

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 three-month period ended March 31, 2006 compared to the corresponding period last year. This MD&A, prepared as of May 10, 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 quarter ended March 31, 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.

HIGHLIGHTS

Three-month periods ended March 31	2006	2005
Operations		
Gold production (ounces)	33,300	39,900
Gold sales (ounces)	30,000	36,900
Cash operating cost (\$/ounce produced)	314	232
Average selling price (\$/ounce sold)	417	341
Results (in thousands \$)		
Gold sales	12,501	12,581
Net income (loss)	39	(821)
Cash flow from operating activities ⁽¹⁾	1,625	2,186

(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 FIRST QUARTER 2006

- **Net income of \$39,000 in the first quarter of 2006**
- **Mining equipment purchases for the Kiniero mine in the amount of \$7,800,000**
- **Mining equipment purchases for the Mana project in the amount of \$8,600,000**
- **Increase in the recovery rate at the Kiniero mine to a record of 96 %**
- **Selection of the firm for the engineering, procurement and construction management (EPCM) work on the Mana project**
- **Gold production of 33,300 ounces during the first quarter of 2006**

GOALS 2006

- **Produce 64,000 ounces of gold at the Kiniero mine**
- **Invest \$1,500,000 in the exploration programs with the objective of increasing reserves and resources at Kiniero**
- **Produce 95,000 ounces of gold at the Samira Hill mine**
- **Invest \$1,200,000 in the exploration programs with the objective of increasing reserves and resources at Samira Hill**
- **Negotiate a mining convention and secure the financing for the Mana project**
- **Construction start-up of the Mana project**
- **Continue an exploration program and discover new mineral zones in Burkina Faso**

REVIEW OF MINING OPERATIONS

KINIERO MINE

Three-month periods ended March 31	2006	2005
Operating statistics		
Ore mined (tonnes)	106,200	151,000
Ore processed (tonnes)	152,500	160,100
Head grade (g/tonnes)	2.85	3.49
Recovery (%)	96	93
Gold production (ounces)	13,100	16,800
Cash Operating Cost (\$/ounce produced)	330	263

For the three-month period ended March 31, 2006, a total of 1,729,200 tonnes were mined at Kiniero, including 106,200 tonnes of ore, representing a stripping ratio of over 15:1. In the first quarter of 2005, a total of 1,486,000 tonnes were mined, including 151,000 tonnes of ore, representing a stripping ratio of 9:1. The increase in the stripping ratio is due to the start-up of mining works in the new East-West pit, where over 1,500,000 tonnes of material were mined, including over 75,000 tonnes of ore, representing a stripping ratio of 19:1.

A total of 152,500 tonnes of ore were processed at Kiniero at an average grade of 2.85 g/t over the three-month period ended March 31, 2006, compared with 160,100 tonnes of ore at an average grade of 3.49 g/t for the same period in 2005. The decrease in the grade of the ore processed is due to the development of the East-West pit, which required increased mining of waste material, thereby limiting the mining of ore. The reduction in the amount of ore mined from the pits was offset at the plant by ore from the stockpiled inventories of lower-grade ore. The Kiniero plant maintained a processing rate of over 50,800 tonnes of ore per month despite a five-day national strike.

In the first quarter of 2006, the plant exceeded expectations by reaching a recovery record of 96%.

In the three-month period ended March 31, 2006, our gold production reached 13,100 ounces at a cash operating cost of \$330 per ounce compared with 16,800 ounces at a cash operating cost of \$263 per ounce for the same period in 2005. The decrease in the ounces produced and the change in the cash operating cost in 2006 is largely due to the processing of ore at lower-grades. In addition, the jump in the price of fuel and reagents in the mining industry over the past year resulted in an increase in the cash operating cost per ounce produced.

Outlook

During the first quarter of 2006, our gold production target was 14,000 ounces at Kiniero through the processing of 158,000 tonnes of ore at an average grade of 3.0 g/t.

In 2006, Semafco's goal is to produce 64,000 ounces of gold at a cash operating cost of \$278 per ounce. Semafco expects to process 620,000 tonnes of ore at Kiniero at an average grade of 3.5 g/t.

