

GOLDEN STAR RESOURCES LTD
Form 10-Q
May 06, 2010

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-12284

GOLDEN STAR RESOURCES LTD.

(Exact Name of Registrant as Specified in Its Charter)

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(State or other Jurisdiction of Incorporation or Organization)	(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	

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 report) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer: <input type="checkbox"/>	Accelerated filer: <input checked="" type="checkbox"/>
Non-accelerated filer: <input type="checkbox"/>	Smaller reporting company: <input type="checkbox"/>

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

Number of Common Shares outstanding as at May 4, 2010: 257,838,710

REPORTING CURRENCY, FINANCIAL AND OTHER INFORMATION

All amounts in this report are expressed in United States (US) dollars, unless otherwise indicated. Canadian currency is denoted as Cdn\$.

Financial information is presented in accordance with accounting principles generally accepted in Canada (Cdn GAAP or Canadian GAAP). Differences between accounting principles generally accepted in the US (US GAAP) and Canadian GAAP, as applicable to Golden Star Resources Ltd., are explained in Note 26 to the Consolidated Financial Statements.

References to Golden Star, the Company, we, our, and us mean Golden Star Resources Ltd., its predecessors and consolidated subsidiaries, or any one or more of them, as the context requires.

NON-GAAP FINANCIAL MEASURES

In this Form 10-Q, we use the terms total cash cost per ounce and cash operating cost per ounce which are considered Non-GAAP financial measures as defined in SEC Regulation S-K Item 10 and applicable Canadian securities law and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Cdn GAAP or US GAAP. See Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations for a definition of these measures as used in this Form 10-Q.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Form 10-Q contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, and within the meaning of applicable Canadian securities law, with respect to our financial condition, results of operations, business prospects, plans, objectives, goals, strategies, future events, capital expenditures, and exploration and development efforts. Words such as anticipates, expects, intends, forecasts, plans, believes, seeks, estimates, may, similar expressions (including negative and grammatical variations) tend to identify forward-looking statements.

Although we believe that our plans, intentions and expectations reflected in these forward-looking statements are reasonable, we cannot be certain that these plans, intentions or expectations will be achieved. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained in this Form 10-Q.

These statements include comments regarding: anticipated attainment of gold production rates; production and cash operating cost estimates for 2010; production capacity, production rates, and production costs; cash operating costs generally; gold sales; mining operations and recovery rates; ore delivery; ore processing; permitting; geological, environmental, community and engineering studies; receipt of environmental management plan approvals by the EPA; exploration efforts and activities; ore grades; our anticipated investing and exploration spending during 2010; identification of acquisition and growth opportunities; power costs, the ability to meet total power requirements; retention of earnings from our operations; expected operational cash flow during the remainder of 2010; our objectives for 2010; our plans with respect to financial reporting changes; the progress of pending litigation; expected debt payments during 2010; usage of the funds borrowed under our credit facility; and sources of and adequacy of liquidity to meet capital and other needs in 2010 and beyond.

The following, in addition to the factors described under Risk Factors in Item 1A of our December 31, 2009 Form 10-K, are among the factors that could cause actual results to differ materially from the forward-looking statements:

significant increases or decreases in gold prices;

losses or gains in Mineral Reserves from changes in operating costs and/or gold prices;

failure of exploration efforts to expand Mineral Reserves around our existing mines;

unexpected changes in business and economic conditions;

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inaccuracies in Mineral Reserves and non-reserves estimates;

changes in interest and currency exchange rates;

timing and amount of gold production;

unanticipated variations in ore grade, tonnes mined and crushed or milled;

unanticipated recovery or production problems;

effects of illegal mining on our properties;

changes in mining and processing costs, including changes to costs of raw materials, power, supplies, services and personnel;

changes in metallurgy and processing;

availability of skilled personnel, contractors, materials, equipment, supplies, power and water;

changes in project parameters or mine plans;

costs and timing of development of new Mineral Reserves;

weather, including drought or excessive rainfall in West Africa;

changes in regulatory frameworks based upon perceived climate trends;

results of current and future exploration activities;

results of pending and future feasibility studies;

acquisitions and joint venture relationships;

political or economic instability, either globally or in the countries in which we operate;

changes in regulations or in the interpretation of regulations by the regulatory authorities affecting our operations, particularly in Ghana, where our principal producing properties are located;

local and community impacts and issues;

availability and cost of replacing Mineral Reserves;

timing of receipt and maintenance of government approvals and permits;

unanticipated transportation costs and shipping incidents and losses;

accidents, labor disputes and other operational hazards;

environmental costs and risks;

changes in tax laws;

unanticipated title issues;

competitive factors, including competition for property acquisitions;

possible litigation; and

availability of capital at reasonable rates or at all.

These factors are not intended to represent a complete list of the general or specific factors that could affect us. We undertake no obligation to update forward-looking statements except as may be required by applicable laws.

ITEM 1. FINANCIAL STATEMENTS

GOLDEN STAR RESOURCES LTD.

