

GOLDEN STAR RESOURCES LTD

Form 10-K/A

February 26, 2007

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**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**  
**FORM 10-K/A**  
**Amendment No. 2**  
**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES**  
**EXCHANGE ACT OF 1934**  
**For the Fiscal Year ended December 31, 2005**  
**Commission file number 1-12284**  
**GOLDEN STAR RESOURCES LTD.**  
(Exact Name of Registrant as Specified in Its Charter)

Canada  
(State or other Jurisdiction of  
Incorporation or Organization)

98-0101955  
(I.R.S. Employer Identification No.)

10901 West Toller Drive, Suite 300  
Littleton, Colorado  
(Address of Principal Executive Office)

80127-6312  
(Zip Code)

Registrant's telephone number, including area code (303) 830-9000  
Securities registered or to be registered pursuant to Section 12 (b) of the Act:

| Title of Each Class | Name of each exchange on which registered |
|---------------------|---|
| Common Shares       | American Stock Exchange                   |

Securities registered or to be registered pursuant to Section 12(g) of the Act:  
Warrants Issued February 2003

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Act") during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K (ss. 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act).

(Check one): Large accelerated filer:  Accelerated filer:  Non-accelerated filer:

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was approximately \$437 million as of June 30, 2005, based on the closing price of the shares on the American Stock Exchange of \$3.10 per share.

Number of Common Shares outstanding as at March 27, 2006: 207,265,758

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Consent of PricewaterhouseCoopers LLP

Certification of Principal Executive Officer Pursuant to Section 302

Certification of Principal Financial Officer Pursuant to Section 302

Certification of Principal Executive Officer Pursuant to Section 906

Certification of Principal Financial Officer Pursuant to Section 906

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Explanatory Note

This Form 10-K/A, Amendment No. 2, is being filed to amend Golden Star Resources Ltd.'s Annual Report on Form 10-K, as amended, for the year ended December 31, 2005 in order to reflect the restatement of our financial statements for the year ended December 31, 2005 to change, in footnote 28 regarding US GAAP reconciliation, the way in which we have accounted for our warrants to purchase common shares which have an exercise price denominated in Canadian dollars. The restatement arose from management's determination on February 22, 2007 that such warrants denominated in Canadian dollars, which had been treated as equity instruments, should have been treated as derivative instruments under US GAAP. As such the fair value of such warrants is required to be treated as a liability, and we are required to mark to market those warrants on a current basis, with the resulting gains or losses being included in the statement of operations under US GAAP.

Generally, no attempt has been made in this Form 10-K/A, Amendment No. 2, to modify or update other disclosures presented in the original report on Form 10-K, as amended, except as otherwise required to reflect the effects of the restatement, including in footnote 24 and Item 9A. This Form 10-K/A, Amendment No. 2, does not reflect events occurring after the filing of the original Form 10-K, as amended, or modify or update those disclosures. Information not affected by the restatement is unchanged and reflects the disclosure made at the time of the original filing of the Form 10-K with the Securities and Exchange Commission (the "SEC") on March 29, 2006 and the filing of the Form 10-K/A, Amendment No. 1, with the SEC on March 31, 2006.

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The selected financial data set forth below are derived from our audited consolidated financial statements for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, and should be read in conjunction with those financial statements and the notes thereto. The consolidated financial statements have been prepared in accordance with Canadian GAAP. Selected financial data derived in accordance with US GAAP has also been provided and should be read in conjunction with Note 28 to the financial statements. Reference should also be made to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

**Summary of Financial Condition**

(Amounts in thousands except per share data)

| Canadian GAAP         | As of Dec.<br>31, 2005 | As of Dec.<br>31, 2004 | As of Dec.<br>31, 2003 | As of Dec.<br>31, 2002 | As of Dec.<br>31, 2001 |
|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Working capital       | \$ 91,974              | \$ 61,366              | \$ 96,784              | \$21,963               | \$ (5,149)             |
| Current assets        | 132,789                | 78,846                 | 104,935                | 32,843                 | 9,636                  |
| Total assets          | 564,603                | 252,160                | 222,391                | 74,135                 | 36,552                 |
| Current liabilities   | 40,815                 | 17,480                 | 8,151                  | 10,880                 | 14,785                 |
| Long-term liabilities | 124,919                | 10,367                 | 8,402                  | 8,973                  | 7,765                  |
| Shareholder's equity  | 392,240                | 217,960                | 198,362                | 49,384                 | 12,342                 |

| Canadian GAAP                       | For the<br>Year Ended<br>Dec. 31,<br>2005 | For the<br>Year Ended<br>Dec. 31,<br>2004 | For the<br>Year Ended<br>Dec. 31,<br>2003 | For the<br>Year Ended<br>Dec. 31,<br>2002 | For the<br>Year Ended<br>Dec. 31,<br>2001 |
|-------------------------------------|---|---|---|---|---|
| Revenues                            | \$ 95,465                                 | \$65,029                                  | \$64,370                                  | \$38,802                                  | \$ 24,658                                 |
| Net income/(loss)                   | (13,531)                                  | 2,642                                     | 21,956                                    | 4,856                                     | (20,584)                                  |
| Net income/(loss) per share - basic | (0.094)                                   | 0.019                                     | 0.198                                     | 0.067                                     | (0.488)                                   |

| US GAAP <sup>1</sup>  | As of Dec.<br>31, 2005 | As of Dec.<br>31, 2004 | As of Dec.<br>31, 2003 | As of Dec.<br>31, 2002 | As of Dec.<br>31, 2001 |
|-----------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Working capital       | \$ 91,974              | \$ 61,366              | \$ 96,784              | \$22,262               | \$ (5,149)             |
| Current assets        | 132,789                | 78,846                 | 104,935                | 33,391                 | 9,636                  |
| Total assets          | 522,443                | 219,972                | 200,337                | 62,644                 | 24,232                 |
| Current liabilities   | 40,815                 | 17,480                 | 8,151                  | 10,880                 | 14,785                 |
| Long-term liabilities | 135,832                | 22,432                 | 87,126                 | 14,445                 | 7,818                  |
| Shareholder's equity  | 343,832                | 176,161                | 98,698                 | 35,597                 | 1,533                  |

| US GAAP <sup>1</sup> | For the<br>Year End<br>Dec. 31,<br>2005 | For the<br>Year Ended<br>Dec. 31,<br>2004 | For the<br>Year Ended<br>Dec. 31,<br>2003 | For the<br>Year Ended<br>Dec. 31,<br>2002 | For the<br>Year Ended<br>Dec. 31,<br>2001 |
|----------------------|---|---|---|---|---|
| Revenues             | \$102,237                               | \$65,029                                  | \$ 64,370                                 | \$38,802                                  | \$24,658                                  |
| Net income/(loss)    | (24,470)                                | 47,708                                    | (58,611)                                  | 7,212                                     | (5,352)                                   |

|  |         |       |         |       |         |
|--|---------|-------|---------|-------|---------|
| Net income/(loss) per share -<br>basic | (0.170) | 0.345 | (0.528) | 0.094 | (0.126) |
|--|---------|-------|---------|-------|---------|

Restated to reflect correction of accounting treatment of warrants issued in currencies other than US\$. See  
1. Explanatory Note above.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Golden Star Resources Ltd.

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**INDEPENDENT AUDITORS' REPORT**

To the Shareholders of Golden Star Resources Ltd.

We have audited the accompanying consolidated balance sheets of Golden Star Resources Ltd. (the Company) at December 31, 2005 and 2004 and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2005. We have also audited the effectiveness of the Company's internal control over financial reporting as at December 31, 2005 based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and management's assessment thereof included in Management's Report on Internal Control Over Financial Reporting. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on these financial statements, an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audits.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



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We conducted our audits of the Company's financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. A financial statement audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We conducted our audit of the effectiveness of the Company's internal control over financial reporting and management's assessment thereof in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management's assessment identified the following material weaknesses: (i) As of December 31, 2005, management did not maintain effective controls over the presentation and documentation of certain derivatives. Specifically, the Company did not prepare and maintain sufficient documentation to support the designation and effectiveness of hedges of certain gold future contracts entered into by its subsidiary, EURO Ressources S.A., during 2005. This control deficiency resulted in the requirement for the restatement of the Company's consolidated financial statements for the quarters ended March 31, June 30 and September 30, 2005 and an audit adjustment to the 2005 annual consolidated financial statements. In addition, this control deficiency could result in a misstatement of derivative related accounts including fair value of derivatives and mark-to-market adjustments that would result in a material misstatement of the interim or annual consolidated financial statements that would not be prevented or detected. (ii) As of December 31, 2005, management did not maintain effective controls over the accounting for warrants denominated in Canadian dollars using accounting principles generally accepted in the United States ( US GAAP ). As a result, warrants denominated in Canadian dollars were treated as equity instruments rather than as derivative instruments. This control deficiency resulted in the requirement to restate, in this Form 10-K/A the Company's 2005, 2004 and 2003 annual consolidated financial statements. In addition, this control deficiency could result in the misstatement of aforementioned accounts that would result in a misstatement of the interim or annual consolidated financial statements that would not be prevented or detected.

Management has concluded that these control deficiencies constitute material weaknesses. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2005 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

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As described in Management's Report on Internal Control Over Financial Reporting, management has excluded St. Jude Resources Ltd. from its assessment of internal control over financial reporting as of December 31, 2005 because it was acquired by the Company in a purchase business combination on December 21, 2005. For this reason, we have also excluded St. Jude Resources Ltd. from our audit of internal control over financial reporting. St. Jude Resources Ltd. is a wholly-owned subsidiary whose total assets represent 28% of the Company's consolidated assets as of December 31, 2005.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2005 and 2004 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005 in accordance with Canadian generally accepted accounting principles.

In our opinion, management's assessment that the Company did not maintain effective internal control over financial reporting as of December 31, 2005 is fairly stated, in all material respects, based on criteria established in Internal Control – Integrated Framework issued by the COSO.

In our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, Golden Star Resources Ltd. has not maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in Internal Control – Integrated Framework issued by the COSO.

Our previous report dated March 27, 2006 has been withdrawn. As discussed in note 28, the 2005, 2004 and 2003 consolidated financial statements have been restated. Management and we previously concluded that the Company did not maintain effective internal control over financial reporting as of December 31, 2005 because of the material weakness described in item (i) above. However, management has subsequently determined that the material weakness described in item (ii) above also existed as of December 31, 2005. Accordingly, Management's Report on Internal Control Over Financial Reporting and our opinion on the effectiveness of internal control over financial reporting have been restated to include this additional material weakness.

/s/ PricewaterhouseCoopers  
LLP

Chartered Accountants  
Vancouver, BC Canada  
March 27, 2006 (except note 28 which is as of February 26, 2007)

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**GOLDEN STAR RESOURCES LTD.  
CONSOLIDATED BALANCE SHEETS**

(Stated in thousands of US dollars except shares issued and outstanding)

|  | As of December 31, |                   |
|--|--------------------|-------------------|
|  | 2005               | 2004              |
| <b>ASSETS</b>  |                    |                   |
| <b>CURRENT ASSETS</b>  |                    |                   |
| Cash and cash equivalents  | \$ 89,709          | \$ 12,877         |
| Short term investments (Note 2)                                    |                    | 38,850            |
| Accounts receivable  | 6,560              | 3,592             |
| Inventories (Note 3)   | 23,181             | 15,366            |
| Due from sale of property (Note 4)                                 |                    | 1,000             |
| Future tax assets (Note 19)  | 6,248              | 1,542             |
| Fair value of derivatives (Note 14)                                | 1,220              |                   |
| Deposits (Note 5)  | 5,185              | 5,102             |
| Prepays and other  | 686                | 517               |
| <b>Total Current Assets</b>  | <b>132,789</b>     | <b>78,846</b>     |
| <b>RESTRICTED CASH (Note 16c)</b>                                  | <b>3,865</b>       | <b>3,351</b>      |
| <b>LONG TERM INVESTMENTS (Note 6)</b>                              | <b>8,160</b>       | <b>5,528</b>      |
| <b>DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Notes 7 and 24)</b> | <b>167,532</b>     | <b>7,452</b>      |
| <b>PROPERTY, PLANT AND EQUIPMENT (Note 8)</b>                      | <b>84,527</b>      | <b>28,653</b>     |
| <b>MINING PROPERTIES (Note 9)</b>                                  | <b>118,088</b>     | <b>74,197</b>     |
| <b>CONSTRUCTION IN PROGRESS (Note 10)</b>                          | <b>36,707</b>      | <b>51,159</b>     |
| <b>DEFERRED STRIPPING (Note 11)</b>                                | <b>1,548</b>       | <b>1,357</b>      |
| <b>LOAN ACQUISITION COSTS (Note 13)</b>                            | <b>1,020</b>       |                   |
| <b>FUTURE TAX ASSETS (Note 19)</b>                                 | <b>8,223</b>       |                   |
| <b>OTHER ASSETS</b>  | <b>2,144</b>       | <b>1,617</b>      |
| <b>Total Assets</b>  | <b>\$ 564,603</b>  | <b>\$ 252,160</b> |
| <b>LIABILITIES</b>   |                    |                   |
| <b>CURRENT LIABILITIES</b>   |                    |                   |
| Accounts payable   | \$ 9,093           | \$ 7,010          |
| Other accrued liabilities  | 17,051             | 9,203             |
| Fair value of derivatives (Note 14)                                | 4,709              |                   |
| Asset retirement obligations                                       | 3,107              |                   |
| Current debt (Note 12)   | 6,855              | 1,267             |
| <b>Total Current Liabilities</b>                                   | <b>40,815</b>      | <b>17,480</b>     |
| <b>LONG TERM DEBT (Note 12)</b>                                    | <b>64,298</b>      | <b>1,707</b>      |
| <b>ASSET RETIREMENT OBLIGATIONS (Note 15)</b>                      | <b>8,286</b>       | <b>8,660</b>      |
| <b>FAIR VALUE OF DERIVATIVES (Note 14)</b>                         | <b>7,263</b>       |                   |

|   |            |            |
|---|------------|------------|
| FUTURE TAX LIABILITY (Notes 19 and 24)  | 45,072     |            |
| Total Liabilities   | 165,734    | 27,847     |
| MINORITY INTERESTS  | 6,629      | 6,353      |
| COMMITMENTS AND CONTINGENCIES (Note 16)   |            |            |
| SHAREHOLDERS EQUITY   |            |            |
| SHARE CAPITAL   |            |            |
| First preferred shares, without par value, unlimited shares authorized. No shares issued. |            |            |
| Common shares, without par value, unlimited shares authorized.                            |            |            |
| Shares issued and outstanding:  |            |            |
| 205,954,582 at December 31, 2005; 142,244,112 at December 31, 2004                        | 522,510    | 340,888    |
| CONTRIBUTED SURPLUS   | 6,978      | 3,646      |
| EQUITY COMPONENT OF CONVERTIBLE NOTES (Note 12c)  | 2,857      |            |
| DEFICIT   | (140,105)  | (126,574)  |
| Total Shareholders Equity   | 392,240    | 217,960    |
| Total Liabilities and Shareholders Equity   | \$ 564,603 | \$ 252,160 |

The accompanying notes are an integral part of these consolidated financial statements.

