



SEMAFO Inc.

Consolidated Financial Statements (audited)
December 31, 2013

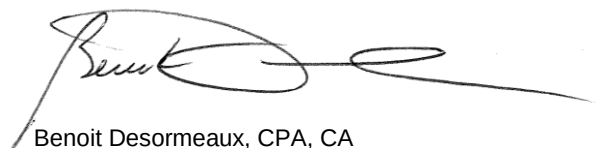
Management's Statement of Responsibility

The consolidated financial statements of the Corporation and all information in this report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, which recognize the necessity of relying on some best estimates and informed judgments. All financial information in this report is consistent with the information in the consolidated financial statements.

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

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

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



Benoit Desormeaux, CPA, CA
President and Chief Executive Officer



Martin Milette, CPA, CA
Chief Financial Officer

Independent Auditor's Report

March 11, 2014

To the Shareholders of SEMAFO Inc.

We have audited the accompanying consolidated financial statements of SEMAFO Inc., which comprise the consolidated statement of financial position as at December 31, 2013 and December 31, 2012 and the consolidated statements of income (loss), comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SEMAFO Inc. as at December 31, 2013 and December 31, 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP¹

Montréal, Quebec, Canada

¹ CPA auditor, CA, permit No. A122718

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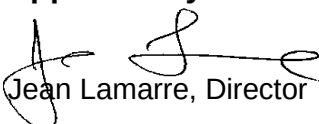
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Consolidated Statement of Financial Position

(Expressed in thousands of US dollars)

	As at December 31, 2013 \$	As at December 31, 2012 \$ (Adjusted note 6)
Assets		
Current assets		
Cash and cash equivalents (note 8)	82,159	139,451
Trade and other receivables (note 9)	23,657	30,395
Income tax receivable.....	9,198	—
Inventories (note 10)	55,140	98,231
Other current assets	2,885	6,432
	173,039	274,509
Assets held for sale (note 11)	4,140	—
	177,179	274,509
Non-current assets		
Advance receivable (note 12)	3,029	—
Restricted cash	3,516	923
Property, plant and equipment (note 13)	382,534	393,682
Intangible asset (note 12)	1,288	—
Investment (notes 14 and 18)	—	19,600
Deferred income tax asset (note 19).....	—	3,000
	390,367	417,205
Total assets	567,546	691,714
Liabilities		
Current liabilities		
Trade payables and accrued liabilities (note 15)	38,820	67,020
Restricted share unit liabilities (note 22)	1,302	—
Provisions (note 16)	5,359	2,588
Advance payable	—	915
Income tax payable	715	8,276
Dividends payable	—	5,492
	46,196	84,291
Liabilities held for sale (note 11)	4,386	—
	50,582	84,291
Non-current liabilities		
Restricted share unit liabilities (note 22)	2,995	2,001
Provisions (note 16)	7,079	12,487
Deferred income tax liabilities (note 19).....	1,062	355
	61,718	99,134
Total liabilities	61,718	99,134
Equity		
Equity Shareholders		
Share capital	458,033	455,179
Contributed surplus	12,687	12,232
Retained earnings	21,459	111,961
	492,179	579,372
Non-controlling interests	13,649	13,208
	505,828	592,580
Total equity	505,828	592,580
Total liabilities and equity	567,546	691,714
Financial commitments (note 26)		

Approved by the Board of Directors,


Jean Lamarre, Director


Benoit Desormeaux, CPA, CA, Director

Consolidated Statement of Income (Loss)

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

	2013 \$	2012 \$ (Adjusted note 6)
Revenue – Gold sales	226,618	287,209
Costs of operations		
Mining operation expenses (note 20)	125,393	128,123
Depreciation of property, plant and equipment	58,110	46,060
General and administrative (note 21)	19,579	22,333
Corporate social responsibility expenses	1,310	4,178
Share-based compensation (note 22)	3,284	3,046
Write-off of property, plant and equipment (note 13)	–	16,998
Operating income	18,942	66,471
Other expenses (income)		
Finance income	(249)	(293)
Finance costs (note 23)	1,238	790
Foreign exchange gain	(1,653)	(571)
Impairment of investment in GoviEx (notes 14 and 18)	19,600	–
Loss on the sale of current investment (note 18)	–	24,297
Income before income taxes	6	42,248
Income tax expense (recovery)		
Current (note 19)	4,897	24,881
Deferred (note 19)	812	(5,176)
	5,709	19,705
Net income (loss) from continuing operations	(5,703)	22,543
Net loss from discontinued operations (note 11)	(78,262)	(40,860)
Net loss for the year	(83,965)	(18,317)
Net income (loss) from continuing operations attributable to:		
Equity shareholders	(9,227)	14,927
Non-controlling interests (note 24)	3,524	7,616
	(5,703)	22,543
Net loss for the year attributable to:		
Equity shareholders	(85,222)	(14,795)
Non-controlling interests (note 24)	1,257	(3,522)
	(83,965)	(18,317)
Basic earnings (loss) per share from continuing operations	(0.03)	0.06
Basic loss per share from discontinued operations	(0.28)	(0.11)
Basic loss per share (note 25)	(0.31)	(0.05)
Diluted earnings (loss) per share from continuing operations	(0.03)	0.05
Diluted loss per share from discontinued operations	(0.28)	(0.10)
Diluted loss per share (note 25)	(0.31)	(0.05)

Consolidated Statement of Comprehensive Loss

(Expressed in thousands of US dollars)

	2013 \$	2012 \$ (Adjusted note 6)
Net loss for the year	(83,965)	(18,317)
Other comprehensive income (loss)		
Item that may be classified to net loss		
Change in fair value of investments (note 18)	(19,600)	(29,983)
Reclassification of accumulated other comprehensive loss to net loss (note 18)	19,600	24,297
Other comprehensive loss for the year, net of tax	—	(5,686)
Total comprehensive loss for the year, net of tax	(83,965)	(24,003)
Attributable to:		
Equity shareholders	(85,222)	(20,481)
Non-controlling interests	1,257	(3,522)
	(83,965)	(24,003)

Consolidated Statement of Changes in Equity

(Expressed in thousands of US dollars, except for shares)

	Attributable to equity shareholders							
	Share capital		Accumulated other comprehensive income (loss)				Non-controlling interests	TOTAL EQUITY
	Common Shares ¹ (in thousands)	Amount \$	Contributed surplus \$		Retained earnings \$	Total \$		\$
Balance – January 1, 2012	273,004	454,746	10,935	5,686	138,467	609,834	16,659	626,493
Net loss for the year ²	–	–	–	–	(14,795)	(14,795)	(3,522)	(18,317)
Changes in fair value of investment in GoviEx (notes 14 and 18)	–	–	–	(8,480)	–	(8,480)	–	(8,480)
Changes in fair value of current investment (notes 14 and 18)	–	–	–	(21,503)	–	(21,503)	–	(21,503)
Reclassification of accumulated other comprehensive loss to net loss related to investment sold (note 18)	–	–	–	24,297	–	24,297	–	24,297
Total comprehensive loss for the year ²	–	–	–	(5,686)	(14,795)	(20,481)	(3,522)	(24,003)
Share-based compensation (note 22)	–	–	1,415	–	–	1,415	–	1,415
Shares issued from the exercise of options (note 22)	214	433	(118)	–	–	315	–	315
Dividends declared	–	–	–	–	(10,853)	(10,853)	–	(10,853)
Dividends declared by a subsidiary to non-controlling interest	–	–	–	–	–	–	(787)	(787)
Non-controlling interests' share of transactions in subsidiaries' equity	–	–	–	–	(858)	(858)	858	–
Balance – December 31, 2012 ²	273,218	455,179	12,232	–	111,961	579,372	13,208	592,580
Balance – January 1, 2013 ²	273,218	455,179	12,232	–	111,961	579,372	13,208	592,580
Net loss for the year	–	–	–	–	(85,222)	(85,222)	1,257	(83,965)
Changes in fair value of investment in GoviEx (notes 14 and 18)	–	–	–	(19,600)	–	(19,600)	–	(19,600)
Reclassification of accumulated other comprehensive loss to net loss (note 18)	–	–	–	19,600	–	19,600	–	19,600
Total comprehensive loss for the year	–	–	–	–	(85,222)	(85,222)	1,257	(83,965)
Share-based compensation (note 22)	–	–	1,230	–	–	1,230	–	1,230
Shares issued from the exercise of options (note 22)	1,315	2,854	(775)	–	–	2,079	–	2,079
Dividends declared	–	–	–	–	(5,199)	(5,199)	–	(5,199)
Dividends declared by a subsidiary to non-controlling interest	–	–	–	–	–	–	(897)	(897)
Non-controlling interests' share of transactions in subsidiaries' equity	–	–	–	–	(81)	(81)	81	–
Balance – December 31, 2013	274,533	458,033	12,687	–	21,459	492,179	13,649	505,828

¹ There were no common shares that were unpaid as of December 31, 2013 (2012: nil).

² Amounts have been adjusted for the adoption of IFRIC 20. Refer to note 6.

Consolidated Statement of Cash Flows

(Expressed in thousands of US dollars)

	2013 \$	2012 \$ (Adjusted note 6)
Cash flows from (used in):		
Operating activities		
Net income (loss) for the year from continuing operations	(5,703)	22,543
Adjustments for :		
Depreciation of property, plant and equipment	58,110	46,060
Share-based compensation	3,284	3,046
Write-off of property, plant and equipment	–	16,998
Impairment of investment in GoviEx	19,600	–
Loss on the sale of current investment	–	24,297
Deferred income taxes expense (recovery)	812	(5,176)
Provisions	–	3,980
Others	1,459	2,196
	77,562	113,944
Changes in non-cash working capital items (note 27 a)	(14,445)	(4,386)
Net cash provided by operating activities from continuing operations	63,117	109,558
Net cash provided by operating activities from discontinued operations	12,636	45,098
Net cash provided by operating activities	75,753	154,656
Financing activities		
Proceeds on issuance of share capital	2,079	315
Payment of dividends to non-controlling interest	(897)	(787)
Payment of dividends to equity shareholders	(10,691)	(10,709)
Net cash used in financing activities from continuing operations	(9,509)	(11,181)
Net cash used in financing activities from discontinued operations	–	(2,000)
Net cash used in financing activities	(9,509)	(13,181)
Investing activities		
Investment	–	(4,813)
Advance made to Sonabel (note 12)	(4,050)	–
Proceeds from the sale of current investment	–	5,617
Acquisitions of property, plant and equipment	(109,119)	(152,820)
Decrease (increase) in restricted cash	(2,593)	3
Net cash used in investing activities from continuing operations	(115,762)	(152,013)
Net cash used in investing activities from discontinued operations	(5,899)	(27,646)
Net cash used in investing activities	(121,661)	(179,659)
Effect of exchange rate changes on cash and cash equivalents	(1,435)	(1,078)
Change in cash and cash equivalents during the year	(56,852)	(39,262)
Cash and cash equivalents – beginning of year	139,451	178,713
Cash and cash equivalents – end of year	82,599	139,451
Less cash and cash equivalents of discontinued operations – end of year	440	–
Cash and cash equivalents of continuing operations – end of year	82,159	139,451
Interest paid	–	–
Interest received	249	295
Income tax paid	19,590	29,377

Supplementary cash flow information (note 27)

1. Incorporation and nature of activities of the Corporation

SEMAFO Inc. (the “Corporation”) is governed by the Business Corporations Act (Quebec) and is listed on the Toronto Stock Exchange and on the NASDAQ OMX Stockholm exchange. The Corporation’s headquarters is located at 100 Alexis-Nihon blvd., 7th floor, Saint-Laurent, Quebec, Canada, H4M 2P3.

