

2nd quarter - June 30th, 2005

HIGHLIGHTS :

- Total record production of 38,185 ounces of gold at a cash operating cost of \$217 per ounce
- Record production of 18,155 ounces of gold at Kiniero at a cash operating cost of \$231 per ounce



- Increase in gold sales of \$11,777,000 to reach \$15,827,000
- Cash flow from operating activities of \$4,608,000
- Record earnings from operations of \$1,414,000 for the three-month period ended June 30, 2005



MANAGEMENT DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis ("MD&A") provides a discussion and analysis of our financial condition and results of operations to enable a reader to assess material changes in financial condition and results of operations for the period ended June 30, 2005 compared to corresponding period last year. This MD&A, prepared as of August 9, 2005, is intended to complement and supplement our consolidated interim financial statements. It should be read in conjunction with the MD&A for the period ended December 31, 2004, our audited consolidated annual financial statements for the year ended December 31, 2004 and notes thereto, together with our consolidated interim financial statements and notes thereto for the six months ended June 30, 2005. Our consolidated interim financial statements and this MD&A are intended to provide investors with reasonable basis for assessing our result of operation and our financial performance.

Since January 1st, 2005, our consolidated interim financial statements, prepared in accordance with Canadian generally accepted accounting principles, are expressed in thousands of American dollars, unless specified otherwise. All monetary amounts in this MD&A are presented in American dollars unless otherwise specified.

HIGHLIGHTS

Three-month periods ended June 30	2005	2004
Operations		
Gold production (ounces)	38,185	12,682
Gold sales (ounces)	41,646	12,798
Cash operating cost (\$/ounce produced)	217	261
Average selling price (\$/ounce)	380	316
Results (in thousands \$)		
Gold sales	15,827	4,050
Earnings (losses) from operations	1,414	(953)
Cash flow from operating activities	4,608	197

- Total record production of 38,185 ounces of gold at a cash operating cost of \$217 per ounce
- Record production of 18,155 ounces of gold at Kiniero at a cash operating cost of \$231 per ounce
- Production of 20,030 ounces of gold at Samira Hill at a cash operating cost of \$204 per ounce
- Increase in gold sales of \$11,777,000 to reach \$15,827,000
- Cash flow from operating activities of \$4,608,000
- Record earnings from operations of \$1,414,000 for the three-month period ended June 30, 2005

GOALS 2005

- Produce 65,000 ounces of gold at the Kiniero mine
- Pursue an exploration program with the objective of increasing reserves and resources in Guinea
- Produce 115,000 ounces of gold at the Samira Hill mine
- Pursue exploration programs with the objective of increasing reserves and resources in Niger
- Secure financing of the Mana project
- Negotiate a mining convention relating to the Mana Project
- Continue an exploration program and discover new mineral zones in Burkina Faso

SECOND QUARTER – THREE-MONTH PERIOD ENDED JUNE 30, 2005

REVIEW OF MINING OPERATIONS

KINIERO MINE

Three-month periods ended June 30	2005	2004
Operating statistics		
Tonnage mined (tonnes)	219,275	130,284
Ore processed (tonnes)	163,851	119,997
Head-grade (g/tonne)	3.74	3.52
Recovery rate (%)	93	93
Gold production (ounces)	18,155	12,682
Cash Operating Cost per ounce – (\$/ounce produced)	231	261

During the three-month period ended June 30, 2005, we mined at Kiniero a total of 219,275 tonnes of ore compared to 130,284 tonnes of ore during the same period in 2004. In 2005, we also mined 1,145,818 tonnes of waste material during the second quarter compared to 1,441,295 during the same period in 2004. The Gobele D and Jean West pits were the only extraction zones during the second quarter 2005.

We processed at the Kiniero mine a total of 163,851 tonnes of ore at an average grade of 3.74 g/t in the three month period ended June 30, 2005, compared to 119,997 tonnes of ore at an average grade of 3.52 g/t for the same period in 2004. This 36 % increase in milled tonnage is mainly explained by the addition of a second ball mill, which enabled us to process more than 54,000 tonnes of oxide ore per month during the quarter.

In the second quarter of 2005, the recovery rate at the mill was maintained at 93% despite the increase of tonnage processed.

During the three-month period ended June 30, 2005, we attained a record production of 18,155 ounces of gold at a cash operating cost of \$231 per ounce compared to a production of 12,682 ounces at a cash operating cost of \$261 per ounce for the same period in 2004. This 43 % increase in ounces produced and the 11 % decrease of the cash operating cost are mainly due to the increase in the availability and capacity of the plant, combined to an increase in the grade of the ore processed.

SAMIRA HILL MINE

Three-month periods ended	June 30, 2005	March 31, 2005
Operating statistics		
Tonnage mined (tonnes)	418,563	469,977
Ore processed (tonnes)	307,062	360,544
Head-grade (g/tonne)	2.37	2.05
Recovery rate (%)	88	89
Gold production (ounces)	20,030	23,137
Cash Operating Cost per ounce (\$ / ounce produced)	204	210

It is impossible to compare the second quarter results of 2005 with the same period in 2004, since commercial production at Samira Hill started in October 2004. Therefore, we are comparing our second quarter results with those of the previous quarter.

At the Samira Hill Mine, during the second quarter of 2005, a total of 418,563 tonnes of ore and a total of 1,605,071 tonnes of waste were mined from the Samira Main and the Samira East pits compared to 469,977 tonnes of ore and 1,474,986 tonnes of waste in the first quarter of 2005.

During the second quarter of 2005, we processed at Samira Hill, a total of 307,062 tonnes of ore at an average grade of 2.37 g/t compared to 360,544 tonnes of ore at an average grade of 2.05 g/t in the previous quarter. This decrease in processed tonnage is mainly due to a low availability of the mill. The mill downtime periods were mainly associated towards mechanical work required for replacements of components related to the ball mill.

The increase of more than 15% of the grade processed during the quarter is explained by higher grade mineralized zones at-depth in the Samira Main pit.

The recovery rate at the mill slightly decreased from 89 % in the first quarter of 2005 to 88 % in the second quarter of 2005. During the next quarter, all efforts will be focused on achieving and maintaining a recovery rate above 90%.

During the three-month period ended June 30, 2005, we produced 20,030 ounces of gold at Samira Hill at a cash operating cost of \$204 per ounce compared to a production of 23,137 ounces at a cash operating cost of \$210 per ounce for the first quarter of 2005. This decrease in ounces produced in the second quarter of 2005 compared to the first quarter of 2005 is mainly attributable to a lower tonnage of ore processed, partly offset by the increase in the grade of the ore. The decrease of 3 % in the cash operating cost is mainly explained by the higher grade of ore processed.

STATEMENTS OF OPERATIONS

Significant Financial Data

(in accordance with Canadian generally accepted accounting principles)

Three-month periods ended June 30	2005	2004
Statements of operations and cash flows		
(in thousands \$, except for amounts per share)		
Gold sales	15,827	4,050
Gain (loss) on deferred forward contracts	(350)	21
Revenues	15,477	4,071
Earnings (losses) from operations	1,414	(953)
Net income	32	1,186
Net income per share		
Basic	0.01	0.01
Diluted	0.01	0.01
Operating cash flow ¹	4,608	197

¹ Excluding net changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations for property, plant and equipment

For the three-month period ended June 30, 2005, Semafo presents a net income of \$32,000 or \$0.01 per share, compared to a net income of \$1,186,000 or \$0.01 per share for the corresponding period in 2004. This variation is mainly due to a gain on disposal of investment in subsidiaries of \$1,869,000 in 2004 and to the contribution of the Samira Hill mine which started in October 2004.

