SEMAFO Inc.

Management's Discussion and Analysis
September 30, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SEMAFO Inc. ("SEMAFO" or the "Corporation") is a Canadian-based intermediate gold producer with over twenty years' experience building and operating mines in West Africa. The Corporation operates two mines, the Mana and Boungou Mines in Burkina Faso. SEMAFO is committed to building value through responsible mining of its quality assets and leveraging its development pipeline.

Management's Discussion and Analysis ("MD&A") is designed to provide the reader with a greater understanding of the Corporation's business, strategy and performance, as well as how it manages risks and capital resources. This MD&A, prepared as of November 6, 2018, is intended to complement and supplement our Condensed Interim Consolidated Financial Statements (the "financial statements") as at September 30, 2018 and for the period then ended. Our financial statements and this MD&A are intended to provide investors with a reasonable basis for assessing our results of operation and our financial performance.

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

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

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

1. 2018 Third Quarter Highlights

- Consolidated gold production of 58,200 ounces (70,200 ounces including 12,000 ounces of pre-commercial production from Boungou), compared to 53,900 ounces for the same period in 2017

The following highlights exclude pre-commercial production results at the Boungou Mine:

- Gold sales of $60.8 million compared to $69.8 million for the same period in 2017
- All-in sustaining cost[1] of $1,000 per ounce sold compared to $841 for the same period in 2017
- Operating income of $4.5 million compared to $11.8 million for the same period in 2017
- Adjusted operating income[1] of $3.2 million compared to $12.9 million for the same period in 2017
- Net income attributable to equity shareholders of $0.5 million or nil per share compared to net income of $12.2 million or $0.04 per share for the same period in 2017
- Adjusted net income attributable to equity shareholders[1] of $0.6 million or nil per share[1] compared to $8.4 million or $0.03 per share[1] for the same period in 2017
- Cash flows from operating activities[2] of $21.0 million or $0.06 per share[1] compared to $34.9 million or $0.11 per share[1] for the same period in 2017
- Commercial production at Boungou declared on September 1, 2018
- Development of Siou underground commenced

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

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

2. 2018 Outlook and Strategy[1]

2018 Outlook

2018 Guidance	Consolidated	Mana	Boungou (Commercial)
Gold production ('000 oz)	235 - 265	175 - 195	60 - 70
All-in sustaining cost[2] ("AISC") ($/oz)	900 - 940	1,020 - 1,070	545 - 570
Capital Expenditure (included in AISC) (in millions of $)			
Sustaining	13	10	3
Stripping	55	44	11
	68	54	14

Development capital expenditures that are not included in the all-in sustaining cost[2] for 2018 are $14.5 million out of the total budget of $51.7 million for the Siou underground.

The general and administrative expense for 2018 has been forecast at $16 million.

We expect to attain our 2018 production outlook of between 235,000 and 265,000 ounces of gold and to meet our all-in sustaining cost[2] outlook of between $900 and $940 per ounce.

Assumptions

A number of assumptions were made in preparing the 2018 guidance, including:

- Price of gold: $1,250 US dollars per ounce
- Price of fuel: $1.08 US dollars per litre
- Exchange rate: $0.80 US dollars to the Canadian dollar
- Exchange rate: $1.20 US dollars to the Euro
- Four months of commercial production at Boungou

Exploration

Exploration expenditure for 2018 has been set at $26 million, $9 million of which will be spent at Tapoa (Boungou), $7 million at the Mana Project, $4 million at Nabanga, $3 million at Korhogo and the remaining $3 million at Bantou.

1 This section contains forward-looking statements. For more information on forward-looking statements, see note 21.

2 All-in-sustaining cost is a non-IFRS financial performance measure with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this MD&A, note 19.

3. Key Economic Factors

Price of Gold

During the three-month period ended September 30, 2018, the price of gold, based on the London Gold Fix PM, fluctuated from a high of $1,262 to a low of $1,178 per ounce. The average market gold price in the three-month period ended September 30, 2018 was $1,213 per ounce compared to $1,278 per ounce in the same period in 2017, representing a decrease of $65.

	2018			2017		
	Q3	Q2	Q1	Q3	Q2	Q1
(in dollars per ounce)						
Average London Gold Fix	1,213	1,306	1,329	1,278	1,257	1,219
Average realized selling price (consolidated)	1,205	1,298	1,336	1,282	1,265	1,223

Cost Pressures

We are affected by industry-wide pressures on development and operating costs. Since our mining activities are energy intensive, a change in fuel price can have a significant impact on our operations and associated financial results. As a benchmark for fuel costs, the Brent Crude price averaged $76 per barrel in the three-month period ended September 30, 2018 compared to $52 per barrel in the same period in 2017.

We purchase our fuel exclusively from the government of Burkina Faso in FCFA, the local currency, at a price fixed by decree that reflects market price fluctuations with a time lag. The average price fixed by decree was 636 FCFA (equivalent to $1.13) per litre in the three-month period ended September 30, 2018 compared to 595 FCFA (equivalent to $1.07) in the same period in 2017.

Foreign Currencies

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

During the three-month period ended September 30, 2018, the US dollar was stronger relative to the Euro compared to the same period in 2017. As approximately 75% of our costs are nominated in foreign currencies other than the US dollar, the foreign exchange fluctuation positively impacted our all-in sustaining cost[1].

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

Exchange rates are as follows:

	CAD / USD $		EUR / USD $	
	2018	2017	2018	2017
December 31 (closing)	—	1.2551	—	0.8347
March 31 (closing)	**1.2892**	1.3322	**0.8112**	0.9348
June 30 (closing)	**1.3128**	1.2982	**0.8557**	0.8754
September 30 (closing)	**1.2895**	1.2465	**0.8615**	0.8463
First quarter (average)	**1.2646**	1.3246	**0.8139**	0.9377
Second quarter (average)	**1.2915**	1.3440	**0.8387**	0.9110
Third quarter (average)	**1.3076**	1.2530	**0.8606**	0.8502

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

4. Consolidated Results and Mining Operations

Financial and Operating Highlights
(Operating data and results at the Boungou Mine only refer to commercial production period starting September 1, 2018)

	Three-month period ended September 30,			Nine-month period ended September 30,		
	2018	2017	Variation	2018	2017	Variation
Gold ounces produced[1]	**58,200**	53,900	8%	**149,400**	156,900	(5%)
Gold ounces sold[2]	**50,500**	54,500	(7%)	**142,500**	156,100	(9%)
(in thousands of dollars, except amounts per share)						
Revenues – Gold sales[2]	**60,772**	69,832	(13%)	**181,987**	196,033	(7%)
Mining operation expenses	**31,308**	27,329	15%	**104,081**	93,467	11%
Government royalties and development taxes	**2,494**	3,011	(17%)	**8,178**	8,092	1%
Depreciation of property, plant and equipment	**18,535**	21,921	(15%)	**66,546**	71,984	(8%)
Share-based compensation	**(414)**	1,997	—	**1,617**	2,121	(24%)
Other	**4,336**	3,755	15%	**12,675**	11,090	14%
Operating income (loss)	**4,513**	11,819	(62%)	**(11,110)**	9,279	—
Finance income	**(530)**	(952)	(44%)	**(1,783)**	(2,488)	(28%)
Finance costs	**1,433**	336	326%	**2,033**	981	107%
Foreign exchange loss (gain)	**826**	(2,779)	—	**1,690**	(9,711)	—
Income tax expense (recovery)	**1,905**	1,407	35%	**2,084**	(274)	—
Net income (loss) for the period	**879**	13,807	(94%)	**(15,134)**	20,771	—
Net income (loss) attributable to equity shareholders	**463**	12,224	(96%)	**(14,678)**	18,387	—
Basic earnings (loss) per share	**—**	0.04	(100%)	**(0.05)**	0.06	—
Diluted earnings (loss) per share	**—**	0.04	(100%)	**(0.05)**	0.06	—
Adjusted amounts						
Adjusted operating income (loss)[3]	**3,201**	12,897	(75%)	**(12,463)**	8,254	—
Adjusted net income (loss) attributable to equity shareholders[3]	**649**	8,446	(92%)	**(12,216)**	1,179	—
Per share[3]	**—**	0.03	(100%)	**(0.04)**	—	—
Cash flows						
Cash flows from operating activities[4]	**21,041**	34,853	(40%)	**55,271**	81,614	(32%)
Per share[3]	**0.06**	0.11	(45%)	**0.17**	0.25	(32%)
Statistics (in dollars)						
Average realized selling price (per ounce)	**1,205**	1,282	(6%)	**1,277**	1,256	2%
Total cash cost (per ounce sold)[3]	**670**	557	20%	**788**	651	21%
All-in sustaining cost (per ounce sold)[3]	**1,000**	841	19%	**1,059**	929	14%

