

# SEM

Committed...



# AFO

TO A BETTER  
TOMORROW, TO THE  
ENVIRONMENT, TO OUR  
HUMAN RESOURCES, TO  
INCREASING SHAREHOLDER VALUE,  
TO MAKING A SIGNIFICANT CONTRIBUTION  
TO THE COMMUNITIES  
IN WHICH WE  
OPERATE, TO  
SUPPORTING OUR  
FUTURE GENERATIONS  
TO RESPONSIBLE  
MINING



## First Quarter

For the three-month period ended March 31, 2008







## Management's Discussion and Analysis For the three-month period ending March 31, 2008

Semafo (the "Company") is a Canadian-based mining company with gold production and exploration activities in West Africa. The Company currently operates three gold mines in Burkina Faso, Niger and Guinea. Semafo is committed to evolve in a conscientious manner to become a major player in its geographical areas of interest, while maintaining principles and strengthening relationships to increase shareholder value.

The Management's Discussion and Analysis ("MD&A") provides an analysis to enable readers to assess material changes in financial condition and results of operations for the three-month period ended March 31, 2008 compared to the corresponding period last year. This MD&A, prepared as of May 13, 2008, is intended to complement and supplement our consolidated interim unaudited financial statements. It should be read in conjunction with the MD&A for the period ended December 31, 2007, our audited consolidated annual financial statements for the year ended December 31, 2007 and notes thereto, together with our consolidated interim unaudited financial statements and notes thereto for the quarter ended March 31, 2008. Our financial statements and this MD&A are intended to provide investors with reasonable basis for assessing our results of operation and our financial performance.

Our consolidated interim unaudited financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). All dollar amounts contained in this MD&A are expressed in US dollars, unless otherwise specified. Effective January 1, 2008, the Company adopted four new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") addressing general standards of financial statement presentation, inventories and disclosures concerning capital and financial instruments. See note 3 of the consolidated interim unaudited financial statements as at March 31, 2008.

### 1 Financial and Operating Highlights

|   | <u>Three-month periods ending March 31</u> |             |
|---|--|-------------|
|   | <u>2008</u>                                | <u>2007</u> |
| Gold ounces produced.....   | <b>28,700</b>                              | 29,000      |
| Gold ounces sold .....  | <b>28,200</b>                              | 28,100      |
| <b>(In thousands of dollars, except amounts per ounce, per tonne and per share)</b> |  |             |
| Revenues – Gold sales .....   | <b>25,540</b>                              | 18,576      |
| Operating costs .....   | <b>17,129</b>                              | 13,479      |
| Operating income .....  | <b>2,801</b>                               | 70          |
| Net income (loss) .....   | <b>12,502</b>                              | (3,233)     |
| Basic and diluted net income (loss) per share.....                                  | <b>0.06</b>                                | (0.02)      |
| Cash flows from operating activities <sup>1</sup> .....                             | <b>6,143</b>                               | 3,871       |
| Average selling price (per ounce) .....   | <b>906</b>                                 | 661         |
| Cash operating cost (per tonne processed) <sup>2</sup> .....                        | <b>27</b>                                  | 23          |
| Cash operating cost (per ounce produced) <sup>2</sup> .....                         | <b>528</b>                                 | 450         |
| Total cash cost (per ounce sold) .....  | <b>607</b>                                 | 480         |

<sup>1</sup> Cash flow from operating activities excludes changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations for property, plant and equipment.

<sup>2</sup> The cash operating cost is calculated using the ounces produced. See the section "Non-GAAP measure" of this MD&A.

## A Word from the CEO

We are pleased with the organization's performance during this first quarter of 2008 and proud of the work and individual contributions of the entire Semafo team. The continuous improvement of our overall performance is part of our ongoing commitment.

The first gold pour at our Mana mine in Burkina Faso took place on March 31, 2008. This gold pour marks the third time the Company has successfully brought a West African gold project into production.

Our objective for the first quarter of 2008 was to produce 24,500 ounces of gold from the Kiniero and Samira Hill mines. We exceeded this target with a total production of 28,700 ounces.

We are committed to the continuous improvement of our overall performance and have taken measures to streamline all areas of operations in order to maximize opportunities. This diligent approach resulted in an operating income of \$2,801,000 for the first quarter of 2008, compared to \$70,000 for the corresponding period in 2007, reflecting an increase in the average realized selling price, which was higher than the increase in operating costs. In the current strong-growth market, controlling costs, increasing production and minimizing the negative effects of our hedging contracts are all part of our commitment to continuous improvement.

We appreciate that the Company's performance is a direct result of the ongoing dedicated efforts of our employees and remain committed to being a best practice company and an employer of choice. Leveraging skills, respect, integrity, the search for excellence, competence and teamwork motivate us all to excel. Semafo is a mining company committed to sustainable development in the communities in which we operate, while increasing shareholder value.

## FIRST QUARTER 2008 – HIGHLIGHTS

- Gold production of 28,700 ounces at an average cash operating cost of \$528 per ounce
- Record gold sales of \$25,540,000
- Operating income of \$2,801,000 compared to \$70,000 for the same period in 2007
- Disposal of a subsidiary, resulting in a non-cash gain of \$17,849,000
- Net income of \$12,502,000, including an unrealized loss of \$7,807,000 resulting from the change in the fair value of derivative financial instruments
- Successful start-up and first pour at the Mana Mine in Burkina Faso
- Resumption of profitable production levels at Kiniero, with first quarter production of 12,400 ounces at an average cash cost of \$451 per ounce
- Cash flows from operating activities of \$6,143,000

## 2008 OBJECTIVES

- ❑ Achieve ongoing, stable production at the Samira Hill and Kiniero gold mines
- ❑ Successful start-up of the Mana Mine including the installation of the 4,000 tonne-per-day ball mill
- ❑ Continue the expanded exploration programs initiated in 2007 to increase resource and reserves and ultimately extend mine life
- ❑ Increase gold production by 60% demonstrating a quarterly increase leading to an annual production between 165 000 and 185 000 ounces

## 2 Outlook

Our objective for the first quarter of 2008 was to produce 24,500 ounces of gold from the Kiniero and Samira Hill mines; this target was exceeded with total production of 28,700 ounces.

Overall gold production for the month of April 2008 totalled 17,600 ounces of gold; 4,300 ounces at Mana, 7,000 ounces at Samira Hill and 6,300 ounces at Kiniero.

We are pleased with production to date and are confident that we will reach our targets, despite the fast-approaching rainy season. We are also satisfied with the diligent management of our operating costs per tonne, which remain below budget.

The new 4,000 tonne-per-day ball mill has arrived at the Mana site, with commissioning scheduled for early in the third quarter. We therefore maintain our previously announced production target of between 165,000 and 185,000 ounces for 2008.

## 3 Semafo Energy

Semafo's strategy to diversify into the uranium sector was primarily motivated by our presence in Niger as a privileged government partner, in addition to our prominent status as the country's second largest private employer. As we are all aware, energy is one of the greatest challenges facing our planet in the future and as the world's fourth largest uranium producer, we recognize the potential of a major find within the Republic of Niger. As an important contributor to the economic development of the countries in which we operate, it was only fitting for Semafo to invest in this type of opportunity and diversification, while building value for our shareholders.

In April 2007, Semafo was granted five uranium exploration permits covering 2,375 square kilometres by the Republic of Niger's Ministry of Mines. Consequently, and under the leadership of Mr. Patrick de Saint Simon, a geologist and mining engineer with more than 35 years of experience, we assembled a highly specialized uranium exploration and development team. The sector immediately took notice as news rapidly spread of the quality of our permits and the calibre of our personnel.

We promptly became aware that an association with Govi High Power Exploration Inc. ("GoviEx") could potentially accelerate the strategic development of this project, and that the merger of expertise and proven assets would provide an excellent opportunity for synergy between our organizations. GoviEx is currently developing a project encompassing 2,268 square kilometres in the Madouela and Anno Melle areas.

As a result of this transaction, Semafo now holds approximately 12% of GoviEx. We are confident that this transaction serves to solidify the value of our commitment to uranium and enables us to share in the growth of this Company and this sector. This transaction resulted in a non-cash gain of \$17,849,000.

## 4 Consolidated Results and Mining Operations

| Operating Highlights   | Three-month periods ending March 31 |         |                        |
|--|-------------------------------------|---------|------------------------|
|  | 2008                                | 2007    | Variation <sup>3</sup> |
| Gold ounces produced.....  | 28,700                              | 29,000  | (1 %)                  |
| Gold ounces sold.....  | 28,200                              | 28,100  | -                      |
| <b>(In thousands of dollars, except amounts per ounce and per tonne)</b> |                                     |         |                        |
| Revenues – Gold sales.....   | 25,540                              | 18,576  | 37 %                   |
| Operating costs .....  | 17,129                              | 13,479  | 27 %                   |
| Operating income .....   | 2,801                               | 70      | 3 901 %                |
| Net income (loss).....   | 12,502                              | (3,233) | n.m. <sup>3</sup>      |
| Average selling price .....  | 906                                 | 661     | 37 %                   |
| Cash operating cost (per tonne processed) <sup>1</sup> .....             | 27                                  | 23      | 17 %                   |
| Cash operating cost (per ounce produced) <sup>1</sup> .....              | 528                                 | 450     | 17 %                   |
| Total cash cost (per ounce sold) <sup>2</sup> .....                      | 607                                 | 480     | 26 %                   |

<sup>1</sup> The cash operating cost is calculated using the ounces produced. See the section “Non-GAAP measures” of this MD&A.

<sup>2</sup> Total cash cost represents the cash operating cost plus royalties and selling expenses and also the effects of inventory adjustments.

<sup>3</sup> “n.m.” refers to not meaningful.

### First quarter 2008 v. first quarter 2007

- Gold sales in the first quarter of 2008 totalled \$25,540,000 compared to \$18,576,000 for the first quarter of 2007. This increase of 37% reflects the increase in the average realized price of gold, reaching \$906 per ounce in the first quarter of 2008 as compared to \$661 in the corresponding quarter of 2007.
- Operating income greatly improved in the first quarter of 2008 reaching \$2,801,000 compared to \$70,000 in the first quarter of 2007, reflecting an increase in the average realized selling price which was higher than the increase in operating costs.
- Net income reached \$12,502,000 in the first quarter of 2008 compared to a net loss of \$3,233,000 in the first quarter of 2007. This increase is mainly due to the gain on disposal of a subsidiary in the amount of \$17,849,000 as well as the increase in operating income of \$2,731,000, partially offset by the increase of \$4,457,000 in unrealized loss following the change to the fair value of derivative financial instruments.