The Corporation’s subsidiaries are engaged in gold mining activities including exploration, development and operations. These activities are conducted in West Africa. The Corporation’s subsidiaries presently own two gold mines in Burkina Faso and Guinea and operate in Burkina Faso. The Corporation’s subsidiaries have interests in mining properties. The potential for recovery of costs incurred on these properties and of related deferred charges depends on the existence of sufficient quantities of reserves, the ability to obtain all required permits, the ability to obtain appropriate financing to put these mining properties into production and the ability to realize a profitable return for the Corporation.

2. Basis of preparation

The Corporation’s audited consolidated financial statements (“financial statements”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Corporation has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures, except for the changes in accounting policies presented in note 5. The Board of Directors approved the statements as at March 11, 2014.

Basis of measurement

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

Functional and presentation currency

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

Foreign currency translation of transactions

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

Consolidation

Subsidiaries

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

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

Notes to the consolidated financial statements

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

2. Basis of preparation (continued)

Consolidation (continued)

Disposal of subsidiaries

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

Significant subsidiaries (consolidated) – ownership	Country	December 31, 2013	December 31, 2012
SEMAFO Burkina Faso S.A.	Burkina Faso	90%	90%
SEMAFO Guinée S.A.	Guinea	85%	85%
Société des Mines du Liptako (SML) S.A. ¹	Niger	–	80%
Mana Minéral S.A.	Burkina Faso	100%	100%

¹ SML was disposed of on December 2, 2013. Please refer to note 11 for more details.

Segment reporting

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

3. Summary of significant accounting policies

Cash and cash equivalents

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

Inventories

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

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

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

Property, plant and equipment

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

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

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

i) Property acquisition costs, deferred exploration and development costs

Costs incurred that relate to developed and undeveloped proven and probable reserves and probable non-reserve material when sufficient objective evidence exists to support a conclusion that it is probable that the non-reserve material will be produced ("probable non-reserve material") are included in the depletable amount. The Corporation chooses to exclude from the depletable amount expected future development costs. Depletion is the systematic allocation of the depletable amount of an asset over its useful life. The depletable amount of an asset is the cost of an asset, or other amount substituted for cost, less its residual value.

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

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

ii) Buildings and equipment related to mining production

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

iii) Assets under construction

Assets under construction include property, plant and equipment in the course of construction or use for its own purposes. The cost comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Assets under construction are classified to the appropriate category of property, plant and equipment when the costs are incurred. Assets under construction are carried at cost less any recognized impairment loss and are not subject to depreciation. Depreciation of these assets commences when the assets are ready for their intended use.

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

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

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

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

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

- i) It is probable that the future economic benefit (improved access to the component of the ore body) associated with the stripping activity will flow to the Company;
- ii) The Company can identify the component of the ore body for which access has been improved; and
- iii) The costs relating to the stripping activity associated with that component can be measured reliably.

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

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

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

vi) Exploration properties

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

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

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

Impairment of non-financial assets

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

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

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

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

Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and all substantial risks and rewards have been transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Financial assets and financial liabilities are measured subsequently as described below. The category of financial instruments determines subsequent measurement and whether any resulting income and expense is recognized in the statement of income (loss) or in other comprehensive income (loss).

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

The Corporation's financial instruments are classified into one of these four categories:

- Financial assets and liabilities at fair value through profit or loss ("FVTPL")
- Available-for-sale investments
- Loans and receivables
- Financial liabilities at amortized cost

The classification is determined at initial recognition and depends on the nature and purpose of the financial instrument.

i) Financial assets and liabilities at FVTPL

Financial assets and liabilities are classified as FVTPL when the financial asset or liability is held for trading or it is designated as FVTPL.

A financial asset or liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets and liabilities classified as FVTPL are stated at fair value with any resulting gain or loss recognized in the statement of income (loss).

ii) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. The Corporation's available-for-sale investment comprises investment in equity securities.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of it within twelve months.

When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of income (loss).

iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Corporation's loans and receivables are comprised of cash and cash equivalents, trade and other receivables (except value added tax), restricted cash and advance receivable, and are included in current assets except for the portion of restricted cash and the advance receivable expected to be realized beyond twelve months of the statement of financial position date, which is classified as non-current.

Loans and receivables are initially recognized at the amount expected to be received less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

iv) Financial liabilities at amortized cost

Financial liabilities at amortized cost include trade payables and other financial liabilities, dividend payable and advance payable. Trade payables, other financial liabilities, dividend payable and advance payable are initially recognized at the amount required to be paid less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables, other financial liabilities, dividend payable and advance payable are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

3. Summary of significant accounting policies (continued)

Impairment of financial assets

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Corporation recognizes an impairment loss, as follows:

- i. Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.
- ii. Available-for-sale investments: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income (loss). This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income. Impairment losses on available-for-sale equity instruments are not reversed. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, whether there is a significant or prolonged decline in the fair value of the investment which is considered as evidence of impairment.

Provisions

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

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

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

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

Income taxes

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

i) Current income tax

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

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

ii) Deferred income tax

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

3. Summary of significant accounting policies (continued)

Income taxes (continued)

ii) Deferred income tax (continued)

Deferred income tax assets and liabilities are recognized for all temporary differences, except:

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

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

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

Revenue recognition

The Corporation recognizes revenue when the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the Corporation, the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Share-based compensation

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

i) Options

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

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

3. Summary of significant accounting policies (continued)

Share-based compensation (continued)

ii) Restricted Share Units

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

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

Dividends

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

Non-controlling interests

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

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

Earnings per share

A basic earnings per share is calculated by dividing the net income for the year attributable to shareholders of the Corporation by the weighted average number of common shares outstanding during the period.

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

Assets held for sale and discontinued operations

Non-current assets, or disposal groups comprised of assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured at the lower of their carrying amount and fair value less costs to sell, with the exception of financial assets and deferred income tax assets, which continue to be measured in accordance with the Corporation's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognized in net income (loss). Subsequent gains are not recognized in excess of any cumulative past impairment losses. The Corporation presents assets held for sale separately from the Corporation's other assets and separately from liabilities directly associated with the assets held for sale. Liabilities associated with assets held for sale are presented separately from the Corporation's other liabilities.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

- (a) represents a separate major line of business or geographical area of operations,
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- (c) is a subsidiary acquired exclusively with a view to resale.

A component of the Corporation is comprised of operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Corporation. Net income (loss) of a discontinued operation and any gain or loss on disposal are combined and presented as net income (loss) from discontinued operations in the Consolidated Statements of Income (Loss). Comparative periods are restated to reflect discontinued operations presentation.

4. New accounting standard issued but not yet in effect

IFRS 9, *Financial Instruments* (“IFRS 9”)

In November 2009 and October 2010, the International Accounting Standards Board (“IASB”) issued the first phase of IFRS 9. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized.

This standard is part of a wider project to replace IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management. The mandatory effective date is not yet determined; however, early adoption of the new standard is still permitted. The Company does not intend to early adopt IFRS 9 in its consolidated financial statements for the annual period beginning January 1, 2014. The extent of the impact of adoption of IFRS 9 has not yet been determined.

IFRIC 21, *Levies* (“IFRIC 21”)

In May 2013, the IASB issued IFRIC 21, which is effective for annual periods beginning on or after January 1, 2014 and is to be applied retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Corporation will adopt IFRIC 21 in its consolidated financial statements for the annual period beginning January 1, 2014. The extent of the impact of adoption of IFRIC 21 has not yet been determined.

5. New accounting standards issued and in effect

The Corporation has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

The IASB issued or amended the following standards which are relevant: IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*; IFRS 12, *Disclosure of Interests in Other Entities*; IFRS 13, *Fair Value Measurement*; and IAS 28, *Investments in Associates and Joint Ventures*; and IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mining*. Each of the new standards or amendments is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. Also, there were amendments to IAS 1, *Presentation of Financial Statements* effective for annual periods beginning on or after July 1, 2012 that was adopted for the year ended December 31, 2013.

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

IFRS 10, *Consolidated Financial Statements* (“IFRS 10”)

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, *Consolidation – Special Purpose Entities* and parts of IAS 27, *Consolidated and Separate Financial Statements*. The Corporation has assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries.

IFRS 11, *Joint Arrangements* (“IFRS 11”)

IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set in IAS 28, *Investments in Associates and Joint Ventures* (“IAS 28”). The adoption of IFRS 11 did not affect the Corporation’s consolidated financial statements.

5. New accounting standards issued and in effect (continued)

IFRS 12, *Disclosure of Interests in Other Entities* (“IFRS 12”)

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose entities and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The Corporation has provided additional disclosures for its annual consolidated financial statements as a result of adopting IFRS 12.

IFRS 13, *Fair Value Measurement* (“IFRS 13”)

IFRS 13, *Fair value measurement*, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Corporation adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Corporation to measure fair value and did not result in any measurement adjustments as at January 1, 2013. However, additional disclosures on financial instruments are required.

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* (“IFRIC 20”)

IFRIC 20 was issued in October 2011. It provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when one of the two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory or improved access to further quantities of material that will be mined in future periods. The Corporation has adopted IFRIC 20 effective January 1, 2013. Upon adoption of IFRIC 20 in accordance with the transitional provision, we assessed the stripping asset on the balance sheet as at January 1, 2012 and determined that there are identifiable component of the ore body with which this stripping asset can be associated. Accordingly, no opening consolidated statement of financial position as at January 1, 2012 was presented as no balance adjustment was recorded. Refer to note 6 of the consolidated financial statements for more details.

Amendments to Other Standards

IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13. The Corporation assessed that the impact of these amendments on its consolidated financial statements is not significant.

Moreover, amendments to IAS 1, *Presentation of Financial Statements* have been made to require entities to group items within other comprehensive income (loss) that may be reclassified to net income (loss). The Corporation has grouped such items in its consolidated statement of comprehensive income (loss) beginning January 1, 2013.

6. Adjustments of comparative figures

The consolidated financial statements have been adjusted to give effect to the adoption of IFRIC 20 and the discontinued operations.

The effects of the adjustments are as follows:

Adjustments to the consolidated statement of financial position

	As at December 31, 2012	IFRIC 20 adjustments	As at December 31, 2012
	Previously stated		Adjusted
Inventories	96,829	1,402	98,231
Property, plant and equipment	406,030	(12,348)	393,682
Deferred income tax liabilities	2,040	(1,685)	355
Retained earnings	120,152	(8,191)	111,961
Non-controlling interests	14,278	(1,070)	13,208

Notes to the consolidated financial statements

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

6. Adjustments of comparative figures (continued)

Adjustments to the consolidated statements of income (loss)

	For the year ended December 31, 2012			
	Previously stated	IFRIC 20 adjustments	Discontinued operations	Adjusted
Revenue – Gold sales	388,501	–	(101,292)	287,209
Costs of operations				
Mining operation expenses	184,372	–	(56,249)	128,123
Depreciation of property, plant and equipment	59,248	10,946	(24,134)	46,060
General and administrative	24,834	–	(2,501)	22,333
Corporate social responsibility expenses	5,377	–	(1,199)	4,178
Share-based compensation	3,046	–	–	3,046
Write off of property, plant and equipment	16,998	–	–	16,998
Impairment of property, plant and equipment	60,000	–	(60,000)	–
Operating income	34,626	(10,946)	42,791	66,471
Other expenses (income)				
Finance income	(295)	–	2	(293)
Finance costs	2,023	–	(1,233)	790
Foreign exchange loss (gain)	(735)	–	164	(571)
Loss on the sale of current investment	24,297	–	–	24,297
Income before income taxes	9,336	(10,946)	43,858	42,248
Income tax expense (recovery)				
Current	24,883	–	(2)	24,881
Deferred	(6,491)	(1,685)	3,000	(5,176)
	18,392	(1,685)	2,998	19,705
Net income (loss) for the period from continuing operations	(9,056)	(9,261)	40,860	22,543
Net loss for the period from discontinued operations	–	–	(40,860)	(40,860)
Net loss for the period	(9,056)	(9,261)	–	(18,317)
Net income (loss) from continuing operations attributable to:				
Equity shareholders	(6,604)	(8,191)	29,722	14,927
Non-controlling interests	(2,452)	(1,070)	11,138	7,616
	(9,056)	(9,261)	40,860	22,543
Net loss for the year attributable to:				
Equity shareholders	(6,604)	(8,191)	–	(14,795)
Non-controlling interests	(2,452)	(1,070)	–	(3,522)
	(9,056)	(9,261)	–	(18,317)
Basic earnings (loss) per share from continuing operations	(0.02)	(0.03)	0.11	0.06
Basic loss per share from discontinued operations	–	–	(0.11)	(0.11)
Basic loss per share	(0.02)	(0.03)	–	(0.05)
Diluted earnings per share (loss) from continuing operations	(0.02)	(0.03)	0.10	0.05
Diluted loss per share from discontinued operations	–	–	(0.10)	(0.10)
Diluted loss per share	(0.02)	(0.03)	–	(0.05)

