

HIGHLIGHTS

We are pleased to report on your company's performance and the continuing success for the quarter ending September 30, 2002.

GUINEA

Kiniero Gold Mine

During the last quarter, the milled throughput at the Kiniero gold mine in Guinea has still improved even if affected negatively by heavy rains in September.

The unaudited cash operating cost of production for the last quarter has been estimated at US\$166 per ounce. This cost was calculated using the Gold Institute guidelines.

An independent reserve-resource audit by Marcel Vallée, consulting geologist, took place at the end of the quarter. The report is awaited

Exploration work using soil geochemical sampling, trenching and ground geophysics was conducted on the Wombon, Zone NW and Filon Bleu targets. No significant results were reported during the quarter.

Mt Kakoulima

Afcan Mining Corporation, partner at 50% with Semafo in the permit, carried out limited trenching and sampling surveys over several coinciding MaxMin conductors and magnetic anomalies located at the 300 meter elevation in the intrusive complex. They are believed to coincide with a specific flat gabbro bed interpreted to be genetically related to the sulphide mineralization. Results are pending.

NIGER

Samira Hill Gold Project

To ensure efficient resumption of construction works, our efforts are focused on reviewing contracts with the different suppliers. Also, the management of the company is finalizing the financing of the project.

At the end of the last rain season, the water dam was filled back at the optimum level reach last year.

BURKINA FASO

Mana/Fobiri/Kona

In July 2002, a new RC drilling campaign was carried out through a series of 26 holes for 1,924 meters. The objectives of this program were to confirm the quality and the continuity of the mineralized structure and to find its extension to the north-east.

Results of the second phase of work carried in 2002 on the Mana property showed that an extension of 400 meters to the north-east of the Wona gold-bearing structure. The overall drill identified strike length of the structure is now 2,800 metres. The average true thickness of the last 1,000 meters of the mineralized zone is 25 meters. In average, the oxidation zone extends up to 60 meters vertically.

The mineralized structure is almost closed to the south at latitude 3800N, but opens to impressive widths towards the north-east and appears to change attitude or plunge towards the north and extend onto the Kona property.

The independent consulting geologist Marcel Vallée carried a resource audit on the property. His report is not yet available.

All financial information presented thereafter is in US dollars.

SIGNIFICANT FINANCIAL DATA

The table below shows the significant financial data:

	Three-month period ended September 30		Nine-month period ended September 30	
	2002	2001	2002	2001
	\$	\$	\$	\$
Gold sales	4,323,316	-	7,697,116	-
Net loss	870,603	1,347,036	1,495,253	1,991,399
- per share	(0.01)	(0.02)	(0.02)	(0.03)
Operating cash flow	957,144	(241,314)	1,533,889	(853,064)
Operating cash cost (\$/ounce)	169	-	170	-
Total cash cost (\$/ounce)	187	-	188	-
Average selling price (\$/ounce)	293	-	304	-

PRODUCTION UPDATE

	Three-month period ended September 30		Nine-month period ended September 30	
	2002	2001	2002	2001
Operating Statistics				
Gold sales (ounces)	14,741	-	25,327	-
Gold production (ounces)	14,824	-	26,811	-
Plant throughput	95,625	-	178,506	-
Head-grade (g/Tonne)	5.46	-	5.72	-
Recovery (%)	86.9	-	85.6	-
Cost per oz – Production basis (\$US)				
Operation - cash cost (\$/ounces)	166	-	166	-

MINING OPERATIONS

Semafo produced 14,824 ounces of gold at an operating cash cost of \$166/oz in the third quarter and 26,811 ounces of gold at an operating cash cost of \$166/oz to September 30, 2002. For the three-month period ended September 30, 2002, 95,625 tonnes of ore were treated compared to 82,881 tonnes during the previous quarter. As at September 30, 2002 a total of 178,506 tonnes of ore, at an average grade of 5.72 g/t, were treated at the Kiniero mine.

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 nine-month period ended September 30th, 2002 and 2001 should be read in conjunction with the consolidated interim financial statements.

Considering the Company's new mining activity which started during the second quarter of 2002, certain results for the period ended September 30, 2002 cannot be compared with the same period in 2001. Therefore, such results for the three-month period ended September 30, 2002 will be compared to the three-month period ended June 30, 2002.