### Operating Income by Segment

| (In thousands of dollars)    | Three-month periods ending March 31 |         |           |
|------------------------------|-------------------------------------|---------|-----------|
|                              | 2008                                | 2007    | Variation |
| Mana Mine, Burkina Faso..... | -                                   | -       | -         |
| Samira Hill Mine, Niger..... | 2,106                               | 1,105   | 91 %      |
| Kiniero Mine, Guinea.....    | 2,361                               | 495     | 377 %     |
| Corporate and others.....    | (1,666)                             | (1,530) | 9 %       |
| Total.....                   | 2,801                               | 70      | 3 901 %   |

## Mining Operations

### Mana, Burkina Faso

|                                      | Three-month periods ending March 31 |      |
|--------------------------------------|-------------------------------------|------|
|                                      | 2008                                | 2007 |
| <b>Operating Statistics</b>          |                                     |      |
| Ore mined (tonnes).....              | 168,500                             | -    |
| Ore processed (tonnes).....          | 41,700                              | -    |
| Head grade (g/t).....                | 2.29                                | -    |
| Recovery (%).....                    | 94                                  | -    |
| Gold ounces produced.....            | 100                                 | -    |
| In-circuit gold ounces produced..... | 2,800                               | -    |

#### First quarter 2008 v. first quarter 2007

- For the three-month period ended March 31, 2008, a total of 168,500 tonnes of ore and 1,838,200 tonnes of waste material were extracted from the Wona and Nyafé pits, for a stripping ratio of 11:1. In 2008, we will prioritize the Nyafé pit, in order to maximize cash flows and gold production. The higher-grade ore at Nyafé largely offset the higher strip ratio.
- March 2008 marked the Mana plant's first month of operation using the 2,000 tonnes-per-day ball mill. During this start-up period production costs, net of revenues, are capitalized to assets under construction.
- An initial pour of 100 ounces of gold took place at the Mana mine at the end of March 2008. These 100 ounces have been added to the gold in-circuit totalling 2,800 ounces of gold as at March 31, 2008.
- The installation of the 4,000 tonne-per-day ball mill commenced at the end of April 2008, with commissioning scheduled for July 2008.
- Engineering studies are underway to increase plant capacity and throughput using the two ball mills simultaneously.
- The Mana plant is outfitted with new equipment, with the exception of a secondary ball mill, which was completely refurbished.
- The Mana mine has proven and probable reserves of 9,824,400 tonnes, with an average grade of 2.93 g/t, for a total of 924,600 ounces of gold.
- Production is expected to be approximately 125,000 ounces per year on an annualized basis for the first three years and 90,000 ounces per year thereafter, with an estimated mine life of 8 years.

## **Mining Operations** (continued)

### **Mana, Burkina Faso** (continued)

#### **Exploration**

The discovery of the NE extension of the Wona deposit and its mineralization lode are without a doubt the highlights of Mana's 2007 exploration program. Discoveries from the 2007 exploration program resulted in measured and indicated resources of 1,713,500 tonnes at 2.25 g/t Au for 124,150 ounces and inferred resources of 13,682,900 tonnes at 2.55 g/t Au for 1,122,750 ounces. Major drilling programs will be conducted on these two targets in 2008 aimed at increasing the reserves and resources in the vicinity of the plant.

A reverse circulation ("RC") drilling program, aimed at delineating the mineralization of the Wona NE extension, was undertaken in March 2008. The program aims at reducing the grid size to 50m x 50m on the potential zones on the continuity of Wona. To date, more than 3,000 meters of drilling have been completed and mineralization was intercepted where foreseen. We are awaiting the results of the laboratory analyses.

Core drilling is currently underway on the in-depth mineralization. The results will be announced in the coming months.

The analysis of the geophysical signal of the known zone and additional tests using other approaches will be performed to better understand and pursue structure-bearing sites such as Wona.

Various exploration programs will continue in 2008 on all of our permits in order to further develop the potential of our vast exploration territory on the Houndé belt in Burkina Faso.

## Mining Operations

### Samira Hill, Niger

|  | Three-month periods ending March 31 |         |           |
|--|-------------------------------------|---------|-----------|
|  | 2008                                | 2007    | Variation |
| <b>Operating Data</b>  |                                     |         |           |
| Ore mined (tonnes).....  | <b>393,600</b>                      | 362,200 | 9 %       |
| Ore processed (tonnes).....  | <b>404,000</b>                      | 396,400 | 2 %       |
| Head grade (g/t).....  | <b>1.91</b>                         | 1.86    | (3 %)     |
| Recovery (%).....  | <b>66</b>                           | 84      | (21 %)    |
| Gold ounces produced.....  | <b>16,300</b>                       | 20,400  | (20 %)    |
| Gold ounces sold.....  | <b>15,300</b>                       | 20,200  | (24 %)    |
| <b>Financial Data (in thousands of dollars)</b>  |                                     |         |           |
| Revenues – Gold sales.....   | <b>13,918</b>                       | 13,325  | 4 %       |
| Mining operations expenses.....  | <b>9,869</b>                        | 9,673   | 2 %       |
| Amortization.....  | <b>1,718</b>                        | 2,343   | (27 %)    |
| Administration.....  | <b>188</b>                          | 184     | 2 %       |
| Accretion expense of asset retirement obligations for property, plant and equipment..... | <b>37</b>                           | 20      | 85 %      |
| Segment operating income.....  | <b>2,106</b>                        | 1,105   | 91 %      |
| <b>Statistics (\$)</b>   |                                     |         |           |
| Average selling price (per ounce).....   | <b>910</b>                          | 660     | 38 %      |
| Cash operating cost (per ounce produced) <sup>1</sup> .....                              | <b>586</b>                          | 431     | 36 %      |
| Cash operating cost (per tonne processed) <sup>1</sup> .....                             | <b>24</b>                           | 21      | 14 %      |
| Total cash cost (per ounce sold) <sup>2</sup> .....                                      | <b>645</b>                          | 479     | 35 %      |
| Amortization (per ounce).....  | <b>112</b>                          | 116     | (3 %)     |

<sup>1</sup> The cash operating cost is calculated using the ounces produced. See the section “Non-GAAP measures” of this MD&A.

<sup>2</sup> Total cash cost represents the cash operating cost plus royalties and selling expenses and also the effects of inventory adjustments.

#### First quarter 2008 v. first quarter 2007

- For the three-month period ended March 31, 2008, 393,600 tonnes of ore and 1,383,300 tonnes of waste material were extracted from the Samira Main and Libiri pits, for a stripping ratio of 3.5:1. In the corresponding period in 2007, 362,200 tonnes of ore and 1,330,000 tonnes of waste material were extracted for a stripping ratio of 4 : 1.
- The decline in the recovery rate, from 84% in the first quarter of 2007 to 66% during the first quarter of 2008, is primarily due to high levels of graphite present in the ore processed from the Samira Main pit.
- The decrease in gold production is primarily due to the lower recovery rate.
- Cash operating costs increased by 36% over the same period in 2007. More than 75% of this increase is due to the lower grade-ore as indicated in the following table.

## Mining Operations (continued)

### Samira Hill, Niger (continued)

#### Changes in Cash Operating Costs

|   | Per tonne<br>processed<br>\$ | Per ounce<br>produced<br>\$ |
|---|------------------------------|-----------------------------|
| <b>Cash operating cost – first quarter 2007</b> .....                 | <b>21</b>                    | <b>431</b>                  |
| Increase in price of fuel.....  | 1                            | 13                          |
| Increase in salary expenses .....                                     | 1                            | 13                          |
| Increase in prices of reagents and consumables .....                  | 1                            | 13                          |
| Increase due to the decreased head-grade recovered in ore processed . | -                            | 116                         |
| <b>Cash operating cost – first quarter 2008</b> .....                 | <b>24</b>                    | <b>586</b>                  |

#### Exploration

The new Libiri Plateau and Sikia 1 resources identified at the end of 2007 will be the subject of delineation RC drillings and core drillings in 2008 aimed at converting a part of these resources into the reserves categories.

The recent work performed revealed an intense folding within the Samira horizon, which may have created several as yet unknown deposits. Using our structural model, geological prospecting and aggressive geochemical programs using RAB drilling will be performed in 2008. The objective of these programs is to increase inferred resources which will become targets for more comprehensive exploration activities.

During the first quarter of 2008, we completed the 2007 core drilling program on the Samira-Libiri permits. More than 1,200 meters of drilling was completed on the Libiri Plateau and Sikia 1. In addition, RAB drilling was carried out on the Samira-Libiri Northern Boundary zone.

Geological surveys of the Samira-Libiri and Tiawa permits were performed identifying new anomalies beyond the known Samira horizon. These anomalies seem to be contained in the pelagial meta-sediments, indicating the presence of other previously unidentified sedimentary basins.

## Mining Operations

### Kiniero, Guinea

|  | Three-month periods ending March 31 |         |           |
|--|-------------------------------------|---------|-----------|
|  | 2008                                | 2007    | Variation |
| <b>Operating Data</b>  |                                     |         |           |
| Ore mined (tonnes).....  | <b>164,900</b>                      | 108,100 | 53 %      |
| Ore processed (tonnes) .....   | <b>148,300</b>                      | 140,800 | 5 %       |
| Head grade (g/t) .....   | <b>2.81</b>                         | 2.09    | 35 %      |
| Recovery (%).....  | <b>95</b>                           | 91      | 4 %       |
| Gold ounces produced.....  | <b>12,400</b>                       | 8,600   | 44 %      |
| Gold ounces sold.....  | <b>12,900</b>                       | 7,900   | 63 %      |
| <b>Financial Data (in thousands of dollars)</b>  |                                     |         |           |
| Revenues – Gold sales .....  | <b>11,622</b>                       | 5,251   | 121 %     |
| Mining operations expenses .....   | <b>7,260</b>                        | 3,806   | 91 %      |
| Amortization.....  | <b>1,640</b>                        | 789     | 108 %     |
| Administration.....  | <b>330</b>                          | 125     | 164 %     |
| Accretion expense of asset retirement obligations for property, plant and equipment..... | <b>31</b>                           | 36      | (14 %)    |
| Segment operating income.....  | <b>2,361</b>                        | 495     | 377 %     |
| <b>Statistics (\$)</b>   |                                     |         |           |
| Average selling price (per ounce) .....  | <b>901</b>                          | 665     | 35 %      |
| Cash operating cost (per ounce produced) <sup>1</sup> .....                              | <b>451</b>                          | 498     | (10 %)    |
| Cash operating cost (per tonne processed) <sup>1</sup> .....                             | <b>37</b>                           | 31      | 9 %       |
| Total cash cost (per ounce sold) <sup>2</sup> .....                                      | <b>563</b>                          | 481     | 17 %      |
| Amortization (per ounce) .....   | <b>127</b>                          | 100     | 27 %      |

<sup>1</sup> The cash operating cost is calculated using the ounces produced. See the section "Non-GAAP measures" of this MD&A.

<sup>2</sup> Total cash cost represents the cash operating cost plus royalties and selling expenses and also the effects of inventory adjustments.

#### First quarter 2008 v. first quarter 2007

- The significant increase in the quantity of ore extracted is due to a decrease in the stripping ratio from 17:1; in the first quarter of 2007 to 8:1 in the first quarter of 2008. This reduction in the stripping ratio was mainly due to the commencement of operations in the West Balan pit during the last quarter of 2007, which has a 7:1 ratio. In the first quarter of 2008, 108,000 tonnes of ore and 875,000 tonnes of waste material were extracted from this pit.
- The head grade was 35% higher than the corresponding period last year. This significant increase is due to the operations in the West Balan and Gobele C pits, with average grade in the saprolite of 3.1 and 3.8 respectively.
- A total of 12,400 ounces of gold were produced at Kiniero during the first quarter of 2008, a 44% increase over the corresponding period in 2007. This increase is primarily due to the processing of higher-grade ore.
- The 10% reduction in the cash operating costs per ounce is due to the higher head grade, which was partially offset by the 19% increase in the cash operating costs per tonne, as indicated in the following table.
- The increase in the amortization expense per ounce is mainly due to the reduction of the reserves as at December 31, 2007.