By: /s/ David K. Fagin Director

By: /s/ Peter J. Bradford CEO

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GOLDEN STAR RESOURCES LTD.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Stated in thousands of US dollars except per share amounts)

|  | For the years ended December 31, |                 |                 |
|--|----------------------------------|-----------------|-----------------|
|  | 2005                             | 2004            | 2003            |
| REVENUE Gold sales                                       | \$ 89,663                        | \$60,690        | \$63,512        |
| Royalty income   | 4,178                            | 3,049           |                 |
| Interest and other                                       | 1,624                            | 1,290           | 858             |
| <b>Total revenues</b>                                    | <b>95,465</b>                    | <b>65,029</b>   | <b>64,370</b>   |
| <b>EXPENSES</b>  |                                  |                 |                 |
| Mining operations  | 79,609                           | 39,095          | 32,125          |
| Depreciation, depletion and amortization                 | 15,983                           | 8,096           | 4,993           |
| Accretion of asset retirement obligations                | 752                              | 645             | 578             |
| <b>Total mine operating costs</b>                        | <b>96,344</b>                    | <b>47,836</b>   | <b>37,696</b>   |
| Exploration expense                                      | 951                              | 895             | 594             |
| Corporate general and administrative and options expense | 8,631                            | 8,197           | 5,556           |
| Corporate development expense                            | 248                              | 4,504           | 10              |
| Loss on equity investments                               | 239                              | 331             |                 |
| Abandonments and impairments                             | 1,403                            | 470             | 175             |
| Derivative mark-to-market adjustments                    | 11,820                           |                 |                 |
| Interest expense   | 2,416                            | 139             | 42              |
| Gain on sale of marketable securities                    |                                  |                 | (1,905)         |
| Gain on subsidiary's sale of common shares               | (977)                            |                 |                 |
| Foreign exchange (gain)/loss                             | 574                              | 280             | (2,331)         |
| <b>Total expenses</b>                                    | <b>121,649</b>                   | <b>62,652</b>   | <b>39,837</b>   |
| Income/(loss) before minority interest                   | (26,184)                         | 2,377           | 24,533          |
| Minority interest  | (277)                            | (1,277)         | (2,577)         |
| Net income/(loss) before income tax                      | (26,461)                         | 1,100           | 21,956          |
| Provision for future income taxes                        | 12,930                           | 1,542           |                 |
| <b>Net income/(loss)</b>                                 | <b>\$ (13,531)</b>               | <b>\$ 2,642</b> | <b>\$21,956</b> |
| <br>   |                                  |                 |                 |
| Net income/(loss) per common share basic (Note 20)       | \$ (0.094)                       | \$ 0.019        | \$ 0.198        |
| Net income/(loss) per common share diluted (Note 20)     | \$ (0.094)                       | \$ 0.018        | \$ 0.186        |
| Weighted average shares outstanding (millions of shares) | 143.6                            | 138.3           | 111.0           |

The accompanying notes are an integral part of these consolidated financial statements.



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GOLDEN STAR RESOURCES LTD.  
 CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
 (Stated in thousands of United States dollars except share amounts)

|  | Number of<br>Common<br>Shares | Share<br>Capital | Contributed<br>Surplus |         | Equity<br>Component<br>of<br>Convertible<br>Debentures | Deficit     |
|--|-------------------------------|------------------|------------------------|---------|--|-------------|
|  |                               |                  | Warrants               | Options |  |             |
| Balance at<br>December 31, 2002                        | 87,400,702                    | \$ 198,954       | \$ 2,085               | \$      | \$   | \$(151,655) |
| Shares issued  | 33,030,000                    | 107,598          |                        |         |  |             |
| Issue costs  |                               | (6,455)          |                        |         |  |             |
| Warrants issued  |                               |                  | 1,780                  |         |  |             |
| Warrants exercised                                     |                               | 1,504            | (1,504)                |         |  |             |
| Options issued net of<br>forfeitures                   |                               |                  |                        | 955     |  |             |
| Shares issued under<br>options                         | 1,518,420                     | 2,858            |                        |         |  |             |
| Shares issued under<br>warrants                        | 8,167,956                     | 8,595            |                        |         |  |             |
| Stock bonus  | 57,200                        | 118              |                        |         |  |             |
| Shares issued to<br>acquire property                   | 2,750,000                     | 11,090           |                        |         |  |             |
| Cumulative effect of<br>change in accounting<br>method |                               |                  |                        |         |  | 483         |
| Net income   |                               |                  |                        |         |  | 21,956      |
| Balance at<br>December 31, 2003                        | 132,924,278                   | 324,262          | 2,361                  | 955     |  | (129,216)   |
| Warrants exercised                                     |                               | 755              | (755)                  |         |  |             |
| Options issued net of<br>forfeitures                   |                               |                  |                        | 1,218   |  |             |
| Shares issued under<br>options                         | 767,180                       | 1,239            |                        | (133)   |  |             |
| Shares issued under<br>warrants                        | 8,494,609                     | 14,332           |                        |         |  |             |
| Shares issued to<br>acquire property                   | 58,045                        | 300              |                        |         |  |             |
| Net income   |                               |                  |                        |         |  | 2,642       |
| Balance at<br>December 31, 2004                        | 142,244,112                   | 340,888          | 1,606                  | 2,040   |  | (126,574)   |

|  |             |           |          |         |         |             |
|--|-------------|-----------|----------|---------|---------|-------------|
| Shares issued                              | 31,589,600  | 75,864    |          |         |         |             |
| Issue costs                                |             | (4,168)   |          |         |         |             |
| Warrants issued                            |             |           | 992      |         |         |             |
| Warrants exercised                         |             | 22        | (22)     |         |         |             |
| Options issued net of forfeitures          |             |           |          |         | 2,476   |             |
| Shares issued under options                | 312,940     | 722       |          |         | (114)   |             |
| Shares issued under warrants               | 385,000     | 718       |          |         |         |             |
| Stock bonus                                | 45,342      | 166       |          |         |         |             |
| Shares issued to acquire property          | 31,377,588  | 108,298   |          |         |         |             |
| Equity Component of Convertible Debentures |             |           |          |         | 2,857   |             |
| Net loss                                   |             |           |          |         |         | (13,531)    |
| Balance at December 31, 2005               | 205,954,582 | \$522,510 | \$ 2,576 | \$4,402 | \$2,857 | \$(140,105) |

The accompanying notes are an integral part of these consolidated financial statements.



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GOLDEN STAR RESOURCES LTD.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Stated in thousands of US dollars)

|  | For the years ended December 31, |          |           |
|--|----------------------------------|----------|-----------|
|  | 2005                             | 2004     | 2003      |
| <b>OPERATING ACTIVITIES:</b>   |                                  |          |           |
| Net income/(loss)  | \$ (13,531)                      | \$ 2,642 | \$ 21,956 |
| Reconciliation of net income to net cash provided by operating activities: |                                  |          |           |
| Depreciation, depletion and amortization                                   | 16,042                           | 8,096    | 4,993     |
| Amortization of loan acquisition costs                                     | 228                              |          |           |
| Stock based compensation   | 1,007                            | 1,386    | 1,085     |
| Deferred stripping   | (191)                            | (1,357)  |           |
| Loss on equity investment  | 239                              | 331      |           |
| Abandonment and impairment of mineral properties                           | 1,413                            | 470      | 175       |
| Sale of common shares by subsidiary  | (977)                            |          |           |
| Fair value of derivatives  | 10,752                           |          |           |
| Provision for future income tax  | (12,930)                         | (1,542)  |           |
| Accretion of asset retirement obligations                                  | 752                              | 645      | 578       |
| Cash used for reclamation  | (691)                            | (730)    | (841)     |
| Accretion of convertible debt  | 523                              |          |           |
| Minority interests   | 277                              | 1,277    | 2,577     |
|  | 2,913                            | 11,218   | 30,523    |
| Changes in assets and liabilities:   |                                  |          |           |
| Accounts receivable  | (2,853)                          | (2,802)  | 1,187     |
| Inventories  | (7,815)                          | (2,705)  | (4,240)   |
| Deposits   | 163                              |          |           |
| Marketable securities  |                                  |          | 906       |
| Accounts payable and accrued liabilities                                   | 8,817                            | 8,204    | 690       |
| Other  | (165)                            | (5)      | 10        |
| Net cash provided by operating activities                                  | 1,060                            | 13,910   | 29,076    |
| <b>INVESTING ACTIVITIES:</b>   |                                  |          |           |
| Expenditures on deferred exploration and development                       | (5,954)                          | (5,260)  | (4,539)   |
| Expenditures on mining properties  | (26,631)                         | (18,302) | (29,950)  |
| Expenditures on property, plant and equipment                              | (36,321)                         | (12,286) | (10,691)  |
| Expenditures on construction in progress                                   | (35,530)                         | (23,783) | (22,833)  |
| Sale of property   | 1,000                            | 1,000    | 1,000     |
| Change in payable on capital expenditures                                  | 434                              |          |           |
| Short term investments   | 38,850                           | (38,850) |           |
| Long term investments  | (2,871)                          | (4,971)  | (888)     |
| Deposits   | (246)                            | (5,102)  |           |

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|  |           |           |           |
|--|-----------|-----------|-----------|
| Other  | (220)     | (894)     | (139)     |
| Net cash used in investing activities            | (67,489)  | (108,448) | (68,040)  |
| FINANCING ACTIVITIES:                            |           |           |           |
| Issuance of share capital, net of issue costs    | 73,132    | 15,270    | 113,408   |
| Debt repayments (Note 13)                        | (3,678)   | (153)     | (5,289)   |
| Issuance of debt (Note 13)                       | 71,334    | 2,328     | 799       |
| Equity portion of convertible notes              | 2,857     |           |           |
| Other  | (384)     |           |           |
| Net cash provided by financing activities        | 143,261   | 17,445    | 108,918   |
| Increase/(decrease) in cash and cash equivalents | 76,832    | (77,093)  | 69,954    |
| Cash and cash equivalents, beginning of period   | 12,877    | 89,970    | 20,016    |
| Cash and cash equivalents end of period          | \$ 89,709 | \$ 12,877 | \$ 89,970 |

See Note 21 for supplemental cash flow information

The accompanying notes are an integral part of these consolidated financial statements.

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STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in tables are in thousands of US Dollars unless noted otherwise)

1. Summary of Significant Accounting Policies

Basis of Consolidation and the Preparation of Financial Statements

These consolidated financial statements are prepared and reported in United States ( US ) dollars and in accordance with generally accepted accounting principles in Canada ( Canadian GAAP ) which differ in some respects from GAAP in the United States ( US GAAP ). These differences in GAAP are quantified and explained in Note 28. The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries whether owned directly or indirectly. All material inter-company balances and transactions have been eliminated.

Certain prior period comparative figures in the preceding financial statements and in the following notes have been reclassified to conform to current period presentation.

Fiscal Year

Our fiscal year runs from January 1 to December 31.

Use of Estimates

Preparation of our consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that can affect reported amounts of assets, liabilities, revenues and expenses. The more significant areas requiring the use of estimates include asset impairments, stock based compensation, depreciation and amortization of assets, and site reclamation and closure accruals. Accounting for these areas is subject to estimates and assumptions regarding, among other things, gold reserves, gold recoveries, future gold prices, future operating costs, asset usage rates, and future mining activities. Management bases its estimates on historical experience and on other assumptions we believe to be reasonable under the circumstances. However, actual results may differ from our estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash deposits, in any currency, residing in checking, interest bearing checking accounts, money market funds and sweep accounts. Cash equivalents consist of highly liquid short term investments. We consider all highly liquid marketable securities with maturities of less than 91 days at date of purchase to be cash equivalents. Our cash equivalents consist mostly of US and Canadian government treasury bills and agency notes.

Short Term Investments

When cash is invested in auction rate certificates, which are short term positions in long term investments, such investments are deemed Short Term Investments and displayed as a current asset next to Cash and Cash Equivalents on the Consolidated balance Sheets.

Marketable Securities

Short term investments in publicly traded marketable securities are recorded at the lower of cost or quoted market prices, with unrealized losses included in income. The market value is based on the closing price at the end of the period, as reported on recognized securities exchanges.

Inventories

Inventories classifications include stockpiled ore, in-process inventory, finished goods inventory and materials and supplies. All of our inventories are recorded at the lower of cost or market. The stated value of all inventories include direct production costs and attributable overhead and depreciation except for materials and supplies inventories.

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Stockpiled ore represents coarse ore that has been extracted from the mine and is ready for further processing. Stockpile ore is measured by estimating the number of tonnes (via truck counts or by physical surveys) added or removed from the stockpile, the number of contained ounces (based on assay data) and the estimated gold recovery percentage. Stockpiled ore value is based on the costs incurred (including depreciation and amortization) in bringing the ore to the stockpile. Costs are added to the stockpiled ore based on current mining costs per tonne and are removed at the average cost per recoverable ounce of gold in the stockpile.

In-process inventory represents material that is currently being treated in the processing plants to extract the contained gold and to transform it into a saleable product. The amount of gold in the in-process inventory is determined by assay and by measure of the quantities of the various gold-bearing materials in the recovery process. The in-process gold is valued at the average of the beginning inventory and the cost of material fed into the processing stream plus in-process conversion costs including applicable depreciation and amortization related to the processing facilities.

Finished goods inventory is composed of saleable gold in the form of dore bars that have been poured but not yet delivered to the buyer. The bars are valued at the lower of total cost or market value. Included in the total costs are the direct costs of the mining and processing operations as well as direct overheads, amortization and depreciation.

Materials and supplies inventories consist mostly of equipment parts, fuel and lubricants and reagents consumed in ore processing. Materials and supplies are valued at the lower of average cost or replacement cost.

### **Reserve Quantities Used in Units-of-Production Amortization**

Gold ounces contained in ore stockpiles recognized in inventory balances on the balance sheet are excluded from total reserves when determining units-of-production amortization of mining property, asset retirement assets and other assets.

### **Exploration Costs**

Exploration costs related to specific, identifiable properties, including the cost of acquisition, exploration and development, are capitalized until viability of the exploration property is determined. Exploration costs not directly related to an identifiable property are expensed as incurred.

Management periodically reviews, on a property-by-property basis, the carrying value of such properties including the costs of acquisition, exploration and development incurred to date. A decision to abandon, reduce or expand a specific project is based upon many factors including general and specific assessments of contained or potential mineralized materials, potential reserves, anticipated future mineral prices, the anticipated costs of additional exploration and, if warranted, costs of potential future development and operational costs, and the expiration terms and ongoing expenses of maintaining leased mineral properties. We do not set a pre-determined holding period for properties with unproven reserves; however, properties which have not demonstrated suitable metal concentrations at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and if their carrying values are appropriate.

If an exploration property is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the year of abandonment or determination of value. Any subsequent costs incurred for that property are expensed as incurred.

The accumulated costs of mineral properties are reclassified as mine property and depleted on a units-of-production basis at such time as production commences.

### **Impairment of Long-Lived Assets**

We review and evaluate our long-lived assets for impairment at least annually and also when events or changes in circumstances indicate the related carrying amounts may not be recoverable. Asset impairment is considered to exist if the total estimated future cash flows, on an undiscounted basis, are less than the carrying amount of the long-lived asset. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are based on estimated quantities of recoverable minerals, expected gold and other commodity prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed engineering life-of-mine plans.

The significant assumptions used in determining the future cash flows for each operating unit at December 31, 2005, apart from production cost and capitalized expenditure assumptions unique to each operation, included a long-term gold price of \$556 per ounce plus future contango. In estimating future cash flows, assets are grouped at the lowest

levels for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups.

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With the exception of other mine-related exploration potential and exploration potential in areas outside of the immediate mine-site, all assets at a particular operation are considered together for purposes of estimating future cash flows. In the case of mineral interests associated with other mine-related exploration potential and exploration potential in areas outside of the immediate mine-site, cash flows and fair values are individually evaluated based primarily on recent exploration results.

Various factors could impact our ability to achieve forecasted production schedules from proven and probable reserves. Additionally, commodity prices, capital expenditure requirements and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically.

Material changes to any of these factors or assumptions discussed above could result in future impairment charges to operations.

### **Property, Plant, Equipment and Mine Development**

Property, plant and equipment assets, including, machinery, processing equipment, mining equipment, mine site facilities, vehicles and expenditures that extend the life of such assets are recorded at cost, including direct acquisition costs. Depreciation for mobile equipment and other assets having estimated lives shorter than the estimated life of the ore reserves, is computed using the straight-line method at rates calculated to depreciate the cost of the assets, less their anticipated residual values, if any, over their estimated useful lives.

Mineral property acquisition, exploration and development costs, buildings, processing plants and other long-lived assets which have an estimated life equal to or greater than the estimated life of the ore reserves, are amortized over the life of the reserves of the associated mining property using a units-of-production amortization method. The net book value of property, plant and equipment assets at property locations is charged against income if the site is abandoned and it is determined that the assets cannot be economically transferred to another project or sold.