SAMIRA HILL MINE

Three-month periods ended March 31	2006	2005
Operating statistics		
Ore mined (tonnes)	293,100	470,000
Ore processed (tonnes)	365,100	360,500
Head grade (g/tonnes)	2.14	2.05
Recovery (%)	80	89
Gold production (ounces)	20,200	23,100
Cash Operating Cost (\$/ounce produced)	304	210

For the three-month period ended March 31, 2006, a total of 293,100 tonnes of ore and 1,735,000 tonnes of waste were mined at the Samira Hill mine compared with 470,000 tonnes of ore and 1,475,000 tonnes of waste mined during the same period in 2005. The Samira Main and the Samira East pits were the main mining areas in the 2006 quarter, where 1,338,000 tonnes of waste and 263,000 tonnes of ore were mined at a stripping ratio of 5:0.

In the first quarter of 2006, 365,100 tonnes of ore with an average grade of 2.14 g/t were processed at Samira Hill compared with 360,500 tonnes of ore with an average grade of 2.05 g/t in the same period of 2005. The increased tonnage is largely due to the plant's improved availability which has been partly compensated by a reduction in grinding capacity due to a harder ore feed.

The mill feed of high-grade ore, rich in graphite and sulphide, had a negative impact on the plant's recovery rate. The recovery rate reached 80% in the first quarter of 2006 compared to 89% in the same period in 2005. Based on the Samira Hill feasibility study, the graphite effect alone is capable of reducing the recovery rate by 10%. Additional metallurgical studies were launched to assess the potential improvements in the recovery rate in the presence of graphite and sulphide.

We produced 20,200 ounces of gold at Samira Hill during the first quarter of 2006 at a cash operating cost of \$304 per ounce compared with 23,100 ounces in the first quarter of 2005 at a cash operating cost of \$210 per ounce. The drop in production is directly related to the plant's lower recovery rate. The increase in the cash operating cost per ounce is mainly attributable to the lower recovery rate, increasing blasting work and the jump in the cost of fuel and reagents.

Outlook

The Libiri pit developed during the first quarter of 2006 presents an oxide ore harder than expected, thus reducing the grinding capacity of the mill. Moreover, the reduced recovery obtained in the presence of sulphide orients us to review our production objective of 2006 to 95,000 ounces of gold.

STATEMENTS OF OPERATIONS

Significant Financial Data

(in accordance with Canadian Generally Accepted Accounting Principles)

Three-month periods ended March 31	2006	2005
Statements of operations (in thousands \$)		
Gold sales	12,501	12,581
Net gain on gold sales contracts	586	917
Revenue	13,087	13,498
Net income (loss)	39	(821)
Net income (loss) per share		
Basic (\$)	0.01	(0.01)
Diluted (\$)	0.01	(0.01)
Operating cash flow ⁽¹⁾	1,625	2,186
	As at March 31, 2006	As at December 31, 2005
Balance sheet (in thousands \$)		
Cash and cash equivalents	19,723	22,208
Total assets	128,202	128,054
Total long term debt (including current portion)	11,206	11,340
Shareholders' equity	93,193	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 March 31, 2006, Semafo presents a net income of \$39,000 or \$0.01 per share, compared to a net loss of \$821,000 or (\$0.01) per share for the corresponding period in 2005. The increase of 22 % in the average selling price offset the increase in operating cost. Following the settlement of almost all the Kiniero gold sales contracts in December 2005, Semafo benefits from the significant increase in the spot gold price. The increase in the operating costs are principally the result of processing lower-grade ore at Kiniero, reduction of recovery rate at Samira Hill as well as the higher cost of fuel and other consumables which affected the mining industry in the last year. In addition, the interest expense was reduced following the significant debt reduction that occurred at the end of the year 2005.

Segmented information

Three-month period ended March 31, 2006				
(in thousands \$)	Kiniero mine Guinea	Samira Hill mine Niger	Others	Total
Gold sales	5,261	7,240	-	12,501
Net gain on gold sales contracts	-	586	-	586
Revenue	5,261	7,826	-	13,087
Mining operation expenses	3,715	6,135	-	9,850
Amortization of property, plant and equipment	731	1,853	7	2,591
Mining operation				
Gold sales (ounces)	10,700	19,300	-	30,000
Average selling price (\$/ounce sold)	491	376	-	417
Total cash cost (\$/ounce sold) ⁽¹⁾	393	318	-	345