## Mining Operations (continued)

### Kiniero, Guinea (continued)

#### Changes in Cash Operating Costs

|  | Per tonne<br>processed<br>\$ | Per ounce<br>produced<br>\$ |
|--|------------------------------|-----------------------------|
| <b>Cash operating cost – first quarter 2007</b> .....                        | <b>31</b>                    | <b>498</b>                  |
| Decrease in costs related to the decrease in the strip ratio.....            | (6)                          | (107)                       |
| Increase in price of fuel.....   | 4                            | 71                          |
| Increase in maintenance.....   | 6                            | 107                         |
| Increase in salary expenses .....  | 1                            | 18                          |
| Increase in prices of reagents and consumables .....                         | 1                            | 18                          |
| Reduction due to the increased head-grade recovered in ore<br>processed..... | -                            | (154)                       |
| <b>Cash operating cost – first quarter 2008</b> .....                        | <b>37</b>                    | <b>451</b>                  |

#### Exploration

The 2008 exploration program at Kiniero focused mainly on the development of advanced targets located in close proximity to the existing deposits, particularly the West Balan B and C blocks. The quality of the West Balan A deposit incites a better understanding and refinement of our tools to further investigate the extensions. IP geophysical tests will be conducted to identify the structure and subsequent exploratory testing.

Over 12,000 meters of RC drilling were carried out in the first quarter of 2008 in the West Balan B and C blocks for certification and exploration purposes. The N060-070 oriented structures demonstrate significant mineralization structures.

IP geophysical work was performed during the quarter to determine whether the West Balan mineralization could be detected using these methods. The West Balan IP tests results are positive. Well mineralized zones in the A and B blocks were responsive to the survey, particularly in terms of resistivity. This tool will therefore be useful in the search for the North-East and South-West extensions.

In addition, further exploration will also be conducted on the slightly more remote sectors of Djikouromba and Hereiko. The successful geochemical surveys of termite mounds in 2007 motivates the continued use of this technique over numerous strategic sectors in 2008.

### Administration

Administration expenses totalled \$2,151,000 for the first quarter of 2008, compared to \$1,807,000 for the same period in 2007. Expanded activities and a bad debt provision of \$132,000 representing taxes receivable in Africa explain the overall increase.

### Interest on Long-term Debt

The interest on long-term debt totalled \$354,000 in 2008, compared to \$507,000 in 2007. This decrease is mainly due to the reduction in debt following reimbursements made in 2007 and 2008. The interest on the \$45,000,000 Mana project term facility is capitalized to the cost of the assets under construction.

### Change to Fair Value of Derivative Financial Instruments

Pursuant to the increase in the gold prices during the first quarter of 2008, the Company recorded an unrealized loss of \$7,807,000 on derivative financial instruments (gold sales contracts, gold purchase contracts and put options), compared to \$3,350,000 for the same period in 2007.

### Gain on Disposal of Investment in Subsidiaries

In February 2008, Semafo closed a transaction with Govi High Power Exploration Inc. ("GoviEx") aimed at combining the companies' interests in uranium mining projects (Energy-Projects). As part of this transaction, Semafo sold all of its shares in its subsidiary Semafo Energy (Barbados) Limited in consideration of approximately 12% of GoviEx's outstanding shares at the transaction date. This transaction resulted in a non-cash gain of \$17,849,000 for the first quarter of 2008.

## 5 Cash Flows

The following table summarizes Semafo's consolidated cash flow activities:

|  | <u>Three-month periods ending March 31</u> |             |
|--|--|-------------|
| <u>(In thousands of dollars)</u>                           | <u>2008</u>                                | <u>2007</u> |
| Cash flow  |  |             |
| Operations.....  | <b>6,143</b>                               | 3,871       |
| Working capital items.....                                 | <b>(1,710)</b>                             | (5,059)     |
| Operating activities .....                                 | <b>4,433</b>                               | (1,188)     |
| Financing activities .....                                 | <b>2,894</b>                               | (5)         |
| Investing activities .....                                 | <b>(21,845)</b>                            | (25,204)    |
| Change in cash and cash equivalents during the period..... | <b>(14,518)</b>                            | (26,397)    |
| Cash and cash equivalents - Beginning of period .....      | <b>30,044</b>                              | 82,605      |
| Cash and cash equivalents - End of period.....             | <b>15,526</b>                              | 56,208      |

### Operating

Operating activities generated liquidities of \$4,433,000 in the first quarter of 2008 reflecting the increase in the price of gold. During the same period in 2007, the operating activities required liquidities of \$1,188,000.

Working capital items required liquidities of \$1,710,000 in the first quarter of 2008. The increase in inventory mainly represents the acquisition of spare parts in order to lessen the impact of the growing delays in procurement.

## Financing

The Company reimbursed \$1,384,000 of its long-term debt in the first quarter of 2008. During the same period in 2007, the Company reimbursed \$134,000.

During the first quarter of 2008, the Company withdrew its last progressive disbursement on its term facility of \$45,000,000, in the amount of \$4,250,000.

In 2007, a public offering was closed. Use of funds as at March 31, 2008 in comparison with what was previously announced at the closings is as follows:

| Description   | Investment<br>announced - financing<br>2007<br>\$ | Realized as at<br>March 31,<br>2008<br>\$ |
|---|---|---|
| Reduction in hedge program .....  | 15,000,000  | 6,255,000                                 |
| Working capital, including acquisition of spare parts and building of<br>rompad ..... | 8,982,000   | 8,982,000                                 |

## Investing

During the first quarter of 2008, liquidities of \$11,543,000 were invested in the construction of the Mana mine, compared to \$8,191,000 during the corresponding period of 2007. Additionally, during the first quarter of 2008, liquidities of \$1,433,000 were invested in mining assets, of which, \$821,000 in exploration on the Mana property and \$612,000 concerning Semafo Energy, compared to \$950,000 during the corresponding period of 2007 exclusively in the exploration on the Mana property.

During the first quarter of 2008, the Company proceeded to the settlement of gold sales contracts, representing 12,000 ounces for a total amount of \$6,225,000 and cashed \$126,000 in relation to the interest rate swap. For the corresponding period of 2007, the Company proceeded to the settlement of gold sales contracts, representing 45,000 ounces for a total amount of \$12,735,000 and cashed \$191,000 in relation to the interest rate swap.

Investments of \$2,770,000 in property, plant and equipment were made during the first quarter of 2008 compared to investments of \$3,519,000 during the corresponding period in 2007. These investments mainly represent the increase in exploration expenditures made on the Kiniero and Samira Hill mines in the amount of \$709,000, the acquisition of mining equipment in the amount of \$504,000, as well as improvements to the water dam in Niger in the amount of \$550,000. Investments in the corresponding period in 2007 represented mainly exploration expenditures of \$950,000 on the Kiniero and Samira Hill sites, as well as the acquisition of mining equipment for Kiniero and Mana in the amount of \$2,093,000.

## Financial Position

As at March 31, 2008, the Company benefited from a solid financial situation with \$24,943,000 in cash and cash equivalents, portfolio investments and restricted cash.

The Company's cash requirements over the next twelve months relate primarily to the following activities:

- Finalization of the Mana Mine in Burkina Faso;
- Exploration programs, and;
- Settlement of gold contracts.

## 6 Balance Sheets

|                                  | As at<br>March 31,<br>2008 | As at<br>December 31,<br>2007 |
|----------------------------------|----------------------------|-------------------------------|
| <i>(In thousands of dollars)</i> |                            |                               |
| Assets .....                     | <b>290,346</b>             | 272,238                       |
| Liabilities .....                | <b>141,513</b>             | 135,884                       |
| Shareholders' equity .....       | <b>148,833</b>             | 136,354                       |

The Company's total assets amounted to \$290,346,000 as at March 31, 2008, compared to \$272,238,000 as at December 31, 2007. As at March 31, 2008, the Company held cash and cash equivalents of \$15,526,000, compared to \$30,044,000 as at December 31, 2007. In addition, we held \$8,550,000 maintained in restricted accounts according to conditions associated to our loans as described in note 10 of our financial statements. The Company does not anticipate that these restrictions will cause any impact on our capacity to honor our obligations.

Total liabilities amounted to \$141,513,000 as at March 31, 2008, compared to \$135,884,000 as at December 31, 2007. This increase is due to the adoption of Section 3855 on January 1, 2007 relating to financial instruments. Since this date, our gold sales contracts are evaluated at fair value in the balance sheet, representing as at March 31, 2008 a liability of \$40,144,000.

Share capital totalled \$275,726,000 as at March 31, 2008, compared to \$275,682,000 as at December 31, 2007.

## 7 Derivative Financial Instruments

The following table presents a summary of the company's commitments relating to financial instruments.

|                                     | 2008<br>(ounces) | \$/oz | 2009<br>(ounces) | \$/oz |
|-------------------------------------|------------------|-------|------------------|-------|
| Gold sales contracts (a)            | 36,000           | 375   | 35,000           | 375   |
| Gold purchase contracts (c)         | <u>27,000</u>    | 942   | <u>12,000</u>    | 1,035 |
| Gold contracts— uncovered positions | <u>9,000</u>     |       | <u>23,000</u>    |       |

### a) Gold Sales Contracts

During the first quarter of 2008, the Company proceeded to the settlement of gold sales contracts representing 12,000 ounces for a total amount of \$6,225,000.

### b) Interest Rate Swap

The gold sales contracts include an interest rate swap on a nominal amount corresponding to the ounces at the contractual price as disclosed above (a). Pursuant to the swap agreement, the Company is committed to pay the difference between the LIBOR USD three (3) months and the GOFO three (3) months interest rate, whereas the counterparty is committed to pay a fixed interest rate of 1% per annum.

### c) Gold Purchase Contracts

At the beginning of 2008, Semafo purchased gold futures contracts to apply against its gold delivery commitments from February 2008 to June 2009. In so doing, as at March 31, 2008, the Company limited the potential loss arising from a revaluation of its financial instruments with respect to these 39,000 ounces of gold.

### d) Put Options

In 2007, the Company implemented a gold price put protection program for 55,000 ounces for the Mana Mine, as a requirement of the \$45,000,000 debt facility.

The Company purchased put options allowing us to price-protect at a minimum price of \$600 per ounce for 55,000 ounces of gold broken down as follows: 5,000 in 2009, 5,000 in 2010 and 45,000 in 2011. Consequently, 100% of production will be available to be sold at spot prices and fully exposed to any upward increase in the gold price with the downward price protected at \$600 per ounce on 55,000 ounces.

## 8 Contractual Obligations and Commitments

### Long-term Debt

Pursuant to the Company's long-term debt agreements, reimbursements required in each of the next four years are as follows:

|      | \$     |
|------|--------|
| 2008 | 15 384 |
| 2009 | 19 500 |
| 2010 | 17 000 |
| 2011 | 14 500 |

### Asset Retirement Obligations

The Company's operations are governed by a mining agreement for the protection of the environment. The Company conducts its operations in such manner as to protect public health and the environment. It will implement progressive measures for rehabilitation work during the operations, in accordance with our mining agreements, closing-down and follow-up work upon closing of the mine. The estimated undiscounted cash flow required to settle the asset retirement obligations is \$6,106,000. These disbursements are expected to be made during the years 2008 to 2017. The amount accounted for as liabilities in the Company's consolidated financial statements represent the discounted obligations from rehabilitation and closing plans. An 8% discount rate was used to evaluate the obligations.

### Royalties and Development Taxes

Pursuant to the Company's mining agreement, we have royalty commitments, which generate obligations upon gold deliveries. If the Company's mines do not produce gold, it has no payment obligation. Each gold shipment is subject to royalty fees of 5% in Guinea, 5.5% in Niger and 3% in Burkina Faso, based on the value of the shipment, evaluated at the spot price on the delivery date. In Guinea, the Company is also committed to invest 0.4% of its gold sales in local development projects.