### **Deferred Stripping**

We employ a deferred stripping accounting convention to capitalize the costs of waste rock mined from one of our open pit mines during periods when waste rock is removed in amounts that exceed the life-of-mine average waste removal rate. The amount of stripping costs to be capitalized in each period is calculated by determining the tonnes of waste moved in excess of the life-of-pit average strip ratio and valuing the excess tonnage of removed waste at the average mining cost per tonne during the period. Costs are recovered in periods when the actual tonnes of waste moved are less than what would have been moved at the average life-of-pit rate, such tonnes being valued at the rolling average cost of the waste tonnage amounts capitalized.

The capitalized component of waste rock removal costs is shown on our consolidated balance sheets in the line item titled Deferred Stripping. The cost impact is included in the Statements of Operations in the line item titled Mining operations.

### **Environmental Rehabilitation and Closure**

In accordance with the requirements of the CICA Handbook Section 3110, Asset Retirement Obligations environmental reclamation and closure liabilities are recognized at the time of environmental disturbance in amounts equal to the discounted value of expected future reclamation and closure costs. The discounted cost of future reclamation and closure activities is capitalized into mine property and amortized over the life of the property. The estimated future cash costs of such liabilities are based primarily upon environmental and regulatory requirements of the various jurisdictions in which we operate. Cash expenditures for environmental remediation and closure are netted against the accrual as incurred.

### **Foreign Currencies and Foreign Currency Translation**

Our functional currency is the US dollar. Transaction amounts denominated in foreign currencies are translated to US dollars at exchange rates prevailing at the date of the transaction. The carrying value of monetary assets and liabilities is translated at the rate of exchange prevailing at the balance sheet date. Non-monetary assets are translated at the rates of exchange prevailing when the assets were acquired or the liabilities assumed. Revenue and expense items are translated at the average rate of exchange during the period. Translation gains or losses are included in net earnings for

the period.

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Canadian currency in these financial statements is denoted as Cdn\$, European Common Market currency is denoted as Euro or (euro), and Ghanaian currency is denoted as Cedi or Cedis.

**Income and Mining Taxes**

Income and mining taxes comprise the provision (or recovery) for taxes actually paid or payable and for future taxes. Future income and mining taxes are computed using the asset and liability method whereby future income and mining tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Future income and mining tax assets and liabilities are computed using income tax rates in effect when the temporary differences are expected to reverse. The effect on the future tax assets and liabilities of a change in tax rates is recognized in the period of substantive enactment. The provision or relief for future taxes is based on the changes in future tax assets and liabilities during the period. In estimating future income and mining tax assets, a valuation allowance is determined to reduce the future tax assets to amounts that are more likely than not to be realized.

**Net Income per Share**

Basic income per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. In periods with earnings the calculation of diluted net income per common share uses the treasury stock method to compute the dilutive effects of stock options, warrants and other dilutive instruments. In periods of loss, diluted net income per share is equal to basic income per share.

**Revenue Recognition**

Revenue from the sale of gold is recognized when title and the risk of ownership pass to the buyer. Title and risk of ownership pass to the buyer when dore is delivered into the buyer's custody. Our gold is sold to a South African gold refinery and revenue is recognized when title is transferred to the customer at the refinery. The sales price is based on the London P.M. fix on the day of delivery.

Credits from by-products are credited against operating costs and not included in revenues. By-product costs have been de minimis to date at our existing properties.

**Stock Based Compensation**

In accordance with the requirements of CICA Handbook Section 3870, Stock Based Compensation and other Stock-based Payments we use the fair value method to expense the fair value of options granted to employees and directors. The fair value of options granted is established at the date of the grant, using the Black-Scholes option-pricing model. Compensation expense for options with immediate vesting is recognized in the period of the grant. Compensation expense for options with graded vesting is recognized on a straight line basis over the vesting periods.

**Derivatives and Hedges**

We utilize forward foreign exchange and commodity price derivatives to manage exposure to fluctuations in foreign currency exchange rates and gold prices. We do not employ derivative financial instruments for trading purposes or for speculative purposes.

Derivative instruments that do not qualify as a hedge under AcG-13, or are not designated as a hedge, are recorded on the balance sheet at fair value with changes in fair value recognized in earnings at the end of each period in an account titled mark-to-market adjustments.

When financial instruments are designated as hedges, we formally document the relationships between the hedge instrument and the hedged items, as well as the risk management objectives and strategy for undertaking the hedge transaction. The effectiveness of the hedging relationship is also documented. The gains and losses on derivative instruments designated as hedges are not recognized on the balance sheet and gains and losses are recognized in income in the period when the instrument is settled. We did not utilize hedge accounting for any of our derivatives in 2005.



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**Reclassifications**

For comparative purposes, certain prior year amounts have been reclassified to conform to the current year presentation.

**Recent Accounting Pronouncements**

**Section 3831 Non-Monetary Transactions** Section 3831, issued in June 2005, replaces the previous recommendations of Section 3830 and establishes new guidelines for the evaluation and disclosure relating to non-monetary transactions. Its provisions determine whether a non-monetary transaction is to be measured at fair value or at book value. This section will be effective for non-monetary transactions concluded in periods beginning on or after January 1, 2006.

**Section 1530 Comprehensive Income / This Section** introduces new disclosure requirements regarding comprehensive income and its components, as well as net income, in its financial statements. As a consequence, certain unrealized gains and losses, which would otherwise be excluded from the calculation of net income and be assigned directly to shareholders' equity, will be used to calculate comprehensive income. This section will be effective for fiscal years beginning on or after October 1, 2006. We will adopt this new requirement in our January 2007 reporting.

**Section 3855 Financial Instruments Recognition and Measurement** Section 3855 determines the time and value at which a financial instrument must be recorded in the balance sheet. In some cases, it may be measured at fair value or, in other cases, at cost. The standard also provides for the manner in which gains and losses related to financial instruments are to be recorded. This section will be effective for interim periods and fiscal years beginning on or after October 1, 2006. We will adopt this new requirement in our January 2007 reporting.

**Section 3865 Hedges** Section 3865 provides guidance for hedge accounting when applied to certain derivatives that meet the definition of a hedge. Application of Section 3865 to derivatives that qualify as a hedges is optional, but once a derivative is classified as a hedge, the provisions of Section 3865 are then mandatory. Section 3865 replaces AcG-13, **Hedging Relationships** and completes the provisions of Section 1650, **Foreign Currency Translation**, by addressing how to account for hedges and related disclosure of information requirements. This section will be effective for fiscal years beginning on or after October 1, 2006. We will adopt this new requirement in our January 2007 reporting.

**Section 3861 Financial Instruments Disclosure and Presentation** Section 3861 replaces Section 3860, **Financial Instruments Disclosure and Presentation**, and establishes the requirements for presentation and disclosure of financial instruments and non-financial derivatives.

**EIC-160 Stripping Costs Incurred in the Production Phase of a Mining Operation** - In response to an EITF issued in the US in mid-2005 which prohibits use of deferred stripping accounting during the production phase, the Emerging Issues Committee ( EIC ) in Canada issued a **Draft Abstract of Issue Discussed** titled **D56 Accounting for Stripping Costs in the Mining Industry** which concluded that deferred stripping could be retained as an acceptable accounting method in Canada under certain circumstances. In late 2005 the EIC issued further guidance in **EIC-160 Stripping Costs Incurred in the Production Phase of a Mining Operation**. EIC-160 concluded that stripping costs should be accounted for according to the benefit received by the entity. Generally, stripping costs should be accounted for as variable production costs that should be included in the costs of the inventory produced (that is, extracted) during the period that the stripping costs are incurred. However stripping costs should be capitalized if the stripping activity can be shown to represent a betterment of the mineral property. The EIC also concluded that capitalized stripping costs should be amortized in a rational and systematic manner over the reserves that directly benefit from the specific activity. In the mining industry, the units of production is generally the appropriate method. The EIC went on to state that capitalized stripping costs should appear in the statement of cash flow as an investing activity. Provisions of EIC-160 are applicable to years beginning after July 1, 2006.

**2. Short Term Investments**

Short term investments are comprised of funds invested in AA or AAA rated Auction Rate Certificates. The certificates are short term positions in long term securities. The interest rate received is reset every 7, 28 or 35 days, and the certificates can be liquidated for cash at each interest reset date.



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## 3. Inventories

|                        | As of<br>December 31, |          |
|------------------------|-----------------------|----------|
|                        | 2005                  | 2004     |
| Stockpiled ore         | \$ 5,753              | \$ 3,659 |
| In-process             | 3,106                 | 2,858    |
| Materials and supplies | 14,322                | 8,849    |
| Total inventories      | \$23,181              | \$15,366 |

There were approximately 16,000 and 15,400 recoverable ounces of gold in ore stockpile inventories at December 31, 2005 and 2004 respectively. These ounces contained in ore stockpile inventories are included in ore reserves. The stockpile inventories are for the most part short-term surge piles which will be processed in the next 12 months or less.

## 4. Due from Sale of Property

In late 2001 we sold our interest in the Rosebel exploration property in South America to Cambior Inc. ( Cambior ). In addition to a \$5.0 million payment received at closing in 2002, terms of the sale agreement provided that Cambior would make three deferred payments of \$1.0 million each plus Price Participation Right (royalty) payments on the first seven million ounces of gold production. The deferred payments were received in the first quarters of 2003, 2004 and 2005 respectively.

## 5. Deposits

Represents cash advances for equipment, and materials purchases at WGL and BGL.

## 6. Long Term Investments

We hold a 19% interest in Goldmin Consolidated Holdings, a privately held gold exploration company with a focus on South America. The investment is carried on an equity investment basis at \$1.2 million, and we recognized \$0.2 million and \$0.3 million of equity losses in 2004 and 2005, respectively.

As of December 31, 2005 we also held approximately 11% of the outstanding common shares of Moto Goldmines Limited ( Moto ), a gold exploration and development company publicly traded in Canada, with a focus on gold exploration and development in the Democratic Republic of Congo. Our investment in Moto increased by \$2.9 million during 2005 to \$7.0 million upon the exercise of a portion of our Moto warrants. We also held 1.0 million additional Moto warrants which if exercised would require the investment of an additional \$2.25 million Australian dollars. The fair value of our approximately 11% interest in Moto, based on the market price of its shares on December 31, 2005, was \$15.1 million, which exceeded our cost basis by \$8.1 million.

In March 2006 we exercised the remaining 1.0 million warrants bringing our total ownership to 6.0 million shares and immediately afterward sold all six million common shares in a bought-deal transaction in Canada for Cdn\$7.50 per share. The sale of the six million shares resulted in net proceeds to Golden Star of Cdn\$45.0 million (\$38.9 million). The sale is expected to realize approximately \$30.3 million of pre-tax capital gain for Golden Star, which will be recorded as income in the first quarter of 2006.

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## 7. Deferred Exploration and Development Costs

Consolidated property expenditures on our exploration projects for the year ended December 31, 2005 were as follows:

|                                | Deferred<br>Exploration<br>&<br>Development<br>Costs<br>as of<br>12/31/04 | Capitalized<br>Exploration<br>Expenditures | Acquisition<br>Costs | Impairments      | Deferred<br>Exploration<br>&<br>Development<br>Costs<br>as of<br>12/31/05 |
|--------------------------------|---|--|----------------------|------------------|---|
| <b>AFRICAN PROJECTS</b>        |   |  |                      |                  |   |
| Akropong trend and other Ghana | \$2,443   | \$3,114                                    | \$                   | \$ (320)         | \$ 5,237  |
| Prestea property Ghana         | 2,067   | 7  |                      |                  | 2,074   |
| Mininko Mali                   | 1,033   | 50   |                      | (1,083)          |   |
| Mano River Sierra Leone        | 758   | 527  |                      |                  | 1,285   |
| Afema Ivory Coast              |   | 918  | 110                  |                  | 1,028   |
| Hweni-Butre/South Benso Ghana  |   |  | 135,832              |                  | 135,832   |
| Goulagou Burkina Faso          |   |  | 18,247               |                  | 18,247  |
| Other Africa                   |   |  |                      | 1,460            | 1,460   |
| <b>SOUTH AMERICAN PROJECTS</b> |   |  |                      |                  |   |
| Saramacca Suriname             | 394   | 337  |                      |                  | 731   |
| Bon Espoir French Guiana       | 501   | 881  |                      |                  | 1,382   |
| Paul Isnard French Guiana      | 256   |  |                      |                  | 256   |
| <b>TOTAL</b>                   | <b>\$7,452</b>  | <b>\$5,834</b>                             | <b>\$155,649</b>     | <b>\$(1,403)</b> | <b>\$167,532</b>  |

Consolidated property expenditures on our exploration projects for the year ended December 31, 2004 were as follows:

|                                    | Deferred<br>Exploration<br>&<br>Development<br>Costs<br>as of<br>12/31/03 | Capitalized<br>Exploration<br>Expenditures | Acquisition<br>Costs | Impairments | Reclassified<br>to mining<br>Property | Deferred<br>Exploration<br>&<br>Development<br>Costs<br>as of<br>12/31/04 |
|------------------------------------|---|--|----------------------|-------------|---------------------------------------|---|
| <b>AFRICAN PRODUCTS</b>            |   |  |                      |             |                                       |   |
| Bogoso Sulfide Project<br>Ghana    | \$5,930   | \$   | \$                   | \$          | \$(5,930)                             | \$  |
| Akropong Trend & Other<br>Ghana    | 2,037   | 406  |                      |             |                                       | 2,443   |
| Prestea Property Projects<br>Ghana |   | 2,537                                      |                      | (470)       |                                       | 2,067   |
| Beta Boundary Ghana                |   | 814  |                      |             | (814)                                 |   |
| Mininko Mali                       | 130   | 903  |                      |             |                                       | 1,033   |
| Mano River Sierra Leone            |   | 758  |                      |             |                                       | 758   |

SOUTH AMERICAN  
PROJECTS

|             |          |          |          |        |          |            |          |
|-------------|----------|----------|----------|--------|----------|------------|----------|
| Saramacca   | Suriname | 197      | 197      |        |          | 394        |          |
| Bon Espoir  | French   |          |          | 501    |          | 501        |          |
| Guiana      |          |          |          |        |          |            |          |
| Paul Isnard | French   |          |          | 256    |          | 256        |          |
| Guiana      |          |          |          |        |          |            |          |
| TOTAL       |          | \$ 9,108 | \$ 4,801 | \$ 757 | \$ (470) | \$ (6,744) | \$ 7,452 |

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## 8. Property, Plant and Equipment

|                     | As of December 31, 2005                           |   |   | As of December 31, 2004 |   |                        |
|---------------------|---|---|---|-------------------------|---|------------------------|
|                     | Property,<br>Plant<br>and<br>Equipment<br>at Cost | Accumulated<br>Depreciation<br>Equipment<br>Net<br>Book Value | Property,<br>Plant and<br>Equipment<br>at<br>Cost | Property,<br>Plant and  | Accumulated<br>Depreciation<br>Equipment<br>Net<br>Book Value | Property,<br>Plant and |
| Bogoso/Prestea      | \$40,802  | \$ 8,240  | \$32,562  | \$27,722                | \$ 5,057  | \$22,665               |
| Prestea Underground | 2,748   |   | 2,748   | 238                     |   | 238                    |
| EURO Ressources     | 1,456   | 1,449   | 7   | 1,969                   | 1,951   | 18                     |
| Wassa               | 50,701  | 1,985   | 48,716  | 5,460                   |   | 5,460                  |
| Corporate & Other   | 611   | 117   | 494   | 1,060                   | 788   | 272                    |
| <b>TOTAL</b>        | <b>\$96,318</b>                                   | <b>\$ 11,791</b>  | <b>\$84,527</b>                                   | <b>\$36,449</b>         | <b>\$ 7,796</b>   | <b>\$28,653</b>        |

## 9. Mining Properties

|                     | As of December 31, 2005         |                             |  | As of December 31, 2004         |                             |  |
|---------------------|---------------------------------|-----------------------------|--|---------------------------------|-----------------------------|--|
|                     | Mining<br>Properties<br>at Cost | Accumulated<br>Amortization | Mining<br>Properties,<br>Net Book<br>Value | Mining<br>Properties<br>at Cost | Accumulated<br>Amortization | Mining<br>Properties,<br>Net Book<br>Value |
| Bogoso/Prestea      | \$ 46,970                       | \$28,792                    | \$ 18,178                                  | \$43,420                        | \$23,113                    | \$20,307                                   |
| Prestea Underground | 21,612                          |                             | 21,612                                     | 12,984                          |                             | 12,984                                     |
| Wassa               | 50,810                          | 5,104                       | 45,706                                     | 9,653                           |                             | 9,653                                      |
| Bogoso Sulfide      | 13,065                          |                             | 13,065                                     | 13,065                          |                             | 13,065                                     |
| Mampon              | 15,062                          |                             | 15,062                                     | 13,676                          |                             | 13,676                                     |
| Other               | 4,465                           |                             | 4,465                                      | 4,512                           |                             | 4,512                                      |
| <b>TOTAL</b>        | <b>\$151,984</b>                | <b>\$33,896</b>             | <b>\$118,088</b>                           | <b>\$97,310</b>                 | <b>\$23,113</b>             | <b>\$74,197</b>                            |

Some prior period numbers have been adjusted to conform to the 2005 presentation.