CONSOLIDATED BALANCE SHEETS

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

(unaudited)

	As of March 31 2010	As of December 31 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	\$ 164,852	\$ 154,088
Accounts receivable (Note 4)	8,628	7,021
Inventories (Note 6)	55,504	52,198
Deposits (Note 7)	4,043	4,774
Prepays and other (Notes 4 & 13)	3,461	1,415
Total Current Assets	236,488	219,496
RESTRICTED CASH (Notes 4 and 17)	3,804	3,804
DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 10)	12,025	12,949
PROPERTY, PLANT AND EQUIPMENT (Note 11)	236,936	231,855
INTANGIBLE ASSETS (Note 9)	8,953	9,480
MINING PROPERTIES (Note 12)	265,563	276,114
OTHER ASSETS (Notes 4 and 8)	1,242	181
Total Assets	\$ 765,011	\$ 753,879
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 4)	\$ 22,363	\$ 28,234
Accrued liabilities (Note 4)	34,972	34,178
Asset retirement obligations (Note 14)	7,927	1,938
Current tax liability (Note 16)	589	616
Current debt (Notes 4, 5 and 15)	11,935	9,970
Total Current Liabilities	77,786	74,936
LONG TERM DEBT (Notes 4, 5, and 15)	121,399	114,595
ASSET RETIREMENT OBLIGATIONS (Note 14)	23,091	30,031
FUTURE TAX LIABILITY (Note 16)	15,951	13,997
Total Liabilities	238,227	233,559
MINORITY INTEREST		
COMMITMENTS AND CONTINGENCIES (Note 17)		
SHAREHOLDERS EQUITY		
SHARE CAPITAL		
First preferred shares, without par value, unlimited shares authorized.		
No shares issued and outstanding		
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 257,587,061		
at March 31, 2010; 257,362,561 at December 31, 2009 (Note 19)	690,661	690,423
CONTRIBUTED SURPLUS	17,137	15,759
EQUITY COMPONENT OF CONVERTIBLE DEBENTURES	34,542	34,542
ACCUMULATED OTHER COMPREHENSIVE INCOME	957	24
DEFICIT	(216,513)	(220,428)

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Total Shareholders' Equity	526,784	520,320
Total Liabilities and Shareholders' Equity	\$ 765,011	\$ 753,879

The accompanying notes are an integral part of the consolidated financial statements

GOLDEN STAR RESOURCES LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Stated in thousands of US dollars except shares and per share data)

(unaudited)

	For the three months ended March 31	
	2010	2009
REVENUE		
Gold revenues	\$ 103,264	\$ 87,645
Cost of sales (Note 20)	87,136	84,517
Mine operating margin	16,128	3,128
OTHER EXPENSES, (GAINS) AND LOSSES		
Exploration expense	227	110
General and administrative expense	4,969	3,414
Abandonment and impairment		290
Derivative mark-to-market gains (Note 13)	(1,131)	(312)
Property holding costs	1,101	1,342
Foreign exchange (gain)/loss	367	(1,671)
Interest expense	4,129	3,710
Interest and other income	(197)	(40)
Loss on sale of assets	276	179
Income/(loss) before minority interest	6,387	(3,894)
Minority interest		
Net income/(loss) before income tax	6,387	(3,894)
Income tax (expense)/benefit (Note 16)	(2,472)	2,748
Net income/(loss)	\$ 3,915	\$ (1,146)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Unrealized gains on investments	932	27
Comprehensive income/(loss)	\$ 4,847	\$ (1,119)
Deficit, beginning of period	(220,428)	(236,947)
Deficit, end of period	(216,513)	(238,093)
Net income/(loss) per common share - basic (Note 22)	\$ 0.015	\$ (0.005)
Net income/(loss) per common share - diluted (Note 22)	\$ 0.015	\$ (0.005)
Weighted average shares outstanding (millions)	257.4	236.0

The accompanying notes are an integral part of the consolidated financial statements

GOLDEN STAR RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in thousands of US dollars)

(unaudited)

	For the three months ended March 31	
	2010	2009
OPERATING ACTIVITIES:		
Net income/(loss)	\$ 3,915	\$ (1,146)
Reconciliation of net income/(loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	25,885	24,321
Amortization of loan acquisition cost	132	166
Abandonment and impairment		290
Loss on sale of assets	276	179
Non cash employee compensation	1,417	610
Future income tax expense/(benefit)	1,954	(2,748)
Reclamation expenditures	(1,551)	(241)
Fair value of derivatives	(1,131)	(3,800)
Accretion of convertible debt	1,726	1,615
Accretion of asset retirement obligations	600	538
Minority interests		
	33,223	19,784
Changes in non-cash working capital:		
Accounts receivable	(724)	(5,248)
Inventories	(3,920)	1,510
Deposits	84	(951)
Accounts payable and accrued liabilities	(2,119)	(3,031)
Other	(1,083)	(971)
Net cash provided by operating activities	25,461	11,093
INVESTING ACTIVITIES:		
Expenditures on deferred exploration and development	(1,076)	(402)
Expenditures on mining properties	(4,873)	(10,040)
Expenditures on property, plant and equipment	(11,829)	(868)
Proceeds from the sale of assets		1
Change in accounts payable and deposits on mine equipment and material	(578)	474
Other	1,467	(1,416)
Net cash used in investing activities	(16,889)	(12,251)
FINANCING ACTIVITIES:		
Principal payments on debt	(8,213)	(4,409)
Proceeds from debt agreements and equipment financing	10,000	35
Other	405	82
Net cash provided by/(used in) financing activities	2,192	(4,292)
Increase/(decrease) in cash and cash equivalents	10,764	(5,450)
Cash and cash equivalents, beginning of period	154,088	33,558

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Cash and cash equivalents end of period	\$ 164,852	\$ 28,108
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(See Note 25 for supplemental cash flow information)

The accompanying notes are an integral part of the consolidated financial statements

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. Nature of Operations

Through our subsidiary Golden Star (Bogoso/Prestea) Ltd (GSBPL) we own and operate the Bogoso/Prestea gold mining and processing operation (Bogoso/Prestea) located near the town of Bogoso, Ghana. Through our subsidiary Golden Star (Wassa) Ltd (GSWL) we also own and operate the Wassa gold mine (Wassa), located approximately 35 kilometers east of Bogoso/Prestea. Wassa mines ore from pits near the Wassa plant and also processes ore mined at our Hwini-Butre and Benso (HBB) mines located south of Wassa. We hold interests in several gold exploration projects in Ghana and elsewhere in West Africa including Sierra Leone, Burkina Faso, Niger and Côte d'Ivoire, and hold and manage exploration properties in Brazil in South America.

