

3rd Quarter

September 30, 2006

MANAGEMENT'S 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 nine-month period ended September 30, 2006 compared to the corresponding period last year. This MD&A, prepared as of November 13, 2006, 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, 2005, our audited consolidated annual financial statements for the year ended December 31, 2005 and notes thereto, together with our consolidated interim financial statements and notes thereto for the nine-month period ended September 30, 2006. Our financial statements and this MD&A are intended to provide investors with reasonable basis for assessing our results of operation and our financial performance.

Our consolidated interim financial statements, prepared in accordance with Canadian generally accepted accounting principles, and all dollar amounts in this MD&A are expressed in American dollars, unless otherwise specified.

	Three-month period ended		Nine-month period ended	
	September 30		September 30	
	2006	2005	2006	2005
Operations				
Gold production (ounces)	15,200	47,600	73,200	125,700
Gold sales (ounces)	13,800	43,100	73,600	121,600
Cash operating cost (\$/ounce produced)	368	216	332	222
Average selling price (\$/ounce sold)	569	385	480	370
Results (in thousands \$)				
Gold sales	7,853	16,585	35,337	44,993
Net income (loss)	(4,139)	1,062	(2,531)	273
Cash flow from operating activities ¹	(444)	4,986	3,875	11,792

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

HIGHLIGHTS OF THE THIRD QUARTER 2006

- Production of 15,200 ounces of gold
- Average selling price of \$569 per ounce
- Net loss of \$4,139,000, of which \$2,284,000 results from the deferral of hedging positions
- Cash flows from operating activities in excess of \$2,500,000 generated by Kiniero
- Temporary shut down of the Samira Hill mine leading to non-recoverable fixed expenses of \$1,448,000 during the third quarter 2006 and a decrease in the production of 20,000 ounces for the third quarter
- Closing in July 2006 of a public offering and a bank loan for gross proceeds of \$43,000,000
- Subsequent to September 30, 2006, closing of a public offering for gross proceeds of \$68,134,000
- Orders placed for major equipment for the Mana project ; a ball mill, a crusher and a power station
- Increase of 70,000 ounces in mineral reserves at the Kiniero mine, representing an increase of 20%
- Increase of 120,000 ounces in mineral reserves of the Mana project, representing an increase of 14%

GOALS 2006

- Produce a total of 106,000 ounces of gold in 2006
- Negotiate a mining convention and secure the financing for the Mana project
- Construction start-up of the Mana project
- Continue the exploration programs and discover new mineral zones with an additional budget of \$1,500,000 in 2006

EXPLORATION

Semafo has invested approximately \$4,400,000 during the nine-month period ended September 30, 2006 (compared with \$3,400,000 in 2005) in the exploration and delineation of new resources and reserves on its mining properties. Emphasis has been placed on the peripheral sectors of mining operations and the Mana project. Work will continue during the fourth quarter of 2006.

GUINEA

Due to the successful exploration and delimitation work in Guinea, the Kiniero reserves and resources were updated in June 2006. As a result, the reserves increased by 70,000 ounces after a production of 28,000 ounces, thanks primarily to the Sabali East and West Balan deposits. The inferred resources increased by nearly 137,000 ounces, primarily from the Hereiko and Filon Bleu deposits. Approximately \$1,600,000 was invested in exploration in Guinea during the nine-month period ended September 30, 2006 (compared with \$2,100,000 in 2005), including the Siguiri and Kossaken projects. Work is continuing in the vicinity of Kiniero. There is a strong likelihood that additional ounces of reserves will be added by the end of the year, particularly for the Filon Bleu, Hereiko, Sabali East and West Balan deposits.

Work and reinterpretation are continuing at Sabali East, returning an ultimate pit shell of 120,400 ounces from 882,600 tonnes at an average grade of 4.24 g/t of gold at a gold price of \$525. According to the latest drilling at Sabali East and West Balan, the deposits are still open towards the north and south respectively.

At Hereiko, mineralized structures were intercepted by trenching over 350 metres including 6 metres at 2.21; 4 metres at 2.29; 3 metres at 3.12; 26 metres at 1.97; and 8 metres at 1.67 g/t Au. They remain open towards the north and south.

RC drilling was carried out in the Grand Filon-Djekouroumba sector following trenching (e.g., 5 metres at 27.13; 4 metres at 8.71; and 7 metres at 2.08 g/t Au) in order to locate the lateral extensions of certain former mineralized trenches and geochemical anomalies. The results are noteworthy: 10 metres at 2.13, 3 metres at 2.56 and 2 metres at 3.21 g/t Au.

Sud-gisement zone is characterized by the surface presence of a major geochemical soil anomaly. The depth of the anomaly is being verified via trenching. Based on the results available to date, the grades are noteworthy: GST1 trench with 2 metres at 27.05 g/t and 3 metres at 16.48 g/t; GST3 trench with 111 metres at 0.66 g/t, including 2 metres at 5.38 and 6 metres at 2.13 g/t Au. These grades correspond to structures running north/south to north/north-east filled with quartz and ankerite, comparable to those of the Gobele D deposit. The structures are covered on the surface by a thick lateritic cover up to several metres deep.

Further north, the Filon Bleu and PC216 deposits have been worked on. In the PC 216 zone, quartz and quartz carbonate structures recently provided a number of noteworthy grades: 8.47, g/t 8.12 g/t, 7.97 g/t, 6.05 g/t, 2.6 g/t and 1.22 g/t Au. These structures overlay perfectly the geochemical soil anomalies running north-east.

Niger

In Niger, the work completed since the fourth quarter of 2005 has sought to:

- Locate oxidized gold mineralization in the vicinity of the Samira and Libiri mines within a 20-km radius.
- Certify a portion of the project resources with a view to preparing them as reserves.

During the first nine months of 2006, approximately \$1,300,000 was invested (compared with \$600,000 in 2005) in exploration and delimitation.

In the Boulondjouna and Boundary zones, detailed mapping was carried out aimed at locating the favourable sedimentary horizon and correlating the mapping data with the geophysical and geochemical data. This enabled us to select targets in these zones and to begin RC drilling. Significant resources were extracted from the Boundary and Boulondjouna deposits. Core drilling will be carried out in late 2006 to determine densities and other parameters with a view to announcing new reserves at the end of 2006.

In the northern zone, prospecting has been concentrated in the Garé Gare area due to its proximity to other prospects in the northern zone and to the presence of a major gold artisan mining site that is still operating. Detailed mapping was initially carried out with a view to delimiting the zone. An intermediate dyke is hosting networks of gold veinlets. A survey of various structures in the opening of artisan mining openings was carried out to determine the primary orientation of the mineralized veinlets. This mineralization is perpendicular to the dyke. Rock samples have been collected and analyzed; the results indicate the presence of noteworthy valuable grades warranting extensive investigation.

Burkina Faso

Exploration works performed in the nine-month period ended September 30, 2006 resulted in an upgrade of the reserves by more than 120,000 ounces to a total of nearly 1,000,000 ounces of gold. The drilling work consisted of 14 core holes totalling 961 metres, including 9 holes totalling 483 metres for the metallurgical study of the Nyafé deposit and 295 RC holes totalling 16,300 metres. At the Wona deposit, 13 core holes were drilled totalling 3,234 metres, including 3 holes totalling 802 metres for the metallurgical study. Drilling at the Wona deposit targeted also depth potential. Based on the results, including WDC-24 with 4.83 g/t Au/12 metres at nearly 300 metres below the surface, the mineralization is continuing.

Nearly \$1,600,000 (compared with \$700,000 in 2005) has been invested during the nine-month period ended September 30, 2006, with work continuing until the end of the year.

In the Konkouliko sector, a systematic soil geochemical program relating to the R1 anomaly at Diagnos was carried out, together with 8 trenches. The TD10 trench returned 2 metres at 12.11 g/t Au, while the TD11 trench returned 2 metres at 2.19 g/t Au. Follow-up will be realized in 2007.

All sampling used to estimate resources and reserves meets the following criteria: preparation, reduction and fire assays are over 50 g sub-samples under the full responsibility of Abilab's laboratories in Bamako (Mali) or Ouagadougou (Burkina Faso). In addition to the Abilab laboratory programs, Semafo has an internal quality assurance and control program in place that uses duplicate sampling and applies certified industrial standards throughout the sampling program.

THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2006

REVIEW OF MINING OPERATIONS

Kiniero Mine

Three-month periods ended September 30	2006	2005
Operating statistics		
Ore mined (tonnes)	88,500	149,800
Ore processed (tonnes)	132,900	150,500
Head-grade (g/tonne)	2.53	3.60
Recovery (%)	93	93
Gold production (ounces)	10,200	16,300
Cash Operating Cost (\$/ounce produced)	399	253

During the three-month period ended September 30, 2006, a total of 88,500 tonnes of ore and 1,196,400 tonnes of waste were mined at Kiniero, representing a stripping ratio of more than 13:1. During the same period in 2005, 149,800 tonnes of ore and 1,118,800 tonnes of waste were mined, representing a stripping ratio of 8:1. The higher stripping ratio is due to the start-up of mining operations in the new Banfara and Gobele A North pits, which became necessary after water accumulated in certain pits and limited access to the ore.