## 10. Mine Construction-in-Progress

At December 31, 2004, mine construction in progress represents costs incurred at the Wassa project subsequent to acquisition, including feasibility study costs, equipment purchases and construction costs, including interim payments to the construction contractor and development costs.

At December 31, 2005, mine construction in progress represents costs incurred during 2005 at the Bogoso sulfide expansion project. The balance is made up of development drilling costs, equipment purchases, materials and construction costs, including payments to the construction contractors.

## 11. Deferred Stripping

In recent years mining at the Plant North pit at Prestea has trended toward deeper pits with longer lives and higher and more variable stripping ratios than in the past. Stripping ratios at the Plant-North pit increased from 2.3 to 1 in 2002, to 3.4 to 1 in 2003, to 5.1 to 1 in 2004 and to 6.5 to 1 during 2005. In response to the changing stripping rate we initiated a deferred waste stripping policy at the Plant-North pit in the third quarter of 2004.

The amount of stripping costs to be capitalized in each period is calculated by determining the tonnes of waste moved in excess of the life-of-pit average strip ratio and valuing the excess tonnage of removed waste at the average mining cost per tonne during the period. Costs are recovered in periods when the actual tonnes of waste moved are less than what would have been moved at the average life-of-pit rate, such tonnes being valued at the rolling average cost of the waste tonnage amounts capitalized.

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The capitalized component of waste rock removal costs is shown on our consolidated balance sheets in the line item titled Deferred Stripping. The cost impact is included in the Statements of Operations in the line item titled Mining operations. In periods when the strip ratio exceeds the pit average, the costs of the excess stripping are excluded from our cost per ounce calculations. In periods when the strip ratio is less than the pit average, capitalized waste costs are added back to operating costs and included in cost per ounce calculations.

Based on actual results from 2004 and our January 1, 2005 mine plan, we expected to move 3.7 million tonnes of ore and 18.0 million tonnes of waste during the overall life of the Plant-North pit and thus the expected strip ratio was 4.8 to 1. Deferrals during 2005 were based on this average rate, which will also be the rate for deferrals in 2006.

A total of \$1.4 million of Plant-North deferred waste stripping cost, which would have been included in operating costs under our previous policy, was capitalized in 2004. During 2005, an additional \$3.6 million of deferred stripping costs were deferred but, as explained below, \$3.4 million of this deferral was reversed in December 2005.

A new mining plan was completed in January 2006 adding four months of mining life and 38,000 ounces of gold output to the Plant North pit's life. But the new plan also added significant amounts of unanticipated waste tonnage versus the December 2004 mining plan and projections of the life-of-mine strip ratio resulting from the new plan indicated that \$3.4 million of deferred stripping costs accrued as of December 31, 2005 would not be recovered. As a result, a \$3.4 million write-off was taken in December 2005 leaving a balance of \$1.5 million in the account at the end of 2005. The current Plant North mining plan anticipates that this amount will be recovered by the fourth quarter of 2006 when we expect to complete mining of the Plant North.

See Note 1 Summary of Significant Accounting Policies Recent Accounting Pronouncements for additional discussion of new guidance for deferred stripping accounting in Canada and Note 28 Generally Accepted Accounting Principles in Canada and the United States Impact of Recently Issued Accounting Standards for other new developments in deferred stripping accounting in the US.

## 12. Debt

|  | As of<br>December 31,<br>2005 | As of<br>December 31,<br>2004 |
|--|-------------------------------|-------------------------------|
| DEBT                                   |                               |                               |
| Current debt:                          |                               |                               |
| Bank loan at EURO Ressources (Note a)  | \$ 2,667                      | \$                            |
| CAT equipment financing loans (Note b) | 4,188                         | 1,267                         |
| Total current debt                     | \$ 6,855                      | \$ 1,267                      |
| Long term debt:                        |                               |                               |
| Bank loan at EURO Ressources (Note a)  | \$ 5,000                      | \$                            |
| CAT equipment financing loans (Note b) | 11,632                        | 1,707                         |
| Convertible notes (Note c)             | 47,666                        |                               |
| Total long term debt                   | \$ 64,298                     | \$ 1,707                      |

(a) Bank debt In January 2005, EURO Ressources S.A. ( EURO ) drew down \$6.0 million



under a credit facility from a bank and paid the funds to Golden Star as the first installment on its purchase of the Rosebel royalty. The loan is repayable in nine equal payments of \$666,667 beginning July 29, 2005. Accrued interest is added to each quarterly payment. The interest rate for each period is set at LIBOR plus 2.5% and EURO may choose a 1, 2 or 3 month interest period. The loan is collateralized by the assets of EURO, including the Rosebel royalty. The lender has no recourse to Golden Star.

In September 2005 EURO borrowed an additional \$3.0 million from the same commercial bank and forwarded the proceeds to Golden Star leaving an outstanding balance due

Golden Star of \$3.0 million (plus a future royalty). The interest rate on the new debt is set at LIBOR plus 2.5% and EURO may choose a 1, 2 or 3 month interest period. The \$3.0 million is to be repaid by five quarterly payments of \$0.6 million each commencing October 31, 2007. Fair value of the bank debt including the current portion, is essentially equal to its carrying value.

- (b) Equipment financing credit facility We have established a \$25 million equipment financing facility between Caterpillar Financial Services Corporation, BGL and WGL, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit for a mixture of new and used mining equipment. This facility is

reviewed  
annually and

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was renewed for 12 months in April 2005. Amounts drawn under this facility are repayable over five years for new equipment and over two years for used equipment. The interest rate for each draw-down is fixed at the date of the draw-down using the Federal Reserve Bank 2-year or 5-year swap rate plus 2.38% or a floating interest rate of LIBOR plus 2.38%. As of December 31, 2005, \$15.8 million was outstanding under this facility. The average interest rate on the outstanding CAT loans is approximately 6.8%. Fair value of the equipment financing debt including the current portion, is essentially equal to its carrying value.

- (c) Convertible notes We sold \$50 million of

senior  
unsecured  
convertible  
notes to a  
private  
investment fund  
on April 15,  
2005. These  
notes, maturing  
on April 15,  
2009, were  
issued at par and  
bear interest at  
6.85% with a  
conversion price  
of \$4.50 per  
common share.  
At the maturity  
date, we have  
the option, at  
our discretion  
and assuming  
the market price  
of our common  
shares exceeds  
\$4.50 per share,  
to pay the  
outstanding  
notes with cash  
or by issuing  
common shares  
to the note  
holders. If the  
notes are paid in  
common shares  
the number of  
shares will be  
determined by  
dividing the  
loan balance by  
an amount equal  
to 95% of the  
average price of  
the 20 trading  
day period  
ended five days  
before the notes  
are due. Due to  
the conversion  
feature,  
approximately

\$47.1 million of the note balance was initially classified as a liability and \$2.9 million was classified as equity. Periodic accretion will increase the liability to the full \$50 million amount due (after adjustments for converted notes) by the end of the note life. The periodic accretion is classified as interest expense. A total of \$1.8 million of interest on the convertible notes was capitalized into the Bogoso sulfide expansion project costs. Fair value of the convertible notes is essentially equal to their carrying value.

#### 13. Loan Acquisition Costs

In the second quarter of 2005 approximately \$0.9 million of loan acquisition fees were incurred in obtaining the \$50 million of convertible notes. This amount was capitalized and is being amortized to interest expense over the life of the notes. In addition we recorded loan acquisition costs at EURO related to its January 2005 and its August 2005 borrowings. As with the convertible notes, the balance is being amortized to interest expense over the life of the loan. The net balance of loan acquisition costs was \$1.0 million as of December 31, 2005.

#### 14. Hedging and Derivatives

In January 2005, EURO, a majority owned subsidiary, entered into a series of contracts that qualify as a derivative as part of a \$6.0 million loan agreement (see note 12a). EURO's derivative is tied to a future stream of gold royalty payments EURO expects to receive from a Canadian mining company that purchased a mining property interest from Golden Star in 2002. Golden Star originally owned the royalty but sold the royalty to EURO in 2004. The derivative provides that (a) when the average gold price for a quarter exceeds \$421 per ounce, EURO will pay to the counter party cash equal to the difference between the quarter's average gold price per ounce and \$421 per ounce, times 5,700

ounces, and (b) when the average quarterly gold price is below \$421 per ounce, EURO will receive a cash payment from the counterparty equal to the difference between \$421 per ounce and the average gold price per ounce times 5,700 ounces. The \$421 per ounce figure was the spot gold price on the date EURO entered into the derivative. The derivative agreement established 10 tranches of 5,700 ounces each which settle quarterly over ten quarters beginning in the first quarter of 2005.

In August 2005, EURO entered into a second set of derivative position related to a \$3.0 million debt facility. These positions are spread over ten quarters beginning in the last quarter of 2007, and have a fixed price of \$458.50 per ounce which was approximately \$18 per ounce over the spot price on the date of the agreement. The quarterly cash payments are determined exactly as with the first derivative describe above except \$458.50 per ounce is the reference price for calculating the quarterly payments.

During 2005, we recorded a \$0.5 million reduction in royalty revenues for the cash settlement of the first four quarterly tranches and in addition we recorded \$9.6 million of unrealized, non-cash mark-to-market losses as of December 31, 2005.

**Gold Derivatives** To provide gold price protection during the 2005/2006 construction phase of the Bogoso sulfide expansion project, we purchased a series of gold puts. In the second quarter of 2005 we purchased put options on 140,000 ounces of gold at an average floor price of \$409.75 paying approximately \$1.0 million in cash for the options. During the third quarter we purchased an additional 90,000 put options locking in a \$400 per ounce floor for each of the 90,000 ounces. Due to increases in gold prices since purchasing the puts the mark-to-market value of the puts at December 31, 2005 stood at \$0.1 million dollars or \$0.9 million less than we paid for them. This decline in value has been recognized in our statement of operations for the year ended December 31, 2005.

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During the third quarter we sold 90,000 ounces of call options with a strike price of \$525 per ounce. The revenues from sale of the call options exactly offset the cost of the put options bought in the third quarter. Due to the increase in gold prices since the call options were sold, the mark-to-market value has fallen by \$2.3 million at December 31, 2005 and this amount was recognized in our statement of operations for the year ended December 31, 2005.

**Foreign Currency Forward Positions** To help control the potential adverse impact of fluctuations in foreign currency exchange rates on the cost of equipment and materials we expect to purchase during the 2006 construction phase of the Bogoso sulfide expansion project, we have entered into Rand and EURO forward contracts. These contracts, established without cost, had a positive fair value of \$1.0 million at December 31, 2005 and the \$1.0 million gain was recognized in our statement of operations at December 31, 2005.

The following table summarizes our derivative contracts at December 31, 2005:

| At December 31, 2005                                    | Fair<br>Value<br>12/31/2005 | Amount Outstanding/<br>Average Price |      |            | Total /<br>Average |
|---|-----------------------------|--------------------------------------|------|------------|--------------------|
|   |                             | 2006                                 | 2007 | Thereafter |                    |
| <b>Gold Forward Contracts (EURO Resources)</b>          |                             |                                      |      |            |                    |
| Ounces (thousands)                                      |                             | 22.8                                 | 22.8 | 51.3       | 96.9               |
| Average price per ounce                                 |                             | 421                                  | 430  | 459        | 443                |
| Fair value (\$ thousands)                               | \$(9,560)                   |                                      |      |            |                    |
| <b>Gold Put Options (Golden Star)</b>                   |                             |                                      |      |            |                    |
| Ounces (thousands)                                      |                             | 150                                  | 37.5 |            | 187.5              |
| Average price per ounce                                 |                             | 407                                  | 405  |            | 407                |
| Fair value (\$ thousands)                               | \$ 74                       |                                      |      |            |                    |
| <b>Gold Call Options (Golden Star)</b>                  |                             |                                      |      |            |                    |
| Ounces (thousands)                                      |                             | 50                                   | 15   |            | 65                 |
| Average price per ounce                                 |                             | 525                                  | 525  |            | 525                |
| Fair value (\$ thousands)                               | \$(2,250)                   |                                      |      |            |                    |
| <b>Foreign Exchange Forward Contracts (Golden Star)</b> |                             |                                      |      |            |                    |
| South African Rand (millions)                           |                             | 122.1                                |      |            | 122.1              |
| Average Rate (ZAR/\$)                                   |                             | 6.8                                  |      |            | 6.8                |
| Fair value (\$ thousands)                               | \$ 1,146                    |                                      |      |            |                    |



|                       |      |      |
|-----------------------|------|------|
| Euros (millions)      | 2.5  | 2.5  |
| Average Rate (EUR/\$) | 0.80 | 0.80 |

Fair value (\$ thousands) \$ (162)

The puts, calls and foreign exchange forward contracts are comprised of numerous individual contracts each with a different settlement date.

#### 15. Asset Retirement Obligations

Our Asset Retirement Obligations ( ARO ) are equal to the present value of all estimated future closure cost associated with reclamation, demolition and stabilization of our Bogoso/Prestea and Wassa mining and ore processing properties. Included in this liability are the costs of mine closure and reclamation, processing plant and infrastructure demolition, tailings pond stabilization and reclamation and environmental monitoring costs. While the majority of these costs will be incurred near the end of the mines' lives, it is expected that cash costs will be incurred in interim periods reclaiming areas where mining has been completed, such costs being netted against the ARO provision.