1 Gold ounces produced exclude pre-commercial production of 12,000 ounces from Boungou in 2018
2 Gold sales exclude those resulting from pre-production activities that were offset against capitalized construction costs and amounted to $14,994,000.
3 Adjusted operating income, adjusted net income attributable to equity shareholders, adjusted basic earnings per share, operating cash flows per share, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this MD&A, note 19.
4 Cash flows from operating activities exclude changes in non-cash working capital items.

4. Consolidated Results and Mining Operations (continued)

Third Quarter 2018 v. Third Quarter 2017

- During the third quarter of 2018, gold sales amounted to $60,772,000 compared to $69,832,000 for the same period in 2017. The decrease is due to the lower average realized selling price as well as the lower gold ounces produced and sold at the Mana Mine, partially offset by gold sales from the Boungou Mine. The decrease in gold ounces produced at the Mana Mine reflects the mine plan. The variation between gold ounces sold and gold ounces produced during the quarter is due to the timing of delivery and the build-up of gold in circuit at the Boungou Mine.
- The higher mining operation expenses mainly reflect the addition of the Boungou Mine operating expenses starting September 1, 2018.
- The decrease in government royalties and development taxes is attributable to lower sales.
- The decrease in depreciation of property, plant and equipment mainly reflects the lower capitalized stripping ratio from Wona in the third quarter of 2018 compared to the higher capitalized stripping ratio from Siou at depth in the third quarter of 2017.
- Lower share-based compensation expense during the third quarter of 2018 compared to the same period in 2017 is due to the change in the fair value of our share price.
- The decrease in operating income in the third quarter of 2018 compared to the same period in 2017 is mainly due to lower gold sales and higher mining operation expenses.
- The increase in finance costs in the third quarter of 2018 compared to the same period in 2017 is due to the cessation of capitalization of borrowing costs following the commencement of commercial production at the Boungou Mine.
- The foreign exchange loss amounted to $826,000 due to the revaluation of our monetary assets denominated in foreign currencies following the strengthening of the US dollar as at September 30, 2018 compared to June 30, 2018.
- The increase in income tax expense in the three-month period ended September 30, 2018 is due to a strengthening of the US dollar at the end of the third quarter of 2018 whereas the US dollar weakened during the same period in 2017. At the close of the third quarter of 2018, the tax base of mining assets in foreign jurisdictions was therefore lower and decreased future tax deductions when converted into US dollars. These non-cash items amounted to an expense of $672,000 for the third quarter of 2018, compared to a recovery of $2,077,000 for the same period in 2017. These amounts are not indicative of the economic value of the underlying tax pools that may be used to reduce cash income taxes in the future.
- The decrease in cash flow from operation activities[1] in the third quarter of 2018 compared to the same period in 2017 is due to lower gold sales and higher mining operation expenses.

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

4. Consolidated Results and Mining Operations (continued)

First Nine Months of 2018 v. First Nine Months of 2017

- In the nine-month period ended September 30, 2018, gold sales amounted to $181,987,000 compared to $196,033,000 in the same period in 2017. The decrease in gold sales is mainly due to the lower gold ounces produced and sold at the Mana Mine, in line with the mine plan. The decrease is partially offset by the higher average realized selling price and gold sales at the Boungou Mine. The variation between gold ounces sold and gold ounces produced during the first nine months of 2018 is due to the timing of delivery and the build-up of gold in circuit at the Boungou Mine.
- The higher mining operation expenses mainly reflect the addition of the Boungou Mine operating expenses starting September 1, 2018.
- The decrease in depreciation of property, plant and equipment mainly reflects the lower capitalized stripping ratio from Wona in the first nine months of 2018 compared to the higher capitalized stripping ratio from Siou at depth in the same period in 2017.
- The increase in operating loss in the first nine months of 2018 compared to the same period in 2017 is mainly due to lower gold sales and higher mining operation expenses.
- The foreign exchange loss amounted to $1,690,000 due to the revaluation of our monetary assets denominated in foreign currencies following the strengthening of the US dollar as at September 30, 2018 compared to December 31, 2017.
- The increase in finance costs in the first nine months of 2018 compared to the same period in 2017 is due to the cessation of capitalization of borrowing costs following the commencement of commercial production at the Boungou Mine.
- The increase in income tax expense in the nine-month period ended September 30, 2018 is due to a strengthening of the US dollar as at September 30, 2018, whereas the US dollar weakened during the same period in 2017. At the close of the third quarter of 2018, the tax base of mining assets in foreign jurisdictions was therefore lower and decreased future tax deductions when converted into US dollars. These non-cash items amounted to an expense of $2,125,000 in the first nine months of 2018, compared to a recovery of $6,472,000 in the same period 2017. These amounts are not indicative of the economic value of the underlying tax pools that may be used to reduce cash income taxes in the future.

5. Operating Income (Loss) by Segment

	Three-month period ended September 30,			Nine-month period ended September 30,		
	2018	2017	Variation	**2018**	2017	Variation
(in thousands)	**$**	$	%	**$**	$	%
Mana, Burkina Faso	**6,580**	16,673	(61%)	**(213)**	20,193	—
Boungou, Burkina Faso	**679**	—	—	**513**	(97)	—
Corporate and other	**(2,746)**	(4,854)	43%	**(11,410)**	(10,817)	(5%)
Operating income (loss)	**4,513**	11,819	(62%)	**(11,110)**	9,279	—

