

# 3 Quarterly Report

Nine months ended September 30, 1999

Exploring  
New  
Grounds



SEMAFO INC.

## Message to Shareholders

For the nine-month period ended September 30, 1999, Semafo recorded a loss of \$313,021 (\$0.01 per share) compared to a net earning of \$188,599 (\$0.01 per share) for the same period in 1998. Revenues derived mainly from investment went down from \$943,151 last year to \$724,794 in 1999 and this is essentially related to the reduction of cash resources. In September 1998, the Company had tabled a \$935,440 gain derived from redemption of preferred shares reported as a liability on its balance sheet. The administration expenses were slightly reduced from \$751,707 in 1998, to \$746,417 in 1999. Furthermore, the Company committed expenses of \$291,398 (\$330,770 in 1998) to identify and evaluate acquisition projects with value added for the shareholders. In 1998, following the relinquishment of 3 prospecting licences, the Company had written-off mining assets for an amount of \$607,515.

Taking into account the industry and economic environment in which Semafo operates, the exploration expenses were reduced from \$6,825,441 for the nine-month period ended September 30, 1998 to \$4,251,469 for the same period in 1999. This resulted in a \$3,218,796 decrease in liquidities (\$7,611,739 in 1998). Those amounts were mainly invested in a limited exploration program in Burkina Faso and Ghana, and in the Feasibility Study for the Jean Gobeles project in Guinea.

On July 1<sup>st</sup>, 1999, Semafo acquired all the shares of Prospec Mining Inc. In consideration of this transaction, Semafo issued 3,262,546 capital shares for an amount of \$1,631,273.

Semafo remains in a very sound financial position with liquidities of \$18,347,044 as at September 30, 1999.

On October 22, 1999, Semafo announced that it had reached an agreement with Estrucan Resources Inc. whereby it will acquire a 50% participation in African GeoMin Development Corporation Limited ("African GeoMin") for a sum of \$2.5 million US, and 50% of the approximate \$30 million US debt, owed by African GeoMin to Etruscan, for a sum of \$2.5 million US. African GeoMin owns the Samira Hill Gold Project and has recently purchased from Ashanti/IAMGOLD, the Saoura permit which hosts the Libiri gold deposit.

Under the terms of the agreement, additional financing will be made available to African GeoMin through the subscription by Semafo of retractable preferred shares of African GeoMin which will carry an 8% dividend and will be retractable based on 60% of the free cash flow into African GeoMin after debt repayment. Closing is expected before December 15, 1999.

### Ghana

Anwia

Drilling by Ashanti Goldfields Ltd. has outlined a resource of 2 million tonnes grading 3.0 grams per tonne at the Ebi/Teleku - Bokazo concession in Ghana where Ashanti is earning a 75% interest from Semafo. The project has the potential of providing feed for Ashanti's Iduapriem plant, 56 km away. Following additional delineation RC drilling, a new geological model is being prepared to support the completion of a Scoping Study.

Tinga

Following successful trenching, a 1300-meter RC drilling program was completed on this prospect. Follow-up results on the Tinga Far East Zone traced the mineralized structure over more than 600 meters. Intersections of 7 meters at 7.4 g/t, 9 meters at 6.7 g/t, 7 meters at 9.8 g/t, 9 meters at 5.3 g/t into the targeted structure were reported. This project was acquired through the Prospec transaction and Semafo is earning an 80% interest in this concession from the Ashanti/IAMGold Alliance.

Wa

SEMAFO signed a Heads of Agreement with AGEM Ltd., the Ashanti / IAMGold Alliance. The Agreement covers a group of 4 prospecting licences totalling 597 sq. km near Wa in Northern Ghana and is a part of the same greenstone belt hosting the Poura mine in Burkina Faso (located 80 km north of the border). The Alliance expended approximately US\$2.0M including RAB, RC and diamond drilling. A small resource of 1 million tonnes at 3.7g/t has been inferred at the Kunche prospect. The Agreement allows Semafo to earn an 80% interest for the expenditure of US\$2,000,000 over 4 years.

