



Quarterly Report

THREE-MONTH PERIOD ENDED MARCH 31, 2003

**EXPLORE
DEVELOP
PRODUCE**

*explore
develop
produce*

HIGHLIGHTS

We are pleased to report on your company's performance and the continuing success for the quarter ending March 31, 2003.

GUINEA

Kiniero Gold Mine

The first quarter began with the announcement of a new gold discovery on Jean-Gobebe property in Guinea, West Africa. The new mineralized structure is called BANFARA and is located 700 meters west of the Jean A pit, the westernmost open cut of Semafo's on-going gold mine operation, the Kiniero gold mine.

The recent discovery was made during systematic preliminary surface testing of soil geochemical anomalies previously revealed (November 2002) in the immediate vicinity of the Jean and Gobebe deposits, currently being mined.

In order to guarantee a longer life-span on the Kiniero's mining operation, which started in April 2002, the research for new sources of ore is permanent using a dedicated geological team and a budget set for year 2003 at US\$1 million.

NIGER

Samira Hill Gold Project

Semafo and Managem, which is its major shareholder, are pursuing different financing alternatives to complete the ADB financing, in order to present a complete financing solution at the next SML Board Meeting, on June 2, 2003.

BURKINA FASO

Mana/Fobiri/Kona/Bombouela/Massala

The delineation RC drilling program carried in the first quarter of 2003 on the Wona gold deposit is returning impressive intercepts. The Wona deposit is located on Semafo's Mana property in Burkina Faso. The main results are:

- ❖ Confirmation of the continuity of the 800-meter length and 20-meter true width of the northern part of the orebody, from 5650N to 6450N. Maximum width of 38 meters observed on section 6250N.
- ❖ Confirmation of the regular continuity of the gold mineralized structure over 2 500 meters of strike length
- ❖ Confirmation of the high regularity of the gold grade distribution over the tested strike length.

The 2003 drilling program at its Mana property in Burkina Faso started January 28, 2003. As at March 31, 2003, 5,755 meters were realized into 66 RC holes as well as 547 meters into 6 diamond drilling holes. The original exploration program was supported by a budget of US\$600,000. This budget has been increased by another US\$600,000 as of May 21, 2003. This program is designed to better delineate and to increase the gold resource of the Wona deposit.

This program will also be used as a base for preparation and in parallel, of an internal feasibility study. The US\$600,000 budget dedicated to this study has also been increased by an additional US\$300,000 as of May 21, 2003.

The Company acquired two new exploration permits in the Mana region, which are Bombouela and Massala. The Bombouela permit is located in the northeastern extension of the Wona structure. The Massala permit is located about 25 km northeast of the Bombouela permit and is the site of important alluvial diggings.

Management Discussion and Analysis of Financial Position and Results of Operations

The following discussion of the results and financial position of the company for each of the three-month period ended March 31, 2003 and 2002 should be read in conjunction with the consolidated interim financial statements and related notes.

Considering the company's new mining activity, which began during the second quarter of 2002, certain results for the three-month period ended March 31, 2003 and 2002 cannot be compared. Therefore, certain results of this first quarter 2003 will be compared with the three-month period ended December 31, 2002.

All financial information in these consolidated interim financial statements is presented in U.S. dollars.

Significant Financial Data

The table below shows the significant financial data:

Three-month period ended	March 31 2003	March 31 2002	December 31 2002
	\$	\$	\$
Gold sales	4,692,543	-	4,812,100
Net profit / (Net loss)	(409,171)	(296,081)	419,927
- per share	(0.01)	(0.00)	0.01
Operating cash flow*	1,289,086	(368,114)	1,051,202
Cash operating cost (\$/ounce sold)	196	-	187
Total cash cost (\$/ounce sold)	215	-	204
Average selling price (\$/ounce)	336	-	308

Production Update

Three-month period ended	March 31 2003	March 31 2002	December 31 2002
Operating Statistics			
Gold sales (ounces)	13,972	-	15,604
Gold production (ounces)	15,506	-	15,194
Plant throughput	115,917	-	117,413
Head-grade (g/Tonne)	4.48	-	4.96
Recovery (%)	88.82	-	84.5
Cost per ounce – Production basis			
Cash operating cost (\$/ounces)	188	-	178

*excluding net changes in non-cash working capital items

MINING OPERATION

For the three-month period ended March 31, 2003, Semafo produced 15,506 ounces of gold at a cash operating cost of \$188/oz compared to a production of 15,194 ounces of gold at a cash operating cost of \$178/oz for the previous quarter. During this first quarter of 2003, 115,917 tonnes of ore, at an average grade of 4,48 g/t, were treated at the Kiniero mine. For the three-month period ended December 31, 2002, 117,413 tonnes of ore were treated at an average grade of 4,96 g/t.