### Payments to Maintain the Company's Mining Rights

In the normal course of business, in order to obtain and maintain all the advantages of the Company's permits, we must commit to invest a specific amount in exploration and development on the permits during their validity period. Moreover, we must make annual payments in order to maintain certain property titles.

### Mining Contract

In 2003, the Company signed a mining contract for the Samira Hill mine. The payments will be made over the estimated seven-year mine life. As at December 31, 2007, the Company is liable for a maximum amount of \$1,000,000, which represents the indemnity payable should an early termination occur.

### Fuel Purchase Contract

In 2004, the Company signed an exclusive fuel procurement contract for the Samira Hill mine covering a period of seven years. As at March 31, 2008, the Company is liable for a maximum amount of \$232,000, which represents the indemnity payable in the event of early termination.

### Construction – Mana Project in Burkina Faso

The Company signed several contracts relating to the construction of the Mana plant in Burkina Faso. Based on these contracts, the Company had commitments totaling \$4,010,000 as at March 31, 2008.

### Environmental Rehabilitation

In order to maintain its permits, the Company is required to make payments to a trust account for environmental rehabilitation purposes. A \$300,000 payment was made on December 31, 2007 and a payment of \$250,000 is due at the end of September 2008. An annual payment of \$120,000 is also due.

## 9 Risks and Uncertainties

As a mining company, the Company faces the environmental, operational, financial and political risks inherent to the nature of its activities. These risks may affect the Company's profitability and level of operating cash flow. The Company also faces risks stemming from other factors, such as fluctuations in gold prices, petroleum prices, interest rates, exchange rates and financial market conditions in general. As a result, the securities of the Company must be considered speculative. Prospective purchasers of the common shares of the Company should give careful consideration to all of the information contained or incorporated by reference in this Management's Discussion and Analysis and, in particular, the following risk factors:

### Financial Risks

#### **Fluctuation in Gold Prices**

The profitability of the Company's operations will be significantly affected by changes in the market price of gold. Gold production from mining operations and the willingness of third parties, such as central banks, to sell or lease gold affects the gold supply. Demand for gold can be influenced by economic conditions, gold's attractiveness as an investment vehicle and the strength of the US dollar and local investment currencies. Other factors include the level of interest rates, exchange rates, inflation and political stability. The aggregate effect of these factors is impossible to predict with accuracy. Gold prices are also affected by worldwide production levels. In addition, the price of gold has, on occasion, been subject to very rapid short-term changes because of speculative activities. Fluctuations in gold prices may adversely affect the Company's financial performance and results of operations.

#### **Fluctuation in Petroleum Prices**

Because the Company uses petroleum fuel to power its mining equipment and to generate electrical energy to supply its mining operations, the Company's operating results and financial results may be adversely affected by rising petroleum prices.

#### **Fluctuation in Interest Rates**

As a borrower, the Company is subject to the risk of increases in interest rates. The Company has long-term debts bearing interest at a LIBOR based rate. As at March 31, 2008, the Company's long-term outstanding debt totalled of approximately \$66,384,000, of which \$50,134,000 bears LIBOR-based interest rates.

#### **Exchange Rate Fluctuations**

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

#### **Access to Capital Markets**

To fund its growth, the Company is often dependent on securing the necessary capital through loans or permanent capital. The availability of this capital is subject to general economic conditions and lender and investor interest in the Company's projects. To ensure the availability of capital, the Company maintains an investor relations program in order to inform all shareholders and potential investors of the Company's developments.

#### **Gold Sales Contracts**

In the past, the Company has entered into gold sales contracts to sell gold at a fixed or capped price on a future delivery date, pursuant to the terms of loan agreements. When the gold price rises above the price at which future production has been committed under the Company's forward sales contracts, the Company may not benefit fully from price increases.

## **Operational Risks**

### **Uncertainty of Reserve and Resource Estimates**

The figures for reserves and resources presented herein, and in the documents incorporated by reference, are estimates based on limited information acquired through drilling and other sampling methods. No assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. The ore grade actually recovered may differ from the estimated grades of the reserves and resources. Such figures have been determined based upon assumed gold prices and operating costs. Future production could differ dramatically from reserve estimates for, among others, the following reasons:

- Mineralization or formations could be different from those predicted by drilling, sampling and similar examinations;
- Increases in operating mining costs and processing costs could adversely affect reserves;
- Grades of the reserves may vary significantly from time to time and there is no assurance that any particular level of gold may be recovered from the reserves; and
- Declines in the market price of gold may render the mining of some or all of the reserves uneconomic.

Any of these factors may require the Company to reduce its reserves estimates or increase its costs. Short-term factors, such as the need for the additional development of a deposit or the processing of new different grades, may impair the Company's profitability. Should the market price of gold fall, the Company could be required to materially write down its investment in mining properties or delay or discontinue production or the development of new projects.

### **Production**

No assurance can be given that the intended or expected production schedules or the estimated direct operating cash costs will be achieved in respect of the operating gold mines in which the Company has an interest. Many factors may cause delays or cost increases, including, without limitation, labour issues, disruptions in power, transportation or supplies, and mechanical failure. The revenues of the Company from the operating gold mines will depend on the extent to which expected operating costs in respect thereof are achieved. In addition, short-term operating factors, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period.

### **Nature of Mineral Exploration and Mining**

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

### **Nature of Mineral Exploration and Mining** (continued)

The Company's operations are, and will continue to be, subject to all of the hazards and risks normally associated with the exploration, development and production of gold, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The Company's activities may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests. Hazards, such as unusual or unexpected formations, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which may be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the Company's earnings and competitive position in the future and, potentially, its financial position and results of operations.

Whether a gold deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of gold, revenue repatriation and environmental protection. The effects of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

### **Depletion of the Company's Mineral Reserves**

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

### **Dependence on Key Personnel**

The Company is dependent on a relatively small number of key employees, the loss of any of whom could have an adverse effect on its operations. The Company currently does not have key person insurance on these individuals.

### **Licenses and Permits**

The Company requires licenses and permits from various governmental authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations in respect of its properties and that it is presently complying in all material respects with the terms of such licenses and permits. Such licenses and permits, however, are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.

### **Competition**

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties. The Company's ability to acquire royalties or properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

### **Cash Costs of Gold Production**

The Company's cash operating costs to produce an ounce of gold are dependent on a number of factors including the grade of reserves, recovery and plant throughput. In the future, the actual performance of the Company may differ from the estimated performance. As these factors are beyond the Company's control, there can be no assurance that the Company's cash operating costs will continue at historical levels.

### **Title Matters**

While the Company has no reason to believe that the existence and extent of any mining property in which it has a participating interest is in doubt, title to mining properties is subject to potential claims by third parties. The failure to comply with all applicable laws and regulations, including failure to pay taxes and carry out and file assessment work, may invalidate title to portions of the properties where the mineral rights are not held by the Company.

### **Outside Contractor and Construction Risk**

A significant portion of the Company's operations in Niger and construction in Burkina Faso will continue to be conducted by outside contractors. As a result, the Company's operations at these sites will be subject to a number of risks, some of which will be outside the Company's control, including:

- Negotiating agreements with contractors on acceptable terms;
- Inability to replace a contractor and its operating equipment in the event that either party terminates the agreement;
- Reduced control over such aspects of construction and operations that are the responsibility of the contractor;
- Failure of a contractor to perform under its agreement with the Company;
- Interruption of operations in the event that a contractor ceases its business due to insolvency or other unforeseen events;
- Failure of a contractor to comply with applicable legal and regulatory requirements, to the extent that it is responsible for such compliance; and
- Problems of a contractor with managing its workforce, labour unrest or other employment issues.

In addition, the Company may incur liability to third parties as a result of the actions of a contractor. The occurrence of one or more of these risks could have a material adverse effect on the Company's business, results of operations and financial condition.

### **Safety and Other Hazards**

The mining industry is characterized by significant safety risks. To minimize these risks, the Company provides training and awareness programs to its employees to continuously improve work practices and the work environment.

### Political Risks

The Company believes that governments in Niger, Burkina Faso and Guinea support the development of their natural resources by foreign companies. There is no assurance, however, that future political and economic conditions in these and other countries in which the Company has exploration properties and royalties will not result in their governments adopting different policies respecting foreign ownership of mineral resources, taxation, rates of exchange, environmental protection, labour relations, repatriation of income or return of capital. The possibility that a future government in any of these countries may adopt substantially different policies, which might extend to the expropriation of assets, cannot be ruled out.

### Environmental Risks and Hazards

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

### Litigation

All industries, including the mining industry, are subject to legal claims, with and without merit. Semafo has in the past been, currently is and may in the future be, involved in various legal proceedings. While the Company believes it is unlikely that the final outcome of these legal proceedings will have a material adverse effect on the financial position or results of operations, defence costs will be incurred, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's future cash flow, results of operations or financial condition.

## 10 Additional Information

Exchange rates are as follows:

| <b>\$ CA / \$ US</b>    | <b>2008</b>   | <b>2007</b> |
|-------------------------|---------------|-------------|
| December 31 (closing)   | -             | 0.9881      |
| March 31 (closing)      | <b>1.0279</b> | 1.1529      |
| First quarter (average) | <b>1.0050</b> | 0.9801      |

## 11 Disclosure Controls and Procedures

Disclosure controls and procedures have been established by the Company to ensure that financial information disclosed by the Company in this MD&A, in the consolidated interim unaudited financial statements, and in the related annual filings of the Company is properly recorded, processed, summarized and reported to its Audit Committee and the Board of Directors. The Company's management has a process to evaluate the effectiveness of the aforementioned controls and procedures, and is satisfied, as at December 31, 2007, that they are adequate for ensuring that complete and reliable financial information is produced.

As at December 31, 2007, the Chief Executive Officer and the Chief Financial Officer also evaluated the design of the Company's internal controls on financial information. These controls were designed to provide reasonable assurance that the financial information is reliable and that the financial statements are prepared in accordance with Canadian GAAP. They concluded that the Company's internal controls on financial information were adequately and effectively designed to provide reasonable assurance that the financial information is recorded, summarized and disclosed in a timely manner. There were no material changes in the Company's internal controls during the first quarter of 2008.

## 12 Non-GAAP Measures

Throughout this document, we have provided measures prepared according to Canadian GAAP, as well as some non-GAAP performance measures. Because the non-GAAP performance measures do not have any standardized meaning prescribed by GAAP, they may not be comparable to similar measures presented by other companies. We provide these non-GAAP measures as they may be used by some investors to evaluate the Company's performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP. We have defined the non-GAAP measures below and reconciled them to reported GAAP measures.