In early September 2006, we took over operations from our mining contractor. As a result, mining operations were carried out in September using our own equipment and teams. A total of 472,000 tonnes and over 600,000 tonnes of ore were mined at Kiniero in September and October respectively, compared with a monthly average of 499,000 tonnes mined by our contractor earlier in 2006. We expect to maintain a very good extraction rate until the end of the year due to extensive equipment availability. In addition, high-grade ore zones will be accessible.

During the third quarter of 2006, 132,900 tonnes of ore with an average grade of 2.53 g/t were processed at Kiniero, compared with 150,500 tonnes of ore with an average grade of 3.60 g/t during the same period in 2005. The Kiniero region was affected by the rainy season, which was earlier and heavier than last year's. This complicated anticipated operations and required us to develop new pits. The shortage of ore mined from the pits was offset at the plant by ore from the stockpiled inventories of lower-grade material, significantly reducing the average grade during the third quarter of 2006.

During the three-month period ended September 30, 2006, we produced 10,200 ounces of gold at a cash operating cost of \$399 per ounce, compared with 16,300 ounces at a cash operating cost of \$253 per ounce during the same period in 2005. The decrease in the ounces produced and the change in the cash operating cost in 2006 are largely due to the processing of lower-grade ore. The cash operating cost per tonne processed was \$31 for the third quarter of 2006, compared with \$27 during the same period in 2005. The increase in the price of fuel and reagents within the mining industry over the past year accounts for the increase in the cash operating cost.

Samira Hill Mine

Three-month periods ended September 30	2006	2005
Operating statistics		
Ore mined (tonnes)	163,900	368,800
Ore processed (tonnes)	97,600	410,500
Head-grade (g/tonne)	2.25	2.62
Recovery (%)	84	90
Gold production (ounces)	5,000	31,300
Cash Operating Cost¹ (\$/ounce produced)	306	197

¹ excluding fixed expenses incurred during the temporary shutdown period

During the third quarter of 2006, a total of 163,900 tonnes of ore and 1,728,100 tonnes of waste were mined from the Samira Main and Libiri pits at Samira Hill, representing an average stripping ratio of 10:1, compared with 368,800 tonnes of ore and 1,528,800 tonnes of waste during the third quarter of 2005, representing a stripping ratio of 4:1. Given significant stockpiles of ore (representing approximately five months of production), mining operations were mainly focused on waste extraction.

Following the temporary shutdown that occurred during the second quarter of 2006, major efforts were deployed in order to resume operations on August 15, 2006. Unfortunately, a weakness in the raw material used to manufacture components of the gearbox led to a break of a shaft in this said gearbox resulting in a subsequent shutdown beginning September 2006 and thus limiting the plant operation during the quarter to only three weeks. This second shutdown had a major impact on the third quarter production. The Samira Hill plant restarted at the end of October and to date the plant is operating very well.

During the third quarter of 2006, a total of 97,600 tonnes of ore with an average grade of 2.25 g/t were processed at Samira Hill, compared with 410,500 tonnes of ore with an average grade of 2.62 g/t during the same period in 2005. The decrease in the tonnage processed is exclusively due to the temporary shutdown of the plant following damage to the ball mill's gearbox unit. The decrease in the grade processed is largely due to the processing of ore mined in part from the Libiri pit, which has a lower grade than the Samira pits.

The recovery rate fell from 90% during the third quarter of 2005 to 84% during the same period in 2006. The decrease is largely due to the processing of sulphide ore mined from the transition zone at the Samira Main pit. The recovery rate is in line with the metallurgical studies launched at the beginning of the year.

During the third quarter of 2006, a total of 5,000 ounces of gold were produced at Samira Hill at a cash operating cost of \$306 per ounce, compared with 31,300 ounces of gold at a cash operating cost of \$197 per ounce during the same period in 2005. As previously mentioned, the decrease in the ounces produced compared to the previous period is largely due to the temporary shutdown of the plant. The higher cash operating cost per ounce is largely due to the processing of lower-grade ore and by the lower recovery rate. The cash operating cost per tonne processed was \$16 for the third quarter of 2006, compared with \$15 during the same period in 2005. The higher cash operating cost per ounce is largely due to the additional blasting work in addition to higher fuel and reagent costs.

STATEMENTS OF OPERATIONS

Significant Financial Data

(in accordance with Canadian generally accepted accounting principles)

Three-month periods ended September 30	2006	2005
Statements of operations and cash flows		
(in thousands \$, except for amounts per share)		
Gold sales	7,853	16,585
Net gain (loss) on gold sales contracts	(2,284)	101
Revenue	5,569	16,686
Net income (loss)	(4,139)	1,062
Net income (loss) per share		
Basic		0.01
Diluted		0.01
Operating cash flow ¹	(444)	4,986
	As at September 30,	As at December 31,
	2006	2005
Balance sheet		
Cash and cash equivalents	32,366	22,208
Total assets	168,889	128,054
Total long-term debt (including current portion)	29,688	11,340
Shareholders' equity	114,752	92,686

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 September 30, 2006, Semafo presents a net loss of \$4,139,000 or \$0.03 per share compared with net income of \$1,062,000 or \$0.01 per share for the same period in 2005. The loss in the third quarter of 2006 includes \$2,284,000 which resulted from the deferral of the delivery of part of its gold production following the temporary shutdown of the Samira Hill operations. The increase of 48 % in the average selling price offset the increase in operating cost and by the non-recoverable fixed expenses of \$1,448,000 incurred during the temporary shut down of the Samira Hill operations.

Segmented information

Three-month period ended September 30, 2006				
(in thousands \$)	Kiniero mine Guinea	Samira Hill mine Niger	Others	Total
Gold sales	6,602	1,251	-	7,853
Net loss on gold sales contracts	-	(2,284)	-	(2,284)
Revenue	6,602	(1,033)	-	5,569
Mining operation expenses	4,007	2,782	-	6,789
Amortization of property, plant and equipment	744	608	7	1,359
Mining operations				
Gold sales (ounces)	10,500	3,300	-	13,800
Average selling price (\$/ounce sold)	629	379	-	569
Total cash cost (\$/ounce sold) ⁽¹⁾	382	344	-	373

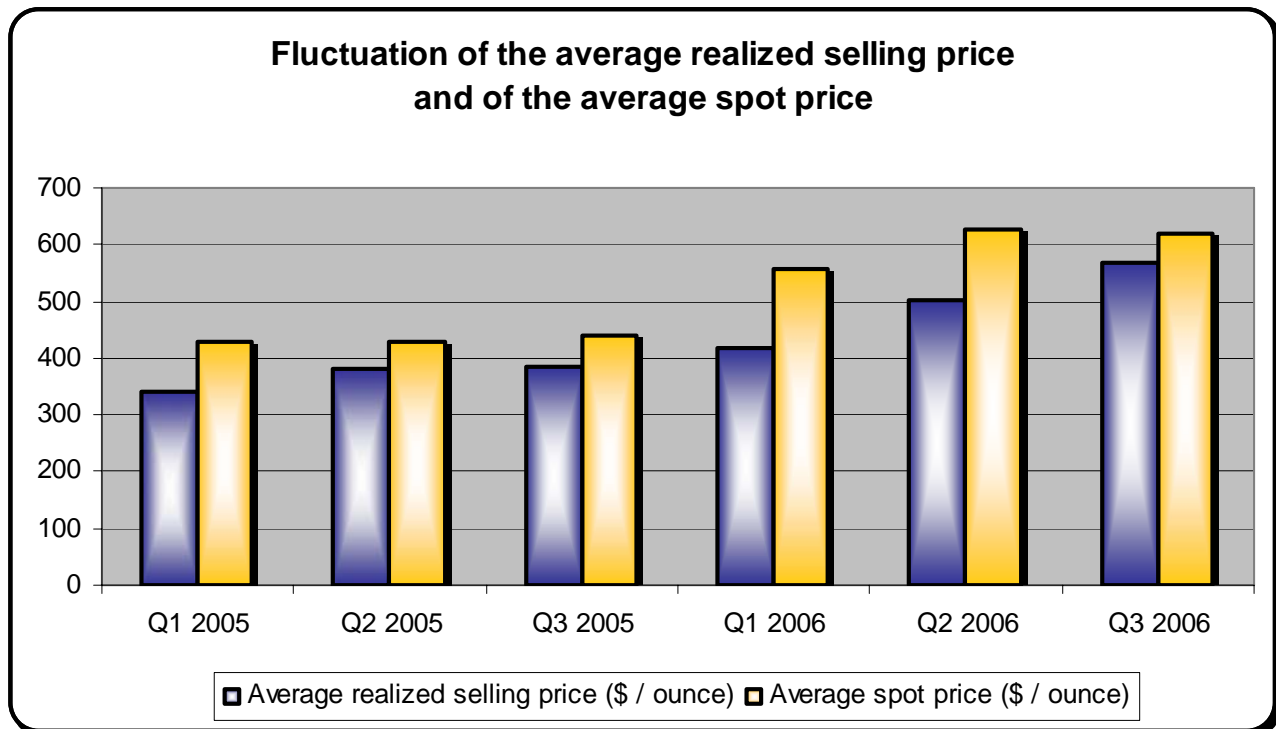
Three-month period ended September 30, 2005				
(in thousands \$)	Kiniero mine Guinea	Samira Hill mine Niger	Others	Total
Gold sales	5,944	10,641	-	16,585
Net gain (loss) on gold sales contracts	(200)	301	-	101
Revenue	5,744	10,942	-	16,686
Mining operation expenses	4,603	5,940	-	10,543
Amortization of property, plant and equipment	1,091	2,761	7	3,859
Mining operations				
Gold sales (ounces)	16,200	26,900	-	43,100
Average selling price (\$/ounce sold)	367	396	-	385
Total cash cost (\$/ounce sold) ⁽¹⁾	276	221	-	242

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

Gold sales

During the third quarter of 2006, gold sales totalled \$7,853,000, representing 13,800 ounces of gold at a record average price of \$569 per ounce. During the same period in 2005, gold sales totalled \$16,585,000, representing 43,100 ounces of gold at an average price of \$385 per ounce. The 48% increase in the average selling price is due to the increase in the market price of gold and the settlement of most of the Kiniero gold sales contracts in December 2005, which enabled us to sell the entire Kiniero production at the market price. The decrease in the number of ounces sold, largely due to the temporary shutdown at the Samira Hill mine, offset the increase in the selling price.

