



The following discussion on the results and financial position of the Company for each of the years in the three-year period ended December 31st, 2001 should be read in conjunction with the consolidated financial statements and related notes.

As previously announced, effective January 1, 2001, the Company adopted the United States dollar as its reporting and functional currency for its financial statements. Comparative figures previously reported in Canadian dollars have been translated at the Canadian/U.S. dollar exchange rate in effect on December 31, 2000. Consequently, all financial information in these financial statements and in this analysis is presented in US dollars.

SIGNIFICANT FINANCIAL DATA

The table below presents significant financial data for the last three years:

For the years ended December 31st	2001	2000	1999
	(\$)	(\$)	(\$)
Revenues	358,323	734,326	640,100
Net loss	(2,105,681)	(628,170)	(19,726,220)
- per share	(0.03)	(0.01)	(0.55)
Cash and cash equivalents and short-term investments	10,675,094	16,176,574	22,525,447
Total assets	73,254,531	68,550,261	36,031,561
Shareholders' equity	51,242,247	53,343,989	35,356,656

ANALYSIS OF RESULTS

For the year ended December 31st, 2001, the Company incurred a net loss of \$2,105,681 (\$0.03 per share), compared to a net loss of \$628,170 (\$0.01 per share) in 2000, and to a net loss of \$19,726,220 (\$0.55 per share) in 1999.

Revenues, derived mainly from investments, decreased from \$734,326 in 2000 to \$358,323 in 2001. This is due to the use of cash balances during the year and to the decrease in interest rates during the year. In 2000, due to the increase in cash balances resulting from the various stock issuances, the revenues increased from \$640,100 in 1999, to \$734,326 in 2000.

Administrative and operating expenses went from \$1,628,612 in 2000 to \$2,028,329 in 2001. This variation is primarily due to an exchange loss of \$240,000 on conversion to the U.S. dollar of the cash and cash equivalents and temporary investments, which were denominated in Canadian dollars, and to the increased activities pertaining to the construction of the Jean Gobele Mine. Administrative and operating expenses went from \$947,064 in 1999, to \$1,628,612 for the year ended December 31, 2000. This increase was due to the acquisition of the 50% interest in African GeoMin Mining Development Corporation (African GeoMin).

During the year ended December 31, 2001, a total of \$702,549 was written-off following the abandonment of properties that did not meet the strategic objective of the company. In 2000, an amount of \$35,991 was written-off for the same reasons, compared to \$19,419,256 in 1999, the year during which the company changed its strategy to concentrate on properties with exploitation potential in the short or medium timeframe.

LIQUIDITY AND CAPITAL RESOURCES

The cash and cash equivalents and short-term investments decreased by \$5,501,480 in 2001, compared to \$6,348,872 in 2000. During the year, \$10,975,587 was spent on mining assets compared to \$22,413,704 in 2000. The acquisition of the 50% interest in African GeoMin for an amount of \$3,593,106 in 2000 had a similar effect on liquidity. During the year, the company concluded a loan financing of \$8,000,000. In 2000 the company completed two share issuances that increased the cash position by \$17,942,053 (\$12,155,192 in 1999).

The Company continues to maintain a reasonable financial position with consolidated cash, cash equivalents and short-term investments totalling \$10,675,094 as at December 31st, 2001. In 2000 and 1999, the cash, cash equivalents and short-term investments totalled \$16,176,574 and \$22,525,447 respectively.

FINANCES

During the last quarter of 2001, the company completed a loan financing of \$8,000,000 for the construction of the Jean Gobele infrastructures. The construction will continue until the end of March 2002, and production will start in April 2002.

In 2000, Managem S.A. exercised its warrants, which caused the issuance of 17,020,000 common shares for cash consideration of \$15,323,000. Also, a private placement with ONA International S.A, a company affiliated with Managem S.A., was completed by the issuance of 3,812,792 common shares for cash consideration of \$3,114,926. Share issue expenses related to the transaction amounted to \$693,791.