Notes to the consolidated financial statements

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

6. Adjustments of comparative figures (continued)

Adjustments to the consolidated statements of cash flow

	For the year ended December 31, 2012			
	Previously stated	IFRIC 20 adjustments	Discontinued operations	Adjusted
Cash flows from (used in):				
Operating activities				
Net income (loss) for the year	(9,056)	(9,261)	40,860	22,543
Adjustments for :				
Depreciation of property, plant and equipment	59,248	10,946	(24,134)	46,060
Share-based compensation	3,046	–	–	3,046
Non-cash finance costs	1,409	–	(1,188)	221
Unrealized foreign exchange loss	1,975	–	–	1,975
Write-off property, plant and equipment	16,998	–	–	16,998
Loss on the sale of current investment	24,297	–	–	24,297
Impairment of property, plant and equipment	60,000	–	(60,000)	–
Deferred income taxes recovery	(6,491)	(1,685)	3,000	(5,176)
Provisions	3,980	–	–	3,980
	155,406	–	(41,462)	113,944
Changes in non-cash working capital items	(750)	–	(3,636)	(4,386)
Net cash provided by operating activity from continuing operations	154,656	–	(45,098)	109,558
Net cash provided by operating activity from discontinued operations	–	–	45,098	45,098
Net cash provided by operating activity	154,656	–	–	154,656
Financing activities				
Proceeds on issuance of share capital	315	–	–	315
Reimbursement of advance payable	(2,000)	–	2,000	–
Payment of dividends to non-controlling interest	(787)	–	–	(787)
Payment of dividends to equity shareholders	(10,709)	–	–	(10,709)
Net cash provided by financing activity from continuing operations	(13,181)	–	2,000	(11,181)
Net cash provided by financing activity from discontinued operations	–	–	(2,000)	(2,000)
Net cash provided by financing activity	(13,181)	–	–	(13,181)
Investing activities				
Current investment	(4,813)	–	–	(4,813)
Proceeds from the sale of current investment	5,617	–	–	5,617
Acquisitions of property, plant and equipment	(180,766)	–	27,946	(152,820)
Decrease in restricted cash	303	–	(300)	3
Net cash provided by investing activity from continuing operations	(179,659)	–	27,646	(152,013)
Net cash provided by investing activity from discontinued operations	–	–	(27,646)	(27,646)
Net cash provided by investing activity	(179,659)	–	–	(179,659)
Effect of exchange rate changes				
on cash and cash equivalents	(1,078)	–	–	(1,078)
Change in cash and cash equivalents during the year	(39,262)	–	–	(39,262)
Cash and cash equivalents – beginning of year	178,713	–	–	178,713
Cash and cash equivalents – end of year	139,451	–	–	139,451

7. Critical accounting estimates and judgements

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

Mineral reserves

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

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

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

Impairment of non-financial assets

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

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

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

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

As at June 30, 2013, the carrying amount of the Corporation's net assets exceeded its market capitalization, which is an indicator of potential impairment of the carrying amount of our CGUs. Consequently, and as a result of recent significant declines in gold prices, the Corporation conducted impairment testing of the Mana Mine in Burkina Faso as at June 30, 2013. We assessed the recoverable amount of the Mana Mine and determined that the fair value less cost to sell is greater than its carrying amount and therefore no impairment charge was recorded. For details on the impairment testing performed during the year of the Samira Hill Mine in Niger and the Kiniero Mine in Guinea, refer to note 11 of the consolidated financial statements.

7. Critical accounting estimates and judgements (continued)

Depreciation of property, plant and equipment

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

Asset Retirement Obligations

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

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

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

Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Corporation. Increases in future costs could materially impact the operating results. An asset retirement obligations study for one of our subsidiaries in Burkina Faso was completed in 2013. The financial impact of the study is described in note 16 of the consolidated financial statements.

Income taxes

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

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

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

Notes to the consolidated financial statements

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

7. Critical accounting estimates and judgements (continued)

Measurement of financial instruments

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

The Corporation follows the guidance of IAS 39, *Financial Instruments: Recognition and Measurement* to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Corporation evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

8. Cash and cash equivalents

	As at December 31, 2013 \$	As at December 31, 2012 \$
Cash	72,159	119,451
Cash equivalents	10,000	20,000
	82,159	139,451

Cash comprises cash on hand and demand deposits amounting to \$72,159,000 which includes \$15,707,000 of cash on hand bearing interest at a rate of 0.4000% annually as at December 31, 2013.

As at December 31, 2013, cash equivalents are composed of two bank deposits of \$5,000,000 each (totalling \$10,000,000), maturing on March 24, 2014 and bearing interest at a rate of 0.1200% per annum.

As at December 31, 2012, cash comprised cash on hand and demand deposits amounting to \$119,451,000 which includes \$33,530,000 of cash on hand bearing interest at a rate of 0.4000% annually.

As at December 31, 2012, cash equivalents are composed of four bank deposits of \$5,000,000 each (totalling \$20,000,000), bearing interest at a rate between 0.1525% and 0.1700% per annum and maturing between March 26, 2013 and June 21, 2013.

Despite these bank deposits having an investment period of over 90 days, they are deemed highly liquid cash equivalent items as they can be redeemed at any time without penalties.

Notes to the consolidated financial statements

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

9. Trade and other receivables

	As at December 31, 2013 \$	As at December 31, 2012 \$
Gold trade receivables	97	11,119
Other receivables	23,560	19,276
	23,657	30,395

Trade receivables relate to gold shipments not yet collected. They are non-interest bearing and are generally settled within 15 days after the day of the shipment. The trade receivables are neither past due nor impaired.

Other receivables include value added tax ("VAT") receivables totalling \$22,327,000 as of December 31, 2013 (December 31, 2012: \$17,978,000). They are non-interest bearing and are generally settled within one to six months.

As at December 31, 2013, there was \$9,846,000 of VAT receivables six months past due for which an allowance for doubtful account was not recorded (2012: nil).

The Corporation holds no collateral for any receivable amounts outstanding as at December 31, 2013 (December 31, 2012: nil).

10. Inventories

	As at December 31, 2013 \$	As at December 31, 2012 \$ (Adjusted note 6)
Doré bars	—	7,989
Gold in circuit	10,326	14,767
Stockpiles	2,989	7,102
Supplies and spare parts	41,825	68,373
	55,140	98,231

The cost of inventory that was charged to expenses represents mostly mining operation expenses and essentially all of the depreciation of property, plant and equipment.

For the year ended December 31, 2013, provision expense amounting to \$1,953,000 was recorded (2012: \$1,509,000), of which \$1,160,000 is related to gold in circuit and \$793,000 to spare parts. There was no reversal of write-down in 2013 (2012: nil).

Notes to the consolidated financial statements

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

11. Assets held for sale and discontinued operations

Kiniero Mine

As at December 31, 2013, management is committed to the sale of the Kiniero Mine in its present condition, which is expected to be completed within a year from the date of the classification as assets of disposal group held for sale. During the first quarter of 2014, the Kiniero Mine was placed on care and maintenance.

The Corporation concluded that the Kiniero Mine met the criteria for discontinued operations and the criteria for classification as assets of disposal group held for sale. Accordingly, the Corporation has presented the Kiniero Mine segment as assets of disposal group held for sale in the consolidated financial statements and was required to remeasure them to the lower of carrying value and fair value less cost to sell. No loss on the remeasurement was recorded for the year ended December 31, 2013.

As at December 31, 2013, the statement of the financial position of the Kiniero Mine was as follows:

	As at December 31, 2013 \$
Cash and cash equivalents	440
Trade and other receivables	40
Inventories	1,058
Other current assets	63
Property, plant and equipment ¹	2,539
Total assets held for sale	4,140
Trade payables and accrued liabilities	2,296
Provisions ²	2,090
Total liabilities held for sale	4,386

For the year ended December 31, 2013, bad debt expense on VAT receivables related to the Kiniero Mine amounted to \$1,600,000 (2012: \$985,000). The liability for asset retirement obligations as at December 31, 2013 was \$2,090,000 (December 31, 2012: \$1,912,000). The estimated undiscounted value of this liability was \$2,203,000 (December 31, 2012: \$2,117,000). In the year ended December 31, 2013, an accretion expense component of \$134,000 (2012: \$125,000) has been charged to operations in other to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a weighted average discount rate of 7% (2012: 7%).

¹ This amount is comprised of an opening net book value of \$30,033,000 as at January 1st, 2013 (see note 13), an addition of \$636,000, reduced by a depreciation charge of \$4,605,000 and an impairment of \$23,525,000 for the year ended December 31, 2013.

² This amount is comprised of an opening net book value of \$1,912,000 as at January 1st, 2013 (see note 16), an addition of \$50,000, increased by an accretion expense of \$134,000 and reduced by \$6,000 used during the year ended December 31, 2013.

Notes to the consolidated financial statements

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

11. Assets held for sale and discontinued operations (continued)

Sale of the interest in the Samira Hill Mine

On December 2, 2013, the Corporation sold its 80% interest in the Samira Hill Mine in Niger as well as related exploration permits in Niger to Société de Patrimoine des Mines du Niger S.A. (SOPAMIN).

On closing of the transaction, the Corporation received a cash payment of \$1.25 million and retained a fixed net smelter return ("NSR") royalty of 1.2% on all gold production from the Samira Hill plant payable by SOPAMIN to the Corporation. The NSR is payable only if the spot price of gold is at or greater than \$1,250 per ounce, and is capped at \$12 million.

For the year ended December 31, 2013, the Corporation recognized a gain on disposal of \$2,826,000 that resulted from the fair value of consideration received less cost to sale in the transaction exceeding the carrying value of its interest in Samira Hill Mine net liabilities, measured as at December 2, 2013. As a result of the sale transaction, the Corporation reversed the non-controlling interest of \$3,385,000. The NSR is not valued in the calculation of the fair value of the consideration received as it is considered a form of retained interest in the Samira Hill Mine. As a result of this sale, the Corporation ceased to have control over the Samira Hill Mine and does not consolidate the entity anymore. The result of operations of the Samira Hill Mine prior to the sale is classified as discontinued operations.

The loss on disposal of the Samira Hill Mine was calculated as follows:

	As at December 2, 2013 \$
Fair value of consideration received	1,250
Less: cost to sale	(648)
Fair value of consideration received less cost to sale	602
Less carrying value:	
Cash and cash equivalents	281
Trade and other receivables	66
Inventories	2,483
Other current assets	477
Property, plant and equipment ¹	3,845
Trade payables and accrued liabilities	(3,796)
Advance payable	(999)
Provisions ²	(4,581)
Net liabilities	(2,224)
 Gain on disposal of the Samira Hill Mine	 (2,826)

¹ This amount is comprised of an opening net book value of \$29,422,000 as at January 1st, 2013 (see note 13), an addition of \$6,577,000, reduced by a depreciation charge of \$4,953,000 and an impairment of \$27,201,000 for the year ended December 31, 2013.

