



Quarterly Report

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2003

**EXPLORE
DEVELOP
PRODUCE**

*explore
develop
produce*

HIGHLIGHTS

We are pleased to report on your Company's performance and continuing success for the quarter ending September 30, 2003.

GUINEA

Kiniero Gold Mine

As usual for this time of the year, the rainy season delayed the development of the exploration program. Nevertheless, some progress was obtained on the delineation of new resources on the Banfara structure, located 700 meters west of the Jean A pit. The Gobele-D structure was the site of the final phase of intensive geological preparation work necessary to launch the mining development of this major resource.

In order to extend the life-of-mine plan at the Kiniero gold mine, which started in April 2002, an accelerated exploration program was recently adopted and accompanied by a supplementary budget of US\$900,000. This amount now almost doubles the 2003 yearly budget, standing at US\$1,9 million. The objective of the latest program is to increase the level of probable reserve and indicated resource by 100,000 ounces before the end of January 2004. The main targets of the program will be recognized and underdeveloped gold-bearing occurrences located in the immediate vicinity of the mining and milling facilities.

NIGER

Samira Hill Gold Project

The Samira Hill Gold Project in Niger is moving forward on schedule and on budget. Rehabilitation work has resumed on the main access road to the Tiawa camp site as much as on the camp facilities (housing and communication system). Procurement for construction is almost completed and civil engineering work has started at the future mill site during the last part of the quarter. The fresh water dam has filled during the ending rainy season and this situation will positively contribute to support the start of production from the Samira Hill gold mine as earlier targeted for the third quarter of 2004.

BURKINA FASO

Mana/Fobiri/Kona/Bombouela/Massala/Oulla

Due to the annual rainy season, no field work was carried out during the quarter. Some metallurgical and crushing tests were completed during that period. Detailed delineation diamond drilling on the Wona deposit was resumed in early October. The same rig will also be used later on the Nyafe deposit to allow its inclusion into the resource model developed for the feasibility study, actually in progress. A second drill is awaited to carry out further RC detailed drilling on both deposits.

To ensure the completion of additional work now planned on the Nyafe deposit to be included into the feasibility study, a supplementary budget of US\$500,000 was also awarded by the Board of Directors at its latest meeting in November. The current budgeted level of expenditures for the year now stands at US\$1,7 million.

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 30, 2003 and 2002 should be read in conjunction with the consolidated interim financial statements and related notes.

Considering that the company's mining activity began during the second quarter of 2002, certain results for the nine-month period ended September 30, 2003 and 2002 cannot be compared.

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:

For the period of :	three-month ended		nine-month ended	
	Sept. 30, 2003	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2002
	\$	\$	\$	\$
Gold sales	3,018,282	4,323,316	12,088,611	7,697,116
Net loss	(2,969,515)	(870,603)	(4,592,366)	(1,495,253)
- per share	(0.04)	(0.01)	(0.06)	(0.02)
Operating cash flow*	(210,686)	1,015,954	1,642,762	1,361,637
Cash operating cost (\$/ounce sold)	238	169	215	170
Total cash cost (\$/ounce sold)**	258	187	234	188
Average selling price (\$/ounce)	293	293	324	304

Production Update

For the period of :	three-month ended		nine-month ended	
	Sept. 30, 2003	Sept. 30, 2002	Sept. 30, 2003	Sept. 30, 2002
	\$	\$	\$	\$
Gold sales (ounces)	10,296	14,741	37,364	25,327
Gold production (ounces)	9,862	14,824	37,279	26,811
Plant throughput	95,072	95,625	324,160	178,506
Head-grade (g/Tonne)	3.73	5.46	4.03	5.72
Recovery (%)	84	87	87	86
Cost per ounce – Production basis				
Cash operating cost (\$/ounce)	240	166	213	166

*excluding net changes in non-cash working capital items

** represents the cash operating cost plus royalties and taxes paid to the local government

THIRD QUARTER – FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2003

MINING OPERATION

For the three-month period ended September 30, 2003, Semafo produced 9,862 ounces of gold at a cash operating cost of \$240/oz compared to 14,824 ounces of gold at a cash operating cost of \$166/oz for the same quarter in 2002. The decrease in production and the increase of the cash operating cost are the result of the treatment of ore at a lower average grade in 2003 compared to 2002.