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

Mana, Burkina Faso

Mining Operations

	Three-month period ended September 30,			Nine-month period ended September 30,		
	2018	2017	Variation	2018	2017	Variation
Operating Data						
Mining						
Waste mined (tonnes)	**3,076,300**	3,629,200	(15%)	**13,403,400**	12,215,200	10%
Ore mined (tonnes)	**413,300**	516,700	(20%)	**1,483,800**	1,499,300	(1%)
Operational stripping ratio	**7.4**	7.0	6%	**9.0**	8.1	11%
Capitalized Stripping Activity						
Waste material – Siou (tonnes)	**2,559,900**	2,675,400	(4%)	**2,559,900**	11,028,500	(77%)
Waste material – Wona (tonnes)	**2,824,500**	3,170,300	(11%)	**9,542,400**	6,884,600	39%
	5,384,400	5,845,700	(8%)	**12,102,300**	17,913,100	(32%)
Total strip ratio	**20.5**	18.3	12%	**17.2**	20.1	(14%)
Processing						
Ore processed (tonnes)	**519,400**	462,600	12%	**1,735,600**	1,580,300	10%
Low grade material (tonnes)	**129,700**	216,500	(40%)	**202,000**	506,100	(60%)
Tonnes processed (tonnes)	**649,100**	679,100	(4%)	**1,937,600**	2,086,400	(7%)
Head grade (g/t)	**2.50**	2.55	(2%)	**2.36**	2.47	(4%)
Recovery (%)	**92**	97	(5%)	**94**	95	(1%)
Gold ounces produced	**47,700**	53,900	(12%)	**138,900**	156,900	(11%)
Gold ounces sold	**46,300**	54,500	(15%)	**138,300**	156,100	(11%)
Financial Data (in thousands of dollars)						
Revenues – Gold sales	**55,763**	69,832	(20%)	**176,978**	196,033	(10%)
Mining operations expenses	**29,257**	27,329	7%	**102,030**	93,467	9%
Government royalties	**2,253**	3,011	(25%)	**7,937**	8,092	(2%)
Depreciation of property, plant and equipment	**16,590**	21,831	(24%)	**64,410**	71,714	(10%)
General and administrative	**639**	686	(7%)	**1,973**	1,898	4%
Corporate social responsibility expenses	**444**	302	47%	**841**	669	26%
Segment operating income (loss)	**6,580**	16,673	(61%)	**(213)**	20,193	—
Statistics (in dollars)						
Average realized selling price (per ounce)	**1,205**	1,282	(6%)	**1,280**	1,256	2%
Cash operating cost (per tonne processed)[1]	**46**	42	10%	**52**	46	13%
Cash operating cost, including stripping (per tonne processed)[1]	**68**	62	10%	**68**	63	8%
Total cash cost (per ounce sold)[1]	**681**	557	22%	**795**	651	22%
All-in sustaining cost (per ounce sold)[1]	**1,017**	841	21%	**1,067**	929	15%
Depreciation (per ounce sold)[2]	**358**	401	(11%)	**466**	459	2%

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

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

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

Mana, Burkina Faso (continued)

Mining Operations (continued)

Third Quarter 2018 v. Third Quarter 2017

- The ore mined decreased by 20% compared to the same period in 2017, in accordance with the mine plan.
- During the third quarter of 2018, gold sales amounted to $55,763,000 compared to $69,832,000 for the same period in 2017. The variation is mainly due to the lower gold ounces produced and the lower average realized selling price. The decrease in gold ounces produced at the Mana Mine reflects the mine plan. The variation between gold ounces sold and gold ounces produced during the quarter is due to the timing of delivery.
- The decrease in government royalties is attributable to lower gold sales.
- The decrease in depreciation of property, plant and equipment mainly reflects the lower capitalized stripping ratio from Wona in the third quarter of 2018 compared to the higher capitalized stripping ratio from Siou at depth in the third quarter of 2017.
- As expected, in the third quarter of 2018, the all-in sustaining cost[1] was $1,017 per ounce sold compared to $841 per ounce sold in the same period in 2017. This is attributable to a higher total stripping ratio and a lower recovered head grade.

First Nine Months of 2018 v. First Nine Months of 2017

- As expected, during the first nine months of 2018, the tonnes processed decreased by 7% due to the ore hardness.
- During the first nine months of 2018, gold sales amounted to $176,978,000 compared to $196,033,000 for the same period in 2017. The decrease is mainly due to lower gold ounces produced and sold in line with the mine plan, partially offset by higher average realized selling price. The variation between gold ounces sold and gold ounces produced during the first nine months of 2018 is due to the timing of delivery.
- The decrease in depreciation of property, plant and equipment mainly reflects the lower capitalized stripping ratio from Wona in the first nine months of 2018 compared to the higher capitalized stripping ratio from Siou at depth in the same period in 2017.
- As expected, in the first nine months of 2018, the all-in sustaining cost[1] reached $1,067 per ounce sold compared to $929 per ounce sold in the same period in 2017. This is attributable to a higher total stripping ratio and a lower recovered head grade.
- The increase in operational stripping ratio and the decrease in capitalized stripping activity are due to more operational activities being carried out than stripping activities, in accordance with the mine plan.

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

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

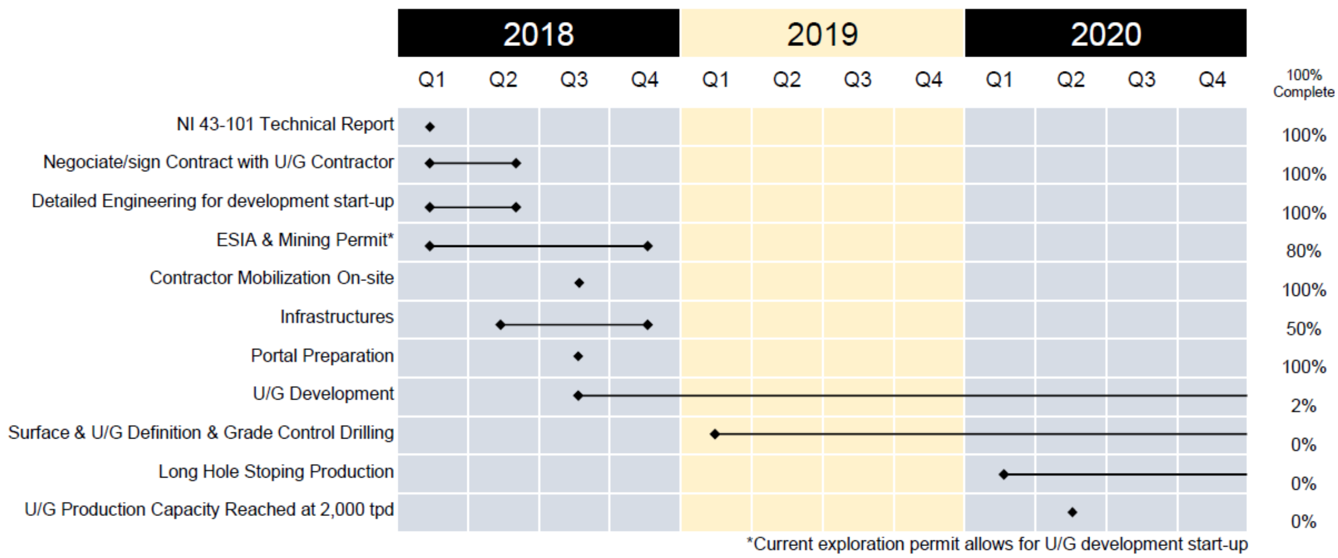
Siou Underground Development

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

During the third quarter of 2018, development of Siou underground continued in line with our goal of achieving production in the first quarter of 2020. Specifically, the following was completed:

- Mobilisation of the mining contractor and equipment on site
- Development of access ramp commenced - 110 meters completed
- Development on budget with $2.3 million of the $51.7 million budget incurred
- Completion of temporary surface infrastructure
- Filing of Environmental and Social Impact Assessment (ESIA) study - public hearing completed

Timeline for Development of Siou Underground



At the end of October 2018, we had completed 350 of the 5,600 meters of underground development at Siou required to commence production.