In February 2002, the company obtained a loan of \$4,000,000 that permitted the reimbursement of the convertible debentures due by its subsidiary African GeoMin on February 18, 2002.

INVESTMENTS

Mining assets presented on the balance sheet went from \$12,060,572 in 1999, to \$51,133,908 in 2000 and to \$61,590,203 in 2001.

In Guinea, investments in Jean Gobele totalled \$7,841,480 in 2001. This includes an amount of \$6,304,117 invested in fixed assets and development costs related to the construction and operation of Jean Gobele, and an amount of \$1,537,363 in exploration and administration.

In Niger, expenditures of \$1,548,555 were invested on the Tiawa permit in 2001, primarily to finalize the construction of the water dam and to perform minor work to prepare for the future exploitation of the Samira Hill project. Also, a total of \$581,382 was invested in exploration on the Saoura permit (Libiri project).

In Burkina Faso, efforts were concentrated on the Mana Concession, where an intensive exploration program resulted in expenditures of \$734,579.



In 2000, the company acquired 50% of the shares of African GeoMin and an advance of \$4,526,594 (CAS\$6,787,627) for cash consideration of \$5,000,000. The net increase of mining assets resulting from this acquisition totalled \$14,812,026. Expenses of \$215,246 were incurred in relation to this transaction. Following this acquisition, development work on the Tiawa permit (Samira Hill deposit) commenced and a total of \$6,490,016 was incurred. In 2000, African GeoMin also acquired the Saoura permit in Niger for an amount of \$5,250,000, and invested \$1,232,398 on exploration.

Also in 2000, the company acquired the Segala permit in Mali for a cash consideration of \$5,000,000 and then expended \$1,598,710 in exploration.

RISKS

SEMAFO, as a mining exploration company, faces the 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.

During the year, in order to reduce the risk associated with the fluctuations in gold prices, the company entered into fixed forwards gold sales. At December 31, 2001, the company had gold sales commitments for 160,000 ounces of gold at an average price of \$292.50 per ounce, covering portion of the 2002 to 2006 production.

Management is responsible for the presentation of the consolidated financial statements, the notes thereto and other financial information contained in the annual report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles using management's best estimates where appropriate.

The Board of Directors is responsible for ensuring that management fulfils its responsibility for financial reporting and internal control. The Audit Committee, which is comprised of three directors, two of whom are not full-time employees of the Company, meets with management as well as the external auditors to satisfy itself that management is properly discharging its financial responsibilities and to review the consolidated financial statements and the auditors' report. The Committee in turn reports its findings to the Board of Directors.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, the independent auditors, in accordance with generally accepted auditing standards, and include tests and other procedures, which allow the auditors to report whether the consolidated financial statements prepared by management are presented fairly and in accordance with generally accepted auditing standards. The auditors have full and unrestricted access to the Audit Committee.



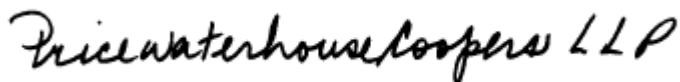
Benoit La Salle
President and Chief Executive Officer

Auditors' Report

We have audited the consolidated balance sheets of SEMAFO Inc. as at December 31, 2001 and 2000 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conduct our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

February 15, 2002
(February 20, 2002 as to note 17a))



Consolidated Balance Sheets

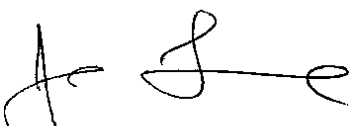
As at December 31, 2001 and 2000

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(expressed in U.S. dollars)