A total of 95,072 tonnes of ore, at an average grade of 3.73 g/t, were treated at the Kiniero mine in Guinea during this third quarter of 2003 compared to 95,625 tonnes of ore at an average grade of 5.46 g/t treated during the three-month period ended September 30, 2002.

The intense rainy season, observed in 2003, made the extraction more difficult and the higher-grade mineral was not reached. During the quarter, 76,589 tonnes of ore, at an average grade of 3.92 g/t, were extracted compared to 116,385 tonnes of ore, at an average grade of 5.55 g/t for the same period in 2002. Consequently the company had to process stockpiled material at a lower grade.

The recovery greatly improved at the end of the quarter reaching more than 90 %. The reduction of the crushed ore grain size and the commissioning of the new leach tank led to a significant improvement of the overall leaching process.

ANALYSIS OF RESULTS

For the three-month period ended September 30, 2003, gold sales totalled \$3,018,282 compared to \$4,323,316 for the third quarter of 2002. A total of 10,296 ounces of gold was sold at an average price of \$293 per ounce during the third quarter of 2003 compared to 14,741 ounces of gold sold at an average price of \$293 per ounce during the third quarter of 2002.

During the third quarter ended September 30, 2003, operating expenses totalled \$2,802,702 compared to \$2,805,986 for the same period in 2002. These operating expenses represent the production costs of 10,296 ounces of gold at a total cash cost of \$258 per ounce compared to a production of 14,741 ounces of gold at a total cash cost of \$187 per ounce during the quarter ended September 30, 2002. This increase is mainly due to the treatment of ore at a lower grade during the quarter ended September 30, 2003.

During the quarter ended September 30, 2003, the company accounted for an unrealized loss on deferred forward contracts of \$606,464. Following the decrease in production over the last months, the company was not able to meet its obligation related to forward sale contracts and deferred the delivery date of certain contracts.

During this quarter, amortization expenses amounted to \$1,181,778 compared to amortization expenses of \$2,244,170 for the quarter ended September 30, 2002. The amortization expense per ounce sold during this quarter is \$114 compared to \$151 in 2002. In the third quarter of 2002, a revision of the amortization calculation led to an adjustment of the amortization expense, thus explaining this important variation.

Administration expenses went from \$269,960 in the third quarter of 2002, to \$378,065 for the same period in 2003. This variation is mainly due to an increase of technical consulting fees and to the appreciation of the Canadian dollar against the American dollar, considering that administration expenses, which mainly represent the head office expenses, are incurred in Canadian dollars.

During the quarter ended September 30, 2003, the company wrote down its mining assets for a total amount of \$849,868 representing the costs related to the Mont Kakoulima property, in Guinea. Although this project is very promising in terms of nickel resources, it no longer suits Semafo's strategy to concentrate on gold projects.

For the quarter ended September 30, 2003, the company generated an operating loss of \$2,800,595 compared to an operating loss of \$996,800 for the same period in 2002.

Interest income decreased from \$54,274 for the quarter ended September 30, 2002 to \$47,369 for the same period in 2003. This increase is the result of lower liquidity in 2003 compared to 2002 and to the decrease of interest rates on U.S. dollars funds.

Interests on the long-term debt increase from \$344,500 for the third quarter of 2002 to \$322,001 for the third quarter of 2003. This decrease is the result of the \$1,000,000 prepayment on the long-term debt.

During the quarter ended September 30, 2003, the company recorded a foreign exchange gain of \$55,952 compared to \$261,548 for the same period in 2002. These exchange gains are due to the conversion in U.S. \$, at the end of period exchange rate, of an advance payable in Canadian dollars. However in 2003, the exchange gain was offset by an exchange loss realized on the conversion of cash and cash equivalents denominated in Canadian dollars, which increased following the sale of Nevsun's shares owned by the company.

For the quarter ended September 30, 2003, the Company recorded a net loss of \$2,969,515 (\$0.04 per share) compared to a net loss of \$870,603 (\$0.01 per share) for the same period in 2002.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

The operating activities, before changes in working capital, generated a negative cash flow of \$210,686 during the third quarter ended September 30, 2003, compared to a positive cash flow of \$1,015,954 during the same period in 2002. This variation is mainly explained by the lower quantity of gold sold in 2003, compared to 2002, and by the increase of operating costs due to the treatment of lower grade ore in 2003.