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

Boungou, Burkina Faso

Mining Operations

	One-month period ended September 30, 2018
Operating Data	
Mining	
Waste mined (tonnes)	**924,600**
Ore mined (tonnes)	**130,200**
Operational stripping ratio	**7.1**
Capitalized Stripping Activity	
Waste material – Boungou (tonnes)	**476,000**
Total strip ratio	**10.8**
Processing	
Tonnes processed (tonnes)	**91,300**
Head grade (g/t)	**3.96**
Recovery (%)	**90**
Gold ounces produced[1]	**10,500**
Gold ounces sold[2]	**4,200**
Financial Data (in thousands of dollars)	
Revenues – Gold sales[2]	**5,009**
Mining operations expenses	**2,051**
Government royalties and development taxes	**241**
Depreciation of property, plant and equipment	**1,849**
General and administrative	**33**
Corporate social responsibility expenses	**156**
Segment operating income	**679**
Statistics (in dollars)	
Average realized selling price (per ounce)	**1,203**
Cash operating cost (per tonne processed)[3]	**55**
Cash operating cost, including stripping (per tonne processed)[3]	**67**
Total cash cost (per ounce sold)[3]	**550**
All-in sustaining cost (per ounce sold)[3]	**807**
Depreciation (per ounce sold)[4]	**444**

[1] Gold ounces produced exclude pre-commercial production of 12,000 ounces.
[2] Gold sales exclude those resulting from pre-production activities that were offset against capitalized construction costs and amounted to $14,994,000.
[3] Cash operating cost, total cash cost and all-in sustaining cost are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS financial performance measures" section of this MD&A, note 19.
[4] Depreciation per ounce sold is a non-IFRS financial performance measure with no standard definition under IFRS and represents the depreciation expense per ounce sold.

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

Boungou, Burkina Faso (continued)

Mining Operations (continued)

Commercial Production as of September 1, 2018

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

Commercial production was declared on September 1, 2018 when operations had reached the internal commercial production measure of 30 consecutive days of mill throughput at 75% of nominal design capacity (4,000 tpd). During the 30-day period, the mill processed more than 90,000 tonnes of ore at an average grade of 2.4 g/t Au and with a recovery rate of 83%.

In 2018, the Boungou Mine is expected to produce between 60,000 and 70,000 ounces of gold in commercial production.

Ramp-up of Operations

The first month of commercial production, September, was in line with our plan.

- During the month, mill throughput averaged approximately 3,450 tonnes per day.
  - Since then, throughput has continued to increase and is expected to reach the nominal design capacity of 4,000 tonnes per day late in the fourth quarter.
- Grade in September averaged 3.96 g/t Au, in line with the reserves model.
  - Grade is expected to increase in the fourth quarter as the mine plan reaches higher-grade zones.
- Recovery rates for September were at 90%.
  - Recoveries are expected to improve in the fourth quarter.
- The variation between gold ounces sold and gold ounces produced during the quarter is due to the timing of delivery and the build-up of gold in circuit.
- As at September 30, 2018, the stockpile held more than 300,000 tonnes of ore with an average head grade of 2.0 g/t Au.

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

Exploration

Tapoa (Boungou Mine)

The Tapoa Permit Group consists of four contiguous permits - Boungou, Dangou, Pambourou and Bossoari- covering approximately 70 kilometers in strike length along the Diapaga belt in Burkina Faso. Following completion of a delineation drilling in the first quarter, the 2018 exploration program targeted two areas: Tawori and Dangou.

Boungou Proximal

Prior to the rainy season break, a total of 66 RC holes (6,949 meters) was drilled in the third quarter, most of which consisted of follow-up drilling on the Osaanpalo Zone at Tawori. The Osaanpalo Zone is a shallow west-dipping structure located four kilometers north of the Boungou Mine. Significant gold values had been obtained within the structure earlier in the year that showed a north-trending orientation of mineralization.

In the third quarter, significant mineralization was obtained along the flat-lying shear zone including 17.63 g/t Au over 1 meter (TPA1484), 1.88 g/t Au over 5 meters (TPA1488), and 1.77 g/t Au over 3 meters (TPA1501). The zone remains open down-dip and to the south. Follow-up drilling will be assessed following receipt of pending results and their compilation.

Boungou Regional

In early October, following the rainy season, exploration resumed on the Dangou permit located approximately 30 kilometers east-northeast of the Boungou Mine. Significant mineralization was obtained in the second quarter of 2018 on the permit following realization of a program of 88 RC holes and two core holes (10,561 meters) across the most promising anomalies.

Mana Project

Mana - Siou

In the quarter, a total of 1,881 meters of core drilling was completed at the Siou North target area before the rainy season began. One intersection from MMP18-25 returned 8.99 g/t Au over 7.1 meters from a subsidiary lens parallel to Zone 9. Despite isolated higher-grade values, the mineralization appears discontinuous and uneconomic. No further work is currently planned.

Mana Regional

In the second quarter of 2018, significant assay results were obtained at a zone dubbed Doumakélé, located 25 kilometers southeast of the mill. Highlights include 2.02 g/t Au over 5 meters (MRC18-5107), 8.69 g/t Au across 3.7 meters and 4.19 g/t Au over 4.5 meters (WDC-976), and 6.38 g/t Au over 10.7 meters (WDC-980). The follow-up exploration program at Doumakélé commenced early in the fourth quarter after the rainy season.

Yactibo (Nabanga Project)

No drilling was carried out on the property during the quarter due to the rainy season. The remainder of the 2018 program has been scheduled for late in the fourth quarter.

Kongolokoro (Houndé Greenstone Belt Permits)

In the quarter, 2,405 meters (14 holes) of RC drilling were carried out primarily on the Tankoro Zone. Results will be released in due course.

Korhogo Ouest, Côte d'Ivoire

The 13,000-meter drill program scheduled in 2018 at Korhogo commenced in September on the Fotamana target area where significant values had been obtained along a regional shear zone in 2017. To date, 13 holes (1,507 meters) have been completed and assays remain pending.

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

Corporate Social Responsibility

For the three-month and nine-month periods ended September 30, 2018, corporate social responsibility expenses, representing contributions made to SEMAFO Foundation, totalled $600,000 and $1,163,000, respectively (2017: $302,000 and $766,000, respectively).

In the third quarter, SEMAFO Foundation enhanced access to education in the Boucle du Mouhoun region through the distribution of over 14,000 school kits and ongoing construction of five new schools. Construction of animal livestock buildings continued in the quarter to support the launch of three new revenue-generating projects in the area, with complementary training also provided. At the same time, long-term initiatives, including the shea butter and sesame projects, were supported during the quarter. Under the Foundation's guidance, agricultural agents evaluated crop progress half way through the sesame production cycle, thus enabling producers to improve their overall yield.

In parallel with SEMAFO Foundation's initiatives, SEMAFO's community team continued to engage in open dialogue with local communities with a view to improving their understanding of and participation in our mining operations through the holding of public hearings for Siou underground and through assistance to the underground contractor in prioritizing recruitment of their work force from local villages. Furthermore, the team liaised with near-mine communities regarding displacement of a local health center in addition to raising awareness with regard to the importance of collaborating with the police force and the mine's security department.

In the Est Region close to the Boungou Mine, the Foundation distributed 1,100 school kits among schools in near-mine communities, thus helping families meet budgetary needs for school supplies. Participants in the sheep-farming project were designated following project awareness-raising measures. In addition, the sewing center was assisted with training and market development advice.

Corporate and Other

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2017	**2018**	2017
(in thousands)	**$**	$	**$**	$
Depreciation of property, plant and equipment	**96**	90	**287**	270
General and administrative	**3,064**	2,767	**9,506**	8,426
Share-based compensation	**(414)**	1,997	**1,617**	2,121
Segment operating loss	**2,746**	4,854	**11,410**	10,817

Share-based Compensation

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2017	**2018**	2017
(in thousands)	**$**	$	**$**	$
Restricted Share Units	**(128)**	1,690	**1,292**	1,857
Deferred Share Units	**(275)**	241	**195**	206
Performance Share Units	**(11)**	66	**130**	58
	(414)	1,997	**1,617**	2,121

For the three-month period ended September 30, 2018, our share-based compensation recovery amounted to $414,000 (2017: expense of $1,997,000). The recovery of $414,000 included a $898,000 expense (2017: expense of $919,000) for outstanding units and a recovery of $1,312,000 (2017: expense of $1,078,000) due to the change in the fair value of our share price.