	2001 \$	2000 \$
Assets		
Current assets		
Cash and cash equivalents	10,016,249	9,927,979
Short-term investments (note 5)	658,845	6,248,595
Current portion of long-term receivable (note 6)	93,034	600,000
Other assets	793,535	363,322
	<hr/> 11,561,663	<hr/> 17,139,896
Long-term receivable (note 6)	-	59,035
Deferred charges (note 7)	102,665	217,422
Mining assets (notes 1 and 8)	61,590,203	51,133,908
	<hr/> 73,254,531	<hr/> 68,550,261
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,000,606	3,937,289
Debentures (note 9)	3,783,136	-
Current portion of long-term debt	2,666,667	-
	<hr/> 9,450,409	<hr/> 3,937,289
Debentures (note 9)	-	3,649,998
Long-term debt (note 10)	5,333,333	-
Advances payable (note 11)	5,355,250	5,478,819
Minority interest	1,873,292	2,140,166
	<hr/> 12,561,875	<hr/> 11,268,983
	<hr/> 22,012,284	<hr/> 15,206,272
Shareholders' Equity		
Share capital (note 12)	76,841,806	76,837,867
Deficit	(25,599,559)	(23,493,878)
	<hr/> 51,242,247	<hr/> 53,343,989

Approved by the Board


Jean Lamarre, Director


Benoit La Salle, Director

Consolidated Statements of Operations and Deficit

For the years ended
December 31, 2001 and 2000

(expressed in U.S. dollars)

	2001 \$	2000 \$
Revenues		
Interest income	358,323	734,326
Expenses		
Administrative and operating expenses	2,028,329	1,628,612
Write-off of mining assets	702,549	35,991
	<u>2,730,878</u>	<u>1,664,603</u>
Net loss before minority interest	(2,372,555)	(930,277)
Minority interest in a subsidiary's net loss	<u>(266,874)</u>	<u>(302,107)</u>
Net loss for the year	(2,105,681)	(628,170)
Deficit – Beginning of year	(23,493,878)	(22,171,917)
Share issue expenses	<u>-</u>	<u>(693,791)</u>
Deficit – End of year	<u>(25,599,559)</u>	<u>(23,493,878)</u>
Net loss per share	<u>(0.03)</u>	<u>(0.01)</u>



Consolidated Statements of Cash Flows

For the years ended
December 31, 2001 and 2000

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(expressed in U.S. dollars)

	2001 \$	2000 \$
Cash flows from		
Operating activities		
Net loss for the year	(2,105,681)	(628,170)
Items not affecting cash and cash equivalents		
Minority interest	(266,874)	(302,107)
Amortization of deferred charges	48,000	72,225
Capitalized interest on convertible debentures	133,138	176,286
Interest on convertible debenture converted to shares of a minority interest	-	162,658
Write-off of mining assets	702,549	35,991
Exchange gain on advances payable	(302,887)	-
	<u>(1,791,755)</u>	<u>(483,117)</u>
Net changes in non-cash working capital items		
Other assets	(266,827)	104,137
Accounts payable and accrued liabilities	(936,683)	2,219,526
	<u>(1,203,510)</u>	<u>2,323,663</u>
	<u>(2,995,265)</u>	<u>1,840,546</u>
Financing activities		
Issue of share capital	-	18,437,926
Share issue expenses	-	(495,873)
Long-term debt	8,000,000	-
	<u>8,000,000</u>	<u>17,942,053</u>
Investing activities		
Proceeds on disposal of short-term investments	5,589,750	1,203,701
Additions to mining assets	(10,975,587)	(22,413,704)
Repayment of a portion of the long-term receivable	566,001	49,283
Acquisition of a subsidiary net of cash and cash equivalents	-	(3,593,106)
Increase in deferred charges	(96,629)	(173,945)
	<u>(4,916,465)</u>	<u>(24,927,771)</u>
Change in cash and cash equivalents during the year	88,270	(5,145,172)
Cash and cash equivalents – Beginning of year	<u>9,927,979</u>	<u>15,073,151</u>
Cash and cash equivalents – End of year	<u>10,016,249</u>	<u>9,927,979</u>

20 ← Consolidated Statements
of Cash Flows (cont'd)

For the year ended
December 31, 2001 and 2000

(expressed in U.S. dollars)