² This amount is comprised of an opening net book value of \$4,152,000 as at January 1st, 2013 (see note 16), an addition of \$171,000, increased by an accretion expense of \$266,000 and reduced by \$8,000 used during the year ended December 31, 2013.

Notes to the consolidated financial statements

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

11. Assets held for sale and discontinued operations (continued)

The analysis of the results of discontinued operations of the Samira Hill Mine and the Kiniero Mine for the year ended December 31, 2013 is as follows:

			2013
	Samira Hill, Niger \$	Kiniero, Guinea \$	Total \$
Revenue – Gold sales	50,798	26,159	76,957
Mining operation expenses	36,260	16,428	52,688
Depreciation of property, plant and equipment	7,440	4,937	12,377
Impairment	49,796	32,830	82,626
Other	4,981	2,373	7,354
Net loss from discontinued operations before income taxes and gain on disposal	(47,679)	(30,409)	(78,088)
Gain on disposal of discontinued operations (net of tax of nil)	(2,826)	–	(2,826)
Income tax expense	3,000	–	3,000
Net loss for the year from discontinued operations	(47,853)	(30,409)	(78,262)
Attributable to:			
Equity shareholders	(51,238)	(24,757)	(75,995)
Non-controlling interest	3,385	(5,652)	(2,267)

Impairment

During the year ended December 31, 2013, impairment charges totalled \$82,626,000 related to the Samira Hill and Kiniero mines as a result of the significant declines in gold prices, the fact that the carrying amount of the Corporation's net assets exceeded its market capitalization and following the decision to wind down operations to a care and maintenance status at the Samira Hill and Kiniero Mines in 2013.

At the Samira Hill and Kiniero mines, the result of the impairment test as at June 30, 2013 suggested that the recoverable amount calculated using the fair value less cost to sell, which was determined based on discounted cash flows, was lower than the carrying amount of the cash-generating unit. The post-tax discount rate, adjusted for inflation, used in the calculation of fair value less cost to dispose was 8.5%.

The impairment charges of \$82,626,000 comprised an amount of \$50,726,000 for property, plant and equipment, \$31,085,000 mainly for spare parts as well as stockpiles and \$815,000 for other receivables. Of the \$82,626,000 impairment charges, \$49,796,000 was recorded within the Samira Hill segment and \$32,830,000 was recorded within the Kiniero segment, both in the consolidated statement of income (loss).

Notes to the consolidated financial statements

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

11. Assets held for sale and discontinued operations (continued)

The analysis of the results of discontinued operations of Samira Hill Mine and the Kiniero Mine for the year ended December 31, 2012 is as follows:

	2012		
	Samira Hill, Niger ¹ \$	Kiniero, Guinea \$	Total \$
Revenue – Gold sales	79,506	21,786	101,292
Mining operation expenses	45,690	10,559	56,249
Depreciation of property, plant and equipment	20,514	3,620	24,134
Impairment	60,000	–	60,000
Other	2,711	2,056	4,767
Net income (loss) from discontinued operations before income taxes	(49,409)	5,551	(43,858)
Income tax expense (recovery)	(3,000)	2	(2,998)
Net income (loss) for the year from discontinued operations	(46,409)	5,549	(40,860)
Attributable to:			
Equity shareholders	(36,889)	7,167	(29,722)
Non-controlling interest	(9,520)	(1,618)	(11,138)

Impairment

As at December 31, 2012, the Corporation determined that the review of technical and economical parameters at the Samira Hill Mine triggered an impairment review. The revision takes into consideration increases in sustaining capital expenditures, consumables and operating costs as well as escalating energy costs related to the poor reliability of the Niger power grid.

The result of the impairment test suggests that the recoverable amount calculated using the value in use, i.e. the present value of the future cash flow expected to derive from the Samira Hill Mine, was lower than the carrying amount of this CGU. The pre-tax discount rate used in the calculation of the value in use was 8.5%.

Accordingly, for the year ended December 31, 2012, the Corporation recorded an impairment charge of \$60,000,000 for non-financial assets all of which is property, plant and equipment of the Samira Hill Mine and was recorded in the consolidated statement of income (loss). This impairment charge was recorded within the Samira Hill Mine segment.

12. Advance receivable and intangible asset

On October 1, 2011, the Corporation entered into an agreement with the National Electricity Company Sonabel ("Sonabel"), in Burkina Faso, pursuant to which the Corporation will advance \$9,452,000 (4,500,000,000 FCFA) for the construction of a high-voltage transmission line to deliver power to the Mana Mine. This amount is reimbursable to the Corporation by Sonabel over an eight-year period following commissioning which is currently scheduled for the fourth quarter of 2014.

In the second quarter of 2013, an amount of \$4,100,000 (2,041,944,000 FCFA) has been advanced to Sonabel with respect to this project. The advance is non-interest bearing and measured at amortized cost using the effective interest rate method. As at June 30, 2013, the Corporation recorded an advance receivable of \$2,812,000 which has been determined using a weighted average discount rate of 7%. An intangible asset of \$1,288,000 was recorded, which is the difference between the amount paid to Sonabel and the advance receivable recorded at the date of transaction. This intangible asset represents the right to obtain future benefits from the future source of energy supply. The intangible asset will be amortized over the useful life of the mine once the transmission line will be in operation.

As at December 31, 2013, the advance receivable amounted to \$3,029,000 (December 31, 2012: nil) and the intangible asset amounted to \$1,288,000 (December 31, 2012: nil).

Notes to the consolidated financial statements

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

13. Property, plant and equipment

	Property, acquisition costs, deferred exploration and development costs \$	Buildings and equipment related to mining production \$	Mining equipment \$	Rolling stock, communication and computer equipment \$	TOTAL \$
Year ended December 31, 2013					
Opening net book amount ¹	176,739	134,494	76,112	6,337	393,682
Additions	85,973	22,182	1,472	1,274	110,901
Reclassification of opening balance of assets classified as held for sale and related impairment (note 11)	(36,924)	(14,879)	(6,920)	(732)	(59,455)
Depreciation charge	(37,326)	(10,219)	(13,094)	(1,955)	(62,594)
Closing net book amount	188,462	131,578	57,570	4,924	382,534
As at December 31, 2013					
Cost	297,394	184,303	94,832	12,285	588,814
Accumulated depreciation	(108,932)	(52,725)	(37,262)	(7,361)	(206,280)
Net book amount	188,462	131,578	57,570	4,924	382,534
Assets not subject to depreciation included in above ²	5,176	14,651	97	11	19,935
Year ended December 31, 2012¹					
Opening net book amount	183,205	122,445	50,475	6,062	362,187
Additions	100,035	38,277	42,588	3,286	184,186
Write-off ³	(16,998)	–	–	–	(16,998)
Impairment	(40,380)	(12,720)	(6,000)	(900)	(60,000)
Depreciation charge	(49,123)	(13,508)	(10,951)	(2,111)	(75,693)
Closing net book amount	176,739	134,494	76,112	6,337	393,682
As at December 31, 2012¹					
Cost	380,193	220,986	116,272	17,971	735,422
Accumulated depreciation	(203,454)	(86,492)	(40,160)	(11,634)	(341,740)
Net book amount	176,739	134,494	76,112	6,337	393,682
Assets not subject to depreciation included in above ²	4,800	35,350	18,796	133	59,079

¹ Amounts have been adjusted for the adoption of IFRIC 20. Refer to note 6.

² Assets not subject to depreciation include critical spare parts not yet installed of \$5,613,000 (December 31, 2012: \$6,369,000) as well as assets under construction or in transit of \$14,322,000 (December 31, 2012: \$52,710,000).

³ In 2012, the Corporation recorded a write-off of \$16,998,000 on its property, plant and equipment. These charges were the result of the conversion of the Mana underground mining operations in Burkina Faso to a super pit mining scenario. They mainly consist of expenditures associated with feasibility studies, subcontractor expenditures and infrastructure specifically related to the underground project. Recoverable amount has been determined based on the fair value less cost to sale of the assets estimated at nil. The fair value less cost to sell was based on the best information available to reflect the amount that an entity could obtain from the disposal of the asset.

Notes to the consolidated financial statements

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

14. Investment

	As at December 31, 2013 \$	As at December 31, 2012 \$
Investment in GoviEx, at fair value	–	19,600
	–	19,600

The Corporation has classified its investment in GoviEx Uranium Inc. (“GoviEx”), a non-quoted equity investment as an available-for-sale financial investment. In 2013, the Corporation recognized an impairment loss of \$19,600,000 as a result of the significant decline (see note 18) in fair value of GoviEx in other comprehensive income and reclassified to net loss (2012: unrealized loss of \$8,480,000, net of tax impact of \$1,320,000). In 2013, the tax impact of the impairment is \$2,600,000 with no net impact in the consolidated statement of income (loss).

15. Trade payables and accrued liabilities

	As at December 31, 2013 \$	As at December 31, 2012 \$
Trade payables	15,776	35,597
Royalty and withholding tax	5,584	7,267
Other accrued expenses	17,460	24,156
	38,820	67,020

All payables are unsecured, non-interest bearing, incurred in the normal course of the Corporation’s business operations and are within the credit terms of each relevant supplier or service provider.

Notes to the consolidated financial statements

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

16. Provisions

	As at December 31, 2013 \$	As at December 31, 2012 \$
Current	5,359	2,588
Non-current	7,079	12,487
	12,438	15,075

	Asset retirement obligations \$	Others \$	Total \$
As at January 1, 2012	8,505	–	8,505
Net additional provisions	1,274	4,700	5,974
Increase due to accretion expense	596	–	596
As at December 31, 2012	10,375	4,700	15,075
Net additional provisions	1,011	4,000	5,011
Provisions classified in liabilities held for sale	(6,064)	–	(6,064)
Increase due to accretion expense	364	114	478
Decrease resulting from a change in estimate	(498)	–	(498)
Used during year	–	(1,564)	(1,564)
As at December 31, 2013	5,188	7,250	12,438

The liability for asset retirement obligations as at December 31, 2013 was \$5,188,000 (December 31, 2012: \$10,375,000). The estimated undiscounted value of this liability was \$9,878,000 (December 31, 2012: \$12,752,000). These disbursements are expected to be made during the years 2015 to 2026.

During the year 2013, an asset retirement obligations study for the subsidiary in Burkina Faso was conducted. From the results of the study, a new estimate of the asset retirement obligation required less provision, which resulted in a net decrease of asset retirement obligation by \$498,000. A gain of \$2,491,000 was recorded as a reduction of depreciation expense and an increase of \$1,993,000 of asset retirement obligations was recorded.

In the year ended December 31, 2013, an accretion expense component of \$364,000 (2012: \$ 221,000) has been charged to operations in finance costs to reflect an increase in the carrying amount of the asset retirement obligation which has been determined using a weighted average discount rate of 7% (2012: 7%).

Other provisions include a special compensation arrangement of \$2,225,000 (December 31, 2012: \$2,700,000) made with the former President and Chief Executive Officer for which the undiscounted value of the special compensation arrangement was \$2,429,000 (December 31, 2012: \$3,218,000). The disbursements are expected to be made during the years 2014 to 2020. As at December 31, 2013, the special compensation required the issuance of a letter of credit amounting to \$1,380,000, for which cash was restricted.

The remaining provision included a tax provision of \$1,025,000 (December 31, 2012: \$ 2,000,000) related to the tax assessment received from the government of Burkina Faso and \$4,000,000 of indirect taxes no longer exempt from our mining agreement with the government.

Notes to the consolidated financial statements

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

17. Share capital

The Corporation has authorized:

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

Rights Plan

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

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

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

Dividend declared

On May 14, 2012, the Board of Directors approved a cash dividend of C\$0.02 per common share, paid on July 16, 2012 to shareholders of record at the close of business on June 30, 2012.