For the quarter ended September 30, 2003, working capital items required investments of \$2,081,250. These investments are mainly advances on contracts related to the construction of the Samira Hill mine, in Niger. For the same period in 2002, those working capital items generated cash flows of \$1,922,060 following the decrease in accounts receivable resulting from the payments received for the gold sold during the second quarter of 2002.

Financing Activities

During the third quarter of 2003, the Company, following the exercise of stock options, issued 140,000 shares valued at \$0.33 (CA\$0.45). The increase of the share capital for the period following this transaction is \$46,088. No financing activity occurred during the same period in 2002.

Investing Activities

During the quarter ended September 30, 2003, an amount of \$1,125,512 has been invested in mining assets compared to an investment of \$1,194,961 for the same period in 2002.

In Burkina Faso, liquidities of \$144,000 were invested in exploration on the Mana property, and \$92,686 were invested for the feasibility study.

In Niger, \$861,000 were invested in the construction of the Samira Hill mine. These investments mainly represent civil work, acquisition costs of cranes and Tiawa camp expenditures.

The company also invested \$856,864 in fixed asset mainly representing mining expenditures realized at the Kiniero mine in Guinea.

During the quarter, the company received a cash payment of \$1,000,000 and 442,781 shares of Nevsun valued at \$1,202,718 relating to the sale of its interest in Segala Mining Corporation which occurred in July 2002. The company then sold the shares for a total consideration of \$1,202,718. During the third quarter of 2002, the company had received a cash payment of \$1,000,000 on the closing of that transaction.

THIRD QUARTER – FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2003

Considering that the company's mining activity on the Kiniero mine in Guinea, began during the second quarter of 2002, certain results for the period ended September 30, 2003 and 2002 cannot be compared. Furthermore, discussion relating to the variation of the quarters ended September 30, 2003 and 2002 applies to the variation of the nine-month period ended September 30, 2003 and 2002.

MINING OPERATION

For the nine-month period ended September 30, 2003, Semafo produced 37,279 ounces of gold at a cash operating cost of \$213/oz compared to a production of 26,811 ounces of gold at a cash operating cost of \$166/oz for the same period in 2002.

During this nine-month period, 324,160 tonnes of ore, at an average grade of 4.03 g/t, were treated at the Kiniero mine in Guinea compared to 178,506 tonnes of ore, at an average grade of 5.72g/t for the same period in 2002.

ANALYSIS OF RESULTS

For the nine-month period ended September 30, 2003, gold sales totalled \$12,088,611 compared to \$7,697,116 for the same period in 2002. The company sold a total of 37,364 ounces of gold at an average price of \$324 for this nine-month period compared to 25,327 ounces of gold sold at an average price of \$304 for the corresponding period in 2002.

Operating expenses totalled \$9,164,687 during this nine-month period compared to \$4,857,348 for the same period in 2002. These operating expenses represent the production costs of 37,364 ounces of gold at a total cash cost of \$234 per ounce compared to a production of 25,327 ounces of gold at a total cash cost of \$188 for the nine-month period ended September 30, 2002. The total cash cost increase is mainly due to the treatment of ore at a lower grade in 2003 compared to 2002.

During this period, amortization expenses amounted to \$4,037,485 compared to amortization expenses of \$3,088,177 for the period ended September 30, 2002. The amortization expense per ounce sold during this quarter is \$107 compared to \$120 for the same period in 2002.

Administration expenses went from \$878,068 for the nine-month period ended September 30, 2002 to \$1,057,392 for the same period in 2003. As previously discussed, this variation is mainly due to an increase of technical fees and to the appreciation of the Canadian dollar compared to the American dollar.

As discussed earlier, the company wrote down its mining asset for an amount of \$849,868 representing the book value of Mont Kakoulima project.

For the nine-month period ended September 30, 2003, the Company recorded an operating loss of \$3,627,285 compared to an operating loss of \$1,126,477 for the same period in 2002.