Supplemental schedule of non-cash items

	2001	2000
	\$	\$
Deferred charges of 1999 allocated to mining assets	-	396,871
Deferred charges of 1999 allocated to share issue expenses	-	197,918
Deferred charges of 2000 allocated to other assets	163,386	-
Issue of share capital allocated to mining assets	3,939	-
Increase in advances payable allocated to mining assets	179,318	-



(expressed in U.S. dollars)

1 Incorporation and nature of activities

The Company was incorporated by Certificate of Amalgamation dated January 31, 1994 under Part IA of the Quebec Companies Act. The amalgamation has been accounted for under the pooling of interests method. Since that date, SEMAFO Inc. (formerly West Africa Mining Exploration Corporation Inc.) holds all the assets and assumes all debts, liabilities, commitments and obligations of each amalgamating company.

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 while others are in construction phase. For 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 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 to the Company.

2 Change in reporting and functional currency

The financial statements of the Company were presented in Canadian dollars up to December 31, 2000. Effective January 1, 2001 the U.S. dollar has been adopted as the reporting and functional currency. The financial statements for periods prior to January 1, 2001 have been presented in U.S. dollars using the representative exchange rate at December 31, 2000 of US\$1.00 = CA\$1.4995. The translated amount for monetary and non-monetary items at December 31, 2000 became the historical basis for subsequent periods.

This change in reporting currency became necessary to reflect the economic environment in which the Company and its subsidiaries operate, and considering that companies exploration expenses and future operation revenues are in U.S. dollars. Furthermore, companies' financing is primarily negotiated with foreign financial institutions and is denominated in U.S. dollars.

3 Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements of SEMAFO Inc. include the accounts of the Company and its subsidiaries held directly or indirectly. All inter-company transactions and balances have been eliminated.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(expressed in U.S. dollars)

3 Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include all cash on hand and balances with banks as well as all highly liquid short-term investments. The Company considers all highly liquid short-term investments with an original maturity of three months or less to be cash equivalents.

Short-term investments

The short-term investments are presented at the lower of cost and fair market value.

Mining assets

Mining assets are comprised of 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. The revenues are based on realized prices for metals and are recorded when the metals are sold.

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 undivided interests in mining properties, which are normally acquired in exchange for exploration and development expenses to be incurred according to different schedules.

Capital assets

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



(expressed in U.S. dollars)

3 Summary of significant accounting policies (continued)

Stock-based compensation plan

The Company offers a stock-based compensation plan, as described in note 12. No compensation expense is recognized for the plan when stock options are issued to employees, management, directors and consultants. Any consideration paid on exercise of stock options is credited to share capital. If stock options are repurchased by the Company, the consideration paid is charged to deficit.

Income Tax

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

The Company establishes a valuation allowance against future tax assets if, based on available information, it is more likely than not that some or all of the assets will not be realized.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into U.S. dollars at exchange rates in effect at year-end. Gains and losses on translation are included in the consolidated statement of operations. Other items, which affect income, are translated at the rate of exchange prevailing on each transaction date.

Financial instruments

Forward – metal production

Gains and losses on forward sales, including fixed forward contracts, that effectively establish prices for future production, are recognized on the original designation date.

Net loss per share

During the year, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountant (“CICA”) with respect to the calculation of net loss per share. These new recommendations, which are consistent with those under United States generally accepted accounting principles, do not result in any changes to the way in which basic loss per share is calculated. However, the new recommendations do affect the calculation of diluted net loss per share. Diluted net loss per share is now calculated based on the weighted average number of common shares outstanding during the year plus the effects of dilutive potential common shares outstanding during the year. This method requires that the dilutive effect of outstanding options be calculated using the treasury stock method, as if all dilutive options had been exercised at the later of the beginning of the reporting period or date of issuance, and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of the common shares during the year. In addition, the basic average number of shares outstanding is adjusted to reflect the estimated dilutive effect of shares, which may become issuable contingent upon the occurrence of future events. Diluted net loss per share is not reported if the share is anti-dilutive.