2. Basis of Presentation

These interim consolidated financial statements of Golden Star Resources Ltd and its subsidiaries (collectively, Golden Star, GSR, the Company, we, our, or us) are unaudited. They include the accounts of the Company and its majority owned subsidiaries, whether owned directly or indirectly. All inter-company balances and transactions have been eliminated. Subsidiaries are defined as entities in which the company holds a controlling interest, is the general partner or where it is subject to the majority of expected losses or gains. They are prepared and reported in United States (US) dollars and in accordance with generally accepted accounting principles in Canada (Cdn GAAP) which differ in some respects from GAAP in the United States (US GAAP). Differences in GAAP are quantified and explained in Note 26. These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of all liabilities in the normal course of business.

The results reported in these interim statements are not necessarily indicative of the results that may be reported for the full year. These interim statements should be read in conjunction with the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009 as filed with the US Securities and Exchange Commission.

Our fiscal year-end is December 31. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period.

3. Recent Accounting Pronouncements

Changes in accounting policies during 2010

In January 2009, the CICA issued Handbook Section 1582, Business Combinations (Section 1582), Section 1582 requires that all assets and liabilities of an acquired business will be recorded at fair value at acquisition. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. Section 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011. Since we plan to adopt US GAAP on January 1, 2011, this new Canadian standard is expected to have no impact on our financial statements.

In January 2009, the CICA issued Handbook Section 1601, Consolidations (Section 1601), and section 1602, Non-controlling Interests (Section 1602). Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Since we currently plan to adopt US GAAP on January 1, 2011, this new Canadian standard is expected to have no impact on our financial statements.

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

International Financial Reporting Standards

Golden Star has, since its inception, reported to security regulators in both Canada and the US using Canadian GAAP financial statements with a reconciliation to US GAAP. However, a change in SEC position in late 2009 will require that after 2010, Canadian companies such as Golden Star, which do not qualify as private foreign issuers, must file their financial statements in the US using US GAAP. We plan to continue using Canadian GAAP for US and Canadian filings in 2010 and currently plan to adopt US GAAP on January 1, 2011 for all subsequent US and Canadian filings.

4. Financial Instruments*Financial Assets*

The carrying amounts and fair values of our financial assets are as follows:

Assets	Category	As of March 31, 2010		As of December 31, 2009	
		Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value
Cash and cash equivalents ¹	Loans and receivables	\$ 164,852	\$ 164,852	\$ 154,088	\$ 154,088
Deposits	Loans and receivables	4,043	4,043	4,774	4,774
Restricted cash ¹	Loans and receivables	3,804	3,804	3,804	3,804
Accounts receivable ¹	Loans and receivables	8,628	8,628	7,021	7,021
Derivative Instrument- Riverstone Warrants ¹	Held-for-trading	1,290	1,290	158	158
Available for sale investments ^{1,4}	Available-for-sale	1,242	1,242	181	181
Total financial assets		\$ 183,859	\$ 183,859	\$ 170,026	\$ 170,026

Financial Liabilities

The carrying amounts and fair values of financial liabilities are as follows:

Liabilities	Category	As of March 31, 2010		As of December 31, 2009	
		Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value
Accounts payable and accrued liabilities ¹	Other financial liabilities	\$ 57,335	\$ 57,335	\$ 62,412	\$ 62,412
Convertible senior unsecured debentures ^{2,3}	Other financial liabilities	111,929	102,918	104,617	101,024
Revolving credit facility ²	Other financial liabilities	10,000	7,714	5,053	2,543
Equipment financing loans ²	Other financial liabilities	17,925	17,933	21,028	20,998
Total financial liabilities		\$ 197,189	\$ 185,900	\$ 193,110	\$ 186,977

¹ Carrying amount is a reasonable approximation of fair value.

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- ² The fair values of the debt portion of the convertible senior unsecured debentures, the equipment financing loans, and the revolving credit facility are determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rates of comparable debt instruments. The carrying values of these liabilities are shown net of any capitalized loan fees.
- ³ The carrying value of the convertible senior unsecured debentures is being accreted to maturity value through charges to income over their term based on the effective yield method. Financing costs allocated to the issuance of debt are deferred, amortized over the term of the related debt using the effective yield method and presented as a reduction of the related debt.
- ⁴ The fair value represents quoted market prices in an active market.

During 2009, CICA Handbook Section 3862, Financial Instruments Disclosures (Section 3862), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 Inputs that are not based on observable market data.

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at March 31, 2010

	Financial assets at fair value as at March 31, 2010			Total
	Level 1	Level 2	Level 3	
Available for sale investments	\$ 1,242		\$	\$ 1,242
Warrants		1,290		1,290
	\$ 1,242	\$ 1,290	\$	\$ 2,531

	Financial assets at fair value as at March 31, 2009			Total
	Level 1	Level 2	Level 3	
Available for sale investments	\$ 94		\$	\$ 94
Warrants		32		32
Gold Forward Contracts	2,097			2,097
	\$ 2,191	\$ 32	\$	\$ 2,223

No financial liabilities are measured at fair value on the balance sheet as at March 31, 2010.

5. Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. We manage the liquidity risk inherent in these financial obligations by preparing quarterly forecasts and annual long-term budgets which forecast cash needs and expected cash availability to meet future obligations. Typically these obligations are met by cash flows from operations. Scheduling of spending plans and acquisitions of financial resources may also be employed, as needed and as available, to meeting the cash demands of our obligations.

Our ability to repay or refinance our future obligations depends on a number of factors, some of which may be beyond our control. Factors that influence our ability to meet these obligations include general global economic conditions, credit and capital market conditions, and the price of gold.

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Scheduled payments on outstanding debt as of March 31, 2010:

Liabilities	Nine months					Maturity
	2010	2011	2012	2013	2014	
Equipment financing loans						
principal	\$ 6,758	\$ 5,603	\$ 3,592	\$ 1,662	\$	2010 to 2013
interest	937	703	279	64		
Capital leases						
principal	1,944	2,601	224			Feb 28, 2012
interest	274	151	2			
Revolving credit facility						
principal			10,000			Sep 30, 2012
interest	404	532	399			
Convertible debentures						
principal			125,000			Nov 30, 2012
interest	3,767	5,000	4,577			
Total	\$ 14,084	\$ 14,590	\$ 144,073	\$ 1,726	\$	

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Our credit risk is primarily associated with liquid financial assets. We limit exposure to credit risk on liquid financial assets through maintaining our cash, cash equivalents, restricted cash and deposits with high-credit quality financial institutions. During the first quarter of 2010, all of our excess cash was invested in funds that hold only US treasury bills.

Market Risk

The significant market risk exposures include foreign exchange risk, interest rate risk and commodity price risk. These are discussed further below.

Currency Risk

Currency risk is risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. While our major operating units transact most of their business in US dollars, many purchases of labor, operating supplies and capital assets are denominated in Euros, British pounds, Australian dollars, South African Rand and Ghanaian Cedis. Since gold is sold throughout the world based principally on the US dollar price, but portions of our costs are in non-dollar terms, currency exchange fluctuations may affect the costs and margins at our operations. The appreciation of non US dollar currencies against the US dollar increases production costs and the cost of capital assets in US dollar terms at mines located outside the US, which can adversely impact our net income and cash flows. Conversely, the depreciation of non US dollar currencies usually decreases production costs and capital asset purchases in US dollar terms.

The value of cash and cash equivalent investments denominated in foreign currencies also fluctuates with changes in currency exchange rates. Appreciation of non US dollar currencies results in a foreign currency gain on such investments and a decrease in non US dollar currencies results in a loss.

In the past we have entered into forward purchase contracts for South African Rand, Euros and other currencies to hedge expected purchase prices of capital assets. We maintain certain operating cash accounts in non US dollar currencies. As of March 31, 2010 and December 31, 2009

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we had no currency related derivatives and \$2.9 million and \$4.3 million respectively of cash in foreign currencies bank accounts.

Interest rate risk Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. From time to time we invest excess cash in high credit quality, short term instruments. The rates received on such investments may fluctuate with changes in economic conditions. As a result, our investment income may fall short of expectations during periods of lower interest rates.

With respect to financial liabilities, the senior convertible unsecured debentures and the outstanding loans under the equipment financing facility are not subject to interest rate risk since they bear interest at a fixed rate and are not subject to fluctuations in interest rate. Our revolving credit facility has a variable interest rate of the higher of the applicable lender's cost of funds (capped at 1.25% per annum above LIBOR) and LIBOR plus a margin of 5%. As of March 31, 2010 we had \$10 million outstanding on this facility. We have not entered into any agreements to hedge against unfavorable changes in interest rates, but may in the future actively manage our exposure to interest rate risk. A 1% change in interest rates would not have a material impact on our net income or comprehensive income.

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Commodity price risk Gold is our primary product and, as a result, changes in the price of gold could significantly affect our results of operations and cash flows. To reduce gold price volatility we have at various times entered into gold price derivatives. At March 31, 2010 and December 31, 2009, we did not hold any gold price derivatives and thus, there were no financial instruments subject to gold price risk.

6. Inventories

	As of March 31 2010	As of December 31 2009
Stockpiled ore	\$ 3,990	\$ 4,335
In process	9,163	8,501
Materials and supplies	42,351	39,362
Total	\$ 55,504	\$ 52,198

There were approximately 24,000 and 26,000 recoverable ounces of gold in the ore stockpile inventories shown above at March 31, 2010 and December 31, 2009, respectively. Stockpile inventories are short-term surge piles expected to be processed within the next 12 months.

7. Deposits

Represents cash advances and payments for equipment and materials purchased by our mines which are not yet delivered on-site.

8. Available For Sale Investments

	As of March 31, 2010 Riverstone		As of December 31, 2009 Riverstone	
	Fair Value	Shares	Fair Value	Shares
Balance beginning of period	\$ 181	700,000	\$ 29	300,000
Acquisitions	129	600,000	40	400,000
Dispositions				
Realized gain on sale				
OCI - unrealized gain / (loss)	932		112	
Balance end of period	\$ 1,242	1,300,000	\$ 181	700,000

9. Intangible Assets

In 2008, we, along with three other gold mining companies operating in Ghana, constructed a nominal 80 megawatt power plant in Ghana and deeded ownership of the plant to the Ghana national power authority. Our intangible asset represents our right to receive from the Ghana national power grid, an amount of electric power equal to one fourth of this plant's power output over and above any rationing limit that might be imposed in the future by the Ghana national power authority. The intangible asset was initially recorded at \$12.4 million and is being amortized over five years from the transfer date commencing in the second quarter of 2009.

