

GLAMIS GOLD LTD  
Form 6-K  
November 01, 2004

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**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**Form 6-K**

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934**

Quarterly Report for the period ended September 30, 2004

**Glamis Gold Ltd.**

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*(Translation of registrant's name into English)*

**5190 Neil Rd., Suite 310, Reno, Nevada 89502**

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*(Address of principal executive offices)*

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If  Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_

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**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GLAMIS GOLD LTD.  
(Registrant)

Date: October 29, 2004

By: /s/ Cheryl S. Maher

\_\_\_\_\_  
Cheryl S. Maher  
Chief Financial Officer

**GLAMIS GOLD LTD.****THIRD QUARTER REPORT****Production Data**

(Dollar amounts expressed in U.S. dollars)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2004	2003	2004	2003
Gold ounces produced	50,899	51,707	149,927	173,582
Gold ounces sold	51,631	51,110	151,331	172,155
Average revenue realized per ounce	\$ 406	\$ 371	\$ 404	\$ 356
Average market price per ounce	\$ 401	\$ 363	\$ 401	\$ 354
Total cash cost per ounce	\$ 205	\$ 201	\$ 198	\$ 180
Total production cost per ounce	\$ 292	\$ 273	\$ 284	\$ 259

**Production****Data:**

San Martin Mine:	Ore tons processed	1,582,208	1,921,596	4,660,040	5,440,716
	Waste tons	717,921	457,079	2,339,326	1,192,745
	Grade (ounces per ton)	0.024	0.025	0.023	0.028
	Gold ounces produced	23,985	20,344	75,329	76,123
	Total cash cost per ounce	\$ 207	\$ 211	\$ 190	\$ 170
	Total production cost per ounce	\$ 303	\$ 297	\$ 287	\$ 263
Marigold Mine (66.7%):	Ore tons mined	1,662,505	1,376,536	5,032,452	3,844,880
	Waste tons	6,560,409	5,279,409	17,168,316	14,553,391
	Grade (ounces per ton)	0.018	0.025	0.023	0.026
	Gold ounces produced	23,889	25,270	63,283	68,889
	Total cash cost per ounce	\$ 198	\$ 173	\$ 198	\$ 166
	Total production cost per ounce	\$ 280	\$ 243	\$ 278	\$ 237
Rand Mine:	Ore tons mined				
	Waste tons				

Grade (ounces per ton)				
Gold ounces produced	<b>3,025</b>	6,093	<b>11,315</b>	28,570
Total cash cost per ounce	\$ <b>255</b>	\$ 285	\$ <b>250</b>	\$ 241
Total production cost per ounce	\$ <b>300</b>	\$ 318	\$ <b>294</b>	\$ 300

**Financial****Data:**

(in millions of U.S. dollars, except per share amounts)

Working capital	\$ <b>27.4</b>	\$ 160.9	\$ <b>27.4</b>	\$ 160.9
Cash flow from operations	\$ <b>8.1</b>	\$ 7.5	\$ <b>23.5</b>	\$ 24.1
Net earnings	\$ <b>2.8</b>	\$ 3.4	\$ <b>14.8</b>	\$ 9.6
Basic earnings per share	\$ <b>0.02</b>	\$ 0.02	\$ <b>0.11</b>	\$ 0.07
Average shares outstanding	<b>130,654,678</b>	129,423,753	<b>130,457,868</b>	127,547,081

**Forward-Looking Statements**

*Safe Harbor Statement under the United States Private Securities Litigation Reform Act of 1995:* Except for the statements of historical fact contained herein, the information presented constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Often, but not always, forward-looking statements can be identified by the use of words such as plans, expects, budget, scheduled, estimates, forecasts, intends, anticipates, believes, or variation of such words and phrases that refer to certain actions, events or results to be taken, occur or achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual results of exploration activities, actual results of reclamation activities, the estimation or realization of mineral reserves and resources, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, requirements for additional capital, future prices of gold, possible variations in ore grade or recovery rates, failure of plant, equipment or processes to operate as anticipated, accidents, labor disputes and other risks of the mining industry, delays in obtaining governmental approvals, permits or financing or in the completion of development or construction activities, the Company's hedging practices, currency fluctuations, title disputes or claims limitations on insurance coverage and the timing and possible outcome of pending litigation, as well as those factors discussed under Item 5 in the section entitled Risk Factors in the Company's Annual Information Form. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

**Glamis Gold Ltd.**  
**Interim Consolidated Balance Sheets**  
(Expressed in millions of U.S. dollars)

	<b>September 30, 2004</b>	<b>December 31, 2003</b>
	<b>(unaudited)</b>	<b>(restated)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 22.4	\$ 126.1
Accounts and interest receivable	5.7	12.3
Inventories (note 2)	22.6	16.7
Prepaid expenses and other	3.5	1.1
	<hr/>	<hr/>
	54.2	156.2
Mineral property, plant and equipment, net	498.2	364.6
Other assets	19.4	13.3
	<hr/>	<hr/>
	\$ 571.8	\$ 534.1
	<hr/>	<hr/>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 24.7	\$ 9.4
Site closure and reclamation costs, current	1.0	1.3
Taxes payable	1.1	0.1
	<hr/>	<hr/>
	26.8	10.8
Site closure and reclamation costs	6.9	5.7
Future income taxes	85.2	82.9
	<hr/>	<hr/>
	118.9	99.4
<b>Shareholders equity</b>		
Share capital (note 3):		
Authorized:		
200,000,000 common shares without par value		
5,000,000 preferred shares, Cdn\$10 per share par value, issuable in series		
Issued and fully paid:		
130,694,678 (2003 130,133,678) common shares	471.1	465.4
Contributed surplus	16.8	6.0
Deficit	(35.0)	(36.7)

<u>452.9</u>	<u>434.7</u>
<b><u>\$ 571.8</u></b>	<b><u>\$ 534.1</u></b>

See accompanying notes to interim consolidated financial statements

Prepared by management without audit

Approved on behalf of the Board:

/s/ C. Kevin McArthur  
C. Kevin McArthur  
Director

/s/ A. Dan Rovig  
A. Dan Rovig  
Director

**Glamis Gold Ltd.****Interim Consolidated Statements of Operations**

(Expressed in millions of U.S. dollars, except per share amounts)