Three-month period ended March 31, 2005				
(in thousands \$)	Kiniero mine Guinea	Samira Hill mine Niger	Others	Total
Gold sales	4,317	8,264	-	12,581
Net gain on gold sales contracts	693	224	-	917
Revenue	5,010	8,488	-	13,498
Mining operation expenses	4,222	5,286	-	9,508
Amortization of property, plant and equipment	1,153	2,230	7	3,390
Mining operation				
Gold sales (ounces)	14,700	22,200	-	36,900
Average selling price (\$/ounce sold)	293	372	-	341
Total cash cost (\$/ounce sold) ⁽¹⁾	312	238	-	267

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

Gold sales

During the first quarter of 2006, gold sales totalled \$12,501,000 corresponding to the sale of 30,000 ounces of gold at an average price of \$417 per ounce. For the same period in 2005, gold sales totalled \$12,581,000 corresponding to the sale of 36,900 ounces of gold at an average price of \$341 per ounce. The reduction in the ounces sold was compensated by the increase of the realized gold price.

Kiniero

During the first quarter of 2006, we sold 10,700 ounces of gold from the Kiniero mine at an average price of \$491 per ounce, compared to the sale of 14,700 ounces of gold at an average price of \$293 per ounce for the same period in 2005. During the first quarter of 2006, only 2,571 ounces of gold were delivered against our gold sales contracts. During the first quarter of 2005, all of the ounces were sold according to our gold sales contracts. The substantial increase in the average selling price of gold is the result of the settlement of almost all the Kiniero gold sales contracts in December 2005, allowing us to sell the Kiniero production at spot price and therefore benefiting from the significant increase in the market's price of gold.

Samira Hill

During the first quarter of 2006, we sold 19,300 ounces of gold from the Samira Hill mine at an average price of \$376 per ounce, compared to the sale of 22,200 ounces of gold at an average price of \$372 per ounce for the same period in 2005. During the first quarters 2006 and 2005, all of our gold sales were delivered according to our gold sales contracts.

Net gain on gold sales contracts

During the first quarter of 2006, the net gain on the gold sales contracts totalled \$586,000 compared to \$917,000 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

During the three-month period ended March 31, 2006, the company deferred positions which generated an unrealized loss on gold sales contracts of \$162,000.

During this period, the company fulfilled positions which had been deferred from 2005, therefore reversing the unrealized losses on gold sales contracts from 2005 in 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 \$234,000 during the three-month period ended March 31, 2006. Of this amount, a gain of \$58,000 is accounted for in the consolidated statements of operations and deferred revenue of \$ 176,000 is presented in the liabilities.

The net gain of \$586,000 was accounted for in the consolidated statements of operations as an increase in gold sales and resulted in a decrease of deferred revenues for the same amount in the liabilities.

As at March 31, 2006, the gold sales contracts of Samira Hill provide for the delivery of 44,000 ounces of gold before December 31, 2006.

Mining operating expenses

Mining operating expenses for the three-month period ended March 31, 2006, totalled \$9,850,000, compared to \$9,508,000 for the same period in 2005. These expenses represent the production costs of 30,000 ounces of gold in the first quarter of 2006 at a total cash cost of \$345 per ounce compared to the production of 36,900 ounces of gold at a total cash cost of \$267 per ounce for the same period in 2005.

Kiniero

Mining operating expenses at the Kiniero mine totalled \$3,715,000 for the three-month period ended March 31, 2006 compared to \$4,222,000 for the same period in 2005. These expenses represent the production costs of 10,700 ounces of gold in the first quarter of 2006 at a total cash cost of \$393 per ounce compared to the production of 14,700 ounces for the same period in 2005 at a total cash cost of \$312 per ounce. The increase in the production cost is mainly due to the reduction of the head-grade of the ore processed and by the higher cost of the fuel and other consumables which affected the mining industry in the last year.

Reconciliation of total cash cost per ounce to financial statements

Three-month periods ended March 31	2006	2005
(in thousands \$)		
Mining operating expenses as per financial statements	3,715	4,222
Inventory write-down variation	494	372
Mining operating expenses for per ounce calculation	4,209	4,594
Gold sales (ounces)	10,700	14,700
Total cash cost (\$/ounce sold)	393	312

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

Samira Hill

Mining operating expenses at the Samira Hill mine totalled \$6,135,000 for the three-month period ended March 31, 2006 compared to \$5,286,000 for the same period in 2005. These expenses represent the production costs of 19,300 ounces of gold in the first quarter of 2006 at a total cash cost of \$318 per ounce compared to the production of 22,200 ounces for the same period in 2005 at a total cash cost of \$238 per ounce. The increase in the production cost is mainly due to the lower recovery rate, the blasting activities and by the increase in the cost of the fuel and other consumables.