(expressed in U.S. dollars)

4 Acquisition of a company

In 2000, the Company acquired 50% of the share capital of African GeoMin Mining Development Corporation Ltd. (African GeoMin) for the amount of \$2,500,000 and an advance of \$4,526,594 (CA\$6,787,627) for a cash consideration of \$2,500,000. As it was established that the Company had control over African GeoMin, it is a subsidiary and as such, is consolidated in these financial statements. This transaction incurred costs of \$215,246 and was accounted for under the purchase method using the following values:

	\$
Cash and cash equivalents	1,472,090
Deferred charges	24,819
Mining assets	<u>16,715,696</u>
	<u>18,212,605</u>
Accounts payable and accrued liabilities	892,044
Debentures	3,382,828
Advances payable	4,526,594
Minority interests	<u>2,442,273</u>
	<u>11,243,739</u>
Net identifiable assets acquired	6,968,866
Negative goodwill	<u>1,903,670</u>
Purchase price	5,065,196
Less: cash and cash equivalents	<u>1,472,090</u>
Cash paid less cash and cash equivalents	<u>3,593,106</u>

The negative goodwill has been allocated as a reduction of mining assets.

5 Short-term investments

	2001	2000
	\$	\$
Bonds (fair market value: \$660,246; 2000 – \$5,581,385)	658,845	5,564,675
Term deposits and Treasury bills	<u>-</u>	<u>683,920</u>
	<u>658,845</u>	<u>6,248,595</u>

6 Long-term receivable

In 2000, the Company sold certain parts of the processing plant destined for the Jean Gobebe project for an amount of US\$709,000 payable in equal monthly installments until February 2002 and bearing no interest. Based on the increased capacity of the production on this project, certain parts of the mill were no longer necessary and the Company made the decision to sell them.

At December 31, 2001, an amount of \$93,034 was outstanding relative to this transaction.



(expressed in U.S. dollars)

7 Deferred charges

Deferred charges are comprised of costs incurred in relation with a financing for which negotiations were still ongoing as at December 31, 2001. As at December 31, 2000, deferred charges were comprised of costs incurred for the acquisition and implementation of a new financial reporting system, and expenses made to evaluate various acquisitions. During the year, those charges have been respectively recorded on the consolidated balance sheet and on the consolidated statement of operations.

8 Mining assets

The mining assets are comprised of wholly owned mining rights, undivided interests in properties and deferred exploration and development costs. The capital assets included in mining assets have a cost of \$9,369,016 (2000 – \$3,525,395) and a net book value of \$8,856,083 (2000 – \$3,038,113). Development costs amount to \$7,600,183 (2000 – \$3,828,733). The majority of capital assets and development costs are related to Jean Gobele and Tiawa projects.

	Costs		Deferred exploration and development costs	
	2001 \$	2000 \$	2001 \$	2000 \$
Canada	2	2	-	-
Ghana (Tinga)	1,195	97	1,244,516	1,219,500
Ghana (Wa)	-	-	-	22,285
Ghana (Others)	1	1	-	1
Guinea (Jean/Gobele)	3,071,308	3,071,308	15,350,125	7,508,645
Guinea (Mont Kakoulima)	96,842	96,842	1,135,103	1,135,103
Guinea (Siguiri)	389,387	389,387	92,121	92,121
Guinea (Kossaken)	139,789	139,789	53,749	49,384
Guinea (Others)	-	1	-	1
Burkina Faso (Mana)	2,716	2,716	2,248,984	1,514,405
Burkina Faso (Fobiri)	1,637	1,637	450,850	449,947
Burkina Faso (Kona)	1,290	-	219	-
Burkina Faso (Datambi)	765,774	765,774	19,179	-
Burkina Faso (Others)	-	3	29,767	80,617
Mali (Segala)	5,440,009	5,124,852	1,630,808	1,598,711
Mali (Loubougoula)	-	47,759	-	-
Mali (Sopi)	-	47,758	-	-
Mali (Samalofila)	-	1	-	-
Ivory Coast (Hana Lobo)	174,043	174,043	155,534	115,398
Niger (Tiawa)	13,135,915	13,135,915	8,038,571	6,490,016
Niger (Saoura)	5,806,988	5,806,988	1,813,781	1,232,399
Niger (Mbanga)	-	120,115	-	106,224
Treatment plant	300,000	594,163	-	-
	29,326,896	29,519,151	32,263,307	21,614,757

Royalties will be paid if commercial operations are attained on certain mining properties.