	Three months ended Sept. 30,		Nine months ended Sept. 30,	
	2004	2003	2004	2003
		(restated)		(restated)
	(unaudited)		(unaudited)	
Revenue	\$ 21.0	\$ 19.0	\$ 61.3	\$ 61.4
Costs and expenses:				
Cost of sales	10.6	10.3	29.8	30.8
Depreciation and depletion	4.5	3.9	12.9	13.1
Exploration	0.7	0.2	2.6	4.4
General and administrative	1.5	1.4	5.5	4.4
Other operating expenses	0.2	0.1	0.7	0.3
	<u>17.5</u>	<u>15.9</u>	<u>51.5</u>	<u>53.0</u>
Earnings from operations	3.5	3.1	9.8	8.4
Interest and other income	0.1	0.5	8.5	2.6
	<u>3.6</u>	<u>3.6</u>	<u>18.3</u>	<u>11.0</u>
Earnings before income taxes	3.6	3.6	18.3	11.0
Provision for income taxes:				
Current			1.2	0.2
Future	0.8	0.2	2.3	1.2
	<u>0.8</u>	<u>0.2</u>	<u>3.5</u>	<u>1.4</u>
<b>Net earnings</b>	<b>\$ 2.8</b>	<b>\$ 3.4</b>	<b>\$ 14.8</b>	<b>\$ 9.6</b>
Basic earnings per share	\$ 0.02	\$ 0.02	\$ 0.11	\$ 0.07
Diluted earnings per share	\$ 0.02	\$ 0.02	\$ 0.11	\$ 0.07
Weighted average common shares outstanding:				
Basic	130,654,678	129,423,753	130,457,868	127,547,081
Diluted	132,195,173	131,252,656	131,987,315	129,283,611



**Interim Consolidated Statements of Deficit**

(Expressed in millions of U.S. dollars)

	<b>Three months ended Sept. 30,</b>		<b>Nine months ended Sept. 30,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
		<b>(restated)</b>		<b>(restated)</b>
		<b>(unaudited)</b>		<b>(unaudited)</b>
Deficit, beginning of period				
As previously reported	<b>\$ (37.8)</b>	\$ (52.0)	<b>\$ (39.8)</b>	\$ (57.8)
Adjustment for site closure and reclamation (note 7(b))	—	3.2	<b>3.1</b>	2.8
As restated	<b>(37.8)</b>	(48.8)	<b>(36.7)</b>	(55.0)
Adjustment for stock-based compensation (note 7(a))			<b>(13.1)</b>	
Net earnings	<b>2.8</b>	3.4	<b>14.8</b>	9.6
Deficit, end of period	<b>\$ (35.0)</b>	\$ (45.4)	<b>\$ (35.0)</b>	\$ (45.4)

See accompanying notes to interim consolidated financial statements

Prepared by management without audit

**Glamis Gold Ltd.**  
**Interim Consolidated Statements of Cash Flows**  
(Expressed in millions of U.S. dollars)

	<b>Three months ended Sept.</b>		<b>Nine months ended Sept.</b>	
	<b>30,</b>		<b>30,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>(restated)</b>		<b>(restated)</b>	
	<b>(unaudited)</b>		<b>(unaudited)</b>	
<b>Cash flows from (used in) operating activities</b>				
Net earnings	\$ 2.8	\$ 3.4	\$ 14.8	\$ 9.6
Non-cash items:				
Depreciation and depletion	4.5	3.9	12.9	13.1
Future income taxes	0.8	0.2	2.3	1.2
Loss (gain) on sale of investments and properties		(0.1)	(6.9)	(0.1)
Other operating expenses		0.1	0.4	0.3
	<u>8.1</u>	<u>7.5</u>	<u>23.5</u>	<u>24.1</u>
Changes in non-cash operating working capital:				
Accounts and interest receivable	(1.2)	(0.8)	(3.5)	(3.6)
Taxes recoverable/payable		0.8		0.3
Inventories	(2.9)	(0.9)	(6.0)	(0.6)
Prepaid expenses and other	(1.8)	0.4	(2.5)	
Accounts payable and accrued liabilities	(4.4)	0.3	15.3	0.1
Site closure and reclamation expenditures	(0.5)	(0.4)	(1.6)	(2.9)
	<u>(2.7)</u>	<u>6.9</u>	<u>25.2</u>	<u>17.4</u>
<b>Net cash flows from (used in) operating activities</b>				
<b>Cash flows from (used in) investing activities</b>				
Purchase and development of mineral property, plant and equipment, net of disposals	(51.1)	(17.3)	(144.3)	(41.9)
Net proceeds from sale of investments and properties (note 5)		4.6	13.3	6.5
Other assets	(1.3)		(1.3)	(0.5)
	<u>(52.4)</u>	<u>(12.7)</u>	<u>(132.3)</u>	<u>(35.9)</u>
<b>Net cash flows used in investing activities</b>				
<b>Cash flows from financing activities</b>				
Issuance of share capital	0.3	3.2	3.4	5.7
	<u>0.3</u>	<u>3.2</u>	<u>3.4</u>	<u>5.7</u>

<b>Net cash flows from financing activities</b>	<b>0.3</b>	3.2	<b>3.4</b>	5.7
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Increase (decrease) in cash and cash equivalents	<b>(54.8)</b>	(2.6)	<b>(103.7)</b>	(12.8)
Cash and cash equivalents, beginning of period	<b>77.2</b>	149.8	<b>126.1</b>	160.0
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents, end of period	<b>\$ 22.4</b>	\$ 147.2	<b>\$ 22.4</b>	\$ 147.2
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Supplemental disclosure of cash flow information:				
Non-cash financing and investing activities:				
Shares received on sale of mineral property (note 5(b))			<b>\$ 0.7</b>	
Shares issued for acquisition of mineral properties				\$ 20.7
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

See accompanying notes to interim consolidated financial statements

Prepared by management without audit

**Glamis Gold Ltd.**

Notes to Unaudited Interim Consolidated Financial Statements  
(tables expressed in millions of U.S. dollars, except per share amounts)  
Three months and nine months ended September 30, 2004

**1. General**

In the opinion of management, the accompanying unaudited interim consolidated balance sheet and consolidated statements of operations, deficit and cash flows contain all adjustments, consisting only of normal recurring accruals, necessary to present fairly, in all material respects, the financial position of Glamis Gold Ltd. (the Company) as of September 30, 2004 and the results of its operations and its cash flows for the three month and the nine month periods ended September 30, 2004 and 2003.

These unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and related footnotes included in the Company's annual report to shareholders for the year ended December 31, 2003. Certain of the comparative figures have been reclassified to conform to the current period's presentation.

These financial statements have been prepared using the same accounting policies and methods of application as those disclosed in note 2 to the Company's consolidated financial statements for the year ended December 31, 2003, except as disclosed in note 7. They have been prepared in accordance with accounting principles generally accepted in Canada which conform, in all material respects, with accounting principles generally accepted in the United States, except as described in note 8. All amounts are stated in U.S. dollars unless otherwise specified.