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10. Deferred Exploration and Development Costs

Consolidated capitalized expenditures on our exploration projects for the three months ended March 31, 2010 were as follows:

	Deferred Exploration & Development Costs as of December 31, 2009	Capitalized Exploration Expenditures	Sales	Deferred Exploration & Development Costs as of March 31, 2010
AFRICAN PROJECTS				
Ghana	\$ 5,935	\$ 1,076	\$	\$ 7,011
Sonfon - Sierra Leone	2,845			2,845
Other Africa	1,018			1,018
SOUTH AMERICAN PROJECTS				
Saramacca - Suriname ¹	1,151			1,151
Paul Isnard - French Guiana ²	2,000		(2,000)	
Total	\$ 12,949	\$ 1,076	\$ (2,000)	\$ 12,025

¹ In November 2009, we entered into an agreement to sell our interest in the Saramacca joint venture to Newmont for approximately \$8.0 million. Proceeds of the sale have been put in escrow pending the receipt of required governmental approvals and certain additional customary conditions.

² During the first quarter of 2010 all of our rights, title and interest in the Bon Espoir, Iracoubo Sud and Paul Isnard properties in French Guiana were sold for approximately \$2.1million.

11. Property, Plant and Equipment

	As of March 31, 2010			As of December 31, 2009		
	Property, Plant and Equipment at Cost	Accumulated Depreciation	Property, Plant and Equipment Net Book Value	Property, Plant and Equipment at Cost	Accumulated Depreciation	Property, Plant and Equipment Net Book Value
Bogoso/Prestea	\$ 77,969	\$ (38,537)	\$ 39,432	\$ 64,527	\$ (36,434)	\$ 28,093
Bogoso sulfide plant	189,253	(40,204)	149,049	189,426	(35,797)	153,629
Wassa/HBB	84,599	(36,574)	48,025	83,468	(33,792)	49,676
Corporate & other	1,118	(688)	430	1,118	(661)	457
Total	\$ 352,939	\$ (116,003)	\$ 236,936	\$ 338,539	\$ (106,684)	\$ 231,855

12. Mining Properties

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	As of March 31, 2010			As of December 31, 2009		
	Mining Properties At Cost	Accumulated Amortization	Mining Properties, Net Book Value	Mining Properties At Cost	Accumulated Amortization	Mining Properties, Net Book Value
Bogoso/Prestea	\$ 64,084	\$ (36,354)	\$ 27,730	\$ 61,421	\$ (35,894)	\$ 25,527
Bogoso Sulfide	55,629	(17,314)	38,315	57,314	(14,959)	42,355
Mampon	15,914		15,914	15,914		15,914
Wassa / HBB	284,258	(116,421)	167,837	281,662	(103,811)	177,851
Other	19,144	(3,377)	15,767	17,844	(3,377)	14,467
Total	\$ 439,029	\$ (173,466)	\$ 265,563	\$ 434,155	\$ (158,041)	\$ 276,114

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

13. Derivatives

The derivative mark-to-market gains recorded in the Statement of Operations are comprised of the following amounts:

	For the three months ended March 31	
	2010	2009
Riverstone Resources, Inc. warrants	\$ (1,131)	\$ (13)
Gold forward price contracts		(299)
Derivative gain	\$ (1,131)	\$ (312)

	For the three months ended March 31	
	2010	2009
Realized (gain)/loss	\$	\$ 3,488
Unrealized (gain)/loss	(1,131)	(3,800)
Derivative gain	\$ (1,131)	\$ (312)

Riverstone Resources Inc. Warrants

In the first quarter of 2008, we received 2 million warrants from Riverstone Resources Inc. (Riverstone) as partial payment for the right to earn an ownership interest in our exploration projects in Burkina Faso. These warrants are exercisable through January of 2012 at prices between Cdn \$0.40 and Cdn \$0.45, depending on the timing of exercise.

Gold Price Derivatives

We held no gold price hedging instruments during the first quarter of 2010. In 2009, we entered into a series of short-term (less than 90 days) gold pricing hedging contracts and recognized a \$0.3 million loss for the first quarter of 2009.

14. Asset Retirement Obligations

At the end of each period, Asset Retirement Obligations (ARO) are equal to the present value of all estimated future costs required to remediate any environmental disturbances that exist as of the end of the period, using discount rates applicable at the time of initial recognition of each component of the liability. Included in this liability are the costs of closure, reclamation, demolition and stabilization of the mines, processing plants, infrastructure, tailings ponds, waste dumps and ongoing post-closure environmental monitoring costs. While the majority of these costs will be incurred near the end of the mines' lives, it is expected that certain on-going reclamation costs will be incurred prior to mine closure. These costs are recorded against the asset retirement obligation liability as incurred. At December 31, 2009, the total, undiscounted amount of the estimated future cash needs was estimated to be \$52.3 million.