(expressed in U.S. dollars)

8 Mining assets (continued)

Costs and deferred exploration and development costs

	2001 \$	2000 \$
Balance – Beginning of year	51,133,908	12,460,225
Additions to costs and deferred exploration and development costs	11,158,844	23,914,007
Acquisition of a company	-	14,795,667
Write-off of mining assets	(702,549)	(35,991)
Balance – End of year	<u>61,590,203</u>	<u>51,133,908</u>

Write-off of mining assets

During the year, deferred exploration expenses totalling \$702,549 (2000 – \$35,991) were written off due to the abandonment of certain projects.

9 Debentures

On February 18, 1999, African GeoMin, subsidiary of the Company since April 7, 2000, completed a \$3,500,000 financing with RMB International (Dublin) Limited (RMB), a wholly owned subsidiary of Rand Merchant Bank. The funds were used to complete the feasibility study on the Samira Hill Gold Project in Niger. African GeoMin issued to RMB seven short-term exchangeable capital units at an issue price of \$ 500,000 per unit. The units bear interest at the rate of LIBOR plus 2.5% per annum and mature February 18, 2002 (see note 17 a)). The interest may be converted to shares of Etruscan Resources Incorporated (Etruscan) at the market rate less the maximum allowable discount allowed by the Toronto Stock Exchange, at the option of RMB. The units may also be converted, at the option of RMB, into common shares of Etruscan based upon the ten-day weighted average trading price, subject to a minimum price of \$0.73 (CA\$1.10) per share in the event of early conversion. The common shares of African GeoMin have been pledged as security until such time as the units are either converted or repaid.

However, RMB cannot dispose of the shares of African GeoMin pledged by the Company to pay back the RMB debt. Should Semafo decide to exercise its right, it would be subrogated to all of RMB's rights as a secure creditor.

In 2000, interest in the amount of \$162,658 was converted into shares of Etruscan. No interest has been converted into shares in 2001.



(expressed in U.S. dollars)

10 Long-term debt

On September 7, 2001, Semafo Guinée S.A., a subsidiary of the Company, obtained a \$8,000,000 financing which is used for the construction of the Jean Gobebe infrastructures.

	2001 \$	2000 \$
Bank loan bearing a 12% interest rate, repayable in semi-annual installments of capital of \$1,333,333 plus interest, maturing in December 2004, secured by Managem S.A. The loan agreement also stipulates that if Managem S.A. no longer retains control over the Company, the loan becomes payable on demand.	8,000,000	-
Current portion of long-term debt	2,666,667	-
	<u>5,333,333</u>	<u>-</u>

The minimum repayments required on long-term debt for the next years are as follows:

2002	2,666,667
2003	2,666,667
2004	2,666,666
	<u>8,000,000</u>

11 Advances payable

	2001 \$	2000 \$
Advances payable to a minority interest	4,456,477	4,538,438
Advances payable to the State of Niger	898,773	940,381
	<u>5,355,250</u>	<u>5,478,819</u>

Under the terms of the Tiawa Mining Convention, the State of Niger is entitled to receive a reimbursement for its exploration costs incurred. Exploration costs in the amount of \$940,381 (euro1,014,642) have been recognized on the issuance of the Samira Mining Permit and will be repaid from the operating surplus of the mining company, Société des Mines du Liptako (SML) S.A. The State of Niger has a 20% ownership interest in the mining company.

Theses advances are non-interest bearing and have no specific terms of repayment.