On November 6, 2012, the Board of Directors approved a cash dividend of C\$0.02 per common share, paid on January 15, 2013 to shareholders of record at the close of business on December 31, 2012.

On May 13, 2013, the Board of Directors approved a cash dividend of C\$0.02 per common share, paid on July 15, 2013 to shareholders of record at the close of business on June 30, 2013.

Capital risk management

Capital is defined as equity shareholders.

	As at December 31, 2013	As at December 31, 2012
Equity Shareholders ¹	492,179	579,372

The Corporation’s capital risk management objectives are as follows:

- a) Safeguard the Corporation’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders to maintain an optimal capital structure to enhance shareholder value in the long-term
- b) Ensure sufficient capital in order to meet short-term business requirements and pursue the development of its mining projects and operations
- c) Maintain an optimal capital structure and reduce the cost of capital

The Corporation’s objectives remain unchanged from 2012.

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

¹ Refer to the consolidated statement of changes in equity.

Notes to the consolidated financial statements

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

18. Financial Instruments

Measurement categories

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statement of income (loss) or in the consolidated statement of comprehensive loss. These categories are: loans and receivables, available-for-sale financial assets and liabilities at amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories as at December 31, 2013 and December 31, 2012.

	As at December 31, 2013 \$	As at December 31, 2012 \$
Financial assets		
Loans and receivables		
Cash and cash equivalents	82,159	139,451
Restricted cash	3,516	923
Gold trade receivables	97	11,119
Advance receivable	3,029	–
Other receivables (excluding VAT)	1,233	1,298
Available-for-sale assets		
Investment in GoviEx	–	19,600
	90,034	172,391
Financial liabilities		
Amortized cost		
Trade payable and other financial liabilities	34,354	53,853
Dividend payable	–	5,492
Advance payable	–	915
	34,354	60,260

Financial risk factors

The Corporation's activities are exposed to financial risks: market risks, credit risk and liquidity risk.

A. Market risks

i) Fair value

The Corporation considers that the carrying amount of all its financial liabilities at amortized cost in its financial statements approximates their fair value, including the advance payable (for comparative figures) which is considered to approximate its fair value given its short-term maturity date. Current financial assets and liabilities are valued at their carrying amounts, which are reasonable estimates of their fair value due to their near-term maturities; this includes cash and cash equivalents, gold trade receivables, other receivables (excluding VAT), restricted cash, trade payable and other financial liabilities, dividend payable and advance payable. The fair value of the advance receivable was estimated by discounting the future cash flows.

The fair value hierarchy under which the Corporation's financial instruments are valued is as follows:

- Level 1 includes unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 includes inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly
- Level 3 includes inputs for the asset or liability that are not based on observable market data

The Corporation's finance department is responsible for performing the valuation of financial instruments, including Level 3 fair values. The valuation process and results are reviewed and approved by management every quarter, in line with the Corporation's quarterly reporting dates. Valuation results are discussed with the Audit Committee as part of its quarterly review of the Corporation's financial statements. On the basis of its analysis of the nature, characteristics and risks of equity securities, the Corporation has determined that presenting them by industry and type of investment is appropriate.

18. Financial Instruments (continued)

Financial risk factors (continued)

A. Market risks (continued)

i) Fair value (continued)

The advance receivable is classified as a Level 3 financial instrument according to the Corporation's fair value hierarchy as a recurring item. The valuation technique used is the income approach (discounted future cash flows) with an effective interest rate of 7% over a nine-year period. The fair value as at December 31, 2013 was \$3,029,000.

The investment in GoviEx Uranium Inc. ("GoviEx"), a private mineral resources company focused on the exploration and development of uranium properties in Niger, is included in investment. Its fair value is a recurring measurement. The Corporation estimates the fair value of the investment in GoviEx using the most recent available information on this private equity investment. Accordingly, this investment is classified as a level 3 financial instrument according to the Corporation's fair value hierarchy as it is not based on observable market data. Should the most recent available information not be deemed appropriate to adequately determine the fair value of the investment in GoviEx, management will determine the fair value of this investment through the application of a market approach utilizing the average variation of the share price calculated from guidelines of public companies or stock market index for a given period.

In February 2008, the Corporation completed a transaction with GoviEx, aimed at combining the companies' interests in uranium mining projects. As part of this transaction, the Corporation sold all its shares in its subsidiary Semafo Energy (Barbados) Limited, in which the Corporation had already invested \$2,151,000, in consideration for approximately 12% of GoviEx's outstanding shares at the transaction date. The transaction resulted in a non-cash gain of \$17,849,000 and transaction fees of \$400,000.

During the second quarter of 2013, GoviEx issued a technical economic analysis prepared by SRK Consulting (UK) Limited for its Madaouela uranium project in Niger. The base case project economics assume a long-term uranium price of US\$70/lb. Based on the current uranium market price, this project does not meet our minimal profitability criteria. In addition, GoviEx is in the process of restructuring its debt, which may create material dilution of the Corporation's ownership in GoviEx. By combining the low profitability of the project and the potentially material dilution of our ownership, the Corporation deemed that the decline in GoviEx's fair value is significant and that there is an objective evidence of impairment.

Therefore, during the year ended December 31, 2013, the Corporation recorded an impairment of \$19,600,000 (2012: nil) in the consolidated statement of income (loss). The tax impact of this impairment is \$2,600,000 with no net impact in the consolidated statement of income (loss). Any impairment of available-for-sale equities is permanent and cannot be reversed in the consolidated statement of income (loss). During the year ended December 31, 2012, the Corporation recorded an other comprehensive loss of \$8,480,000, net of tax impact totalling \$1,320,000, based on the Corporation's estimates determined using the market approach valuation technique. Accordingly, the investment in GoviEx is valued at a fair value of nil and \$19,600,000 as at December 31, 2013 and December 31, 2012 respectively.

In 2011, the Corporation made an investment of \$25,101,000 in a quoted equity investment that was classified as Level 1. During the first quarter of 2012, the Corporation made a further investment of \$4,813,000 for a total current investment of \$29,914,000. Moreover, the Corporation recorded, in the year ended December 31, 2012, a loss in the statement of other comprehensive income (loss) of \$29,983,000, as a result of the decrease in the fair value of the current investment. The Corporation sold this current investment during the second quarter of 2012 for proceeds totalling \$5,617,000, realizing a loss of \$24,297,000. The Corporation reclassified these losses to net income (loss) following the sale of this investment.

There were no transfers between Level 1, Level 2 and Level 3 as at December 31, 2013 and December 31, 2012.

ii) Interest rate risk

The Corporation's current financial assets and financial liabilities are not significantly exposed to interest rate risk because either they are of a short-term nature or because they are non-interest bearing.

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

Notes to the consolidated financial statements

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

18. Financial Instruments (continued)

Financial risk factors (continued)

A. Market risks (continued)

iii) Foreign exchange risk

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

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

The balances in currencies are as follows as at December 31, 2013 and 2012:

	2013		2012	
	CAD	EUR	CAD	EUR
Cash and cash equivalents	3,736	30,707	7,922	56,859
Restricted cash	1,617	1,449	–	1,217
Gold trade receivables and other receivables	129	614	79	1,579
Advance receivable	–	2,198	–	–
Trade payables and other financial liabilities	(3,725)	(12,009)	(380)	(26,908)
Dividend payable	–	–	(5,520)	–
	1,757	22,959	2,101	32,747
USD equivalents	1,651	31,634	2,091	24,836

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

Assuming that all other variables are constant, a variation of 10% in the Canadian dollar exchange rate would generate an impact of \$150,000 on net income for the year ended December 31, 2013 (2012: \$190,000). A variation of 10% in the Euro exchange rate would generate an impact of \$2,876,000 on net income for the year ended December 31, 2013 (2012: \$2,257,000).

iv) Equity price risk

The Corporation is exposed to equity price risk for its investment classified as available-for-sale financial asset. Equity price risk is the risk that the fair value of a financial instrument varies due to equity market changes. The Corporation's non-quoted equity investment in GoviEx is exposed to equity price risk when its fair value is determined through a stock market index. As at December 31, 2013, the fair value of the investment in GoviEx was estimated at nil and therefore the Corporation is not exposed to equity price risk in the current condition of the project. As at December 31, 2012 its fair value was determined through a stock market index and therefore, a variation of $\pm 10\%$ of the non-quoted equity investment in GoviEx would result in an estimated effect in the consolidated statement of comprehensive income of \$1,960,000 (net of tax) for the year ended December 31, 2012.

Notes to the consolidated financial statements

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

18. Financial Instruments (continued)

Financial risk factors (continued)

B. Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist of cash and cash equivalents, restricted cash and gold trade receivables and other receivables. The Corporation offsets these risks by depositing its cash and cash equivalents, including restricted cash, with Canadian and international financial institutions with credit rating between AA- and A, and with banks in Africa, which have no credit rating. The Corporation only performs transactions with a single highly rated counterparty for the sale of gold. The Corporation has receivables from the government in Burkina Faso and receivables from a sales agent. With regards to advances receivables and other receivables, a credit analysis is performed on the suppliers assuring the risk to the Company as being minimal.

C. Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due. The following are the contractual maturities of financial liabilities as at December 31, 2013:

	Between 0 and 6 months \$	Between 7 and 12 months \$	Over 12 months \$
Trade payables and other financial liabilities	29,991	2,564	1,799

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

Surplus cash held over and above balance required for working capital management and other expected needs are invested in interest bearing current accounts and bank deposits. As at December 31, 2013, the Corporation held cash comprising of cash on hand and demand deposits amounting to \$72,159,000 (2012: \$119,451,000); and cash equivalents composing of bank deposits of \$10,000,000 (2012: \$20,000,000).

19. Income taxes

a) Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at December 31, 2013 \$	As at December 31, 2012 \$ (Adjusted note 6)
Deferred tax assets		
Deferred tax asset to be recovered after more than 12 months	66	4,112
Deferred tax asset to be recovered within 12 months	–	1,300
	66	5,412
Deferred tax liabilities		
Deferred tax liability to be reversed after more than 12 months	(1,004)	(583)
Deferred tax liability to be reversed within 12 months	(124)	(2,184)
	(1,128)	(2,767)
Net deferred tax assets	(1,062)	2,645

Notes to the consolidated financial statements

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

19. Income taxes (continued)

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

	Property, plant and equipment \$	Share issued expense \$	Operating losses carried forward \$	Unrealized foreign exchange losses \$	Intangible assets \$	Reserve \$	Donations \$	Total \$
Deferred tax assets								
As at January 1, 2012	2,943	1,412	1,151	(1)	198	293	915	6,911
Charged (credited) to consolidated statement of income (loss)	5,197	(1,412)	1,489	282	(198)	(293)	(915)	4,150
Exchange differences	168	–	16	12	–	–	–	196
As at December 31, 2012 (adjusted, note 6)	8,308	–	2,656	293	–	–	–	11,257
Charged (credited) to consolidated statement of income (loss)	(8,184)	–	(2,656)	(293)	–	–	–	(11,133)
Exchange differences	(58)	–	–	–	–	–	–	(58)
As at December 31, 2013	66	–	–	–	–	–	–	66

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

	Inventories \$	Property, plant and equipment \$	Investments \$	Unrealized foreign exchange losses \$	Debt \$	Reserve \$	Investments in subsidiaries \$	Total \$
Deferred tax liabilities								
As at January 1, 2012	(770)	(3,947)	(3,827)	(2,713)	(277)	(2,331)	–	(13,865)
Charged (credited) to consolidated statement of income (loss)	221	3,800	14	(442)	275	647	(489)	4,026
Charged (credited) to other comprehensive income	–	–	1,320	–	–	–	–	1,320
Exchange differences	(4)	(3)	(13)	(64)	2	(11)	–	(93)
As at December 31, 2012	(553)	(150)	(2,506)	(3,219)	–	(1,695)	(489)	(8,612)
Charged (credited) to consolidated statement of income (loss)	445	(613)	2,506	2,936	–	1,678	369	7,321
Credited to other comprehensive income (loss)	–	–	–	–	–	–	–	–
Exchange differences	(10)	93	–	70	–	10	–	163
As at December 31, 2013	(118)	(670)	–	(213)	–	(7)	(120)	(1,128)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related taxable income through future taxable income is probable. Accordingly, the Corporation has deferred tax asset related to losses carry-forward totalling \$0 as at December 31, 2013 (2012: \$2,656,000) but did not recognize deferred income tax assets of \$15,054,000 (2012: \$17,132,000) in respect of losses amounting to \$56,443,000 (2012: \$78,899,000) that can be carried forward against future taxable income and expiring between 2027 and 2032.