Reconciliation of total cash cost per ounce to financial statements

Three-month periods ended March 31	2006	2005
(in thousands \$)		
Mining operating expenses as per financial statements	6,135	5,286
Gold sales (ounces)	19,300	22,200
Total cash cost (\$/ounce sold)	318	238

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

Amortization of property, plant and equipment

The amortization expense related to mining operations amounted to \$2,584,000 for the three-month period ended March 31, 2006 compared to an amortization expense of \$3,383,000 for the same period in 2005. The amortization expense per ounce sold is \$86 per ounce for the first quarter of 2006 compared to \$92 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

The Kiniero amortization expense totalled \$731,000 for the first quarter of 2006 compared to \$1,153,000 for the same period in 2005. The amortization expense per ounce is \$68 for the first quarter of 2006 compared to \$78 in 2005. The increase of the proven and probable reserves used as calculation basis for the amortizations resulted in the decrease of the amortization expense per ounce.

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

Three-month periods ended March 31	2006	2005
Amortization of property, plant and equipment as per financial statements (in thousands \$)	731	1,153
Gold sales (ounces)	10,700	14,700
Amortization (\$/ounce sold)	68	78

Samira Hill

The Samira Hill amortization expense totalled \$1,853,000 for the first quarter of 2006 compared to \$2,230,000 for the same period in 2005. The amortization expense per ounce is \$96 for the first quarter of 2006 compared to \$100 in 2005. The increase of the proven and probable reserves used as calculation basis for the amortizations resulted in the decrease of the amortization expense per ounce but was partially offset by the increase in the property, plant and equipment at Samira Hill.

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

Three-month periods ended March 31	2006	2005
Amortization of property, plant and equipment as per financial statements (in thousands \$)	1,853	2,230
Gold sales (ounces)	19,300	22,200
Amortization (\$/ounce sold)	96	100

Administration

Administration expenses totalled \$879,000 for the first quarter 2006, compared to \$145,000 for the same period in 2005. The increase is due mainly 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 March 31 2006 and 2005, we had investments in publicly traded companies which are presented as short-term investments. As at March 31, 2006, the book value of these investments was \$5,337,000 and their fair market value was \$7,439,000, therefore representing a potential gain of \$2,102,000.

In April 2006, the company recorded a gain on disposal of short-term investments in the amount of \$1,437,000 following the disposal of shares of a publicly traded company for a cash consideration of \$3,227,000. This gain will be accounted for and realized in the second quarter of 2006.

For some of these publicly traded companies, the share market price dropped in the first quarter of 2005. Consequently, as at March 31, 2005, 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.

Interest on long-term debt

Interest on long-term debt decreased from \$682,000 in the first quarter of 2005 to \$217,000 for the same period in 2006. This reduction of \$465,000 is the result of a significant debt reduction which occurred in December 2005.

CASH FLOW STATEMENTS

Operating

Operating activities, before net changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations for property, plant and equipment, generated liquidities of \$1,625,000 for the first quarter of 2006, compared to a cash flow of \$2,186,000 for the same period in 2005.

In the first quarter of 2006, the working capital items generated liquidities of \$124,000 compared to the corresponding period in 2005 where \$3,335,000 of liquidities were used. This variation reflects mainly the significant reduction in accounts receivable.

Financing

During the first quarter of 2006, we reimbursed \$134,000 of our long-term debt. During the same period in 2005, received short-term loans totalling \$2,389,000 and reimbursed our first repayment of the Samira Hill's long-term debt in the amount of \$1,250,000.

In addition, during the first quarter of 2006, 289,000 warrants and 68,000 options were exercised for a cash consideration of \$419,000.

Investing

During the first quarter of 2006, liquidities of \$468,000 were invested in mining assets compared to \$493,000 during the same period in 2005.

