SEMAFO Inc.

Audited Consolidated Financial Statements

December 31, 2017

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Management's Statement of Responsibility

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

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

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

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

Benoit Desormeaux, CPA, CA	Martin Milette, CPA, CA
President and Chief Executive Officer	Chief Financial Officer

Independent Auditor's Report

March 6, 2018

To the Shareholders of SEMAFO Inc.

We have audited the accompanying consolidated financial statements of SEMAFO Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of income, comprehensive income, 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 audit 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, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP[1]

Montréal, Quebec, Canada

[1] CPA auditor, CA public accountancy permit no. A123475

Consolidated Statements of Financial Position

(Expressed in thousands of US dollars)

	As at December 31, 2017 $	As at December 31, 2016 $
Assets		
Current assets		
Cash and cash equivalents (note 6)	198,950	273,772
Trade and other receivables (note 7)	22,649	16,945
Income tax receivable (note 16)	3,186	—
Inventories (note 8)	66,409	51,391
Other current assets	4,094	2,513
	295,288	344,621
Non-current assets		
Advance receivable (note 9)	2,867	3,060
Restricted cash (note 6)	23,237	5,689
Property, plant and equipment (note 10)	703,341	536,237
Intangible asset (note 9)	1,374	1,595
Other non-current assets (note 11)	2,256	4,074
	733,075	550,655
Total assets	1,028,363	895,276
Liabilities		
Current liabilities		
Trade payables and accrued liabilities (note 12)	72,720	41,964
Current portion of long-term debt (note 13)	310	310
Current portion of finance lease (note 14)	4,703	—
Share unit plan liabilities (note 22)	6,404	6,635
Provisions (note 15)	3,069	3,271
Income tax payable (note 16)	—	5,422
	87,206	57,602
Non-current liabilities		
Long-term debt (note 13)	115,247	56,726
Finance Lease (note 14)	19,008	—
Share unit plan liabilities (note 22)	3,138	4,899
Provisions (note 15)	12,258	8,137
Deferred income tax liabilities (note 16)	30,944	32,329
	180,595	102,091
Total liabilities	267,801	159,693
Equity		
Equity Shareholders		
Share capital	622,294	621,902
Contributed surplus	7,220	7,357
Accumulated other comprehensive income	2,256	1,095
Retained earnings	97,710	77,674
	729,480	708,028
Non-controlling interests	31,082	27,555
Total equity	760,562	735,583
Total liabilities and equity	1,028,363	895,276

Financial commitments and contingencies (note 26)

Approved by the Board of Directors,

Gilles Masson, CPA, CA, Director

Benoit Desormeaux, CPA, CA, Director

Consolidated Statements of Income
For the years ended December 31, 2017 and 2016

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

	2017 $	2016 $
Revenue – Gold sales	**258,993**	300,483
Costs of operations		
Mining operation expenses (note 20)	**134,385**	131,953
Depreciation of property, plant and equipment	**94,722**	78,323
General and administrative (note 21)	**14,069**	13,953
Corporate social responsibility expenses	**1,097**	960
Share-based compensation (note 22)	**3,226**	6,295
Impairment of property, plant and equipment (note 10)	**—**	8,913
Operating income	**11,494**	60,086
Other expenses (income)		
Finance income	**(3,294)**	(2,171)
Finance costs (note 23)	**1,309**	1,938
Foreign exchange (gain) loss	**(9,528)**	1,144
Income before income taxes	**23,007**	59,175
Income tax expense (recovery)		
Current (note 16)	**4,181**	16,408
Deferred (note 16)	**(4,737)**	1,500
	(556)	17,908
Net income for the year	**23,563**	41,267
Attributable to:		
Equity shareholders	**20,036**	34,219
Non-controlling interests (note 24)	**3,527**	7,048
	23,563	41,267
Earnings per share (note 25)		
Basic	**0.06**	0.11
Diluted	**0.06**	0.11

Consolidated Statements of Comprehensive Income
For the years ended December 31, 2017 and 2016

(Expressed in thousands of US dollars)

	2017 $	2016 $
Net income for the year	**23,563**	41,267
Other comprehensive income		
Item that may be classified to net income		
Changes in fair value of available-for-sale assets (net of tax of nil) (note 19)	**1,161**	1,095
Total comprehensive income for the year, net of tax	**24,724**	42,362
Attributable to:		
Equity shareholders	**21,197**	35,314
Non-controlling interests (note 24)	**3,527**	7,048
	24,724	42,362

Consolidated Statements of Changes in Equity
For the years ended December 31, 2017 and 2016

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

	Attributable to equity shareholders							
	Share capital							
	Common shares[1]	Amount	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total	Non-controlling interests	TOTAL EQUITY
	(in thousands)	$	$	$	$	$	$	$
Balance – January 1, 2016	294,321	516,070	10,685	—	48,242	574,997	30,866	605,863
Net income for the year	—	—	—	—	34,219	34,219	7,048	41,267
Other comprehensive income for the year								
Changes in fair value of the available-for-sale assets (net of tax of nil) (note19)	—	—	—	1,095	—	1,095	—	1,095
Total comprehensive income for the year	—	—	—	1,095	34,219	35,314	7,048	42,362
Shares issued from the exercise of options (note 17)	2,427	9,370	(3,328)	—	—	6,042	—	6,042
Shares issued in public bought deal (net of share issued expenses of $4,787) (note 17)	26,450	90,762	—	—	(4,787)	85,975	—	85,975
Shares issued in consideration of financing costs on amendments to credit facility with Macquarie (note 17)	1,642	5,700	—	—	—	5,700	—	5,700
Dividend paid by a subsidiary to non-controlling interest	—	—	—	—	—	—	(10,359)	(10,359)
Balance – December 31, 2016	**324,840**	**621,902**	**7,357**	**1,095**	**77,674**	**708,028**	**27,555**	**735,583**
Balance – January 1, 2017	324,840	621,902	7,357	1,095	77,674	708,028	27,555	735,583
Net income for the year	**—**	**—**	**—**	**—**	**20,036**	**20,036**	**3,527**	**23,563**
Other comprehensive income for the year								
Changes in fair value of the available-for-sale assets (net of tax of nil) (note19)	—	—	—	1,161	—	1,161	—	1,161
Total comprehensive income for the year, net of tax	**—**	**—**	**—**	**1,161**	**20,036**	**21,197**	**3,527**	**24,724**
Shares issued from the exercise of options (note 17)	142	392	(137)	—	—	255	—	255
Balance – December 31, 2017	**324,982**	**622,294**	**7,220**	**2,256**	**97,710**	**729,480**	**31,082**	**760,562**

[1] There were no common shares that were unpaid as at December 31, 2017 (December 31, 2016: nil).

Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016

(Expressed in thousands of US dollars)

	2017 $	2016 $
Cash flows from (used in):		
Operating activities		
Net income for the year	23,563	41,267
Adjustments for:		
Depreciation of property, plant and equipment	94,722	78,323
Share-based compensation	3,226	6,295
Unrealized foreign exchange loss (gain)	(9,480)	358
Impairment of property, plant and equipment (note 10)	—	8,913
Deferred income tax expense (recovery)	(4,737)	1,500
Adjustment for withholding taxes	—	5,827
Other	(271)	(261)
	107,023	142,222
Changes in non-cash working capital items (note 27 a)	(30,115)	6,558
Net cash provided by operating activities	76,908	148,780
Financing activities		
Drawdown (repayment) of long-term debt (note 13)	60,000	(30,000)
Long-term debt transaction costs (note 13)	—	(259)
Repayment of equipment financing (note 13)	(310)	(129)
Payments of finance lease (note 14)	(5,128)	—
Proceeds on issuance of share capital, net of expenses (note 17)	255	92,017
Dividend paid by a subsidiary to non-controlling interest	—	(10,359)
Net cash provided by financing activities	54,817	51,270
Investing activities		
Acquisition of property, plant and equipment (note 27 c)	(201,346)	(90,890)
Increase in restricted cash	(16,808)	(1,390)
Net cash used in investing activities	(218,154)	(92,280)
Effect of exchange rate changes on cash and cash equivalents	11,607	(1,164)
Change in cash and cash equivalents during the year	(74,822)	106,606
Cash and cash equivalents – beginning of year	273,772	167,166
Cash and cash equivalents – end of year	198,950	273,772
Interest paid	6,576	4,150
Interest received	3,360	1,608
Income tax paid	12,109	10,816

Supplementary information on non-cash items (note 27 b)

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 headquarter is located at 100 Alexis-Nihon Boulevard, 7th floor, Saint-Laurent, Quebec, Canada, H4M 2P3.

The Corporation's subsidiaries are engaged in gold mining activities including exploration, development and operations. These activities are conducted in West Africa. The Corporation operates the Mana Mine in Burkina Faso, which includes the high-grade satellite deposit of Siou, and is targeting production start-up of the Boungou Mine in the third quarter of 2018. The Corporation's subsidiaries have interests in mining properties. The potential for recovery of costs incurred on these properties and of related deferred charges depends on the existence of sufficient quantities of reserves, the ability to obtain and maintain all required permits, the ability to obtain appropriate financing to put these mining properties into production and the ability to realize a profitable return for the Corporation.

2. Basis of Preparation

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

The Corporation has consistently applied the accounting policies used in the preparation of its IFRS financial statements, including the comparative figures. The Board of Directors approved the financial statements on March 6, 2018.

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 are 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 consolidated statement of income within foreign exchange gain or loss.

Consolidation

Subsidiaries

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

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

Disposal of subsidiaries

When the Corporation ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income 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.

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

2. Basis of Preparation (continued)

Segment Reporting

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

Significant Subsidiaries (Consolidated) – Ownership

	Country	December 31, 2017	December 31, 2016
SEMAFO Burkina Faso S.A.	Burkina Faso	90%	90%
SEMAFO Boungou S.A.	Burkina Faso	90%	90%
Birimian Resources S.A.R.L.	Burkina Faso	100%	100%
Mana Minéral S.A.R.L.	Burkina Faso	100%	100%
SEMAFO (Barbados) Ltd.	Barbados	100%	100%

3. Summary of Significant Accounting Policies

Cash and Cash Equivalents

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

Inventories

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

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

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

Property, Plant and Equipment

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.

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 consolidated statement of income 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.

3. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

i) Property acquisition costs, deferred exploration and development costs (continued)

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 consolidated statement of income gradually as the mining properties are put into commercial production.

v) Assets held under finance leases

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the lease contract.

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

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

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

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 Corporation;

ii) The Corporation 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.

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

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

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

3. Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment (continued)

vii) Exploration properties

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

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

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

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

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

viii) Mineral properties under development

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

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

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

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 consolidated 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 consolidated statement of income for the period in which they occur.

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

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.

3. Summary of Significant Accounting Policies (continued)

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 or net of 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 consolidated statement of income or in other comprehensive income.

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 consolidated statement of income.

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 consolidated statement of income.

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; "VAT"), 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 consolidated 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. Interest is recognized in the consolidated statement of income as part of finance income.

3. Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

iv) Financial liabilities at amortized cost

Financial liabilities at amortized cost include trade payables, other financial liabilities, finance lease liability and long-term debt. Accounts payable and accrued liabilities 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 and other financial liabilities are measured at amortized cost using the effective interest method. Finance lease is recognized initially at fair value and subsequently at amortized cost using the effective interest method; interest is capitalized as mineral properties under development. Long-term debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest rate method. Interest is capitalized as mineral properties under development.

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

Transaction costs

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

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

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 consolidated statement of income. 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 Corporation 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.

3. Summary of Significant Accounting Policies (continued)

Income Taxes

Tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated 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 consolidated 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 consolidated statement of financial position between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are recognized for all temporary differences, except:

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

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

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

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

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

i) Options

The Corporation accounts for its share-based compensation options plans using the fair value method. This method consists of recording expenses to earnings over the vesting period of the options granted and the counterpart is accounted for in contributed surplus on the consolidated 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 consolidated statement of income, with a corresponding adjustment to equity.

3. Summary of Significant Accounting Policies (continued)

Share-Based Compensation (continued)

ii) Restricted Share Units ("RSUs")

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

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

iii) Deferred Share Units ("DSUs")

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

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

iv) Performance Share Units ("PSUs")

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

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

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

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

3. Summary of Significant Accounting Policies (continued)

Borrowing costs

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

Lease

Leases in which the Corporation assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized as Property, Plant and Equipment at the lower of the fair value and the present value of minimum lease payments at inception of the lease. All other leases are classified as operating leases. Operating lease payments are recognized as an operating cost in profit or loss on a straight-line basis over the lease term.

4. New Accounting Standards Issued but not yet in Effect

IFRS 9, *Financial Instruments* ("IFRS 9")

In July 2014, the IASB issued IFRS 9, *Financial Instruments.* The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and substantially completes the IASB's project to replace IAS 39, *Financial Instruments: Recognition and Measurement.*

This Standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flows characteristics of the financial asset or liability. The Standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognized and it lowers the threshold for recognition of full lifetime expected losses. The new Standard also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Corporation has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on January 1, 2018:

- The Corporation's equity instruments that are currently classified as available-for-sale will satisfy the conditions for classification as at fair value through other comprehensive income ("FVOCI") and hence there will be no change to the accounting for these assets. However, gains or losses realized on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, there were no gains or losses in profit or loss in relation to the disposal of available-for-sale financial assets.

- Modifications/amendments of long-term debt. Under IAS 39, when there is a modification or an exchange of a financial liability, it must determine whether that modification results in the financial liability being derecognized. When there is no derecognition, IAS 39, allow the difference between the carrying value of the original debt and discounted present value of the cash flows under the new terms to be recognized prospectively over the remaining life of the long-term debt. IFRS 9 changes the accounting for modifications of financial liabilities. That is, when a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. The Corporation determined that the impact of the new accounting for prior periods debt modifications or amendments is not significant to its prior years financial statements and therefore there will be no impact upon adoption of the new standard on January 1, 2018.

- The Corporation has determined that there is no impact on other financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Corporation does not have any such liabilities.

- The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Corporation's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

4. New Accounting Standards Issued but not yet in Effect (continued)

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers.* IFRS 15 replaces all previous revenue recognition standards, including IAS 18, *Revenue,* and related interpretations such as IFRIC 13, *Customer Loyalty Programmes.* The standard sets out the requirements for recognizing revenue. Specifically, the new standard introduces a comprehensive framework with the general principle being that an entity recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces more prescriptive guidance than was included in previous standards and may result in changes to the timing of revenue for certain types of revenues. The new standard will also result in enhanced disclosures about revenue that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Corporation has determined that the extent of the impact of adoption of IFRS 15 is not significant.

IFRS 16, *Leases* ("IFRS 16")

In January 2016, the IASB issued IFRS 16 which establishes the principles that an entity should use to determine the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17, *Leases*, and related Interpretations. IFRS 16 is effective from January 1, 2019 though a company can choose to apply IFRS 16 before that date but only in conjunction with IFRS 15. The Corporations has not yet determined the extent of the impact of adopting IFRS 16.

Amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions* ("IFRS 2")

On June 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The effective date is January 1, 2018.

The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for:

a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b) share-based payment transactions with a net settlement feature for withholding tax obligations; and
c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Corporation has determined that there is no impact upon the adoption of the amendments to IFRS 2.

IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration* (''IFRIC 22'')

IFRIC 22 clarifies that: i) the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset and deferred income liability; and ii) if there are multiple payments or receipt in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is applicable for annual periods beginning on or after January 1, 2018.

The Corporation has decided to apply IFRIC 22 prospectively on January 1, 2018 with no restatement of comparative information. Therefore, there is no impact of IFRIC 22 as at December 31, 2017.

IFRIC 23, *Uncertainty over income tax treatments* (''IFRIC 23'')

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

a) Whether an entity considers uncertain tax treatments separately
b) The assumptions an entity makes about the examination of tax treatments by taxation authorities
c) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
d) How an entity considers changes in facts and circumstances

IFRIC 23 is applicable for annual periods beginning on or after January 1, 2019. The extent of the impact of adoption of IFRIC 23 has not yet determined.

5. Critical Accounting Estimates and Judgments

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

Mineral Reserves

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

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

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

Establishment of technical feasibility and commercial viability of a mineral property

The establishment of technical feasibility and commercial viability of a particular mineral property is assessed based on a combination of factors. By its nature, this assessment requires significant judgment.

As at December 31, 2016, management determined that the technical feasibility and commercial viability had been established for the Natougou project and as such the underlying mineral property is no longer considered to be at the exploration and evaluation stage. Consequently, certain costs included in "exploration and evaluation assets" have been reclassified into "Mineral properties under development" and a mandatory impairment test has been performed immediately prior to the reclassification. Please refer to note 10 of the consolidated financial statements for more details.

Impairment of Non-Financial Assets

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

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

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

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

5. Critical Accounting Estimates and Judgments (continued)

Impairment of Non-Financial Assets (continued)

For the year ended December 31, 2017, the total impairment loss on the exploration and evaluation assets within "property, plant and equipment" amounted to nil (2016: $ 8,913,000) and was recognized in the consolidated statement of income. Please refer to note 10 of the consolidated financial statements for more details.

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 changing laws and regulations.

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

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

Actual costs incurred may differ from those estimated amounts. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Corporation. Increases in future costs could materially impact the operating results. Asset retirement obligations studies were completed in 2016 and 2017. The financial impact of the study is described in note 15 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 consolidated 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.

5. Critical Accounting Estimates and Judgments (continued)

Income Taxes (continued)

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

Uncertain Tax Positions

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

The inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Corporation's financial position, results of operations and cash flows. The financial impact of the estimate is reported in note 15 of the consolidated financial statements.

Measurement of Financial Instruments

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

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 flows.

Leases

The most significant estimate in the assessment of leases classification lies in the Corporation's calculation of the fair value of the minimum lease payments on an asset by asset basis and its comparison to the fair value of the assets at the inception of the lease to conclude whether all the risks and rewards incidental to ownership of the leased items were transferred to the Corporation as a lessee.

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

6. Cash

	As at December 31, 2017	As at December 31, 2016
Cash and Cash equivalents	$	$
Cash	**78,849**	114,132
Cash equivalents (a)	**120,101**	159,640
Total Cash and Cash equivalents	**198,950**	273,772
Restricted Cash		
Deposit account in relation with the Credit Facility with Macquarie (note 13)	**15,000**	—
Funds held in trust for asset retirement obligations	**7,256**	4,647
Other	**981**	1,042
Total Restricted Cash	**23,237**	5,689
Total Cash and Cash Equivalents and Restricted Cash	**222,187**	279,461

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

7. Trade and Other Receivables

	As at December 31, 2017	As at December 31, 2016
	$	$
Gold trade receivables	**560**	90
Other receivables	**21,196**	16,068
Current portion of the advance receivable (note 9)	**893**	787
	22,649	16,945

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

Other receivables include VAT receivables totaling $20,178,000 as at December 31, 2017 (December 31, 2016: $14,905,000). They are non-interest bearing and are generally settled within one to twelve months.

For the year ended December 31, 2017, no provision expense was recorded on VAT receivables (2016: $753,000).

The Corporation holds no collateral for any receivable amounts outstanding as at December 31, 2017 (December 31, 2016: nil).

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

8. Inventories

	As at December 31, 2017 $	As at December 31, 2016 $
Doré bars	—	—
Gold in circuit	**13,775**	9,305
Stockpiles	**11,114**	6,475
Supplies and spare parts	**41,520**	35,611
	66,409	51,391

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, 2017, mainly in relation to spare parts, a provision expense amounting to $2,995,000 (2016: $2,469,000) and a reversal of provision amounting to $597,000 (2016: $222,000) were recorded.

9. Advance Receivable and Intangible Asset

On October 1, 2011, the Corporation entered into an agreement with National Electricity Company (''Sonabel''), in Burkina Faso, pursuant to which the Corporation advanced an amount for the construction of a high-voltage transmission line to deliver power to the Mana Mine. Reimbursements to the Corporation by Sonabel began at the end of the first quarter of 2016 and should continue over a seven-year period in accordance with the agreement.

The advance is non-interest bearing and is measured at amortized cost using the effective interest rate method, which has been determined using a weighted average discount rate of 7%. The intangible asset represents 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 supply of energy and is amortized over the useful life of the mine. The depreciation is recognized in the consolidated statement of income and classified within "depreciation of property, plant and equipment".

	Advance receivable $	Intangible asset $	Total $
As at January 1, 2016	4,532	1,856	6,388
Variation due to exchange rate, interest revenue, amortization and reimbursements	(685)	(261)	(946)
As at December 31, 2016	3,847	1,595	5,442
Variation due to exchange rate, interest revenue and amortization	755	(221)	534
Reimbursements	(842)	—	(842)
As at December 31, 2017	3,760	1,374	5,134
Current portion classified in "trade and other receivables"	(893)	—	(893)
Non-current portion	**2,867**	**1,374**	**4,241**

As at December 31, 2017, the advance receivable amounted to $3,760,000 (2,059,041,000 FCFA) and the intangible asset amounted to $1,374,000. The undiscounted value of the advance receivable was $4,468,000 (2,446,289,000 FCFA).

As at December 31, 2016, the advance receivable amounted to $3,847,000 (2,391,429,000 FCFA) and the intangible asset amounted to $1,595,000. The undiscounted value of the advance receivable was $4,722,000 (2,935,547,000 FCFA).