Interest income increased from \$153,848 for the nine-month period ended September 30, 2002 to \$207,664 for the same period in 2003. This increase is the result of higher liquidity in 2003 compared to 2002, mainly due to the operation of the Kiniero mine in Guinea and to the cash payment received for the disposal of the company's interest in Semico.

Interests on the long-term debt increase from \$685,705 for the nine-month period ended September 30, 2002 to \$995,561 for the same period in 2003. This increase is mainly attributed to the interest capitalization during the first month of 2002 (construction phase of the Kiniero mine in Guinea).

During this period, the Company recorded a foreign exchange loss of \$342,972 compared to a foreign exchange loss of \$175,324 in 2002.

As at September 30, 2003, the Company recorded a net loss of \$4,592,366 (\$0.06 per share) compared to a net loss of \$1,495,253 (\$0.02 per share) as at September 30, 2002.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities

The operating activities, before changes in working capital, generated an inflow of \$1,642,762 for the nine-month period ended September 30, 2003, compared to an inflow of \$1,361,637 during the same period in 2002. This variation is attributed to the fact that the operation of the Kiniero mine in Guinea started during the second quarter of 2002.

Financing Activities

During the nine-month period ended September 30, 2003, the Company proceeded to the prepayment of \$1,000,000 on the long-term debt. Moreover, the Company, following the exercise of stock options, issued 140,000 shares valued at \$0.33 (CA\$0.45).

During the same period in 2002, the Company refinanced the debentures, which generated a net increase of \$216,864 on the liquidity.

Investing Activities

During this nine-month period ended September 30, 2003, liquidities of \$2,044,973 have been invested in mining assets compared to an investment of \$6,615,238 during the same period in 2002. In 2002, the investment mainly represented the costs relating to the construction of the Kiniero mine in Guinea.

In 2003, the Company invested \$2,021,800 in fixed asset mainly representing mining expenditures realized at the Kiniero mine in Guinea.

Cash and cash equivalents decreased by \$1,857,160 in 2003 totalling \$4,522,263 as at September 30, 2003, compared to a decrease of \$4,679,913 in 2002 for a total of cash and cash equivalents of \$5,336,336 as at September 30, 2002.

RECONCILIATION OF TOTAL CASH COST PER OUNCE TO FINANCIAL STATEMENTS

For the period of ::	Three-month ended		Nine-month ended	
	Sept 30, 2003	Sept 30, 2002	Sept 30, 2003	Sept 30, 2002
	\$	\$	\$	\$
Operating costs per financial statements	2,802,702	2,805,986	9,164,687	4,857,348
Stock depreciation	(100,606)	-	(263,891)	
Reclamation and closure costs	(50,453)	(57,161)	(157,180)	(96,808)
Operating costs for per ounce calculation	2,651,643	2,748,825	8,743,616	4,760,540
Ounces sold (thousands)	10,296	14,741	37,364	25,327
Total cash costs per ounce sold	258	187	234	188

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 forward gold sales. As at September 30, 2003 the Company had gold sales commitments for 131,652 ounces of gold at an average price of \$294 per ounce.

STRATEGY AND GOALS

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

In accordance with its strategy, Semafo completed the construction of an extension to the Kiniero mine in Guinea. This leach tank, which will allow the increase of the recovery rate, is in operation since June 2003. At the end of September 2003, the recovery reached 92 %.

Considering a nine-month period production of 37,279 ounces of gold, the Company revises its production forecast to 46,000 ounces of gold in 2003.

Semafo finalized the \$27 million financing of the Samira Hill Mine in Niger. The construction of the mine started in June 2003. The construction should be completed during the third quarter of 2004.