Segmented information

Three-month period ended June 30, 2005				
(in thousands \$)	Kiniero Gold mine Guinea	Samira Hill Gold mine Niger	Others	Total
Gold sales	7,659	8,168	-	15,827
Gain (loss) on forward sales contracts	(685)	335	-	(350)
Revenues	6,974	8,503	-	15,477
Mining operation expenses	5,060	5,071	-	10,131
Amortization of property, plant and equipment	1,084	2,245	8	3,337
Mining operations	19,659	21,987	-	41,646
Gold sales (ounces)	19,659	21,987	-	41,646
Average selling price (\$/ounce)	390	371	-	380
Total cash cost (\$/ounce sold) ¹	261	231	-	245

Three-month period ended June 30, 2004				
(in thousands \$)	Kiniero Gold mine Guinea	Samira Hill Gold mine Niger	Others	Total
Gold sales	4,050	-	-	4,050
Gain on forward sales contracts	21	-	-	21
Revenues	4,071	-	-	4,071
Mining operation expenses	3,438	-	-	3,438
Amortization of property, plant and equipment	1,110	-	6	1,116
Mining operations	12,798	-	-	12,798
Gold sales (ounces)	12,798	-	-	12,798
Average selling price (\$/ounce)	316	-	-	316
Total cash cost (\$/ounce sold) ¹	286	-	-	286

¹ Represents the cash operating cost plus royalties and taxes paid to the local government

Gold sales

Gold sales for the second quarter of 2005, totalled \$15,827,000 corresponding to the sale of 41,646 ounces of gold at an average price of \$380 per ounce. For the same period in 2004, gold sales totalled \$4,050,000 corresponding to the sale of 12,798 ounces of gold at an average price of \$316 per ounce. Apart from benefiting from the increase of gold price on the market, the increase in sales is essentially due to the start-up of the Samira Hill mine in October 2004 and the increase in gold production at the Kiniero mine.

Kiniero

During the second quarter of 2005, we sold 19,659 ounces of gold from the Kiniero mine at an average price of \$390 per ounce, compared to the sale of 12,798 ounces of gold at an average price of \$316 per ounce for the same period in 2004. During the second quarter of 2005, only 5,075 ounces of gold were delivered against our forward sales contracts at an average price of \$296 per ounce. During the second quarter of 2004, almost all of our gold production was sold according to our forward sales contracts at an average price of \$295 per ounce.

Samira Hill

During the second quarter of 2005, we sold 21,987 ounces of gold from the Samira Hill mine at an average price of \$371 per ounce. All ounces were delivered according to our forward sales contracts.

Gain (loss) on deferred forward contracts

During the second quarter 2005, the gain on the forward sales contracts totalled \$350,000, compared to a loss on the deferred forward sales contracts for an amount of \$21,000 during the same period in 2004. The losses and gains on deferred forward sales contracts depend on the spot price prevailing at the deferral date compared to our forward sales price.

Kiniero

Following the restructuring of forward sales contracts at Kiniero in February 2004, we are committed to deliver 2,571 ounces of gold per month compared to 3,333 ounces as per the initial program. Therefore, the delivery of 762 ounces is deferred every month, generating an unrealized loss on the forward sales contracts. For the three-month period ended June 30, 2005, the unrealized loss on forward sales contracts at Kiniero, related to the restructuring, totalled \$313,000.

In 2004, we had deferred hedging positions totalling 1,500 ounces to the second quarter of 2005, which generated an unrealized loss of \$210,000. During the second quarter of 2005, our commitments related to those positions were fulfilled, therefore generating a gain of the same amount.

At the end of the first quarter 2005, we delivered 4,138 ounces of gold against hedging position initially maturing during the second quarter 2005, which generated an unrealized gain of \$583,000 in the first quarter of 2005 and a loss of the same amount in the second quarter of 2005.

Therefore, the deliveries according to forward sales contracts at Kiniero generated an unrealized gain of \$685,000 during the second quarter of 2005.

As at June 30, 2005, the forward sales contracts at Kiniero foresee the delivery of 16,497 ounces of gold before December 31, 2005.

Samira Hill

In 2004, we deferred positions, on the second quarter 2005, totalling 4,230 ounces, which lead to the recording of an unrealized loss of \$271,000. During the second quarter 2005, our obligations concerning those positions were fulfilled which generated a gain for the same amount.

During the first quarter 2005, we deferred hedging position on the second quarter 2005, totalling 2,541 ounces generating an unrealized loss of \$153,000. During the second quarter 2005, our obligations concerning those positions were fulfilled, generating a gain for the same amount.

At the end of the first quarter 2005, we had proceeded with anticipated delivery of 3,925 ounces of gold, against hedging position initially maturing during second quarter 2005, which generated an unrealized gain of \$212,000 during the first quarter 2005 and a loss for the same amount during the second quarter 2005.

At the end of the second quarter 2005, we also proceeded with anticipated delivery of 1,778 ounces of gold against hedging position, initially maturing during the second quarter 2005, which generated an unrealized gain of \$112,000.

The swap of interest rate related to the gold forward contracts is effective since the beginning of the second quarter of 2005. This swap led to a gain of \$241,000 for the second quarter of 2005. From this gain, \$12,000 is accounted for in the consolidated statements of operations and an amount of \$229,000 is deferred and presented in liabilities.

Therefore, the deliveries, according to forward sales contracts at Samira Hill, generated a gain of \$335,000 during the second quarter of 2005.

As at June 30, 2005, the forward sales contracts at Samira Hill foresee the delivery of 44,481 ounces of gold before December 31, 2005.

Mining Operating Expenses

Mining operating expenses for the three-month period ended June 30, 2005, totalled \$10,131,000 compared to \$3,438,000 for the same period in 2004. These mining operating expenses represent the production costs of 41,646 ounces of gold for the second quarter 2005 at a total cash cost of \$245 per ounce, compared to the production of 12,798 ounces of gold at a total cash cost of \$286 per ounce for the same period in 2004. Since the production at the Samira Hill mine started in October 2004, the comparative figures do not include any mining operating expenses for Samira Hill.

Kiniero

Mining operating expenses totalled \$5,060,000 for the second quarter of 2005 compared to \$3,438,000 for the same period in 2004. These mining operating expenses represent the production costs of 19,659 ounces for the second quarter of 2005, at a total cash cost of \$261 per ounce compared to the production of 12,798 ounces for the same period in 2004 at a total cash cost of \$286 per ounce. This decrease in the cash operating costs is mainly due to an increase of the tonnage and to a higher grade of the ore processed.

Reconciliation of total cash cost per ounce to financial statements

Three-month periods ended June 30	2005	2004
Mining operations expenses per financial statements (in thousands \$)	5,060	3,438
Inventory write-down variation (in thousands \$)	76	218
Mining operations expenses for per ounce calculation (in thousands \$)	5,136	3,656
Ounces sold (ounces)	19,659	12,798
Total cash costs (\$ / ounce sold)	261	286

The total cash cost is calculated using the Gold Institute Guidelines.

Samira Hill

The mining operations expenses at Samira Hill amounted to \$5,071,000 for the second quarter 2005 compared to \$5,286,000 for the first quarter of 2005. It represents the production costs of 21,987 ounces at a total cash cost of \$231 per ounce for the second quarter of 2005 compared to production costs of 22,216 ounces at a total cash cost of \$238 per ounce for the first quarter of 2005.

Reconciliation of total cash cost per ounce to financial statements

Three-month periods ended	June 30, 2005	March 31, 2005
Mining operations expenses per financial statements (in thousands \$)	5,071	5,286
Ounces sold (ounces)	21,987	22,216
Total cash costs (\$ / ounce sold)	231	238

The total cash cost is calculated using the Gold Institute Guidelines.

Amortization of property, plant and equipment

The amortization expense amounted to \$3,329,000 for the second quarter of 2005 compared to an amortization expense of \$1,110,000 for the same period in 2004. The amortization expense per ounce sold is \$80 for the second quarter of 2005 compared to \$87 for the same period in 2004. Since the production at the Samira Hill mine started in October 2004, the comparative figures do not include any amortization expense for Samira Hill.

The majority of the property, plant and equipment represent deferred exploration and development expenditures and buildings and equipments related to mining production. They are amortized using the units of production method over the expected operating life of the mine based on estimated recoverable ounces of gold.

Kiniero

The amortization expense totalled \$1,084,000 for the second quarter 2005 compared to \$1,110,000 for the same period in 2004. The amortization expense per ounce is \$55 for the second quarter of 2005, compared to \$87 in 2004. The decrease of the amortization expense per ounce is mainly due to the increase of the estimated recoverable ounces of gold used as a basis of calculation for the amortization, which was partially compensated by the start-up of the second ball mill at the end of 2004.

Reconciliation of amortization of property, plant and equipment per ounce to financial statements

Three-month periods ended June 30	2005	2004
Amortization of property, plant and equipment per financial statements (in thousands \$)	1,084	1,110
Ounces sold (ounces)	19,659	12,798
Amortization per ounce sold (\$ / ounce sold)	55	87

Samira Hill

The Samira Hill's amortization expense totalled \$2,245,000 for the second quarter of 2005, thus an amortization expense per ounce of \$102. For the first quarter of 2005, the amortization expense for Samira Hill was \$2,230,000, thus \$100 per ounce.