Deferred income tax liabilities of \$19,453,000 (2012: \$18,461,000) have not been recognized for the withholding tax and other taxes that would be payable on a significant portion of unremitted earnings of certain subsidiaries as the Corporation is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Unremitted earnings totalled \$311,250,000 as at December 31, 2013 (2012: \$295,369,000).

Notes to the consolidated financial statements

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

19. Income taxes (continued)

b) Income tax expense

	2013 \$	2012 \$ (Adjusted note 6)
Current tax		
Current tax on profits for the year	4,826	23,137
Adjustments in respect of prior years	71	1,744
Total current tax	4,897	24,881
Deferred tax		
Additions and reversals of temporary differences	918	(4,551)
Adjustments in respect of prior years	(106)	(625)
Total deferred tax	812	(5,176)
Income tax expense	5,709	19,705

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

	2013 \$	2012 \$ (Adjusted note 6)
Income before income taxes	6	42,248
Domestic tax rates applicable to profits in the respective countries	26.90%	26.90%
Tax calculated at domestic tax rates applicable to profits in the respective countries	2	11,365
Tax effects of:		
Difference in tax rate of foreign subsidiaries	(2,270)	(7,167)
Unrecorded tax benefits	3,306	8,124
Expenses not deductible for tax purposes	2,445	3,884
Adjustments in respect of prior years	1,328	1,061
Foreign exchange loss not materialized	72	60
Effect of currency translation on tax base	(2,588)	(1,329)
Other tax paid included in income tax expense	3,111	4,079
Other	303	(372)
Income tax expense	5,709	19,705

In December 2012, the Corporation received a tax assessment from the Burkinabe tax authorities covering the years 2009 to 2011 totalling \$13,300,000 and excluding \$8,000,000 in penalties. The assessment covers four items: value added tax (VAT) on interest expenses and management fees, insufficient withholding taxes paid related to non-resident service providers, corporate income tax adjustments as well as capital income tax. Accordingly, the Corporation recorded \$2,000,000 in its current provision in 2012.

The Corporation vigorously defended its position with the Burkinabe tax authorities during 2013 which resulted in a decrease of the amount claimed to \$9,000,000 excluding \$1,800,000 in penalties.

Notes to the consolidated financial statements

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

19. Income taxes (continued)

b) Income tax expense (continued)

The Corporation recognized that VAT should have been paid on interest expense and management fees. Accordingly, VAT totalling approximately \$8,025,000 has been paid in 2013 which are recoverable.

Other elements covered in the tax assessment amounting to approximately \$975,000 were paid in 2013, which finalized the payment of the tax assessment excluding penalties. The remaining part of the short-term provision amounting to \$1,025,000 (note 16) is kept as the Corporation believes that this amount will cover penalties over the tax assessment.

The inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Corporation's results and cash flows.

20. Mining operation expenses

	2013 \$	2012 \$ (Adjusted note 6)
Production costs	114,595	113,789
Government royalties	10,798	14,334
	125,393	128,123

21. General and administrative

	2013 \$	2012 \$ (Adjusted note 6)
(in thousands of dollars)		
Corporate expenses	15,420	20,054
Sites – Administrative	2,159	2,279
Indirect taxes	2,000	–
	19,579	22,333

For the year ended December 31, 2013, general and administrative expenses included termination benefits of \$477,000 as part of the optimization efforts (2012: nil).

22. Share-based compensation

	2013 \$	2012 \$
Options plans (a)	1,230	1,415
Restricted Share Unit plan (b)	2,054	1,631
	3,284	3,046

22. Share-based compensation (continued)

a) Options

The Corporation has two share option plans for its employees, directors, officers and consultants and those of its subsidiaries; the Share Option Plan (the “Original Plan”) and the 2010 Share Option Plan (the “2010 Plan”).

The Corporation's shareholders adopted the 2010 Plan at the 2010 Annual General and Special Meeting of the Shareholders. The 2010 Plan is similar to the Original Plan, but provides, among other things, for a 5-year option term instead of the 10-year option term provided under the Original Plan. Since the adoption by the Corporation's shareholders of the 2010 Plan, no further option has been granted nor will be granted under the Original Plan.

The Original Plan provides for the grant of non-transferable options for the purchase of common shares. The Corporation's Board of Directors has the authority to select those employees, officers, consultants and directors to whom options will be granted; to determine the terms, limits, restrictions and conditions of the grants of options; to interpret the Original Plan; and to make all decisions relating thereto, except for amendments that require shareholders' approval. The option price shall not be lower than the closing price of the Corporation's common shares on the Toronto Stock Exchange on the last trading day before the day on which the option is granted.

The number of options that may be issued to a person pursuant to the Original Plan cannot exceed, at all times, 5% of the issued and outstanding shares.

The option price is payable in full at the time the option is exercised. The options may be exercised during the option period determined by the Board of Directors, which may vary, but will not exceed ten years from the date of grant.

A total of 339,000 new options were issued to independent directors of the Corporation during the year ended December 31, 2013 (2012: 195,000). The fair market value of the options granted during the year ended December 31, 2013, totalled \$498,000 (2012: \$605,000). All 339,000 new options vested immediately.

The share-based compensation cost was calculated according to the fair value of options issued based on the Black-Scholes valuation model using the following weighted average assumptions:

	2013	2012
Share price at the grant date	\$3.15	\$7.45
Expected dividend per share	1.27%	0%
Forecasted volatility	60%	60%
Risk-free interest rate	1.35%	1.33%
Expected life	5 years	5 years
Fair-value – weighted average of options issued	\$1.47	\$3.11

Forecasted volatility has been determined using historical volatility.

For the year ended December 31, 2013, the total expense for the share-based compensation related to share option plans was \$1,230,000 (2012: \$1,415,000) and was credited to contributed surplus.

A total of 1,315,000 options were exercised during December 31, 2013 under the Original Plan for a cash consideration of \$2,079,000. An amount of \$775,000 has been reclassified from contributed surplus to share capital. For the same period in 2012, a total of 214,000 options were exercised under the Original Plan for a cash consideration of \$315,000. An amount of \$118,000 has been reclassified from contributed surplus to share capital.

Notes to the consolidated financial statements

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

22. Share-based compensation (continued)

a) Options (continued)

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

	2013		2012	
(in thousands, except weighted average exercise price)	Number of options (in thousands)	Weighted average exercise price \$	Number of options (in thousands)	Weighted average exercise price \$
Balance – beginning of year	9,158	2.78 (C\$2.77)	9,265	2.66 (C\$2.71)
Forfeited	(75)	3.58 (C\$3.81)	(88)	7.04 (C\$7.01)
Exercised	(1,315)	1.58 (C\$1.68)	(214)	1.47 (C\$1.45)
Issued	339	2.96 (C\$3.15)	195	6.04 (C\$6.01)
Balance – end of year	8,107	2.78 (C\$2.96)	9,158	2.78 (C\$2.77)
Options exercisable – end of year	7,638	2.67 (C\$2.84)	7,358	2.55 (C\$2.54)

The following table sets forth the range of exercise prices for the options under the plans:

	Options outstanding			Options exercisable		
(in thousands, except weighted average exercise price/option and average residual life span)	Options outstanding (in thousands)	Average residual life span (in years)	Weighted average exercise price/options \$	Options exercisable (in thousands)	Weighted average exercise price/options \$	
Range of exercise prices						
\$0.94 (C\$1.00) to \$1.29 (C\$1.37)	1,305	3.88	1.23 (C\$1.31)	1,305	1.23 (C\$1.31)	
\$1.32 (C\$1.40) to \$1.81 (C\$1.92)	433	3.81	1.57 (C\$1.67)	433	1.57 (C\$1.67)	
\$1.90 (C\$2.02) to \$2.03 (C\$2.16)	1,988	5.27	1.91 (C\$2.04)	1,988	1.91 (C\$2.04)	
\$2.10 (C\$2.23) to \$3.71 (C\$3.95)	2,398	4.08	2.71 (C\$2.88)	2,350	2.70 (C\$2.88)	
\$4.42 (C\$4.70) to \$4.91 (C\$5.22)	1,667	6.03	4.49 (C\$4.77)	1,281	4.49 (C\$4.77)	
\$7.00 (C\$7.45) to \$10.03 (C\$10.67)	316	2.38	7.85 (C\$8.35)	281	7.89 (C\$8.40)	
	8,107	4.66	2.78 (C\$2.96)	7,638	2.67 (C\$2.84)	

b) RSUs

Under the Corporation's Restricted Share Unit Plan ("Unit Plan"), RSUs can be granted to employees, directors, officers and consultants as part of their long-term compensation package, entitling them to receive payout in cash. Pursuant to the Unit Plan, the RSUs granted are scheduled for payout after three years provided that the applicable vesting conditions are met at the end of the performance cycle. In 2011, the vesting rights of the RSUs corresponded to the achievement of an annual objective of the mineral reserve replenishment combined with the participants remaining at the employment of the Corporation at the end of the vesting period. The annual objective for the mineral reserve replenishment is determined at or before the issuance date. In 2012, the Board of Directors approved the removal of the performance criteria of the mineral reserves and only requires that the participants remain at the employment of the Corporation at the end of the vesting period. The value of the payout is determined by multiplying the number of RSUs vested at the end of the performance cycle by the average closing price of the Corporation's shares in the last five trading days prior to the end of said performance cycle. The removal of the performance criteria did not have an impact on the accounting of the RSUs.

Notes to the consolidated financial statements

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

22. Share-based compensation (continued)

b) RSUs (continued)

The following table provides the periods ended December 31, 2013 and 2012 activity for all RSUs:

	RSUs non vested
Outstanding as of January 1, 2012	515,000
2012 plan	810,000
Forfeited.....	<u>(40,000)</u>
Outstanding as of December 31, 2012	<u>1,285,000</u>
Outstanding as of January 1, 2013	1,285,000
2013 plan	1,871,000
Forfeited	<u>(174,000)</u>
Outstanding as of December 31, 2013	<u>2,982,000</u>

The following table details the break-down of the Unit Plan expense:

	2013	2012
	\$	\$
Expense related to RSUs outstanding	5,506	4,168
Credit related to change in the fair value of the share price	(3,452)	(2,537)
	<u>2,054</u>	<u>1,631</u>

The following table details the restricted share unit liabilities:

	As at December 31, 2013	As at December 31, 2012
	\$	\$
Current	1,302	–
Non-current.....	2,995	2,001
	<u>4,297</u>	<u>2,001</u>

A total of 501,000 RSUs are vested as at December 31, 2013 and will be settled for a cash consideration of \$1,302,000 (2012: nil) payable during January 2014.

In 2012, the unit plan expense includes a \$720,000 special compensation made to the former President and Chief Executive Officer (see note 27), for which no RSUs were granted yet. This liability has been included in the long-term provision. In 2013, there was no special compensation expense.

