

## **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 Quarterly 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 Quarterly Report. These statements include comments regarding exploration plans and the closing of certain transactions including acquisitions.

### **RESULTS OF OPERATIONS**

#### **Overview**

Guyanor Ressources pursues a business policy of owning certain gold exploration properties in French Guiana and of acquiring and holding mineral royalties. We currently own a royalty (the Rosebel Royalty") in the Rosebel gold mine in Suriname which is owned and operated by Cambior Inc. We receive quarterly payments from Cambior Inc. on this royalty. We are actively seeking to acquire additional royalty rights.

Prior to 2005 we were engaged in the business of gold and diamond exploration in French Guiana. During 2004 we completed a financial restructuring which among other things, waived our then existing debt to Golden Star who owns 52.2% of our common shares and who had funded most of our activities with loans since the late 1990s.

#### **Debt**

Upon completion of the restructuring in late 2004 we purchased the Rosebel Royalty from Golden Star for \$13.5 million. In January 2005 we borrowed \$6.0 million from a commercial bank and used the funds as the initial installment due to Golden Star for the purchase price. An additional \$6.0 million is payable to Golden Star on June 30, 2005 in respect to the acquisition of the Rosebel Royalty. Golden Star has agreed to defer such payment in the event that we are not able to make payment at that time and interest on such deferred amount will accrue at 12% per annum. It is the intention of the Company to seek additional capital from debt and equity sources, but if we are not successful, we will retain the royalty with an undertaking to pay available funds to Golden Star, as permitted by the covenants of the commercial loan agreement, until this payment is complete.

### **Three months ended March 31, 2005 compared to three months ended March 31, 2004**

We recorded net income of \$0.2 million during the first three months of 2005, compared to a \$0.7 million loss for the first three months of 2004. Revenue from the Rosebel Royalty, of \$1.1 million was the major factor contributing to the increase in revenues as compared to the same quarter of 2004. First quarter 2005 costs increased by \$0.2 million from the same period of 2004. Amortization of the royalty acquisition purchase price and accretion of additional liability for future amounts due Golden Star were the major factors responsible for the increase.

In the first quarter of 2004, most of the costs related to maintaining an office and staff in Cayenne, French Guiana and to exploration property holding costs. The Cayenne office was closed in late 2004 and all employees were either transferred to Golden Star or were terminated. In 2005, property holding costs have been substantially reduced through the sale of certain properties and the optioning of the remaining properties to Golden Star who is now responsible for such costs.

While corporate operating costs have been substantially reduced in 2005 compared to 2004, the entity holding costs such as stock transfer charges, exchange listing fees, board costs and audit costs continue.

### **KEY FINANCIAL DATA**

All data in table in thousands of dollars except for dividends.

	<u>2004</u>	<u>2004</u>	<u>2004</u>	<u>2005</u>
	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Quarter 1</u>
Total revenues	\$ 22	\$ 24	\$ 22	\$ 1,109
Loss from continuing operations	(683)	(742)	(129)	(125)
Net profit / (loss)	(683)	(742)	(129)	239
Total assets	152	153	14,139	15,960
Total long-term financial liabilities	-	-	1,186	6,360
Cash dividends declared	-	-	-	-

	<u>2003</u>	<u>2003</u>	<u>2003</u>	<u>2004</u>
	<u>Quarter 2</u>	<u>Quarter 3</u>	<u>Quarter 4</u>	<u>Quarter 1</u>
Total revenues	\$ 17	\$ 10	\$ 64	\$ 29
Loss from continuing operations	(533)	(540)	(854)	(684)
Net loss	(533)	(540)	(854)	(684)
Total assets	136	167	156	152
Total long-term financial liabilities	-	-	-	-
Cash dividends declared	-	-	-	-

### **LIQUIDITY AND CAPITAL RESOURCES**

Consolidated cash as of March 31, 2005 totaled \$59,000, versus nil at December 31, 2004. During the quarter we received substantially all of our funding from Golden Star. In late April 2005 we received \$1.1 million from Cambior Inc. per terms of the Rosebel Royalty. We expect to pay approximately \$0.7 million of this to Golden Star for their funding of our activities since the Restructuring. We anticipate that future quarterly royalty payments will be sufficient to meet all of our operational and debt service requirements.

## **Outlook**

During 2005, the Rosebel Royalty is expected to provide cash flow to the Company of about \$4.0 million assuming a gold price of around \$425 per ounce net of hedging and current gold production levels at the Rosebel gold mine. We expect this will be adequate to meet all corporate and related expenses, including debt service. We continue to actively review opportunities to raise additional debt or equity funding to provide capital for the acquisition of additional royalty interests and to repay or restructure existing corporate obligations.