The changes in the carrying amount of the ARO during 2005 and 2004 were as follows:

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|                                     | Year ended<br>December 31,<br>2005 |
|-------------------------------------|------------------------------------|
| Balance at December 31, 2004        | \$ 8,660                           |
| Accretion expense                   | 752                                |
| Cost of reclamation work performed  | (691)                              |
| New AROs incurred during the period | 2,672                              |
| <br>Balance at December 31, 2005    | <br>\$ 11,393                      |
| <br>Current portion                 | <br>\$ 3,107                       |
| Long term portion                   | \$ 8,286                           |
|                                     | Year ended<br>December 31,<br>2004 |
| Balance at December 31, 2003        | \$ 7,745                           |
| Accretion expense                   | 645                                |
| Cost of reclamation work performed  | (730)                              |
| New AROs incurred during the period | 1,000                              |
| <br>Balance at December 31, 2004    | <br>\$ 8,660                       |

**16. Commitments and Contingencies**

Our commitments and contingencies include the following items:

- (a) **Environmental Regulations and Asset Retirement Obligations** The exact nature of environmental control problems we may encounter in the future cannot be predicted, primarily because of the changing character of environmental requirements that may be enacted within various jurisdictions. ARO liabilities, which include environmental rehabilitation liabilities for reclamation and for closure costs, were \$8.1 million at Bogoso/Prestea at December 31, 2005, up from \$6.0 million at December 31, 2004. ARO liabilities at Wassa totaled \$3.3 million at December 31, 2005, up from \$2.7 million at the end of 2004.
- (b) **Environmental Bonding in Ghana** In March 2005, at the request of the Ghana Environmental Protection Agency ( EPA ), we bonded \$3.0 million to cover future reclamation obligations at Wassa. To meet the bonding requirements we established a \$2.85 million letter of credit and deposited \$0.15 million of cash with the EPA. An \$8.55 million letter of credit has been established to cover our obligations for Bogoso/Prestea bonding and \$0.9 million of cash has been deposited with the EPA. Final signatures were received from the EPA in February 2006 thereby completing our obligations.
- (c) **Cash Restricted for Environmental Rehabilitation Liabilities** In 1999, we were required, according to the acquisition agreement with the sellers of BGL, to restrict \$6.0 million of cash to be used for the ongoing and final reclamation and closure costs at Bogoso. The withdrawal of these funds must be agreed to by the sellers, who are ultimately responsible for the reclamation in the event of our non-performance. Between 1999 and 2001 we drew \$2.6 million of the restricted cash to cover our out-of-pocket cash reclamation costs. There have been no disbursements of the restricted cash since 2001. Now that the BGL reclamation bonding process is completed, we will seek to amend the agreement with the original sellers of BGL and obtain their consent to

allow us to withdraw the remaining \$3.4 million of restricted cash.

(d) Royalties -

- (i) Dunkwa Properties: As part of the acquisition of the Dunkwa properties in August 2003, we agreed to pay the seller a net smelter return royalty on future gold production from the Mansiso and Asikuma properties. Per the acquisition agreement, there will be no royalty due on the first 200,000 ounces produced from Mampon which is located on the Asikuma property. The amount of the royalty is based on a sliding scale which ranges from 2% of net smelter return at gold prices at or below \$300 per ounce up to 3.5% for gold prices in excess of \$400 per ounce.

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- (ii) Government of Ghana: Under the laws of Ghana, a holder of a mining lease is required to pay an annual royalty of not less than 3% and not more than 12% of the total revenues earned from the lease area. The royalty is payable on a quarterly basis. We currently pay a 3% annual royalty on gold production from Bogoso/Prestea and Wassa production. The Government of Ghana retains the right to increase the amount of the royalty to as much as 12% based upon a formula related to operating margins.
- (iii) Benso: Benso is subject to two royalties. The first is a 1.5% net smelter return. The royalty can be purchased for \$4.0 million or for \$6.0 million if a feasibility study indicates more than 3.5 million ounces of recoverable gold. The second royalty is \$1.00 per ounce of gold produced. This royalty can be purchased for \$0.5 million.
- (e) Mano River Joint Venture We entered into a joint venture agreement in late 2003 to invest up to \$6 million over four years in the Mano River project in Sierra Leone via an earn-in agreement with a junior exploration company, Mano River Resources Inc. which holds a group of gold exploration properties in Sierra Leone. The initial \$6 million, if fully funded, would yield a 51% interest in the joint venture. Further provisions of the joint venture agreement provide the opportunity to acquire up to 85% of the joint venture by continued long term funding. Spending in 2004 totaled \$0.8 million, leaving \$0.2 million on our minimum commitment to the project. We spent \$0.5 million on the Mano River project during 2005, thereby meeting the minimum commitment. In addition, agreement has been reached with our partner to extend the earn in period by 12 months.
- (f) Afema Project On March 29, 2005 we entered into an agreement with Societe d Etat pour le Developpement Minier de la Cote d Ivoire ( SO.DE.MI. ), the Cote d Ivoire state mining and exploration company, to acquire their 90% interest in the Afema gold property in south-east Cote d Ivoire. A \$0.1 million initial payment to SO.DE.MI. gave us the right to carry out a six month detailed technical due diligence program which was essentially completed by September of 2005. We now have the right to acquire 100% of SO.DE.MI. 's rights in the Afema property for an additional \$1.5 million. A six month extension to March 2006 has subsequently been granted by SO.DE.MI. to allow Golden Star to carry out further due diligence work and to analyze the large quantity of data collected during 2005 before making a decision on the \$1.5 million payment. In addition to the acquisition payments, we agreed to pay SO.DE.MI. a royalty on any future gold production from the Afema property. The royalty is indexed to the gold price and ranges from 2% of net smelter returns at gold prices below \$300 per ounce to 3.5% of net smelter returns for gold prices exceeding \$525 per ounce. If we proceed with the \$1.5 million payment to acquire full rights to the property the purchase agreement requires us to spend an additional \$3.5 million on exploration work at Afema, subject to exploration success, over the following three and a half years.
- (g) Pending Legal Issues Prestea Gold Resources Limited ( PGR ), our joint venture partner in the Prestea Underground, entered receivership in March 2003. The joint venture agreement between BGL and PGR specified that if either party to the joint venture were to go into receivership any remaining interest held in the partnership by the insolvent partner would immediately vest with the solvent partner. While PGR 's official liquidator affirmed that the vesting of this interest in BGL was proper under the terms of the joint venture agreement, the transfer and vesting of PGR 's ownership was challenged in an action brought before the High Court in Accra, Ghana against the official liquidator by Merchant Bank (Ghana) Ltd, in its capacity as a judgment creditor of PGR. The action was commenced on February 28, 2005 and sought an order of the court to compel the official liquidator to take control of PGR 's residual interest in the joint venture and to have the interest valued with the ultimate goal of making proceeds available for distribution among all the creditors of PGR.

The judgment creditor 's claim was based on the assertion that the vesting of the residual interest in BGL under the joint venture agreement was either illegal and void and/or that such vesting should necessarily go with the

assumption by BGL of all PGR's obligations owed to third parties, including those unrelated to the joint venture.

In June 2005, the High Court issued a finding in favor of the Merchant Bank (Ghana) Ltd. While the ruling transferred PGR's ownership position to the liquidator, it did not require BGL to assume any of PGR's obligations. Nevertheless, in subsequent periods following the vesting of PGR's ownership position in BGL, continued project spending by BGL diluted PGR's original ownership position to less than 10% by September 30, 2005. The joint venture agreement further specifies that if either partner allowed itself to be diluted to 10% or less, the residual value would immediately convert into a 2.5% net profit interest in potential future earnings from the Prestea Underground mine. While the court's ruling has effectively given the 2.5% net profits interest to the bankruptcy trustee, the trustee still must establish the fair value of the interest and then find a buyer. The trustee has approached the creditors asking for funding of a valuation study but to-date the creditors have not provide the requested funding.

We are also engaged in routine litigation incidental to our business. No material legal proceedings, involving us or our business are pending, or, to our knowledge, contemplated, by any governmental authority. We are not aware of any material events of noncompliance with environmental laws and regulations.

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## 17. Warrants

The following warrants were outstanding as of December 31, 2005.

| Issued with:         | Date issued          | Warrants<br>outstanding | Exercise<br>price | Expiration<br>date   |
|----------------------|----------------------|-------------------------|-------------------|----------------------|
| Equity Offering      | February 14,<br>2003 | 8,448,334               | Cdn\$4.60         | February 14,<br>2007 |
| St. Jude Acquisition | December 21,<br>2005 | 3,240,000               | Cdn\$4.17         | November 20,<br>2008 |
| Total                |                      | 11,688,334              |                   |                      |

The 8.4 million warrants expiring February 14, 2007 are traded on the Toronto Stock Exchange under the symbol GSC.WT.A. During 2005, 385,000 warrants were exercised resulting in cash proceeds of \$0.7 million to Golden Star.

## 18. Stock Based Compensation

**Stock Options** We have one stock option plan, the 1997 Stock Option Plan, as amended (the "GSR Plan") and options are granted under this plan from time to time at the discretion of the Compensation Committee. Options granted are non-assignable and are exercisable for a period of ten years or such other period as stipulated in a stock option agreement between Golden Star and the optionee. Under the GSR Plan, we may grant options to employees, consultants and directors of the Company or its subsidiaries for up to 15,000,000 shares of common stock. Options take the form of non-qualified stock options, and the exercise price of each option is not less than the market price of our stock on the date of grant. Options typically vest over periods ranging from immediately to four years from the date of grant. Vesting periods are determined at the discretion of the Compensation Committee.

The following tables summarize information about options under the GSR Plan:

| GSR Plan   | Shares<br>(000s) | 2005   | Shares<br>(000s) | 2004   | Shares<br>(000s) | 2003   |
|--|------------------|--|------------------|--|------------------|--|
|  |                  | Weighted-Average<br>Exercise<br>Price<br>(Cdn\$) |                  | Weighted-Average<br>Exercise<br>Price<br>(Cdn\$) |                  | Weighted-Average<br>Exercise<br>Price<br>(Cdn\$) |
| Outstanding at beginning<br>of year                                  | 5,271            | 3.17   | 5,241            | 2.41   | 4,489            | 1.36   |
| Granted  | 3,047            | 2.56   | 855              | 6.95   | 2,354            | 3.99   |
| Exercised  | (313)            | 2.37   | (767)            | 2.12   | (1,518)          | 1.73   |
| Forfeited  | (615)            | 5.42   | (58)             | 4.31   | (84)             | 2.92   |
| Outstanding end of year  | 7,390            | 2.75   | 5,271            | 3.17   | 5,241            | 2.41   |
| Options vested and<br>exercisable at year-end                        | 6,414            | 2.34   | 4,140            | 2.54   | 3,803            | 1.81   |
| Weighted-average fair<br>value of options granted<br>during the year |                  | 0.95   |                  | 2.45   |                  | 1.25   |



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| GSR Plan<br>Range of<br>Exercise<br>Prices<br>(Cdn\$) | Options Outstanding  |   |   | Options Exercisable  |  |
|---|--|---|---|--|--|
|   | Number<br>Outstanding<br>at<br>December<br>31,<br>2005<br>(000s) | Weighted-Average<br>Remaining<br>Contractual<br>Life<br>(years) | Weighted-Average<br>Exercise Price<br>(Cdn\$) | Number<br>Exercisable<br>at<br>December<br>31,<br>2005<br>(000s) | Weighted-<br>Average<br>Exercise<br>Price<br>(Cdn\$) |
| 0.00 to .99   | 140  | 1.1   | 0.29  | 140  | 0.29   |
| 1.00 to 2.50  | 5,099  | 4.1   | 1.77  | 5,024  | 1.76   |
| 2.51 to 4.00  | 655  | 7.1   | 3.21  | 481  | 3.19   |
| 4.01 to 7.00  | 1,419  | 8.5   | 6.00  | 730  | 5.90   |
| 7.01 to 10.00   | 76   | 7.9   | 8.39  | 38   | 8.39   |
|   | 7,390  | 5.2   | 2.75  | 6,414  | 2.34   |

## Options granted during 2005:

| Date<br>Granted   | Number of<br>Options<br>(000s) | Strike<br>Price<br>(Cdn\$) | Fair Value per<br>option<br>(Cdn\$) | Total Fair<br>Value<br>(000s of<br>Cdn\$) | Option<br>Life |
|-------------------|--------------------------------|----------------------------|-------------------------------------|---|----------------|
| January 26, 2005  | 345                            | 4.58                       | 1.68                                | 579                                       | 5              |
| January 26, 2005  | 169                            | 4.58                       | 1.37                                | 231                                       | 3.5            |
| December 21, 2005 | 339                            | 1.82                       | 1.16                                | 393                                       | 3.5            |
| December 21, 2005 | 612                            | 2.50                       | 0.68                                | 416                                       | 3              |
| December 21, 2005 | 140                            | 0.29                       | 2.41                                | 338                                       | 6<br>months    |
| December 21, 2005 | 722                            | 1.82                       | 0.91                                | 658                                       | 6<br>months    |
| December 21, 2005 | 720                            | 2.50                       | 0.37                                | 266                                       | 6<br>months    |
| Total             | 3,047                          | 2.56                       | 0.95                                | 2,881                                     |                |

## Options granted during 2004:

| Date<br>Granted | Number of<br>Options<br>(000s) | Strike<br>Price<br>(Cdn\$) | Fair Value per<br>option<br>(Cdn\$) | Total Fair<br>Value<br>(000s of<br>Cdn\$) | Option<br>Life |
|-----------------|--------------------------------|----------------------------|-------------------------------------|---|----------------|
| May 14, 2004    | 855                            | 6.95                       | 2.45                                | 2,094                                     | 10<br>years    |



|       |     |      |      |       |             |
|-------|-----|------|------|-------|-------------|
| Total | 855 | 6.95 | 2.45 | 2,094 | 10<br>years |
|-------|-----|------|------|-------|-------------|

The fair value of options granted during 2005, 2004 and 2003 were estimated at the grant dates using the Black-Scholes option-pricing model with the following weighted average assumptions:

|                         | 2005           | 2004           | 2003           |
|-------------------------|----------------|----------------|----------------|
| Expected volatility     | 27.3% - 34.9%  | 36%            | 34%            |
| Risk-free interest rate | 2.75% - 3.5%   | 3.72% - 4.06%  | 3.01% - 4.46%  |
| Expected lives          | 0.5 to 5 years | 3.5 to 5 years | 3.5 to 5 years |
| Dividend yield          | 0%             | 0%             | 0%             |

In November 2003 the Accounting Standards Board of the Canadian Institute of Certified Accountants amended CICA Handbook CICA 3870, Stock-based Compensation and other Stock-based Payments to require expensing of all stock based compensation awards for fiscal years beginning on or after January 1, 2004. In light of this development we adopted the new provision of CICA 3870 in 2003. As a result, we recognized stock based compensation expense of approximately \$0.9 million and \$1.4 million in 2005 and 2004 respectively for stock options granted during 2005 and 2004.

**Stock Bonus Plan** In December 1992, we established an Employees Stock Bonus Plan (the Bonus Plan ) for any full-time or part-time employee (whether or not a director) of the Company or any of our subsidiaries who has rendered meritorious services which contributed to the success of the Company or any of its subsidiaries. The Bonus Plan provides that a specifically designated committee of the Board of Directors may grant bonus common shares on terms that it might determine, within the limitations of the Bonus Plan and subject to the rules of applicable regulatory authorities. The Bonus Plan, as amended, provided for the issuance of 900,000 common shares of bonus stock of which 491,162 common shares have been issued as of December 31, 2005.

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During 2005, 2004 and 2003 a total of 45,342, nil and 57,200 common shares respectively were issued to employees pursuant to the Bonus Plan. We recognized compensation expense related to bonuses under the Bonus Plan during 2005, 2004 and 2003 of \$0.2 million, nil and \$0.1 million

**19. Income Taxes**

We recognize future tax assets and liabilities based on the difference between the financial reporting and tax basis of assets and liabilities using the enacted tax rates expected to be in effect when the taxes are paid or recovered. We provide a valuation allowance against future tax assets for which we do not consider realization of such assets to meet the required more likely than not standard.

Our future tax assets and liabilities at December 31, 2005 and 2004 include the following components:

|                         | 2005     | 2004     |
|-------------------------|----------|----------|
| Future tax assets:      |          |          |
| Offering costs          | \$ 2,577 | \$ 2,218 |
| Loss carryovers         | 62,745   | 48,163   |
| Capital loss carryovers | 12,206   | 11,632   |
| Tax pools               | 10,840   | 18,132   |
| Reclamation costs       | 1,226    |          |
| Derivatives             | 4,288    |          |
| Other                   | 1,479    |          |
| Valuation allowance     | (39,240) | (64,399) |

The composition of our valuation allowance is summarized as follows:

|                           | 2005     | 2004     |
|---------------------------|----------|----------|
| Canada                    | \$23,712 | \$32,756 |
| France                    | 5,584    | 26,141   |
| Ghana                     | 9,944    | 5,502    |
| <br>                      |          |          |
| Total valuation allowance | \$39,240 | \$64,399 |

During 2005, we released \$3.3 million and \$4.9 million, respectively, of valuation allowance related to our net future tax assets in France and Canada. The release of the French valuation allowance related to projected future royalty income. The release of the Canadian valuation allowance resulted from the anticipated utilization of \$30 million of capital loss carryovers against the March 2006 gain on the sale of Moto shares. Valuation allowances were not provided on the future tax assets resulting from 2005 losses in France and Ghana totaling \$3.2 million and \$1.5 million, respectively.