**2. Inventories**

	<b>September 30, 2004 (unaudited)</b>	<b>December 31, 2003</b>
Finished goods	\$ 0.9	\$ 1.2
Work-in-progress	16.9	12.2
Supplies and spare parts	4.8	3.3
	<b>\$ 22.6</b>	<b>\$ 16.7</b>

**3. Share Capital**

<b>Nine months ended Sept. 30, 2004 (unaudited)</b>		<b>Nine months ended Sept. 30, 2003 (unaudited)</b>	
<b>Number of Shares</b>	<b>Amount</b>	<b>Number of shares</b>	<b>Amount</b>

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Issued and fully paid:				
Balance at beginning of period	<b>130,133,678</b>	<b>\$ 465.4</b>	125,978,115	\$ 437.6
Cumulative adjustment for change in accounting for stock-based compensation (note 7(a))		<b>1.4</b>		
Issued during the period:				
Under the terms of Directors and Employees stock option plan	<b>561,000</b>	<b>4.3</b>	1,545,750	5.5
To former Montana Gold Corp. shareholders under the terms of the Plan of Arrangement with Francisco Gold Corp.			2,247,486	20.7
Due to a previous reorganization			68,527	0.2
Balance at end of period	<b>130,694,678</b>	<b>\$ 471.1</b>	129,839,878	\$ 464.0
Directors and employees stock options outstanding, end of period	<b>3,554,700</b>		3,291,500	
Directors and employees stock options exercisable, end of period	<b>3,547,200</b>		3,213,900	

**4. Segment Reporting**

As at September 30, 2004 and 2003 and for the three and nine months ended September 30, 2004 and 2003:

**Three months ended September 30,**

<b>2004</b>	<b>Rand</b>	<b>San Martin</b>	<b>Marigold</b>	<b>El Sauzal</b>	<b>Marlin</b>	<b>Other</b>	<b>Total</b>
Revenue	\$ 1.4	\$ 9.9	\$ 9.7	\$	\$	\$	\$ 21.0
Cost of sales	0.9	5.0	4.7				10.6
Depreciation and depletion	0.2	2.3	1.9			0.1	4.5
Other operating expenses	0.1					2.3	2.4
Earnings (loss) from operations	0.2	2.6	3.1			(2.4)	3.5
Other income (loss)	0.1	(0.3)				0.3	0.1
Earnings (loss) before taxes	\$ 0.3	\$ 2.3	\$ 3.1			\$ (2.1)	\$ 3.6
Cash flow from operations	\$ 0.6	\$ 4.6	\$ 5.0			\$ (2.1)	\$ 8.1
Capital expenditures	\$	\$ 0.5	\$ 4.9	\$ 17.4	\$ 28.3		\$ 51.1
Total assets	\$ 3.0	\$ 54.9	\$ 66.4	\$ 228.4	\$ 194.8	\$ 24.3	\$ 571.8
<b>2003</b>	<b>Rand</b>	<b>San Martin</b>	<b>Marigold</b>	<b>El Sauzal</b>	<b>Marlin</b>	<b>Other</b>	<b>Total</b>
Revenue	\$ 2.1	\$ 7.4	\$ 9.5	\$	\$	\$	\$ 19.0
Cost of sales	1.6	4.2	4.5				10.3
Depreciation and depletion	0.3	1.8	1.8				3.9
Other operating expenses	0.1		0.5		(0.4)	1.5	1.7
Earnings (loss) from operations	0.1	1.4	2.7		0.4	(1.5)	3.1
Other income (loss)			0.1			0.4	0.5
Earnings (loss) before taxes	\$ 0.1	\$ 1.4	\$ 2.8	\$	\$ 0.4	\$ (1.1)	\$ 3.6

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Cash flow from operations	\$ 0.5	\$ 3.2	\$ 4.6	\$	\$ 0.4	\$ (1.2)	\$ 7.5
Capital expenditures		\$ 1.0	\$ 2.4	\$ 11.9	\$ 5.0	\$	\$ 20.3
Total assets	\$ 4.4	\$ 54.8	\$ 39.0	\$137.7	\$135.0	\$151.6	\$522.5

Nine months ended September 30,

<b>2004</b>	<b>Rand</b>	<b>San Martin</b>	<b>Marigold</b>	<b>El Sauzal</b>	<b>Marlin</b>	<b>Other</b>	<b>Total</b>
Revenue	\$ 4.9	\$ 31.0	\$ 25.4	\$	\$	\$	\$ 61.3
Cost of sales	3.0	14.5	12.3				29.8
Depreciation and depletion	0.6	7.2	5.0			0.1	12.9
Other operating expenses	0.2	0.2	0.7	0.1	0.1	7.5	8.8
Earnings (loss) from operations	1.1	9.1	7.4	(0.1)	(0.1)	(7.6)	9.8
Other income (loss)	0.1	(0.5)	0.1			8.8	8.5
Earnings (loss) before taxes	\$ 1.2	\$ 8.6	\$ 7.5	\$ (0.1)	\$ (0.1)	\$ 1.2	\$ 18.3
Cash flow from operations	\$ 2.0	\$ 15.9	\$ 12.6	\$ (0.1)	\$ (0.1)	\$ (6.8)	\$ 23.5
Capital expenditures	\$	\$ 3.2	\$ 20.0	\$ 68.8	\$ 52.2	\$ 0.1	\$144.3
Total assets	\$ 3.0	\$ 54.9	\$ 66.4	\$228.4	\$194.8	\$ 24.3	\$571.8

<b>2003</b>	<b>Rand</b>	<b>San Martin</b>	<b>Marigold</b>	<b>El Sauzal</b>	<b>Marlin</b>	<b>Other</b>	<b>Total</b>
Revenue	\$ 10.0	\$ 26.7	\$ 24.7	\$	\$	\$	\$ 61.4
Cost of sales	6.8	12.7	11.3				30.8
Depreciation and depletion	1.4	6.8	4.9				13.1
Other operating expenses	0.2	0.1	1.0		1.6	6.2	9.1

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Earnings (loss) from operations	1.6	7.1	7.5		(1.6)	(6.2)	8.4
Other income (loss)		(0.4)	0.1			2.9	2.6
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Earnings (loss) before taxes	\$ 1.6	\$ 6.7	\$ 7.6	\$	\$ (1.6)	\$ (3.3)	\$ 11.0
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Cash flow from operations	\$ 3.2	\$ 13.5	\$ 12.4	\$	\$ (1.6)	\$ (3.4)	\$ 24.1
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Capital expenditures		\$ 1.5	\$ 12.2	\$ 20.6	\$ 11.9	\$ 0.1	\$ 46.3
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	\$ 4.4	\$ 54.8	\$ 39.0	\$ 137.7	\$ 135.0	\$ 151.6	\$ 522.5
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>



## **5. Sale of Mineral Properties**

### **(a) Cerro San Pedro Project**

Under a Share Purchase Agreement effective February 12, 2003, the Company agreed to sell its 50% interest in the Cerro San Pedro Project to Metallica Resources Inc. ( Metallica ) for proceeds of \$13.0 million plus contingent payments of \$5.0 million based on the project being put into commercial production, and a net smelter return royalty of up to 2%, depending on the price of gold. The Company received \$2.0 million on closing of this transaction, \$5.0 million on August 12, 2003, and \$6.0 million on February 12, 2004. On March 24, 2004, the Company sold the royalty to Metallica for \$2.25 million and received the \$5.0 million contingent payments due under the Share Purchase Agreement. This \$7.25 million has been reflected as other income in the statement of operations, and the \$13.25 million received during the nine months ended September 30, 2004 as cash flows from investing activities in the statement of cash flows.

