

# 1 QUARTERLY REPORT

Three months ended March 31, 1999

Exploring  
New  
Grounds

SEMAFO

SEMAFO INC.

## Message to Shareholders

For the first quarter of 1999, Semafo recorded a loss of \$148,196 (\$0.00 per share) compared to a loss of \$69,973 (\$0.00 per share) for the same period in 1998. Revenues derived mainly from investments were down from \$301,794 last year to \$249,142 in 1999 and this is essentially related to the reduction of the investments to an amount of \$7,736,547. Following the rationalisation of activities during the period, the administration expenses were reduced from \$302,645 to \$249,643. Furthermore, the Company committed expenses of \$147,695 (\$69,122 in 1998) to identify and evaluate acquisition projects with value added for the shareholders. Such research allowed the Company to undertake the present transaction by virtue of which Semafo will acquire all the shares of Prospex Mining Inc. which should result in important synergies in financial and operational matters.

The cash resources decreased from \$1,051,071 during the period compared to \$1,810,902 last year. Taking into account the industry and economic environment in which Semafo operates, the exploration programs were reduced from \$2,139,600 last year in the first quarter to \$430,198 in 1999. With \$20,514,769 liquidities at the end of the period, Semafo is in a very sound financial position.

Considering the last developments on the properties such as the joint venture with Rio Tinto on the Mount Kakoulima nickel project in Guinea, the joint venture with Samax/Ashanti in the Teleku-Bokazo project in Ghana and the progress to bring the Jean-Gobelet project in Guinea into production, the future is encouraging and the Board wishes to take this opportunity to thank all shareholders for their support and confidence.

### Ghana

Following the execution of the Joint Venture Agreement, Ashanti presented a program of exploration whose principal objective is to generate and compile data appropriate to a rapid appraisal of the development potential of the Anwia Prospect. Results to date are encouraging. Additional work is being planned to confirm the results obtained from RC drilling performed during the first three months of the year. In addition a short campaign of diamond drilling is being prepared for metallurgical testwork.

### Guinea

The feasibility study required to obtain a mining licence for the Jean/Gobelet property is progressing. The services of Pearson, Hofman & Associates Ltd and BLM Bharti Engineering inc. have been retained to generate the geological model, ore resource and mining design. Pending completion of this work, an application for an eighteen-month period extension of the exploration permit has been filed. Management expects this extension to be approved in the near future.

### Burkina Faso

Trenching has been completed on Mana and Perkoa. The BLEG sampling program on Tiefora and Nayarara has been completed. Soil samples from Boulgou, Kodyel, Bitou Nord, Bogande I and II are being analysed. At the end of the field program, all permits but one will have been covered. Assay results are pending.



Benoit La Salle  
President and Chief Executive Officer  
May 18, 1999

## Consolidated Balance Sheets (UNAUDITED)

MARCH 31	1999	1998
<b>Assets</b>		
<b>CURRENT ASSETS</b>		
CASH AND SHORT-TERM INVESTMENTS	\$ 20,514,769	\$ 28,251,316
RECEIVABLES	526,372	963,942
OTHER ASSETS	297,790	422,321
	21,338,931	29,637,579
<b>PORTFOLIO INVESTMENTS</b>	505,635	-
<b>MINING ASSETS</b>	41,294,279	35,908,115
	\$ 63,138,845	\$ 65,545,694
<b>Liabilities</b>		
<b>CURRENT LIABILITIES</b>		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 548,251	\$ 1,874,737
<b>PREFERRED SHARES</b>	-	985,440
	548,251	2,860,177
<b>Shareholders' Equity</b>		
<b>SHARE CAPITAL</b>	65,581,054	66,082,454
<b>DEFICIT</b>	(2,990,460)	(3,396,937)
	62,590,594	62,685,517
	\$ 63,138,845	\$ 65,545,694

## Consolidated Statements of Loss and Deficit

PERIOD ENDED MARCH 31	(UNAUDITED)	
	1999	1998
<b>REVENUES</b>	\$ 249,142	\$ 301,794
<b>ADMINISTRATIVE EXPENSES</b>	249,643	302,645
<b>PROJECT SEARCH EXPENSES</b>	147,695	69,122
<b>NET LOSS FOR THE PERIOD</b>	(148,196)	(69,973)
<b>DEFICIT AT BEGINNING OF PERIOD</b>	(2,842,264)	(3,326,964)
<b>DEFICIT AT END OF PERIOD</b>	\$ (2,990,460)	\$ (3,396,937)
<b>NET INCOME (LOSS) PER SHARE</b>	\$ 0.00	\$ 0.00

## Consolidated Statements of Changes in Financial Position

PERIOD ENDED MARCH 31	1999	1998
<b>OPERATING ACTIVITIES</b>		
NET LOSS FOR THE PERIOD	\$ (148,196)	\$ (69,973)
NET CHANGE IN NON-CASH ITEMS	(472,677)	398,671
CASH GENERATED FROM (USED FOR) OPERATING ACTIVITIES	(620,873)	328,698
<b>INVESTING ACTIVITIES</b>		
ADDITION TO MINING ASSETS	(430,198)	(2,139,600)
CASH USED FOR INVESTING ACTIVITIES	(430,198)	(2,139,600)
<b>NET CHANGE IN CASH RESOURCES DURING THE PERIOD</b>	(1,051,071)	(1,810,902)
<b>CASH RESOURCES AT BEGINNING OF PERIOD</b>	21,565,840	30,062,218
<b>CASH RESOURCES AT END OF PERIOD</b>	\$ 20,514,769	\$ 28,251,316

## Investor Information

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

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### TRANSFER AGENT

General Trust of Canada

### STOCK EXCHANGE LISTING

The Toronto Stock Exchange

Symbol: "SMF"

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