Reconciliation of amortization of property, plant and equipment per ounce to financial statements

Three-month periods ended	June 30, 2005	March 31, 2005
Amortization of property, plant and equipment per financial statements (in thousands \$)	2,245	2,230
Ounces sold (ounces)	21,987	22,216
Amortization (\$ / ounce sold)	102	100

Administration

Administration expenses totalled \$526,000 for the second quarter 2005, compared to \$460,000 for the same period in 2004.

Loss (gain) on disposal of investment in subsidiaries

In June 2005, we sold all of our investments in Ebi (Ghana) Limited, owner of the Tinga property, for a consideration valued at \$1,019,000, representing the issuance of 3,300,000 common shares of Birim Goldfields Inc. issued upon closing of the transaction. The book value of the investment in Ebi (Ghana) Limited being at \$1,388,000, this transaction resulted in a loss on disposal of investment of a subsidiary of \$369,000. During the same period last year, we recorded a gain on disposal of investment in a subsidiary for an amount of \$1,869,000.

Interests on long-term debt

Interest on long-term debt increased from \$168,000 for the second quarter of 2004 to \$624,000 for the same period in 2005. This significant increase is mainly due to the start-up of the Samira Hill mine. Indeed, up to September 30, 2004, the interests on the Samira Hill long-term debt were accounted for in mining assets. These interests are accounted for in the consolidated statement of operations since October 1st, 2004,.

Foreign exchange gain

During the second quarter of 2005, we recorded a foreign exchange gain of \$13,000 compared to \$348,000 for the same period in 2004. These foreign exchange gains are mainly due to the conversion of short-term investments and an advance payable to a minority interest, denominated in foreign currency at the exchange rate prevailing at the end of the period.

CASH FLOW STATEMENTS

Operating Activities

Operating activities, before net changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations for property, plant and equipment, generated a positive cash flow of \$4,608,000 during the second quarter 2005, compared to a negative cash flow of \$197,000 for the same period in 2004. This important variation is the result of the Samira Hill mine start-up and the increase in production at the Kiniero mine.

Working capital items used liquidities of \$433,000 for the second quarter 2005, mainly representing an increase in inventories, partially offset by a decrease of accounts receivable. In 2004, working capital items had generated liquidities of \$1,644,000.

Financing Activities

During the second quarter 2005, we reimbursed \$1,972,000 of loans and long-term debt. Furthermore, 3,500,000 warrants have been exercised by a shareholder for a cash consideration of \$3,925,000. During the same period in 2004, we received \$1,235,000 on a long term loan related to the financing of the Samira Hill project.

Investing Activities

During the second quarter 2005, liquidities of \$445,000 were invested in mining assets compared to \$5,114,000 for the same period in 2004.

During the second quarter 2005, \$249,000 was invested in the feasibility study and in exploration on the Mana property. Moreover, an amount of \$196,000 was invested on other exploration projects. In 2004, the majority of investments were related to the construction of the Samira Hill mine. Following the start-up of the mine in October 2004, all the mining assets related to this project were transferred to the property, plant and equipment in October 2004.

A total of \$1,816,000 was invested in property, plant and equipment during the second quarter of 2005, compared to investments of \$1,185,000 during the same period in 2004. The 2005 investment includes \$700,000 in exploration expenditures at Kiniero and Samira Hill and \$1,300,000 in the Samira Hill site improvement. Furthermore, the stripping costs were reduced by \$300,000.

Total liquidities of \$3,572,000 were generated by operations during the second quarter 2005, whereas the 2004 operations used liquidities of \$6,268,000.

SECOND QUARTER – SIX-MONTH PERIOD ENDED JUNE 30, 2005

REVIEW OF MINING OPERATIONS

KINIERO MINE

Six-month periods ended June 30	2005	2004
Operating statistics		
Tonnage mined (tonnes)	370,302	203,783
Ore processed (tonnes)	323,922	219,887
Head-grade (g/tonne)	3.62	3.45
Recovery rate (%)	93	93
Gold production (ounces)	34,976	22,790
Cash Operating Cost per ounce – (\$/ounce produced)	247	269

During the six-month period ended June 30, 2005, we mined at Kiniero, a total of 370,302 tonnes of ore compared to 203,783 tonnes during the same period in 2004. In 2005, we also mined 2,480,769 tonnes of waste material during the first semester compared to 2,738,313 during the same period in 2004. The Gobele D and Jean West pits were the main extraction zones during the first six months of 2005.

During the six-month period ended June 30, 2005, we processed a total of 323,922 tonnes of ore at Kiniero mine, at an average grade of 3.62 g/t compared to 219,887 tonnes of ore at an average grade of 3.45 g/t for the same period in 2004. This 47% increase is mainly explained by the increase in mill capacity, following the addition of a second ball mill, which enables us to process an average of 54,000 tonnes of oxide ore per month.

During the six-month period ended June 30, 2005, we reached a record production of 34,976 ounces of gold at a cash operating cost of \$247 per ounce compared to a production of 22,790 ounces at a cash operating cost of \$269 per ounce for the same period in 2004. This 53 % increase in ounces produced and the 8 % decrease of the cash operating cost are mainly due to the increase in the availability and capacity of the plant, combined to an increase in the grade of the ore processed

Outlook

Our initial gold production target for Kiniero in 2005 was established at 60,000 ounces at a cash operating cost of \$250 per ounce. Following the exceptional performance of the first six months of 2005, we are reviewing our 2005 production target to 65,000 ounces through the processing of 638,000 tonnes of ore at an average grade of 3.4 g/t with a recovery rate of 93%.

The trend of the first six months production was maintained during the month of July 2005 at Kiniero with a monthly production of 6,020 ounces of gold. A total of 53,942 tonnes of ore was processed at an average grade of 3.6 g/t with a 94% recovery rate.

SAMIRA HILL MINE

Six-month period ended June 30	2005
Operating statistics	
Tonnage mined (tonnes)	888,540
Ore processed (tonnes)	667,606
Head-grade (g/tonne)	2.20
Recovery rate (%)	89
Gold production (ounces)	43,167
Cash Operating Cost per ounce (\$ / ounce produced)	207

It is impossible to compare the first six months results of 2005 with the same period in 2004, since commercial production at the Samira Hill mine started in October 2004.

At the Samira Hill mine, during the first six months of 2005, a total of 888,540 tonnes of ore and a total of 3,080,057 tonnes of waste were mined from the Samira Hill Main and the Samira East pits.

During this same period at Samira Hill, we processed a total of 667,606 tonnes of ore at an average grade of 2.20 g/t with an 89% recovery rate.

During the first quarter, we produced 43,167 ounces of gold at Samira Hill at a cash operating cost of \$207 per ounce.

Outlook

Our initial 2005 gold production target at Samira Hill was 120,000 ounces at a cash operating cost of \$225 per ounce. We had initially planned the processing of 1,875,000 tonnes of ore at an average grade of 2.20 g/t. The 2005 actual production for the first six months is below our target of 57,800 ounces. However, considering the work completed in the first six months of 2005 and the on-going continuous improvements, we are confident that the production will increase for the remaining period of 2005. Therefore, we are revising our 2005 production target to 115,000 ounces through the processing 1,600,000 tonnes of ore at an average grade of 2.50 g/t with a 90% recovery rate in 2005.

In July 2005 at Samira Hill, we produced a record of 12,567 ounces of gold. A total of 150,834 tonnes of ore was processed at an average grade of 2.90 g/t with a recovery rate of 90%. These results are very encouraging allowing us to foresee a very positive second half of the year.