For the nine-month period ended September 30, 2018, our share-based compensation expense amounted to $1,617,000 (2017: $2,121,000). The $1,617,000 expense included a $2,970,000 expense (2017: expense of $3,146,000) for outstanding units and a recovery of $1,353,000 (2017: recovery of $1,025,000) due to the change in the fair value of our share price.

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

6. Other Elements of the Statement of Income

Foreign Exchange Loss

For the three-month period ended September 30, 2018, the foreign exchange loss amounted to $826,000 due to the revaluation of our monetary assets denominated in foreign currencies following the strengthening of the US dollar as at September 30, 2018 compared to June 31, 2018.

For the nine-month period ended September 30, 2018, the foreign exchange loss amounted to $1,690,000 due to the revaluation of our monetary assets denominated in foreign currencies following the strengthening of the US dollar as at September 30, 2018 compared to December 31, 2017.

Income Tax Expense

The increase in income tax expense in the three-month period ended September 30, 2018 is due to a strengthening of the US dollar at the end of the third quarter of 2018 whereas the US dollar weakened during the same period in 2017. At the close of the third quarter of 2018, the tax base of mining assets in foreign jurisdictions was therefore lower and decreased future tax deductions when converted into US dollars. These non-cash items amounted to an expense of $672,000 for the third quarter of 2018, compared to a recovery of $2,077,000 for the same period in 2017. These amounts are not indicative of the economic value of the underlying tax pools that may be used to reduce cash income taxes in the future.

The increase in income tax expense in the nine-month period ended September 30, 2018 is due to a strengthening of the US dollar as at September 30, 2018, whereas the US dollar weakened during the same period in 2017. At the close of the third quarter of 2018, the tax base of mining assets in foreign jurisdictions was therefore lower and decreased future tax deductions when converted into US dollars. These non-cash items amounted to an expense of $2,125,000 in the first nine months of 2018, compared to a recovery of $6,472,000 in the same period 2017. These amounts are not indicative of the economic value of the underlying tax pools that may be used to reduce cash income taxes in the future.

Income Attributable to Non-Controlling Interests

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

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2017	**2018**	2017
	$	$	**$**	$
Government of Burkina Faso - 10% in SEMAFO Burkina Faso S.A.	**475**	1,583	**(352)**	2,384
Government of Burkina Faso - 10% in SEMAFO Boungou S.A.	**(59)**	—	**(104)**	—
	416	1,583	**(456)**	2,384

7. Other Comprehensive Income (Loss)

For the three-month period ended September 30, 2018, other comprehensive income amounted to $125,000 (2017: income of $60,000), which related to the variation in fair value of our investment in GoviEx Uranium Inc. ("GoviEx") for an income of $107,000 (2017: income of $60,000) and our investment in Savary Gold Corp ("Savary Gold") for an income of $18,000 (2017: nil).

For the nine-month period ended September 30, 2018, other comprehensive loss amounted to $906,000 (2017: income of $399,000), which related to the variation in fair value of our investment in GoviEx for a loss of $284,000 (2017: income of $399,000), our investment in Savary Gold for a loss of $572,000 (2017: nil) and our other investment for a loss of $50,000 (2017: nil).

Investment in GoviEx

The investment in GoviEx was made in 2008. GoviEx is a publicly traded mineral resources company focused on the exploration and development of uranium properties in Africa. Based on the last closing price observed on the TSX-V, we concluded that the fair value of the investment in GoviEx is $1,824,000 as at September 30, 2018.

7. Other Comprehensive Income (Loss) (continued)

Investment in Savary Gold

In February 2018, SEMAFO acquired 33,333,333 shares in Savary Gold for an amount of $1.6 million (C$2 million). Proceeds of the investment are being used to advance the Karankasso Project.

Savary Gold is a Canadian exploration company with properties in Burkina Faso whose shares are traded on the TSX-V. The investment in Savary Gold is determined to be a Level 1 in the fair value hierarchy, and its fair value is a recurring measurement. On initial recognition, we designated our investment in Savary Gold as a financial asset at fair value through other comprehensive income. In accordance with our policy and using the last closing price observed on the TSX-V, we estimate its fair value to be $1,034,000 as at September 30, 2018.

8. Cash Flows

The following table summarizes our cash flow activities:

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2017	**2018**	2017
(in thousands)	**$**	$	**$**	$
Cash flows				
Operations before working capital items	**21,041**	34,853	**55,271**	81,614
Working capital items	**8,870**	(3,096)	**(1,727)**	(11,690)
Operating activities	**29,911**	31,757	**53,544**	69,924
Financing activities	**(1,370)**	(4,029)	**(2,974)**	55,877
Investing activities	**(50,673)**	(57,797)	**(162,037)**	(153,970)
Effect of exchange rate changes on cash and cash equivalents	**(499)**	3,533	**(1,243)**	11,158
Change in cash and cash equivalents during the period	**(22,631)**	(26,536)	**(112,710)**	(17,011)
Cash and cash equivalents – beginning of the period	**108,871**	283,297	**198,950**	273,772
Cash and cash equivalents – end of the period	**86,240**	256,761	**86,240**	256,761

Operating

Third Quarter 2018 v. Third Quarter 2017

For the three-month period ended September 30, 2018, operating activities, before working capital items, generated cash flows of $21,041,000 compared to $34,853,000 in the same period in 2017 mainly due to lower revenues and higher operating expenses. Working capital items generated liquidities of $8,870,000 in the third quarter of 2018, while in the third quarter of 2017, liquidities of $3,096,000 were required.

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

First Nine Months of 2018 v. First Nine Months of 2017

For the nine-month period ended September 30, 2018, operating activities, before working capital items, generated cash flows of $55,271,000 compared to $81,614,000 in the same period in 2017 mainly due to lower revenues and higher mining operation expenses. Working capital items required liquidities of $1,727,000 in the first nine months of 2018 compared to $11,690,000 in the same period in 2017.

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

8. Cash Flows (continued)

Financing

Third Quarter 2018 v. Third Quarter 2017

For the three-month period ended September 30, 2018, cash flow required for financing activities amounted to $1,370,000, while $4,029,000 was required for the same period in 2017.

Equipment Financing
For the three-month period ended September 30, 2018, we reimbursed $78,000 on equipment financing compared to $76,000 for the same period in 2017.

Finance Lease
In July 2017, we entered into a mining services agreement ("Mining Agreement") with African Mining Service Burkina Faso SARL ("AMS") for the Boungou Mine. It was determined that based on its substance at inception date, the Mining Agreement contained finance leases with respect to the mining fleet.

In 2018, the Corporation entered into an agreement for the Boungou mine, which included a finance lease component.

For the three-month period ended September 30, 2018, we reimbursed $1,292,000 on both finance lease obligations. In the same period in 2017, we reimbursed $4,003,000 in relation to the AMS finance lease obligation. For more information on the finance lease, refer to note 12 of our financial statements.

Proceeds on Issuance of Share Capital from the Exercise of Options
No options were exercised during the three-month period ended September 30, 2018. For the same period in 2017, a total of 50,000 options was exercised for a cash consideration of $50,000.

First Nine Months of 2018 v. First Nine Months of 2017

For the nine-month period ended September 30, 2018, cash flow required for financing activities amounted to $2,974,000, while $55,877,000 was provided for the same period in 2017.

Credit Facility with Macquarie Bank Limited ("Credit Facility")
In the first nine months of 2017, we drew down the incremental $60,000,000 available under the Credit Facility. For more information on the long-term debt, refer to note 11 of our financial statements.

Equipment Financing
For the nine-month period ended September 30, 2018, we reimbursed $233,000 (2017: $231,000) on equipment financing.