The following chart shows the constant increase in the average market price of gold and our average realized selling price per quarter.



Kiniero mine

During the third quarter of 2006, 10,500 ounces of gold from the Kiniero mine were sold at an average price of \$629 per ounce, compared with 16,200 ounces of gold sold at an average price of \$367 per ounce during the same period in 2005. The significant increase in the average realized selling price is due to the settlement of most of the Kiniero gold sales contracts. During the third quarter of 2005, 8,800 ounces of gold were sold under our sales contracts at an average price of \$295 per ounce.

Samira Hill mine

During the third quarter of 2006, 3,300 ounces of gold from the Samira Hill mine were sold at an average price of \$379 per ounce, compared with 26,900 ounces of gold sold at an average price of \$396 per ounce during the same period in 2005. The decrease in the number of ounces sold is due to the temporary shutdown at the Samira Hill mine. During the third quarter of 2006, all ounces were delivered under our gold sales contracts. During the third quarter of 2005, 21,100 ounces were delivered under our gold sales contracts.

Net gain (loss) on gold sales contracts

During the third quarter of 2006, the net loss on the gold sales contracts totalled \$2,284,000 compared to a net gain of \$101,000 for the same period in 2005. The losses and gains on gold sales contracts depend on the spot price on the deferral date compared to our contract sales price. This amount does not represent an obligation for payment, but the replacement value of the contract, based on market conditions prevailing on the deferral dates.

Samira Hill mine

Following the temporary shutdown at Samira Hill operations, the company deferred positions to the fourth quarter of 2006 and to the year 2007, resulting in an unrealized loss on the gold sales contracts of an amount of \$2,380,000.

The interest rate swap related to the gold sales contracts is effective since the beginning of the second quarter 2005. This swap leads to a total gain of \$206,000 during the three-month period ended September 30, 2006. From the accumulated gain, \$96,000 is accounted for in the consolidated statements of operations.

The net loss of \$2,284,000 was accounted for in the consolidated statements of operations as a decrease in gold sales and resulted in an increase of deferred revenues for the same amount in the liabilities.

As at September 30, 2006, the gold sales contracts of Samira Hill provide for the delivery of 16,000 ounces of gold before December 31, 2006.

Mining Operation expenses

Mining operating expenses for the three-month period ended September 30, 2006, totalled \$6,789,000, compared to \$10,543,000 for the same period in 2005. These expenses represent the production costs of 13,800 ounces of gold in the third quarter of 2006 at a total cash cost of \$373 per ounce compared to the production of 43,100 ounces of gold at a total cash cost of \$242 per ounce for the same period in 2005.

Kiniero mine

Mining operating expenses at the Kiniero mine totalled \$4,007,000 for the three-month period ended September 30, 2006 compared to \$4,603,000 for the same period in 2005. These expenses represent the production costs of 10,500 ounces of gold during the third quarter of 2006 at a total cash cost of \$382 per ounce compared to the production of 16,200 ounces for the same period in 2005 at a total cash cost of \$276 per ounce. The increase in production costs is mainly due to the processing of lower-grade ore and the increase in the price of reagents experienced throughout the industry.

Reconciliation of total cash cost per ounce to financial statements

Three-month periods ended September 30	2006	2005
Mining operation expenses as per financial statements (in thousands \$)	4,007	4,603
Inventory write-down variation (in thousands \$)	-	(129)
Mining operation expenses for per ounce calculation (in thousands \$)	4,007	4,474
Ounces sold (ounces)	10,500	16,200
Total cash cost (\$/ounce sold)	382	276

Samira Hill mine

Mining operating costs at the Samira Hill mine totalled \$2,782,000 for the three-month period ended September 30, 2006 compared to \$5,940,000 for the same period in 2005. These expenses represent the production costs of 3,300 ounces at a total cash cost of \$344 per ounce compared with production costs of 26,900 ounces at a total cash cost of \$221 per ounce during the same period in 2005. For the third quarter of 2006, the operating costs include \$1,448,000 of fixed expenses incurred during the temporary shutdown period. The increase in operating costs is largely due to the lower recovery rate and the lower grade of ore processed, as well as blasting work and the increase in the cost of the fuel and reagents.

Reconciliation of total cash cost per ounce to financial statements

Three-month periods ended September 30	2006	2005
Mining operation expenses as per financial statements (in thousands \$)	2,782	5,940
Fixed expenses incurred during the temporary shutdown period (in thousands \$)	(1,448)	-
Inventory write-down variation (in thousands \$)	(198)	-
Mining operation expenses for per ounce calculation (in thousands \$)	1,136	5,940
Ounces sold (ounces)	3,300	26,900
Total cash costs (\$/ounce sold)	344	221

Amortization of property, plant and equipment

The amortization expense related to mining operations amounted to \$1,352,000 for the three-month period ended September 30, 2006 compared to an amortization expense of \$3,852,000 for the same period in 2005. The amortization expense per ounce sold is \$98 per ounce for the third quarter of 2006 compared to \$89 for the same quarter in 2005.

Almost all of the amortization expense arises from Kiniero's and Samira Hill's property, plant and equipment used in the operations. The majority of this property, plant and equipment mainly represents deferred exploration and development expenditures and buildings and equipment 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 mine

The Kiniero amortization expense totalled \$744,000 for the third quarter of 2006 compared to \$1,091,000 for the same period in 2005. The amortization expense per ounce is \$71 for the third quarter of 2006 compared to \$67 for the same period in 2005.

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

Three-month periods ended September 30	2006	2005
Amortization of property, plant and equipment as per financial statements (in thousands \$)	744	1,091
Ounces sold (ounces)	10,500	16,200
Amortization per ounce sold (\$/ounce sold)	71	67

Samira Hill mine

The Samira Hill amortization expense totalled \$608,000 during the third quarter of 2006, or \$184 per ounce, compared with an amortization expense of \$2,761,000, or \$103 per ounce for the same period in 2005. The increase is mainly due to the amortization of certain assets using the declining balance method, paired with a significant reduction of ounces sold.

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

Three-month periods ended September 30	2006	2005
Amortization of property, plant and equipment as per financial statements (in thousands \$)	608	2,761
Ounces sold (ounces)	3,300	26,900
Amortization per ounce sold (\$/ounce sold)	184	103

Administration

Administration expenses totalled \$1,280,000 during the third quarter of 2006, compared with \$698,000 during the same period in 2005. The increase is due to the increase in our activities.

Gain on disposal of short-term investments

In September 2006, the company recorded a gain on disposal of short-term investments in the amount of \$506,000 following the disposal of shares of a publicly traded company for a cash consideration of \$1,046,000.

Interest on long-term debt

Interest on long-term debt totalled \$541,000 during the third quarter of 2006, compared with \$657,000 during the same period in 2005. The decrease is due to the significant reduction in the company's total indebtedness in December 2005, offset by a \$20,000,000 loan contracted in July 2006.

CASH FLOWS STATEMENTS

Operating

Before net changes in non-cash working capital items and the settlement of a liability related to asset retirement obligations for property, plant and equipment, cash flows used in operating activities totalled \$444,000 during the third quarter of 2006, compared with \$4,986,000 in cash flows generated during the same period in 2005. The increase in cash flows generated by Kiniero following the settlement of our gold sales contract program was offset by a reduction in the cash flows generated by Samira Hill.

Working capital items used cash flows of \$1,996,000 during the third quarter of 2006, mainly due to an increase in inventories and other assets. During the same period in 2005, working capital items generated cash flows of \$565,000.

Financing

In order to finance the acquisition of mining equipment, we contracted a \$20,000,000 loan during the third quarter of 2006, repayable over a five-year period. Related financing expenses totalled \$1,258,000, including the fair value of 800,000 warrants (estimated at \$656,000) issued to the lender. Each warrant entitles the holder to acquire a common share of the company at a price of \$2.02 (CA\$2.25) prior to July 19, 2011.