### Guinea

The feasibility study on Jean Gobeles was completed under the coordination of Lycopodium, an Australian company. The major points of the Study are:

Mining reserve	865,600 tonnes
Average mineable grade	6.05 grammes/tonne
Mineable reserve	168,500 ounces gold
Mine life	3.1 years
Annual gold production-year 1	61,798 ounces
Stripping ratio	9:1
Processing rate, oxide	888 tonnes/day (nominal)
Cash operating cost	US\$171 per ounce of gold
Internal Rate of Return	21% at US\$260 / oz gold price
Net Present Value	US\$ 1.7 million at 10% discount rate

The study utilizes the CIP plant which Semafo acquired as part of the Prospec transaction.

Sterilization and geotechnical drilling together with detailed topographical surveying were also done on the site before the intense rainy season. A new mineralized structure was outlined just west of the Gobeles B ore zone. Further delineation and regional exploration will resume in early November to rapidly increase the resource base.

The Environmental Impact and Baseline Study has been submitted to the Guinean Government and discussions are on-going over the overall permitting matter.

### Burkina Faso

Trenching on the new Nyafé discovery at Mana continues to give good results. A RC drilling program will commence in November together with a regional rock and soil exploration program covering the rest of Mana and the new Fobiri concessions.

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

## Consolidated Balance Sheets (unaudited)

September 30	1999	1998
<b>Assets</b>		
<b>Current assets</b>		
Cash and short-term investments	\$ 18,347,044	\$ 22,450,479
Receivables	448,024	718,774
Other assets	573,315	193,360
	19,368,383	23,362,613
<b>Investments</b>	424,748	424,748
<b>Mining assets</b>	45,115,550	39,986,441
	\$ 64,908,681	\$ 63,349,054
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 851,639	\$ 1,010,827
<b>Shareholders' Equity</b>		
<b>Share capital</b>	67,201,695	65,901,340
<b>Deficit</b>	(3,144,653)	(3,138,365)
	64,057,042	62,762,975
	\$ 64,908,681	\$ 63,773,802

## Consolidated Statements of loss and deficit

Period ended September 30	1999	1998
<b>Interest Income</b>	\$ 724,794	\$ 943,151
<b>Gain on redemption of preferred shares</b>	-	935,440
	724,794	1,878,591
<b>Administrative expenses</b>	746,417	751,707
<b>Project search expenses</b>	291,398	330,770
<b>Write-off of mining assets</b>	-	607,515
	1,037,815	1,689,992
<b>Net income (net loss) for the period</b>	(313,021)	188,599
<b>Deficit at beginning of period</b>	(2,842,264)	(3,326,964)
<b>Gain on cancellation of shares</b>	10,632	-
<b>Deficit at end of period</b>	\$ (3,144,653)	\$ (3,138,365)
<b>Net income (net loss) per share</b>	\$ (0.01)	\$ 0.01

## Consolidated Statements of Changes in Financial Position (unaudited)

Period ended September 30	1999	1998
<b>Operating activities</b>		
Net income (loss) for the period	\$ (313,021)	\$ 188,599
Items not affecting cash		
Gain on redemption of preferred shares	-	(935,440)
Gain on sale of investments	(4,113)	-
Write-off of mining assets	-	607,515
	(317,134)	(139,326)
<b>Net change in non-cash items</b>	<b>(366,466)</b>	<b>8,890</b>
Cash used for operating activities	(683,600)	(130,436)
<b>Financing activities</b>		
Issue of share capital	1,631,273	60,000
Redemption of share capital	-	(241,114)
Redemption of preferred shares	-	(50,000)
Cash generated from (used for) financing activities	1,631,273	(231,114)
<b>Investing activities</b>		
Acquisition of investments	-	(424,748)
Proceeds on sale of investments	85,000	-
Addition to mining assets	(4,251,469)	(6,825,441)
Cash used for investing activities	(4,166,469)	(7,250,189)
<b>Net change in cash resources during the period</b>	<b>(3,218,796)</b>	<b>(7,611,739)</b>
<b>Cash resources at beginning of period</b>	<b>21,565,840</b>	<b>30,062,218</b>
<b>Cash resources at end of period</b>	<b>\$ 18,347,044</b>	<b>\$ 22,450,479</b>

## Investor Information

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

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