ANALYSIS OF RESULTS

For the three-month period ended March 31, 2003, gold sales totalled \$4,692,543 compared to \$4,812,100 for the previous quarter. During the first quarter of 2003, the company sold a total of 13,972 ounces of gold at an average price of \$336 compared to 15,604 ounces of gold sold at an average price of \$308 during the quarter ended December 31, 2002. During the first months of 2003, the spot gold price improved greatly, in order to take advantage of this positive condition, the company postponed the deliveries planned under its hedging contracts and sold most of its quarterly production at spot gold price.

During the first quarter ended March 31, 2003, operating expenses totalled \$3,051,956 compared to \$3,255,764 for the previous quarter. These operating expenses represent the production costs of 13,972 ounces of gold at a total cash cost of \$215 per ounce compared to a production of 15,604 ounces of gold at a total cash cost of \$204 for the three-month period ended December 31, 2002. This increase is mainly due to the treatment of a lower grade during the quarter ended March 31, 2003.

For the three-month period ended March 31, 2003, amortization expenses amounted to \$1,440,138 compared to amortization expenses of \$1,162,684 for the quarter ended December 31, 2002. The amortization expense per ounce sold during this quarter is \$103 compared to \$73 per ounce sold during the previous quarter. The lower amortization expenses per ounce sold in the previous quarter is due to a retroactive adjustment of the amortization expenses, which was made during the quarter ended December 31, 2002, following a re-optimization of the pits of Jean and Gobeles which led to an increase in the mineral reserves used as the basis for amortization calculation.

Administration expenses went from \$298,894 in the first quarter of 2002, to \$304,128 for the same period in 2003.

For the quarter ended March 31, 2003, the company generated an operating loss of \$103,679 compared to an operating loss of \$310,329 for the same period in 2002. This improvement is due to the operating benefit of \$202,465 generated by the Kiniero mine for the first quarter of 2003.

Interest and other income increased from \$50,966 for the three-month period ended March 31, 2002 to \$99,103 for the same period in 2003. This variation is the result of higher liquidity in 2003 compared to 2002, mainly due to the operation of the Kiniero mine and the amount collected following the disposal, during the previous quarter, of the company's interests in Semco.

Interests on the long-term debt increased from \$76,205 in 2002 to \$345,069 in 2003. This increase is mainly due to the capitalization of the interests during the phase of construction of the Kiniero mine, in Guinea, during the quarter ended March 31, 2002 and to the refinancing of the debentures that came to maturity in February 2002.

During the quarter ended March 31, 2003, the company recorded a foreign exchange loss of \$112,138 compared to a foreign exchange loss of \$21,525 in 2002. The appreciation of the Canadian currency compared to the American currency, since December 31, 2002, generated a foreign exchange loss due to the conversion to U.S. \$, at the exchange rate at the end of the quarter, of an advance payable in Canadian dollars. This foreign exchange loss was reduced by a foreign exchange gain due to the conversion of cash and cash equivalents held in Canadian dollars, following the sale of the company's shares of Nevsun, during the previous quarter.

For the quarter ended March 31, 2003, the company recorded a net loss of \$409,171 (\$0.01 per share) compared to a net loss of \$296,081 (\$0.00 per share) in 2002.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

The operating activities, before changes in working capital, generated a positive cash flow of \$1,289,086 during the first quarter ended March 31, 2003, compared to a negative cash flow of \$368,114 in 2002. This improvement is the result of the start-up, in April 2002, of the operation at the Kiniero mine, in Guinea.

Working capital items generated a positive impact of \$596,865 on the liquidity for the first quarter of 2003. This variation is mainly due to the decrease of the accounts receivable related to the gold sales. For the same period in 2002, the working capital items generated a positive impact of \$1,940,200 on the liquidity mainly due to the increase of \$2,320,589 in the accounts payable and accrued liabilities.

Financing Activities

During the quarter ended March 31, 2002, the refinancing of the debentures generated an increase of \$216,864 on the liquidity. No financing activity occurred during the same period in 2003.

Investing Activities

During the quarter ended March 31, 2003, liquidities of \$572,775 have been invested in mining assets compared to an investment of \$4,302,287 for the same period in 2002, as the construction of the Kiniero mine, in Guinea, was being completed.

In Burkina Faso, liquidities of \$478,600 were invested in exploration on the Mana property.

In Niger, \$72,400 was invested for the storage and the maintenance of the fixed assets and other infrastructures on Samira Hill.

The company also invested \$488,568 in fixed asset mainly representing mining costs realized at the Kiniero mine, in Guinea.

Deferred charges increased from \$19,847 for the quarter ended March 31, 2003 to \$199,214 for the same period in 2002. These deferred charges result from the efforts to obtain the financing required for the Samira Hill gold project in Niger.