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

The changes in the carrying amount of the ARO during the first quarters of 2010 and 2009 are as follows:

	For the three months ended March 31	
	2010	2009
Beginning balance	\$ 31,969	\$ 31,656
Accretion expense	600	538
Additions and change in estimates		
Cost of reclamation work performed	(1,551)	(242)
Balance at March 31	\$ 31,018	\$ 31,952
Current portion	\$ 7,927	\$ 1,699
Long term portion	\$ 23,091	\$ 30,253

15. Debt

	As of March 31, 2010	As of March 31, 2009
Current debt:		
Equipment financing credit facility	9,080	9,691
Capital Lease	2,855	279
Total current debt	\$ 11,935	\$ 9,970
Long term debt:		
Revolving credit facility	7,714	2,543
Equipment financing credit facility	8,853	10,979
Capital Lease	1,914	49
Convertible debentures	102,918	101,024
Total long term debt	\$ 121,399	\$ 114,595

Equipment Financing Credit Facility

GSBPL and GSWL maintain a \$35 million equipment financing facility with Caterpillar Financial Services Corporation, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit for new and used mining equipment and is secured by the mobile equipment. 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 or London Interbank Offered Rate (LIBOR) plus 2.38%. At March 31, 2010, approximately \$17 million was available to draw down. The average interest rate on the outstanding loans was approximately 7.8% at March 31, 2010. Each outstanding equipment loan is secured by the title of the specific equipment purchased with the loan until the loan has been repaid in full.

Capital Lease

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In February 2010, Bogoso accepted delivery of a nominal 20 megawatt power plant upon successful commissioning of the power plant by its owner/operator (See note 17 for further discussion of the power plant.) Upon acceptance a \$4.9 million liability was recognized which is equal to the present value of future lease payments. The life of the lease is two years from the plant's February 2010 in-service date. We are required to pay the owner/operator a minimum of \$0.3 million per month on the lease, of which \$0.23 million will be allocated to principal and interest on the recognized liability and the remainder of the monthly payments will be charged as operating costs.

Convertible Debentures

Interest on the \$125 million aggregate principal amount of 4.0% Convertible Senior Unsecured Debentures due November 30, 2012 (the Debentures) is payable semi-annually in arrears on May 31 and November 30 of each year. The Debentures are subject to certain limitations, convertible into common shares at a conversion rate of 200 shares per \$1,000 principal amount of Debentures (equal to a conversion price of \$5.00 per share) subject to adjustment under certain circumstances. The Debentures are not redeemable at our option.

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

On maturity, we may, at our option, satisfy our repayment obligation by paying the principal amount of the Debentures in cash or, subject to certain limitations, by issuing that number of our common shares obtained by dividing the principal amount of the Debentures outstanding by 95% of the weighted average trading price of our common shares on the NYSE Amex stock exchange for the 20 consecutive trading days ending five trading days preceding the maturity date (the "Market Price"). Upon the occurrence of certain change in control transactions, the holders of the debentures may require us to purchase the Debentures for cash at a price equal to 101% of the principal amount plus accrued and unpaid interest. If 10% or more of the fair market value of any such change in control consideration consists of cash, the holders may convert their Debentures and receive a number of additional common shares, which number is determined as set forth in the Indenture.

The Debentures are direct senior unsecured indebtedness of Golden Star Resources Ltd., ranking equally and ratably with all our other senior unsecured indebtedness, and senior to all our subordinated indebtedness. None of our subsidiaries have guaranteed the Debentures, and the Debentures do not limit the amount of debt that we or our subsidiaries may incur.

The Debentures were accounted for in accordance with EIC 164, "Convertible and other Debt Instruments with Embedded Derivatives". Under this statement, the fair value of the Conversion feature is recorded as equity. The issuance date fair value of the Company's obligation to make principal and interest payments was estimated at \$89.1 million and was recorded as convertible senior unsecured debentures. The issuance date fair value of the holder's conversion option was estimated at \$35.9 million and was recorded as the equity component of convertible debentures. Fees totaling \$4.7 million relating to the issuance of these debentures were allocated pro-rata between deferred financing fees of \$3.4 million and equity of \$1.3 million. Periodic accretion of the liability portion of the loan has brought the March 31, 2010 balance to \$104.7 million, before loan fees.

Revolving Credit Facility

On May 1, 2009, we entered into a \$30.0 million revolving credit facility (the "Facility") pursuant to an agreement (the "Facility Agreement") between Standard Chartered Bank, Golden Star Resources and our subsidiaries which own the Bogoso/Prestea, Wassa and HBB properties. The term of the Facility Agreement extends through September 30, 2012. The amount available under the Facility will be reduced by \$3.0 million on December 31, 2010 and by an additional \$6.0 million on December 31, 2011. The Facility bears interest at the higher of LIBOR or the applicable lenders' cost of funds rate (which is capped at 1.25% per annum above LIBOR), plus a margin of 5% per annum. As of March 31, 2010 we had an outstanding balance of \$10.0 million at an interest rate of 5.25%. Covenants require that we meet certain financial ratios at the end of each quarter, including that in excess of 95% of our assets are retained within a group of subsidiaries whose common shares are pledged as collateral for amounts drawn under the revolver facility. We were in compliance with all covenants at March 31, 2010.

16. Income Taxes

The provision for income taxes includes the following components:

	For the three months ended March 31	
	2010	2009
Current benefit / (expense)		
Canada	\$	\$
Foreign	(518)	
Future benefit / (expense)		
Canada		
Foreign	(1,954)	2,748
Total benefit / (expense)	\$ (2,472)	\$ 2,748

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The future tax (expense)/benefit is related to the change in the temporary difference between book and tax basis related to the Wassa, Hwini-Butre and Benso properties.

The current tax expense is related to the fact that at the end of July 2009, the Ghanaian government introduced a temporary levy on certain Ghanaian industries, including mining, brewing, banking, communications and insurance. The bill provides that companies subject to the levy will pay an amount equal to 5% of profits before tax as disclosed on their statements of operations.