### Cash Operating Costs

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

|   | <b>Three-month period ending March 31, 2008</b> |                |                |
|---|---|----------------|----------------|
|   | <b>Samira Hill</b>                              | <b>Kiniero</b> | <b>Total</b>   |
| Ounces produced .....                               | <b>16,300</b>                                   | <b>12,400</b>  | <b>28,700</b>  |
| <i>(In thousands of dollars)</i>                    |   |                |                |
| Operating costs (relating to ounces sold).....      | <b>9,868</b>                                    | <b>7,260</b>   | <b>17,128</b>  |
| Royalties and selling expenses .....                | <b>(924)</b>                                    | <b>(708)</b>   | <b>(1,633)</b> |
| Effects of inventory adjustments .....              | <b>631</b>                                      | <b>(962)</b>   | <b>(331)</b>   |
| Operating costs (relating to ounces produced) ..... | <b>9,575</b>                                    | <b>5,591</b>   | <b>15,166</b>  |
| Cash operating costs (per ounce produced) .....     | <b>586</b>                                      | <b>451</b>     | <b>528</b>     |
|   |   |                |                |
|   | <b>Three-month period ending March 31, 2007</b> |                |                |
|   | <b>Samira Hill</b>                              | <b>Kiniero</b> | <b>Total</b>   |
| Ounces produced .....                               | 20,400  | 8,600          | 29,000         |
| <i>(In thousands of dollars)</i>                    |   |                |                |
| Operating costs (relating to ounces sold).....      | 9,673   | 3,806          | 13,479         |
| Royalties and selling expenses .....                | (842)   | (310)          | (1,152)        |
| Effects of inventory adjustments .....              | (40)  | 776            | 736            |
| Operating costs (relating to ounces produced) ..... | 8,792   | 4,271          | 13,063         |
| Cash operating costs (per ounce produced) .....     | 431   | 498            | 450            |

## 13 Summary of Quarterly Information

| (In thousands of dollars, except for amounts per share) | 2008   | 2007    |          |         |         | 2006    |         |         |
|---|--------|---------|----------|---------|---------|---------|---------|---------|
|   | Q1     | Q4      | Q3       | Q2      | Q1      | Q4      | Q3      | Q2      |
| Gold sales  | 25,540 | 21,044  | 16,314   | 18,136  | 18,576  | 10,836  | 5,569   | 14,957  |
| Operating income (loss)                                 | 2,801  | 857     | (3,910)  | (2,039) | 70      | (5,235) | (4,793) | (2,171) |
| Net income (loss)                                       | 12,502 | (7,477) | (10,317) | (2,083) | (3,233) | (9,035) | (5,034) | (384)   |
| Basic and diluted net income (loss) per share           | 0.06   | (0.04)  | (0.05)   | (0.01)  | (0.02)  | (0.05)  | (0.03)  | (0.01)  |
| Cash flows from operating activities <sup>1</sup>       | 6,143  | 3,924   | 859      | 1 591   | 3,871   | (4,794) | (1,339) | 1,675   |

<sup>1</sup> Cash flow from operating activities excludes changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations for property, plant and equipment.

## 14 Additional Information and Continuous Disclosure

This MD&A has been prepared as of May 13, 2008. Additional information on the Company is available through regular filings of press releases, financial statements and its Annual Information Form on SEDAR ([www.sedar.com](http://www.sedar.com)).

## 15 Forward-Looking Statements

This MD&A contains forward-looking statements. These forward-looking statements include, but are not limited to, statements regarding expectations of the Company as to the market price of gold, strategic plans, future commercial production, production targets, timetables, mining operating expenses, capital expenditures, and mineral reserve and resource estimates. Forward-looking statements involve known and unknown risks and uncertainties and accordingly, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause future results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to, fluctuations in the market price of precious metals, mining industry risks, uncertainty as to calculation of mineral reserves and resources, risks related to hedging strategies, risks of delays in construction, requirements of additional financing and other risks described in this MD&A and in the Company's other documents filed from time to time with Canadian securities regulatory authorities. Although the Company is of the opinion that these forward-looking statements are based on reasonable assumptions, those assumptions may prove to be incorrect. Accordingly, readers should not place undue reliance on forward-looking statements. Readers can find further information with respect to risks in the Annual Information Form of the Company and other filings of the Company with Canadian securities regulatory authorities available at [www.sedar.com](http://www.sedar.com). The Company disclaims any obligation to update or revise these forward-looking statements, except as required by applicable law.

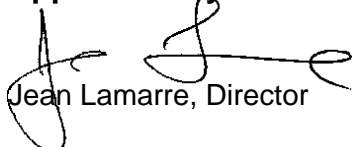


## Consolidated Balance Sheets

(unaudited, expressed in thousands of U.S. dollars)

|   | As at<br>March 31,<br>2008<br>\$ | As at<br>December 31,<br>2007<br>\$ |
|---|----------------------------------|-------------------------------------|
| <b>Assets</b>   |                                  |                                     |
| <b>Current assets</b>   |                                  |                                     |
| Cash and cash equivalents .....   | 15,526                           | 30,044                              |
| Restricted cash (note 10) .....   | 7,000                            | 7,000                               |
| Portfolio investments (note 4) .....  | 867                              | 1,269                               |
| Accounts receivable .....   | 4,544                            | 6,426                               |
| Inventories (notes 3 et 5) .....  | 31,469                           | 28,810                              |
| Prepaid expenses .....  | 6,548                            | 4,201                               |
|   | <b>65,954</b>                    | <b>77,750</b>                       |
| <b>Property, plant and equipment</b> (notes 3 et 6) .....                             | <b>99,130</b>                    | <b>100,210</b>                      |
| <b>Assets under construction</b> (note 7) .....                                       | <b>84,093</b>                    | <b>72,123</b>                       |
| <b>Mining assets</b> (note 8) .....   | <b>16,278</b>                    | <b>16,583</b>                       |
| <b>Investment and other assets</b> (note 9) .....                                     | <b>24,891</b>                    | <b>5,572</b>                        |
|   | <b>290,346</b>                   | <b>272,238</b>                      |
| <b>Liabilities</b>  |                                  |                                     |
| <b>Current liabilities</b>  |                                  |                                     |
| Accounts payable and accrued liabilities .....  | 22,618                           | 21,685                              |
| Current portion of long-term debt (note 10).....                                      | 18,569                           | 15,637                              |
| Current portion of fair value of derivative financial instruments (note 16).....      | 30,054                           | 22,243                              |
|   | <b>71,241</b>                    | <b>59,565</b>                       |
| <b>Long-term debt</b> (note 10) .....   | <b>45,563</b>                    | <b>45,327</b>                       |
| <b>Fair value of derivative financial instruments</b> (note 16) .....                 | <b>10,090</b>                    | <b>16,389</b>                       |
| <b>Advances payable</b> (note 11) .....   | <b>9,935</b>                     | <b>10,195</b>                       |
| <b>Asset retirement obligations for property, plant and equipment</b> (note 12) ..... | <b>4,684</b>                     | <b>4,408</b>                        |
|   | <b>141,513</b>                   | <b>135,884</b>                      |
| <b>Shareholders' Equity</b>   |                                  |                                     |
| <b>Share capital</b> (note 13) .....  | <b>275,726</b>                   | <b>275,682</b>                      |
| <b>Contributed surplus</b> (note 14) .....  | <b>3,357</b>                     | <b>3,022</b>                        |
| <b>Deficit</b> .....  | <b>(130,098)</b>                 | <b>(142,600)</b>                    |
| <b>Accumulated other comprehensive income</b> (note 15) .....                         | <b>(152)</b>                     | <b>250</b>                          |
|   | <b>148,833</b>                   | <b>136,354</b>                      |
|   | <b>290,346</b>                   | <b>272,238</b>                      |

Approved by the board,

  
Jean Lamarre, Director

  
Benoit La Salle, Director

## Consolidated Statements of Deficit and Comprehensive Income

(unaudited, expressed in thousands of U.S. dollars)

### Consolidated Deficit

|  | Three-month<br>period ended<br>March 31, 2008<br>\$ | Three-month<br>period ended<br>March 31, 2007<br>\$ |
|--|---|---|
| <b>Balance – beginning of period</b>       |   |   |
| Balance previously reported.....           | (142,600)   | (75,292)  |
| Accounting change                          |   |   |
| • Stripping costs.....                     | -   | (6,455)   |
|  | <b>(142,600)</b>                                    |   |
| Restated balance .....                     |   | (81,747)  |
| Accounting changes – financial instruments |   |   |
| • Gold sales contracts .....               | -   | (35,770)  |
| • Deferred financing costs.....            | -   | (55)  |
| Net income (loss) for the period .....     | <b>12,502</b>                                       | (3,233)   |
| <b>Balance – end of period .....</b>       | <b>(130,098)</b>                                    | (120,805)   |

### Consolidated Comprehensive Income

|   | Three-month<br>period ended<br>March 31, 2008<br>\$ | Three-month<br>period ended<br>March 31, 2007<br>\$ |
|---|---|---|
| Net income (loss) for the period.....   | 12,502  | (3,233)   |
| Other components of Comprehensive Income  |   |   |
| • Net variation on the latent gain on available-for-sale<br>financial assets (note 15)..... | (402)   | 329   |
| <b>Comprehensive income</b>   | <b>12,100</b>                                       | (2,904)   |

## Consolidated Statements of Operations

(unaudited, expressed in thousands of U.S. dollars)

|  | Three-month<br>period ended<br>March 31, 2008<br>\$ | Three-month<br>period ended<br>March 31, 2007<br>\$ |
|--|---|---|
| <b>Revenue</b> – Gold sales .....  | <b>25,540</b>                                       | 18,576  |
| <b>Expenses</b>  |   |   |
| Mining operations .....  | 17,129  | 13,479  |
| Amortization of property, plant and equipment.....   | 3,391   | 3,164   |
| Administration.....  | 2,151   | 1,807   |
| Accretion expense of asset retirement obligations for<br>property, plant and equipment (note 12) ..... | 68  | 56  |
|  | <b>22,739</b>                                       | 18,506  |
| <b>Operating income</b>  | <b>2,801</b>  | 70  |
| Interest, financing fees and other income .....  | (337)   | (645)   |
| Interest on long-term debt.....  | 354   | 507   |
| Stock-based compensation .....   | 351   | 352   |
| Change to the fair value of derivative financial instruments<br>(note 16) .....                        | 7,807   | 3,350   |
| Gain on disposal of investment in subsidiaries (note 8) .....  | (17,849)  | -   |
| Foreign exchange gain .....  | (27)  | (261)   |
| <b>Net income (loss) for the period</b> .....  | <b>12,502</b>                                       | (3,233)   |
| <b>Basic and diluted net income (loss) per share</b> .....   | <b>0.06</b>   | (0.02)  |

## Consolidated Statements of Cash Flows

(unaudited, expressed in thousands of U.S. dollars)

| <b>Cash flows from</b>  | <b>Three-month<br/>period ended<br/>March 31, 2008</b> | Three-month<br>period ended<br>March 31, 2007 |
|---|--|---|
|   | \$   | \$  |
| <b>Operating activities</b>   |  |   |
| Net income (loss) for the period .....  | 12,502   | (3,233)                                       |
| Adjustment for  |  |   |
| Change to fair value of derivative financial instruments .....  | 7,807  | 3,350   |
| Amortization of property, plant and equipment .....   | 3,391  | 3,164   |
| Amortization of stripping costs .....   | 48   | -   |
| Stock-based compensation .....  | 351  | 352   |
| Accretion expense of asset retirement obligations .....   | 88   | 56  |
| Amortization of deferred financing costs .....  | 65   | 114   |
| Gain on disposal of investment in subsidiaries (note 8) .....   | (17,849)   | -   |
| Unrealized foreign exchange (gain) loss .....   | (260)  | 68  |
|   | <b>6,143</b>   | <b>3,871</b>                                  |
| Changes in non-cash working capital items and settlement of<br>liabilities related to asset retirement obligations for property, plant<br>and equipment (note 18 a) ..... | <b>(1,710)</b>   | <b>(5,059)</b>                                |
|   | <b>4,433</b>   | <b>(1,188)</b>                                |
| <b>Financing activities</b>   |  |   |
| Reimbursement of long-term debt .....   | (1,384)  | (134)   |
| New term facility, net of financing costs .....   | 4,250  | -   |
| Issuance of share capital .....   | 28   | 129   |
|   | <b>2,894</b>   | <b>(5)</b>                                    |
| <b>Investing activities</b>   |  |   |
| Additions to assets under construction .....  | (11,543)   | (8,191)                                       |
| Acquisition of mining assets .....  | (1,433)  | (950)   |
| Financial instruments settled .....   | (6,099)  | (12,544)                                      |
| Additions to property, plant and equipment .....  | (2,770)  | (3,519)                                       |
|   | <b>(21,845)</b>  | <b>(25,204)</b>                               |
| <b>Change in cash and cash equivalents during the period .....</b>  | <b>(14,518)</b>  | <b>(26,397)</b>                               |
| <b>Cash and cash equivalents – Beginning of period .....</b>  | <b>30,044</b>  | <b>82,605</b>                                 |
| <b>Cash and cash equivalents – End of period .....</b>  | <b>15,526</b>  | <b>56,208</b>                                 |

## Notes to Consolidated Financial Statements

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

1

### Basis of presentation

These consolidated interim unaudited financial statements are prepared in accordance with Canadian generally accepted accounting principles. These consolidated interim unaudited financial statements do not include all disclosures required under Canadian generally accepted accounting principles for annual audited financial statements. Accordingly, they should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended December 31, 2007.