### **(b) Metates Property**

Effective February 25, 2004, the Company sold its 50% interest in the Metates Property in Mexico to American Gold Capital Corporation ( American Gold ), a TSX Venture Exchange-listed company. The Company received 5,000,000 shares of American Gold, 4,500,000 of which are held in escrow to be released over the period to February 2007. A gain of \$0.7 million on this sale has been included in other income in the statement of operations. At September 30, 2004, the quoted market value of the shares of American Gold not held in escrow was \$1.0 million.

## **6. Financing Arrangements**

On June 30, 2004, the Company signed a loan agreement with International Finance Corporation, a division of the World Bank. The facility provides for up to \$45.0 million in funding for development of the Company's Marlin Project in Guatemala. The facility is available for drawdown until December 31, 2005, with any funds drawn repayable over the subsequent three years at a LIBOR-based interest rate. The facility is secured by a pledge of the Company's shares in the related Guatemalan subsidiaries. As at September 30, 2004, there were no amounts outstanding under the facility.

## **7. Changes in Accounting Policies**

### **(a) Stock-based compensation**

Effective January 1, 2004, the Company retroactively adopted the amended Canadian Institute of Chartered Accountants Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments ( HB3870 ). HB3870 requires the use of the fair-value method to calculate all stock-based compensation associated with granting stock options to employees and directors, and the inclusion of that expense in the statement of operations. Prior to January 1, 2004, the Company disclosed the effects of the fair-value method in the notes to the financial statements and did not recognize stock-based compensation relating to stock options granted to employees and directors in the statement of operations. Under the revised accounting policy, the Company measures stock-based compensation on the date of the grant and recognizes this cost over the vesting period of the options in results from operations. The cumulative effect of this change in accounting for stock-based compensation of \$13.1 million, determined as of January 1, 2004, for stock options granted on or after January 1, 2002, is reported separately in the consolidated statement of deficit and as an adjustment to contributed surplus. The fair value of options granted on or after January 1, 2002 and exercised prior to January 1, 2004 of \$1.4 million has been recorded as an adjustment to share capital, with an offsetting reduction to contributed surplus as at January 1, 2004. As allowed under the transitional provisions of the amended standard, prior years' financial statements have not been restated to apply the provisions of the revised accounting policy for stock-based compensation. The Company used the Black-Scholes option pricing model to determine the fair value of options granted during the nine months ended September 30, 2004 with the following weighted average assumptions: risk-free interest rate 2.55%, expected volatility 55%, and expected life of

the option 2.5 years. The weighted average fair value of options granted in the nine months ended September 30, 2004 was \$0.1 million. During the three months ended September 30, 2004, no options were granted or vested. During the three months ended September 30, 2003 stock options valued at \$0.3 million were granted. The Company used the Black-Scholes option pricing model to determine the fair value of options granted during the three months ended September 30, 2003 with the following weighted average assumptions: risk-free interest rate 3.05%, expected volatility 59%, and expected life of the option 2.5 years.

**(b) Asset Retirement Obligations**

Effective January 1, 2004, the Company retroactively adopted the Canadian Institute of Chartered Accountants Handbook Section 3110, Asset Retirement Obligations ( HB3110 ). HB3110 requires that the fair value of a liability for an asset retirement obligation, such as site closure and reclamation costs, be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The Company is required to record the estimated present value of future cash flows associated with site closure and reclamation as a liability when the liability is incurred and increase the carrying value of the related assets for that amount. Subsequently, these asset retirement costs will be amortized to expense over the life of the related assets using the unit-of-production method. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial fair value measurements (additional asset retirement costs). Prior years' financial statements have been restated to apply the provisions of the new accounting policy for site closure and reclamation costs. On adoption of the new standard, the Company increased mineral property, plant and equipment by \$3.5 million, decreased site closure and reclamation liabilities by \$0.3 million, increased future income tax liabilities by \$0.7 million and recorded a \$3.1 million reduction to deficit at December 31, 2003, for the difference between the above amounts and the amounts previously recorded in the Company's financial statements. Deficit at December 31, 2002 has been reduced by \$2.8 million and net earnings for the three months ended September 30, 2003 have been decreased by \$0.1 million as a result of this change. Earnings for the nine month period ending September 30, 2003 have been increased by \$0.3 million.

**8. Differences Between Canadian and United States Generally Accepted Accounting Principles**

Accounting in these unaudited interim consolidated financial statements under Canadian and U.S. generally accepted accounting principles is substantially the same, except as noted below.

United States accounting principles require the use of the asset and liability method of accounting for income taxes, which is comparable to the Canadian standard adopted in 2000. As previously disclosed, the \$4.5 million charge recorded to opening deficit would have been recorded as an increase to the San Martin property at the time of the business acquisition under U.S. accounting principles. As a result, under United States accounting principles, at September 30, 2004, mineral property, plant and equipment for the San Martin Mine would be increased by \$2.1 million (December 31, 2003 \$2.5 million) over the amount presented under Canadian accounting principles, with a corresponding reduction in deficit. The resulting increase in depreciation and depletion charges as these costs are amortized would have reduced reported earnings for the three months ended September 30, 2004 by \$0.1 million (2003 \$0.1 million) and \$0.4 million for the nine months ended September 30, 2004 and 2003.

Statement of Financial Accounting Standards No. 115, Accounting for Investments in Debt and Equity Securities, requires that portfolio investments that have readily determinable fair values and are held principally for sale in the near term be presented at fair value with their unrealized holding gains and losses included in earnings. Investments that have readily determinable fair values and, while not held principally for sale in the near term, are available-for-sale, must also be presented at fair value with their holding gains and losses reported in a separate component of shareholders' equity until realized. Both of these types of investments are presented on a cost basis under Canadian accounting principles. Under United States accounting principles, other assets and unrealized holding gains (losses) in shareholders' equity at September 30, 2004 would each be increased by \$0.3 million (December 31, 2003 nil; September 30, 2003 nil), based on the quoted market price of the Company's share investments, which would be included in other comprehensive income (loss) for the three months and nine months ended September 30, 2004 (see below).