Notes to the consolidated financial statements

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

23. Finance costs

	2013 \$	2012 \$ (Adjusted note 6)
Accretion expense of asset retirement obligations	364	221
Other	874	569
	1,238	790

24. Non-controlling interests

	2013 \$	2012 \$ (Adjusted note 6)
Government of Burkina Faso - 10% in SEMAFO Burkina Faso S.A.	3,524	7,616
Government of Niger - 20% in Société des Mines du Liptako (SML) S.A.	3,385	(9,520)
Government of Guinea - 15% in SEMAFO Guinée S.A.	(5,652)	(1,618)
	1,257	(3,522)

25. Earnings (loss) per share

	2013 \$	2012 \$ (Adjusted note 6)
(In thousands of dollars, except shares and per shares)		
Net income (loss) from continuing operations attributable to the equity shareholders	(9,227)	14,927
Net loss from discontinued operations attributable to the equity shareholders	(75,995)	(29,722)
Net loss for the year attributable to the equity shareholders	(85,222)	(14,795)
Average weighted number of outstanding common shares – basic	273,427	273,146
Dilutive effect of options ¹	–	4,043
Weighted average number of outstanding common shares – diluted	273,427	277,189
Basic earnings (loss) per share from continuing operations	(0.03)	0.06
Basic loss per share from discontinued operations	(0.28)	(0.11)
Basic loss per share	(0.31)	(0.05)
Diluted earnings (loss) per share from continuing operations	(0.03)	0.05
Diluted loss per share from discontinued operations	(0.28)	(0.10)
Diluted loss per share	(0.31)	(0.05)

¹ When the Corporation has a net loss from continuing operations attributable to the equity shareholders, diluted loss per share was calculated from the basic weighted average number of outstanding common shares because the effect of options is anti-dilutive.

Notes to the consolidated financial statements

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

26. Financial commitments

Purchase Obligations

As at December 31, 2013, purchase commitments totalled \$6,295,000. In addition, on October 1, 2011, the Corporation entered into an agreement with National Electricity Company Sonabel, in Burkina Faso, pursuant to which the Corporation will make an advance for the construction of a high-voltage transmission line. As at December 31, 2013, the Corporation is committed to advance a remaining amount of \$5,163,000 (2,458,000,000 FCFA) to Sonabel with respect to this project.

Government Royalties and Development Taxes

In Burkina Faso, all shipments with 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 with gold spot prices between \$1,000 and \$1,300 per ounce, and a 5% royalty rate is applied on all shipments with a gold spot price greater than \$1,300 per ounce. In 2013, the Corporation was subject to a royalty rate of 4% and 5%, which was calculated using the retail market value of gold ounces sold at the time of shipment. In the year ended December 31, 2013, government royalties amounting to \$10,798,000 (2012: \$14,334,000) were paid to the Government of Burkina Faso.

The Corporation is subject to a royalty rate of 5% of the market value of gold ounces sold originating from the Kiniero Mine payable to the Republic of Guinea. In addition, the Corporation has to invest 0.4% of its gold sales in local development projects. In the year ended December 31, 2013, government royalties amounting to \$1,405,000 (2012: \$1,169,000) were paid to the Government of Guinea.

27. Financial information included in consolidated statements of cash flows

a) Changes in non-cash working capital items

	2013 \$	2012 \$ (Adjusted note 6)
Trade and other receivables	5,973	1,577
Provisions	2,679	–
Income tax receivable	(9,198)	–
Inventories	924	(6,393)
Other current assets	871	(769)
Trade payables and accrued liabilities	(8,133)	8,217
Income tax payable	(7,561)	(7,018)
	(14,445)	(4,386)

b) Supplemental information on non-cash items

	2013 \$	2012 \$ (Adjusted note 6)
Depreciation of property, plant and equipment allocated to exploration and development costs	8,962	3,312
Net effect of depreciation of property, plant and equipment allocated to inventories	1,907	1,450
New asset retirement obligations allocated to property, plant and equipment	513	939

Notes to the consolidated financial statements

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

28. Subsidiary and transactions with non-controlling interests

Set out below is the Corporation's summarized financial information for its subsidiary, SEMAFO Burkina Faso S.A., that has material non-controlling interest. The amounts disclosed for the subsidiary are based on those included in the consolidated financial statements before inter-company eliminations.

Summarized statement of financial position for SEMAFO Burkina Faso S.A.

	As at December 31, 2013 \$	As at December 31, 2012 \$
Non-controlling interest percentage	10%	10%
Current assets	111,380	144,803
Current liabilities	48,925	63,237
	62,455	81,566
Non-current assets	352,958	276,923
Non-current liabilities	61,180	30,933
	291,778	245,990
Net assets	354,233	327,556

Summarized statement of income for SEMAFO Burkina Faso S.A.

	2013 \$	2012 \$
Revenue	226,618	287,209
Net Income	35,240	76,161
Total comprehensive income	35,240	76,161
Net income attributable to non-controlling interest	3,524	7,616
Dividends paid to non-controlling interest	897	787

Summarized cash flows for SEMAFO Burkina Faso S.A.

	2013 \$	2012 \$
Cash flows from operating activities	80,941	134,309
Cash flows from investing activities	(106,756)	(119,938)
Cash flows from financing activities	19,192	(13,215)

The accumulated non-controlling interest in SEMAFO Burkina Faso S.A. was \$23,340,000 as at December 31, 2013 (2012: \$20,713,000).

Notes to the consolidated financial statements

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

29. Related Party transactions

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

	2013	2012
	\$	\$
Short-term employee benefits	3,818	4,590
Share-based compensation	2,394	2,403
Long-term benefits	–	1,640
	6,212	8,633

In 2012, the remuneration of key management includes a special compensation arrangement with the former President and Chief Executive Officer totalling \$2,700,000, which consisted of share-based compensation expense of \$720,000, short-term benefits of \$340,000 and long-term benefits of \$1,640,000. In 2013, there was no special compensation expense.

The Corporation has a termination and change of control benefits agreement with the President and Chief Executive Officer and the Chief Financial Officer. If any of these individuals had been terminated on December 31, 2013, the President and Chief Executive Officer would have received approximately \$2,894,000 (2012: 3,923,000) and the Chief Financial Officer approximately \$742,000 (2012: 828,000).

Notes to the consolidated financial statements

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

30. Segmented information

The Corporation is conducting exploration and production activities in Burkina Faso. This site is managed separately given its different location and laws. The business segments presented reflect the management structure of the Corporation and the way in which the Corporation's chief operating decision maker reviews business performance. The composition of the reportable segments has been modified in 2013 to reflect the discontinued operations. The Corporation evaluates the performance of its operating segments primarily based on segment operating income, as defined below.

	2013 ¹		
	Mana, Burkina Faso \$	Corporate and others \$	Total \$
Revenue – Gold sales	226,618	–	226,618
Mining operating expenses	125,393	–	125,393
Depreciation of property, plant and equipment	57,423	687	58,110
General and administrative	4,159	15,420	19,579
Corporate social responsibility expenses	516	794	1,310
Share-based compensation	–	3,284	3,284
Operating income (loss)	39,127	(20,185)	18,942
Property, plant and equipment	379,668	2,866	382,534
Total assets ²	506,043	57,363	563,406
	2012 ¹		
	Mana, Burkina Faso \$	Corporate and others \$	Total \$
Revenue – Gold sales	287,209	–	287,209
Mining operating expenses	128,123	–	128,123
Depreciation of property, plant and equipment	45,502	558	46,060
General and administrative	2,279	20,054	22,333
Corporate social responsibility expenses	2,208	1,970	4,178
Share-based compensation	–	3,046	3,046
Write-off of property, plant and equipment	16,998	–	16,998
Operating income (loss)	92,099	(25,628)	66,471
Property, plant and equipment ³	330,675	6,178	336,853
Total assets ³	473,438	98,553	571,991

¹ Amounts have been adjusted for the adoption of IFRIC 20 and to reflect the discontinued operations. Refer to note 6.

² In 2013, total assets related to assets held for sale amounted to \$4,140,000.

³ In 2012, the property, plant and equipment and total assets related to discontinued operations amounted to \$56,829,000 and \$119,723,000 respectively.

Notes to the consolidated financial statements

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

31. Quarterly adjustments (unaudited – supplementary information)

The condensed interim consolidated financial statements for the first three interim periods of the years ended December 31, 2013 and 2012 have been initially adjusted to give effect to the adoption of IFRIC 20 and the discontinued operations. Additional adjustments were made during the fourth quarter of 2013 with regards to IFRIC 20 in order to reflect the final methodology applied for this interpretation. There were no adjustments to the interim statements of cash flows.

The effects of the adjustments are as follows:

Adjustments to the interim consolidated statement of financial position

	As at March 31, 2013	Adjustments	As at March 31, 2013
	Previously stated	IFRIC 20	Adjusted
Inventories	81,722	1,130	82,852
Property, plant and equipment	400,323	(14,628)	385,695
Income tax payable.....	8,234	(2,362)	5,872
Retained earnings	111,753	(10,022)	101,731
Non-controlling interests	8,192	(1,114)	7,078

	As at June 30, 2013	Adjustments	As at June 30, 2013
	Previously stated	IFRIC 20	Adjusted
Inventories	77,249	360	77,609
Property, plant and equipment	391,739	(20,030)	371,709
Income tax payable.....	10,865	(3,442)	7,423
Retained earnings	60,097	(14,605)	45,492
Non-controlling interests	1,288	(1,623)	(335)

	As at September 30, 2013	Adjustments	As at September 30, 2013
	Previously stated	IFRIC 20	Adjusted
Inventories	61,112	462	61,574
Property, plant and equipment	393,919	(23,465)	370,454
Income tax payable.....	7,653	(4,025)	3,628
Retained earnings	57,337	(17,080)	40,257
Non-controlling interests	1,086	(1,898)	(812)

Notes to the consolidated financial statements

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

31. Quarterly adjustments (unaudited – supplementary information) (continued)

Adjustments to the interim consolidated statements of income (loss) (continued)

	For the three-month period ended				
	March 31, 2012				
	Previously stated	IFRIC 20 adjustments		Discontinued operations	Adjusted
		Initial	Additional		
Revenue – Gold sales	100,401	–	–	(21,168)	79,233
Costs of operations					
Mining operation expenses	42,319	–	–	(12,230)	30,089
Depreciation of property, plant and equipment	12,121	129	1,184	(4,968)	8,466
General and administrative	6,319	–	–	(786)	5,533
Corporate social responsibility expenses	691	–	–	(54)	637
Share-based compensation	778	–	–	–	778
Operating income	38,173	(129)	(1,184)	(3,130)	33,730
Other expenses (income)					
Finance income	(86)	–	–	–	(86)
Finance costs	247	–	–	(156)	91
Foreign exchange loss (gain)	352	–	–	13	365
Income before income taxes	37,660	(129)	(1,184)	(2,987)	33,360
Income tax expense (recovery)					
Current	11,406	–	–	–	11,406
Deferred	(5,217)	–	(207)	–	(5,424)
	6,189	–	(207)	–	5,982
Net income for the period from continuing operations	31,471	(129)	(977)	(2,987)	27,378
Net income for the period from discontinued operations	–	–	–	2,987	2,987
Net income for the year	31,471	(129)	(977)	–	30,365
Net income from continuing operations attributable to:					
Equity shareholders	28,122	(16)	(879)	(3,158)	24,069
Non-controlling interests	3,349	(113)	(98)	171	3,309
	31,471	(129)	(977)	(2,987)	27,378
Net income for the period attributable to:					
Equity shareholders	28,122	(16)	(879)	–	27,227
Non-controlling interests	3,349	(113)	(98)	–	3,138
	31,471	(129)	(977)	–	30,365
Basic earnings per share from continuing operations	0.10	–	–	(0.01)	0.09
Basic earnings per share from discontinued operations	–	–	–	0.01	0.01
Basic earnings per share	0.10	–	–	–	0.10
Diluted earnings per share from continuing operations	0.10	–	–	(0.01)	0.09
Diluted earnings per share from discontinued operations	–	–	–	0.01	0.01
Diluted earnings per share	0.10	–	–	–	0.10