THIRD QUARTER – THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2002

Analysis of Results

Gold sales totalled \$4,323,316 for the last quarter compared to \$3,373,800 for the three-month period ended June 30, 2002. During the last quarter, the Company sold a total of 14,741 ounces of gold at an average price of \$293 compared to 10,586 ounces of gold sold at an average price of \$319 during the previous quarter. The hedging program took effect in July, which explains the reduction in the average sale price quarter over quarter.

For the three-month period ended September 30, 2002, operating expenses totalled \$2,805,986 compared to \$2,051,362 for the previous quarter. This increase is mainly due to the fact that commercial production started only in May 2002. Amortization expenses amounted to \$2,244,170 for this quarter compared to \$844,007 for the previous quarter following the use of a revised basis for the calculation of amortization. Administration costs amounted to \$253,319 in 2002 down from \$335,181 for the same period in 2001. For the period ended June 30, 2001 write-off of mining assets amounted to \$683,158. No write-off was recorded for this quarter in 2002.

The interests on the long-term debt increased from \$155,779 in 2001 to \$344,500 for the same period in 2002. This increase is due to a loan of \$8,000,000 obtained during the last quarter of 2001 for the Kiniero project and to the refinancing of the debentures bearing a face value of \$4,000,000, which matured in February 2002. The Company recorded a foreign exchange gain of \$261,548 during the last quarter compared to a foreign exchange loss of \$336,810 for the same period in 2001. This increase is mainly due to the conversion to US\$, at the closing rate on September 30, 2002, of an advance payable in Canadian dollars.

For the three-month period ended September 30, 2002, the Company recorded a net loss of \$870,603 (\$ 0.01 per share) compared to a net loss of \$ 1,347,036 (\$ 0.02 per share) for the same period in 2001.

Liquidity and Capital Resources

Operating Activities

The operating activities, before working capital, generated a positive cash flow of \$957,144 during the quarter ended September 30, 2002, compared to a negative cash flow of \$241,314 for the same period in 2001.

The variation in working capital items generated an inflow of \$2,986,652 during the last quarter, compared to an investment of \$1,012,926, in the working capital for the same period in 2001. This difference is mainly due to the decrease in accounts receivable resulting from the payments received for gold sold during the previous quarter.

Investing Activities

During the third quarter of 2002, the decrease in mining assets generated a cash flow of \$1,803,230. This inflow is the result of the disposal of the company's interest in Segala Mining Corporation S.A. for a total consideration of \$9,000,000. During the quarter, the Company received, from this sale, \$1,000,000 in cash and 2,860,000 shares of Nevsun Resources Ltd valued at \$1,978,046. For the same period in 2001, mining assets required investments of \$2,877,467 mainly for the construction of the infrastructures for the Kiniero mine. Deferred expenses increased by \$285,869 in 2002 compared to a decrease of \$23,907 in 2001. This variation represents deferred mining costs, which will be amortized over the next few months based on the ore extracted from the pit.

THIRD QUARTER – NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2002

Analysis of Results

For the nine-month period ended September 30, 2002, gold sales totalled \$7,697,116 representing the sale of 25,327 ounces of gold at an average price of \$304 per ounce.

For the nine-month period ended September 30, 2002, operating expenses totalled \$4,857,348 and amortization expenses amounted to \$3,088,177 compared to amortization expenses of \$45,000 for the same period in 2001. Commercial production having started, amortization of exploration and development expenditures and construction costs are now accounted for in the Statements of earnings based on ounces sold. Following an exceptional effort to reduce costs, administrative expenses have been reduced from \$1,127,371 in 2001 to \$866,160 in 2002. For the nine-month period ended September 30, 2001 write-off of mining assets amounted to \$702,549. No write-off was recorded for the same period in 2002.

Interests on the long-term debt increased from \$258,342 in 2001 to \$685,705 for the same period in 2002. As previously discussed, this increase is due to a loan obtained in 2001 and to the refinancing of the debentures. During the 2002 period, the Company recorded a foreign exchange loss of \$175,324 compared to a foreign exchange loss of \$423,060 for the same period in 2001.

For the period ended September 30, 2002, the Company recorded a net loss of \$1,495,253 (\$ 0.02 per share) compared to a net loss of \$1,991,399 (\$ 0.03 per share) for the same period in 2001.

Liquidity and Capital Resources

Operating Activities

The operating activities, before working capital, generated a positive cash flow of \$1,533,889 in 2002, compared to a negative cash flow of \$ 853,064 for the same period in 2001.