Finance Lease
For the nine-month period ended September 30, 2018, we reimbursed $3,602,000 (2017: $4,003,000) on the finance lease obligations. For more information on the finance lease, refer to note 12 of our financial statements.

Proceeds on Issuance of Share Capital from the Exercise of Options
A total of 635,000 options was exercised during the nine-month period ended September 30, 2018 for a cash consideration of $861,000. For the same period in 2017, a total of 84,000 options was exercised for a cash consideration of $111,000.

8. Cash Flows (continued)

Investing

For the three-month and nine-month periods ended September 30, 2018, cash flow used in investing activities amounted to $50,673,000 and $162,037,000, respectively. For the same periods in 2017, cash flow used in investing activities amounted to $57,797,000 and $153,970,000, respectively.

Equity Investments

In the nine-month period ended September 30, 2018, we invested $1,606,000 (C$2 million) in Savary Gold and we sold an equity investment for a net proceed of $98,000. There was no activity during the three-month period ended September 30, 2018.

Acquisition of Property Plant and Equipment

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2017	2018	2017
(in thousands)	$	$	$	$
Sustaining capital - Mana Mine	**1,414**	1,902	**5,691**	7,810
Stripping cost - Mana Mine	**14,162**	13,558	**31,924**	35,603
Total sustaining capital expenditures - Mana Mine	**15,576**	15,460	**37,615**	43,413
Stripping cost - Boungou Mine	**1,069**	—	**1,069**	—
Total sustaining capital expenditures - Boungou Mine	**1,069**	—	**1,069**	—
Consolidated sustaining capital expenditures	**16,645**	15,460	**38,684**	43,413
Exploration expenditure	**5,647**	5,816	**22,270**	20,451
Underground development capital	**2,099**	—	**2,298**	—
Construction - Boungou Mine a)	**1,454**	44,141	**71,967**	96,300
Finance lease paid included in construction costs	**(788)**	(4,003)	**(3,098)**	(4,003)
Capitalized borrowing costs	**1,411**	1,783	**5,338**	3,636
Other	**(141)**	—	**1,196**	—
	26,327	63,197	**138,655**	159,797
Variation in unpaid acquisitions of property, plant and equipment	**24,558**	(5,177)	**22,086**	(20,681)
Total	**50,885**	58,020	**160,741**	139,116

a) As at September 1, 2018, commercial production had been achieved and the construction cost had been finalized at:

	Construction - Boungou Mine
	$
As at December 31, 2017	158,633
Additions: construction	71,967
As at September 1, 2018	**230,600**

Restricted Cash

In 2013, we made a special compensation arrangement with the former President and Chief Executive Officer. The special compensation required the issuance of a letter of credit, for which cash was restricted. For the three-month and nine-month periods ended September 30, 2018, our restricted cash decreased by $212,000 as per the terms of the special compensation arrangement.

9. Financial Instruments

The nature and extent of risks arising from financial instruments are described in note 19 of our 2017 annual audited consolidated financial statements and in note 14 of our financial statements.

10. Critical Accounting Estimates and Judgments

The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustments to our financial statements are disclosed in note 5 of our 2017 annual audited consolidated financial statements.

11. New Accounting Standards Issued and in Effect

The new accounting standards issued and in effect are disclosed in note 4 of our financial statements.

12. New Accounting Standards Issued but not yet in Effect

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

13. Financial Position

As at September 30, 2018, we held $109,005,000 in cash and cash equivalents and restricted cash. With our existing cash balance and our forecasted cash flows from operations, we are well positioned to fund all of our cash requirements for 2018 and 2019, which relate primarily to the following activities:

- Exploration programs
- Underground development at Siou
- Repayment of the credit facility

(in thousands)	As at September 30, 2018 $	As at December 31, 2017 $
Total current assets	**200,467**	295,288
Property, plant and equipment	**782,300**	703,341
Other non-current assets	**29,175**	29,734
Total assets	**1,011,942**	1,028,363
Current liabilities	**117,469**	87,206
Non-current liabilities	**149,090**	180,595
Total liabilities	**266,559**	267,801
Equity attributable to equity shareholders	**714,757**	729,480
Non-controlling interests	**30,626**	31,082

As at September 30, 2018, our total assets amounted to $1,011,942,000 compared to $1,028,363,000 as at December 31, 2017.

As at September 30, 2018, our liabilities totalled $266,559,000 compared to $267,801,000 as at December 31, 2017.

14. Contractual Obligations

Asset Retirement Obligations

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

The liability for asset retirement obligations as at September 30, 2018 was $22,911,000 (December 31, 2017: $11,939,000). The increase in the liability for asset retirement obligations during the nine-month period ended September 30, 2018 is mainly due to the construction of the Boungou Mine.

Government Royalties

In Burkina Faso, all shipments at gold spot prices lower or equal to $1,000 per ounce are subject to a royalty rate of 3%, a 4% rate is applied to all shipments at gold spot prices between $1,000 and $1,300 per ounce, and a 5% royalty rate is applied to all shipments at a gold spot price greater than $1,300 per ounce.

For the three-month period ended September 30, 2018, we were subject to royalty rates of 4% (2017: 4% and 5%), which were calculated using the retail market value of gold ounces sold at the time of shipment. For the three-month period ended September 30, 2018, government royalties amounting to $2,494,000 (2017: $3,011,000) were paid to the Government of Burkina Faso.

For the nine-month period ended September 30, 2018, we were subject to royalty rates of 4% and 5% (2017: 4% and 5%), which were calculated using the retail market value of gold ounces sold at the time of shipment. For the nine-month period ended September 30, 2018, government royalties amounting to $8,178,000 (2017: $8,092,000) were paid to the Government of Burkina Faso.

Community Development Tax

We are subject to a community development tax of 1% of our revenues at the Boungou Mine.

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

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

Purchase Obligations

As at September 30, 2018, purchase commitments totalled $3,195,000.

Payments to Maintain Mining Rights

In the normal course of business, in order to obtain and maintain all the advantages of our mining permits, we must commit to investing a specific amount in exploration and development on the permits during their validity period. Moreover, we must make annual payments in order to maintain certain property titles. As at September 30, 2018, we were in compliance in all material respects with the obligations related to the ownership of our material permits.

15. Risks and Uncertainties

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

Financial Risks

Fluctuation in Gold Prices

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

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

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

15. Risks and Uncertainties (Continued)

Financial Risks (Continued)

Fluctuation in Petroleum Prices

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

Exchange Rate Fluctuations

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

Interest Rate Fluctuations

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

Access to Capital Markets

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

Operational Risks

Uncertainty of Reserves and Resources Estimates

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

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

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

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

Production and Cost Estimates

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

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

15. Risks and Uncertainties (continued)

Operational Risks (continued)

Nature of Mineral Exploration and Mining

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

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

Boungou Mine

The construction and development of the Boungou Mine began at the end of 2016 and was successfully completed in the third quarter of 2018.

The Natougou feasibility study contains estimates of future production, development plans, operating and capital costs, financial returns and other economic and technical estimates relating specifically to the Boungou Mine. These estimates are based on a diversity of factors and assumptions and there can be no assurance that such production, plans, costs or other estimates will be achieved.

Outside Contractor Risk

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

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

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

Limited Property Portfolio

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

Depletion of our Mineral Reserves

We must continually replace mining reserves depleted by production to maintain production levels over the long term. This is done by expanding known mineral reserves or by locating or acquiring new mineral deposits. There is, however, a risk that depletion of reserves will not be offset by future discoveries. Exploration for minerals is highly speculative in nature and involves many risks. Many, if not most, gold projects are unsuccessful and there are no assurances that current or future exploration programs will be successful. Further, significant costs are incurred to establish mineral reserves, open new pits and construct mining and processing facilities. Development projects have no operating history upon which to base estimates of future cash flows and are subject to the successful completion of feasibility studies, obtaining necessary government permits, obtaining title or other land rights and the availability of financing. In addition, assuming discovery of an economic mine or pit, depending on the type of mining operation involved, many years may elapse before commercial operations commence. Accordingly, there can be no assurances that our current programs will result in any new commercial mining operations or yield new reserves to replace or expand current reserves.

