139**	41,776	**117,383**	108,480
Weighted average number of outstanding common shares	**272,464**	270,658	**272,369**	259,360
Operating cash flow per share	**0.16**	0.15	**0.43**	0.42

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

21. Additional Information and Continuous Disclosure

This MD&A has been prepared as of November 8, 2011. Additional information on the Corporation is available through regular filings of press releases, financial statements and its Annual Information Form on SEDAR (www.sedar.com). You may also find these documents and other information about SEMAFO on our web site at www.semafo.com

22. Forward-Looking Statements

This MD&A contains forward-looking statements. These forward-looking statements include, but are not limited to, statements regarding expectations of the Corporation as to the market price of gold, strategic plans, future commercial production, production targets, timetables, mining operating expenses, capital expenditures, and mineral reserve and resource estimates. Forward-looking statements involve known and unknown risks and uncertainties and accordingly, actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements include words or expressions such as "committed", "evolve", "become", "pursuing", "growth", "opportunities", "further", "increase", "accelerate", "objectives", "guidance", "anticipate", "estimated", "payback" and other similar expressions. Factors that could cause future results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to, fluctuations in the market price of precious metals, mining industry risks, uncertainty as to calculation of mineral reserves and resources, risks of delays in construction, requirements of additional financing, increase in tax or royalty rates or adoption of new interpretations related thereto, the ability to deliver on our strategic focus and other risks described in this MD&A and in the Corporation's other documents filed from time to time with Canadian securities regulatory authorities. Although the Corporation is of the opinion that these forward-looking statements are based on reasonable assumptions, those assumptions may prove to be incorrect. Accordingly, readers should not place undue reliance on forward-looking statements. Readers can find further information with respect to risks in the Annual Information Form of the Corporation and other filings of the Corporation with Canadian securities regulatory authorities available at www.sedar.com. The Corporation disclaims any obligation to update or revise these forward-looking statements, except as required by applicable law.