In July 2006, the company closed a public offering under which 12,500,000 common shares were issued, generating total cash flows of \$23,014,000 (CA\$25,625,000) before payment of share issue expenses totalling \$1,723,000. In addition to the broker fees, the company issued 343,750 warrants. Each warrant entitles the holder to acquire a common share of the company at a price of \$1.84 (CA\$2.05) prior to July 13, 2007. The fair value of the warrants is estimated at \$160,000.

In addition, during the third quarter of 2006, 100,000 warrants and 33,000 stock options were exercised for a total consideration of \$200,000. During the same period in 2005, 14,000 warrants were exercised for a consideration of \$17,000.

Investing

During the third quarter of 2006, cash flows used in investing activities of \$3,032,000 were related to mining assets, compared with \$606,000 during the same period in 2005.

During the third quarter of 2006, we invested \$458,000 in exploration on the Mana property and \$2,497,000 for the finalization of the feasibility study and the engineering work. In addition, we invested \$77,000 in exploration on our other properties still at the exploration stage. During the same period in 2005, we invested \$190,000 for the feasibility study and in exploration on the Mana property. We also invested \$416,000 in exploration on our other properties still at the exploration stage.

Investments in property, plant and equipment totalled \$13,765,000 during the third quarter of 2006, compared with \$3,013,000 during the same period in 2005. The investments made in 2006 mainly include the increase in the stripping costs of \$2,558,000, \$749,000 in exploration expenditures at the Kiniero and Samira Hill sites and the acquisition of mining equipment in the amount of \$6,457,000. During the same period in 2005, the investments mainly related to exploration expenditures at the Kiniero and Samira Hill sites and the investment related to the Samira Hill facilities.

MANA PROJECT DEVELOPMENT

The development of the Mana project rapidly progresses and significant milestones were achieved during the third quarter of 2006.

The company acquired the main equipment required for the project such as a ball mill, a crusher and a power station. CIL tanks, a carbon regeneration system, an elution system and cyclones have also been ordered.

Certain detailed engineering work is also underway.

The contracts related to the civil engineering work and the infrastructure works, such as the lodging facilities have also been awarded and such work has already begun. We are currently negotiating several other major contracts such as the contract for gasoil and lubricant procurement and delivery.

The majority of the mining equipment has arrived in Ghana and we foresee their arrival in Burkina Faso at the beginning of December. The assembly of this mining equipment will be finalized in December in order to begin the works related to the water dam and the tailings pond in January 2007.

As at September 30, 2006, we had received the favorable notice from the Minister of Environment, which constitutes a significant milestone in the process of obtaining the exploitation permit. On November 9, 2006 we presented this project to the National Mining Commission which represents the last step prior to obtaining an exploitation permit. We foresee obtaining this permit by the end of December 2006.

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2006

REVIEW OF MINING OPERATIONS

Kiniero Mine

Nine-month periods ended September 30	2006	2005
Operating statistics		
Ore mined (tonnes)	309,700	520,100
Ore processed (tonnes)	437,700	474,500
Head-grade (g/tonne)	2.87	3.61
Recovery (%)	94	93
Gold production (ounces)	38,300	51,300
Cash Operating Cost (\$/ounce produced)	343	249

During the nine-month period ended September 30, 2006, a total of 309,700 tonnes of ore and 4,146,400 of waste were mined at Kiniero, representing a stripping ratio of 13:1. During the same period in 2005, a total of 520,100 tonnes of ore and 3,599,500 tonnes of waste were mined, representing a stripping ratio of 7:1. The Banfara, East-West, Jean West and Gobele A North pits were the extraction areas during the first nine months of 2006. Following a heavy rainy season that limited access to certain pits, the mining plan was modified and new pit excavation began earlier than expected.

During the nine-month period ended September 30, 2006, a total of 437,700 tonnes of ore with an average grade of 2.87 g/t were processed at Kiniero, compared with 474,500 tonnes of ore with an average grade of 3.61 g/t during the same period in 2005. The decrease in the grade and the tonnage of the ore processed is largely due to the heavy rainy season, which resulted in modifications to the mining plan, the development of new pits and the extraction of larger quantities of waste. Following these changes, the plant was partly supplied by ore from the stockpiled inventories of low-grade material, thereby reducing the average grade of the processed ore.

During the nine-month period ended September 30, 2006, the plant achieved a recovery rate of 94%, compared with 93% during the same period in 2005.

During the nine-month period ended September 30, 2006, a total of 38,300 ounces of gold were produced at a cash operating cost of \$343 per ounce, compared with 51,300 ounces at a cash operating cost of \$249 per ounce during the same period in 2005. The decrease in the ounces produced and the change in the cash operating cost in 2006 are largely due to the processing of lower-grade ore. The cash operating cost per tonne of ore processed was \$30, compared with \$27 during the same period in 2005. In addition, the increase in the cash operating cost is also due to higher fuel and reagent prices.

Outlook

As previously mentioned, the 2006 production target at Kiniero was reduced to 53,000 ounces of gold following the heavy rainy season, which limited anticipated access to the high-grade ore zones.

Samira Hill mine

Nine-month periods ended September 30	2006	2005
Operating statistics		
Ore mined (tonnes)	781,900	1,257,400
Ore processed (tonnes)	653,700	1,078,000
Head-grade (g/tonne)	2.09	2.36
Recovery (%)	81	89
Gold production (ounces)	34,900	74,400
Cash Operating Cost (\$/ounce produced) ¹	319	203

¹Excluding fixed expenses incurred during the temporary shutdown period.

During the first nine months of 2006, a total of 781,900 tonnes of ore and 4,906,100 tonnes of waste were mined from the Samira Main, Samira East and Libiri pits at Samira Hill, compared with 1,257,400 tonnes of ore and 4,608,900 tonnes of waste during the same period in 2005.

During this same period, a total of 653,700 tonnes of ore with an average grade of 2.09 g/t were processed at Samira Hill, compared with 1,078,100 tonnes of ore with an average grade of 2.36 g/t during the first nine months of 2005. The decrease in the tonnage of ore processed is largely due to the unexpected shutdown of the plant following damage to the ball mill's gearbox unit, while the lower average grade is largely due to the processing of ore mined from the Libiri pit.

The lower recovery rate is due to the processing of sulphide ore mined from the transition zone at the Samira Main pit.

During the first nine months of 2006, a total of 34,900 ounces of gold were produced at Samira Hill at a cash operating cost of \$319 per ounce, compared with 74,400 ounces of gold at a cash operating cost of \$203 during the same period in 2005. As previously mentioned, the decrease in the ounces produced is largely due to the temporary shutdown of the plant. The cash operating cost per tonne of ore processed was \$17 compared with \$14 during the same period in 2005. This increase is largely due to the additional blasting work and higher fuel and reagent costs.

Outlook

As previously mentioned, following the temporary shutdown of the plant, we reduced our production target to 53,000 ounces. We expect to process higher-grade ore and to have better plant availability during the fourth quarter of 2006.

STATEMENTS OF OPERATIONS

Significant Financial Data

(in accordance with Canadian generally accepted accounting principles)

Nine-month periods ended September 30	2006	2005
Statements of operations and cash flows (in thousands \$, except for amounts per share)		
Gold sales	35,337	44,993
Net gain (loss) on gold sales contracts	(1,724)	668
Revenue	33,613	45,661
Net income (loss)	(2,531)	273
Net income (loss) per share		
Basic	(0.02)	0.01
Diluted	(0.02)	0.01
Operating cash flow ¹	3,875	11,792

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 nine-month period ended September 30, 2006, Semafo presents a net loss \$2,531,000 or \$0.02 per share, compared to a net income \$273,000 or \$0.01 per share for the corresponding period in 2005. As mentioned previously, the increase in the average selling price offset the increase in operating cost as well as by the non-recoverable fixed expenses incurred during the temporary shut down of the Samira Hill operations. The net loss of the nine-month period ended September 30, 2006 includes \$1,724,000 which resulted from the deferral of the delivery of part of its gold production compared to a gain of \$668,000 for the corresponding period in 2005.

Segmented information

Nine-month period ended September 30, 2006				
(in thousands \$)	Kiniero mine Guinea	Samira Hill mine Niger	Others	Total
Gold sales	21,406	13,931	-	35,337
Net gain on gold sales contracts	-	(1,724)	-	(1,724)
Revenue	21,406	12,207	-	33,613
Mining operation expenses	13,256	15,333	-	28,589
Amortization of property, plant and equipment	2,573	4,174	20	6,767
Mining operations				
Gold sales (ounces)	36,700	36,900	-	73,600
Average selling price (\$/ounce sold)	583	378	-	480
Total cash cost (\$/ounce sold) ¹	375	349	-	362

Nine-month period ended September 30, 2005				
(in thousands \$)	Kiniero mine Guinea	Samira Hill mine Niger	Others	Total
Gold sales	17,920	27,073	-	44,993
Net gain on gold sales contracts	(192)	860	-	668
Revenue	17,728	27,933	-	45,661
Mining operation expenses	13,885	16,297	-	30,182
Amortization of property, plant and equipment	3,328	7,236	22	10,586
Mining operations				
Gold sales (ounces)	50,500	71,100	-	121,600
Average selling price (\$/ounce sold)	354	381	-	370
Total cash cost (\$/ounce sold) ¹	281	229	-	251

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

Gold sales

During the nine-month period ended September 30 2006, gold sales totalled \$35,337,000, representing 73,600 ounces of gold at an average price of \$480 per ounce. During the same period in 2005, gold sales totalled \$44,993,000 representing 121,600 ounces of gold at an average price of \$370 per ounce. The decrease in the number of ounces sold, largely due to the temporary shutdown at the Samira Hill mine, partially offset the increase in the selling price.