15. Risks and Uncertainties (continued)

Operational Risks (continued)

Water Supply

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

Availability of Infrastructure and Fluctuation in the Price of Commodities

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

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

Licenses and Permits

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

Political Risk

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

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, including fiscal stability provisions, as applied to our transactions and activities may not coincide with that of the tax authorities. As a result, taxes may increase and transactions may be challenged by tax authorities and our operations may be assessed, which could result in significant taxes, penalties and interest. We may also encounter difficulties in obtaining reimbursement of refundable tax from fiscal authorities.

The possibility that the government may adopt substantially different policies or interpretations, which might extend to the expropriation of assets, cannot be ruled out. Political risk also includes the possibility of civil disturbances and political instability in our or neighboring countries as well as threats to the security of our mines and workforce due to political unrest, civil wars or terrorist attacks. Any such activity may disrupt our operations, limit our ability to hire and keep qualified personnel as well as restrict our access to capital.

Title Matters

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

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

15. Risks and Uncertainties (continued)

Operational Risks (continued)

Suppliers Risk

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

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

Integration of Acquired Business

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

Competition

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

Qualified and Key Personnel

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

Labour and Employment Relations

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

Environmental Risks, Hazards and Costs

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

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

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

15. 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 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 mill sites, environmental pollution, waste disposal or other hazards as a result of exploration and production is not generally available to gold mining companies on acceptable terms. The potential costs which may be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, materially adversely affecting our financial condition and results of operation.

Resource Nationalism

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

Relations with Surrounding Communities

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

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

Reliance on Information Technology Systems

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

Cybersecurity Threats

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

Litigation

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

15. Risks and Uncertainties (continued)

Operational Risks (continued)

Anti-corruption Laws

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

16. Information on Outstanding Shares

As at November 6, 2018, our share capital comprised 325,617,252 common shares issued and outstanding.

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

The plans provide for the grant of non-transferable options for the purchase of common shares. As at November 6, 2018, stock options allowing its holders to purchase 1,516,046 common shares were outstanding.

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

Disclosure Controls and Procedures

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

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

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

Internal Control over Financial Reporting

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

There have been no changes in our ICFR during the period beginning on July 1, 2018 and ended on September 30, 2018 which have materially affected or are reasonably likely to materially affect our ICFR.

Limitations of DC&P and ICFR

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

18. Quarterly Information

	2018			2017				2016
CONSOLIDATED	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Operating data								
Gold ounces produced[1]	58,200	45,700	45,500	49,500	53,900	47,600	55,400	55,100
Gold ounces sold[1]	50,500	45,100	46,900	49,200	54,500	46,900	54,700	57,100
Results								
(in thousands of dollars, except for amounts per share)								
Revenues – Gold sales[1]	60,772	58,517	62,698	62,960	69,832	59,315	66,886	69,137
Operating income (loss)	4,513	(7,558)	(8,065)	2,215	11,819	(755)	(1,785)	4,806
Net income (loss)	879	(11,113)	(4,900)	2,792	13,807	9,348	(2,384)	(4,061)
Attributable to:								
- Equity shareholders	463	(10,431)	(4,710)	1,649	12,224	8,854	(2,691)	(4,949)
- Non-controlling interests	416	(682)	(190)	1,143	1,583	494	307	888
Basic earnings (loss) per share	—	(0.03)	(0.01)	0.01	0.04	0.03	(0.01)	(0.02)
Diluted earnings (loss) per share	—	(0.03)	(0.01)	0.01	0.04	0.03	(0.01)	(0.02)
Cash flows from operating activities[2]	21,041	15,839	18,391	25,409	34,853	23,614	23,147	30,362
Statistics (in dollars)								
Average realized selling price (per ounce)	1,205	1,298	1,336	1,278	1,282	1,265	1,223	1,211
Total cash cost (per ounce sold)[3]	670	858	848	667	557	703	699	571
All-in sustaining cost (per ounce sold)[3]	1,000	1,103	1,083	982	841	1,074	892	694
MANA								
Operating data								
Ore mined (tonnes)	413,300	478,200	592,300	768,800	516,700	503,200	479,400	555,700
Tonnes processed (tonnes)	649,100	636,800	651,700	653,500	679,100	675,500	731,800	714,200
Head grade (g/t)	2.50	2.30	2.24	2.43	2.55	2.31	2.55	2.52
Recovery (%)	92	96	97	97	97	95	92	95
Gold ounces produced	47,700	45,700	45,500	49,500	53,900	47,600	55,400	55,100
Gold ounces sold	46,300	45,100	46,900	49,200	54,500	46,900	54,700	57,100
Financial Data (in thousands of dollars)								
Revenues – Gold sales	55,763	58,517	62,698	62,960	69,832	59,315	66,886	69,137
Mining operations expenses (excluding government royalties)	29,257	36,139	36,634	30,112	27,329	30,573	35,565	29,847
Government royalties	2,253	2,540	3,144	2,714	3,011	2,389	2,692	2,718
Depreciation of property, plant and equipment	16,590	22,488	25,332	22,643	21,831	24,705	25,178	20,765
General and administrative	639	699	635	697	686	626	586	669
Corporate social responsibility expenses	444	212	185	262	302	57	310	398
Segment Operating Income (Loss)	6,580	(3,561)	(3,232)	6,532	16,673	965	2,555	14,740
Statistics (in dollars)								
Average realized selling price (per ounce)	1,205	1,298	1,336	1,278	1,282	1,265	1,223	1,211
Cash operating cost (per tonne processed)[3]	46	56	54	47	42	43	52	40
Total cash cost (per ounce sold)[3]	681	858	848	667	557	703	699	571
All-in sustaining cost (per ounce sold)[3]	1,017	1,103	1,083	982	841	1,074	892	694
Depreciation (per ounce sold)[4]	358	499	540	460	401	527	460	364

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

2 Cash flows from operating activities exclude changes in non-cash working capital items.

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

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

18. Quarterly Information (continued)

	2018			2017				2016
BOUNGOU	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Operating data								
Ore mined (tonnes)	130,200	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tonnes processed (tonnes)	91,300	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Head grade (g/t)	3.96	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Recovery (%)	90	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gold ounces produced[1]	10,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gold ounces sold[1]	4,200	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Financial Data (in thousands of dollars)								
Revenues – Gold sales[1]	5,009	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mining operations expenses (excluding government royalties)	2,051	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Government royalties and development taxes	241	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Depreciation of property, plant and equipment	1,849	N/A	N/A	N/A	N/A	N/A	N/A	N/A
General and administrative	33	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Corporate social responsibility expenses	156	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Segment Operating Income	679	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Statistics (in dollars)								
Average selling price (per ounce)	1,203	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cash operating cost (per tonne processed)[2]	55	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total cash cost (per ounce sold)[2]	550	N/A	N/A	N/A	N/A	N/A	N/A	N/A
All-in sustaining cost (per ounce sold)[2]	807	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Depreciation (per ounce sold)[3]	444	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