The variation in working capital items generated an inflow of \$1,692,900 in 2002 compared to an investment of \$2,618,193 in the working capital for the same period in 2001.

Financing Activities

During the period, the Company reimbursed debentures in the amount of \$3,887,182. In order to meet this commitment, a loan of \$4,000,000 was obtained which generated a net inflow of \$112,818.

As at September 30, 2002, the Company entered into an agreement with its lender allowing it to postpone the repayment of its long term debts. Under this agreement, the capital amount of \$12,000,000 will be reimbursed in one amount, on December 31st, 2005.

Investing Activities

During the period, an amount of \$3,637,104 has been invested in mining assets compared to an investment of \$8,145,582 in 2001. These investments mainly represent capital expenditures for the Kiniero gold mine and exploration expenditures on the Jean Gobele property in Guinea and the Mana property in Burkina Faso. In 2002, deferred expenses increased by \$556,344 compared to an increase of \$36,590 in 2001. This increase results from the efforts to obtain the financing required for the Samira Hill gold project in Niger and the deferred mining costs discussed earlier.

RECONCILIATION OF TOTAL CASH COST PER OUNCE TO FINANCIAL STATEMENTS

	<u>Three-month period ended September 30, 2002</u>	<u>Nine-month period ended September 30, 2002</u>
	\$	\$
Operating costs per financial statements	2,805,986	4,857,348
Reclamation and closure costs	(57,161)	(96,808)
Operating costs for per ounce calculation	2,748,825	4,760,540
Ounces sold (thousands)	14,741	25,327
Total cash costs per ounce	187	188

The unaudited cash operating cost is calculated using the Gold Institute guidelines.

RISKS

SEMAFO, as a mining exploration 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.

SEMAFO Inc.

Consolidated Balance Sheets
(Unaudited – expressed in US dollars)

	September 30 2002 \$	December 31 2001 \$
Assets		
Current assets		
Cash and cash equivalents	5,336,336	10,016,249
Short-term investments	1,978,046	658,845
Accounts receivable	2,047,317	492,545
Advances	22,634	9,739
Current portion of long-term receivable	54,034	93,034
Stock (note 3)	1,936,224	1,041
Prepaid	62,048	89,004
	<hr/>	<hr/>
	11,436,639	11,360,457
Fixed Assets (note 4)	21,367,970	730,373
Long Term Investment	652,974	102,665
Deferred charges	1,000,000	-
Mining assets	40,586,012	61,010,853
	<hr/>	<hr/>
	75,043,595	73,204,348
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	6,294,436	2,950,423
Debentures	-	3,783,136
	<hr/>	<hr/>
	6,294,436	6,733,559
Long-term debt	12,000,000	8,000,000
Advances payable	5,473,313	5,355,250
Minority interest	1,528,852	1,873,292
	<hr/>	<hr/>
	19,002,165	15,228,542
	<hr/>	<hr/>
	25,296,601	21,962,101
Shareholders' Equity		
Share capital	76,841,806	76,841,806
Deficit	(27,094,812)	(25,599,559)
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	49,746,994	51,242,247
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	75,043,595	73,204,348

SEMAFO Inc.

Consolidated Statements of Operations and Deficit

(Unaudited – expressed in US dollars)

	Three month period ended September 30		Nine month period ended September 30	
	2002	2001	2002	2001
Revenues				
Gold sales	4,323,316	-	7,697,116	-
Charges				
Operating	2,805,986	-	4,857,348	-
Amortization	2,244,170	29,000	3,088,177	45,000
Administration	253,319	335,181	866,160	1,127,371
Write-off of mining assets	-	683,158	-	702,549
	5,303,475	1,047,339	8,811,685	1,874,920
Interest and other income	(37,633)	(79,645)	(141,940)	(362,649)
Interest on long-term debt	344,500	155,779	685,705	258,342
Amortization – Financing costs	-	12,000	6,035	36,000
Exchange loss (gain)	(261,548)	336,810	175,324	423,060
	45,319	424,944	725,124	354,753
Net loss before minority interest	1,025,478	1,472,283	1,839,693	2,229,673
Minority interest in a subsidiary's net loss	154,875	125,247	344,440	238,274
Net loss for the period	870,603	1,347,036	1,495,253	1,991,399
Deficit – Beginning of period	26,224,209	24,138,241	25,599,559	23,493,878
Deficit – End of period	27,094,812	25,485,277	27,094,812	25,485,277
Basic loss per share	(0,01)	(0,02)	(0,02)	(0,03)
Fully diluted loss per share	(0,01)	(0,02)	(0,02)	(0,03)

SEMAFO Inc.