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

10. Property, Plant and Equipment

	Property, acquisition costs, deferred exploration and development costs	Exploration and evaluation assets (ii)	Mineral properties under develop-ment (iii)	Buildings and equipment related to mining production	Mining equipment (v)	Rolling stock, communi-cation and computer equipment	TOTAL
	$	$	$	$	$	$	$
Year ended December 31, 2017							
Opening net book amount	184,155	27,207	179,051	102,751	40,110	2,963	536,237
Additions	61,851	4,091	162,736	5,233	36,395	1,153	271,459
Retirement of assets	—	—	—	(588)	(25)	—	(613)
Depreciation charge	(72,603)	—	—	(14,328)	(16,037)	(774)	(103,742)
Closing net book amount	**173,403**	**31,298**	**341,787**	**93,068**	**60,443**	**3,342**	**703,341**
As at December 31, 2017							
Cost	501,724	31,298	341,787	201,947	118,849	12,257	1,207,862
Accumulated depreciation	(328,321)	—	—	(108,879)	(58,406)	(8,915)	(504,521)
Net book amount	**173,403**	**31,298**	**341,787**	**93,068**	**60,443**	**3,342**	**703,341**
Assets not subject to depreciation included in above (i)	—	31,298	341,787	2,234	9,025	240	384,584
Year ended December 31, 2016							
Opening net book amount	182,676	182,097	—	114,400	46,254	3,660	529,087
Additions	49,475	33,074	—	5,693	12,059	333	100,634
Reclassification	—	(179,051)	179,051	—	—	—	—
Retirement of assets	(213)	—	—	(895)	(2,893)	(31)	(4,032)
Impairment (iv)	—	(8,913)	—	—	—	—	(8,913)
Depreciation charge	(47,783)	—	—	(16,447)	(15,310)	(999)	(80,539)
Closing net book amount	184,155	27,207	179,051	102,751	40,110	2,963	536,237
As at December 31, 2016							
Cost	439,873	27,207	179,051	198,582	101,486	11,104	957,303
Accumulated depreciation	(255,718)	—	—	(95,831)	(61,376)	(8,141)	(421,066)
Net book amount	184,155	27,207	179,051	102,751	40,110	2,963	536,237
Assets not subject to depreciation included in above (i)	—	27,207	179,051	1,519	13,718	16	221,511

(i) Assets not subject to depreciation include critical spare parts not yet installed of $9,464,000 (December 31, 2016: $6,739,000) as well as assets under construction, in transit or exploration and evaluation assets of $375,120,000 (December 31, 2016: $214,772,000).

(ii) Exploration and evaluation assets mainly comprise farm-in agreements, mining rights and exploration and evaluation expenditures which typically include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore such as topographical, geological, geochemical and geophysical studies.

(iii) **Boungou Project**

In 2015, the Corporation completed the acquisition of all Orbis shares and as a result, it acquired the Boungou gold project. On February 25, 2016, the Corporation announced the results of the feasibility study of the Boungou project. On March 29, 2016, the Corporation amended its credit facility with Macquarie Bank Limited ("Macquarie") in order to secure sufficient financial resources to bring Boungou into production. On December 22, 2016, the Council of Ministers of Burkina Faso approved the award of the Boungou mining permit. Upon the formal award of the mining decree, the Government of Burkina Faso is entitled to a 10% interest in the project therefore reducing the Corporation's interest to 90%.

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

10. Property, Plant and Equipment (continued)

(iii) **Boungou Project** (continued)

On December 22, 2016, management determined that the technical feasibility and commercial viability of the Boungou Project had been established and, accordingly, the Corporation reclassified capitalized costs associated with the Boungou Project from "exploration and evaluation assets" to "mineral property under development" within "property, plant and equipment". Amounts capitalized on the Boungou Project will be carried at cost until the project has reached commercial production, is sold, abandoned or determined by management to be impaired.

The related exploration and evaluation assets were tested for impairment immediately prior to reclassification out of the "exploration and evaluation assets". In assessing the Boungou Project for potential impairment, management used the 'value in use' approach, which is the present value of the future cash flow expected to derive from the Boungou Project. Results from the testing showed that the value in use was higher than the carrying amount of the CGU. Therefore, no impairment charge was required prior to the reclassification to "mineral property under development".

The amount of borrowing costs capitalized for the year ended ended December 31, 2017 represented $8,492,000 (2016: $4,584,000). Borrowing costs consisted of interest expense and amortization of deferred transaction costs on the credit facility with Macquarie (note 13) and finance costs related to the finance lease (note 14).

(iv) **Impairment**

During the year ended December 31, 2016, the Corporation recorded an impairment loss of $8,913,000 previously capitalized as "exploration and evaluation assets" within "property, plant and equipment". The Corporation has no plans to further develop the Banfora Zone as substantive expenditure on further exploration and evaluation of mineral resources in the Banfora Zone is neither budgeted nor planned. Consequently, the exploration rights costs and capitalized exploration and evaluation expenses for this property have been written off within the "other exploration" segment and have been included as "impairment of property, plant and equipment" in the consolidated statement of income.

(v) During the third quarter of 2017, the Corporation capitalized $28,839,000 as "mining equipment" related to the finance lease (note 14).

11. Other Non-Current Assets

	As at December 31, 2017	As at December 31, 2016
	$	$
Investment in GoviEx Uranium Inc ("GoviEx") (note 18)	**2,108**	1,095
Financing fees relating to the Credit Facility (note 13)	**—**	2,979
Other	**148**	—
	2,256	4,074

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

12. Trade Payables and Accrued Liabilities

	As at December 31, 2017 $	As at December 31, 2016 $
Trade payables	**55,383**	28,989
Royalty and withholding tax	**3,965**	3,669
Other accrued expenses	**13,372**	9,306
	72,720	41,964

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

13. Long-Term Debt

Long-term debt consists of the following:

	As at December 31, 2017 $	As at December 31, 2016 $
Credit facility (a)	**120,000**	60,000
Unamortized deferred transaction costs	**(4,934)**	(3,765)
Equipment financing (b)	**491**	801
Long-term debt, net of deferred transaction costs	**115,557**	57,036
Current portion	**310**	310
Non-current portion	**115,247**	56,726
	115,557	57,036

(a) Credit Facility with Macquarie

As at December 31, 2017, the Credit Facility amounted to $120,000,000 and bore interest at a rate equal to LIBOR plus 4.75% per annum, principal repayable in eight equal quarterly installments of $15,000,000, the first principal repayment starting March 31, 2019. The Credit Facility is secured by a pledge of all assets of SEMAFO Inc., which include SEMAFO (Barbados) Ltd. shares.

The Corporation is required to maintain an amount of $25,000,000 in a distinct account. This requirement will be lifted when the Corporation commences commercial production at its Boungou Mine and the Credit Facility amount has been lowered to $90,000,000. In addition, the Corporation is required to deposit $15,000,000 until the Credit Facility is less than or equal to $30,000,000; this amount was recorded as restricted cash (note 6).

The Credit Facility is subject to maintaining the minimum following consolidated covenants on a quarterly basis, until the date of commercial production at its Boungou Mine:

- Current Ratio of greater than 1.00:1.00
- Ratio of Forecast Cash Flow to Net Debt of not less than 1.50:1.00

As at December 31, 2017, all covenants were met.

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

13. Long-Term Debt (continued)

Background

i) Original terms

On March 3, 2015, the Corporation entered into a credit facility amounting to $90,000,000 ("Original Credit Facility") with Macquarie. In consideration for the Original Credit Facility, the Corporation incurred financing fees amounting to $2,550,000, of which $1,200,000 was paid in cash and $1,350,000 in common shares of the Corporation. The Original Credit Facility bore interest at a rate equal to LIBOR plus 6.5% per annum, with the principal repayable initially in three equal annual installments. The first principal repayment of $30,000,000 was made on March 3, 2016.

ii) 2016 amendments

In 2016, the Corporation entered into two amendments to the Original Credit Facility, which consisted of an increase in available credit facility from $60,000,000 to $120,000,000 with the New Advance to be drawn by June 30, 2017. The interest rate was reduced to LIBOR plus 4.75% per annum, with the principal repayable in eight equal quarterly installments of $15,000,000, the first principal repayment starting March 31, 2019.

The Corporation incurred financing fees of $5,959,000 related to the New Advance of which $5,700,000 were settled in common shares of the Corporation and $259,000 were settled in cash. The financing fees of $5,959,000 were recorded proportionately against the amount drawn and will be amortized using the effective interest rate method. As at December 31, 2016, half of the financing fees, which represented $2,980,000, were classified as unamortized deferred transaction costs and the other half of $2,979,000 were capitalized in "other non-current assets" in the Consolidated Statement of Financial Position and were not subject to amortization since the New Advance had not been drawn.