(expressed in U.S. dollars)

12 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 \$0.22 (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:

	2001		2000	
	Shares	Amount \$	Shares	Amount \$
Issued				
Balance – January 1	75,021,717	76,837,867	53,122,299	57,528,574
Issued and paid in cash	-	-	20,832,792	18,437,926
Issued for mining assets acquisition	20,000	3,939	1,066,626	871,367
Balance –December 31	75,041,717	76,841,806	75,021,717	76,837,867

Issuance of shares

In 1999, the Company's shareholders approved a strategic partnership with Managem S.A., a subsidiary of Groupe ONA. In consideration of the payment of \$12,712,704 (CA\$19,062,400) in cash, this agreement provided for the issuance by the Company of 17,020,000 shares and 17,020,000 warrants giving Managem a right to acquire, at any time until November 1, 2001, a first series of 8,510,000 shares at a price of \$0.83 (CA\$1.25) per share and, at any time until November 2002, a second series of 8,510,000 shares at a price of \$0.97 (CA\$1.45) per share. In 2000, Managem exercised its warrants, which resulted in the issuance of 17,020,000 common shares, for a cash consideration of \$15,323,000 (CA\$22,977,000).

In 2000, a private placement was made with ONA International S.A., an affiliate company of Managem S.A., whereby ONA acquired 3,812,792 common shares of Semafo for a cash consideration of \$3,114,926 (CA\$4,670,670).

Also, a private placement was made with Managem S.A. whereby all the mining assets of Managem S.A. in West Africa were transferred to the Company at a cost of \$871,367 (CA\$1,306,616) in exchange for the issuance of 1,066,626 common shares.

In 2000, these various share issues resulted in issuance costs of \$693,791.



(expressed in U.S. dollars)

12 Share capital (Continued)

By virtue of an agreement dated June 22, 2001, the Company acquired an additional 2% interest in the share capital of Segala Mining Corporation S.A., owner of the Segala mining permit. In exchange, the Company made a payment in cash of \$20,000 and issued 20,000 common shares for a value of \$3,939.

Cancellation of shares

In 1999, the Company's shareholders approved cancellation of fractional and escrowed shares. The gain resulting from those cancellations is accounted for against the deficit.

Options

The Company has a share option plan for its employees, officers, directors and consultants and those of its subsidiaries (the "Plan"). The Plan provides for the grant of non-transferable options for the purchase of common shares. The Board of Directors of the Company has the authority to select those employees, officers, directors and consultants to whom options will be granted, to determine the terms, limits, restrictions and conditions of the grant of options, to interpret the Plan and make all decisions relating thereto. The option price shall not be lower than the closing price of the Company's common shares, on the Toronto Stock Exchange, on the last trading day before the day on which the option is granted, or, if there has been no trading on that day, the mean of the highest bid and ask quotations of the five previous days for such shares on the Toronto Stock Exchange. 3,100,000 of the Company's common shares may be issued pursuant to the exercise of share options granted under the Plan taking into consideration the number of common shares contemplated by all other options, employee share purchase plans or options for services rendered, if any. In addition, the maximum number of shares that may be issued to insiders pursuant to the Plan within a one-year period is limited to 10% of the issued and outstanding shares and to 5% of issued and outstanding shares as regards any one person. The option price is payable in full at the time the option is exercised. The options may be exercised during option periods, which may vary, but will not exceed ten years as of the date of the grant.

The following table sets forth the options granted to directors, officers, employees and consultants as part of their annual remuneration under the Plan, during the fiscal year ended December 31, 2000.

	2001	2000
Balance – Beginning of year	2,862,670	3,237,390
Granted	-	38,000
Cancelled or expired	(304,000)	(412,720)
Balance – End of year	<u>2,558,670</u>	<u>2,862,670</u>

Number of options	Exercise price	Expiration date
1,335,000	from \$0.30 to \$0.62 (CA\$0.45 to CA\$0.93)	until August 2008
210,000	\$1.00 (CA\$1.50)	until January 2004
1,013,670	from \$1.17 to \$2.00 (CA\$1.75 to CA\$3.00)	until September 2007

(expressed in U.S. dollars)

12 Share capital (Continued)

Warrants

	2001	2000
Balance – Beginning of year	620,644	620,644
	-	-
Balance – End of year	<u>620,644</u>	<u>620,644</u>

Number of warrants	Exercise price	Expiration date
133 000	\$0.67 (CA\$1.00)	June 2002
487 644	\$1.00 (CA\$1.50)	June 2002

13 Income taxes

The cost for income tax purposes of the mining assets is approximately \$79,800,000 as at December 31, 2001. The difference between these costs and the amount capitalized in the financial statements is mainly due to write off of mining assets.