Generally accepted accounting principles in the United States require that the Company classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings (deficit) and contributed surplus in the equity section of the

balance sheet. Under United States accounting principles, other comprehensive income for the three months ended September 30, 2004, which consists of the changes in the unrealized holding gains (losses) on investments held, would be a gain of \$0.6 million (2003 nil); and for the nine months ended September 30, 2004 there would be a loss of \$0.1 million (2003 nil).

The new Canadian accounting standard for asset retirement obligations (HB3110) is substantially the same as United States Statement on Financial Accounting Standards ( SFAS ) 143 that was applicable to the Company's 2003 fiscal year for United States reporting purposes. However, the \$2.8 million adjustment to deficit as at January 1, 2003 under Canadian accounting principles, would have been recorded in earnings as a cumulative change in accounting principle for the three months ended March 31, 2003 and nine months ended September 30, 2003 under United States accounting principles. There would be no differences between the balance sheets as at September 30, 2004 and December 31, 2003 or between the statement of operations for the three months and nine months ended September 30, 2004 prepared under United States accounting principles for this matter, compared to the balance sheets and statement of operations presented under Canadian accounting principles.

The amended Canadian accounting standard for stock-based compensation (HB3870) is substantially the same as the United States accounting principles in its use of the fair-value method, however the transition provision under United States standards allow the effects of the fair-value method to be accounted for prospectively. As a result, the adjustments to deficit, share capital and contributed surplus as at January 1, 2004 would not be made under United States accounting principles.

A reconciliation of net earnings for the period as shown in these consolidated financial statements to net earnings for the period in accordance with United States accounting principles, excluding the effects of accounting for stock options using the fair value method for the three months and nine months ended September 30, 2003, and to comprehensive income for the period using United States accounting principles, is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
		(restated)		(restated)
		(unaudited)		(unaudited)
Net earnings in these consolidated financial statements	\$ 2.8	\$ 3.4	\$ 14.8	\$ 9.6
Adjustment for differences in accounting for income taxes	(0.1)	(0.1)	(0.4)	(0.4)
Cumulative effect of adjustment for differences in accounting for site closure and reclamation				2.8
Net earnings using United States accounting principles	2.7	3.3	14.4	12.0
Other comprehensive income (loss), net of tax:				
Change in unrealized holding gains on investments	0.6		(0.1)	
Comprehensive earnings using United States accounting principles	\$ 3.3	\$ 3.3	\$ 14.3	\$ 12.0
Basic earnings per share	\$ 0.02	\$ 0.02	\$ 0.11	\$ 0.09
Diluted earnings per share	\$ 0.02	\$ 0.02	\$ 0.11	\$ 0.09



## **THIRD QUARTER 2004 INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (AS OF OCTOBER 29, 2004)**

### **FINANCIAL REVIEW**

The Company reported earnings for the three months ended September 30, 2004 of \$2.8 million (\$0.02 per share) compared to earnings of \$3.4 million (\$0.02 per share) in the same period of 2003. Earnings for the nine months ended September 30, 2004 were \$14.8 million (\$0.11 per share) compared to earnings of \$9.6 million (\$0.07 per share) for the same period in 2003. Earnings for the 2004 period include income of \$6.9 million from the sale of the Cerro San Pedro and Metates properties. Cash flow from operations before working capital adjustments and reclamation expenditures were \$8.1 million for the third quarter of 2004 compared to \$7.5 million in the third quarter of 2003. Cash flows from operations for the nine months ended September 30, 2004 were \$23.5 million, compared to \$24.1 million for the comparable period in 2003. Slightly higher ounces sold combined with an increased gold price accounted for the increase in cash flow in the third quarter of 2004 compared to the same period in 2003. However the lower production and sales year-to-date in 2004 compared to 2003 were only partially offset by increased prices received for gold and account for the decreased cash flow year-to-date. The Company's major construction activities at the El Sauzal Project and the Marlin Project, as well as expansion at the Marigold Mine, accounted for capital expenditures of \$51.1 million for the three months ended September 30, 2004, and \$144.3 million year-to-date in 2004. El Sauzal is expected to produce its first gold during the fourth quarter of 2004.

The Company produced 50,899 ounces of gold in the third quarter of 2004 compared to 51,707 ounces during the third quarter of 2003. The Company's total gold production year-to-date in 2004 was 149,927 ounces compared to 173,582 ounces produced during the first nine months of 2003. The largest decline in production was at the Rand Mine which produced 17,255 ounces less year-to-date in 2004 than in 2003 as the mine moved from production to reclamation. The San Martin Mine had a better quarter this year than in the comparable period in 2003 (producing 23,985 ounces of gold in 2004 compared to 20,344 ounces in 2003). Production year-to-date at 75,329 ounces of gold is virtually the same as 2003 (76,123 ounces) although the increase in total cash cost per ounce (\$190 per ounce from \$170 per ounce) reflect the increased costs of mining in the Palo Alto area. The Marigold Mine's production for the third quarter of 2004 was only slightly less than in 2003 (23,889 ounces of gold versus 25,270 ounces respectively). Year-to-date the mine is striving to overcome the delay in commissioning the larger mining fleet and constructing a new leach pad which has caused year-to-date production to be 5,606 ounces of gold less than in 2003. The Company expects overall production to increase in the fourth quarter of the year as Marigold begins processing ore on a new leach pad and El Sauzal begins production; however, delays encountered in the first three quarters will result in total gold production being approximately 250,000 ounces during 2004. Total cash costs of production increased slightly in the third quarter of 2004 to \$205 per ounce of gold compared to \$201 per ounce in the same period of 2003. The Company's total cash cost of production for the nine months ended September 30, 2004 averaged \$198 per ounce compared to \$180 per ounce for the nine months ended September 30, 2003. Reduced production is the single largest factor in the Company's increased cash cost per ounce between 2003 and 2004.

The Company uses certain non-GAAP financial disclosures in this report. The reported cash costs of production should not be considered as an alternative to operating profit or net profit attributable to shareholders, or as an alternative to other Canadian or U.S. generally accepted accounting principle measures and may not be comparable to other similarly titled measures of other companies. However, the Company believes that cash costs of production per ounce of gold, by mine, is a useful indicator to investors and management of a mine's performance as it provides: (i) a measure of the mine's cash margin per ounce, by comparison of the cash operating costs per ounce by mine to the price of gold; (ii) the trend in costs as the mine matures; and (iii) an internal benchmark of performance to allow for comparison against other mines. In addition, the difference between cost of sales as presented in the consolidated statements of operations and cash costs of production for the Company is due to the cost of any incremental ounces put into or sold out of finished goods inventory, compared to those ounces actually produced during the year. In the

Company's case, there is no significant difference between the total cash cost per ounce of production and total cash cost per ounce sold.