During the first quarter of 2006, we invested \$389,000 in exploration on the Mana property. Moreover, we invested \$79,000 in exploration on our other exploration projects. During the corresponding period in 2005, we had invested \$235,000 on the Mana property as well as \$258,000 on our other exploration projects.

Investments of \$4,523,000 in property, plant and equipment were made during the three-month period ended March 31, 2006 compared to \$1,319,000 during the same period in 2005. The investments made in the first quarter of 2006 mainly include the increase in the stripping costs of \$2,197,000, exploration expenditures at Kiniero and Samira Hill of \$585,000 as well as the acquisition of mining equipment for \$808,000. In the corresponding period in 2005, the investments represented mainly the exploration expenditures on the Kiniero and Samira Hill sites and the construction of the Samira Hill mine.

Overall, \$2,485,000 of liquidities were required for the operations of the first quarter of 2006 whereas the operations required liquidities of \$1,377,000 for the same period in 2005.

BALANCE SHEETS

The company's total assets amounted to \$128,202,000 as at March 31, 2006 compared to \$128,054,000 as at December 31, 2005. At March 31, 2006, we had cash and cash equivalents of \$19,723,000 compared to \$22,208,000 at December 31, 2005. This variation is explained in the consolidated statement of cash flows.

Total liabilities amounted to \$35,009,000 as at March 31, 2006 compared to \$35,368,000 as at December 31, 2005.

OFF-BALANCE SHEET TRANSACTIONS

Gold sales contracts

As at March 31, 2006, we had commitments to deliver 178,000 ounces of gold over the next four years at an average price currently valued at \$364 per ounce.

	2006	2007	2008	2009	Total
Adjustable gold sales contracts^{1,2}					
Ounces (in thousands)	22	25	24	18	89
Average price (\$ per ounce)	390	368	360	360	370
Fixed gold sales contracts¹					
Ounces (in thousands)	22	25	24	18	89
Average price (\$ per ounce)	360	360	360	360	360
Total gold sales contracts					
Ounces (in thousands)	44	50	48	36	178
Average price (\$ per ounce)	375	364	360	360	365

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.

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

Kiniero

In December 2005, in response to the favorable outlook of the gold price, the company redeemed 59,128 ounces representing the majority of its gold sales contracts of Kiniero. The remaining balance of 2,571 ounces, was delivered in January 2006.

Consequently, since January 2006, the production at Kiniero is sold entirely at market prices.

Samira Hill

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

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 178,000 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 three years are as follows:

	\$
2007	3,036,000
2008	2,768,000
2009	2,500,000

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 \$3,284,000. 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 March 31, 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 March 31, 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 Contract

In March 2006, the company signed a contract to purchase mining equipment in the amount of \$8,600,000 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.

In December 2005, the company signed a contract to purchase mining equipment in the amount of \$7,800,000 in order to carry out mining operations at the Kiniero mine. This fleet of equipment will be in operation by the end of the summer 2006.

RISKS AND UNCERTAINTIES

As a mining producing company, 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 on our long-term debt.

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.

Acces to Capital markets

To fund our growth, the company is 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 an investor relations program in order to inform all shareholders, and potential investors of the company's developments.

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

In April 2006, the company recorded a gain on disposal of short-term investments in the amount of \$1,437,000 following the disposal of shares of a publicly traded company for a cash consideration of \$3,227,000.

In addition, 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 178,000 ounces by 2009 will be carried out an average price of \$375 per ounce.

ADDITIONAL INFORMATION

Exchange rates are as follows :

\$ CA/\$ US	2006	2005
December 31 (closing)	1.1659	-
March 31 (closing)	1.1671	1.2096
First quarter (average)	1.1549	1.2267

Additional Information and Continuous Disclosure

This MD&A has been prepared as of May 10, 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 Interim Financial Statements
March 31, 2006 and 2005
(unaudited, expressed in U.S. dollars)

SEMAFO inc.

