MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with, and is qualified by, our consolidated financial statements and related notes, for the periods indicated. The financial statements have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Annual Report contains forward-looking statements, with respect to our financial condition, results of operations, business prospects, plans, objectives, goals, strategies, future events, capital expenditure, and exploration and development efforts. Words such as "anticipates", "expects", "intends", "plans", "forecasts", "projects", "budgets", "believes", "seeks", "estimates", "could", "might", "should", and similar expressions identify forward-looking statements. Although we believe that our plans, intentions and expectations reflected in these forward-looking statements are reasonable, we cannot be certain that these plans, intentions or expectations will be achieved. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained in this Annual Report. These statements include comments regarding: the establishment and estimates of mineral resources, exploration spending, the closing of certain transactions including acquisitions and offerings and expectations of future participation rights payments.

RESULTS OF OPERATIONS

Overview

From the time Guyanor was established in 1993 until late in 2004, our business activities focused on exploration and, if warranted, development of precious metal deposits in French Guiana. In accordance with this business model we acquired the mineral rights to several exploration stage properties in French Guiana and conducted exploration related activities on these properties. Our exploration activities were funded through a combination of equity capital funds, joint venture partnership funds and loans from Golden Star, which remains our majority shareholder. In recent years, almost all our funding has come in the form of loans from Golden Star.

Guyanor has undertaken a major financial restructuring during 2004 and following this restructuring, in December 2004 we acquired a participation right on the Rosebel gold mine in Suriname. This acquisition is expected to provide a long-term source of cash-flow. Further acquisitions of a similar nature are contemplated.

Since 2000 there has been no material exploration work performed on our properties. As a result, the majority of our cash costs in recent years, including 2004 and 2003 have been related to maintaining our corporate structure, our share listings in France and Canada and retaining title to our properties. In addition to the cash expenses, we have accrued interest on the loans provided by Golden Star and management fees for services provided by Golden Star.

2004 compared to 2003

We recognized $2.2 million of net loss in 2004 which consisted of $0.1 million of income from royalties and other miscellaneous revenues offset by approximately $1.5 million of corporate overhead and property holding costs and by $0.8 million of interest expense on the Golden Star loans. This compares to a net loss of $2.5 million in 2003. The 2003 net loss consisted of approximately $1.7 million of corporate overhead and property holding costs and $0.9 million of interest expense. The lower loss in 2004 reflects the impact of the restructuring and subsequent reduction in costs in late 2004.

As discussed in more detail below, Guyanor's financial restructuring resulted in a significant improvement in our balance sheet, including waiver of approximately $17.4 million of debt due to Golden Star as of September 2004. New debt related to our acquisition of the Rosebel Royalty, along with continuing corporate expenses funded by Golden Star after the September 2004 restructuring, left a total of $13.6 million due Golden Star at the end of 2004, primarily in respect to the purchase of the Rosebel Royalty and associated acquisition costs, compared to $15.2 million at the end of 2003 which had been provided to fund general corporate operations.

Restructuring

Guyanor completed a major restructuring of its finances during 2004. Below is a summary of the debt re-organization and related agreements set in place during 2004:

- **Waiver of Debt** – Debt due to Golden Star totaled $16.6 million as at June 30, 2004 and had risen further to $17.4 million by mid September 2004. In June 2004, the shareholders approved the debt restructuring which provided for the complete waiver of the amount of the debt in excess of $16 million which was converted to equity as Contributed Surplus. The balance of $16 million was also suspended and converted to Contributed Surplus. The $16.0 million of waived debt can be re-instated and repaid but only to the extent of the potential $16 million proceeds from Golden Star arising from the following transactions:
    - Data Acquisition Agreement:
      Providing for the sale of our Guiana Shield geologic data base to Golden Star for $6.0 million, effected on September 21, 2004;
    - Option Agreement:
      Providing for Golden Star to earn-in to the Paul Isnard property; the initial payment of $0.5 million has been made. Additional Option payments of $0.5 million in each of 2005 and 2006, together with completion of $2 million of property expenditures, will permit Golden Star to earn a 50% joint venture interest.
    - Joint Venture:
      On completion of a feasibility study and payment of $3.5 million, Golden Star may increase its interest to 70%.
    - Purchase Option:
      On making a production decision, Golden Star may purchase the remaining 30% interest to acquire 100%, by paying $5 million.

- **Paul Isnard** - Exploration rights to our Paul Isnard property were optioned to Golden Star in an earn-in agreement over 100% of the 433 square kilometer property.