All amendments were accounted for as a modification of debt.

iii) 2017 Drawdown

On June 20, 2017, the Corporation drew down the incremental $60,000,000 of the Credit Facility. The related financing fees of $2,979,000 capitalized in "other non-current assets" were reclassified as unamortized deferred transaction costs against the Credit facility.

(b) Equipment financing

In May 2016, the Corporation purchased equipment, a portion of which was financed by the supplier for an initial amount of $930,000 ("Equipment financing"). The Equipment financing bears interest at a rate of 7,25% per annum. The interest and principal are payable in 36 monthly installments commencing in August 2016. As at December 31, 2017, the outstanding Equipment financing amounted to $491,000.

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

14. Finance Lease

In July 2017, the Corporation entered into a mining services agreement ("Mining Agreement") with African Mining Service Burkina Faso SARL ("AMS") for the Boungou Mine. The Mining Agreement has an initial duration of five years and can be extended by the Corporation under the period, terms and conditions negotiated by both parties before the end of the contract.

The mining services provided by AMS include the extraction and haul of the ore and waste in a safe and efficient manner to ensure feed to the plant or designated stockpiles. AMS will also provide a skilled labor force and the equipment needed to perform the mining services. The Corporation remains responsible for the mining plan.

Based on the substance of the Mining Agreement at the inception date, it was determined that it contains a finance lease with respect to the mining fleet. The Corporation recognized $28,839,000 as a finance lease asset and a corresponding amount as a finance lease obligation.

The implied finance costs on the liability were determined based on the Corporation's incremental borrowing rate which has been estimated at 7%.

Finance lease consists of the following:

	As at December 31, 2017	As at December 31, 2016
	$	$
Opening balance, Finance Lease	—	—
New debt obligations under finance lease	28,839	—
Mobilization payment during the year	(2,896)	—
Payments during the year	(2,232)	—
Ending Balance, Finance Lease	**23,711**	—
Current portion	4,703	—
Non-current portion	19,008	—
	23,711	—

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

	Less than one year	Between one year and five years	Total
	$	$	
Minimum lease payments	4,703	19,008	23,711
Financial charges	1,511	2,439	3,950
	6,214	**21,447**	**27,661**

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

15. Provisions

	As at December 31, 2017	As at December 31, 2016
	$	$
Current	**3,069**	3,271
Non-current	**12,258**	8,137
	15,327	11,408

	Asset retirement obligations	Other	Total
	$	$	$
As at January 1, 2016	6,676	6,983	13,659
Variation due to additional provisions, accretion expense, exchange rate and provision used during the year	974	147	1,121
Portion classified in "trade payables and accrued liabilities"	—	(964)	(964)
Reversal of provisions	—	(2,408)	(2,408)
As at December 31, 2016	7,650	3,758	11,408
Additional provisions	3,753	—	3,753
Variation due to accretion expense, exchange rate and provision used during the year	536	(370)	166
As at December 31, 2017	**11,939**	**3,388**	**15,327**

Asset Retirement Obligations

The liability for asset retirement obligations as at December 31, 2017 was $11,939,000 (December 31, 2016: $7,650,000). It includes an additional provision of $3,343,000 resulting from the 2017 study for asset retirement obligations of the Boungou mine. The estimated undiscounted value of this liability was $18,389,000 (December 31, 2016: $11,335,000). These disbursements are expected to be made during the years 2018 to 2030.

In 2016, an asset retirement obligation study for the subsidiary in Burkina Faso was conducted. From the results of the study, a new estimate of the asset retirement obligation required more provision, which resulted in a net increase of asset retirement obligation by $135,000. A gain of $404,000 was recorded as a reduction of "depreciation expense" and an increase of $539,000 was recorded in "property, plant and equipment".

In the year ended December 31, 2017, an accretion expense component of $536,000 (2016: $467,000) was charged to operations in "finance costs" to reflect an increase in the carrying amount of the asset retirement obligation which was determined using a weighted average discount rate of 7% (2016: 7%).

Other

a) Other provisions include a special compensation arrangement of $539,000 as at December 31, 2017 (December 31, 2016: $693,000) made with the former President and Chief Executive Officer for which the undiscounted value of the special compensation arrangement was $573,000 (December 31. 2016: $741,000). The disbursements are expected to be made during the years 2018 to 2020.

b) Other provisions also include various tax exposures amounting to $2,849,000 as at December 31, 2017 (December 31, 2016: $3,065,000). From time to time, the Corporation is subject to a review of its income tax filings and other taxes and, in connection with such reviews, disputes can arise with the taxation authorities over the interpretation or application of certain rules to the Corporation's business conducted in a given country.

   In October 2016, the Corporation received a tax assessment from the Burkinabé tax authorities covering the years 2013 to 2015 totaling $8,288,000 (4,537,818,000 FCFA), which includes $1,485,000 (813,329,000 FCFA) in penalties and mainly covers withholding taxes. The Corporation is vigorously defending its positions and has initiated administrative procedures of revision.

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

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

16. Income Taxes

a) Deferred Income Tax

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

Deferred tax assets	Unrealized foreign exchange losses $
As at January 1, 2016	82
Charged to consolidated statement of income	363
Exchange differences	(16)
As at December 31, 2016	**429**
Credited to consolidated statement of income	(60)
Exchange differences	53
As at December 31, 2017	**422**

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

Deferred tax liabilities	Inventories $	Property, plant and equipment $	Reserve $	Investments in subsidiaries $	Total $
As at January 1, 2016	(186)	(27,533)	291	(4,500)	(31,928)
Charged (credited) to consolidated statement of income	(723)	(2,889)	(302)	2,051	(1,863)
Exchange differences	31	998	4	—	1,033
As at December 31, 2016	**(878)**	**(29,424)**	**(7)**	**(2,449)**	**(32,758)**
Charged (credited) to consolidated statement of income	(106)	8,268	—	(3,365)	4,797
Exchange differences	(125)	(3,280)	—	—	(3,405)
As at December 31, 2017	**(1,109)**	**(24,436)**	**(7)**	**(5,814)**	**(31,366)**

The net operating losses carried forward and deductible temporary differences for which deferred tax assets have not been recognized amounted to $93,009,000 as at December 31, 2017 (2016: $58,340,000). Of these amounts, $7,326,000 (2016: $4,160,000) had no expiration date as at December 31, 2017 and $85,683,000 (2016: $54,180,000) in respect of losses and donations that can be carried forward against future taxable income will expire between 2018 and 2037.

In addition, the Corporation has $26,644,000 (2016: $23,942,000) of net capital losses carried forward for which deferred tax assets have not been recognized. Net capital losses can be carried forward indefinitely and can only be used against future taxable capital gains.