## **RELATED PARTY TRANSACTIONS**

Guyanor's restructuring efforts initiated in 2004 continued in the first quarter of 2005. On January 8, 2005 Guyanor borrowed \$6.0 million from a commercial bank and paid the full amount to Golden Star as the first installment for the Rosebel royalty which Guyanor purchased in December 2004. Guyanor is seeking additional funding to pay the second \$6.0 million installment due Golden Star by June 30, 2005. Covenants in the January 2005 loan agreement preclude Guyanor from acquiring any additional debt without the bank's approval.

Golden Star continued funding Guyanor's operating expenses through the end of April 2005 when Guyanor received its first royalty payment from Cambior Inc. We expect to repay approximately \$0.7 million to Golden Star to cover expenses paid by Golden Star on Guyanor's behalf since September 2004. After April 2005, Guyanor expects to be able to fund all of its future operational cash needs from future royalty receipts.

## **HEDGING**

As required by the loan agreement, we entered into a cash-settled forward sales agreement in January 2005 which obligates us to sell 5,700 ounces of gold to the financial institution at the end of each three month period, beginning April 20, 2005 and every three months thereafter until July 20, 2007. When the average gold price for the prior three month period is less than \$421 per ounce, the financial institution will pay an amount to Guyanor equal to the difference between the average price and \$421 times 5,700 ounces. If the prior three month average price exceeds \$421 per ounce we will pay the financial institution an amount equal to the difference between the average price and \$421 per ounce times 5,700 ounces. The hedge is structured to offset the floating price nature of the Rosebel royalty by tying a portion of the royalty payments to a gold price of \$421 per ounce. Gold prices averaged \$427 per ounce during the first quarter of 2005 resulting in a payment to the bank of \$36,000 on the first 5,700 ounce tranche of the hedge.

## **DEBT AND CONTRACTUAL OBLIGATIONS**

<b>Contractual Obligations</b>	<b>Payments Due by Period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1 - 3 years</b>	<b>4- 5 years</b>	<b>After 5 years</b>
<b>Long Term Debt</b>					
Golden Star Resources Ltd.	\$ 10,607	\$ 6,657	\$ -	\$ 590	\$ 3,360
Macquarie Bank	6,075	2,075	4,000	-	-
<b>Total Contractual Obligations</b>	<b>\$ 16,682</b>	<b>\$ 8,732</b>	<b>\$ 4,000</b>	<b>\$ 590</b>	<b>\$ 3,360</b>

The amounts shown above are undiscounted to show full expected cash requirements, in thousands of dollars.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our financial statements reflect the application of Cdn GAAP. The accounting policies reflected therein are generally those applied by similarly situated mining companies in Canada. Our accounting policies under Canadian GAAP are described in Note 4 of our consolidated financial statements as found in our 2004 Annual Report.

Preparation of our consolidated financial statements requires the use of estimates and assumptions that can affect reported amounts of assets, liabilities, revenues and expenses. Accounting policies relating to current and future values, depreciation and amortization of bank loans, future royalty payments, equipment, and expense accruals are subject to estimates and assumptions regarding reserves, gold recoveries, future gold prices and future mining activities.

Decisions to write off, or not to write off, all or a portion of our investment in various properties, especially exploration properties, subject to impairment analysis are based on our judgment as to the actual value of the properties and are therefore subjective in most cases. We have written off substantially all of our investments in exploration properties based upon our assessments of the amounts recoverable from these properties. We continue to retain title to certain properties after impairment write-offs as future events and discoveries may ultimately prove that they have significant value.

## **SHARE CAPITAL**

At March 31, 2005 we had 45,002,884 common shares with a par value of Euro 0.01 per share. There were no new shares issued in the first quarter of 2005.

	<u>As of March 31, 2005</u>
Common Shares	
Par	\$ 607
Premium	44,891
Total Share Capital	<u>\$45,498</u>

Our Class A and Class B common shares were merged into a single class of common stock during 2004 which continue to trade on the Toronto Stock Exchange and the Nouveau Marché of the Paris Bourse.

This Management's Discussion and Analysis of Financial Condition and Results of Operation includes information available to May 13, 2005. As of May 13, 2005 there were 45,002,884 common shares outstanding.

**ADDITIONAL INFORMATION**

Additional information relating to Guyanor Ressources S.A. is available on SEDAR at [www.sedar.com](http://www.sedar.com). Information requests should be addressed to:

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