Notes to the consolidated financial statements

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

31. Quarterly adjustments (unaudited – supplementary information) (continued)

Adjustments to the interim consolidated statements of income (loss) (continued)

	For the three-month period ended				
	June 30, 2012				
	Previously stated	IFRIC 20 adjustments		Discontinued operations	Adjusted
		Initial	Additional		
Revenue – Gold sales	98,376	–	–	(29,325)	69,051
Costs of operations					
Mining operation expenses	46,716	–	–	(15,159)	31,557
Depreciation of property, plant and equipment	15,257	7	1,653	(6,553)	10,364
General and administrative	5,435	–	–	(609)	4,826
Corporate social responsibility expenses	1,514	–	–	(507)	1,007
Share-based compensation	347	–	–	–	347
Write-off of property, plant and equipment	16,998	–	–	–	16,998
Operating income	12,109	(7)	(1,653)	(6,497)	3,952
Other expenses (income)					
Finance income	(64)	–	–	1	(63)
Finance costs	847	–	–	(730)	117
Foreign exchange loss (gain)	449	–	–	(104)	345
Loss on the sale of current investment	24,297	–	–	–	24,297
Loss before income taxes	(13,420)	(7)	(1,653)	(5,664)	(20,744)
Income tax expense (recovery)					
Current	879	–	–	(1)	878
Deferred	2,181	–	(289)	–	1,892
	3,060	–	(289)	(1)	2,770
Net loss for the period from continuing operations	(16,480)	(7)	(1,364)	(5,663)	(23,514)
Net income for the period from discontinued operations	–	–	–	5,663	5,663
Net loss for the period	(16,480)	(7)	(1,364)	–	(17,851)
Net loss from continuing operations attributable to:					
Equity shareholders	(17,544)	29	(1,228)	(5,427)	(24,170)
Non-controlling interests	1,064	(36)	(136)	(236)	656
	(16,480)	(7)	(1,364)	(5,663)	(23,514)
Net loss for the period attributable to:					
Equity shareholders	(17,544)	29	(1,228)	–	(18,743)
Non-controlling interests	1,064	(36)	(136)	–	892
	(16,480)	(7)	(1,364)	–	(17,851)
Basic loss per share from continuing operations	(0.06)	–	(0.01)	(0.02)	(0.09)
Basic earnings per share from discontinued operations	–	–	–	0.02	0.02
Basic loss per share	(0.06)	–	(0.01)	–	(0.07)
Diluted loss per share from continuing operations	(0.06)	–	(0.01)	(0.02)	(0.09)
Diluted earnings per share from discontinued operations	–	–	–	0.02	0.02
Diluted loss per share	(0.06)	–	(0.01)	–	(0.07)

Notes to the consolidated financial statements

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

31. Quarterly adjustments (unaudited – supplementary information) (continued)

Adjustments to the interim consolidated statements of income (loss) (continued)

	For the three-month period ended				
	September 30, 2012				
	Previously stated	IFRIC 20 adjustments		Discontinued operations	Adjusted
		Initial	Additional		
Revenue – Gold sales	79,419	–	–	(25,013)	54,406
Costs of operations					
Mining operation expenses	44,753	–	–	(14,809)	29,944
Depreciation of property, plant and equipment	13,331	514	2,671	(5,460)	11,056
General and administrative	5,918	–	–	(305)	5,613
Corporate social responsibility expenses	1,655	–	–	(82)	1,573
Share-based compensation	1,363	–	–	–	1,363
Operating income	12,399	(514)	(2,671)	(4,357)	4,857
Other expenses (income)					
Finance income	(89)	–	–	1	(88)
Finance costs	301	–	–	(174)	127
Foreign exchange loss (gain)	(765)	–	–	357	(408)
Income before income taxes	12,952	(514)	(2,671)	(4,541)	5,226
Income tax expense (recovery)					
Current	4,716	–	–	(1)	4,715
Deferred	262	–	(467)	(128)	(333)
	4,978	–	(467)	(129)	4,382
Net income for the period from continuing operations	7,974	(514)	(2,204)	(4,412)	844
Net income for the period from discontinued operations	–	–	–	4,412	4,412
Net income for the period	7,974	(514)	(2,204)	–	5,256
Net income from continuing operations attributable to:					
Equity shareholders	7,974	(458)	(1,984)	(5,750)	(218)
Non-controlling interests	–	(56)	(220)	1,338	1,062
	7,974	(514)	(2,204)	(4,412)	844
Net income attributable to:					
Equity shareholders	7,974	(458)	(1,984)	–	5,532
Non-controlling interests	–	(56)	(220)	–	(276)
	7,974	(514)	(2,204)	–	5,256
Basic earnings per share from continuing operations	0.03	–	(0.01)	(0.02)	–
Basic earnings per share from discontinued operations	–	–	–	0.02	0.02
Basic loss per share	0.03	–	(0.01)	–	0.02
Diluted earnings per share from continuing operations	0.03	–	(0.01)	(0.02)	–
Diluted earnings per share from discontinued operations	–	–	–	0.02	0.02
Diluted earnings per share	0.03	–	(0.01)	–	0.02

Notes to the consolidated financial statements

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

31. Quarterly adjustments (unaudited – supplementary information) (continued)

Adjustments to the interim consolidated statements of income (loss) (continued)

	For the three-month period ended March 31, 2013			
	Previously stated	IFRIC 20 adjustments	Discontinued operations	Adjusted
Revenue – Gold sales	106,055	–	(33,477)	72,578
Costs of operations				
Mining operation expenses	51,671	–	(19,835)	31,836
Depreciation of property, plant and equipment	14,223	3,866	(4,665)	13,424
General and administrative	5,287	–	(425)	4,862
Corporate social responsibility expenses	736	–	(37)	699
Share-based compensation	713	–	–	713
Impairment.....	35,100	–	(35,100)	–
Operating income (loss)	(1,675)	(3,866)	26,585	21,044
Other expenses (income)				
Finance income	(30)	–	–	(30)
Finance costs	439	–	(137)	302
Foreign exchange loss	802	–	(45)	757
Income (loss) before income taxes	(2,886)	(3,866)	26,767	20,015
Income tax expense				
Current	6,814	(2,362)	–	4,452
Deferred	3,471	1,685	(3,000)	2,156
	10,285	(677)	(3,000)	6,608
Net income (loss) for the period from continuing operations	(13,171)	(3,189)	29,767	13,407
Net loss for the period from discontinued operations	–	–	(29,767)	(29,767)
Net loss for the period	(13,171)	(3,189)	–	(16,360)
Net income (loss) from continuing operations attributable to:				
Equity shareholders	(7,290)	(2,870)	21,658	11,498
Non-controlling interests	(5,881)	(319)	8,109	1,909
	(13,171)	(3,189)	29,767	13,407
Net loss for the period attributable to:				
Equity shareholders	(7,290)	(2,870)	–	(10,160)
Non-controlling interests	(5,881)	(319)	–	(6,200)
	(13,171)	(3,189)	–	(16,360)
Basic earnings (loss) per share from continuing operations	(0.03)	(0.01)	0.08	0.04
Basic loss per share from discontinued operations	–	–	(0.08)	(0.08)
Basic loss per share	(0.03)	(0.01)	–	(0.04)
Diluted earnings (loss) per share from continuing operations	(0.03)	(0.01)	0.08	0.04
Diluted loss per share from discontinued operations	–	–	(0.08)	(0.08)
Diluted loss per share	(0.03)	(0.01)	–	(0.04)

Notes to the consolidated financial statements

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

31. Quarterly adjustments (unaudited – supplementary information) (continued)

Adjustments to the interim consolidated statements of income (loss) (continued)

	For the three-month period ended June 30, 2013			
	Previously stated	IFRIC 20 adjustments	Discontinued operations	Adjusted
Revenue – Gold sales	71,136	–	(17,355)	53,781
Costs of operations				
Mining operation expenses	39,015	–	(12,421)	26,594
Depreciation of property, plant and equipment	12,406	6,172	(3,962)	14,616
General and administrative	4,274	–	(301)	3,973
Corporate social responsibility expenses	45	–	(17)	28
Share-based compensation	(670)	–	–	(670)
Impairment.....	47,526	–	(47,526)	–
Operating income (loss)	(31,460)	(6,172)	46,872	9,240
Other expenses (income)				
Finance income	(45)	–	–	(45)
Finance costs	582	–	(142)	440
Foreign exchange gain	(620)	–	133	(487)
Impairment of investment in GoviEx	19,600	–	–	19,600
Loss before income taxes	(50,977)	(6,172)	46,881	(10,268)
Income tax expense (recovery)				
Current	3,937	(1,080)	(1)	2,856
Deferred	(1,553)	–	–	(1,553)
	2,384	(1,080)	(1)	1,303
Net loss for the period from continuing operations	(53,361)	(5,092)	46,882	(11,571)
Net loss for the period from discontinued operations	–	–	(46,882)	(46,882)
Net loss for the period	(53,361)	(5,092)	–	(58,453)
Net loss from continuing operations attributable to:				
Equity shareholders	(46,475)	(4,583)	38,246	(12,812)
Non-controlling interests	(6,886)	(509)	8,636	1,241
	(53,361)	(5,092)	46,882	(11,571)
Net loss for the period attributable to:				
Equity shareholders	(46,475)	(4,583)	–	(51,058)
Non-controlling interests	(6,886)	(509)	–	(7,395)
	(53,361)	(5,092)	–	(58,453)
Basic loss per share from continuing operations	(0.17)	(0.02)	0.14	(0.05)
Basic loss per share from discontinued operations	–	–	(0.14)	(0.14)
Basic loss per share	(0.17)	(0.02)	–	(0.19)
Diluted loss per share from continuing operations	(0.17)	(0.02)	0.14	(0.05)
Diluted loss per share from discontinued operations	–	–	(0.14)	(0.14)
Diluted loss per share	(0.17)	(0.02)	–	(0.19)

Notes to the consolidated financial statements

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

31. Quarterly adjustments (unaudited – supplementary information) (continued)

Adjustments to the interim consolidated statements of income (loss) (continued)

	For the three-month period ended September 30, 2013		
	Previously stated	IFRIC 20 adjustments	Adjusted
Revenue – Gold sales	49,488	–	49,488
Costs of operations			
Mining operation expenses	29,485	–	29,485
Depreciation of property, plant and equipment	13,161	3,333	16,494
General and administrative	4,170	–	4,170
Corporate social responsibility expenses	238	–	238
Share-based compensation	2,036	–	2,036
Operating income (loss)	398	(3,333)	(2,935)
Other expenses (income)			
Finance income	(88)	–	(88)
Finance costs	196	–	196
Foreign exchange loss (gain)	(1,081)	–	(1,081)
Income (loss) before income taxes	1,371	(3,333)	(1,962)
Income tax expense (recovery)			
Current	2,323	(583)	1,740
Deferred	(3,475)	–	(3,475)
	(1,152)	(583)	(1,735)
Net income (loss) for the period from continuing operations	2,523	(2,750)	(227)
Net loss for the period from discontinued operations	(4,588)	–	(4,588)
Net loss for the year	(2,065)	(2,750)	(4,815)
Net income (loss) from continuing operations attributable to:			
Equity shareholders	1,660	(2,475)	(815)
Non-controlling interests	863	(275)	588
	2,523	(2,750)	(227)
Net loss for the period attributable to:			
Equity shareholders	(2,731)	(2,475)	(5,206)
Non-controlling interests	666	(275)	391
	(2,065)	(2,750)	(4,815)
Basic earnings per share from continuing operations	0.01	(0.01)	–
Basic loss per share from discontinued operations	(0.02)	–	(0.02)
Basic loss per share	(0.01)	(0.01)	(0.02)
Diluted earnings per share from continuing operations	0.01	(0.01)	–
Diluted loss per share from discontinued operations	(0.02)	–	(0.02)
Diluted loss per share	(0.01)	(0.01)	(0.02)