Year-to-date revenues remained comparable to 2003 as the increased gold prices per ounce were offset by the decline in production and sales volume. The Company's earnings during the quarter were positively impacted by gold prices that averaged \$401 for both the three months and nine months ended September 30, 2004 compared to \$363 and \$354 respectively during the same periods in 2003. Revenue realized per ounce of gold increased to \$406 during the three months ended September 30, 2004 and \$404 for the nine months ended September 30, 2004, from \$371 and \$356 respectively during the same periods of 2003. Total costs were marginally lower based on volume, although the per-ounce cost of sales was higher. Earnings from operations increased to \$3.5 million during the third



quarter of 2004 compared to \$3.1 million during the third quarter of 2003, and to \$9.8 million in the nine months ended September 30, 2004 compared to \$8.4 million during the same period in 2003. The positive change in earnings due to increased gold prices in the third quarter was offset by slightly higher costs of sales as well as increased exploration expense (\$0.7 million during the third quarter of 2004 compared to \$0.2 million in the comparable period of 2003). Exploration expense of \$2.6 million for nine months ended September 30, 2004 was \$1.8 million less than in the same period of 2004, reflecting the expensed exploration at the Marlin Project in the first quarter of 2003.

Depreciation and depletion expense of \$4.5 million for the third quarter of 2004 and \$12.9 million for the nine months ended September 30, 2004 was higher for the comparative quarter but slightly lower for the year-to-date periods (\$3.9 million and \$13.1 million, respectively, in 2003). This is a result of the depreciation and depletion charges on a per-ounce basis increasing as the production at Marigold and San Martin, which have significantly higher charges than the Rand Mine, become a larger percentage of the total ounces produced. As the third quarter of 2004 and 2003 had a comparable number of ounces sold, the total charges increased, while on a year-to-date basis reduced ounces sold caused the total depreciation and depletion charges to be lower.

General and administrative expense was \$1.5 million for the third quarter of 2004 compared to \$1.4 million for the third quarter of 2003. General and administrative expenses were \$5.5 million for the nine months ended September 30, 2004 compared to \$4.4 million for the nine months ended September 30, 2003. The increased expense year-to-date was a result of increased employee expenses, a special contribution to the University of Nevada, and various business development costs. Other expense, primarily the accretion expense attributable to the amortization of asset retirement obligations, is expected to increase each year until mining is completed and the sites are reclaimed.

Interest and other income declined to \$0.1 million in the three months ended September 30, 2004 compared to \$0.5 million in the three months ended September 30, 2003. The 2004 amount represents interest income of \$0.1 million and \$0.1 million other income from miscellaneous tax refunds and sales of assets offset by a \$0.1 million foreign exchange loss. The third quarter of 2003 reflected \$0.4 million of interest income and \$0.1 million of miscellaneous other income. Interest and other income for the nine months ended September 30, 2004 was \$8.5 million, which included \$8.0 million of income from the sale of the Cerro San Pedro property and the Company's share of the Metates property, \$0.8 million of interest income, \$0.2 million of gain on sale of miscellaneous equipment at the reclamation projects and a small tax refund, offset by \$0.5 million of foreign exchange losses. During the nine months ended September 30, 2003 the Company recorded interest and other income of \$2.6 million, reflecting \$2.4 million of interest income and \$0.5 million of other income, offset by foreign exchange losses of \$0.3 million.

### Supplemental Quarterly Data

The Company's quarterly information for the last eight quarters is shown below:

Amounts in millions of US\$ except per share amounts)	4th Q 2002	1st Q 2003	2nd Q 2003	3rd Q 2003	4th Q 2003	1st Q 2004	2nd Q 2004	3rd Q 2004
Average realized price of gold	\$ 326	\$ 348	\$ 353	\$ 371	\$ 402	\$ 412	\$ 394	\$ 371
Ounces of gold sold	68,784	59,470	61,575	51,110	56,064	52,663	47,036	51,110
Revenues <sup>(1)</sup>	\$ 22.4	\$ 20.8	\$ 21.7	\$ 19.0	\$ 22.5	\$ 21.7	\$ 18.6	\$ 18.6
Operating income <sup>(2)</sup>	\$ 4.7	\$ 2.4	\$ 3.8	\$ 3.4	\$ 8.6 <sup>(3)</sup>	\$ 9.1 <sup>(3)</sup>	\$ 2.9	\$ 2.9
Adjusted earnings per share	\$ 0.04	\$ 0.02	\$ 0.03	\$ 0.02	\$ 0.07	\$ 0.07	\$ 0.02	\$ 0.02
Revised earnings per share	\$ 0.04	\$ 0.02	\$ 0.03	\$ 0.02	\$ 0.07	\$ 0.07	\$ 0.02	\$ 0.02

- (1) Net sales and total revenues are the same.
- (2) Income from continuing operations and net income are the same.
- (3) Includes income from the sale of the Cerro San Pedro and Metates properties of \$1.5 million in the 4th quarter of 2003 and \$6.9 million in the 1st quarter of 2004.

**Outstanding share information**

The Company had 130,694,678 common shares outstanding at September 30, 2004 and at October 29, 2004.

**Liquidity and Capital Resources**

The Company's working capital continues to reflect the impact of the two major construction and development projects at El Sauzal and Marlin. Working capital was \$27.4 million at September 30, 2004, compared to \$145.4 million at December 31, 2003. Cash balances totaled \$22.4 million at September 30, 2004 compared to \$126.1

million at December 31, 2003. The Company invests most of its cash balances in short-term investments that are subject to interest rate fluctuations. Because these investments are in highly liquid, short-term instruments, management believes any impact of an interest rate change would not be material. Long-term liabilities were \$92.1 million at September 30, 2004, an increase of \$3.5 million compared to December 31, 2003. The long-term liabilities amount consists of reserves for future site closure and reclamation costs of \$6.9 million (\$5.7 million at December 31, 2003) and future income taxes of \$85.2 million (\$82.9 million at December 31, 2003). The increase in the reclamation liability account reflects the increased obligations as a result of mining activities and accretion of the liability. Future income tax increases are due to the profitable production at the San Martin Mine. The Company continues to have no long-term debt, although a \$45.0 million facility for use at the Marlin Project was arranged effective June 30, 2004.