STATEMENTS OF OPERATIONS

Significant Financial Data

(in accordance with Canadian generally accepted accounting principles)

Six-month periods ended June 30	2005	2004
Statements of operations and cash flows		
(in thousands \$, except for amounts per share)		
Gold sales	28,408	7,194
Gain (loss) on deferred forward contracts	567	(147)
Revenues	28,975	7,047
Earnings (losses) from operations	1,429	(2,321)
Net income (net loss)	(789)	5,083
Net income (net loss) per share		
Basic	(0.01)	0.06
Diluted	(0.01)	0.06
Operating cash flow ¹	6,790	(452)
	As at June 30, 2005	As at December 31, 2004
Balance sheets (in thousands \$)		
Cash and cash equivalents	6,702	4,507
Total assets	113,847	109,616
Long-term debt (including current portion)	29,802	32,615
Shareholders' equity	52,926	49,698

¹ Excluding net changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations for property, plant and equipment

For the six-month period ended June 30, 2005, Semafco presents a net loss of \$789,000 or \$0.01 per share compared to a net income of \$5,083,000 or \$0.06 per share for the corresponding period in 2004. This variation is mainly due to a gain on disposal of investment in subsidiaries of \$5,454,000 in 2004 and to the contribution of the Samira Hill mine which started in October 2004.

Segmented information

Six-month period ended June 30, 2005				
(in thousands \$)	Kiniero Gold mine Guinea	Samira Hill Gold mine Niger	Others	Total
Gold sales	11,976	16,432	-	28,408
Gain on forward sales contracts	8	559	-	567
Revenues	11,984	16,991	-	28,975
Mining operations expenses	9,282	10,357	-	19,639
Amortization of property, plant and equipment	2,237	4,475	15	6,727
Mining operations	34,369	44,203	-	78,572
Gold sales (ounces)	34,369	44,203	-	78,572
Average selling price (\$/ounce)	348	372	-	362
Total cash cost (\$/ounce sold) ¹	283	234	-	256

Six-month period ended June 30, 2004				
(in thousands \$)	Kiniero Gold mine Guinea	Samira Hill Gold mine Niger	Others	Total
Gold sales	7,194	-	-	7,194
Loss on forward sales contracts	(147)	-	-	(147)
Revenues	7,047	-	-	7,047
Mining operations expenses	6,539	-	-	6,539
Amortization of property, plant and equipment	1,928	-	12	1,940
Mining operations	22,507	-	-	22,507
Gold sales (ounces)	22,507	-	-	22,507
Average selling price (\$/ounce)	320	-	-	320
Total cash cost (\$/ounce sold) ¹	295	-	-	295

¹ Represents the cash operating cost plus royalties and taxes paid to the local government

Gold sales

Gold sales for the first six months of 2005, totalled \$28,408,000 corresponding to the sale of 78,572 ounces of gold at an average price of \$362 per ounce. For the same period in 2004, gold sales totalled \$7,194,000 corresponding to the sale of 22,507 ounces of gold at an average price of \$320 per ounce. Apart from benefiting from the increase of gold price on the market, the increase in sales is essentially due to the start-up of the Samira Hill mine in October 2004 and the increase in gold production at the Kiniero mine.

Kiniero

During the six-month period ended June 30 2005, we sold 34,369 ounces of gold from the Kiniero mine at an average price of \$348 per ounce, compared to the sale of 22,507 ounces of gold at an average price of \$320 per ounce for the same period in 2004. During the first six months of 2005, only 19,785 ounces were delivered against our forward sales contracts at an average price of \$296 per ounce. During the first six months of 2004, most of the gold produced were delivered against our forward sales contracts at an average price of \$295 per ounce.

Samira Hill

During the first six months of 2005, we sold 44,203 ounces of gold from the Samira Hill mine at an average price of \$372 per ounce. Almost all the sales were delivered according to our forward sales contracts.

Gain (loss) on deferred forward contracts

During the six-month period ended June 30, 2005, the gain on the forward sales contracts totalled \$567,000, compared to a loss on the deferred forward sales contracts for an amount of \$147,000 during the same period in 2004.

Kiniero

In 2004, we restructured our forward sales contracts at Kiniero, in order to reduce the quantity of ounces to be delivered every month. This restructuring led to the deferral of hedging positions on future years. These hedging positions generated an unrealized loss on forward sales contracts of \$623,000.

In 2004, we had deferred hedging positions totalling 4,196 ounces to the first semester of 2005, which generated an unrealized loss of \$631,000. During the first six months of 2005, our commitments related to those positions were fulfilled, therefore generating a gain of the same amount.

The deliveries according to forward sales contracts at Kiniero generated an unrealized gain of \$8,000 during the first six months of 2005.

Samira Hill

In 2004, we deferred hedging position totalling 10,936 ounces to the first six month period of 2005 which generated an unrealized loss of \$644,000. During the first six months of 2005, our obligations concerning these positions were fulfilled, therefore generating a gain of the same amount.

During the first six months of 2005, we deferred hedging position and also proceeded with anticipated deliveries generating an unrealized loss of \$97,000.

As previously explained, the swap of interest rate related to the gold forward contracts led to a gain of \$12,000 recorded in the consolidated statements of operations.

The deliveries, according to forward sales contracts at Samira Hill, generated an gain of \$559,000 during the first six months of 2005.

Mining Operating Expenses

Mining operating expenses for the six-month period ended June 30, 2005, totalled \$19,639,000 compared to \$6,539,000 for the same period in 2004. These operating expenses represent the production costs of 78,572 ounces of gold for the first six months of 2005 at a total cash cost of \$256 per ounce, compared to the production of 22,507 ounces of gold at a total cash cost of \$295 per ounce for the same period in 2004. Since the production at the Samira Hill mine started in October 2004, the comparative figures do not include any mining operating expenses for Samira Hill.

Kiniero

Operating expenses totalled \$9,282,000 for the first six months of 2005 compared to \$6,539,000 for the same period in 2004. It represents the production costs of 34,369 ounces for the first six months of 2005, at a total cash cost of \$283 per ounce compared to the production of 22,507 ounces for the same period in 2004 at a total cash cost of \$295 per ounce. This decrease in the cash operating costs is mainly due to an increase of the tonnage and to a higher grade of the ore processed.

Reconciliation of total cash cost per ounce to financial statements

Six-month periods ended June 30	2005	2004
Mining operations expenses per financial statements (in thousands \$)	9,282	6,539
Inventory write-down variation (in thousands \$)	448	105
Mining operations expenses for per ounce calculation (in thousands \$)	9,730	6,644
Ounces sold (ounces)	34,369	22,507
Total cash costs (\$ / ounce sold)	283	295

The total cash cost is calculated using the Gold Institute Guidelines.

Samira Hill

The mining operations expenses at Samira Hill amounts to \$10,357,000 for the six-month period ended June 30, 2005 and represents the production costs of 44,203 ounces, at a total cash cost of \$234 per ounce.

Reconciliation of total cash cost per ounce to financial statements

Six-month period ended June 30	2005
Mining operations expenses per financial statements (in thousands \$)	10,357
Ounces sold (ounces)	44,203
Total cash costs (\$ / ounce sold)	234

The total cash cost is calculated using the Gold Institute Guidelines.

Amortization of property, plant and equipment

The amortization expense amounts to \$6,712,000 for the six-month period ended June 30, 2005 or \$85 per ounce sold.

Kiniero

The amortization expense totalled \$2,237,000 for the six-month period ended June 30, 2005 compared to \$1,928,000 for the same period in 2004. The amortization expense per ounce is \$65 for the six-month period ended June 30, 2005, compared to \$86 in 2004. The decrease of the amortization expense per ounce is mainly due to the increase of the estimated recoverable ounces of gold used as a basis of calculation for the amortization, which was partially compensated by the start-up of the second ball mill at the end of 2004.

Reconciliation of amortization of property, plant and equipment per ounce to financial statements

Six-month periods ended June 30	2005	2004
Amortization of property, plant and equipment per financial statements (in thousands \$)	2,237	1,928
Ounces sold (ounces)	34,369	22,507
Amortization per ounce sold (\$ / ounce sold)	65	86

Samira Hill

The Samira Hill amortization expense totalled \$4,475,000 for the six-month period ended June 30, 2005, thus an amortization expense per ounce of \$101.

Reconciliation of amortization of property, plant and equipment per ounce to financial statements

Six-month period ended June 30	2005
Amortization of property, plant and equipment per financial statements (in thousands \$)	4,475
Ounces sold (ounces)	44,203
Amortization (\$ / ounce sold)	101

Administration

Administration expenses totalled \$966,000 for first six months of 2005, compared to \$869,000 for the same period in 2004.