ACHIEVEMENTS for the quarter ended September 30, 2003

- ✦ **Recovery rate of 92 % at the end of the third quarter 2003**
- ✦ **Operating cash flow \$1,642,762 for the nine-month period ended September 30, 2003**
- ✦ **Signature of the first contracts related to the construction of the Samira Hill mine in Niger**

GOALS 2003

- ✦ **Producing 46,000 ounces of gold and increasing the mineral reserves at Kiniero, in Guinea**
- ✦ **Concluding the financing for Samira Hill and resuming construction of the mine in Niger**
- ✦ **Upgrading of the quality of the mineral resources 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 September 30 2003 \$	As at December 31 2002 \$
Assets		
Current assets		
Cash and cash equivalents	4,522,263	6,379,423
Short-term investments	-	37,706
Accounts receivable	1,806,190	2,077,935
Stocks (note 3)	2,081,378	2,095,465
Advances on contract	3,056,952	-
Other current assets	112,885	147,522
	<hr/> 11,535,634	<hr/> 10,738,051
Fixed Assets (note 4)	18,996,716	21,023,996
Deferred charges	629,400	481,753
Long-term investments (note 5)	383,293	1,383,293
Mining assets	39,569,943	38,351,397
Other assets (note 6)	1,969,700	4,172,418
	<hr/> 73,128,720	<hr/> 76,150,908
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	5,772,759	4,765,470
	<hr/> 5,772,759	<hr/> 4,765,470
Long-term debt (note 7)	11,000,000	12,000,000
Deferred revenue (note 8)	799,702	-
Advances payable	8,121,464	7,395,757
Provision for reclamation and closure costs	339,775	182,595
Minority interest	1,474,377	1,640,165
	<hr/> 27,508,077	<hr/> 25,983,987
Shareholders' Equity		
Share capital (note 9)	76,887,894	76,841,806
Deficit	(31,267,251)	(26,674,885)
	<hr/> 45,620,643	<hr/> 50,166,921
	<hr/> 73,128,720	<hr/> 76,150,908

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

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2003	2002	2003	2002
Revenues				
Gold sales	3,018,282	4,323,316	12,088,611	7,697,116
Expenses				
Operating	2,802,702	2,805,986	9,164,687	4,857,348
Unrealized loss on deferred forward contracts	606,464	-	606,464	-
Amortization of fixed assets	1,181,778	2,244,170	4,037,485	3,088,177
Administration	378,065	269,960	1,057,392	878,068
Write-down of mining assets	849,868	-	849,868	-
	5,818,877	5,320,116	15,715,896	8,823,593
Operating	(2,800,595)	(996,800)	(3,627,285)	(1,126,477)
Interest income	(47,369)	(54,274)	(207,664)	(153,848)
Interest on long-term debt	322,001	344,500	995,561	685,705
Amortization of deferred charges	-	-	-	6,035
Exchange loss (gain)	(55,952)	(261,548)	342,972	175,324
	(218,680)	(28,678)	(1,130,869)	(713,216)
Net loss before minority interest	(3,019,275)	(1,025,478)	(4,758,154)	(1,839,693)
Minority interest in a subsidiary's net loss	(49,760)	(154,875)	(165,788)	(344,440)
Net loss for the period	(2,969,515)	(870,603)	(4,592,366)	(1,495,253)
Deficit – Beginning of period	(28,297,736)	(26,224,209)	(26,674,885)	(25,599,559)
Deficit – End of period	(31,267,251)	(27,094,812)	(31,267,251)	(27,094,812)
Net loss per share	(0.04)	(0.01)	(0.06)	(0.02)
Net loss per share fully diluted	(0.04)	(0.01)	(0.06)	(0.02)

SEMAFO Inc.

Consolidated Statements of Cash Flows

(unaudited, expressed in U.S. dollars)