Capital expenditures to construct the Company's two new mines accounted for the majority of the \$51.1 million expended in the third quarter of 2004 and \$144.3 million year-to-date. This compares to expenditures of \$20.3 million in the third quarter of 2003 and \$46.3 million for the nine months ended September 30, 2003. The most significant capital expenditures this quarter were at the Marlin Project, where a total of \$28.4 million was expended: \$5.7 million for engineering, development and general infrastructure, \$7.7 million on mobile equipment, \$10.9 million on the process and tailings facilities, including equipment, \$2.4 million on underground development, and \$1.7 million on capitalized drilling. The El Sauzal Project accounted for \$17.3 million including \$5.5 million for the crushing, process and tailings facilities, \$4.5 million for power distribution, \$4.7 million for engineering, development and infrastructure, \$1.2 million on the shop, warehouse and office, \$0.7 million on the access road and \$0.7 million on mine development. There were \$4.9 million in expenditures at the Marigold Mine: \$2.2 on construction of the new leach pad and process facilities, \$1.7 million on deferred stripping, \$0.7 million in capitalized exploration, and \$0.3 million on other development work. San Martin capitalized \$0.5 million, primarily for leach pad construction with a small amount expended on equipment. Because the Company has accelerated the construction of the Marlin Project, it is likely that the remaining capital expenditures planned for in 2004 will be financed partially from the Company's working capital and cash flow from operations, and partially from the available \$45.0 million loan facility.

The Company had cash flow from operations before working capital adjustments and reclamation expenditures of \$8.1 million during the third quarter of 2004, compared to \$7.5 million generated in the second quarter of 2003. The increase was due primarily to increased gold prices. In the nine months ended September 30, 2004, cash flow from operations before working capital adjustments and reclamation expenditures totaled \$23.5 million, compared to \$24.1 million in the nine-month period ended September 30, 2003. On a year-to-date basis the increase in the gold price was not enough to offset the decreased production and sales coupled with higher cash costs per ounce of sales resulting in a decline in the Company's cash flow from operations. There was also an increase of \$1.1 million in general and administrative expenses and increased tax expense of \$1.1 million, which was offset by a decline in exploration expense of \$2.8 million. The Company also realized \$0.3 million on the issuance of shares during the three months ended September 30, 2004, from the exercise of stock options, and \$3.4 million year-to-date (compared to \$3.2 million and \$5.7 million, respectively, in 2003).

## COMMITMENTS AND CONTINGENCIES

In the course of its normal business, the Company incurs various contractual commitments and contingent liabilities. Commitments and contingencies outstanding as at September 30, 2004 are illustrated in the table below (expressed in millions):

	<b>Less than</b>					<b>More than</b>	
<b>Contractual Obligations</b>	<b>one year</b>	<b>1</b>	<b>3 years</b>	<b>4</b>	<b>5 years</b>	<b>5 years</b>	<b>Total</b>

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Operating leases	\$ 0.4	\$ 0.9	\$ 0.3		\$ 1.6
Minimum royalty payments	\$ 0.6	\$ 0.5	\$ 0.6	\$ 1.4	\$ 3.1
Construction and equipment purchase contracts	\$ 21.8				\$ 21.8
	<b>Less than</b>	<b>1</b>	<b>3 years</b>	<b>4</b>	<b>5 years</b>
<b>Contingencies</b>	<b>one year</b>	<b>1</b>	<b>3 years</b>	<b>4</b>	<b>5 years</b>
	<b>More than</b>				<b>5 years</b>
	<b>one year</b>				<b>Total</b>
Future site closure and reclamation costs <sup>(1)</sup>	\$ 1.0	\$ 0.7	\$ 4.0	\$ 13.1	\$ 18.8

(1) In the Company's financial statements, \$1.0 million of these obligations are included in current liabilities and \$6.9 million in long-term liabilities. The Company has \$10.7 million in certificates of deposit as collateral for these obligations.

## **OPERATIONS REVIEW**

### **San Martin Mine, Honduras**

The San Martin Mine produced 23,985 ounces of gold during the third quarter of 2004 bringing total production to 75,329 ounces of gold for the year to date. During 2003, 20,344 ounces of gold were produced in the third quarter and 76,123 ounces of gold produced for the nine months ended September 30, 2003. Total cash costs were \$207 per ounce of gold in the third quarter of 2004 (\$190 per ounce year-to-date), compared to \$211 per ounce during the third quarter of 2003 (\$170 per ounce for the nine months ended September 30, 2003). Total cash costs continue to be higher year-to-date due to the transition from the Rosa pit to the Palo Alto pit where both ore grades and recoveries are lower. Increased cyanide, anfo and fuel costs were the most significant cost increases in the quarter. The actual diesel cost per gallon was almost 30% higher than planned, which negatively impacted the work in process inventory as well as total cash costs per production ounce. San Martin gold production was close to plan for both the third quarter and year-to-date. Ore tonnes mined and stacked were slightly less than plan, but grade was also 5% higher than plan and allowed the mine to continue on track to produce approximately 100,000 ounces of gold in 2004.

### **Marigold Mine, Nevada**

The 66.7%-owned Marigold Mine produced 23,889 ounces of gold for the Company's account during the third quarter of 2004 at a total cash cost of \$198 per ounce of gold. This compares to 25,270 ounces of gold produced during the third quarter of 2003 with a total cash cost of production of \$173 per ounce. The mine produced 63,283 ounces of gold for the Company's account at an average of \$198 per ounce for the nine months ended September 30, 2004. This compares to production of 68,889 ounces of gold at a total cash cost per ounce of \$166 for the comparable period in 2003. Fuel costs accounted for over \$16 per ounce of the increase in the cash cost per ounce. Construction of the new Cell 12 leach pad and processing facilities is well underway with the first ore being placed under leach on the pad in mid-October. Construction is planned to continue through December. Production during the third quarter was close to plan, however, the mine continued to run behind planned production for the year with no substantial increase expected until November when Cell 12 production is realized. At this point, the Company expects that Marigold will produce approximately 100,000 ounces of gold for the Company's account in 2004.

### **Rand Mine, California**

The Rand Mine continued to make steady progress on reclamation while producing 3,025 ounces of gold during the third quarter of 2004. This compares to 6,093 ounces of gold produced during the third quarter of 2003. Rand production for the nine months ended September 30, 2004 was 11,315 ounces of gold, compared to 28,570 during the comparable period in 2003. Total cash costs of production this quarter were \$255 per ounce of gold compared to \$285 per ounce in the third quarter of 2003. Year-to-date cash costs were \$250 per ounce of gold in 2004 compared to \$241 per ounce in 2003. Reclamation expenditures were \$0.4 million during the third quarter of 2004 and \$1.2 million year to date. The Company continues to expect Rand to complete the site closure and reclamation on plan over the next fifteen months. While mining has been completed at the Rand Mine, total production of approximately 14,000 ounces of gold is planned for the year ending December 31, 2004.

## **PROJECTS**

### **El Sauzal Project, Chihuahua, Mexico**

Construction pushed towards completion and a fourth-quarter start-up at the El Sauzal Project. Installation of all major process facility components has been completed and commissioning of the plant was well underway at quarter-end. The milling circuit accepted its first ore on October 13, 2004. Final testing was completed on the new power line;

back-up diesel generators will assure operations independent of the national power system. Pre-production mining was ahead of schedule at the end of the third quarter. As noted in the capital expenditures discussion, expenditures totaled \$17.3 million during the third quarter and \$68.8 million for the year to date. The Company expects El Sauzal to produce 35,000 ounces of gold by the end of 2004.