Cash and cash equivalents amounted to \$7,273,230 for the first quarter of 2003, compared to \$6,303,073 for the same quarter in 2002.

RECONCILIATION OF TOTAL CASH COST PER OUNCE TO FINANCIAL STATEMENTS

Quarter ended March 31, 2003	\$
Operating costs per financial statements	3,051,956
Reclamation and closure costs	(51,340)
Operating costs for per ounce calculation	3,000,616
Ounces sold (thousands)	13,972
Total cash costs per ounce sold	215

The total cash cost is calculated using the Gold Institute guidelines.

RISKS

SEMAFO, as a mining producing company, faces the environment, financial and political risks inherent to the nature of its activities. The Company also faces risks stemming from other factors, such as fluctuations in gold prices, exchange rates and financial market conditions in general.

To reduce the risk associated with the fluctuations in gold prices, the company entered into fixed forwards gold sales. As at March 31, 2003 the company had gold sales commitments for 137,567 ounces of gold at an average price of \$292.50 per ounce. This hedging strategy is reducing the risks and is allowing the company to take advantage of improvement in gold price.

STRATEGY AND GOALS

In a continued effort to maximize the value for its shareholders, Semafo's strategy is mainly the development of the properties it already possesses.

In accordance with its strategy, in 2003, Semafo started the construction of an extension to the Kiniero mine, in Guinea. This extension, which will allow increasing the recovery rate, is expected to be in operation in June 2003. With a quarterly production of 15,506 ounces of gold, the company maintains the objective to produce 60,000 ounces of gold in 2003. In addition, more detailed drilling, having as a main objective the increase of reserves at the Kiniero mine, will be realized in 2003.

Semafo maintains its objective to put the Samira Hill project in Niger into production. In 2003, Semafo aims at finalizing its financing and to restart construction of the mine.

Following the target for 2003 on the Mana project, in Burkina Faso, the drilling program designed to improve the quality of the resource on the Mana property and the feasibility study were both initiated during this first quarter of 2003.

ACHIEVEMENTS for the quarter ended March 31, 2003

- ✦ **The Kiniero mine generated an operating benefit of \$202,465**
- ✦ **Production of 15,506 ounces of gold at a cash operating cost of \$188**
- ✦ **Increase of the recovery rate at the Kiniero mine, in Guinea**
- ✦ **Start of the construction of an extension to the Kiniero mine, in Guinea**
- ✦ **Deposit of an independent audit report on the mineral resource of the Nyafe and the Wona deposit, at the Mana property.**
- ✦ **Start of the feasibility study of the Mana project, in Burkina Faso**

GOALS 2003

- ✦ **Producing 60,000 ounces of gold and increasing the mineral reserves at Kiniero, in Guinea**
- ✦ **Concluding the financing for Samira Hill and resume construction of the mine in Niger**
- ✦ **Upgrading of the quality of the mineral resource on the Mana property, in Burkina Faso, and preparing a feasibility study.**

SEMAFO Inc.

Consolidated Balance Sheets

(unaudited, expressed in U.S. dollars)

	As at March 31 2003 \$	As at December 31 2002 \$
Assets		
Current assets		
Cash and cash equivalents	7,273,230	6,379,423
Short-term investments	-	37,706
Accounts receivable	1,462,290	2,077,935
Stocks (note 2)	2,357,524	2,095,465
Other assets	157,937	147,522
	<u>11,250,981</u>	<u>10,738,051</u>
Fixed Assets (note 3)	19,974,866	21,023,996
Deferred charges	501,600	481,753
Long-term investment	1,000,000	1,000,000
Mining assets	43,487,576	42,907,108
	<u>76,215,023</u>	<u>76,150,908</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	4,925,469	4,765,470
	<u>4,925,469</u>	<u>4,765,470</u>
Long-term debt	12,000,000	12,000,000
Advances payable	7,710,307	7,395,757
Provision for reclamation and closure costs	233,935	182,595
Minority interest	1,587,562	1,640,165
	<u>21,531,804</u>	<u>21,218,517</u>
	<u>26,457,273</u>	<u>25,983,987</u>
Shareholders' Equity		
Share capital	76,841,806	76,841,806
Deficit	(27,084,056)	(26,674,885)
	<u>49,757,750</u>	<u>50,166,921</u>
	<u>76,215,023</u>	<u>76,150,908</u>

SEMAFO Inc.Consolidated Statements of Operations and Deficit
(unaudited, expressed in U.S. dollars)