Consolidated Balance Sheets

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

	As at March 31, 2006 \$	As at December 31, 2005 \$
Assets		
Current assets		
Cash and cash equivalents	19,723	22,208
Short-term investments (fair market value : \$7,439; December 31, 2005 - \$5,493) (note 3)	5,337	5,337
Accounts receivable	738	2,077
Inventories (note 4)	13,117	11,671
Other short-term assets (note 5)	2,292	2,166
	<hr/> 41,207	<hr/> 43,459
Property, plant and equipment (note 6)	75,078	73,134
Mining assets	10,410	9,934
Other assets (note 7)	1,507	1,527
	<hr/> 128,202	<hr/> 128,054
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	10,878	10,451
Current portion of long-term debt	3,036	3,036
Deferred revenues (note 8)	410	952
	<hr/> 14,324	<hr/> 14,439
Long-term debt	8,170	8,304
Deferrred revenues (note 8)	533	422
Advances payable	8,912	8,912
Asset retirement obligations for property, plant and equipment (note 9)	2,136	1,910
Minority interest	934	1,381
	<hr/> 35,009	<hr/> 35,368
Shareholders' Equity		
Share capital (note 10)	150,688	150,222
Contributed surplus (note 11)	931	929
Deficit	(58,426)	(58,465)
	<hr/> 93,193	<hr/> 92,686
	<hr/> 128,202	<hr/> 128,054

Approved by the Board,

Jean Lamarre, administrator

Benoit La Salle, administrator

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 March 31, 2006 \$	Three-month period ended March 31, 2005 \$
Revenue		
Gold sales	12,501	12,581
Net gain on gold sales contracts (note 8)	586	917
	<u>13,087</u>	<u>13,498</u>
Expenses		
Mining operations	9,850	9,508
Amortization of property, plant and equipment	2,591	3,390
Administration	879	145
Stock-based compensation	49	46
Loss on settlement of gold sales contracts (note 8)	55	-
Accretion expense of asset retirement obligation (note 9)	38	23
	<u>13,462</u>	<u>13,112</u>
Earnings (loss) before the undernoted items	(375)	386
Interest, financing fees and other income	(121)	62
Write-down of short-term investments	-	371
Interest on long-term debt	217	682
Amortization of deferred financing costs	20	29
Foreign exchange gain	(83)	(92)
Net loss before minority interest	(408)	(666)
Minority interest in a subsidiary's net income (loss)	(447)	155
Net income (loss) for the period	<u>39</u>	<u>(821)</u>
Deficit - beginning of period	<u>(58,465)</u>	<u>(40,612)</u>
Deficit - end of period	(58,426)	(41,433)
Basic and diluted net income (loss) per share	0.01	(0.01)

SEMAFO inc.

Consolidated Statements of Cash Flows

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

	Three-month period ended March 31, 2006 \$	Three-month period ended March 31, 2005 \$
Cash flows from		
Operating activities		
Net income (loss) for the period	39	(821)
Items not affecting cash and cash equivalents		
Net gain on gold sales contracts	(586)	(917)
Amortization of property, plant and equipment	2,591	3,390
Stock-based compensation	49	46
Reversing of unrealized losses on the settlement of gold sales contracts	(79)	-
Accretion expense of asset retirement obligation	38	23
Write-down of short-term investments	-	371
Amortization of deferred financing costs	20	29
Unrealized foreign exchange loss	-	(90)
Minority interest in a subsidiary's net income (loss)	(447)	155
	<u>1,625</u>	<u>2,186</u>
Net changes in non-cash working capital items and settlement of liabilities related to asset retirement obligations for property, plant and equipment (note 12a)	<u>124</u>	<u>(3,335)</u>
	<u>1,749</u>	<u>(1,149)</u>
Financing activities		
Loans	-	2,389
Reimbursement of long-term debt	(134)	(1,250)
Issuance of share capital	419	-
	<u>285</u>	<u>1,139</u>
Investing activities		
Additions to mining assets	(468)	(493)
Additions to property, plant and equipment	(4,523)	(1,319)
Disposal of interest in subsidiaries	472	445
	<u>(4,519)</u>	<u>(1,367)</u>
Net change in cash and cash equivalents during the period	(2,485)	(1,377)
Cash and cash equivalents - beginning of period	<u>22,208</u>	<u>4,507</u>
Cash and cash equivalents - end of period	<u>19,723</u>	<u>3,130</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)

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 March 31, 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 March 31, 2006 \$	As at December 31, 2005 \$
Shares of publicly traded companies, at cost	8,929	8,929
Write-down of short-term investments	(3,592)	(3,592)
	<hr/> 5,337	<hr/> 5,337

In April 2006, the company recorded a gain on disposal of short-term investments in the amount of \$1,437,000 following the disposal of shares of a publicly traded company for a cash consideration of \$3,227,000 (note 16).