As at December 31, 2017, no deferred tax liabilities were recognized for temporary differences of $281,372,000 (2016: $307,648,000) related to investments in subsidiaries because Semafo controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

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

16. Income Taxes (continued)

b) Income Tax Expense

	2017	2016
	$	$
Current tax		
Current tax on profits for the year	**4,174**	16,394
Adjustments in respect of prior years	**7**	14
Total current tax	**4,181**	16,408
Deferred tax		
Origination and reversal of temporary differences	**(4,737)**	1,500
Income tax expense (recovery)	**(556)**	17,908

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:

	2017	2016
	$	$
Income before income taxes	**23,007**	59,175
Canadian combined tax rate	**26.80%**	26.90%
Tax calculated at Canadian combined tax rate	**6,166**	15,918
Tax effects of:		
Difference in tax rate of foreign subsidiaries	**(2,093)**	(6,690)
Unrecorded tax benefits	**4,097**	1,626
Recognition of previously non-recognized tax benefit	**—**	48
Expenses (income) not deductible for tax purposes	**(3,650)**	2,251
Non-deductible capital losses	**(717)**	(763)
Adjustment in respect of prior years	**52**	351
Foreign exchange gain (loss) not materialized	**(134)**	28
Effect of currency translation on tax base	**(8,809)**	1,843
Other taxes included in income tax expense	**4,199**	2,838
Other	**333**	458
Income tax expense (recovery)	**(556)**	17,908

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

17. Share Capital

a) Authorized

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 $0.23 (C$0.32) per share
- Unlimited number of Class "B" preferred shares, no par value, non-voting, non-participating and redeemable at the option of the Corporation at a price of $0.09 (C$0.12) per share

b) Share issuances

Shares issued in consideration of financing costs on long-term debt

On March 29, 2016, the Corporation entered into an amendment to the Original Credit Facility agreement with Macquarie. The Corporation incurred financing fees of $5,959,000 related to the New Advance of which $5,700,000 was settled by issuing 1,642,479 common shares of the Corporation.

Bought Deals Financing

On April 22, 2016, a syndicate of underwriters purchased, on a "bought deal" basis, 26,450,000 common shares of the Corporation, at a price of $3.43 (C$4.35) per common share for aggregate gross proceeds of approximately $90,762,000 (C$115,057,500). Share issue expenses related to this bought deal financing totalled approximately $4,787,000.

Options

A total of 142,000 options were exercised during the year ended December 31, 2017, under both the Original Plan and the 2010 Plan for a cash consideration of $255,000. An amount of $137,000 has been reclassified from contributed surplus to share capital. For the same period in 2016, a total of 2,427,000 options were exercised under both the Original Plan and 2010 Plan for a cash consideration of $6,042,000. An amount of $3,328,000 has been reclassified from contributed surplus to share capital.

18. Capital risk management

Capital is defined as equity shareholders plus long-term debt (Credit Facility).

	As at December 31, 2017 $	As at December 31, 2016 $
Long-term debt (Credit Facility)	**115,066**	56,235
Equity Shareholders	**729,480**	708,028
	844,546	764,263

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; and
d) Ensure sufficient capital for business development.

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

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

19. 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 profit or loss or in other comprehensive income. These categories are loans and receivables, available-for-sale assets and financial liabilities at amortized cost. The following table shows the carrying values of assets and liabilities for each of these categories as at December 31, 2017 and December 31, 2016.

	As at December 31, 2017 $	As at December 31, 2016 $
Financial assets		
Loans and receivables		
Cash and cash equivalents	**198,950**	273,772
Restricted cash	**23,237**	5,689
Gold trade receivables	**560**	90
Advance receivable	**3,760**	3,847
Other receivables (excluding VAT)	**1,018**	1,163
Available-for-sale assets		
Investment in GoviEx	**2,108**	1,095
Other	**148**	—
	229,781	285,656
Financial liabilities		
Amortized cost		
Trade payables and other financial liabilities	**68,755**	38,295
Long-term debt	**115,557**	57,036
Finance Lease	**23,711**	—
	208,023	95,331

Financial Risk Factors

a) Market Risks

i. Fair Value

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) and trade payables and other financial liabilities. The fair value of the advance receivable was estimated by discounting the future cash flows which approximates its carrying value. The fair value of restricted cash approximates its carrying amount. Long-term debt was accounted for at amortized cost and its fair value approximates its carrying value. Finance lease is recognized at the lower of the fair value and the present value of minimum lease payments at inception of the lease. Its fair value approximates it's carrying value.

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

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

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

19. Financial Instruments (continued)

Financial Risk Factors (continued)

a) Market Risks (continued)

i. Fair Value (continued)

Advance receivable

The advance receivable is classified as a loan and receivable and it is measured at amortized cost using the effective interest rate method. As the information on fair value is disclosed for the advance receivable, it is classified as a Level 3 according to the Corporation's fair value hierarchy. The valuation technique used is the income approach (discounted future cash flows) with an effective interest rate of 7% over a seven-year period. Interest income is recognized in the consolidated statement of income as part of "finance income". The fair value as at December 31, 2017 was $3,760,000 (December 31, 2016: $3,847,000) and was not significantly different from its carrying amount.

Investment in GoviEx

The investment in GoviEx, a publicly traded mineral resources company focused on the exploration and development of uranium properties in Africa, is classified as available-for-sale assets. Its fair value is a recurring measurement.

On July 11, 2016, GoviEx transferred its listing from the Canadian Securities Exchange ("CSE") to the TSX Venture Exchange ("TSX-V") and concurrently, delisted from the CSE. On June 8, 2017, GoviEx's shares began to be traded on the OTCQB Venture Market in the United States.

Prior to the delisting from the CSE, the GoviEx investment was classified as a Level 3 financial instrument according to its fair value hierarchy. Subsequent to its transfer to the TSX-V, the investment in GoviEx was transferred from the Level 3 to the Level 1 in the fair value hierarchy during the year ended December 31, 2016. In accordance with the Corporation's policy and using the last closing price observed on the TSX-V, the Corporation estimates the fair value of this available-for-sale investment to be 2,108,000 as at December 31, 2017 (December 31, 2016: $1,095,000).

There were no transfers between Level 1, Level 2 and Level 3 during the year ended December 31, 2017.

ii. Interest rate risk

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

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

The long-term debt provides for an interest on the outstanding principal amount from the date of advance to the Corporation at a rate equal to LIBOR plus 4.75%. Related interest rates are based on market interest rates. A change in the interest rate for the long-term debt would have an impact on "Mineral property under development" assets as borrowing costs are capitalized during the construction phase.

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

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

iii. Foreign Exchange Risk

The Corporation's operations in Burkina Faso are subject to currency fluctuations and such fluctuations may materially affect its financial position and results. Gold is currently sold in US dollars. The majority of the costs of the Corporation are also in non-US dollars. The appreciation of non-US dollar currencies against the US dollar can increase the cost of exploration, construction 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 equivalents, restricted cash, gold trade receivables and other receivables, advance receivable, trade payables and other financial liabilities payable in currencies other than its functional currency. Accordingly, the Corporation is exposed to foreign exchange risk.

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

19. Financial Instruments (continued)

Financial Risk Factors (continued)

a) Market Risks (continued)

iii. Foreign Exchange Risk (continued)

The balances in currencies are as follows as at December 31, 2017 and 2016:

	2017		2016	
	CAD	EUR	CAD	EUR
Cash and cash equivalents	20,089	49,632	31,171	87,340
Restricted cash	1,078	6,056	1,254	4,403
Gold trade receivables and other receivables	21	572	69	683
Advance receivable	—	3,139	—	3,645
Trade payables and other financial liabilities	(1,861)	(34,238)	(3,690)	(19,842)
	19,327	25,161	28,804	76,229
US dollar equivalents	15,399	30,144	21,452	80,444

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 10% weakening of the Canadian dollar exchange rate would have generated a decrease of $1,399,000 on net income and equity for the year ended December 31, 2017 (2016: $1,950,000). A 10% strengthening of the Canadian dollar exchange rate would have generated an increase of $1,710,000 on net income and equity for the year ended December 31, 2017 (2016: $2,384,000). A weakening of 10% in the Euro exchange rate would have generated a decrease of $2,740,000 on the net income and equity for the year ended December 31, 2017 (2016: $7,313,000). A strengthening of 10% in the Euro exchange rate would have generated an increase of $3,349,000 on the net income and equity for the year ended December 31, 2017 (2016: $8,938,000).

iv. Equity Price Risk

The Corporation is exposed to equity price risk for its investments 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 quoted equity investment in GoviEx is exposed to equity price risk since its fair value is determined through the last closing share price on the TSX-V. As at December 31, 2017, a variation of 10% of the quoted equity investment in GoviEx would result in an estimated effect in the consolidated statement of comprehensive income and in equity of $211,000 (net of tax) for the year ended December 31, 2017.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Corporation to credit risk consist of cash and cash equivalents, restricted cash, gold trade receivables and other receivables and advance receivables. The Corporation offsets these risks by depositing its cash and cash equivalents, including restricted cash, with Canadian and international financial institutions with credit rating between AA- and B, and with banks in Africa, which have no credit rating. The Corporation only performs transactions with one 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 counterparties assuring the risk to the Corporation as being minimal.