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2003	2002	2003	2002
Cash flows from				
Operating activities				
Net loss for the period	(2,969,515)	(870,603)	(4,592,366)	(1,495,253)
Items not affecting cash and cash equivalents				
Minority interest	(49,760)	(154,875)	(165,788)	(344,440)
Amortization of deferred charges	-	-	-	6,035
Amortization of fixed assets	1,181,778	2,244,170	4,037,485	3,088,177
Unrealized loss on deferred forward contracts	606,464	-	606,464	-
Deferred revenue	193,238	-	193,238	-
Write-down of mining assets	849,868	-	849,868	-
Unrealized exchange loss (gain)	(22,759)	(202,738)	713,861	107,118
	(210,686)	1,015,954	1,642,762	1,361,637
Net changes in non-cash working capital items				
Accounts receivable	(65,476)	2,521,692	271,745	(1,517,508)
Stocks	399,917	(469,539)	14,087	(1,576,085)
Advances on contract	(2,811,270)	-	(3,056,952)	-
Other current assets	11,631	51,153	34,637	65,956
Accounts payable and accrued liabilities	407,210	(181,246)	1,007,289	3,185,791
	(2,081,250)	1,922,060	(1,729,194)	158,154
	(2,291,936)	2,938,014	(86,432)	1,519,791
Financing activities				
Long-term debt	46,088	-	46,088	-
	-	-	(1,000,000)	216,864
	46,088	-	(953,912)	216,864
Investing activities				
Proceeds on disposal of short-term investments	-	38,108	37,706	658,845
Disposal (acquisition) of a long-term investment	-	-	1,000,000	(1,000,000)
Disposal of other assets	1,000,000	1,000,000	1,000,000	1,000,000
Proceeds on disposal of investments	1,202,718	-	1,202,718	-
Additions to fixed assets	(856,864)	(242,142)	(2,021,800)	(254,172)
Additions to deferred charges	(115,577)	(43,567)	(147,647)	(314,042)
Additions to mining assets	(1,125,512)	(1,194,961)	(2,044,973)	(6,615,238)
Provision for reclamation and closure costs	50,453	68,392	157,180	108,039
	155,218	(374,170)	(816,816)	(6,416,568)
Change in cash and cash equivalents during the period	(2,090,630)	2,563,844	(1,857,160)	(4,679,913)
Cash and cash equivalents – Beginning of period	6,612,893	2,772,492	6,379,423	10,016,249
Cash and cash equivalents – End of period	4,522,263	5,336,336	4,522,263	5,336,336

SEMAFO Inc.

Consolidated Statements of Cash Flows ...continued

(unaudited, expressed in U.S. dollars)

Supplemental schedule of non-cash items

	For the three-month period ended September 30		For the nine-month period ended September 30	
	2003	2002	2003	2002
Advances payable allocated to mining assets	4,070	3,760	11,846	10,945
Unrealized exchange loss (gain) allocated to advances payable	(22,759)	(202,738)	713,861	107,118
Transfer of mining assets to other assets	-	7,143,403	-	7,143,403
Transfer of mining assets to fixed assets	-	873,751	-	24,098,684
Variation of amortization of fixed assets allocated to stocks	-	80,853	-	359,098
Amortization of fixed assets allocated to mining assets	4,775	7,370	11,595	25,794
Share compensation on mining assets disposal	1,202,718	1,978,046	1,202,718	1,978,046

Supplemental information

Interest paid during the period	211,167	211,167	888,228	856,546
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SEMAFO Inc.

Notes to Consolidated Financial Statements

(unaudited, expressed in U.S. dollars)

1 Basis of presentation

These consolidated interim statements are prepared in accordance with Canadian generally accepted accounting principles. These consolidated interim 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, 2002.

The same accounting policies as disclosed in the audited financial statements included in the Company's latest annual report have been used.

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 periods. 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 financial statements

2 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.

3 Stocks

	September 30 2003 \$	December 31 2002 \$
Gold ingots	286,892	309,980
Gold in circuit	117,460	364,390
Stockpiles	999,449	1,164,830
Supplies and spare parts	677,577	256,265
	<hr/> 2,081,378	<hr/> 2,095,465

SEMAFO Inc.

Notes to Consolidated Financial Statements (unaudited, expressed in U.S. dollars)

4 Fixed assets

	September 30 2003 \$	December 31 2002 \$
Property acquisition cost, deferred exploration and development cost	20,009,881	18,512,993
Buildings and equipment	5,903,513	5,098,836
Rolling stock, communication and computer equipment	2,242,195	2,521,960
	<u>28,155,589</u>	<u>26,133,789</u>
Accumulated depreciation	(9,158,873)	(5,109,793)
	<u>18,996,716</u>	<u>21,023,996</u>

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

5 Long-term investment

	September 30 2003 \$	December 31 2002 \$
Bank deposit in guarantees of a long-term debt	-	1,000,000
Shares of publicly-traded company, at cost ¹	383,293	383,293
	<u>383,293</u>	<u>1,383,293</u>

¹ The fair market value as at September 30, 2003 is \$863,438 (CA\$1,168,750). It was \$512,005 (CA\$797,500) as at December 31, 2002.