As at December 31, 2001, the Company and its subsidiaries have accumulated non-capital losses of approximately \$2,925,000, which will expire between 2003 and 2008.

As at December 31, 2001, the unamortized balance for income tax purposes of share issue expenses amounting to approximately \$639,200 will be deductible by the Company over the next four years.

The potential tax effects of these items are not reflected in these financial statements.

14 Financial instruments

Fair value

The Company has determined the estimated fair values of its financial assets and liabilities based on generally acceptable valuation methodologies.

Short-term financial assets and liabilities are valued at their carrying amounts, which are reasonable estimates of fair value. The fair value of short-term investments based on the market for short-term investments approximates their carrying value.

Debentures are valued at their carrying amounts, which are reasonable estimates of fair value, since they bear interest at variable rates. It is impossible, without considerable effort, to evaluate the fair value of advances payable as they are non-interest bearing and have no fixed terms of repayment.



(expressed in U.S. dollars)

14 Financial instruments (continued)

Interest rate risk

The Company's cash, other assets, deferred charges, long-term receivable, accounts payable and accrued liabilities and advances payable are non-interest bearing. Short-term investments bear interest at fixed rates.

15 Related party transactions

During the year, the Company paid a total of \$1,345,000 (2000 – \$1,471,155) to affiliated companies and to companies affiliated to directors for professional services. The Company received \$30,000 (2000 – \$32,010) for professional services rendered to related companies. These transactions took place in the normal course of business and are valued at an exchange value representing the amount of the consideration paid.

The accounts payable and accrued liabilities include amounts due to affiliated companies and to companies affiliated to directors, which amounted to \$875,000 (2000 – \$214,070).

16 Commitments

a) Gold sales

		2002	2003	2004	2005	2006	Total
Fixed forwards							
Ounces	(000 oz.)	20	40	40	40	20	160
Average price	(\$/oz.)	292,50	292,50	292,50	292,50	292,50	292,50

At December 31, 2001, the mark to market gain of the companies' hedging position which includes only the fixed forward position is \$2,320,000 calculated at a spot price of \$278 per ounce, prevailing market interest rates and volatilities. This value is not accounted for in the books of the Company.

b) Construction of Jean Gobele

During the year, the Company signed several contracts related to the construction of infrastructures for the operation of the Jean Gobele project. At December 31, 2001, based on those contracts, the Company is liable for an amount of \$2,100,000.

As at December 31, 2001, the Company had issued letters of guarantee in the amount of \$100,000, maturing in 2002.

c) Saoura permit

Following the renewal of the Saoura permit, the Company has an obligation to expend an additional \$950,000 on exploration and development of the property over the next three years.

d) Tiawa permit

Following the renewal of the Tiawa permit, the Company has an obligation to expend an additional \$850,000 on exploration and development of the property over the next three years.

(expressed in U.S. dollars)

17 Subsequent events

a) Financing – convertible debenture

On February 20, 2002, the Company obtained a \$4,000,000 loan that has been primarily used for the reimbursement of the convertible debenture due February 18, 2002. This loan bears a 10.5% interest rate and will mature on February 24, 2004.

b) Renewal of the Tiawa and Saoura exploration permits

On January 8, 2002, the areas of the Tiawa and Saoura permits were reduced by one-half in accordance with the mining code of Niger and were renewed for an additional three years commencing on that date.

18 Comparative figures

Certain prior year amounts have been reclassified to conform with current year's financial statement presentation.