

# 2 QUARTERLY REPORT

Six months ended June 30, 2000

Exploring  
New  
Grounds



SEMAFO INC.

## Message to Shareholders

SEMAFO's revenues, derived mainly from investments, went from \$493,961 for the first six months last year to \$421,956 for the same period in 2000. This is essentially related to the use of cash resources, which went from \$19,855,002 in 1999 to \$7,675,894 in 2000. Following the increasing level of activities during the period and the acquisition of a 50% interest in African Geomin Mining Development Corporation (African Geomin), owner of the Samira Hill Gold project, the administrative expenses increased from \$499,012 in 1999 to \$809,959 in 2000. Consequently, the Company recorded a loss of \$539,164 (\$0.01 per share) compared to a loss of \$168,052 (\$0.00 per share) for the same period last year.

At the end of period, the cash and cash equivalents amount to \$6,600,968 compared to \$11,998,451 at the end of the same period last year. The variation of cash and cash equivalents for the first six-month period is attributed mainly to the acquisition of the Segala property in Mali for a consideration of US \$5 million, and to the acquisition of the 50% interest in African Geomin also for an amount of US \$5 million. The African Geomin acquisition has been accounted for using the following values:

Cash	\$1,103,700
Assets other than cash	9,696,648
Liabilities	(3,205,086)
Purchase price	\$7,595,262
Consideration given	
US \$5 million	7,272,500
Fees related to the transaction	322,762
	\$7,595,262

In addition to these acquisitions, an amount of \$5,054,775 has been invested in the development of the Samira Hill Gold project and the adjacent Libiri deposit. Other exploration expenses have amounted to \$5,508,854, compared to \$1,242,776 in 1999. Following these expenditures the mining assets of the Company amount to \$45,463,072 and the advances in a joint venture amount to \$4,249,168.

At June 30 2000, cash and cash equivalents and short-term investment amount to \$7,675,894. However, following an exercise of warrants and a private placement by Managem in July, SEMAFO is now in an excellent financial position with liquidities amounting to \$35,323,564.

### Niger

Samira Hill Gold Project.

The Revised Feasibility Study for the Samira Hill Gold Project was completed that will see the mill capacity expanded from 3,000 tonnes per day to 6,000 tonnes per day to accommodate additional mill feed from the nearby Libiri deposit. First year production is targeted at 150,000 ounces and will commence in the second quarter 2001.

The combined Samira-Libiri operation shows an internal rate of return of 62% and generates net cash flow after capital payback of US\$42,000,000. Direct capital costs are estimated at US\$26,000,000 and life of mine cash costs, including royalties of 5.5% to the government of Niger average US\$194 per recovered ounce. First year cash costs including royalties are estimated at US\$136 per recovered ounce.

Project financing is being co-ordinated by RMB Resources Limited a member of the First Rand Bank Group, in conjunction with the International Finance Corporation ("IFC") a member of the World Bank Group.

Libiri Exploration Project.

African GeoMin completed 20,053 meters of drilling in 173 holes during this campaign.

The high grade gold zone discovered at the Libiri Gold Deposit in Niger has now been traced over a strike length of 425 meters to a vertical depth of 100 meters and remains open at depth and along strike. The average true thickness of the zone is estimated to be 15-20 meters. Recent drill results have intersected grades of up to 139 grams per tonne. It appears that the discovery is a new style of structurally controlled mineralization that cross-cuts the Samira Horizon. This opens up important possibilities for additional discoveries in the region.

An updated mineable reserve study is being carried out by Resource Service Group Pty Ltd. ("RSG") of Perth, Australia that will include additional oxide ore from Libiri in the Samira Hill mining schedule.

### Guinea

Jean-Gobeles

The Final Feasibility Report on the Jean Gobeles Gold Project has been presented to the Government and the mining license is expected to be issued soon. Construction commitment is dependant on permitting and financing. The project is expected to start early in the new year.

Further RC drilling and trenching work was carried which gave significant results such as in hole RC-231, from 29 to 43 meters returning 14 meters at 7.9 g/t Au.

A new discovery was made at the end of the program in two trenches following an outcropping brecciated quartz vein 100 meters to the east of the Gobeles-A structure. The trenches are spaced 50 meters apart along strike and they returned 16 meters at 7.9 g/t and 26 meters at 3.6 g/t Au respectively.

### Kakoulima

On the Mont Kakoulima layered complex, four prospective Ni, Cu, Co, PGE targets were identified which Rio Tinto planned to test with two core holes each for an estimated total meterage of 3000 m.

The two initial holes both cut a sequence of gabbros and pyroxenites with minor mineralisation noted between 30-112 m. At 145.10 m and 115m respectively, the rods became stuck in the hole. During the extraction process, gas was noted coming from the hole which, when analysed, exceeded normal acceptable safety levels. Safety equipment was imported and stringent safe operating procedures put into place. Both holes were abandoned and sealed until after the wet season.

### Ghana

Anwia

Drilling by Ashanti Goldfields Ltd. has outlined an inferred resource of 2 million tonnes grading 3.0 grams per tonne at the Ebi/Teleku - Bokazo concession in Ghana.