The provision for income taxes includes the following components:

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|          | 2005        | 2004       | 2003 |
|----------|-------------|------------|------|
| Current  |             |            |      |
| Canada   | \$          | \$         | \$   |
| Foreign  |             |            |      |
| Total    | \$          | \$         | \$   |
| Deferred |             |            |      |
| Canada   | \$ (4,926)  | \$         | \$   |
| Foreign  | (8,004)     | (1,542)    |      |
| Total    | \$ (12,930) | \$ (1,542) | \$   |

A reconciliation of expected income tax on net income before minority interest at statutory rates with the actual expenses (recovery) for income taxes is as follows:

|   | 2005        | 2004       | 2003      |
|---|-------------|------------|-----------|
| Net income (loss) before minority interest        | \$ (26,184) | \$ 2,377   | \$ 24,533 |
| Statutory tax rate                                | 32.5%       | 32.1%      | 34.1%     |
| Tax expense (benefit) at statutory rate           | (8,515)     | 763        | 8,365     |
| Enacted future tax rate reductions                |             |            | (490)     |
| Foreign tax rates                                 | (3,296)     | (152)      | (6,489)   |
| Change in tax rates                               | 568         |            |           |
| Nondeductible portion of capital losses           | 270         | 3,174      |           |
| Expired loss carryovers                           | 16,287      | 1,450      | 2,866     |
| Ghana investment allowance                        | (666)       | (316)      | (636)     |
| Nondeductible stock option compensation           | 274         | 445        | 129       |
| Nondeductible expenses                            | 163         | 119        |           |
| Tax loss sale of EURO shares                      |             | (2,898)    |           |
| Loss carryover not previously recognized          | (444)       | 4,447      |           |
| Intercompany asset basis not deductible           | 6,320       |            |           |
| Ghana property basis not previously recognized    | 862         | (2,733)    | 716       |
| Nondeductible Ghana property basis                | 597         |            |           |
| Change in future tax assets due to exchange rates | 238         | (3,919)    | (8,283)   |
| Change in valuation allowance                     | (25,588)    | (1,922)    | 3,822     |
| Income tax expense (recovery)                     | \$ (12,930) | \$ (1,542) | \$        |

During 2005, 2004 and 2003, we recognized \$4.2 million, \$0.3 million and \$6.4 million, respectively, of share offering costs. Shareholders' equity has been credited in the amounts of \$1.3 million, \$0.1 million and \$2.1 million for the tax benefits of these deductions; however a valuation allowance had been provided against their full amount. In addition, in 2005 we reported a \$2.9 million discount related to our convertible debt. Shareholders' equity has been charged in the amount of \$0.9 million for the associated tax expense. A \$0.4 million valuation allowance has been provided in shareholders' equity for the net tax impact of the share offering costs and discount items.

At December 31, 2005 we had loss carryovers expiring as follows:

|            | Canada   | Ghana     | France   |
|------------|----------|-----------|----------|
| 2006       | \$ 2,595 | \$        | \$       |
| 2007       | 356      |           |          |
| 2008       | 1,901    |           |          |
| 2009       | 2,344    |           |          |
| 2010       | 1,101    |           |          |
| 2014       | 10,645   |           |          |
| 2015       | 4,569    |           |          |
| Indefinite | 42,623   | 182,283   | 28,288   |
| Total      | \$66,134 | \$182,283 | \$28,288 |

20. Earnings per Common Share

The following table provides a reconciliation between basic and diluted earnings per common share:

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|   | For the years ended December 31, |         |          |
|---|----------------------------------|---------|----------|
|   | 2005                             | 2004    | 2003     |
| Net Income/(Loss)                                 | (\$13,531)                       | \$2,642 | \$21,956 |
| Shares (in millions)                              |                                  |         |          |
| Weighted average number of common shares          | 143.6                            | 138.3   | 111.0    |
| Impact of Dilutive Securities:                    |                                  |         |          |
| Options   | 2.7                              | 2.9     | 2.7      |
| Convertible notes                                 |                                  |         |          |
| Warrants  |                                  | 2.5     | 4.2      |
| Weighted average number of dilutive common shares | 146.3                            | 143.7   | 117.9    |
| Basic Income/(Loss) Per Common Share              | (\$0.094)                        | \$0.019 | \$ 0.198 |
| Diluted Income/(Loss) Per Common Share            | (\$0.094)                        | \$0.018 | \$ 0.186 |

## 21. Supplemental Cash Flow Information

The following is a summary of non-cash transactions:

|  | 2005      | 2004  | 2003      |
|--|-----------|-------|-----------|
| Barnex royalty buy- back   | \$        | \$    | \$ 12,045 |
| Common shares issued for Barnex royalty buy-back                               |           |       | (12,045)  |
| Investment in Goldfields Miniere S.A.  |           | 300   |           |
| Common shares issued to purchase Goldfields Miniere S.A.                       |           | (300) |           |
| Non-Cash Component of Investment in St. Jude Resources Ltd.                    | 110,924   |       |           |
| Common shares, warrants and options issued to purchase St. Jude Resources Ltd. | (110,924) |       |           |

There was no cash paid for income taxes during 2005, 2004 and 2003. Cash paid for interest was \$3.1 million in 2005, \$0.1 million in 2004 and \$0.1 million in 2003. A total of \$0.06 million of depreciation was included in general and administrative costs or was capitalized into projects.

## 22. Operations by Segment and Geographic Area

The following segment and geographic data includes revenues based on product shipment origin and long-lived assets based on physical location. The corporate entity is incorporated in Canada and domiciled in the United States.

| (as of December 31 or for the year ended) | Africa - Ghana  |           |         | South America | Corporate | Total     |
|---|-----------------|-----------|---------|---------------|-----------|-----------|
|   | Bogoso/ Prestea | Wassa     | Other   |               |           |           |
| 2005                                      |                 |           |         |               |           |           |
| Revenues                                  | \$ 58,534       | \$ 31,405 | \$      | \$ 4,282      | \$ 1,244  | \$ 95,465 |
| Net Income/(Loss)                         | 4,578           | (8,994)   | (20)    | (412)         | (8,683)   | (13,531)  |
| Total Assets                              | 143,111         | 103,506   | 200,287 | 10,604        | 107,095   | 564,603   |

2004

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|                   |           |        |        |          |          |           |
|-------------------|-----------|--------|--------|----------|----------|-----------|
| Revenues          | \$ 61,002 | \$     | \$     | \$ 3,145 | \$ 882   | \$ 65,029 |
| Net Income/(Loss) | 12,533    | (168)  |        | 1,772    | (11,495) | 2,642     |
| Total Assets      | 90,297    | 70,681 | 31,080 | 817      | 59,285   | 252,160   |
| 2003              |           |        |        |          |          |           |
| Revenues          | \$ 63,640 | \$     | \$     | \$ 102   | \$ 628   | \$ 64,370 |
| Net Income/(Loss) | 23,253    | (171)  |        | (1,411)  | 285      | 21,956    |
| Total Assets      | 64,828    | 44,523 | 20,058 | 352      | 92,630   | 222,391   |

**Table of Contents****23. Related Parties**

During 2005, we obtained legal services from a legal firm to which our Chairman is of counsel. Total cost of all services purchased during 2005 was \$1.2 million. Our Chairman did not personally perform any legal services for us during 2005 nor did he benefit directly or indirectly from payments for the services performed by the firm.

During 2005, a corporation controlled by Michael A. Terrell provided management services (including those of Mr. Terrell) to St. Jude for which it was paid Cdn\$250,000. Mr. Terrell became a director of Golden Star following our acquisition of St. Jude in December.

**24. Acquisitions**

In late December 2005, we completed the acquisition of 100% of the outstanding shares of St. Jude Resources Ltd., a Canadian company with a focus on Ghana and other West African countries. Our total cost to acquire St. Jude was \$112.8 million. This included issuance of 31.4 million of our common shares at a price of \$3.45 each, 3.2 million warrants with a fair value of \$1.0 million, 2.5 million options at a fair value of \$1.6 million and \$1.9 million of transaction costs. The transaction resulted in St. Jude shareholders holding approximately 19% of Golden Star on a fully diluted basis at the date of the transaction. St. Jude's earnings were recognized in our consolidated statement of operations beginning on December 22, 2005. Since the acquisition was completed so late in the fiscal year, the allocation of the purchase costs shown below should be considered a preliminary allocation. Further analysis of the fair value of St. Jude's assets, liabilities and the costs inherent in combining personnel and operations in 2006 may require adjustments to the allocation. Furthermore several estimates were required to accrue transaction costs. Many of the decisions about severance and office closures, if any, and other aspects of combining the two entities have not yet been addressed due to timing of the acquisition in relation to the end of our fiscal year.

The purchase cost and the allocation of the purchase costs to St. Jude's assets and liabilities are as follows:

**ST. JUDE ACQUISITION COSTS**

|  | AMOUNT     | VALUE             |
|--|------------|-------------------|
| Golden Star Common Shares issued         | 31,377,588 | \$ 108,298        |
| Golden Star Common Share Options Issued  | 2,533,176  | 1,634             |
| Golden Star Common Share Warrants Issued | 3,240,000  | 992               |
| Golden Star's transaction costs          |            | 1,869             |
| <b>Total Acquisition Cost</b>            |            | <b>\$ 112,793</b> |

**ALLOCATION OF PURCHASE COSTS**

|  |  |                   |
|--|--|-------------------|
| Current assets                                       |  | \$ 2,803          |
| Mineral properties Ghana Hinwi- Butre/Benso          |  | 135,832           |
| Mineral properties Burkina Faso - Goulagou and Other |  | 18,247            |
| Mineral properties Ghana Shein Hills                 |  | 1,095             |
| Mineral properties Niger                             |  | 365               |
| Equipment net  |  | 203               |
| <b>Total Assets</b>                                  |  | <b>\$ 158,545</b> |
| Accounts Payable and Accrued Expenses                |  | \$ 680            |
| Future Tax Liability                                 |  | 45,072            |
| <b>Total Liabilities</b>                             |  | <b>\$ 45,752</b>  |

Net Asset Value

\$ 112,793

An analysis of St. Jude's current assets and current liabilities indicated they were carried at fair value. Amounts allocated to mineral properties were based on comparable sales or on cash flow projections for properties where sufficient data was available to prepare cash flow projections. Cash flow projections were based on resource data received from St. Jude. Construction costs, sustaining capital costs and operating costs were included in the projections. The future tax liability recognizes the fact that while the long term assets were revalued to fair value as required for purchase accounting, there was no corresponding step-up in the tax basis of the long term assets and thus future book amortization will exceed tax amortization.



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The following condensed unaudited pro forma consolidated results of operations for 2004 and for 2005 are presented as if the acquisition of St. Jude had taken place on January 1, 2004 and on January 1, 2005. The pro forma results incorporate St. Jude's 2004 and 2005 revenues and expenses as adjusted to reflect adjustments required to harmonize St. Jude's accounting policies with ours and to convert St. Jude's results to US dollars.

| (in \$ million, except per share amounts)      | Cdn GAAP |          | US GAAP |          |
|--|----------|----------|---------|----------|
|  | 2004     | 2005     | 2004    | 2005     |
| Net sales                                      | \$65.2   | \$ 95.6  | \$65.2  | \$102.4  |
| Income before changes in accounting principles | 1.0      | (15.2)   | 41.5    | (29.7)   |
| Net income/(loss)                              | 1.0      | (15.2)   | 41.5    | (29.7)   |
| Earnings/(loss) per common share               | \$0.01   | \$(0.09) | \$0.32  | \$(0.04) |
| Comprehensive income                           | NA       | NA       | 41.5    | (21.5)   |

These differences include converting St. Jude balances from Cdn\$ to US\$, converting St. Jude accounting policies to match Golden Star policies and adjustments for corporate entity costs that would not have been incurred by St. Jude. The unaudited pro forma information is not necessarily indicative of what the actual combined results of operation would have been had the acquisition occurred at the beginning of the respective periods presented.

**25. Financial Instruments**

**Fair Value** Our financial instruments are comprised of cash, short-term investments, accounts receivable, restricted cash, accounts payable, accrued liabilities, accrued wages, payroll taxes and debt. The fair value of cash and short-term investments, accounts receivable, accounts payable, accrued liabilities and accrued wages, payroll taxes and current debt equals their carrying value due to the short-term nature of these items. The fair value of restricted cash is equal to the carrying value as the cash is invested in short-term, high-quality instruments. See Note 12 for fair values of long term debt.

**26. Gain on Sale of Subsidiaries Sale of Common Shares**

EURO sold 4.0 million of their common shares at (euro)0.20 each in a private placement in December 2005 raising (euro)0.8 million. EURO also received, as part of the same transaction, (euro)0.05 million in exchange for 1.0 million warrants which allow the holder to purchase EURO's common shares at (euro) 0.45 each until December 12, 2007. Based on the dilutive effect of the private placement on Golden Star's ownership position and on a nil value in EURO's minority interest account, Golden Star recognized a \$1.0 million gain on the transaction.

**27. Subsequent Event**

In March 2006, we exercised our remaining 1.0 million Moto warrants bringing our total ownership in Moto to 6.0 million shares and immediately afterward sold all six million common shares in a bought-deal transaction in Canada for Cdn\$7.50 per share. The sale of the six million shares resulted in net proceeds to Golden Star of Cdn\$45.0 million (\$38.9 million). The sale is expected to realize approximately \$30.3 million of pre-tax capital gain for Golden Star, which will be recorded as income in the first quarter.

**28. Generally Accepted Accounting Principles in the United States**

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which differ from US GAAP. The effect of applying US GAAP to our financial statements is shown below.