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

19. Financial Instruments (continued)

Financial Risk Factors (continued)

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, 2017:

	Between 0 and 6 months	Between 6 and 12 months	Between 12 and 24 months	Between 24 and 60 months
	$	$	$	$
Trade payables and other financial liabilities	66,941	709	875	230
Long-term debt including interests	3,840	3,840	66,168	62,303
Finance Lease including accretion interests	3,107	3,107	6,214	15,233

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

Surplus cash held over and above the balance required for working capital management and other expected needs are invested in interest bearing current accounts, bank deposits and money market investments. Liquidity risk is considered minimal because the Corporation has surplus cash. As at December 31, 2017, the Corporation held cash comprising cash on hand and demand deposits amounting to $78,849,000 (2016: $114,132,000); and cash equivalents that are composed of bank deposits and money market investments of $120,101,000 (2016: $159,640,000).

20. Mining Operation Expenses

The following table details mining operation expenses by nature:

	2017	2016
	$	$
Operating and maintenance supplies and services	**89,638**	71,500
Fuel	**45,988**	41,324
Employee benefits expenses	**29,246**	28,490
Reagents	**11,019**	10,946
Inventory change	**(7,697)**	1,243
Less: Production expenses capitalized as stripping cost	**(44,615)**	(34,453)
Total Production costs	**123,579**	119,050
Government royalties	**10,806**	12,903
Mining Operation Expenses	**134,385**	131,953

21. General and Administrative

	2017	2016
	$	$
Corporate expenses	**11,474**	11,110
Sites – Administrative	**2,595**	2,843
	14,069	13,953

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

22. Share-Based Compensation

The following table details the share unit plan liabilities:

	As at December 31, 2017 $	As at December 31, 2016 $
Current	**6,404**	6,635
Non-current	**3,138**	4,899
	9,542	11,534

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

	2017 $	2016 $
Restricted Share Unit ("RSU") (b)	**2,880**	5,485
Deferred Share Unit ("DSU") (c)	**248**	691
Performance Share Unit ("PSU") (d)	**98**	119
	3,226	6,295

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

	2017 $	2016 $
Expense related to outstanding units	**4,061**	4,305
Expense (recovery) related to change in the fair value of the share price	**(835)**	1,990
	3,226	6,295

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 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.

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.

Since the adoption of the DSU Plan as defined in point c) of this note, no further option has been granted nor will be granted under the Original Plan and the 2010 Plan.

No new options were issued to directors of the Corporation during the year ended December 31, 2017 (2016: nil). For the year ended December 31, 2017, there is no share-based compensation expense recorded related to the share option plan (2016: nil).

22. Share-Based Compensation (continued)

a) Options (continued)

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

(in thousands, except weighted average exercise price)	2017 Number of options (in thousands)	2017 Weighted average exercise price $		2016 Number of options (in thousands)	2016 Weighted average exercise price $	
Balance – beginning of year	**2,398**	**2.42**	**(C$3.25)**	4,952	2.43	(C$3.37)
Expired	**(105)**	**5.94**	**(C$7.45)**	(77)	7.34	(C$9.85)
Cancelled	**—**	**—**	**—**	(50)	3.50	(C$4.70)
Exercised	**(142)**	**1.80**	**(C$2.26)**	(2,427)	2.49	(C$3.34)
Balance – end of year	**2,151**	**2.48**	**(C$3.11)**	2,398	2.42	(C$3.25)
Options exercisable – end of year	**2,151**	**2.48**	**(C$3.11)**	2,398	2.42	(C$3.25)

The following table sets forth the range of exercise prices for the options under the plans in 2017:

(in thousands, except weighted average exercise price/option and average residual life span)	Options outstanding and exercisable			
Range of exercise prices	Options outstanding (in thousands)	Average residual life span (in years)	Weighted average exercise $ price/options	
$1.08 (C$1.35) to $1.62 (C$2.03)	1,100	1.05	1.39	(C$1.75)
$2.51 (C$3.15) to $2.96 (C$3.71)	207	0.65	2.77	(C$3.48)
$3.74 (C$4.70) to $4.16 (C$5.22)	844	2.06	3.82	(C$4.79)
	2,151	1.41	2.48	(C$3.11)

b) Restricted Share Units

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

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

22. Share-Based Compensation (continued)

b) Restricted Share Units (continued)

The following table provides the activity for all RSUs for the years ended December 31, 2017 and 2016:

	Number of RSUs
Outstanding as of January 1, 2016	3,690,000
Granted under the 2016 plan	1,125,000
Vested and paid	(247,000)
Forfeited	(85,000)
Outstanding as of December 31, 2016	4,483,000
Outstanding as of January 1, 2017	4,483,000
Granted under the 2017 plan	968,000
Vested and paid	(1,678,000)
Forfeited	(31,000)
Outstanding as of December 31, 2017	**3,742,000**

A total of 1,696,146 RSUs vested as at December 31, 2017, which was settled for a cash consideration of $4,738,000 in January 2018.

c) Deferred Share Units

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

The following table provides the activity for all DSUs for the years ended December 31, 2017 and 2016:

	Number of DSUs
Outstanding as of January 1, 2016	283,247
Granted	172,753
Outstanding as of December 31, 2016	**456,000**
Outstanding as of January 1, 2017	456,000
Granted	140,476
Outstanding as of December 31, 2017	**596,476**

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

22. Share-Based Compensation (continued)

d) PSU

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

	Number of PSUs
Outstanding as of January 1, 2016	—
Granted	238,784
Outstanding as of December 31, 2016	**238,784**
Outstanding as of January 1, 2017	**238,784**
Granted	215,543
Outstanding as of December 31, 2017	**454,327**

23. Finance Costs

	2017 $	2016 $
Accretion expense	**553**	502
Other	**756**	1,436
	1,309	1,938

24. Non-Controlling Interests

	2017 $	2016 $
Government of Burkina Faso - 10% in SEMAFO Burkina Faso S.A.	**3,056**	7,048
Government of Burkina Faso - 10% in SEMAFO Boungou S.A.	**471**	—
	3,527	7,048

25. Earnings per Share

(in thousands, except shares and per share)	2017 $	2016 $
Net income for the year attributable to equity shareholders	**20,036**	34,219
Average weighted number of outstanding common shares – basic	**324,894**	315,290
Dilutive effect of options	**572**	925
Weighted average number of outstanding common shares – diluted	**325,466**	316,215
Earnings per share	**0.06**	0.11
Diluted earnings per share	**0.06**	0.11

26. Financial Commitments and Contingencies

Purchase Obligations

As at December 31, 2017, purchase commitments totalled $44,470,000, of which $42,417,000 related to the Boungou Mine.

