

2 Quarterly Report

Six months ended June 30, 1999

SEM
AFO

Exploring
New
Grounds

Message to Shareholders

For the first six months of 1999, Semafo recorded a loss of \$168,052 (\$0.00 per share) compared to a loss of \$125,761 (\$0.00 per share) for the same period in 1998. Revenues derived mainly from investment were down from \$595,887 last year to \$493,961 in 1999 and this is essentially related to the reduction of cash resources from \$25,013,771 in 1998 to \$19,855,002 in 1999. Following the rationalisation of activities during the period, the administration expenses were reduced from \$615,687 to \$499,012. Furthermore, the Company committed expenses of \$163,001 (\$0 in 1998) to identify and evaluate acquisition projects with added value for the shareholders. Such research allowed the Company to undertake the present transaction by virtue of which Semafo acquired all the shares of Prospex Mining Inc. on July 1, 1999.

Taking into account the industry and economic environment in which Semafo operates, the exploration expenses were reduced from \$5,961,086 last year in the first six months to \$1,242,776 in 1999. Those amounts were mainly invested in a limited exploration program in Burkina Faso and in the Feasibility Study for the Jean Gobelet project in Guinea.

Semafo remains in a very sound financial position with liquidities of \$19,855,002 as at June 30, 1999.

Ghana

Anwia

Drilling by Ashanti has outlined an inferred resource of 190,000 oz Au (2 million tonnes grading 3.0 grams per tonne) at the Ebi/Teleku - Bokazo concession in Ghana where Ashanti Goldfields are earning a 75% interest from Semafo. The project has the potential of providing feed for Ashanti's Iduapriem plant, 56 km away and a Scoping Study has commenced.

Tinga

Following a trenching program, RC drilling has commenced on this prospect. Initial results look encouraging. Semafo is earning an 80% interest in this concession from the Ashanti/IAMGold Alliance.

Guinea

The Feasibility Study on Jean Gobelet is almost complete with Lycopodium, an Australian company coordinating. Further metallurgical, geotechnical and tailings testwork is being undertaken at the AMTEC laboratories in Perth while engineers from SGS Environment have almost completed the Environmental Baseline and Impact study. The Study utilizes the CIP plant which Semafo acquired as part of the Prospex merger.

Sterilization and geotechnical drilling together with detailed topographical surveying continued on the site.

Burkina Faso

Trenching on the new discovery at Mana continues to give good results. A RC drilling program will commence after the wet season. Discussions are being held with potential joint venture parties for the other Burkina properties.

The license for Fobiri, the southern strike extension to Mana, was granted.



Benoit La Salle
President and Chief Executive Officer
August 27, 1999

Consolidated Balance Sheets (unaudited)

June 30	1999	1998
Assets		
Current assets		
Cash and short-term investments	\$ 19,855,002	\$ 25,013,771
Receivables	437,652	855,059
Other assets	329,898	609,426
	20,622,552	26,478,256
Portfolio investments	505,635	-
Mining assets	42,106,857	39,623,640
	\$ 63,235,044	\$ 66,101,896
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 664,306	\$ 2,492,927
Preferred shares	-	985,440
	664,306	3,478,367
Shareholders' Equity		
Share capital	65,581,054	66,076,254
Deficit	(3,010,316)	(3,452,725)
	62,570,738	62,623,529
	\$ 63,235,044	\$ 66,101,896

Consolidated Statements of Loss and Deficit

Period ended June 30	1999	(unaudited) 1998
Revenues	\$ 493,961	\$ 595,887
Administrative expenses	499,012	615,687
Write off of mining assets	-	105,961
Project search expenses	163,001	-
Net loss for the period	(168,052)	(125,761)
Deficit at beginning of period	(2,842,264)	(3,326,964)
Deficit at end of period	\$ (3,010,316)	\$ (3,452,725)
Net income (loss) per share	\$ 0.00	\$ 0.00

Consolidated Statements of Changes in Financial Position

Period ended June 30	1999	(unaudited) 1998
Operating activities		
Net loss for the period	\$ (168,052)	\$ (125,761)
Items not affecting cash		
Write-off of mining assets	-	105,961
	(168,052)	(19,800)
Net change in non-cash items	(300,010)	938,639
Cash generated from (used for) operating activities	(468,062)	918,839
Financing activities		
Redemption of share capital	-	(6,200)
Cash used for financing activities	-	(6,200)
Investing activities		
Addition to mining assets	(1,242,776)	(5,961,086)
Cash used for investing activities	(1,242,776)	(5,961,086)
Net change in cash resources during the period	(1,710,838)	(5,048,447)
Cash resources at beginning of period	21,565,840	30,062,218
Cash resources at end of period	\$ 19,855,002	\$ 25,013,771

Investor Information

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

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