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

17. Commitments and Contingencies

Our commitments and contingencies include the following items:

Environmental Bonding in Ghana

In 2005, pursuant to a reclamation bonding agreement between the Ghana Environmental Protection Agency (EPA) and GSWL, 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. Pursuant to a further bonding agreement between the EPA and GSBPL, we bonded \$9.5 million in early 2006 to cover our future obligations at Bogoso/Prestea. To meet these requirements, we deposited \$0.9 million of cash with the EPA with the balance covered by a letter of credit. In 2008 the GSBPL letter of credit was increased by \$0.5 million to cover the Pampe mining areas. The cash deposits are recorded as Restricted Cash in our balance sheet.

In 2008, Bogoso/Prestea resubmitted an updated draft Environmental Management Plan (EMP) to the EPA that included an updated estimate of the reclamation and closure costs prepared by a third party consultant. A consultant was commissioned to prepare the reclamation and closure cost estimate and the final EMP was submitted to the EPA in February, 2009. The EPA requested payment of the fees associated with the issuance of the environmental certificate, which was completed. Bogoso/Prestea has completed all the legal requirements and is waiting for the EPA to issue the environmental certificate.

Royalties

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. As 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 and progressively increases to 3.5% for gold prices in excess of \$400 per ounce.

Government of Ghana: During the first quarter of 2010, the Government of Ghana amended its Mining Act, 2006 to change the method of calculating mineral royalties payable to the Government. The prior rules established a royalty rate of no less than 3% and no more than 6% of a mine's total revenues, the exact amount being determined by each mine's margin as defined in the law. Under the new law, the royalty has been set at a flat rate of 5% of mineral revenues. The new 5% flat rate became effective on March 19, 2010. Our subsidiaries GSBPL and GSWL, operate under tax stabilization agreements which govern, among other things, royalty rates and various tax rules. Accordingly, the applicability to GSBPL and GSWL of this new royalty legislation has not yet been determined.

Benso: Benso is subject to a \$1.00 per ounce gold production royalty.

Pampe: Portions of the Pampe deposit are subject to a 7.5% net smelter return royalty.

Prestea Underground Areas of the Prestea Underground below a point 150 meters below sea level are subject to a 2.5% net profits interest on future income. Ownership of the 2.5% net profit interest is currently held by the bankruptcy trustee overseeing liquidation of our former joint venture partner in the Prestea Underground. While we believe that the joint venture agreement provides for the

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2.5% net profit interest, confirmation of this position has not been received from the bankruptcy trustee.

Hwini-Butre As part of the agreement for the purchase of the HBB properties, Golden Star agreed to pay B.D. Goldfields Ltd \$1.0 million if at least one million ounces of gold are produced and recovered in the first five years of production from the area covered by the Hwini-Butre prospecting license. Gold production was initiated at Hwini-Butre in May 2009. It is not possible at this time to know if future exploration work will increase Hwini-Butre's reserves sufficiently to yield production of 1.0 million ounces.

Obuom In October 2007, we entered into agreement with AMI Resources Inc. (AMI), which gives AMI the right to earn our 54% ownership position in the Obuom property in Ghana. Should AMI eventually obtain full rights to our position on the property and develop a gold mining operation at Obuom, we would receive from AMI a 2% net smelter return royalty on 54% of the property's gold production.

Goulagou and Rounga In October 2007, we entered into an option agreement with Riverstone Resources Inc. (Riverstone) whereby Riverstone has the right to acquire our 90% interest in the Goulagou and Rounga properties in Burkina Faso. To exercise the option, Riverstone is required to spend Cdn\$4 million on exploration programs on the Goulagou and Rounga properties over a four-year period, and may then purchase our interest for \$18.6 million in cash or Riverstone common shares. We are entitled to receive up to 2 million shares of Riverstone over the term of the option, of which 1.3 million shares have been received as of March 31, 2010 (Note 8). In addition we received 2 million common share purchase warrants of Riverstone during 2008. The Riverstone purchase warrants have remaining exercise prices that range from Cdn\$0.40 to Cdn\$0.45.

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Litigation - Ghana Crop Damage Action On October 22, 2008, a Ghanaian court awarded plaintiffs a settlement of approximately \$1.9 million in damages against GSBPL in a legal action filed against GSBPL in 2000 related to a 1991 crop damage claim. The plaintiffs claimed that emissions from a now defunct processing plant at Bogoso, which was operated from 1991 to 1994, injured the plaintiffs cocoa trees and reduced their cocoa output. We have appealed the judgment to the Ghana Supreme Court and have obtained a stay of execution of the judgment. As ordered by lower courts, we have already deposited \$0.6 million of cash with the court to partially settle the claim. Thus, we believe that if our appeal is not successful, the settlement cost would be less than \$0.5 million. We intend to vigorously pursue any and all appropriate remedies in this regard.

Bogoso Power Plant During the first quarter of 2010, commissioning tests were completed on a nominal 20 megawatt stand-by power plant at Bogoso/Prestea known as the Genser power plant and commissioning tests were completed in February. This plant is planned for use in periods of power outages or shortages in Ghana to keep critical pieces of processing equipment active until grid power is restored. We have accounted for the new power facility as a 24 month capital lease beginning in February 2010.

We provided a letter of credit in favor of the power plant provider during the construction period, and this letter expires during the second quarter of 2010. As collateral for the letter of credit, we currently have restricted \$2.6 million of cash as required by the bank providing the letter of credit. At expiry of the letter of credit we plan to procure a new letter of credit in favor of the Genser plant owner/operator which will expire at the end of January 2012. At that time, the lease agreement transfers ownership of the Genser power plant to us for no additional payment.

18. Capital Disclosures

The Company's objectives when managing capital are to safeguard the Company's access to sufficient funding as needed to continue its acquisition and development of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level of risk.