Kiniero mine

During the nine-month period ended September 30 2006, 36,700 ounces of gold from the Kiniero mine were sold at an average price of \$583 per ounce, compared with 50,500 ounces of gold sold at an average price of \$354 per ounce during the same period in 2005. The significant increase in the average realized selling price is due to the settlement of most of the Kiniero gold sales contracts in December 2005 which enabled us to sell the Kiniero production at spot price and therefore benefit from the higher price of gold on the market. During the nine-month period ended September 30 2005, 28,406 ounces of gold were sold under our sales contracts at an average price of \$295 per ounce.

Samira Hill mine

During the nine-month period ended September 30 2006, 36,900 ounces of gold from the Samira Hill mine were sold at an average price of \$378 per ounce, compared with 71,100 ounces of gold sold at an average price of \$381 per ounce during the same period in 2005. During the nine-month periods ended September 30, 2006 and 2005, virtually all ounces were delivered under our gold sales contracts.

Net gain (loss) on gold sales contracts

During the nine-month period ended September 30, 2006, the net loss on the gold sales contracts totalled \$1,724,000 compared to a net gain of \$668,000 for the same period in 2005. The losses and gains on gold sales contracts depend on the spot price on the deferral date compared to our contract sales price. This amount does not represent an obligation for payment, but the replacement value of the contract, based on market conditions prevailing on the deferral dates.

Samira Hill mine

During the nine-month period ended September 30, 2006, the company deferred positions to the fourth quarter of 2006 and to the year 2007, resulting in an unrealized loss on the gold sales contracts of an amount of \$2,645,000.

The company also delivered gold against 2005 positions which have been deferred to 2006, therefore reversing the unrealized loss on the gold sales contracts of 2005 for an amount of \$690,000.

The interest rate swap related to the gold sales contracts is effective since the beginning of the second quarter 2005. This swap leads to a total gain of \$668,000 during the nine-month period ended September 30, 2006. From the accumulated gain, \$231,000 is accounted for in the consolidated statements of operations.

The net loss of \$1,724,000 was accounted for in the consolidated statements of operations as a decrease in gold sales and resulted in an increase of deferred revenues for the same amount in the liabilities.

As at September 30, 2006, the gold sales contracts of Samira Hill provide for the delivery of 16,000 ounces of gold before December 31, 2006.

Mining Operation Expenses

Mining operating expenses for the nine-month period ended September 30, 2006 totalled \$28,589,000 compared with \$30,182,000 for the same period in 2005. These costs represent the production of 73,600 ounces of gold in the nine-month period ended September 30, 2006 at a total cash cost of \$362 per ounce compared with the production of 121,600 ounces of gold at a total cash cost of \$251 per ounce for the same period in 2005.

Kiniero mine

Mining operating costs at Kiniero totalled \$13,256,000 for the nine-month period ended September 30, 2006 compared to \$13,885,000 for the same period in 2005. They represent the production costs of 36,700 ounces of gold in the nine-month period ended September 30, 2006 at a total cash cost of \$375 per ounce compared with production costs of 50,500 ounces for the same period in 2005 at a total cash cost of \$281 per ounce.

Reconciliation of total cash cost per ounce to financial statements

Nine-month periods ended September 30	2006	2005
Mining operation expenses as per financial statements (in thousands \$)	13,256	13,885
Inventory write-down variation (in thousands \$)	494	319
Mining operation expenses for per ounce calculation (in thousands \$)	13,750	14,204
Ounces sold (ounces)	36,700	50,500
Total cash costs (\$/ounce sold)	375	281

Samira Hill mine

Mining operating costs at Samira Hill totalled \$15,333,000 for the nine-month period ended September 30, 2006 compared with \$16,297,000 for the same period in 2005. They represent production costs of 36,900 ounces for the nine-month period ended September 30, 2006 at a total cash cost of \$349 per ounce, compared with production costs of 71,100 ounces at a total cash cost of \$229 per ounce for the same period in 2005. During the nine-month period ended September 30, 2006, the operating costs include \$2,258,000 of fixed expenses incurred during the temporary shutdown period.

Reconciliation of total cash cost per ounce to financial statements

Nine-month periods ended September 30	2006	2005
Mining operation expenses as per financial statements (in thousands \$)	15,333	16,297
Fixed expenses incurred during the temporary shutdown period (in thousands \$)	(2,258)	-
Inventory write-down variation (in thousands \$)	(198)	
Mining operation expenses for per ounce calculation (in thousands \$)	12,877	16,297
Ounces sold (ounces)	36,900	71,100
Total cash costs (\$/ounce sold)	349	229

Amortization of property, plant and equipment

The amortization expense related to mining operations amounted to \$6,747,000 for the nine-month period ended September 30, 2006 or \$92 per ounce compared to \$10,564,000 for the same period in 2005 or \$87 per ounce.

Kiniero mine

The Kiniero amortization expense totalled \$2,573,000 for the nine-month period ended September 30, 2006 compared to \$3,328,000 for the same period in 2005. The amortization expense per ounce is \$70 for the first nine-months of 2006 compared to \$66 in 2005.

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

Nine-month periods ended September 30	2006	2005
Amortization of property, plant and equipment as per financial statements (in thousands \$)	2,573	3,328
Ounces sold (ounces)	36,700	50,500
Amortization per ounce sold (\$/ounce sold)	70	66

Samira Hill mine

The Samira Hill amortization expense totalled \$4,174,000 for the nine-month period ended September 30, 2006, or \$113 per ounce compared to \$7,236,000 for the same period in 2005, or \$102 per ounce. The increase is mainly due to the amortization of certain assets on a declining balance method, paired with a significant reduction of the ounces sold.

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

Nine-month periods ended September 30	2006	2005
Amortization of property, plant and equipment as per financial statements (in thousands \$)	4,174	7,236
Ounces sold (ounces)	36,900	71,100
Amortization per ounce sold (\$/ounce sold)	113	102

Administration

Administration expenses totalled \$3,463,000 during the nine-month period ended September 30, 2006, compared with \$1,369,000 during the same period in 2005. As mentioned previously, the increase is due to the increase in our activities.

Loss on settlement of gold sales contracts

In February 2006, the company redeemed part of its gold sales contracts for a total amount of \$134,000, generating a loss of the same amount.

However, some of these gold sales contracts concern positions, initially scheduled before March 31, 2006, but not delivered yet at the settlement date, which led to the reversing of unrealized losses on gold sales contracts, for an amount of \$79,000.

Therefore, this settlement of gold sales contracts generated a net loss of \$55,000, accounted for in the consolidated statements of operations.

Write-down of short-term investments

As at September 30 2006 and 2005, we had investments in publicly traded companies which are presented as short-term investments. As at September 30, 2006, the book value of these investments was \$3,007,000 and their fair market value was \$3,514,000, therefore representing a potential gain of \$507,000.

For some of these publicly traded companies, the share market price dropped in the nine-month period ended September 30, 2005. Consequently, we wrote-down the value of those investments to their fair market value, generating a loss of \$371,000 accounted for in the consolidated statements of operations.

Gain on disposal of short-term investments

During the nine-month period ended September 30, 2006, the company recorded a gain on disposal of short-term investments in the amount of \$1,943,000 following the disposal of shares of a publicly traded company for a consideration of \$4,273,000.

Loss (gain) on disposal of investment in subsidiaries

In June 2005, the company sold all of its 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.

Interest on long-term debt

Interest on long-term debt reduced by 52% going from \$1,963,000 for the nine-month period ended September 30, 2005 to \$943,000 in the same period in 2006. As previously mentioned, the decrease is due to the significant reduction in the company's total indebtedness in December 2005.

CASH FLOWS STATEMENTS

Operating

Before net changes in non-cash working capital items and the settlement of a liability related to asset retirement obligations for property, plant and equipment, cash flows generated in operating activities totalled \$3,875,000 during the nine-month period ended September 30, 2006, compared with \$11,792,000 in cash flows generated during the same period in 2005.

Working capital items used cash flows of \$7,324,000 during the nine-month period ended September 30, 2006, mainly due to an increase in inventories and other assets. During the same period in 2005, working capital items used liquidities of \$3,091,000.

Financing

In order to finance the acquisition of mining equipment, we contracted a \$20,000,000 loan, repayable over a five-year period. Related financing expenses totalled \$1,258,000, including the fair value of 800,000 warrants (estimated at \$656,000) issued to the lender. Each warrant entitles the holder to acquire a common share of the company at a price of \$2.02 (CA\$2.25) prior to July 19, 2011.

In addition, during the nine-month period ended September 30, 2006, \$1,652,000 of the company's long-term debt was repaid. During the same period in 2005, \$2,954,000 of the company's long-term debt was repaid.