Bad Debts Recovery

During the last few years in Guinea, we accumulated a total of \$1,452,000 (GNF 4,522,818,345) in taxes receivable. However, since we had not yet received repayment for more than one year, we decided, in a conservative manner, to provision this amount receivable. Near the end of 2004, we signed an agreement with the Government of the Republic of Guinea («Government») for the reimbursement of those taxes over a three-year period. For the first instalment due on April 15, 2005, we obtained the Government's approval to proceed with compensation with the royalties payable to the Government. This agreement eliminates the uncertainty of recovery of this amount receivable. We therefore reversed part of the provision for bad debt accounted for over the previous years, which generated a \$295,000 gain.

Write-down of short-term investments

As at June 30, 2005, we have investments in shares of publicly traded companies which are presented in short-term investments. For some of those publicly traded companies, the share market price has dropped in the first six months of 2005. As at June 30, 2005, we wrote-down the value of those investments to their fair market value, therefore generating a \$371,000 loss in the consolidated statement of operations. As at June 30, 2005, the book value of these investments was \$6,308,000 and their fair market value was \$6,582,000, therefore representing a potential gain of \$274,000.

Loss (gain) on disposal of investment in subsidiaries

As previously explained, the company sold its investments in Ebi (Ghana) Limited. This transaction resulted in a loss on disposal of investment in a subsidiary of \$369,000 in the first six months of 2005. During the same period last year, the company recorded a gain on disposal of investment in a subsidiary for an amount of \$7,323,000.

Interests on long-term debt

Interest on long-term debt increased from \$389,000 for the first six months of 2004 to \$1,306,000 for the same period in 2005. As previously explained, this significant increase is mainly due to the start-up of the Samira Hill mine.

Foreign exchange gain

During the six-month period ended June 30, 2005, we recorded a foreign exchange gain of \$105,000 compared to \$269,000 for the same period in 2004. These foreign exchange gains are mainly due to the conversion of short-term investments and an advance payable to a minority interest, denominated in foreign currency at the exchange rate prevailing at the end of the period.

CASH FLOW STATEMENTS

Operating Activities

Operating activities, before net changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations for property, plant and equipment, generated a positive cash flow of \$6,790,000 during the first six months of 2005, compared to a negative cash flow of \$452,000 for the same period in 2004. This important variation is the result of the Samira Hill mine start-up and the increase in production at the Kiniero mine.

The working capital items used liquidities of \$3,536,000 for the six month period ended June 30, 2005, mainly representing an increase in the account receivables and an increase in inventories, partially offset by an increase in accounts payable and accrued liabilities. During the same period in 2004, working capital items used liquidities of \$258,000.

Financing Activities

During the first six months of 2005, we received a loan totalling \$1,980,000 and we reimbursed \$2,813,000 of long-term debt. Furthermore, 3,500,000 warrants have been exercised by a shareholder for a cash consideration of \$3,925,000. During the same period in 2004, we received \$5,035,000 on the Samira Hill long-term debt and reimbursed \$5,000,000 on the long-term debt to reduce interest expenses.

Investing Activities

During the six-month period ended June 30, 2005, liquidities of \$943,000 were invested in mining assets compared to \$12,576,000 for the same period in 2004.

During the first six months of 2005, \$484,000 was invested in the feasibility study and in exploration on the Mana property. Moreover, an amount of \$459,000 was invested on other exploration projects. In 2004, the majority of investments were related to the construction of the Samira Hill mine. Following the start-up of the mine in October 2004, all the mining assets related to this project were transferred to the property, plant and equipment in October 2004.

A total of \$3,105,000 was invested in property, plant and equipment during the six-month period of 2005, compared to investments of \$2,569,000 during the same period in 2004. The 2005 investment includes \$1,200,000 in exploration expenditures at Kiniero and Samira Hill and \$1,800,000 in the Samira Hill site improvement.

Total liquidities of \$2,195,000 were generated by operations during the first six months of 2005, whereas the 2004 operations used liquidities of \$15,186,000.

BALANCE SHEETS

The company's total assets amounted to \$113,847,000 as at June 30, 2005, compared to \$109,616,000 as at December 31, 2004.

The company's total liabilities amounted to \$60,921,000 as at June 30, 2005, compared to \$59,918,000 as at December 31, 2004.

The company's share capital amounted to \$93,351,000 as at June 30, 2005, compared to \$89,426,000 as at December 31, 2004. This variation results from the exercise of 3,500,000 warrants by a shareholder for a cash consideration of \$3,925,000.

OFF-BALANCE SHEET TRANSACTIONS

Gold forward sales contracts

As at June 30, 2005, we had commitments to deliver 315,000 ounces of gold over the next five years at an average sales price currently valued at \$348.

	2005	2006	2007	2008	2009	Total
Adjustable gold forwards^{1,2}						
Ounces (in thousands)	22	29	25	24	18	118
Average price (\$ per ounce)	387	375	360	360	360	369
Fixed gold forwards¹						
Ounces (in thousands)	39	60	56	24	18	197
Average price (\$ per ounce)	335	327	325	360	360	335
Total gold forwards						
Total ounces (in thousands)	61	89	81	48	36	315
Average price (\$ per ounce)	354	343	336	360	360	348

¹ Forward positions totalling 226,500 ounces include a swap of interest rate. Pursuant to the swap agreement, the company is committed to pay the difference between the "LIBOR" USD three (3) months interest rate and the "GOFO" three (3) months interest rate, whereas the counterparty is committed to pay a fixed interest rate of 1% per annum.

² The price of the adjustable gold forwards program may reach up to \$390 per ounce. The adjustments depend on the prevailing spot price on different dates during the term of the program.

Kiniero

During the first quarter of 2004, in order to take advantage of the increased spot price and to improve our cash flow, we restructured our Kiniero's forward sales program. This restructuring reduces the monthly quantity of ounces to be delivered under our forward sales program from 3,333 ounces to 2,571 ounces, now representing a yearly total of 30,852 ounces, which will allow us to sell a greater quantity of gold ounces at spot price.

As at June 30, 2005, we are committed to deliver 78,000 ounces of gold, at an average price of \$296 per ounce through the years 2005 to 2007.

Samira Hill

During the year 2003, we have signed forward sales contracts for the Samira Hill project, for a total of 300,000 ounces over the period from 2004 to 2009. The fixed gold forward sales contract sets a fixed price of \$360 per ounce for 150,000 ounces and the adjustable forward sales contract for 150,000 ounces. This adjustable forward sales contract has a floor price of \$360 per ounce that can reach up to \$390 per ounce depending of the gold market prices at different dates over the course of the contract. Some of those forward sales positions include a swap of interest rate according to which we pay a variable rate and we receive a fixed rate

We adjusted the price of our positions for the first quarter of 2006 to establish the price at \$390 per ounce for 7,251 ounces.

As at June 30, 2005, we are committed to deliver 237,000 ounces of gold at an average price of \$365 per ounce through the years 2005 to 2009.

Contractual obligations and commitments

Long-term debt

Pursuant to our long-term debts agreements, reimbursements required in each of the next five years are as follows:

	\$
2006	6,161,000
2007	6,161,000
2008	5,893,000
2009	2,500,000
2010	-

Assets retirement obligations

Our operations are governed by a Mining Agreement governing the protection of the environment. The company conducts its operations in order to protect the public health and the environment. We will implement progressive measures for rehabilitation work during the operation, closing down and follow-up work upon closing of the mine. The estimated undiscounted cash flow required to settle the assets retirement obligations is \$2,141,000. Those disbursements are projected to be made during the years 2005 to 2014. The amount accounted for as liabilities in our consolidated financial statements represents the discounted obligations from the rehabilitation and closing plans.

Royalties and Development Taxes

Pursuant to our mining conventions, we have royalty commitments, which generate obligations upon gold deliveries. If our mining projects do not produce gold, we have no payment obligation. For each gold delivery from the Kiniero mine, we have a royalty obligation corresponding to 5% of the delivery's value, evaluated at the spot price on the delivery date. The gold deliveries coming from the Samira Hill mine in Niger, are submitted to a royalty payment of 5.5%. In Guinea, we are also committed to invest 0.4% of our gold sales in local development expenditures.

Payments to maintain our mining rights

In the normal course of business, in order to obtain and maintain all the advantages of our permits, we have to commit to invest a specific amount in exploration and development on the permits during their validity period. Moreover, we have to make annual payments in order to maintain certain property titles.

Mining Contract

In 2003, we signed a seven years mining contract for the Samira Hill mine. The payments will be made over the approximated seven-year mine life. As at June 30, 2005, we are liable for an amount of \$6,000,000, which represents the indemnity payable to the contractor if there is an early termination of the contract by the company, subject to certain conditions.