Tinga

A total of 8308 metres of RC drilling was completed into 100 holes. The Tinga Far East gold-bearing structure now extends over 1 400m along strike and 75 meters down dip.

Wa

A short exploration program was completed on the potential of the Kunche prospect. This prospect has an inferred resource of 1 million tonnes at 3.7 grams per tonne.

### Burkina Faso

At the Nyafe prospect on the Mana/Fobri concession, a series of 28 new RC holes was completed totalling 3194 meters.

The structure is still open in the three dimensions. A first evaluation of inferred resource contained in the top 100 meters of the mineralised zone estimates the volume at 1million tonnes grading 8.5 g/t.

Benoit La Salle  
President and Chief Executive Officer  
August 31, 2000

## Consolidated Balance Sheets (UNAUDITED)

JUNE 30	2000	1999
<b>Assets</b>		
<b>CURRENT ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 6,600,968	\$ 11,998,451
SHORT-TERM INVESTMENTS	1,074,926	7,856,551
RECEIVABLES	97,945	437,652
OTHER ASSETS	591,410	329,898
	<b>8,365,249</b>	<b>20,622,552</b>
<b>DEFERRED CHARGES</b>	<b>426,420</b>	<b>-</b>
<b>LONG-TERM INVESTMENTS</b>	<b>587,013</b>	<b>505,635</b>
<b>ADVANCES INTO A JOINT VENTURE</b>	<b>4,249,168</b>	<b>-</b>
<b>MINING ASSETS</b>	<b>45,463,072</b>	<b>42,106,857</b>
	<b>\$ 59,090,922</b>	<b>\$ 63,235,044</b>

## Liabilities

<b>CURRENT LIABILITIES</b>		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 3,969,659	\$ 664,306
<b>LONG TERM LIABILITIES</b>		
DEBENTURES	2,569,175	-
UNREALIZED EXCHANGE GAINS	73,946	-
	<b>6,612,780</b>	<b>664,306</b>

## Shareholders' Equity

SHARE CAPITAL	86,264,096	65,581,054
DEFICIT	(33,785,954)	(3,010,316)
	<b>52,478,142</b>	<b>62,570,738</b>
	<b>\$ 59,090,922</b>	<b>\$ 63,235,044</b>

## Consolidated Statements of loss and Deficit

PERIOD ENDED JUNE 30	2000	1999
<b>INTEREST INCOME</b>	<b>\$ 421,956</b>	<b>\$ 493,961</b>
<b>ADMINISTRATIVE EXPENSES</b>	<b>809,959</b>	<b>499,012</b>
<b>PROJECT SEARCH EXPENSES</b>	<b>-</b>	<b>163,001</b>
<b>WRITE-OFF OF MINING ASSETS</b>	<b>151,161</b>	<b>-</b>
	<b>961,120</b>	<b>662,013</b>
<b>NET LOSS FOR THE PERIOD</b>	<b>(539,164)</b>	<b>(168,052)</b>
<b>DEFICIT AT BEGINNING OF PERIOD</b>	<b>(33,246,790)</b>	<b>(2,842,264)</b>
<b>DEFICIT AT END OF PERIOD</b>	<b>\$(33,785,954)</b>	<b>\$(3,010,316)</b>
<b>NET INCOME (LOSS) PER SHARE</b>	<b>\$ (0.01)</b>	<b>\$ 0.00</b>

## Consolidated Statements of Changes in Financial Position

PERIOD ENDED JUNE 30	2000	1999
<b>OPERATING ACTIVITIES</b>		
NET LOSS FOR THE PERIOD	\$ (539,164)	\$ (168,052)
ITEMS NOT AFFECTING CASH AND CASH EQUIVALENTS		
WRITE-OFF OF MINING ASSETS	151,161	-
	<b>(388,003)</b>	<b>(168,052)</b>
CHANGE IN NON-CASH ITEMS		
ACCOUNTS RECEIVABLE	266,575	113,959
OTHER ASSETS	(254,976)	(61,872)
UNREALIZED EXCHANGE GAINS	73,946	-
ACCOUNTS PAYABLE	2,288,828	(352,097)
EXCHANGE LOSS ON DEBENTURES		
DENOMINATED IN FOREIGN CURRENCY	32,900	-
	<b>2,407,273</b>	<b>(300,010)</b>
	<b>2,019,270</b>	<b>(468,062)</b>
<b>INVESTING ACTIVITIES</b>		
PROCEEDS ON DISPOSAL OF SHORT TERM INVESTMENTS	10,099,792	5,155,036
ACQUISITION OF JOINT VENTURE	(6,491,562)	-
ADDITION OF ADVANCES	(4,249,168)	-
ADDITION TO MINING ASSETS	(17,863,629)	(1,242,776)
DECREASE IN DEFERRED EXPENSES	484,075	-
	<b>(18,020,492)</b>	<b>3,912,260</b>
CHANGE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	<b>(16,001,222)</b>	<b>3,444,198</b>
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<b>22,602,190</b>	<b>8,554,253</b>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<b>\$ 6,600,968</b>	<b>\$ 11,998,451</b>

## Investor Information

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

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### TRANSFER AGENT

General Trust of Canada

### STOCK EXCHANGE LISTING

The Toronto Stock Exchange  
Symbol: "SMF"  
cusip 81692210-8