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## (a) Consolidated Balance Sheets Under US GAAP

|  | As of December 31,  |                     |
|--|---------------------|---------------------|
|  | 2005                | 2004                |
|  | (Restated-Note d13) | (Restated-Note d13) |
| <b>ASSETS</b>  |                     |                     |
| Current assets:  |                     |                     |
| Cash and cash equivalents                                    | \$ 89,709           | \$ 12,877           |
| Short term investments                                       |                     | 38,850              |
| Accounts receivable  | 6,560               | 3,592               |
| Inventories  | 23,181              | 15,366              |
| Due from sale of property                                    |                     | 1,000               |
| Current tax assets   | 6,248               | 1,542               |
| Fair value of derivatives                                    | 1,220               |                     |
| Deposits   | 5,185               | 5,102               |
| Other current assets   | 686                 | 517                 |
| Total current assets   | 132,789             | 78,846              |
| Restricted cash  | 3,865               | 3,351               |
| Long term investments (Notes d1 and d2)                      | 15,182              | 4,132               |
| Deferred exploration and development costs (Notes d3 and d4) | 155,649             |                     |
| Property, plant and equipment (Note d5)                      | 83,813              | 28,653              |
| Mine construction in progress                                | 36,706              | 49,430              |
| Mining properties (Notes d3, d4 and d5)                      | 81,504              | 52,586              |
| Deferred stripping (Note d6)                                 | 1,548               | 1,357               |
| Loan acquisition costs                                       | 1,020               |                     |
| Deferred tax asset   | 8,223               |                     |
| Other assets   | 2,144               | 1,617               |
| Total assets   | \$ 522,443          | \$ 219,972          |
| <b>LIABILITIES</b>   |                     |                     |
| Current liabilities  |                     |                     |
| Long term debt (Note d8)                                     | \$ 40,815           | \$ 17,480           |
| Asset retirement obligations                                 | 66,632              | 1,707               |
| Future tax liability   | 8,286               | 8,660               |
| Fair value of long term derivatives (Note d7)                | 45,072              |                     |
| Total liabilities  | 15,842              | 12,065              |
|  | 176,647             | 39,912              |
| Minority interest  | 1,964               | 3,899               |
| Commitments and contingencies                                |                     |                     |
| <b>SHAREHOLDERS EQUITY</b>                                   |                     |                     |
| Share capital (Note d9)                                      | 523,696             | 342,074             |
| Contributed surplus (Note d10)                               | 4,419               | 2,079               |

|  |            |            |
|--|------------|------------|
| Accumulated comprehensive income and other (Note d2) | 9,495      | 1,316      |
| Deficit  | (193,778)  | (169,308)  |
| Total shareholders' equity                           | 343,832    | 176,161    |
| Total liabilities and shareholders' equity           | \$ 522,443 | \$ 219,972 |

**Table of Contents****(b) Consolidated Statements of Operations under US GAAP**

|   | For the Years ended December 31, |                     |                     |
|---|----------------------------------|---------------------|---------------------|
|   | 2005                             | 2004                | 2003                |
|   | (Restated-Note d13)              | (Restated-Note d13) | (Restated-Note d13) |
| Net income under Cdn GAAP   | \$(13,531)                       | \$ 2,642            | \$ 21,956           |
| Deferred exploration expenditures expensed per US GAAP (Note d3)  | (14,597)                         | (5,735)             | (5,252)             |
| Net loss at Wasa mine prior to Cdn GAAP in-service date (Note d5)   | (4,888)                          |                     |                     |
| Write-of of deferred exploration properties (Note d3)   | 1,403                            |                     |                     |
| Capitalized mine property acquisition costs expensed for US GAAP (Note d4)                                |                                  | (6,799)             | (4,763)             |
| Derivative gain/(loss) on non-US\$ warrants (Note d11)  | 4,478                            | 56,854              | (71,968)            |
| Other (Notes d3 and d7)   | 455                              |                     |                     |
| Net income/(loss) under US GAAP before minority interest  | (26,680)                         | 46,962              | (60,027)            |
| Minority interest, as adjusted  | 2,210                            | 746                 | 933                 |
| Net income/(loss) under US GAAP before cumulative effect of change in accounting method                   | (24,470)                         | 47,708              | (59,094)            |
| Cumulative effect of change in accounting method  |                                  |                     | 483                 |
| Net Income/(loss) under US GAAP   | (24,470)                         | 47,708              | (58,611)            |
| Other comprehensive income gain on marketable securities (Note d2)  | 8,179                            |                     | (548)               |
| Comprehensive income/(loss)   | \$(16,291)                       | \$ 47,708           | \$ (59,159)         |
| Basic net income/(loss) per share under US GAAP before cumulative effect of change in accounting method   | \$ (0.170)                       | \$ 0.345            | \$ (0.528)          |
| Cumulative effect of change in accounting method  |                                  |                     | 0.005               |
| Basic net income/(loss) per share under US GAAP after cumulative effect of change in accounting method    | \$ (0.170)                       | \$ 0.345            | \$ (0.523)          |
| Diluted net income/(loss) per share under US GAAP before cumulative effect of change in accounting method | \$ (0.170)                       | \$ 0.327            | \$ (0.528)          |
| Cumulative effect of change in accounting method  |                                  |                     | 0.005               |
| Diluted net income/(loss) per share under US GAAP after cumulative effect of change in accounting method  | \$ (0.170)                       | \$ 0.327            | \$ (0.523)          |

**(c) Consolidated Statements of Cash Flows under US GAAP**

For the years ended December 31,  
2005                      2004                      2003

|   |             |           |           |
|---|-------------|-----------|-----------|
| Cash provided by (used in):                                   |             |           |           |
| Operating Activities  | \$ (27,530) | \$ 575    | \$ 19,029 |
| Investing activities  | (38,899)    | (95,113)  | (57,993)  |
| Financing activities  | 143,261     | 17,445    | 108,918   |
| Increase/(Decrease) in cash and cash equivalents for the year | 76,832      | (77,093)  | 69,954    |
| Cash and cash equivalent beginning of the year                | 12,877      | 89,970    | 20,016    |
| Cash and cash equivalents end of the year                     | \$ 89,709   | \$ 12,877 | \$ 89,970 |

## (d) Notes.

- (1) Minority investments in entities whose major business is mineral exploration are deemed for US GAAP to be equivalent to exploration spending and are expensed as incurred.
- (2) Under US GAAP, investments in marketable equity securities are marked to fair value at the end of each period with gains and losses recognized in the statement of operations. Under Cdn GAAP gains and losses on marketable equity securities are noted in the foot notes and recognized in the statement of operations only when the investment is sold.
- (3) Under US GAAP, exploration, acquisition and general and administrative costs related to exploration projects are charged to expense as incurred. Under Cdn GAAP, exploration, acquisition and direct general and administrative costs related to exploration projects are capitalized. In each subsequent period, the exploration, engineering, financial and market information for each exploration project is reviewed by management to determine if any of the capitalized costs are impaired. If found impaired, the asset's cost basis is reduced in accordance with Cdn GAAP provisions.
- (4) Under US GAAP, the initial purchase cost of mining properties is capitalized. Pre-acquisition costs and subsequent development costs incurred, until such time as a final feasibility study is completed, are expensed in the period incurred. Under Cdn GAAP, the purchase costs of new mining properties as well as all development costs incurred after acquisition are capitalized and subsequently reviewed each period for impairment. If found impaired, the asset's cost basis is reduced in accordance with Cdn GAAP provisions.

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- (5) Under US GAAP new production facilities are placed in service once the facility has been constructed and fully tested to the point where it can be shown that it is capable of producing its intended product. Under Cdn GAAP new production facilities are placed in service when output reaches a significant portion of the facility's design capacity. As such, the new Wassa mine and processing operation was placed in service on January 1, 2005 for US GAAP purposes and was placed in service on April 1, 2005 for Cdn GAAP purposes. All operating expenses, including ARO accretion, depreciation, depletion and amortization and work in process inventory adjustments were recognized in the statement of operations for US GAAP during the first quarter of 2005 while such costs were capitalized net of revenues generated for Cdn GAAP.
- (6) In March 2005, the Emerging Issues Task Force of the Financial Accounting Standards Board issued statement 04-6 Accounting for Stripping Costs Incurred During Production in the Mining Industry ( EITF 04-6 ) which precludes deferral of stripping costs during a mine's production phase. EITF 04-6 requires that deferred stripping costs be considered a variable production cost. The new pronouncement is effective January 1, 2006 and transition provisions allow any remaining balances in deferred stripping asset accounts to be closed directly to retained earnings on January 1, 2006. In Canada the Emerging Issues Committee ( EIC ) has since issued a Draft Abstract of Issue Discussed titled D56 Accounting for Stripping Costs in the Mining Industry which concludes that deferred stripping could be retained as an acceptable accounting method in Canada under certain circumstances. We have opted to discontinue deferral of production phase stripping costs as of January 1, 2006 for both US and Cdn GAAP and thus will have no accounting differences between US and Canadian GAAP in this area.
- (7) Under US GAAP the fair value of warrants denominated in currencies other than US\$ is treated as a derivative liability. Under Cdn GAAP the fair value of all warrants are treated as a component of equity.
- (8) For US GAAP purposes, 100% of the \$50.0 million of convertible notes issued in the second quarter of 2005 was classified as a liability. Under Cdn GAAP, the fair value of the conversion feature is classified as equity and the balance is classified as a liability. Under Cdn GAAP, the liability portion is accreted each period in amounts which will increase the liability to its full amount as of the maturity date and the accretion is recorded as interest expense.
- (9) Numerous transactions since the Company's organization in 1992 have contributed to the difference in share capital versus the Cdn GAAP balance, including: (i) under US GAAP, compensation expense was recorded for the difference between quoted market prices and the strike price of options granted to employees and directors under stock option plans while under Cdn GAAP, recognition of compensation expense was not required; (ii) in May 1992 our accumulated deficit was eliminated through an amalgamation (defined as a quasi-reorganization under US GAAP); under US GAAP the cumulative deficit was greater than the deficit under Cdn GAAP due to the past write-offs of certain deferred exploration costs; and (iii) gains recognized in Cdn GAAP upon issuances of subsidiaries' shares are not allowed under US GAAP; (iv) when warrants denominated in currencies other than US\$ are exercised the difference between the fair value and the strike price of the warrant is recorded as share capital for US GAAP purposes, but under Cdn GAAP only the strike price is recorded as share capital on exercise.
- (10) Under Cdn GAAP the issuance-date fair value of all warrants issued and outstanding are recorded as Contributed Surplus. Under US GAAP contributed surplus excludes the fair value of warrants denominated in currencies other than US\$. The fair value of warrants denominated in currencies other than US\$ is recorded in derivative liability.
- (11) Under US GAAP the change in fair value of warrants denominated in currencies other than the functional currency of the Company is recognized in the Statement of Operations. Under Cdn GAAP warrants are not

marked to fair value.

(12) Impact of Recently Issued Accounting Standards.

In June 2005, the Financial Accounting Standards Board, which we refer to as the FASB, issued SFAS No. 154, Accounting Changes and Error Corrections, applying to all voluntary accounting principle changes as well as the accounting for and reporting of such changes. SFAS No. 154 replaces APB Opinion No. 20, Accounting Changes, and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We do not expect SFAS No. 154 to affect our financial condition or results of operations.

In March 2005, the FASB issued Interpretation No. 47 (FIN 47), Accounting for Conditional Asset Retirement Obligations. FIN 47 clarifies that an entity must record a liability for a conditional asset retirement obligation if the fair value of the obligation can be reasonably estimated. The provision is effective no later than the end of fiscal years ending after December 15, 2005. FIN 47 had no material impact on our financial condition or results of operations in 2005.

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In December 2004, the FASB finalized SFAS No. 123R Share-Based Payment, amending SFAS No. 123, effective beginning our first quarter of fiscal 2006. SFAS 123R requires the Company to expense stock options based on grant date fair value in its financial statements. Further, the SFAS 123R requires additional accounting related to the income tax effects and additional disclosure regarding the cash flow effects resulting from share-based payment arrangements. In March 2005, the U.S. Securities and Exchange Commission (the SEC) issued Staff Accounting Bulletin (SAB) No. 107, which expresses views of the SEC staff regarding the interaction between SFAS 123R and certain SEC rules and regulations, and provides the staff's views regarding the valuation of share-based payment arrangements for public companies. We adopted the optional provisions of FAS 123 in 2003 and have expensed share based payments since that time.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Non-monetary Assets, an Amendment of APB Opinion No. 29, which is effective for non-monetary exchanges occurring in fiscal periods beginning after June 15, 2005. SFAS No. 153 amends APB Opinion No. 29, Accounting for Non-monetary Transactions to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. We do not expect SFAS No. 153 to affect our financial condition or results of operations.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs an amendment of ARB 43, Chapter 4. SFAS No. 151 clarifies that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and requires the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. SFAS No. 151 is effective for fiscal years beginning after June 15, 2005. We do not expect SFAS No. 151 to affect our financial condition or results of operations.

FASB Staff Position No. FAS 115-1 and FAS 124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments (the FSP), was issued in November 2005 and addresses the determination of when an investment is considered impaired; whether the impairment is other than temporary; and how to measure an impairment loss. The FSP also addresses accounting considerations subsequent to the recognition of an other-than-temporary impairment on a debt security, and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The FSP replaces the impairment guidance in EIFT Issue No. 03-1 with references to existing authoritative literature concerning other-than-temporary determinations (principally SFAS No. 115 and SEC Staff Accounting Bulletin 59). Under the FSP, impairment losses must be recognized in earnings equal to the entire difference between the security's cost and its fair value at the financial statement date, without considering partial recoveries subsequent to that date. The FSP also requires that an investor recognize an other-than-temporary impairment loss when a decision to sell a security has been made and the investor does not expect the fair value of the security to fully recover prior to the expected time of sale. The FSP is effective for reporting periods beginning after December 15, 2005. We do not expect a material impact on our financial condition or results of operations upon adoption of this new guidance.

In March 2005, the Emerging Issues Task Force of the Financial Accounting Standards Board issued statement 04-6 Accounting for Stripping Costs Incurred During Production in the Mining Industry (EITF 04-6) which precludes deferral of stripping costs during a mine's production phase. EITF 04-6 requires that deferred stripping costs be considered a variable production cost. The new pronouncement is effective January 1, 2006 and transition provisions allow any remaining balances in deferred stripping asset accounts to be closed directly to retained earnings on January 1, 2006. In line with this new pronouncement, we will



close the \$1.5 million remaining deferred stripping asset balance directly to retained earnings on January 1, 2006.

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Following the change in US GAAP, the Emerging Issues Committee ( EIC ) in Canada issued a Draft Abstract of Issue Discussed titled D56 Accounting for Stripping Costs in the Mining Industry which concluded that deferred stripping could be retained as an acceptable accounting method in Canada. Based on this new development in Cdn GAAP, we plan to continue using a deferred stripping policy for our Cdn GAAP financial statements and will thus have a US/Cdn GAAP difference related to deferred stripping costs after December 31, 2005.

- (13) The US GAAP reconciliation has been restated to take effect of the difference between Canadian and US GAAP described in notes d7 and d11 above.

| <b>Statement of Operations</b>  | <b>December 31, 2005</b> |                 | <b>December 31, 2004</b> |                 | <b>December 31, 2003</b> |                 |
|---|--------------------------|-----------------|--------------------------|-----------------|--------------------------|-----------------|
|   | <b>Originally stated</b> | <b>Restated</b> | <b>Originally stated</b> | <b>Restated</b> | <b>Originally stated</b> | <b>Restated</b> |
| Derivative loss USD Warrants  |                          | 4,478           |                          | 56,854          |                          | (71,968)        |
| Net Income/(Loss) under US GAAP before minority interest  | (31,158)                 | (26,680)        | (9,892)                  | 46,962          | 11,941                   | (60,027)        |
| Net Income/(Loss) under US GAAP before cumulative change in accounting method                             | (28,948)                 | (24,470)        | (9,146)                  | 47,708          | 12,874                   | (59,094)        |
| Net Income/(Loss) under US GAAP   | (28,948)                 | (24,470)        | (9,146)                  | 47,708          | 13,357                   | (58,611)        |
| Comprehensive income/(loss)   | (20,769)                 | (16,291)        | (9,146)                  | 47,708          | 12,809                   | (59,159)        |
| Basic net income/(loss) per share under US GAAP before cumulative effect of change in accounting method   | \$ (0.202)               | \$ (0.170)      | \$ (0.066)               | \$ 0.345        | \$ 0.116                 | \$ (0.528)      |
| Cumulative change in accounting method  | \$                       |                 |                          |                 | \$ 0.004                 | \$ 0.005        |
| Basic net income/(loss) per share under US GAAP after cumulative effect of change in accounting method    | \$ (0.202)               | \$ (0.170)      | \$ (0.066)               | \$ 0.345        | \$ 0.120                 | \$ (0.523)      |
| Diluted net income/(loss) per share under US GAAP before cumulative effect of change in accounting method | \$ (0.202)               | \$ (0.170)      | \$ (0.066)               | \$ 0.327        | \$ 0.109                 | \$ (0.528)      |
| Cumulative change in accounting method  | \$                       |                 |                          |                 | \$ 0.004                 | \$ 0.005        |
| Diluted net income/(loss) per share under US GAAP after cumulative effect of change in accounting method  | \$ (0.202)               | \$ (0.170)      | \$ (0.066)               | \$ 0.327        | \$ 0.113                 | \$ (0.523)      |

| <b>Balance Sheet</b>                | <b>December 31, 2005</b>    |                 | <b>December 31, 2004</b> |                 |
|-------------------------------------|-----------------------------|-----------------|--------------------------|-----------------|
|                                     | <b>As Originally stated</b> | <b>Restated</b> | <b>Originally stated</b> | <b>Restated</b> |
| Fair value of long term derivatives | 7,263                       | 15,842          |                          | 12,065          |

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|                           |           |           |           |           |
|---------------------------|-----------|-----------|-----------|-----------|
| Total liabilities         | 168,068   | 176,647   | 27,847    | 39,912    |
| Share Capital             | 519,540   | 523,696   | 339,524   | 342,074   |
| Contributed Surplus       | 8,294     | 4,419     | 2,040     | 2,079     |
| Deficit                   | (183,602) | (193,778) | (154,654) | (169,308) |
| Total shareholders equity | 352,411   | 343,832   | 188,226   | 176,161   |

29. Quarterly Financial Data

Summary of Quarterly Results

(\$ millions, except per share data)

(unaudited)

|                               | 2005 Quarters ended (1) |          |          |          | 2004 Quarters ended |          |         |          |
|-------------------------------|-------------------------|----------|----------|----------|---------------------|----------|---------|----------|
|                               | Dec. 31                 | Sept. 30 | June 30  | March 31 | Dec. 31             | Sept. 30 | June 30 | March 31 |
| Revenues                      | \$ 27.7                 | \$ 24.7  | \$ 24.9  | \$ 18.1  | \$ 15.2             | \$ 13.4  | \$ 16.5 | \$ 19.9  |
| Net earnings/(loss)           | (1.0)                   | (6.7)    | (3.7)    | (2.2)    | 0.6                 | (4.3)    | 1.1     | 5.2      |
| Net earnings/(loss) per share |                         |          |          |          |                     |          |         |          |
| Basic                         | \$(0.01)                | \$(0.05) | \$(0.03) | \$(0.02) | \$0.00              | \$(0.03) | \$0.01  | \$0.04   |
| Diluted                       | \$(0.01)                | \$(0.05) | \$(0.03) | \$(0.02) | 0.00                | (0.03)   | 0.01    | 0.04     |

(1) Quarters one, two and three have been restated as if hedge accounting had not been applied to EURO's gold futures contracts. (See Item 9A below). EURO did not apply hedge accounting to quarter four and thus it is not restated.