Government Royalties

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

For the year ended December 31, 2017, the Corporation was subject to royalty rates of 4% and 5% (2016: 4% and 5%), which were calculated using the retail market value of gold ounces sold at the time of shipment. For the year ended December 31, 2017, government royalties amounting to $10,806,000 (2016: $12,903,000) were paid to the Government of Burkina Faso.

Net Smelter Royalty ("NSR")

The Corporation is subject to an NSR of 1% on various exploration properties. The NSR comes into effect when the Corporation enters into commercial production.

Contingencies

On October 15, 2015, the Corporation received a water extraction tax invoice of $4,099,000 (2,244,166,000 FCFA). The Corporation is exempt from this tax under its mining agreement for the Mana Mine pursuant to fiscal stability clauses. As a result, no provision was recorded in the consolidated financial statements as at December 31, 2017. The Corporation is vigorously defending its position with the Water Agency.

Minimum operating lease payments

In the normal course of business, the Corporation enters into contracts with a commitment to minimum operating lease payments. As at December 31, 2017, future minimum operating lease payments are break-down as follows:

	Less than one year $	Between one year and five years $	Over five years $	Total $
Office rental	341	1,176	461	1,978
Other operating lease contract	10,042	11,716	—	21,758
	10,383	**12,892**	**461**	**23,736**

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

27. Financial Information Included in the Consolidated Statements of Cash Flows

a) Changes in non-cash working capital items

	2017 $	2016 $
Trade and other receivables	**(4,755)**	1,695
Income tax receivable	**(3,186)**	1,634
Inventories	**(13,607)**	2,705
Other current assets	**(1,581)**	109
Trade payables and accrued liabilities	**3,488**	4,185
Share unit liabilities	**(5,218)**	(607)
Provisions	**166**	(2,758)
Withholding taxes	**—**	(5,827)
Income tax payable	**(5,422)**	5,422
	(30,115)	6,558

b) Supplemental information on non-cash items

	2017 $	2016 $
Depreciation of property, plant and equipment allocated to exploration and development costs	**4,598**	5,647
Depreciation of property, plant and equipment allocated to mineral properties under development	**3,845**	—
Net effect of depreciation of property, plant and equipment allocated to inventories	**1,411**	896
New asset retirement obligations allocated to property, plant and equipment	**3,753**	507
Variation in accounts payables related to property, plant and equipment	**27,057**	1,910
Amortization of capitalized financing fees	**1,810**	784

c) Supplemental information on acquisitions of property, plant and equipment

	2017 $	2016 $
Acquisitions of exploration and evaluation assets	**(3,854)**	(29,349)
Acquisitions of other property, plant and equipment	**(197,492)**	(61,541)
	(201,346)	(90,890)

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

28. Subsidiaries and Transactions with Non-Controlling Interests

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

SEMAFO Burkina Faso S.A.

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

	As at December 31, 2017 $	As at December 31, 2016 $
Non-controlling interest percentage	**10%**	10%
Current assets	**233,871**	186,432
Current liabilities	**44,725**	44,482
	189,146	141,950
Non-current assets	**274,041**	293,338
Non-current liabilities	**40,123**	41,711
	233,918	251,627
Net assets	**423,064**	393,577

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

	2017 $	2016 $
Revenue	**258,993**	300,483
Net income and comprehensive income	**30,564**	70,478
Net income attributable to non-controlling interest	**3,056**	7,048
Dividends paid to non-controlling interest	**—**	10,359

The accumulated non-controlling interest in SEMAFO Burkina Faso S.A. was $30,611,000 as at December 31, 2017 (2016: $27,555,000).

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

	2017 $	2016 $
Cash flows from operating activities	**85,426**	155,108
Cash flows from financing activities	**(80,160)**	(110,670)
Cash flows from investing activities	**(69,145)**	(56,336)

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

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

SEMAFO Boungou S.A.

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

	As at December 31, 2017 $	As at December 31, 2016 $
Non-controlling interest percentage	**10%**	10%
Current assets	**22,379**	—
Current liabilities		
Other current liabilities	**34,092**	2,013
Current inter-company liabilities	**192,906**	—
Total current liabilities	**226,998**	2,013
	(204,619)	(2,013)
Non-current assets	**231,684**	2,013
Non-current liabilities	**22,351**	—
	209,333	2,013
Net assets	**4,714**	0

Summarized statement of income for SEMAFO Boungou S.A. before inter-company eliminations

	2017 $	2016 $
Revenue	—	—
Net income and comprehensive income	4,714	—
Net income attributable to non-controlling interest	471	—
Dividends paid to non-controlling interest	—	—

The accumulated non-controlling interest in SEMAFO Boungou S.A. was $471,000 as at December 31, 2017 (2016: nil).

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

	2017 $	2016 $
Cash flows from operating activities	(777)	504
Cash flows from financing activities	131,545	1,508
Cash flows from investing activities	(113,669)	(2,013)

29. Related Party Transactions

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

	2017 $	2016 $
Short-term employee benefits	**2,988**	3,084
Share-based compensation	**2,229**	4,289
	5,217	7,373

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

29. Related Party Transactions (continued)

The Corporation has a termination and change of control benefits agreement with the President and Chief Executive Officer and with the Chief Financial Officer. Had any of these individuals been terminated on December 31, 2017, the President and Chief Executive Officer would have received approximately $2,103,000 (2016: $2,215,000) and the Chief Financial Officer approximately $965,000 (2016: $989,000).

30. Segmented Information

The Corporation is conducting exploration and production activities in Burkina Faso. The business segments presented reflect the management structure of the Corporation and the way in which the Corporation's chief operating decision maker reviews business performance. The Corporation evaluates the performance of its operating segments primarily based on segment operating income, as defined below.

					2017
	Mana, Burkina Faso	Boungou, Burkina Faso	Other exploration	Corporate and other	Total
	$	$	$	$	$
Revenue – Gold sales	258,993	—	—	—	258,993
Mining operating expenses	134,385	—	—	—	134,385
Depreciation of property, plant and equipment	94,357	—	—	365	94,722
General and administrative	2,595	—	—	11,474	14,069
Corporate social responsibility expenses	931	166	—	—	1,097
Share-based compensation	—	—	—	3,226	3,226
Operating income (loss)	**26,725**	**(166)**	**—**	**(15,065)**	**11,494**
Property, plant and equipment	302,831	367,382	31,580	1,548	703,341
Total assets	435,655	393,917	33,288	165,503	1,028,363

					2016
	Mana, Burkina Faso	Boungou, Burkina Faso	Other exploration	Corporate and other	Total
	$	$	$	$	$
Revenue – Gold sales	300,483	—	—	—	300,483
Mining operating expenses	131,953	—	—	—	131,953
Depreciation of property, plant and equipment	77,952	—	—	371	78,323
General and administrative	2,843	—	—	11,110	13,953
Corporate social responsibility expenses	960	—	—	—	960
Share-based compensation	—	—	—	6,295	6,295
Impairment of property, plant and equipment	—	—	8,913	—	8,913
Operating income (loss)	**86,775**	**—**	**(8,913)**	**(17,776)**	**60,086**
Property, plant and equipment	327,408	179,903	27,238	1,688	536,237
Total assets	488,397	185,123	28,310	193,446	895,276

The Corporation's revenue is derived from one major customer. The Corporation is not economically dependent on a limited number of customers for the sale of gold because gold can be sold through numerous commodity market traders worldwide.