### **Marlin Project, Western Guatemala**

Work accelerated at the Marlin Project mill site during the second quarter. All the concrete footings and the primary mill foundations were completed in early October. Tailings dam construction continued. The underground main access ramp is now completed to over 500 meters of the 800 meters planned. A significant amount of equipment arrived at the site during the third quarter: haul trucks, graders, cranes, support vehicles and additional underground mining equipment. The ball and SAG mills with ancillary equipment arrived at port in Guatemala on October 14, 2004 with final delivery to the site scheduled for early November. Year-to-date, the Company has spent \$52.2 million at the Marlin Project, and expects to spend another \$18.0 million during the fourth quarter of 2004. The Company continues to plan for commercial production in the first-quarter of 2006.

### **Imperial Project, California**

During 2003, legislative and administrative actions were taken by the State of California to require that any new open pit metallic mines be completely back-filled at the completion of mining. The Company believes that these actions were taken directly to attempt to delay or stop the Company's Imperial Project, as a requirement to back-fill renders the project uneconomic. Consequently, the Company has filed a Notice of Arbitration against the United States pursuant to the North American Free Trade Agreement. The Notice alleges that the Company's property rights comprising its Imperial Project in California have been unlawfully taken by various actions of the United States and the State of California, for which it is entitled to compensation. The Company is seeking recovery of the value of the Imperial Project, pre- and post-award interest and various costs incurred by the Company. The Company cannot predict how long it may take to complete this legal process or whether it will be successful in its action.

## **EXPLORATION**

Exploration and development expenditures were \$3.1 million in the third quarter of 2004 and \$8.0 million for the nine months ended September 30, 2004, reflecting continued development work at both the Marlin Project and the Marigold Mine. Of these expenditures, \$2.4 million was capitalized in the quarter, \$1.7 million at Marlin and \$0.7 million at Marigold. Capitalized development was \$5.4 million for the nine months ended September 30, 2004. Expensed exploration during the quarter was incurred primarily at the Cerro Blanco Project (\$0.5 million), in Mexico (\$0.1 million) and at the Dee Joint Venture (\$0.1 million). In the nine months ended September 30, 2004, exploration expense was \$2.6 million. \$1.2 million was spent at Cerro Blanco, \$0.3 million in Mexico, and \$0.2 million on other Central America prospects. Marigold expensed \$0.6 million, \$0.2 million was spent at the Dee Joint Venture and \$0.1 million was incurred on other projects. Exploration expenditures during the comparable periods in 2003 were weighted toward expensed exploration. Of the total expenditures of \$2.0 million and \$7.4 million, respectively, for the third quarter and nine months ended September 30, 2003, \$0.2 million in the third quarter and \$4.4 million for the nine months ended September 30, 2003, were expensed. Capitalized exploration was \$1.8 million in the third quarter and \$3.0 million year-to-date. The Marlin Project accounted for \$4.9 million of all expenditures in the nine months ended September 30, 2003.

## **RECLAMATION AND OTHER ACTIVITIES**

### **Dee Mine/Dee Joint Venture, Nevada**

Both reclamation activities (\$0.2 million) and exploration (\$0.1 million) took place at Dee during the third quarter of 2004. Substantially all the reclamation work has been completed at Dee with miscellaneous tasks remaining to be scheduled depending on the outcome of the current joint venture exploration work. The results from the exploration work will be used by the joint venture (with Barrick Gold Exploration Inc.) in conjunction with other engineering studies to complete a pre-feasibility study in the fourth quarter of 2004.

## **CRITICAL ACCOUNTING POLICIES**

The preparation of its consolidated financial statements requires the Company to use estimates and assumptions that affect the reported amounts of assets and liabilities as well as revenues and expenses. The Company's accounting policies are described in note 2 of the notes to the consolidated financial statements included in the Company's 2003 annual report to shareholders, and a discussion of some of the more significant policies is included in the section entitled "Risk Factors" in the Company's Annual Information Form. The Company's accounting policies relating to work-in-progress inventory valuation, depreciation and depletion of mineral property, plant and equipment, and site reclamation and closure accruals are critical accounting policies that are subject to estimates and assumptions regarding reserves, recoveries, future gold prices and future mining activities.



## **CHANGES IN ACCOUNTING POLICIES**

Refer to note 7 of the interim consolidated financial statements for information about changes to the Company's accounting policies for changes implemented in the first quarter of 2004 relating to stock-based compensation and asset retirement obligations.

## **HEDGING**

As at September 30, 2004 the Company had no gold ounces or silver ounces hedged. The Company's current hedging policy, approved by the Board of Directors, gives management the discretion to commit up to 60% of planned gold production and up to 90% of planned silver production for up to five years. Management is authorized to use any combination of spot or forward sales, spot deferred forwards and put or call options. Although this policy has been approved, management's current practice is to not hedge any part of the Company's gold production. In the future, the Company does expect to hedge some of the by-product silver produced at Marlin. Since the Company does not currently engage in gold hedging activities, the Company's exposure to the impact of gold price volatility is higher, and thus can have a direct impact on its profitability.

## **CONTROLS AND PROCEDURES**

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the United States Securities Exchange Act of 1934 ( Exchange Act ). Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There has been no significant change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that its disclosure controls and procedures or internal controls and procedures will prevent all error and all fraud. A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**CERTIFICATIONS PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, C. Kevin McArthur, certify that:

1. I have reviewed this quarterly report on Form 6-K of Glamis Gold Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely

to materially affect, the  
registrant's internal control over  
financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2004

/s/ C. Kevin McArthur  
C. Kevin McArthur  
Chief Executive Officer

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**CERTIFICATIONS PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Cheryl S. Maher, certify that:

1. I have reviewed this quarterly report on Form 6-K of Glamis Gold Ltd.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely

to materially affect, the  
registrant's internal control over  
financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 29, 2004

/s/ Cheryl S. Maher  
Cheryl S. Maher  
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Glamis Gold Ltd. (the Company ) on Form 6-K for the period ended September 30, 2004 as filed with the U.S. Securities and Exchange Commission on the date hereof (the Report ) I, C. Kevin McArthur, in my capacity as Chief Executive Officer of the Company, do hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 29, 2004

/s/ C. Kevin McArthur  
C. Kevin McArthur  
Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Glamis Gold Ltd. (the Company ) on Form 6-K for the period ended September 30, 2004 as filed with the U.S. Securities and Exchange Commission on the date hereof (the Report ) I, Cheryl S. Maher, in my capacity as Chief Financial Officer of the Company, do hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 29, 2004

/s/ Cheryl S. Maher  
Cheryl S. Maher  
Chief Financial Officer