For the periods ended March 31, 2003 and 2002

	2003 \$	2002 \$
Gold sales	4,692,543	-
Expenses		
Operating	3,051,956	-
Amortization of fixed assets	1,440,138	11,435
Administration	304,128	298,894
	<u>4,796,222</u>	<u>310,329</u>
Operating loss	(103,679)	(310,329)
Interest and other income	(99,103)	(50,966)
Interest on long-term debt	345,060	76,205
Amortization of deferred charges	-	6,035
Exchange loss	112,138	21,525
	<u>(461,774)</u>	<u>(363,104)</u>
Net loss before minority interest	(461,774)	(363,104)
Minority interest in a subsidiary's net loss	(52,603)	(67,023)
	<u>(409,171)</u>	<u>(296,081)</u>
Net loss for the period	(409,171)	(296,081)
Deficit – Beginning of period	(26,674,885)	(25,599,559)
Deficit – End of period	<u>(27,084,056)</u>	<u>(25,895,640)</u>
Net loss per share		
Basic	(0.01)	(0.00)
Diluted	(0.01)	(0.00)

SEMAFO Inc.

Consolidated Statements of Cash Flows (unaudited, expressed in U.S. dollars)

For the periods ended March 31, 2003 and 2002

	2003	2002
	\$	\$
Cash flows from		
Operating activities		
Net loss for the period	(409,171)	(296,081)
Items not affecting cash and cash equivalents		
Minority interest	(52,603)	(67,023)
Amortization of deferred charges	-	6,035
Amortization of fixed assets	1,440,138	11,435
Unrealized exchange loss (gain)	310,722	(22,480)
	<u>1,289,086</u>	<u>(368,114)</u>
Net changes in non-cash working capital items		
Accounts receivable	615,645	(219,441)
Stocks	(168,364)	(176,115)
Other assets	(10,415)	15,167
Accounts payable and accrued liabilities	159,999	2,320,589
	<u>596,865</u>	<u>1,940,200</u>
	<u>1,885,951</u>	<u>1,572,086</u>
Financing activities		
Long-term debt	-	216,864
	<u>-</u>	<u>216,864</u>
Investing activities		
Proceeds on disposal of short-term investments	37,706	964
Additions to fixed assets	(488,568)	(1,562)
Additions to deferred charges	(19,847)	(199,241)
Acquisition of a long-term investment	-	(1,000,000)
Additions to mining assets	(572,775)	(4,302,287)
Provision for reclamation and closure costs	51,340	-
	<u>(992,144)</u>	<u>(5,502,126)</u>
Change in cash and cash equivalents during the period	893,807	(3,713,176)
Cash and cash equivalents – Beginning of period	<u>6,379,423</u>	<u>10,016,249</u>
Cash and cash equivalents – End of period	<u>7,273,230</u>	<u>6,303,073</u>

SEMAFO Inc.

Consolidated Statements of Cash Flows ...*continued*
(unaudited, expressed in U.S. dollars)

For the periods ended March 31, 2003 and 2002

Supplemental schedule of non-cash items

	2003	2002
	\$	\$
Increase in advances payable allocated to mining assets	3,828	3,537
Amortization of fixed assets allocated to stock	93,695	-
Amortization of fixed assets allocated to mining assets	3,865	-
Unrealized exchange loss (gain) allocated to advances payable	310,722	(22,480)

Supplemental information

	2003	2002
	\$	\$
Interest paid during the period	214,730	104,045

SEMAFO Inc.

Notes to Consolidated Financial Statements

(unaudited, expressed in U.S. dollars)

1 Incorporation and nature of activities

The company was incorporated under Part IA of the Quebec Companies Act.

The company and its subsidiaries are engaged in gold mining and related activities, including exploration and development. These activities are conducted in West Africa. The company and its subsidiaries own a gold mine in Guinea, which came into production in April 2002.

The company and its subsidiaries 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.

2 Stocks

	March 31 2003	December 31 2002
	\$	\$
Gold ingots	754,481	309,980
Gold in circuit	175,565	364,390
Stockpiles	833,955	1,164,830
Supplies and spare parts	593,523	256,265
	<hr/> 2,357,524	<hr/> 2,095,465

3 Fixed assets

	March 31 2003	December 31 2002
	\$	\$
Property acquisition cost, deferred exploration and development cost	18,959,418	18,512,993
Buildings and equipment	5,138,734	5,098,836
Rolling stock, communication and computer equipment	2,524,205	2,521,960
	<hr/> 26,622,357	<hr/> 26,133,789
Accumulated depreciation	(6,647,491)	(5,109,793)
	<hr/> 19,974,866	<hr/> 21,023,996

No amount of capitalized interest for the year (2002 – \$320,000).

4 Comparative figures

Certain prior year amounts have been reclassified to conform with the presentation adopted for the period ending March 31, 2003.

Investor Information

Requests for copies of the Annual Report, quarterly reports and other Company Information may be addressed to:

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Stock Exchange Listing

The Toronto Stock Exchange

Symbol « SMF »

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