ITEM 9A CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures:

As of December 31, 2005, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Golden Star's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on the evaluation the Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2005 disclosure controls and procedures were not effective, because of the material weaknesses discussed in management's report on internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting:

Management of Golden Star is responsible for establishing and maintaining adequate internal control over financial reporting. Golden Star's internal control over financial reporting is a process designed under the supervision of Golden Star's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in

accordance with Canadian GAAP.

As of December 31, 2005, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This assessment identified two control deficiencies in the Company's internal control over financial reporting that constitute material weaknesses, as defined by the Public Company Accounting Oversight Board's Auditing Standard No. 2, that existed as of December 31, 2005. (i) As of December 31, 2005, management did not maintain effective controls over the presentation and documentation of certain derivatives. Specifically, the Company did not prepare and maintain sufficient documentation to support the designation and effectiveness of hedges of certain gold future contracts entered into by its subsidiary, EURO Ressources S.A., during 2005. This control deficiency resulted in the requirement for the restatement of the Company's consolidated financial statements for the quarters ended March 31, June 30 and September 30, 2005 and an audit adjustment to the 2005 annual consolidated financial statements. In addition, this control deficiency could result in a misstatement of derivative related accounts including fair value of derivatives and mark-to-market adjustments that would result in a material misstatement of the interim or annual consolidated financial statements that would not be prevented or detected. (ii) As of December 31, 2005, management did not maintain effective controls over the accounting for warrants denominated in Canadian dollars using accounting principles generally accepted in the United States ( US GAAP ). As a result, warrants denominated in Canadian dollars were treated as equity instruments rather than as derivative instruments. This control deficiency resulted in the requirement to restate the Company's US GAAP balance sheets as of December 31, 2005 and 2004 and statements of operations for each of the three years in the period ended December 31, 2005. In addition, this control deficiency could result in the misstatement of warrants that would result in a misstatement of the interim or annual consolidated financial statements that would not be prevented or detected.

Because of the material weakness at year-end, management has concluded that the Company's internal control over financial reporting was ineffective as of December 31, 2005. Our assessment excluded St. Jude Resources Ltd. because it was acquired by the Company in a purchase business combination on December 21, 2005. St. Jude Resources assets represent 28% of our consolidated assets as of December 31, 2005.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report appearing on pages 4, 5 and 6 of the consolidated financial statements, which expresses an unqualified opinion on management's assessment and, due to the material weakness described above, an adverse opinion with respect to the effectiveness of the Company's internal control over financial reporting as of December 31, 2005.

#### Management's Report on Consolidated Financial Statements

Management has concluded that the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005 in accordance with Canadian generally accepted accounting principles. The consolidated financial statements have been audited by PricewaterhouseCoopers LLP as stated in their report which expressed an unqualified opinion thereon.

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ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(h) The following documents are filed as part of this Report:

(a) Financial Statements

Management's Report

Auditors' Report

Consolidated Balance Sheets as of December 31, 2005 and 2004

Consolidated Statements of Operations for the years ended December 31, 2005, 2004 and 2003

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2005, 2004 and 2003

Consolidated Statements of Cash Flows for the years ended December 31, 2005, 2004 and 2003

Notes to the Consolidated Financial Statements

(b) Financial Statement Schedules

Financial Statement schedules have been omitted since they are either not required, are not applicable, or the required information is shown in the financial statements or related notes.

(c) Exhibits

3(i) Incorporating Documents of the Company, including: Articles of Arrangement dated May 14, 1992, with Plan of Arrangement attached, with Certificate of Amendment with respect thereto dated May 15, 1992; Certificate of Amendment dated May 15, 1992, with Articles of Amendment; Certificate of Amendment dated March 26, 1993, with Articles of Amendment; Articles of Arrangement dated March 7, 1995, with Plan of Arrangement attached, with Certificate of Amendment with respect thereto dated March 14, 1995; Certificate of Amendment dated July 29, 1996, with Articles of Amendment; and Certificate of Amendment dated July 10, 2002, with Articles of Amendment (all incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on January 23, 2003); Articles of Amendment dated May 6, 2005

3(ii) Bylaws of the Company, including: Bylaw Number One, amended and restated as of April 3, 2002 (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-3 (Reg. No. 333-102225) filed on December 27, 2002); Bylaw Number Two, effective May 15, 1992 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on January 23, 2003); and Bylaw Number Three, effective May 15, 1992 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on January 23, 2003)

4.1 Form of Specimen Certificate for Common Shares (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3/A (Reg. No. 333-91666) filed on July 15, 2002)

4.2 Amended and Restated Shareholders' Rights Plan dated as of May 20, 2004 between the Company and CIBC Mellon Trust Company, as rights agent (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed June 3, 2004)

4.9 Warrant Indenture, dated as of February 14, 2003, between the Company and CIBC Mellon Trust Company, including the Form of Warrant (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed on

February 14, 2003)

- 4.11 Securities Purchase Agreement dated April 15, 2005 between the Company and Amaranth LLC (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on April 19, 2005)

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- 4.12 Form of Senior Convertible Note dated April 15, 2005 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on April 19, 2005)
- 4.13 Registration Rights Agreement dated April 15, 2005 between the Company and Amaranth LLC (incorporated by reference to Exhibit 4.3 to the Company's Form 8-K filed on April 19, 2005)
- 4.14 Form of Warrant issued to warrant holders of St. Jude Resources Ltd. (previously filed)
- 4.15 Form of Option issued to option holders of St. Jude Resources Ltd. (previously filed)
- 10.1 Summary of Executive Management Performance Bonus Plan (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on January 23, 2003)
- 10.2 Second Amended and Restated 1997 Stock Option Plan, effective as of April 8, 2004 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.3 Form of Indemnification Agreement between the Company and its officers and directors (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on January 23, 2003)
- 10.4 Employees' Stock Bonus Plan amended and restated to April 6, 2000 (incorporated by reference to Exhibit 10(j) to the Company's Form 10-K for the year ended December 31, 2000)
- 10.5 Guyanor Ressources S.A. Stock Option Plan amended and restated as of June 15, 1999 (English translation) (incorporated by reference to Exhibit 10.35(a) to the Company's Form 10-K for the year ended December 31, 1999)
- 10.6 Amended and Restated Employment Agreement with Mr. Peter Bradford dated April 30, 2004 (incorporation by reference to Exhibit 10.7 to the Company's Form 10-K for the year ended December 31, 2004); Letter Agreement amending Mr. Bradford's Amended and Restated Employment Agreement dated February 3, 2005 (incorporated by reference to the Company's Form 10-K for the year ended December 31, 2004)
- 10.7 Amended and Restated Employment Agreement with Mr. Allan J. Marter dated April 30, 2004 (incorporation by reference to Exhibit 10.8 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.8 Amended and Restated Employment Agreement with Dr. Douglas Jones dated April 30, 2004 (incorporation by reference to Exhibit 10.9 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.9 Amended and Restated Employment Agreement with Mr. Bruce Higson-Smith dated April 30, 2004 (incorporation by reference to Exhibit 10.10 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.10 Amended and Restated Employment Agreement with Mr. Richard Q. Gray dated April 30, 2004 (incorporation by reference to Exhibit 10.11 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.11 Agreements between the Company and its outside directors granting them options to purchase Guyanor Class B common shares, (1) dated December 8, 1995, and December 10, 1996 (incorporated by reference as Exhibit 10.39 to the Company's Form 10-K for the year ended December 31, 1996), (2) dated December 9, 1997 (incorporated by reference to Exhibit 10.39(a) to the Company's Form 10-K for the year ended December 31, 1997), (3) dated December 8, 1998 (incorporated by reference to Exhibit 10.39(b) to the

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Company's Form 10-K for the year ended December 31, 1998), (4) dated June 15, 1999 (incorporated by reference to Exhibit 10.39(c) to the Company's Form 10-K for the year ended December 31, 1999), and (5) dated August 16, 2001 (incorporated by reference to Exhibit 10.11 to the Company's Form 10-K for the year ended December 31, 2002)

- 10.12 Agreement, dated November 16, 2001, between Bogoso Gold Limited and Prestea Gold Resources Limited for the purchase of Prestea mining lease rights and option payments (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on March 6, 2002)
- 10.13 Guiana Shield Transaction Agreement with Cambior Inc. dated October 25, 2001 for the sale and swap of Golden Star's interest in Gross Rosebel and other properties (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed March 6, 2002)
- 10.14 Mining lease, dated August 16, 1988, between the Government of the Republic of Ghana and Canadian Bogoso Resources Limited, relating to the Bogoso property (previously filed)



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- 10.15 Mining lease, dated August 21, 1987, between the Government of the Republic of Ghana and Canadian Bogosu Resources Limited, relating to the Bogoso property (previously filed)
- 10.16 Mining lease, dated June 29, 2001, between the Government of the Republic of Ghana and Bogoso Gold Limited, relating to the Prestea property (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 6, 2002)
- 10.17 Mining lease, dated September 17, 1992 between the Government of the Republic of Ghana and Satellite Goldfields Limited, with letter dated April 25, 2002 from the Ministry of Mines consenting to assignment to Wexford Goldfields Ltd., relating to the Wassa property (incorporation by reference to Exhibit 10.26 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.18 Mining lease dated June 29, 2001, between the Government of the Republic of Ghana and Prestea Gold Resources, relating to the Prestea underground property (incorporation by reference to Exhibit 10.27 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.19 Joint Operating Agreement, dated January 31, 2002, between Bogoso Gold Limited and Prestea Gold Resources Limited (incorporated by reference to Exhibit 10.25 to the Company's Form 10-K for the year ended December 31, 2002)
- 10.20 Memorandum of Agreement, dated March 14, 2002, among Prestea Gold Resources, Bogoso Gold Limited and others (incorporated by reference to Exhibit 10.26 to the Company's Form 10-K for the year ended December 31, 2002)
- 10.21 Letter agreement between the Company and Guyanor Ressources S.A. dated September 30, 2004 relating to sale of Gross Rosebel Participation Right (incorporated by reference to Exhibit 10.30 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.22 Arrangement Agreement dated November 11, 2005 between the Company and St. Jude Resources Ltd. (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on November 17, 2005)
- 10.23 Executive Employment Agreement, dated July 1, 2002, between St. Jude Resources Ltd. and Bluestar Management Inc. (previously filed)
- 10.24 License Agreement, dated June 28, 2004 between Biomin Technologies S.A. and Bogoso Gold Limited (previously filed)
- 14 Code of Ethics for Directors, Senior Executive and Financial Officers and Other Executive Officers (previously filed)
- 21 Subsidiaries of the Company (previously filed)
- 23.1 Consent of PricewaterhouseCoopers LLP
- 23.2 Consent of Colin Jones (previously filed)
- 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

- 32.1 Certificate of Principal Executive Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
- 32.2 Certificate of Principal Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized.

GOLDEN STAR RESOURCES LTD.  
Registrant

By: /s/ Peter J. Bradford  
Peter J. Bradford  
President and Chief Executive  
Officer February 26, 2007

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**EXHIBITS**

- 3(i) Incorporating Documents of the Company, including: Articles of Arrangement dated May 14, 1992, with Plan of Arrangement attached, with Certificate of Amendment with respect thereto dated May 15, 1992; Certificate of Amendment dated May 15, 1992, with Articles of Amendment; Certificate of Amendment dated March 26, 1993, with Articles of Amendment; Articles of Arrangement dated March 7, 1995, with Plan of Arrangement attached, with Certificate of Amendment with respect thereto dated March 14, 1995; Certificate of Amendment dated July 29, 1996, with Articles of Amendment; and Certificate of Amendment dated July 10, 2002, with Articles of Amendment (all incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on January 23, 2003); Articles of Amendment dated May 6, 2005
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- 10.7 Amended and Restated Employment Agreement with Mr. Allan J. Marter dated April 30, 2004 (incorporation by reference to Exhibit 10.8 to the Company's Form 10-K for the year ended December 31, 2004)
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- 10.15 Mining lease, dated August 21, 1987, between the Government of the Republic of Ghana and Canadian Bogoso Resources Limited, relating to the Bogoso property (previously filed)
- 10.16 Mining lease, dated June 29, 2001, between the Government of the Republic of Ghana and Bogoso Gold Limited, relating to the Prestea property (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 6, 2002)
- 10.17 Mining lease, dated September 17, 1992 between the Government of the Republic of Ghana and Satellite Goldfields Limited, with letter dated April 25, 2002 from the Ministry of Mines consenting to assignment to Wexford Goldfields Ltd., relating to the Wassa property (incorporation by reference to Exhibit 10.26 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.18 Mining lease dated June 29, 2001, between the Government of the Republic of Ghana and Prestea Gold Resources, relating to the Prestea underground property (incorporation by reference to Exhibit 10.27 to the Company's Form 10-K for the year ended December 31, 2004)

- 10.19 Joint Operating Agreement, dated January 31, 2002, between Bogoso Gold Limited and Prestea Gold Resources Limited (incorporated by reference to Exhibit 10.25 to the Company's Form 10-K for the year ended December 31, 2002)
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- 10.20 Memorandum of Agreement, dated March 14, 2002, among Prestea Gold Resources, Bogoso Gold Limited and others (incorporated by reference to Exhibit 10.26 to the Company's Form 10-K for the year ended December 31, 2002)
- 10.21 Letter agreement between the Company and Guyanor Ressources S.A. dated September 30, 2004 relating to sale of Gross Rosebel Participation Right (incorporated by reference to Exhibit 10.30 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.22 Arrangement Agreement dated November 11, 2005 between the Company and St. Jude Resources Ltd. (incorporated by reference to Exhibit 2.1 to the Company's Form 8-K filed on November 17, 2005)
- 10.23 Executive Employment Agreement, dated July 1, 2002, between St. Jude Resources Ltd. and Bluestar Management Inc. (previously filed)
- 10.24 License Agreement, dated June 28, 2004 between Biomin Technologies S.A. and Bogoso Gold Limited (previously filed)
- 14 Code of Ethics for Directors, Senior Executive and Financial Officers and Other Executive Officers (previously filed)
- 21 Subsidiaries of the Company (previously filed)
- 23.1 Consent of PricewaterhouseCoopers LLP
- 23.2 Consent of Colin Jones (previously filed)
- 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certificate of Principal Executive Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
- 32.2 Certificate of Principal Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)