Consolidated Statements of Cash Flows

(Unaudited – expressed in US dollars)

	Three month period ended September 30		Nine month period ended September 30	
	2002	2001	2002	2001
Cash flows from				
Operating activities				
Net loss for the year	(870,603)	(1,347,036)	(1,495,253)	(1,991,399)
Items not affecting cash and cash equivalents				
Minority interest	(154,875)	(125,246)	(344,440)	(238,274)
Amortization of deferred financing charges	-	12,000	6,035	36,000
Amortization	2,244,170	29,000	3,088,177	45,000
Capitalized interest on convertible debentures	-	170,000	104,046	170,000
Write-off of mining assets	-	683,158	-	702,549
Exchange loss (gain)	(261,548)	336,810	175,324	423,060
	957,144	(241,314)	1,533,889	(853,064)
Net changes in non-cash working capital items				
Accounts receivable, advances, stock and prepaid	2,082,516	413,507	(3,116,796)	10,178
Accounts payable and accrued liabilities	(53,008)	(1,185,119)	3,275,807	(1,775,307)
	2,029,508	(771,612)	159,011	(1,765,129)
	2,986,652	(1,012,926)	1,692,900	(2,618,193)
Financing activities				
Debtenture reimbursement	-	-	(3,887,182)	-
Long-term debt	-	-	4,000,000	-
	-	-	112,818	-
Investing activities				
Proceeds on disposal of short-term investments	(1,978,046)	(3,493,565)	(1,319,201)	1,001,617
Acquisition of long term investments	-	-	(1,000,000)	-
Reduction of (additions to) mining assets	1,803,230	(2,877,467)	(3,637,104)	(8,145,582)
Increase in fixed assets	(231)	121,758	(11,982)	366,877
Repayment of a portion of the long-term receivable	-	150,758	39,000	566,000
Decrease (increase) in deferred charges	(285,869)	23,907	(556,344)	(36,590)
	(460,916)	(6,074,609)	(6,485,631)	(6,247,678)
Change in cash and cash equivalents during the period	2,525,736	(7,087,535)	(4,679,913)	(8,865,871)
Cash and cash equivalents – Beginning of period	2,810,600	8,149,643	10,016,249	9,927,979
Cash and cash equivalents – End of period	5,336,336	1,062,108	5,336,336	1,062,108

SEMAFO Inc.

Consolidated Statements of Cash Flows ...continued

(Unaudited – expressed in US dollar)

Supplemental schedule of non-cash items

	Three month period ended		Nine month period ended	
	September 30		September 30	
	2002	2001	2002	2001
Increase in advances payable allocated to mining assets	3,760	3,504	10,945	10,096
Exchange loss (gain) on advance payable	(202,738)	-	107,118	28,424
Exchange loss (gain) on accounts payable and accrued liabilities	(58,810)	336,810	68,206	394,636
Deferred charge of 2000 allocated to fixed assets	-	-	-	163,386
Amortization allocated to stock	80,853	-	359,098	-
Amortization allocated to mining assets	7,370	-	25,794	-
Transfer of mining assets to fixed assets	761,995	-	24,098,684	-

SEMAFO Inc.

Notes to Consolidated Financial Statements

(Unaudited – expressed in US dollars)

1 Incorporation and nature of activities

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 during the last quarter.

They also 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. For the properties currently at the exploration stage, the economic viability has yet to be assessed. The potential for recovery of costs incurred on these properties and of related deferred charges depend on the existence of sufficient quantities of reserve, obtaining all required permits, on the Company's ability to obtain appropriate financing to put these properties into production, and to realize a profitable return to the Company.

2 Summary of significant accounting policies

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of the financial data is based on accounting policies and practices consistent with those used in preparation of the audited annual consolidated financial statements. These unaudited interim consolidated financial statements should be read together with the audited consolidated financial statements and the accompanying notes included in the Corporation's 2001 Annual Report.

Revenue recognition

Revenues from the sale of gold and by-products are recognized when the risks and rewards of ownership are passed to the purchaser.

Revenues from the sale of by-products are credited against operating costs.

Stock

Gold (doré and gold in circuit) and ore in stockpiles are valued at the lower of cost and net realizable value, using the first-in, first-out method.