The preparation of the consolidated financial statements compliant with generally accepted accounting principles requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

In the opinion of management, all adjustments considered necessary for fair presentation of the results for the periods presented have been reflected in the consolidated interim unaudited financial statements.

Those consolidated interim unaudited financial statements were prepared using the same accounting policies in application for the consolidated financial statements as of December 31, 2007, with the exception for modifications specified below.

2

### Incorporation and nature of activities

SEMAFO inc. (the « company ») was incorporated under Part IA of the Quebec Companies Act.

The company, its subsidiaries and its joint venture are engaged in gold mining and related activities, including exploration, development and operations. These activities are conducted in West Africa. The company and its subsidiaries presently own and operate three gold mines. Being in the start up phase as at March 31 2008, the results of operations of the Mana project in Burkina Faso have been capitalized in assets under construction.

The company, its subsidiaries and its joint venture have interests in mining properties currently at the exploration or development stage. Certain of these properties are in the process of evaluation to determine the economics of putting them into production. The potential for recovery of costs incurred on these properties and of related deferred charges depends on the existence of sufficient quantities of reserves, obtaining all required permits, the company's ability to obtain appropriate financing to put these properties into production, and the ability to realize a profitable return for the company.

3

### Accounting policies modifications

Effective January 1, 2008, the company adopted four new accounting standards issued by the Canadian Institute of Chartered Accountants ('CICA') addressing general standards of financial statement presentation, inventories and disclosures concerning capital and financial instruments.

#### a) Section 1400, "General Standards of Financial Statement Presentation"

Section 1400 "General Standards of Financial Statement Presentation" modifies the existing section 1400 to include requirements aimed at assessing and disclosing an entity's ability to continue as a going concern and disclosing any material uncertainties that may cast significant doubt upon its entity's ability to continue as a going concern. This section has no impact on the Consolidated Financial Statements.

## Notes to Consolidated Financial Statements

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

### 3 Accounting policy modifications (continued)

#### b) Section 3031 “Inventories”

Section 3031 “Inventories” prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. This section has no impact on the Consolidated Financial Statements.

#### c) Section 1535, “Capital Disclosures”

Section 1535 “Capital Disclosures” sets out requirements governing (a) disclosures enabling financial statement users to evaluate an entity’s capital management objectives, policies and processes, including qualitative information on capital management objectives, policies and processes and (b) disclosures about whether the entity has complied with these requirements and if it has not complied, the consequences of non-compliance. The disclosure requirements relating to this section are described in note 13.

#### d) Section 3862, “Financial Instruments – Disclosures”

##### Section 3863, “Financial Instruments – Presentation”

These sections replace Section 3861, “Financial Instruments – Disclosure and Presentation”. They incorporate revisions and enhancements to the existing disclosure requirements and incorporate existing presentation requirements, placing increased emphasis on discussion of risks inherent in the use of financial instruments and how an entity manages such risks. The disclosure requirements relating to this section are described in note 16.

### 4 Portfolio investments

The portfolio investments consist of share capital that is available for sale and is accounted for at its fair value.

|  | As at<br>March 31,<br>2008<br>\$ | As at<br>December 31,<br>2007<br>\$ |
|--|----------------------------------|-------------------------------------|
| Cost   | 1,019                            | 1,019                               |
| Latent gain (loss) .....                                     | (152)                            | 250                                 |
| Fair value of available for sale portfolio investments ..... | 867                              | 1,269                               |

In April 2008, the company recorded a loss on disposal of portfolio investments of \$364,000 following the disposal of shares in a publicly traded company for a cash consideration of \$655,000. This loss will be recognized in the second quarter of 2008.

### 5 Inventories

|                                | As at<br>March 31,<br>2008<br>\$ | As at<br>December 31,<br>2007<br>\$ |
|--------------------------------|----------------------------------|-------------------------------------|
| Gold ingots .....              | 3,659                            | 3,918                               |
| Gold in circuit .....          | 2,446                            | 1,526                               |
| Stockpiles .....               | 8,699                            | 6,534                               |
| Supplies and spare parts ..... | 16,665                           | 16,832                              |
|                                | 31,469                           | 28,810                              |

## Notes to Consolidated Financial Statements

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

6

### Property, plant and equipment

|  | As at<br>March 31,<br>2008 |                                   |                               |
|--|----------------------------|-----------------------------------|-------------------------------|
|  | Cost<br>\$                 | Accumulated<br>depreciation<br>\$ | Net<br>\$                     |
| Property acquisition costs, deferred exploration and development costs ..... | 86,696                     | 36,421                            | 50,275                        |
| Buildings and equipment related to mining production ....                    | 35,100                     | 12,228                            | 22,872                        |
| Mining equipment .....   | 21,262                     | 2,677                             | 18,585                        |
| Rolling stock, communication and computer equipment .....                    | 11,091                     | 4,965                             | 6,126                         |
| Stripping costs a) .....   | 1,329                      | 57                                | 1,272                         |
|  | 155,478                    | 56,348                            | 99,130                        |
|  |                            |                                   | As at<br>December 31,<br>2007 |
|  | Cost<br>\$                 | Accumulated<br>depreciation<br>\$ | Net<br>\$                     |
| Property acquisition costs, deferred exploration and development costs.....  | 85,710                     | 34,253                            | 51,457                        |
| Buildings and equipment related to mining production ....                    | 34,441                     | 11,439                            | 23,002                        |
| Mining equipment .....   | 20,812                     | 2,105                             | 18,707                        |
| Rolling stock, communication and computer equipment .....                    | 10,224                     | 4,509                             | 5,715                         |
| Stripping costs a) .....   | 1,329                      | -                                 | 1,329                         |
|  | 152,516                    | 52,306                            | 100,210                       |

a) Reconciliation of capitalized stripping costs for the first three months of 2008 is as follows:

|                                    | As at<br>March 31,<br>2008<br>\$ |
|------------------------------------|----------------------------------|
| Balance – beginning of period..... | 1,329                            |
| Stripping costs capitalized.....   | -                                |
| Amortization .....                 | (57)                             |
| Balance – end of period .....      | 1,272                            |

## Notes to Consolidated Financial Statements

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

7

### Assets under construction

#### Mana project — Burkina Faso

|                        | As at<br>March 31,<br>2008<br>\$ | As at<br>December 31,<br>2007<br>\$ |
|------------------------|----------------------------------|-------------------------------------|
| Construction cost..... | 74,991                           | 68,521                              |
| Related costs.....     | 9,102                            | 3,602                               |
|                        | <u>84,093</u>                    | <u>72,123</u>                       |

The construction costs for the Mana project in Burkina Faso include advances on contracts. The related costs to construction include capitalized interest of \$3,165,000, amortized deferred financing fees of \$493,000, start up costs of \$4,029,000 and amortization of property, plant and equipment of \$1,415,000.

8

### Mining assets

Mining assets comprise wholly owned mining rights, undivided interests in properties and deferred exploration and development costs.

|                              | As at<br>March 31,<br>2008<br>\$ | As at<br>December 31,<br>2007<br>\$ |
|------------------------------|----------------------------------|-------------------------------------|
| Burkina Faso (Mana).....     | 15,453                           | 14,619                              |
| Burkina Faso (Datambi) ..... | 825                              | 825                                 |
| Projects – Energy .....      | -                                | 1,139                               |
|                              | <u>16,278</u>                    | <u>16,583</u>                       |

Royalties will be paid if commercial operations are attained on certain mining properties.

#### Costs and deferred exploration and developments costs

|  | As at<br>March 31,<br>2008<br>\$ | As at<br>December 31,<br>2007<br>\$ |
|--|----------------------------------|-------------------------------------|
| Balance – beginning of period.....                             | 16,583                           | 12,315                              |
| Increase in deferred exploration costs related to the projects |                                  |                                     |
| Mana .....   | 834                              | 3,356                               |
| Datambi.....   | -                                | 5                                   |
| Increase in deferred development costs related to the projects |                                  |                                     |
| Energy .....   | 1,012                            | 907                                 |
| Disposal – Projects Energy .....                               | (2,151)                          |                                     |
| Balance – end of period .....                                  | <u>16,278</u>                    | <u>16,583</u>                       |

In February 2008, the company closed a transaction with Govi High Power Exploration Inc. (“GoviEx”), a private company, aimed at combining the companies’ interests in uranium mining projects (Energy – Projects). As part of this transaction, the company sold all of its shares in its subsidiary Semafo Energy (Barbados) Limited in consideration for approximately 12% of GoviEx’s outstanding shares at the transaction date. This transaction resulted in a non-cash gain of \$17,849,000 for the first quarter of 2008.

## Notes to Consolidated Financial Statements

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

### 9 Investment and other assets

|  | As at<br>March 31,<br>2008<br>\$ | As at<br>December 31,<br>2007<br>\$ |
|--|----------------------------------|-------------------------------------|
| Investment in GoviEx (note 8) .....                            | 19,600                           | -                                   |
| Restricted cash (note 10).....                                 | 1,550                            | 1,550                               |
| Fair value of derivative financial instruments (note 16) ..... | 714                              | 910                                 |
| Others .....   | 3,027                            | 3,112                               |
|  | 24,891                           | 5,572                               |

### 10 Long-term debt

Long-term debt consists of the following:

|   | As at<br>March 31,<br>2008<br>\$ | As at<br>December 31,<br>2007<br>\$ |
|---|----------------------------------|-------------------------------------|
| Loan of \$1,615,000, bearing interest at 3.75% over LIBOR payable quarterly, principal repayable in twelve equal quarterly installments starting September 15, 2005. Financed equipment is pledged as a guarantee on this loan. ....  | 134                              | 268                                 |
| Bank loan of \$12,500,000, bearing interest at 3.00% over LIBOR payable semi-annually, principal repayable in ten equal semi-annual instalments starting April 1, 2005, secured by a pledge of the shares and assets of a subsidiary. The loan is also secured by a guarantee (limited to 40% of any outstanding amounts on the loan) granted by the company. <sup>1)</sup> .....   | 5,000                            | 5,000                               |
| Bank loan of \$20,000,000, bearing interest at 8.50% payable quarterly, principal repayable in sixteen equal quarterly instalments starting September 30, 2007, secured by a pledge of certain assets and by an assignment of claims of certain inter company advances. <sup>2)</sup> .....   | 16,250                           | 17,500                              |
| Term facility of \$45,000,000, with progressive disbursements, bearing interest at 3.00% over LIBOR payable quarterly, principal repayable in fifteen equal quarterly installments starting June 30, 2008. The facility is secured by a pledge of shares of a subsidiary and a pledge of assets. The facility is also secured by pledges and assignments of bank accounts, inter company advances and other intangibles. <sup>3) 4)</sup> ..... | 45,000                           | 40,750                              |
| Long-term debt .....  | 66,384                           | 63,518                              |
| Deferred financing fees.....  | (2,252)                          | (2,554)                             |
| Long-term debt, net of deferred financing costs.....  | 64,132                           | 60,964                              |
| Current portion of long-term debt.....  | (18,569)                         | (15,637)                            |
| Long-term portion of long-term debt.....  | 45,563                           | 45,327                              |

## Notes to Consolidated Financial Statements

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

### 10 Long-term debt (continued)

- 1) The company is required to maintain a cash balance of \$1,250,000 in a distinct account until the full repayment of the loan.
- 2) The company granted 800,000 warrants to the lender. Each warrant entitles its holder to purchase one common share of the company at a price of \$2.19 (CA \$2.25) on or prior to July 19, 2011. The fair value of the warrants has been established at \$656,000.
- 3) As part of this transaction, the company granted 1,000,000 warrants to the lender. Each warrant entitles its holder to purchase one common share at a price of \$1.95 (CA \$2.00) on or prior to February 20, 2012. The fair value of the warrants has been established at \$800,000.
- 4) The company is required to maintain a cash balance of \$7,000,000 in a distinct account until achievement of specific milestones related to the Mana project which are expected to occur in 2008.