Fuel Purchase Contract

In 2004, we signed a fuel procurement contract for the Samira Hill mine covering a period of seven years. As at June 30, 2005, we are liable for an amount of \$450,000 which represents the indemnity payable to the contractor if there is an early termination of the contract by the company.

RISKS AND UNCERTAINTIES

As any other mining producing companies, we face the environmental, operational, financial and political risks inherent to the nature of our activities. These risks may affect our profitability and level of our operating cash flow. We also face risks stemming from other factors, such as fluctuations in gold prices, exchange rates, interests rates and financial market conditions in general.

Financial Risks

The following summarizes key financial risks:

Currency

Even if we operate in West Africa, all our revenues coming from the sales of gold, approximately 80% of our operating costs and 90% of our exploration and development costs are denominated in US dollars. Our main currency risks are related to head office administrative expenses, which are mainly in Canadian dollars, the expenses in West African currencies and to an advance to a subsidiary's minority shareholder, denominated in Canadian dollars.

Interest Rate

We, as a borrower, are subject to movement in interest rates. We have long-term debt bearing fixed interest rate and long-term debt bearing interest at a LIBOR based rate.

Consumables prices

The price of petroleum is affecting our operating costs because of the use of fuel to generate electrical energy to supply the whole plants.

Access to Capital Markets

To fund our growth, we are often dependent on securing the necessary capital through loans or permanent capital. The availability of this capital is subject to general economic conditions and lender and investor interest in our projects. To ensure the availability of capital, we maintain investors' relations program in order to inform all shareholders, and potential investors of the development of our company.

Operational Risks

Mining is subject to various operational risks and uncertainties, including:

Mineral Reserves

Mineral reserves are an estimate of mineral content based on limited information acquired through drilling and other sampling methods. Successful extraction is based on safe and efficient mining and processing. In order to minimize the risks, we establish quality control programs and we estimate our reserves in accordance with guidelines and standards within the mining industry and the security commission. Furthermore, we employ experienced mining engineers and we use the service of experienced mining sub-contractors to extract the ore from our deposits.

Safety and Other Hazards

The mining industry is characterized by significant risks. To minimize these risks, we provide training and awareness programs to our employees to continuously improve work practices and working environment.

Environmental Hazard

We are subject to various environmental incidents that can have a significant impact on our operations. To mitigate these risks, we maintain an environmental management system including an annual review, by independent experts, of operational plans and practices together with an emergency plan to deal with any incidents.

SUPPLEMENTARY INFORMATION

Exchange rates are as follows:

\$CA/\$US	2005	2004
December 31 (closing)	-	1.2036
March 31 (closing)	1.2096	1.3105
June 30 (closing)	1.2256	1.3404
Second quarter (average)	1.2439	1.3592
First six-month periods (average)	1,2355	1.3384

Additional Information and Continuous Disclosure

This MD&A has been prepared as of August 9, 2005. Additional information on the Company is available through regular filings of press releases, quarterly financial statements and its Annual Information Form on SEDAR (www.sedar.com).

Forward-looking Statements

This report contains « forward-looking statements », including, but not limited to, the statements regarding the Company's expectations as to the market price of gold, our strategic plans, use of hedging instruments, future commercial production, production targets, timetables, mine operating costs, property, plant and equipment expenditures, exploration budgets, mineral reserve and resource estimates and to the company's perspectives. Forward-looking statements express, as at the date of this report, our estimates, forecasts, projections, expectations and beliefs as to future events or results. Forward-looking statements are reasonable, but involve a number of risks and uncertainties, many of which are beyond the Company's control, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to, factors associated with fluctuations in the market price of precious metals, mining industry risks, uncertainty as to calculation of mineral reserves and resource, risks related to the grade of reserves, risks related to hedging strategies, risks of delays in construction and requirements of additional financing. The Company does not undertake to update any forward-looking statement that is contained in this MD&A.

SEMAFO inc.

Consolidated Balance Sheets

As at June 30, 2005 and December 31, 2004

(unaudited, expressed in thousands of U.S. dollars)

	As at June 30, 2005 \$	As at December 31, 2004 \$
Assets		
Current assets		
Cash and cash equivalents	6,702	4,507
Short-term investments (fair market value: \$ 6,582; December 31, 2004 – \$ 6,150) (note 3)	6,308	5,742
Accounts receivable	3,281	946
Inventories (note 4)	9,960	7,571
Other short-term assets (note 5)	2,507	1,635
	<u>28,758</u>	<u>20,401</u>
Property, plant and equipment (note 6)	74,367	77,468
Mining assets	10,200	10,632
Other assets (note 7)	522	1,115
	<u>113,847</u>	<u>109,616</u>
Liabilities		
Current liabilities		
Loans (note 8)	1,980	-
Accounts payable and accrued liabilities	12,988	11,536
Current portion of long-term debt	12,168	11,900
Deferred gains (note 9)	2,588	2,034
	<u>29,724</u>	<u>25,470</u>
Long-term debt	17,634	20,715
Deferred gains (note 9)	2,408	3,288
Advances payable	8,618	8,710
Asset retirement obligations for property, plant and equipment (note 10)	1,456	1,156
Minority interest	1,081	579
	<u>60,921</u>	<u>59,918</u>
Shareholders' Equity		
Share capital (note 11)	93,351	89,426
Contributed surplus (note 12)	976	884
Deficit	(41,401)	(40,612)
	<u>52,926</u>	<u>49,698</u>
	<u>113,847</u>	<u>109,616</u>

SEMAFO inc.**Consolidated Statements of Operations and Deficit**

(unaudited, expressed in thousands of U.S. dollars, except for amounts per share)

	Three-month period ended June 30		Six-month period ended June 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
Revenues				
Gold sales	15,827	4,050	28,408	7,194
Gain (loss) on deferred forward contracts (note 9)	(350)	21	567	(147)
	<u>15,477</u>	<u>4,071</u>	<u>28,975</u>	<u>7,047</u>
Expenses				
Mining operations	10,131	3,438	19,639	6,539
Amortization of property, plant and equipment	3,337	1,116	6,727	1,940
Administration	526	460	966	869
Stock-based compensation (note 12)	46	-	92	-
Accretion expense of asset retirement obligations (note 10)	23	10	46	20
Bad debt recovery	-	-	(295)	-
Write-down of short-term investments	-	-	371	-
	<u>14,063</u>	<u>5,024</u>	<u>27,546</u>	<u>9,368</u>
Earnings (losses) from operations	1,414	(953)	1,429	(2,321)
Interest, financing expenses and other income	26	(25)	97	(50)
Accretion of an amount receivable on disposal of investment in a subsidiary	(7)	(16)	(16)	(27)
Loss (gain) on disposal of investment in subsidiaries (note 13)	369	(1,869)	369	(7,323)
Amortization of deferred financing charges	36	-	65	-
Interest on long-term debt	624	168	1,306	389
Foreign exchange gain	(13)	(348)	(105)	(269)
	<u>379</u>	<u>1,137</u>	<u>(287)</u>	<u>4,959</u>
Net income (net loss) before minority interest	379	1,137	(287)	4,959
Minority interest in a subsidiary's net income (net loss)	347	(49)	502	(124)
	<u>32</u>	<u>1,186</u>	<u>(789)</u>	<u>5,083</u>
Net income (net loss) for the period	32	1,186	(789)	5,083
Deficit – Beginning of period	(41,433)	(31,774)	(40,612)	(35,671)
Deficit – End of period	(41,401)	(30,588)	(41,401)	(30,588)
Net income (net loss) per share				
Basic	0.01	0.01	(0.01)	0.06
Diluted	0.01	0.01	(0.01)	0.06

SEMAFO inc.**Consolidated Statements of Cash Flows**

(unaudited, expressed in thousands of U.S. dollars)