6 Other assets

On July 24, 2002 the Company sold its 77% interest in Segala Mining Corporation S.A. for a consideration valued at \$9 million. At closing, the Company received \$1 million in cash, 2,860,000 common shares of Nevsun Resources Ltd. ("Nevsun") valued at \$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 Nevsun shares, at a price equal to the average closing price of the last twenty trading days prior to the payment, less 15%. The issuance of these shares will be made at a minimum price of CA\$1.00 per share on the first anniversary, CA\$1.25 per share on the second anniversary and CA\$1.50 per share on the third anniversary.

The initial compensation of \$2,978,046 received at the closing of the transaction was applied as a reduction of the net value of the 77% interest in Segala Mining Corporation S.A. which was \$7,150,464.

The balance of the proceeds on the disposal, which consists of a \$6,000,000 debenture, was not accounted for because of the uncertainty of its recovery and value. The rights to the Segala property remain in guarantee until receipt of the complete payment.

On July 24, 2003, the company received the equivalent of \$2,202,718 on the debenture. The company received a cash payment of \$1,000,000 and 442,781 common shares of Nevsun valued at \$1,202,718.

SEMAFO Inc.

Notes to Consolidated Financial Statements (unaudited, expressed in U.S. dollars)

7 Long-term debt

On May 1st, 2003, the company has proceeded to the prepayment of \$1,000,000 on its long-term debt.

	September 30 2003 \$	December 31 2002 \$
Bank loan bearing a 12% interest rate payable semi-annually, principal repayable in one instalment on December 31, 2005, secured by Managem S.A. The loan agreement stipulates that should Managem S.A. no longer retain control over the company, the loan becomes payable on demand.	7,000,000	8,000,000
Bank loan bearing a 10.5% interest rate payable semi-annually, principal repayable in one instalment on December 31, 2005, secured by Managem S.A., Semafo (Barbados) Ltd. and Etruscan Resources Inc.; the loan agreement stipulates that should Managem S.A. no longer retain control of the company, the loan becomes payable on demand.	4,000,000	4,000,000
	<u>11,000,000</u>	<u>12,000,000</u>

8 Deferred revenue

Deferred revenue include revenues from anticipated delivery of gold against contracts with expiry dates subsequent to the end of the period and revenue accounted for at expiry dates of contracts that will be delivered later.

9 Share Capital

Authorized

Unlimited number of common shares without par value

Unlimited number of Class "A" preferred shares, non-voting, non-participating and redeemable at the option of the holder at a price of \$0.21 (CA\$0.33) per share

Unlimited number of Class "B" preferred shares, non-voting, non-participating and redeemable at the option of the company at a price of \$0.08 (CA\$0.12) per share

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

	September 30 2003		September 30 2002	
	Shares	Amount \$	Shares	Amount \$
Issued				
Balance – January 1	75,041,717	76,841,806	75,021,717	76,837,867
Issued for exercises of options	140,000	46,088		
Issued for acquisition of mining assets	-	-	20,000	3,939
Balance –December 31	<u>75,181,717</u>	<u>76,887,894</u>	<u>75,041,717</u>	<u>76,841,806</u>

SEMAFO Inc.

Notes to Consolidated Financial Statements

(unaudited, expressed in U.S. dollars)

Options

Under the terms of the stock option plan adopted by the Company on July 15, 1993 for its directors, officers, consultants, and employees, a total of 3,100,000 common shares of the Company have been reserved for issuance. Each option shall expire no later than ten years following the date of its grant. Furthermore, all of the outstanding options of the Company are now exercisable. The Board of Directors of the Company determines the exercise price of the options.

Changes in the number of outstanding options for the period from January 1, 2003 to September 30, 2003 are as follows:

	Number of options	Weighted average exercise price
Beginning of period	2,013,731	0.93
Options cancelled or expired	(200,000)	1.44
Options exercised	(140,000)	0.33
	<hr/>	<hr/>
End of period	1,673,731	0.92

10 Comparative figures

Certain prior year amounts have been reclassified to conform with the presentation adopted for the period ending September 30, 2003.

Investor Information

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

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National Bank Trust of Canada

Stock Exchange Listing

The Toronto Stock Exchange

Symbol « SMF »

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