The aggregate amount of the long-term debt payments required in each of the next four years is as follows:

|      | \$     |
|------|--------|
| 2008 | 15,384 |
| 2009 | 19,500 |
| 2010 | 17,000 |
| 2011 | 14,500 |

### 11 Advances payable

|  | As at<br>March 31,<br>2008<br>\$ | As at<br>December 31,<br>2007<br>\$ |
|--|----------------------------------|-------------------------------------|
| Advances payable to a minority interest <sup>1)</sup> .....  | 6,928                            | 7,188                               |
| Advance payable to the Republic of Niger <sup>2)</sup> ..... | 3,007                            | 3,007                               |
|  | 9,935                            | 10,195                              |

The Republic of Niger has a 20% ownership interest in a subsidiary of the company.

Under the mining agreement, the Republic of Niger is entitled to receive a reimbursement for its exploration costs previously incurred on the Samira Hill project. These costs will be repaid from the operating surplus of the subsidiary, the owner of the Samira Hill permit.

- 1) These advances are non-interest bearing and have no specific terms of repayment. From these advances, \$6,621,000 (\$6,887,000 in 2007) is denominated in Canadian dollars.
- 2) This advance is non-interest bearing.

### 12 Asset retirement obligations for property, plant and equipment

The company's operations are governed by a mining agreement covering the protection of the environment. The company conducts its operations in such a manner as to protect public health and environment. The company will implement progressive measures for rehabilitation work during the operation, closing down and follow-up work upon closing of the mine. Consequently, the company accounted for its asset retirement obligations for property, plant and equipment of the mining sites using cost estimates. Those estimates are subject to changes following modifications to laws and regulations or as new information becomes available.

## Notes to Consolidated Financial Statements

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

### 12 Asset retirement obligations for property, plant and equipment (continued)

The table below presents the evolution of asset retirement obligations for property, plant and equipment for the period.

|   | As at<br>March 31,<br>2008<br>\$ | As at<br>December 31,<br>2007<br>\$ |
|---|----------------------------------|-------------------------------------|
| Balance – beginning of period .....     | 4,408                            | 2,757                               |
| Increase due to accretion expense ..... | 88                               | 221                                 |
| New liabilities .....                   | 193                              | 1,866                               |
| Revision of estimated cash flows .....  | -                                | (365)                               |
| Liabilities paid off .....              | (5)                              | (71)                                |
|   | <hr/>                            | <hr/>                               |
| Balance – end of period .....           | 4,684                            | 4,408                               |

The estimated undiscounted cash flow required to settle the asset retirement obligations is \$6,106,000. Those disbursements are expected to be made during the years from 2008 to 2017. An 8% discount rate was used to evaluate those obligations.

### 13 Share capital

Authorized

Unlimited number of common shares without par value

Unlimited number of Class “A” preferred shares, no par value, non-voting, non-participating and redeemable at the option of the holder at a price of \$0.32 (CA \$0.33) per share

Unlimited number of Class “B” preferred shares, no par value, non-voting, non-participating and redeemable at the option of the company at a price of \$0.12 (CA \$0.12) per share

Movements in the company’s share capital are as follows:

|   | As at<br>March 31,<br>2008 |              | As at<br>December 31,<br>2007 |              |
|---|----------------------------|--------------|-------------------------------|--------------|
|   | Number<br>(in thousands)   | Amount<br>\$ | Number<br>(in thousands)      | Amount<br>\$ |
| <b>Common shares</b>                    |                            |              |                               |              |
| Balance – beginning of period .....     | 213,465                    | 273,622      | 194,125                       | 246,688      |
| Issued and paid in cash .....           | -                          | -            | 18,500                        | 25,900       |
| Issued for exercises of options .....   | 25                         | 44           | 840                           | 1,034        |
| Balance – the end of period .....       | <hr/>                      | <hr/>        | <hr/>                         | <hr/>        |
|   | 213,490                    | 273,666      | 213,465                       | 273,622      |
| <b>Warrants</b>                         |                            |              |                               |              |
| Balance – beginning of period .....     | 3,019                      | 2,060        | 2,363                         | 1,420        |
| Issued to lender (note 10) .....        | -                          | -            | 1,000                         | 800          |
| Expired .....                           | -                          | -            | (344)                         | (160)        |
| Balance – the end of period .....       | <hr/>                      | <hr/>        | <hr/>                         | <hr/>        |
|   | 3,019                      | 2,060        | 3,019                         | 2,060        |
| <b>Common shares and warrants .....</b> | <hr/>                      | <hr/>        | <hr/>                         | <hr/>        |
|   | 216,509                    | 275,726      | 216,484                       | 275,682      |

## Notes to Consolidated Financial Statements

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

13

### Share capital (continued)

#### Warrants

Warrants outstanding as at March 31, 2008 :

| Expiration date | Exercise price     | Number of warrants |
|-----------------|--------------------|--------------------|
| December 2008   | \$1.82 (CA \$1.87) | 1,219,000          |
| July 2011       | \$2.19 (CA \$2.25) | 800,000            |
| February 2012   | \$1.95 (CA \$2.00) | 1,000,000          |
|                 |                    | 3,019,000          |

#### Options

A total of 1,050,000 new options were issued to employees and officers of the company during the three-month period ended March 31, 2008. These options were subject to a valuation.

A total of 25,000 options were exercised during the three-month period ended March 31, 2008 under the Plan for a cash consideration of \$28,000 (CA \$29,000). An amount of \$16,000 has been reclassified from contributed surplus to share capital.

The following table sets forth the options granted to employees, officers, consultants and directors as part of their remuneration under the Plan.

|   |  | As at<br>March 31,<br>2008                       |  | As at<br>December 31,<br>2007                    |
|---|--|--|--|--|
|   | Number<br>of options<br>(in thousands) | Weighted<br>average<br>exercise<br>price<br>(\$) | Number<br>of options<br>(in thousands) | Weighted<br>average<br>exercise<br>price<br>(\$) |
| Balance – beginning of period.....        | 6,578                                  | 1.97   | 5,082                                  | 1.77   |
| Cancelled or expired.....                 | -                                      | -  | (1,039)                                | 2.53   |
| Exercised.....                            | (25)                                   | 1.11   | (840)                                  | 0.67   |
| Issued.....                               | 1,050                                  | 1.30   | 3,375                                  | 1.66   |
| Balance – end of period.....              | 7,603                                  | 1.81   | 6,578                                  | 1.97   |
| Options exercisable – end of period ..... | 1,610                                  | 1.83   | 1,591                                  | 1.89   |

## Notes to Consolidated Financial Statements

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

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### Share capital (continued)

#### Capital Risk Management

Capital is defined as shareholders' equity plus long-term debt, net of cash and cash equivalents.

|  | Au<br>31 mars<br>2008<br>\$ | Au<br>31 décembre<br>2007<br>\$ |
|--|-----------------------------|---------------------------------|
| Long-term debt .....                   | 74,067                      | 71,159                          |
| Less : cash and cash equivalents ..... | 15,526                      | 30,044                          |
|  | 58,541                      | 41,115                          |
| Shareholders' equity .....             | 148,833                     | 136,354                         |
| Total capital .....                    | 207,374                     | 177,469                         |

The Company's financial risk management objectives are as follows:

- a) Safeguard the Company'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) Meet external capital requirements on its loans.
- d) Maintain an optimal capital structure and reduce the cost of capital.

The Company's objectives remain unchanged from 2007.

As a growing business, the company requires extensive capital. The Company raises capital, as necessary, to meet the need and take advantage of opportunities and, therefore, does not have a defined numeric target for its capital structure. The Company may use financial leveraging in order to maintain a balance of debt over equity.

Based on its credit agreements, the Company is required to meet certain financial ratios, including debt to equity and debt service coverage.

Debt to Equity Ratio: Defined as the total debt divided by the total equity.

Debt: Defined as the long term-debt, including the short-term portion as per the consolidated balance sheet.

Equity: Defined as Shareholders' equity as per the consolidated balance sheet.

Debt Service Coverage Ratio: Defined as the free cash flow divided by the total finance payment.

Free Cash Flow: Defined as the operating revenues, less the aggregate of:

- i) mining operations costs
- ii) administration costs; and
- iii) capital expenditure

Capital Expenditure: Defined as capital expenditure in accordance with Canadian GAAP and excluding any expenses made in connection with:

- i) increasing the capacity of existing production facilities and/or
- ii) construction of a new production facilities and exploration programs.

Total Finance Payment: Defined as the total interest payable and total debt repayment.

The Company is in compliance with the ratio requirements of its lenders or are in receipt of the appropriate waiver.

## Notes to Consolidated Financial Statements

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

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### Contributed surplus

The contributed surplus account is composed of :

|   | As at<br>March 31,<br>2008<br>\$ | As at<br>December 31,<br>2007<br>\$ |
|---|----------------------------------|-------------------------------------|
| Balance – beginning of period.....      | 3,022                            | 1,978                               |
| Exercised options .....                 | (16)                             | (473)                               |
| Charges from valuation of options ..... | 351                              | 1,357                               |
| Expired warrants.....                   | -                                | 160                                 |
|   | <hr/>                            | <hr/>                               |
| Balance – end of period.....            | <u>3,357</u>                     | <u>3,022</u>                        |

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### Accumulated other comprehensive income

|   | Three-month<br>period ended<br>March 31, 2008 |
|---|---|
| Accumulated latent gain on portfolio investment –<br>beginning of period.....                       | 250   |
| Net variation for the period on the latent gain available for sale on portfolio<br>investments..... | <hr/> (402)                                   |
| Accumulated latent loss on portfolio investment –<br>end of period .....                            | <hr/> (152)                                   |

## Notes to Consolidated Financial Statements

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

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### Financial Instruments

The following table presents a summary of the company's commitments relating to financial instruments.

|                                     | 2008<br>(ounces) | \$/oz | 2009<br>(ounces) | \$/oz |
|-------------------------------------|------------------|-------|------------------|-------|
| Gold sales contracts (a)            | 36,000           | 375   | 35,000           | 375   |
| Gold purchase contracts (c)         | 27,000           | 942   | 12,000           | 1,035 |
| Gold contracts– uncovered positions | <u>9,000</u>     |       | <u>23,000</u>    |       |

### Fair market value

The gold sales contracts, gold purchase contracts and put options were not qualified for hedge accounting. Changes in the fair value of these derivative financial instruments are recognized in net earnings (loss). The company recorded a loss of \$7,807,000 for the period ended March 31, 2008 following the change in the fair value of derivative financial instruments.