In July 2006, the company closed a public offering under which 12,500,000 common shares were issued, generating total cash flows of \$23,014,000 (CA\$25,625,000) before payment of share issue expenses totalling \$1,723,000 . In addition to the broker fees, the company issued 343,750 warrants. Each warrant entitles the holder to acquire a common share of the company at a price of \$1.84 (CA\$2.05) prior to July 13, 2007. The fair value of the warrants is estimated at \$160,000.

In addition, during the nine-month period ended September 30, 2006, 1,195,000 warrants and 209,000 stock options were exercised for a total consideration of \$1,840,000. During the same period in 2005, 3,514,000 warrants were exercised for a consideration of \$3,942,000.

Investing

During the nine-month period ended September 30, 2006, cash flows used in investing activities of \$5,113,000 were related to mining assets, compared with \$1,549,000 during the same period in 2005.

During the nine-month period ended September 30, 2006, we invested \$1,618,000 in exploration on the Mana property, in addition to \$3,256,000 for the finalization of the feasibility study and the engineering work and the acquisition of mining equipment for \$5,385,000. In addition, we invested \$260,000 in exploration on our other properties still at the exploration stage. During the same period in 2005, we invested \$674,000 for the feasibility study and in exploration on the Mana property. We also invested \$874,000 in exploration on our other properties still at the exploration stage.

Investments in property, plant and equipment totalled \$27,032,000 during the nine-month period ended September 30, 2006, compared with \$6,117,000 during the same period in 2005. The investments made in 2006 mainly relate to the \$6,064,000 increase in stripping costs, \$2,549,000 in exploration expenditures at the Kiniero and Samira Hill sites and the acquisition of mining equipment in the amount of \$12,327,000. During the same period in 2005, the investments mainly related to exploration expenditures at the Kiniero and Samira Hill sites and the investment related to the Samira Hill facilities.

BALANCE SHEETS

The company's total assets amounted to \$168,889,000 as at September 30, 2006 compared to \$128,054,000 as at December 31, 2005. At September 30, 2006, we had cash and cash equivalents of \$32,366,000 compared to \$22,208,000 at December 31, 2005. This variation is explained in the consolidated statement of cash flows.

Total liabilities amounted to \$54,137,000 as at September 30, 2006 compared to \$35,368,000 as at December 31, 2005. This increase is due to the receipt of proceeds from the \$20,000,000 bank loan secured in July 2006.

OFF-BALANCE SHEET TRANSACTIONS

Gold sales contracts

As at September 30, 2006, we had commitments to deliver 161,000 ounces of gold over the next four years at an average price valued at \$375 per ounce.

	2006	2007	2008	2009	Total
Gold sales contracts ¹					
Ounces (in thousands)	16	62	48	35	161
Average price (\$ per ounce)	375	375	375	375	375

¹ Our positions 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 and the "GOFO" three (3) months interest rate, whereas the counterparty is committed to pay a fixed interest rate of 1% per annum.

Kiniero mine

In December 2005, given the favorable outlook for the price of gold, the company redeemed most of the Kiniero gold sales contracts representing a quantity of 59,128 ounces. The remainder of our gold sales contracts programme was delivered in January 2006, representing 2,571 ounces.

Consequently, since January 2006, the production at Kiniero is sold entirely at spot price.

Samira Hill mine

We proceeded to a price adjustment on all future positions of our adjustable gold sales contracts at the maximum price of \$390 per ounce. As a result, our commitments to deliver 161,000 ounces by 2009 will be carried out at an average price of \$375 per ounce.

Contractual obligations and commitments

Long-term debt

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

	\$
2006	1 384
2007	5 536
2008	7 768
2009	7 500
2010	5 000
Beyond	2 500

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 \$3,804,000. Those disbursements are projected to be made during the years 2006 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 agreement, 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 had 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% of the delivery's value, evaluated at the spot price on the delivery date. 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, the company signed a mining contract for the Samira Hill mine. The payments will be made over the approximated seven-year mine life. As at September 30, 2006, the company is liable for a maximum amount of \$4,000,000, which represents the indemnity payable should an early termination occurs.

Fuel Purchase Contract

In 2004, the company signed an exclusive fuel procurement contract for the Samira Hill mine covering a period of seven years. As at September 30, 2006, the company is liable for a maximum amount of \$325,000 which represents the indemnity payable if an early termination occurs.

Mining equipment purchase contracts

In March 2006, the company signed a contract to purchase mining equipment in order to carry out mining operations relating to the future Mana project. This equipment will also be used to perform all of the civil engineering work relating to facility construction. This equipment will be in operation during the fourth quarter of 2006. As at September 30, 2006, the \$4,200,000 purchase balance will be paid by December 31, 2006.

Construction - Mana Project

In December 2005, the company signed a contract to purchase mining equipment in order to carry out mining operations at the Kiniero site which started in September 2006. As at September 30, 2006, the \$850,000 purchase balance will be paid by December 31, 2006.

Construction - Mana Project

The company signed several contracts related to the construction of the Mana project in Burkina Faso. As at September 30, 2006, the company had commitments totalling \$8,900,000 under these contracts.

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 rates and long-term debt bearing interest at a LIBOR based rate.

Consumable 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 Hazards

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.

SUBSEQUENT EVENT

Public offering

On November 10, 2006, the company closed a public offering of 42,800,000 common shares at a price of \$1.59 (CA\$1.80) per share for a cash consideration of \$68,134,000 (CA\$77,040,000).

The share issue expenses related to the public offering totalled \$4,521,000.

ADDITIONAL INFORMATION

Exchange rates are as follows:

\$ CA/\$ US	2006	2005
December 31 (closing)	-	1.1659
March 31 (closing)	1.1671	1.2096
June 30 (closing)	1.1150	1.2256
September 30 (closing)	1.1066	1.1611
First quarter (average)	1.1549	1.2267
Second quarter (average)	1.1220	1.2439
Third quarter (average)	1.1206	1.2012
Nine-month average (average)	1.1319	1.2240

Additional Information and Continuous Disclosure

This MD&A has been prepared as of November 13, 2006. 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, strategic plans, use of hedging instruments, future commercial production, production targets, timetables, mine operating costs, property, plant and equipment expenses, 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

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

	As at September 30, 2006 \$	As at December 31, 2005 \$
Assets		
Current assets		
Cash and cash equivalents	32,366	22,208
Short-term investments (fair market value - \$ 3,514; December 31, 2005 - \$5,493) (note 3)	3,007	5,337
Accounts receivable	1,912	2,077
Inventories (note 4)	15,335	11,671
Other short-term assets (note 5)	3,461	1,336
	<hr/> 56,081	<hr/> 42,629
Property, plant and equipment (note 6)	94,794	73,964
Mining assets	15,110	9,934
Other assets (note 7)	2,904	1,527
	<hr/> 168,889	<hr/> 128,054
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	9,024	10,451
Current portion of long-term debt (note 8)	4,286	3,036
Deferred revenues (note 9)	2,445	952
	<hr/> 15,755	<hr/> 14,439
Long-term debt (note 8)	25,402	8,304
Deferred revenues (note 9)	1,242	422
Advances payable	9,193	8,912
Asset retirement obligations for property, plant and equipment (note 10)	2,545	1,910
Minority interest	-	1,381
	<hr/> 54,137	<hr/> 35,368
Shareholders' Equity		
Share capital (note 11)	176,025	150,222
Contributed surplus (note 12)	1,606	929
Deficit	(62,879)	(58,465)
	<hr/> 114,752	<hr/> 92,686
	<hr/> 168,889	<hr/> 128,054

Approved by the Board,


Jean Lamarre, Director


Benoit La Salle, Director

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 September 30		Nine-month period ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Revenue				
Gold sales	7,853	16,585	35,337	44,993
Net gain (loss) on gold sales contracts (note 9)	(2,284)	101	(1,724)	668
	<u>5,569</u>	<u>16,686</u>	<u>33,613</u>	<u>45,661</u>
Expenses				
Mining operations	6,789	10,543	28,589	30,182
Amortization of property, plant and equipment	1,359	3,859	6,767	10,586
Administration	1,280	698	3,463	1,369
Stock-based compensation	443	46	810	138
Loss on settlement of gold sales contracts (note 9)	-	-	55	-
Accretion expense of asset retirement obligations (note 10)	39	23	115	69
	<u>9,910</u>	<u>15,169</u>	<u>39,799</u>	<u>42,344</u>
Earnings (loss) before the undernoted items	(4,341)	1,517	(6,186)	3,317
Interest, financing fees and other income	(226)	(159)	(417)	(78)
Write-down of short-term investments	-	-	-	371
Gain on disposal of short-term investments (note 3)	(506)	(941)	(1,943)	(941)
Loss on disposal of investment in subsidiaries	-	-	-	369
Interest on long-term debt	541	657	943	1,963
Amortization of deferred financing costs	73	35	114	100
Foreign exchange gain	(84)	92	(971)	(13)
	<u>(4,139)</u>	<u>1,833</u>	<u>(3,912)</u>	<u>1,546</u>
Net income (loss) before minority interest	(4,139)	1,833	(3,912)	1,546
Minority interest in a subsidiary's net income (loss)	-	771	(1,381)	(1,273)
	<u>(4,139)</u>	<u>1,062</u>	<u>(2,531)</u>	<u>273</u>
Net income (loss) for the period	(4,139)	1,062	(2,531)	273
Deficit – beginning of period	(56,857)	(41,401)	(58,465)	(40,612)
Share issue expenses	(1,883)	-	(1,883)	-
	<u>(62,879)</u>	<u>(40,339)</u>	<u>(62,879)</u>	<u>(40,339)</u>
Deficit – end of period	(62,879)	(40,339)	(62,879)	(40,339)
Basic and diluted net income (net loss) per share	(0.03)	0.01	(0.02)	0.01

SEMAFO inc.