	Three-month period ended		Six-month period	
	June 30		ended June 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
Cash flows from				
Operating activities				
Net income (net loss) for the period	32	1,186	(789)	5,083
Items not affecting cash and cash equivalents				
Unrealized loss (gain) on deferred forward contracts	350	(21)	(567)	147
Amortization of property, plant and equipment	3,337	1,116	6,727	1,940
Stock-based compensation	46	-	92	-
Accretion expense of asset retirement obligations	23	10	46	20
Accretion of an amount receivable on disposal of investment in a subsidiary	(7)	(16)	(16)	(27)
Write-down of short-term investments	-	-	371	-
Loss (gain) on disposal of investment in subsidiaries	369	(1,869)	369	(7,323)
Amortization of deferred charges	36	-	65	-
Unrealized foreign exchange loss (gain)	75	(160)	(10)	(168)
Minority interest in a subsidiary's net income (net loss)	347	(49)	502	(124)
	4,608	197	6,790	(452)
Net changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations for property, plant and equipment (note 14a)				
	(433)	(1,644)	(3,536)	(258)
	4,175	(1,447)	3,254	(710)
Financing activities				
Loans	(409)	-	1,980	-
Long-term debt	-	1,235	-	5,035
Reimbursement of long-term debt	(1,563)	-	(2,813)	(5,000)
Share-capital issuance	3,925	-	3,925	-
	1,953	1,235	3,092	35
Investing activities				
Proceeds on disposal of short-term investments	-	-	-	353
Additions to mining assets	(445)	(5,114)	(943)	(12,576)
Disposal of interest in subsidiaries	-	-	-	300
Additions to property, plant and equipment	(1,816)	(1,185)	(3,105)	(2,569)
Decrease (increase) in other assets	(536)	243	(344)	(19)
Unrealized gain on forward sales contract	241	-	241	-
	(2,556)	(6,056)	(4,151)	(14,511)
Changes in cash and cash equivalents during the period				
	3,572	(6,268)	2,195	(15,186)
Effect of foreign exchange rate changes on cash and cash equivalents				
	-	43	-	(21)
Cash and cash equivalents – Beginning of period				
	3,130	8,439	4,507	17,421
Cash and cash equivalents – End of period				
	6,702	2,214	6,702	2,214

SEMAFO inc.

Notes to Consolidated Financial Statements

(unaudited, expressed in U.S. dollars except where otherwise indicated; amounts in tables are presented in thousands of U.S. dollars)

1 Basis of presentation

These consolidated interim financial 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, 2004.

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 period. 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 interim consolidated financial statements

New Classification

Some comparative figures have been reclassified to comply with the presentation adopted for the period ended June 30, 2005.

New presentation

Since the first quarter of 2005, the consolidated interim financial statements are expressed in thousands of American (U.S.) dollars, except where indicated otherwise. The amounts in the texts of the notes to the consolidated interim financial statements are expressed in U.S. dollars and the amounts in the tables of the notes are expressed in thousands of U.S. dollars. Comparative figures have also been expressed in thousands of U.S. dollars.

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, development and operations. These activities are conducted in West Africa. The company and its subsidiaries own and operate two gold mines in Guinea and Niger. The Niger mine started producing gold in October 2004.

The company and its subsidiaries have interests in mining properties currently at the exploration or development stage. Some 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.

SEMAFO inc.

Notes to Consolidated Financial Statements

(unaudited, expressed in U.S. dollars except where otherwise indicated; amounts in tables are presented in thousands of U.S. dollars)

3 Short-term investments

	As at June 30, 2005	As at December 31, 2004
	\$	\$
Shares of publicly traded companies, at cost	9,498	8,561
Write-down of short-term investments	(3,190)	(2,819)
	<u>6,308</u>	<u>5,742</u>

4 Inventories

	As at June 30, 2005	As at December 31, 2004
	\$	\$
Gold ingots	1,011	1,091
Gold in circuit	1,160	1,439
Stockpiles	4,689	2,752
Supplies and spare parts	3,100	2,289
	<u>9,960</u>	<u>7,571</u>

5 Other short-term assets

	As at June 30, 2005	As at December 31, 2004
	\$	\$
Amount receivable on disposal of investment in a subsidiary – Semafo Ghana Ltd.	472	472
Prepaid expenses	2,035	1,163
	<u>2,507</u>	<u>1,635</u>

SEMAFO inc.

Notes to Consolidated Financial Statements

(unaudited, expressed in U.S. dollars except where otherwise indicated; amounts in tables are presented in thousands of U.S. dollars)

6 Property, plant and equipment

	As at June 30, 2005		
	Cost	Accumulated Depreciation	Net
	\$	\$	\$
Property acquisition costs, deferred exploration and development costs	67,729	15,389	52,340
Buildings and equipment related to mining production	22,640	4,233	18,407
Rolling stock, communication and computer equipment	4,339	2,030	2,309
Deferred stripping costs	1,311	-	1,311
	<u>96,019</u>	<u>21,652</u>	<u>74,367</u>

	As at December 31, 2004		
	Cost	Accumulated Depreciation	Net
	\$	\$	\$
Property acquisition costs, deferred exploration and development costs	65,778	10,651	55,127
Buildings and equipment related to mining production	21,556	2,781	18,775
Rolling stock, communication and computer equipment	3,842	1,734	2,108
Deferred stripping costs	1,458	-	1,458
	<u>92,634</u>	<u>15,166</u>	<u>77,468</u>

7 Other assets

	As at June 30, 2005	As at December 31, 2004
	\$	\$
Deferred charges – net of accumulated amortization \$ 250 (December 31, 2004 – \$ 185)	522	670
Balance of interest in a disposed subsidiary – Semafo Ghana Ltd.	-	445
	<u>522</u>	<u>1,115</u>

SEMAFO inc.

Notes to Consolidated Financial Statements

(unaudited, expressed in U.S. dollars except where otherwise indicated; amounts in tables are presented in thousands of U.S. dollars)

8 Loans

The company has contracted two distinct loans during the first quarter of 2005. An authorized loan with an amount of \$1,980,000, bearing interests at a rate of 8%, guaranteed by Managem S.A. and refundable at the latest by December 31, 2005. A credit margin with an authorized amount of \$1,820,000 (CA\$2,200,000), bearing interest at a variable rate and guaranteed by temporary investments. As at June 30, 2005, the balances of these loans were respectively \$1,980,000 (nil in 2004) and \$0 (nil in 2004)

9 Deferred gains

During the first six months of 2005, the company deferred the delivery of part of its gold production to the second half of 2005, and also proceeded with anticipated quantities gold deliveries, initially scheduled for the second half of 2005. As a result of these deferrals and anticipated deliveries, an unrealized loss on deferred forward contracts for a total of \$720,000 has been recorded in the consolidated statement of operations of the first six months of 2005.

The company also delivered gold against the 2004 hedging positions which have been deferred to the first six months of 2005, therefore reversing the unrealized loss on the forward sales contracts of 2004 for an amount of \$1,275,000.

The swap of interest rate related to the gold forward contracts is effective since the beginning of the second quarter of 2005. This swap led to a gain of \$241,000 for the second quarter of 2005. From this gain, \$12,000 is accounted for in the consolidated statements of operations and an amount of \$229,000 is deferred and presented in liabilities.

The net gain of \$567,000 was accounted for in the consolidated statements of operations as gold sales increase and resulted in the decrease of the deferred gain for the same amount in liabilities.

10 Asset retirement obligations for property, plant and equipment

The table below presents the evolution of the assets retirement obligations for property, plant and equipment for the periods.

	As at June 30, 2005 \$	As at December 31, 2004 \$
Balance — Beginning of period	1,156	478
Increase due to accretion expense	46	38
New liability	280	670
Liabilities paid off	(26)	(30)
Balance — End of period	<u>1,456</u>	<u>1,156</u>

The undiscounted cash flows required to settle the asset retirement obligations are estimated at \$ 2,141,000. These payments are expected during the years 2005 to 2014. An 8% discount rate was used to evaluate these obligations.

SEMAFO inc.