4 Inventories

	As at March 31, 2006 \$	As at December 31, 2005 \$
Gold ingots	3,376	1,538
Gold in circuit	946	641
Stockpiles	4,331	5,142
Supplies and spare parts	4,464	4,350
	<hr/> 13,117	<hr/> 11,671

5 Other short-term assets

	As at March 31, 2006 \$	As at December 31, 2005 \$
Amount receivable on disposal of investment in a subsidiary- Semafo Ghana Ltd.	-	472
Prepaid expenses	2,292	1,694
	<hr/> 2,292	<hr/> 2,166

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 March 31, 2006		
	Cost \$	Accumulated depreciation \$	Net \$
Property acquisition costs, deferred exploration and development costs	71,554	22,767	48,787
Buildings and equipment related to mining production	24,633	6,787	17,846
Rolling stock, communication and computer equipment	5,858	2,246	3,612
Deferred stripping costs	4,833	-	4,833
	106,878	31,800	75,078

	As at December 31, 2005		
	Cost \$	Accumulated depreciation \$	Net \$
Property acquisition costs, deferred exploration and development costs	70,664	20,810	49,854
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
	102,161	29,027	73,134

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)

7 Other assets

	As at March 31, 2006 \$	As at December 31, 2005 \$
Deferred financing costs - net of accumulated amortization of \$561 (December 31, 2005 - \$541)	257	277
Restricted cash ⁽¹⁾	1,250	1,250
	<hr/> 1,507	<hr/> 1,527

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

8 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 three-month period ended March 31, 2006, the company deferred the delivery of part of its gold production, resulting in an unrealized loss on the gold sales contracts of an amount of \$162,000.

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 \$234,000 for the three-month period ending March 31, 2006. From this gain, \$58,000 is accounted for in the consolidated statement of operations and \$176,000 is deferred and presented in liabilities.

The net gain of \$586,000 was accounted for in the consolidated statement of operations as a increase in gold sales and resulted in a decrease of deferred revenues for the same amount in liabilities.

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 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 March 31, 2006 \$	As at December 31, 2005 \$
Balance - beginning of period	1,910	1,156
Increase due to accretion expense	38	92
New liability	194	726
Liabilities paid off	(6)	(64)
	<hr/>	<hr/>
Balance - end of period	2,136	1,910

The estimated undiscounted cash flow required to settle the asset retirement obligations is \$3,284,000. Those payments are expected during the years 2006 to 2014. An 8% discount rate was used to evaluate those obligations.

SEMAFO inc.

Notes to Consolidated Financial Statements

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

10 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

a) Common shares

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

	As at March 31, 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	-	-	40,000	55,750
Issued for exercise of options	68	114	300	291
Issued for exercise of warrants	289	441	3,520	5,033
Balance - end of period	134,541	148,723	134,184	148,168
Warrants				
Balance - beginning of period	5,696	2,054	7,591	2,332
Exercised during the period	(289)	(89)	(3,520)	(1,084)
Issued to agents	-	-	1,625	806
Balance - end of period	5,407	1,965	5,696	2,054
Common shares and warrants	139,948	150,688	139,880	150,222

During the first quarter of 2006, 289,000 warrants have been exercised for a cash consideration of \$352,000.

b) Warrants

Warrants outstanding as at March 31, 2006 :

Expiration date	Exercise price	Number of warrants
December 2006	\$1.20 (\$1.40 CA)	3,782,000
December 2008	\$1.60 (\$1.87 CA)	1,625,000
		5,407,000

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)

10 Share capital (continued)

c) Options

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

	As at March 31, 2006		As at December 31, 2005	
	Number of options (in thousands)	Weighted average exercise price (\$)	Number of options (in thousands)	Weighted average exercise price (\$)
Balance - beginning of period	2,282	1.09	2,432	0.95
Cancelled or expired	(47)	0.98	-	-
Exercised	(68)	0.98	(300)	0.39
Issued	-	-	150	1.38
Balance - end of period	2,167	1.09	2,282	1.09
Options exercisable - end of period	1,810	1.09	1,888	1.09

11 Contributed surplus

The contributed surplus account is composed of :

	As at March 31, 2006 \$	As at December 31, 2005 \$
Balance - beginning of period	929	884
Exercised options / Expired options	(47)	(175)
Charges from valuation of options	49	220
Balance - end of period	931	929