The following table sets forth the changes in the fair value of the derivative instruments accounted for in the consolidated financial statements.

|  | Assets<br>\$ | Liabilities<br>\$ |
|--|--------------|-------------------|
| Recognition of fair value at beginning of period (calculated using a market price of \$833 per ounce of gold)..... | 910          | (38,632)          |
| Financial instruments settled  |              |                   |
| Gold sales contracts (a) .....   | -            | 6,225             |
| Interest rate swap (b) .....   | -            | (126)             |
| Changes to fair value .....  | (196)        | (7,611)           |
| Fair value at end of year (calculated using a market price of \$918 per ounce of gold).....                        | <u>714</u>   | <u>(40,144)</u>   |
| Current portion of derivative financial instruments.....   | -            | (30,054)          |
| Long-term portion of derivative financial instruments .....  | <u>714</u>   | <u>(10,090)</u>   |

The company has determined the estimated fair value of its financial assets and liabilities based on generally accepted valuation methods.

Short-term financial assets and liabilities are valued at their carrying amounts, which are reasonable estimates of their fair value due to their near-term maturities. The fair value of portfolio investments is based on market values of these investments.

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

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### Financial Instruments (continued)

The fair value of long-term debt bearing interest at variable rates, including the current portion, is determined mainly by the market price. The carrying value of these financial instruments is considered to approximate fair value. It is impossible, without considerable effort, to evaluate the fair value of advances payable as they are non-interest bearing and have no fixed terms of repayment.

#### a) Gold sales contracts

During the quarter of 2008, the company proceeded to the settlement of gold sales contracts representing 12,000 ounces for a total amount of \$6,225,000.

#### b) Interest-rate swap

The gold sales contracts include an interest rate swap on a nominal amount corresponding to the ounces by the contractual price as disclosed above (a). Pursuant to the swap agreement, the company is committed to pay the difference between the LIBOR USD three (3) months and the GOFO three (3) months interest rate, whereas the counterparty is committed to paying a fixed interest rate of 1% per annum.

#### c) Gold purchase contracts

At the beginning of 2008, the company purchased gold futures contracts to apply against its gold delivery commitments from February 2008 to June 2009. In so doing, as at March 31, 2008, the company limited the potential loss arising from a revaluation of its financial instruments with respect to these 39,000 ounces of gold.

#### d) Put options

In 2007, the company has implemented a 55,000 ounces gold price put protection program for the Mana project, which was a requirement under the \$45,000,000 debt facility (note 10).

The company purchased put options to price-protect at a minimum price of \$600 per ounce for 55,000 ounces of gold broken down as follows: 5,000 ounces in 2009, 5,000 ounces in 2010 and 45,000 ounces in 2011. Consequently, the entire production will be available to be sold at spot prices and fully exposed to any upward increase in the gold price with the downward price protected at \$600 per ounce on 55,000 ounces.

The cost of the options totalled \$1,000,000 in 2007.

### Financial risk management

The Company's activities expose it to a variety of financial risks, including credit risk, foreign exchange risk, interest rate risk, liquidity risk, gold price risk and petroleum price risk.

#### Credit Risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, restricted cash and accounts receivable. The Company offsets these risks by depositing its cash and cash equivalents, including restricted cash, with high credit quality financial institutions. The Company only transacts with highly rated counterparties for the sale of gold.

## Notes to Consolidated Financial Statements

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

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### Financial Instruments (continued)

#### Foreign Exchange Risk

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

#### Interest Rate Risk

Current financial assets and financial liabilities are generally not exposed to interest rate risk due to their short-term nature.

The majority of the Company's interest bearing borrowings consist of variable interest rate debt and are therefore exposed to interest rate fluctuation and volatility. The Company has an option to fix the interest rate on the \$45,000,000 loan for the remaining life of the loan.

The Company's gold sales contracts include an interest rate swap, whereby the Company pays a floating rate and receives a fixed rate.

The Company does not use derivatives to mitigate its exposure to interest rate risk.

#### Illiquidity Risk

Illiquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The following are the contractual maturities of non-derivatives financial liabilities as at March 31, 2008:

|  | Less than<br>one year<br>\$ | Between one<br>and four years<br>\$ |
|--|-----------------------------|-------------------------------------|
| Accounts payable and accrued liabilities ..... | 22,618                      | -                                   |
| Long-term debt.....                            | 18,569                      | 45,563                              |
| Gold contracts – covered positions .....       | 19,269                      | 3,960                               |
|  | 60,456                      | 49,523                              |

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

## Notes to Consolidated Financial Statements

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

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### Financial Instruments (continued)

#### Gold Price Risk

Semafo is subject to fluctuations in the market price of gold. Gold production from mining operations and the willingness of third parties, such as central banks, to sell or lease gold affects the supply of gold. Demand for gold can be influenced by economic conditions, gold's attractiveness as an investment vehicle, the strength of the US dollar and local investment currencies. Other factors include the level of interest rates, exchange rates, inflation and political stability. The aggregate effect of these factors is impossible to predict with accuracy. Gold prices are also affected by worldwide production levels. In addition, the price of gold has, on occasion, been subject to very rapid short-term changes due to speculative activities.

In the past, the Company entered into gold sales contracts to sell gold at a fixed or capped price on a future delivery date, due to requirements related to project financing terms. When the price of gold rises above the price at which future production has been committed under the Company's gold sales contracts, the Company may not benefit fully from price increases.

The Company did not elect to manage its exposure to the potential decline in the price of gold as it believes the gold price will continue to increase in the following years. The company has rather established an action plan to eliminate its gold hedge position.

#### Petroleum Price Risk

The Company uses petroleum fuel to power its mining equipment and to generate electrical energy to supply its mining operations, and therefore the Company's operating results and financial results may be adversely affected by the rise of petroleum prices. The Company does not use derivatives to mitigate its exposure to petroleum price risk.

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### Commitments

#### Construction – Mana project in Burkina Faso

The company signed several contracts relating to the construction of infrastructures for the Mana project in Burkina Faso. Based on these contracts, the company has commitments totaling \$4,010,000 as at March 31, 2008 (December 31, 2007 – \$8,660,000).

## Notes to Consolidated Financial Statements

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

### 18 Financial information included in consolidated statements of cash flows

#### a) Changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations for property, plant and equipment

|   | Three-month<br>period ended<br>March 31, 2008<br>\$ | Three-month<br>period ended<br>March 31, 2007<br>\$ |
|---|---|---|
| Accounts receivable .....   | 1,882   | (3,727)   |
| Prepaid expenses.....   | (2,347)   | -   |
| Inventories .....   | (2,258)   | 2,024   |
| Other assets .....  | 85  | (261)   |
| Accounts payable and accrued liabilities .....  | 933   | (3,083)   |
| Settlement of liabilities related to asset retirement obligations<br>for property, plant and equipment..... | (5)   | (12)  |
|   | (1,710)   | (5,059)   |

#### b) Supplemental information on items not affecting cash and cash equivalents

|   | Three-month<br>period ended<br>March 31, 2008<br>\$ | Three-month<br>period ended<br>March 31, 2007<br>\$ |
|---|---|---|
| Unrealized foreign exchange loss (gain) on advances<br>payable .....                          | (260)   | 68  |
| Amortization of property, plant and equipment allocated to<br>mining assets .....             | 13  | 127   |
| Amortization of property, plant and equipment allocated to<br>assets under construction ..... | 190   | -   |
| Net effect of amortization of property, plant and equipment<br>allocated to inventories.....  | 401   | 139   |
| New asset retirement obligations allocated to property, plant<br>and equipment .....          | 193   | 203   |

#### c) Cash flows related to interest

|                                       | Three-month<br>period ended<br>March 31, 2008<br>\$ | Three-month<br>period ended<br>March 31, 2007<br>\$ |
|---------------------------------------|---|---|
| Interest paid during the period ..... | 1,238   | 443   |

## Notes to Consolidated Financial Statements

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

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### Segmented information

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

|   | Mana<br>Mine,<br>Burkina Faso<br>\$ | Samira Hill<br>Mine,<br>Niger<br>\$ | Kiniero<br>Mine,<br>Guinea<br>\$ | Corporate<br>and others<br>\$ | Total<br>\$  |
|---|-------------------------------------|-------------------------------------|----------------------------------|-------------------------------|--------------|
| <b>Three-month period ended March 31, 2008</b>                  |                                     |                                     |                                  |                               |              |
| Revenue – Gold sales .....                                      | -                                   | 13,918                              | 11,622                           | -                             | 25,540       |
| Operating expenses .....  | -                                   | 9,869                               | 7,260                            | -                             | 17,129       |
| Amortization of property, plant and equipment.....              | -                                   | 1,718                               | 1,640                            | 33                            | 3,391        |
| Administration .....  | -                                   | 188                                 | 330                              | 1,633                         | 2,151        |
| Accretion expense of asset retirement obligation.....           | -                                   | 37                                  | 31                               | -                             | 68           |
| <b>Operating income (loss).....</b>                             | <b>-</b>                            | <b>2,106</b>                        | <b>2,361</b>                     | <b>(1,666)</b>                | <b>2,801</b> |
| <b>As at March 31, 2008</b>                                     |                                     |                                     |                                  |                               |              |
| Acquisition (disposition) of property, plant and equipment..... | 559                                 | 1,174                               | 1,291                            | (62)                          | 2,962        |
| Property, plant and equipment .....                             | 14,557                              | 51,248                              | 32,835                           | 490                           | 99,130       |
| Assets under construction .....                                 | 84,093                              | -                                   | -                                | -                             | 84,093       |
| Mining assets .....   | 15,453                              | -                                   | -                                | 825                           | 16,278       |
| Total assets.....   | 128,018                             | 74,126                              | 48,430                           | 39,772                        | 290,346      |
| <b>Three-month period ended March 31, 2007</b>                  |                                     |                                     |                                  |                               |              |
| Revenue – Gold sales .....                                      | -                                   | 13,325                              | 5,251                            | -                             | 18,576       |
| Operating expenses .....  | -                                   | 9,673                               | 3,806                            | -                             | 13,479       |
| Amortization of property, plant and equipment.....              | -                                   | 2,343                               | 789                              | 32                            | 3,164        |
| Administration .....  | -                                   | 184                                 | 125                              | 1,498                         | 1,807        |
| Accretion expense of asset retirement obligation.....           | -                                   | 20                                  | 36                               | -                             | 56           |
| <b>Operating income (loss).....</b>                             | <b>-</b>                            | <b>1,105</b>                        | <b>495</b>                       | <b>(1,530)</b>                | <b>70</b>    |
| <b>As at March 31, 2007</b>                                     |                                     |                                     |                                  |                               |              |
| Acquisition of property, plant and equipment .....              | 1,527                               | 880                                 | 1,537                            | 56                            | 4,000        |
| Property, plant and equipment .....                             | 10,764                              | 53,566                              | 27,517                           | 482                           | 92,329       |
| Assets under construction .....                                 | 17,917                              | -                                   | -                                | -                             | 17,917       |
| Mining assets .....   | 12,576                              | -                                   | -                                | 820                           | 13,396       |
| Total assets.....   | 46,233                              | 74,834                              | 36,520                           | 52,035                        | 209,622      |

## Notes to Consolidated Financial Statements

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

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### Comparative figures

Certain comparative data were reclassified to conform to the presentation adopted for the period ended March 31, 2008.