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

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

19. Non-IFRS Financial Performance Measures

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

Cash Operating Cost

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

	Three-month period ended September 30,		
	2018		2017
	Mana	Boungou	Mana
Per tonne processed			
Tonnes of ore processed	649,100	91,300	679,100
(in thousands of dollars except per tonne)			
Mining operation expenses (relating to ounces sold)	31,510	2,292	30,340
Government royalties, development taxes and selling expenses	(2,373)	(266)	(3,163)
Effects of inventory adjustments (doré bars and gold in circuit)	655	3,030	1,515
Operating costs (relating to tonnes processed)	29,792	5,056	28,692
Cash operating cost (per tonne processed)	**46**	**55**	42

	Nine-month period ended September 30,		
	2018		2017
	Mana	Boungou	Mana
Per tonne processed			
Tonnes of ore processed	1,937,600	91,300	2,086,400
(in thousands of dollars except per tonne)			
Mining operation expenses (relating to ounces sold)	109,967	2,292	101,559
Government royalties, development taxes and selling expenses	(8,349)	(266)	(8,511)
Effects of inventory adjustments (doré bars and gold in circuit)	(844)	3,030	2,551
Operating costs (relating to tonnes processed)	100,774	5,056	95,599
Cash operating cost (per tonne processed)	**52**	**55**	46

19. Non-IFRS Financial Performance Measures (Continued)

Cash Operating Cost, including stripping

	Three-month period ended September 30, 2018 Mana	2018 Boungou	2017 Mana
Per tonne processed			
Tonnes of ore processed	649,100	91,300	679,100
(in thousands of dollars except per tonne)			
Stripping cost	14,162	1,069	13,558
Stripping cost (per tonne processed)	22	12	20
Cash operating cost (per tonne processed)	46	55	42
Cash operating cost, including stripping (per tonne processed)	**68**	**67**	62

	Nine-month period ended September 30, 2018 Mana	2018 Boungou	2017 Mana
Per tonne processed			
Tonnes of ore processed	1,937,600	91,300	2,086,400
(in thousands of dollars except per tonne)			
Stripping cost	31,924	1,069	35,603
Stripping cost (per tonne processed)	16	12	17
Cash operating cost (per tonne processed)	52	55	46
Cash operating cost, including stripping (per tonne processed)	**68**	**67**	63

Total Cash Cost

	Three-month period ended September 30, 2018 Mana	2018 Boungou	2018 Total	2017 Mana
Per ounce sold				
Gold ounce sold	46,300	4,200	50,500	54,500
(in thousands of dollars except per ounce)				
Mining operation expenses	31,510	2,292	33,802	30,340
Total cash cost (per ounce sold)	**681**	**550**	**670**	557

	Nine-month period ended September 30, 2018 Mana	2018 Boungou	2018 Total	2017 Mana
Per ounce sold				
Gold ounce sold	138,300	4,200	142,500	156,100
(in thousands of dollars except per ounce)				
Mining operation expenses	109,967	2,292	112,259	101,559
Total cash cost (per ounce sold)	**795**	**550**	**788**	651

19. Non-IFRS Financial Performance Measures (continued)

All-in Sustaining Cost

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

	Three-month period ended September 30, 2018			2017
	Mana	Boungou	Total	Mana
Per ounce sold				
Gold ounce sold	46,300	4,200	50,500	54,500
(in thousands of dollars except per ounce)				
Sustaining capital expenditure	15,576	1,069	16,645	15,460
Sustaining capital expenditure (per ounce sold)	336	257	330	284
Total cash cost (per ounce sold)	681	550	670	557
All-in sustaining cost (per ounce sold)	**1,017**	**807**	**1,000**	841

	Nine-month period ended September 30, 2018			2017
	Mana	Boungou	Total	Mana
Per ounce sold				
Gold ounce sold	138,300	4,200	142,500	156,100
(in thousands of dollars except per ounce)				
Sustaining capital expenditure	37,615	1,069	38,684	43,413
Sustaining capital expenditure (per ounce sold)	272	257	271	278
Total cash cost (per ounce sold)	795	550	788	651
All-in sustaining cost (per ounce sold)	**1,067**	**807**	**1,059**	929

Operating Cash Flows per Share

	Three-month period ended September 30,		Nine-month period ended September 30,	
	2018	2017	2018	2017
(in thousands except per share)				
Cash flows from operating activities[1]	21,041	34,853	55,271	81,614
Weighted average number of outstanding common shares - basic	325,617	324,899	325,431	324,874
Operating cash flows per share	**0.06**	0.11	**0.17**	0.25

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

19. Non-IFRS Financial Performance Measures (continued)

Adjusted Accounting Measures

(in thousands of dollars except per share)	Three-month period ended September 30, 2018	2017	Nine-month period ended September 30, 2018	2017
Net income (loss) attributable to equity shareholders as per IFRS	463	12,224	(14,678)	18,387
Foreign exchange loss (gain)	826	(2,779)	1,690	(9,711)
Tax effect of currency translation on tax base	672	(2,077)	2,125	(6,472)
Share-based compensation (recovery) expense related to change in the fair value of the share price	(1,312)	1,078	(1,353)	(1,025)
Adjusted net income (loss) attributable to equity shareholders	**649**	8,446	**(12,216)**	1,179
Weighted average number of outstanding shares	325,617	324,899	325,431	324,874
Adjusted basic earnings (loss) per share	**—**	0.03	**(0.04)**	—

(in thousands)	Three-month period ended September 30, 2018 $	2017 $	Nine-month period ended September 30, 2018 $	2017 $
Operating income (loss) as per IFRS	4,513	11,819	(11,110)	9,279
Share-based compensation (recovery) expense related to change in the fair value of the share price	(1,312)	1,078	(1,353)	(1,025)
Adjusted operating income (loss)	**3,201**	12,897	**(12,463)**	8,254

20. Additional Information and Continuous Disclosure

This MD&A has been prepared as of November 6, 2018. Additional information on us is available through regular filings of press releases, financial statements and our Annual Information Form on SEDAR (www.sedar.com). These documents and other information about SEMAFO may also be found on our web site at www.semafo.com.

21. Forward-Looking Statements

This MD&A contains forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and assumptions and accordingly, actual results and future events could differ materially from those expressed or implied in such statements. You are hence cautioned not to place undue reliance on forward-looking statements. These forward-looking statements include statements regarding our expectations as to the market price of gold, production targets, timetables, mining operation expenses, capital expenditures and mineral reserves and resources estimates. Forward-looking statements include words or expressions such as “committed”, “building”, “leveraging”, “development”, “outlook”, “strategy”, “forecast”, “expect”, “development”, “timeline”, “plan”, “increase”, “improve”, “will”, “scheduled for” and other similar words or expressions. Factors that could cause future results or events to differ materially from current expectations expressed or implied by the forward-looking statements include the ability to build value through responsible mining and leverage our development pipeline, the ability to meet our 2018 consolidated guidance of between 235,000 and 265,000 ounces of gold at an all-in sustaining cost of between $900 and $940 per ounce, including the guidance for each of our Mana Mine and our Boungou Mine, the ability to keep our general and administrative expense for 2018 at $16 million, the reliability of the Siou underground PFS, the ability to develop the Siou underground to achieve production in the first quarter of 2020, the ability of the Boungou mill to reach nominal design capacity of 4,000 tonnes per day late in the fourth quarter, the ability of the Boungou grade to increase in the fourth quarter, the ability of the Boungou recoveries to improve in the fourth quarter, the accuracy of our assumptions, fluctuation in the price of currencies, gold prices and operating costs, mining industry risks, uncertainty as to calculation of mineral reserves and resources, delays, political and social stability in Africa (including our ability to maintain or renew licenses and permits) and other risks described in SEMAFO's documents filed with Canadian securities regulatory authorities. You can find further information with respect to these and other risks in filings made with the Canadian securities regulatory authorities and available at www.sedar.com. These documents are also available on our website at www.semafo.com. We disclaim any obligation to update or revise these forward-looking statements, except as required by applicable law.