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 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 March 31, 2006 \$	Three-month period ended March 31, 2005 \$
Accounts receivable	1,339	(3,555)
Inventories	(1,272)	(956)
Other assets	(598)	(253)
Accounts payable and accrued liabilities	427	1,435
Settlement of liabilities related to asset retirement obligations for property, plant and equipment	(6)	(6)
Deferred revenue on swap of interest rate related to gold sales contracts	234	-
	<u>124</u>	<u>(3,335)</u>

b) Supplemental information on non-cash items

	Three-month period ended March 31, 2006 \$	Three-month period ended March 31, 2005 \$
Increase in advances payable allocated to mining assets	-	5
Unrealized foreign exchange gain allocated to advances payable	-	28
Amortization of property, plant and equipment allocated to mining assets	8	9
Net effect of amortization of property, plant and equipment allocated to inventories	174	2
Asset retirement obligation for property, plant and equipment allocated to fixed assets	194	141

c) Cash flows related to interest

	Three-month period ended March 31, 2006 \$	Three-month period ended March 31, 2005 \$
Interest paid during the period	27	450

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 Commitments

At March 31, 2006, the commitments of the company related to gold sales contracts are as follows:

a) Gold sales contracts

		2006	2007	2008	2009	Total
Adjustable gold sales contracts ^{1,2}						
Ounces	(in thousands)	22	25	24	18	89
Average price	(\$ per ounce)	390	368	360	360	370
Fixed gold sales contracts ¹						
Ounces	(in thousands)	22	25	24	18	89
Average price	(\$ per ounce)	360	360	360	360	360
Total gold sales contracts						
Ounces	(in thousands)	44	50	48	36	178
Average price	(\$ per ounce)	375	364	360	360	365

¹ Our gold sales 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 interest rate and the « GOFO » three (3) months interest rate, whereas the counterparty is committed to pay a fixed interest rate of 1 % per year.

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

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 178,000 ounces by 2009 will be carried out at an average price of \$375 per ounce (note 16).

b) Equipment purchase agreement

In March 2006, the company signed a contract to purchase mining equipment in the amount of \$8,600,000 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.

In December 2005, the company signed a contract to purchase mining equipment in the amount of \$7,800,000 in order to carry out mining operations at the Kiniero mine. This fleet of equipment will be in operation by the end of the summer 2006.

SEMAFO inc.

Notes to Consolidated Financial Statements

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

14 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, Guinea \$	Samira Hill Mine, Niger \$	Mana Project, Burkina Faso \$	Corporate, And others \$	Total \$
Three-month period ended March 31, 2006					
Gold sales	5,261	7,240	-	-	12,501
Net gain on gold sales contracts	-	586	-	-	586
Revenue	5,261	7,826	-	-	13,087
Operating expenses	3,715	6,135	-	-	9,850
Amortization of property, plant and equipment	731	1,853	-	7	2,591
Acquisition of property, plant and equipment	2,308	2,326	2	82	4,718
Net income (loss)	1,156	(441)	-	(676)	39
As at March 31, 2006					
Property, plant and equipment	18,541	56,152	72	313	75,078
Mining assets	-	-	8,465	1,945	10,410
Three-month period ended March 31, 2005					
Gold sales	4,317	8 264	-	-	12,581
Net gain on gold sales contracts	693	224	-	-	917
Revenue	5,010	8 488	-	-	13,498
Operating expenses	4,222	5 286	-	-	9,508
Amortization of property, plant and equipment	1,153	2 230	-	7	3,390
Acquisition of property, plant and equipment	329	1,085	12	4	1,430
Net income (loss)	(267)	183	-	(737)	(821)
As at March 31, 2005					
Property, plant and equipment	18,594	56,690	72	171	75,527
Mining assets	-	-	7,717	3,422	11,139

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 Comparative figures

Certain comparative data for the prior period were reclassified to conform to the presentation adopted for the period ended March 31, 2006.

16 Subsequent events

In April 2006, the company recorded a gain on disposal of short-term investments in the amount of \$1,437,000 following the disposal of shares of a publicly traded company for a cash consideration of \$3,227,000.

In addition, 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 178,000 ounces by 2009 will be carried out at an average price of \$375 per ounce.