- **Sale of properties** - We sold our 50% ownership interest in the Yaou and Dorlin properties to a newly formed private company in consideration of a 0.5% production royalty and other contingent future consideration. Golden Star also transferred its 50% ownership interest in Yaou and Dorlin to the same company on identical terms.

- **Rosebel Participation Right Purchase** - In December 2004, we purchased the Rosebel participation right from Golden Star for $13.2 million and incurred an additional $0.4 million of other acquisition costs. As a result of this purchase, as at December 31, 2004, we recorded a current liability for the Royalty of $12.0 million, a long term liability of $1.2 million, both payable to Golden Star and capitalized the $0.4 million of acquisition costs.

- **Common stock -** Our Class A and Class B common shares were merged into a single class of common stock which trades on the Toronto Stock Exchange (GRL.T) and the Nouveau Marché of the Paris Bourse (GOR).

2003 compared to 2002

We incurred a net loss of $2.5 million during 2003 compared to a net loss of $2.0 million in 2002. The primary reasons for the increased net loss were due to $0.4 million lower revenues as a result of the mandated elimination of the royalties from AEX alluvial miners, $0.4 million less in gains from asset sales this year (in 2002 we sold the St. Elie property), partially off-set by a reduction in the net general and administrative and other expenses.

In 2000, we started to grant the right, through Exploitation Authorization (AEX) to 16 small-scale mining companies or individuals to exploit alluvial gold resources Exploitation Authorization on specific areas located at Paul Isnard. The French Mine Administration created this new type of mining title in connection with revisions to the Mining Code in 2000. This new title, referred to as an "AEX", grants to small-scale alluvial miners the right to mine alluvial deposits on our concessions and exploration permits, within a specific area of one square kilometer. The title-holder of an AEX is responsible for all potential environmental damages. During the period 2000 to 2002, under private commercial agreements with each AEX applicant and in agreement with the local Mine Administration of French Guiana ("D.R.I.R.E."), Guyanor received a certain percentage of the value of the gold extracted. During the last quarter of 2002, unofficial recommendations from the Ministry of Industry and from the D.R.I.R.E. were given to Guyanor to stop such payments from AEX holders on exploration permits. Therefore, on Guyanor's decision, this royalty payment stopped at the end of 2002, and our AEX royalty income was approximately nil and $0.45 million in 2003 and 2002, respectively.

A farm-out agreement was signed on August 13, 2003, with the Guianese alluvial mining company, COTMIG s.a.r.l., on the Paul-Isnard SOTRAPMAG concessions. In 2003 royalty income from this agreement amounted to $0.06 million.

Our general and administrative costs decreased from $1.7 million in 2002 to $1.4 million in 2003, due primarily to a reduction in our labor force. In 2003 we continued to expense property holding costs rather than capitalize them as deferred exploration assets.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated cash and short-term investments as of December 31, 2004 were nil, unchanged from a year earlier. Operating expenditures during the first quarter of 2005 are expected to be funded by Golden Star until we begin receiving quarterly participation right payments in April 2005, following which we expect to have sufficient cash flow to fund our on-going routine operational needs.

As at December 31, 2004, two $6.0 million installments payments were due to Golden Star for the purchase of the Rosebel Royalty; one in January 2005 and a second in June 30, 2005. We borrowed $6.0 million from a commercial bank in January 2005 and made the first $6.0 million payment to Golden Star at that time. We anticipate arranging a combination of debt and equity to meet the second payment due in June 2005, but Golden Star has agreed to a deferral of this payment to the extent that funds are not available.

We intend to seek additional acquisitions of gold mineral interests and will likely require additional capital to complete any such transaction. In addition to established cash-flow, we anticipate arranging a combination of equity, debt and hedge transactions as sources of capital.

There is no assurance we can obtain additional funding at acceptable prices. If additional capital is unavailable to us, we may not be able to make the remaining payment to Golden Star and would not be able to acquire additional royalty interests.

Outlook

During 2005, the Rosebel Royalty is expected to provide cash flow to the Company of about \$3.5 to \$4.0 million at current gold prices of around \$440 per ounce, net of hedging. We expect this will be adequate to meet all corporate and related expenses, including debt service. Until receipt of these royalty payments, Golden Star has undertaken to provide the funds necessary for the Company to meet its operating commitments.

We expect to raise our financing needs, from time to time, through a combination of debt and equity.