Consolidated Statements of Cash Flows

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

	Three-month period ended		Nine-month period ended	
	September 30		September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash flows from				
Operating activities				
Net income (loss) for the period	(4,139)	1,062	(2,531)	273
Items not affecting cash and cash equivalents				
Net loss (gain) on gold sales contracts	2,284	(101)	1,724	(668)
Amortization of property, plant and equipment	1,359	3,859	6,767	10,586
Stock-based compensation	443	46	810	138
Reversing of unrealized losses on the settlement of gold sales contracts	-	-	(79)	-
Accretion expense of asset retirement obligations	38	23	114	69
Write-down of short-term investments	-	-	-	371
Gain on disposal of short-term investments	(506)	(941)	(1,943)	(941)
Loss on disposal of investment in subsidiaries	-	-	-	369
Amortization of deferred financing costs	73	35	113	100
Unrealized foreign exchange loss (gain)	4	232	281	222
Minority interest in a subsidiary's net income (loss)	-	771	(1,381)	1,273
	(444)	4,986	3,875	11,792
Net changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations for property, plant and equipment (note 13a)	(1,996)	565	(7,324)	(3,091)
	(2,440)	5,551	(3,449)	8,701
Financing activities				
Loans	20,000	(1,980)	20,000	-
Reimbursement of long-term debt	(134)	(141)	(1,652)	(2,954)
Issuance of share capital	23,214	17	24,854	3,942
Share issue expenses	(1,723)	-	(1,723)	-
	41,357	(2,104)	41,479	988
Investing activities				
Acquisition of short-term investments	-	(440)	-	(440)
Proceeds on disposal of short-term investments	1,046	1,633	4,273	1,633
Additions to mining assets	(3,032)	(606)	(5,113)	(1,549)
Additions to property, plant and equipment	(13,765)	(3,013)	(27,032)	(6,117)
	(15,751)	(2,426)	(27,872)	(6,473)
Net change in cash and cash equivalents during the period	23,166	1,021	10,158	3,216
Cash and cash equivalents – beginning of period	9,200	6,702	22,208	4,507
Cash and cash equivalents – end of period	32,366	7,723	32,366	7,723

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, 2005.

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 September 30, 2006.

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 September 30, 2006 \$	As at December 31, 2005 \$
Shares of publicly traded companies, at cost	5,403	8,929
Write-down of short-term investments	(2,396)	(3,592)
	<u>3,007</u>	<u>5,337</u>

During the nine-month period ended September 30, 2006, the company recorded a gain on disposal of short-term investments in the amount of \$1,943,000 following the disposal of shares of a publicly traded company for cash consideration of \$4,273,000.

4 Inventories

	As at September 30, 2006 \$	As at December 31, 2005 \$
Gold ingots	2,264	1,538
Gold in circuit	989	641
Stockpiles	5,504	5,142
Supplies and spare parts	6,578	4,350
	<u>15,335</u>	<u>11,671</u>

5 Other short-term assets

	As at September 30, 2006 \$	As at December 31, 2005 \$
Amount receivable on disposal of investment in a subsidiary – Semafo Ghana Ltd.	-	472
Prepaid expenses	3,461	864
	<u>3,461</u>	<u>1,336</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 September 30, 2006		
	Cost	Accumulated depreciation	Net
	\$	\$	\$
Property acquisition costs, deferred exploration and development costs	76,047	25,428	50,619
Buildings and equipment related to mining production	26,944	7,551	19,393
Rolling stock, communication and computer equipment	18,875	2,793	16,082
Deferred stripping costs	8,700	-	8,700
	130,566	35,772	94,794

	As at December 31, 2005		
	Cost	Accumulated depreciation	Net
	\$	\$	\$
Property acquisition costs, deferred exploration and development costs	71,494	20,810	50,684
Buildings and equipment related to mining production	24,252	6,159	18,093
Rolling stock, communication and computer equipment	4,609	2,058	2,551
Deferred stripping costs	2,636	-	2,636
	102,991	29,027	73,964

7 Other assets

	As at September 30, 2006	As at December 31, 2005
	\$	\$
Deferred financing costs – net of accumulated amortization of \$654 (December 31, 2005 – \$541)	1,422	277
Restricted cash ⁽¹⁾	1,250	1,250
Others	232	-
	2,904	1,527

⁽¹⁾ A subsidiary is required to maintain a cash balance of \$1,250,000 until full repayment of a loan.

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 Long-term debt

Long-term debt consists of the following:

	As at September 30, 2006 \$	As at December 31, 2005 \$
Loan from a subsidiary of \$1,615,000, bearing interest at 3.75% over LIBOR payable quarterly, principal repayable in twelve equal quarterly installments starting on September 15, 2005. Financed equipment is pledged as a guarantee on this loan. This loan is also secured by Semafo inc.	938	1,340
Bank loan from a subsidiary of \$12,500,000, bearing interest at 3.0% over LIBOR payable semi-annually, principal repayable in ten equal semi-annually installments starting April 1, 2005, secured by a pledge of shares and assets of a subsidiary. This loan is also secured by a guarantee (limited to 40% of any outstanding amounts on the loan) granted by Semafo inc. ⁽¹⁾	8,750	10,000
Bank loan from a subsidiary of \$20,000,000, bearing interest at 8.5% payable quarterly, principal repayable in sixteen equal quarterly installments starting September 30, 2007, secured by a pledge of certain assets and by an assignment of claims of certain inter-company advances. This loan is also secured by Semafo inc. ⁽²⁾	20,000	-
	<hr/>	<hr/>
	29,688	11,340
Current portion of long-term debt	(4,286)	(3,036)
	<hr/>	<hr/>
Long-term debt	25,402	8,304
	<hr/>	<hr/>

⁽¹⁾ The company is required to maintain a cash balance of \$1,250,000 until the full repayment of the loan. This is reported as "Other assets" on the balance sheet.

⁽²⁾ The company granted 800,000 warrants to the lender. Each warrant entitles its holder to purchase one common share of the company at a price of \$2.02 (CA\$2.25) on or prior to July 19, 2011. The fair value of the warrants has been established at \$656,000.

The aggregate amount of the long-term debt payments required in each of the next five years is as follows:

	\$
2006	1,384
2007	5,536
2008	7,768
2009	7,500
2010	5,000
Beyond	2,500

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)

9 Deferred revenues and gold sales contracts

In February 2006, the company proceeded to the settlement of gold sales contracts, for a total amount of \$134,000, generating a loss of the same amount.

However, some of these contracts concern positions, initially scheduled before March 31, 2006, but deferred beyond this date, therefore reversing unrealized losses on gold sales contracts, of an amount of \$79,000.

Therefore, this operation generated a net loss of \$55,000, accounted for in the consolidated statement of operations.

During the first nine months of 2006, the company deferred the delivery of part of its gold production to the fourth quarter of 2006 and to the year 2007, resulting in an unrealized loss on the gold sales contracts of an amount of \$2,645,000.

The company also delivered gold against the 2005 positions which have been deferred to 2006, therefore reversing the unrealized loss on the gold sales contracts of 2005 for an amount of \$690,000.

The interest rate swap related to the gold sales contracts is effective since the beginning of the second quarter of 2005. This swap led to a total gain of \$668,000 for the nine-month period ending September 30, 2006. From the accumulated gain, \$231,000 is accounted for in the consolidated statement of operations.

The net loss of \$1,724,000 was accounted for in the consolidated statement of operations as a decrease in gold sales and resulted in an increase of deferred revenues for the same amount in liabilities.

10 Asset retirement obligations for property, plant and equipment

The company's operations are governed by a mining agreement governing the protection of the environment. The company will implement progressive measures for rehabilitation work during the operations, closing down and follow-up work upon closing of the mine. Hence, the company accounted for its asset retirement obligations of the mining site using cost estimates. Those estimates are subject to changes following modifications to laws and regulations or as new information becomes available.

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

	As at September 30, 2006 \$	As at December 31, 2005 \$
Balance – beginning of period	1,910	1,156
Increase due to accretion expense	114	92
New liability	550	726
Liabilities paid off	(29)	(64)
Balance – end of period	<u>2,545</u>	<u>1,910</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)

10 Asset retirement obligations for property, plant and equipment (continued)

The estimated undiscounted cash flow required to settle the asset retirement obligations is \$3,804,000. Those payments are expected during the years 2006 to 2014. An 8% discount rate was used to evaluate those obligations.