Notes to Consolidated Financial Statements

(unaudited, expressed in U.S. dollars except where otherwise indicated; amounts in tables are presented in thousands of U.S. dollars)

11 Share capital

Authorized

Unlimited number of common shares without par value

Unlimited number of Class "A" preferred shares, no par value, non-voting, non-participating and redeemable at the option of the holder at a price of \$0.27 (CA\$0.33) per share

Unlimited number of Class "B", preferred shares, no par value, non-voting, non-participating and redeemable at the option of the company at a price of \$0.10 (CA\$0.12) per share

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

	As at June 30, 2005		As at December 31, 2004	
	Number (000)	Amount \$	Number (000)	Amount \$
Common shares				
Balance - Beginning of period	90,364	87,094	90,182	86,894
Issued for exercises of options	-	-	182	200
Issued for exercises of warrants	3,500	5,003	-	-
Balance - End of period	<u>93,864</u>	<u>92,097</u>	<u>90,364</u>	<u>87,094</u>
Warrants				
Balance - Beginning of period	7,591	2,332	7,500	2,310
Exercised during the period	(3,500)	(1,078)	-	-
Issued and paid in cash	-	-	91	22
Balance - End of period	<u>4,091</u>	<u>1,254</u>	<u>7,591</u>	<u>2,332</u>
Common shares and warrants	<u>97,955</u>	<u>93,351</u>	<u>97,955</u>	<u>89,426</u>

On June 1st 2005, 3,500,000 warrants have been exercised for a cash consideration of \$3,925,338 (CA\$4,900,000).

Warrants

Warrants outstanding as at June 30, 2005 :

Expiration date	Exercise price	Number of warrants (000)
December 2006	\$1.16 (CA\$1.40)	4,091

SEMAFO inc.

Notes to Consolidated Financial Statements

(unaudited, expressed in U.S. dollars except where otherwise indicated; amounts in tables are presented in thousands of U.S. dollars)

11 Shares-capital (continued)

Options

The following table sets forth the options granted to employees, officers, consultants and directors as part of their remuneration under the Option Plan:

	As at June 30, 2005 (000)	As at December 31, 2004 (000)
Balance – Beginning of period	2,432	1,552
Cancelled or expired	-	(1,065)
Issued	-	1,945
	<hr/>	<hr/>
Balance – End of period	2,432	2,432
	<hr/>	<hr/>
Options exercisable — End of period	1,845	1,845

12 Contributed surplus

The contributed surplus account is composed of :

	As at June 30, 2005 \$	As at December 31, 2004 \$
Balance – Beginning of period	884	-
Expired options	-	94
Charges from the evaluation of options	92	790
	<hr/>	<hr/>
Balance – End of period	976	884

13 Loss (gain) on disposal of investment in subsidiaries

On June 21, 2005, the company sold all of its investments in Ebi (Ghana) Limited, owner of the Tinga property, for a consideration valued at \$1,018,875, representing the issuance of 3,300,000 common shares of Birim Goldfields Inc. issued upon closing of the transaction. The book value of the investment in Ebi (Ghana) Limited being at \$1,388,376, this transaction resulted in a loss on disposal of investment of a subsidiary of \$369,501.

SEMAFO inc.

Notes to Consolidated Financial Statements

(unaudited, expressed in U.S. dollars except where otherwise indicated; amounts in tables are presented in thousands of U.S. dollars)

14 Financial information included in the consolidated statements of cash flow

a) Net changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations for property, plant and equipment

	Three-month period ended June 30		Six-month period ended June 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
Accounts receivable	1,227	(882)	(2,319)	(1,094)
Inventories	(1,657)	(421)	(2,643)	(992)
Accounts payable and accrued liabilities	17	(341)	1,452	1,828
Settlement of liabilities related to asset retirement obligations for property, plant and equipment	(20)	-	(26)	-
	(433)	(1,644)	(3,536)	(258)

b) Supplemental schedule of non-cash items on cash and cash equivalents

	Three-month period ended June 30		Six-month period ended June 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
Increase in advances payable allocated to mining assets	-	4	-	9
Unrealized foreign exchange gain allocated to advances payable	69	116	92	189
Unrealized foreign exchange loss allocated to temporary investments	144	-	82	-
Amortization of deferred charges allocated to mining assets	-	38	-	69
Amortization of property, plant and equipment allocated to mining assets	4	2	13	3
Amortization of property, plant and equipment allocated to inventories	(226)	33	(254)	(17)
Net asset retirement obligations	139	63	280	109
Share compensation on disposal of mining assets	1,019	-	1,019	-

c) Supplemental information

	Three-month period ended June 30		Six-month period ended June 30	
	2005	2004	2005	2004
	\$	\$	\$	\$
Interest paid during the period	395	311	845	525

SEMAFO inc.

Notes to Consolidated Financial Statements

(unaudited, expressed in U.S. dollars except where otherwise indicated; amounts in tables are presented in thousands of U.S. dollars)

15 Commitments

As at June 30, 2005, the company has the following commitments in relation with gold forwards sales contracts:

	2005	2006	2007	2008	2009	Total
Adjustable gold forwards ^{1,2}						
Ounces (in thousands)	22	29	25	24	18	118
Average price (\$ per ounce)	387	375	360	360	360	369
Fixed gold forwards ¹						
Ounces (in thousands)	39	60	56	24	18	197
Average price (\$ per ounce)	335	327	325	360	360	335
Total gold forwards						
Ounces (in thousands)	61	89	81	48	36	315
Average price (\$ per ounce)	354	343	336	360	360	348

¹ Forward positions totalling 226,500 ounces include a swap of interest rate. Pursuant to the swap agreement, the company is committed to pay the difference between the "LIBOR" U.S.D three (3) months interest rate and the "GOFO" three (3) months interest rate, whereas the counterparty is committed to pay a fixed interest rate of 1% per annum.

² The price of the adjustable gold forwards program may reach up to \$390 per ounce. The adjustments depend on the prevailing spot price on different dates during the term of the program.

SEMAFO inc.

Notes to Consolidated Financial Statements

(unaudited, expressed in U.S. dollars except where otherwise indicated; amounts in tables are presented in thousands of U.S. dollars)

16 Segmented information

The company operates two gold mines: Kiniero located in Guinea and Samira Hill located in Niger. The company also owns the Mana project, located in Burkina Faso for which a feasibility study has been realized.

	Kiniero Mine \$	Samira Hill Mine \$	Mana Project \$	Corporate and other \$	Total \$
Three-month period ended June 30, 2005					
Gold sales	7,659	8,168	-	-	15,827
Gain (loss) on deferred forward contracts	(685)	335	-	-	(350)
Revenues	6,974	8,503	-	-	15,477
Mining operations expenses	5,060	5,071	-	-	10,131
Amortization of property, plant and equipment	1,084	2,245	-	8	3,337
Earnings (losses) from operations	778	1,146	-	(510)	1,414
Net income (net loss)	578	420	-	(966)	32
Three-month period ended June 30, 2004					
Gold sales	4,050	-	-	-	4,050
Gain on deferred forward contracts	21	-	-	-	21
Revenues	4,071	-	-	-	4,071
Mining operations expenses	3,438	-	-	-	3,438
Amortization of property, plant and equipment	1,110	-	-	6	1,116
Losses from operations	(511)	(21)	-	(421)	(953)
Net income (net loss)	(328)	66	-	1,448	1,186

SEMAFO inc.

Notes to Consolidated Financial Statements

(unaudited, expressed in U.S. dollars except where otherwise indicated; amounts in tables are presented in thousands of U.S. dollars)

16 Segmented information (continued)

	Kiniero Mine \$	Samira Hill Mine \$	Mana Project \$	Corporate and others \$	Total \$
Six-month period ended June 30, 2005					
Gold sales	11,976	16,432	-	-	28,408
Gain on deferred forward contracts	8	559	-	-	567
Revenues	11,984	16,991	-	-	28,975
Mining operations expenses	9,282	10,357	-	-	19,639
Amortization of property, plant and equipment	2,237	4,475	-	15	6,727
Earnings (losses) from operations	674	2,065	-	(1,310)	1,429
Net income (net loss)	311	603	-	(1,703)	(789)
As at June 30, 2005					
Property, plant and equipment	17,294	56,795	79	199	74,367
Mining assets	-	-	7,964	2,236	10,200
Six-month period ended June 30, 2004					
Gold sales	7,194	-	-	-	7,194
Loss on deferred forward contracts	(147)	-	-	-	(147)
Revenues	7,047	-	-	-	7,047
Mining operations expenses	6,539	-	-	-	6,539
Amortization of property, plant and equipment	1,928	-	-	12	1,940
Losses from operations	(1,465)	(32)	-	(824)	(2,321)
Net income (net loss)	(1,402)	64	-	6,421	5,083
As at June 30, 2004					
Property, plant and equipment	19,492	-	29	111	19,632
Mining assets	-	53,883	6,202	3,321	63,406

Investor Information

Requests for copies of the Annual Report, Quarterly Reports and Company Information may be addressed to:

Benoit La Salle

Chairman of the Board and Chief Executive Officer

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