Supplies and spare parts are valued at the lower of average cost and replacement value.

Fixed assets

- i) Property acquisition costs, deferred exploration and development costs

When a project is brought into commercial production, property acquisition cost, deferred exploration and development cost are transferred to the various fixed assets categories. Amortization is calculated using the units of production method over the expected operating life of the mine based on estimated recoverable ounces of gold.

- ii) Buildings, plant and equipment

Buildings, plant and mining equipment are recorded at cost and amortized, net of residual value, using the units of production method over the expected operating life of the mine based on estimated recoverable ounces of gold. However, if the anticipated useful life of the assets is less than the life of the mine, depreciation is based on their anticipated useful life.

- iii) Capital assets

Capital assets including rolling stock, communication and computer equipment are recorded at acquisition cost. Depreciation is provided for using the declining balance method at a rate of 30%. The depreciation expense remains capitalized for mining assets and will be recognized in the consolidated statement of operations gradually as the mining properties are put into production.

SEMAFO Inc.

Notes to Consolidated Financial Statements

(Unaudited – expressed in US dollars)

iv) Deferred stripping costs

Mining costs associated with stripping activities are deferred in the case of an open pit mine if the actual ratio of total tonnes of waste material relative to the total tonnes of ore, in a given year is higher than the estimated average ratio for the life of the mine. These charges are subsequently charged to operating costs in the periods during which the said ratio is lower than the estimated average ratio for the life of the mine.

Mining assets

Mining assets are the mining rights on properties at the exploration and development stages and are recorded at acquisition cost or at their attributed value in the case of a devaluation caused by a permanent impairment of value.

Mining rights, related deferred expenses and options to acquire undivided interests in mining rights are amortized only as these properties are put into production or written off when abandoned.

Costs related to properties put into production are transferred to capital assets.

Proceeds from the sale of metals are credited to mining assets during the start-up period.

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

During the normal course of its business, the Company enters into agreements to acquire interests in mining properties, which are normally acquired in exchange for exploration and development expenses to be incurred according to different schedules.

Capitalized Interests

The company capitalizes interest on long term debts when they are used to finance projects in the exploration, development and construction phases. The amount of interest capitalized for this period is \$ 320 000.

Site closure and reclamation costs

The estimated cost of site restoration is accrued and expensed over the estimated life of the mine on a unit-of-production basis, based on total tonnes of material mined.

3 Stock

	September 30	December 31
	2002	2001
	\$	\$
Gold bullion	466,650	-
Gold in circuit	386,765	-
Stockpiles	811,864	-
Supplies and spare parts	270,945	1,041
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	1,936,224	1,041
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SEMAFO Inc.

Notes to Consolidated Financial Statements

(Unaudited – expressed in US dollars)

4 Fixed assets

	September 30	December 31
	2002	2001
	\$	\$
Property acquisition cost, deferred exploration and development cost	16,158,145	-
Buildings, plant and equipment	7,940,539	-
Capital assets	1,452,912	1,441,818
	<u>25,551,596</u>	<u>1,441,818</u>
Accumulated depreciation	<u>(4,183,626)</u>	<u>(711,445)</u>
	<u>21,367,970</u>	<u>730,373</u>

5 Mining Assets Disposal

On July 24, 2002 the company sold its 77% interest in Segala Mining Corporation S.A. for a consideration valued at US\$9 million. At closing, the Company received \$1 million in cash, 2,860,000 common shares of Nevsun at a value of \$1,978,046 and a three-year non-interest bearing debenture valued at \$6,000,000. For the next three years, on the issuance date of the debenture, the Company will receive payment of \$1,000,000 in cash and the equivalent of \$1,000,000 in shares, at a price equal to the average closing price of the last 20 trading days prior to the payment, less 15%. The issuance of these shares will be made at a minimum price of CAN\$1.00 on the 1st anniversary, CAN\$1.25 on the second anniversary and CDN\$1.50 on the third anniversary.

The initial payment of \$2,978,046 received at the closing of the transaction was applied as a reduction in mining assets.

The balance of the proceeds of disposition, which consist in the \$6,000,000 debenture was not accounted for considering the uncertainty of its recovery and value.

6 Long term debt

As at September 30th, 2002, the Company entered into an agreement with its lender allowing it to postpone the repayment of its long term debts. Under this agreement, the capital amount of \$12,000,000 will be reimbursed in one amount, on December 31st, 2005.

7 Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the period ending September 30th, 2002.

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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