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 \$0.29 (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

Share capital

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

	As at September 30, 2006		As at December 31, 2005	
	Number (000)	Amount \$	Number (000)	Amount \$
Common shares				
Balance - beginning of period	134,184	148,168	90,364	87,094
Issued and paid in cash	12,500	23,014	40,000	55,750
Issued for exercises of options	209	316	300	291
Issued for exercises of warrants	1,195	2,102	3,520	5,033
Balance - end of period	148,088	173,600	134,184	148,168
Warrants				
Balance - beginning of period	5,696	2,054	7,591	2,332
Exercised during the period	(1,195)	(445)	(3,520)	(1,084)
Issued to agents	344	160	1,625	806
Issued to lender (note 8)	800	656	-	-
Balance - end of period	5,645	2,425	5,696	2,054
Common shares and warrants	153,733	176,025	139,880	150,222

On July 13, 2006, the company closed a public offering of 12,500,000 common shares at \$1.84 (CA\$2.05) per share for gross proceeds of \$23,014,000 (CA\$25,625,000). In addition to the fees paid to the agent, the company granted 343,750 warrants. Each warrant entitles its holder to purchase one common share of the company at a price of \$1.84 (CA\$2.05) on or prior to July 13, 2007. The fair value of the warrants has been established at \$160,000.

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 (continued)

Share issue expenses related to this public offering totalled \$1,883,000, inclusive of warrants fair value.

During the first nine months of 2006, 1,195,000 warrants and 209,000 options have been exercised for a cash consideration of \$1,657,000 and \$183,000 respectively.

Warrants

Warrants outstanding as September 30, 2006 :

Expiration date	Exercise price	Number of warrants
December 2006	\$1.26 (\$1.40 CA)	3,282,000
December 2008	\$1.68 (\$1.87 CA)	1,219,000
July 2007	\$1.84 (\$2.05 CA)	344,000
July 2011	\$2.02 (\$2.25 CA)	800,000
		<u>5,645,000</u>

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 September 30, 2006		As at December 31, 2005	
	Number of options (000)	Weighted average exercise price (\$)	Number of options (000)	Weighted average exercise price (\$)
Balance – beginning of period	2,282	1.09	2,432	0.95
Cancelled or expired	(72)	1.17	-	-
Exercised	(209)	0.89	(300)	0.39
Issued	3,045	2.30	150	1.38
Balance – end of period	<u>5,046</u>	<u>1.83</u>	<u>2,282</u>	<u>1.09</u>
Options exercisable – end of period	<u>1,750</u>	<u>1.19</u>	<u>1,888</u>	<u>1.09</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)

12 Contributed surplus

The contributed surplus account is composed of :

	As at September 30, 2006 \$	As at December 31, 2005 \$
Balance – beginning of period	929	884
Exercised options / expired options	(133)	(175)
Charges from valuation of options	810	220
	<hr/>	<hr/>
Balance – end of period	1,606	929

13 Financial information included in the consolidated statements of cash flows

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 September 30		Nine-month period ended September 30	
	2006 \$	2005 \$	2006 \$	2005 \$
Accounts receivable	1,299	2,718	165	383
Inventories	(1,871)	(1,839)	(3,742)	(4,482)
Other assets	(1,744)	48	(2,959)	(296)
Accounts payable and accrued liabilities	127	(555)	(1,427)	897
Settlement of liabilities related to asset retirement obligations for property, plant and equipment	(13)	(30)	(29)	(57)
Deferred revenue on swap of interest rate related to gold sales contracts	206	223	668	464
	<hr/>	<hr/>	<hr/>	<hr/>
	(1,996)	565	(7,324)	(3,091)

b) Informations supplémentaires sur les éléments sans incidence sur la trésorerie et équivalents de trésorerie

	Three-month period ended September 30		Nine-month period ended September 30	
	2006 \$	2005 \$	2006 \$	2005 \$
Unrealized foreign exchange loss allocated to advances payable	4	314	281	222
Amortization of property, plant and equipment allocated to mining assets	45	20	63	33
Net effect of amortization of property, plant and equipment allocated to inventories	128	394	(390)	140
Asset retirement obligations for property, plant and equipment allocated to fixed assets	235	132	550	413
Share compensation on disposal of mining assets	-	-	-	1,019

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)

13 Financial information included in the consolidated statements of cash (continued)

c) Cash flows related to interest

	<u>Three-month period ended September 30</u>		<u>Nine-month period ended September 30</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	\$	\$	\$	\$
Interest paid during the period	341	322	758	1,167

14 Commitments

As at September 30, 2006, the commitments of the company related to gold sales contracts are as follows:

a) Gold sales contracts

		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Total</u>
Gold sales contracts ¹						
Ounces	(in thousands)	16	62	48	35	161
Average price	(\$ per ounce)	375	375	375	375	375

¹ Our gold sales contracts 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.

In April 2006, we proceeded to a price adjustment on all future positions of our adjustable gold sales contracts, at the maximum price of \$390 per ounce. As a result, our commitments to deliver 164,000 ounces by 2009 will be carried out at an average price of \$375 per ounce.

b) Equipment purchase agreement

In March 2006, the company signed a contract to purchase mining equipment in order to carry out mining activities for the future operation of the Mana project. This equipment will also be used to perform all of the project's civil engineering work. This fleet of equipment will be in operation during the last quarter of 2006. The balance payable of 4,200,000\$, as of September 30, 2006, will be paid by December 31, 2006.

In December 2005, the company signed a contract to purchase mining equipment in order to carry out mining operations at the Kiniero mine that began in September 2006. The balance payable of \$850,000, as of September 30, 2006, will be paid by December 31, 2006.

c) Construction – Mana Project

The company signed many contracts related to the construction of the infrastructures for the operation of the Mana project in Burkina Faso. As at September 30, 2006, based on these contracts, the company has commitments totaling 8,900,000\$.

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 Segmented information

The company is conducting exploration and production activities on different sites in Guinea, Niger and Burkina Faso. These sites are managed separately given their different locations and laws.

	Kiniero Mine, Guinée \$	Samira Hill Mine, Niger \$	Mana Project, Burkina Faso \$	Corporate and others \$	Total \$
Three-month period ended September 30, 2006					
Gold sales	6,602	1 251	-	-	7,853
Net loss on gold sales contracts	-	(2,284)	-	-	(2,284)
Revenue	6,602	(1,033)	-	-	5,569
Mining operating expenses	4,007	2,782	-	-	6,789
Amortization of property, plant and equipment	744	608	-	7	1,359
Acquisition of property, plant and equipment	2,896	5,128	5,944	25	13,993
Net income (loss)	1,762	(4,707)	-	(1,194)	(4,139)
Three-month period ended September 30, 2005					
Gold sales	5,944	10,641	-	-	16,585
Net gain (loss) on gold sales contracts	(200)	301	-	-	101
Revenue	5,744	10,942	-	-	16,686
Mining operating expenses	4,603	5,940	-	-	10,543
Amortization of property, plant and equipment	1,091	2,761	-	7	3,859
Acquisition of property, plant and equipment	708	2,373	-	63	3,144
Net income	120	462	-	480	1,062

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 Segmented information (continued)

	Kiniero Mine, Guinée \$	Samira Hill Mine, Niger \$	Mana Project, Burkina Faso \$	Corporate and others \$	Total \$
Nine-month period ended September 30, 2006					
Gold sales	21,406	13,931	-	-	35,337
Net loss on gold sales contracts	-	(1,724)	-	-	(1,724)
Revenue	21,406	12,207	-	-	33,613
Mining operating expenses	13,256	15,333	-	-	28,589
Amortization of property, plant and equipment	2,573	4,174	-	20	6,767
Acquisition of property, plant and equipment	12,278	9,132	6,039	126	27,575
Net income (loss)	5,871	(7,915)	-	(487)	(2,531)
As at September 30, 2006					
Property, plant and equipment	26,688	61,707	6,059	340	94,794
Mining assets	-	-	12,989	2,121	15,110
Nine-month period ended September 30, 2005					
Gold sales	17,920	27,073	-	-	44,993
Net gain (loss) on gold sales contracts	(192)	860	-	-	668
Revenue	17,728	27,933	-	-	45,661
Mining operating expenses	13,885	16,297	-	-	30,182
Amortization of property, plant and equipment	3,328	7,236	-	22	10,586
Acquisition of property, plant and equipment	701	5,694	-	135	6,530
Net income (loss)	431	1,065	-	(1,223)	273
As at September 30, 2005					
Property, plant and equipment	16,922	55,994	-	323	73,239
Mining assets	-	-	8,155	2,671	10,826

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 Comparative figures

Certain comparative data for the prior period were reclassified to conform to the presentation adopted for the period ended September 30, 2006.

17 Subsequent event

Public offering

On November 10, 2006, the company closed a public offering of 42,800,000 common shares at \$1.59 (CA\$1.80) per share for gross proceeds of \$68,134,000 (CA\$77,040,000).

Share issue expenses related to this public offering totalled \$4,521,000.

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
SEMAFO inc.
750, Marcel-Laurin Blvd, Suite 375
Saint-Laurent (Québec) H4M 2M4

Telephone : (514) 744-4408
Fax : (514) 744-2291
E-mail : info@semafo.com
Web Site: <http://www.semafo.com>

Transfert Agent

National Bank Trust inc.

Stock Exchange Listing

The Toronto Stock Exchange
Symbol «SMF»
cusip: 81692210-8