In the management of capital, the Company includes the components of shareholders' equity and debt. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of investments. Other than the revolver facility opened in 2009, we have no restrictions or covenants on our capital structure as of the end of March 2010. Revolver covenants require that we meet certain financial ratios at the end of each quarter, including that in excess of 95% of our assets are retained within a group of specified subsidiaries whose common shares are pledged as collateral for amounts drawn under the revolver facility. We were in compliance with all covenants at March 31, 2010.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which project expected cash and debt positions over several years and which are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize cash available for development efforts, the Company does not pay dividends. The Company's cash investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less when acquired, selected with regards to the expected timing of expenditures from continuing operations.

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

19. Share Capital

Changes in share capital during the three months ended March 31, 2010 are as follows:

	Shares	Amount
Balance beginning of period	257,362,561	\$ 690,423
Common shares issued:		
Equity offering (net)		(107)
Option exercises	224,500	345
Balance end of period	257,587,061	\$ 690,661

20. Cost of Sales

	For the three months ended March 31	
	2010	2009
Mining operations costs	\$ 61,610	\$ 58,870
Change in inventories (costs from / (to) metals inventory)	(931)	425
Mining related depreciation and amortization	25,857	24,684
Accretion of asset retirement obligations	600	538
Total Cost of Sales	\$ 87,136	\$ 84,517

21. Stock Based Compensation

Stock Options We have one stock option plan, the Second Amended and Restated 1997 Stock Option Plan (the "Plan"), under which options are granted from time to time at the discretion of the Board of Directors. 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 Plan, we may grant options to employees, consultants and directors of the Company or its subsidiaries for up to 15,000,000 shares, of which 1,108,745 are available for grant as of March 31, 2010. Options take the form of non-qualified stock options, and the exercise price of each option is not less than the closing price of our shares on the Toronto Stock Exchange on the day prior to 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 Board of Directors.

All prior period figures shown below include the effects of options issued to the employees of a company acquired in 2005. These options were issued outside of the Plan. The last of these options were exercised in mid-2009.

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Non-cash employee compensation expense recognized in general and administrative expense in the statements of operations with respect to the Plan are as follows:

	For the three months ended March 31	
	2010	2009
	Total stock compensation expense during the period	\$ 1,417

We granted 1,278,500 options during the first quarter of 2010. We do not receive a tax deduction for the issuance of options. As a result we do not recognize any income tax benefit related to the stock compensation expense.

The fair value of our options grants are estimated at the grant dates using the Black-Scholes option-pricing model. Fair values of options granted in the first three months of 2010 were based on the assumptions noted in the following table:

	For the three months ended March 31	
	2010	2009
Expected volatility	67.95 to 77.37%	68.39 to 73.28%
Risk free interest rate	2.34 to 2.36%	1.88 to 2.18%
Expected lives	6.0 to 8.6 years	4.25 to 6.5 years
Dividend yield	0%	0%

Expected volatilities are based on the mean reversion tendency of the volatility of Golden Star's shares and its peer group. Golden Star uses historical data to estimate share option exercise and employee departure behavior used in the Black-Scholes model; groups of employees that have dissimilar historical behavior are considered separately for valuation purposes. The expected term of the options granted represents the period of time that the options granted are expected to be outstanding; the range given above results from certain groups of employees exhibiting different post-vesting behaviors. The risk-free rate for periods within the contractual term of the option is based on the Canadian Chartered Bank administered interest rates in effect at the time of the grant.

A summary of option activity under the Plan as of the quarter ended March 31, 2010:

	Options ('000)	Weighted Average Exercise price (Cdn\$)	Weighted Average Remaining Contractual Term (Years)
Outstanding as of December 31, 2009	7,283	3.19	7.0
Granted	1,279	3.48	9.9
Exercised	(225)	1.40	2.4
Forfeited, cancelled and expired	(794)	4.37	5.6
Outstanding as of March 30, 2010	7,543	3.17	7.5
Exercisable as of March 31, 2010	5,172	3.32	6.8

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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, provides for the issuance of 900,000 common shares of bonus stock, of which 545,845 common shares had been issued as of March 31, 2010. During the quarters ended March 31, 2010 and 2009 we issued nil common shares under the Bonus Plan.

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

22. Earnings per Common Share

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

	For the three months ended March 31	
	2010	2009
Net income/(loss)	\$ 3,915	\$ (1,146)
Weighted average number of common shares (millions)	257.4	236.0
Dilutive securities:		
Options	1.2	
Convertible debentures		
Weighted average number of diluted shares	258.6	236.0
Basic income/(loss) per share	\$ 0.015	\$ (0.005)
Diluted income/(loss) per share	\$ 0.015	\$ (0.005)

23. Operations by Segment and Geographic Area

As of and for the three months ended March 31	Bogoso/ Prestea	Africa Wassa/ HBB	Other	South America	Corporate	Total
2010						
Revenues	\$ 50,954	\$ 52,310	\$	\$	\$	\$ 103,264
Net income/(loss)	5,376	7,969	(286)	(1,758)	(7,386)	3,915
Income tax expense		(2,472)				(2,472)
Capital expenditure	10,631	6,071	1,076			17,778
Total assets	359,774	245,056	8,836	901	150,444	765,011
2009						
Revenues	\$ 36,569	\$ 51,076	\$	\$	\$	\$ 87,645
Net income/(loss)	(7,747)	13,779	(162)	(444)	(6,572)	(1,146)
Income tax benefit		2,748				2,748
Capital expenditure	623	10,218	409	57	3	11,310
Total assets	363,680	285,120	8,632	12,398	12,786	682,616

24. Related Parties

During the first quarter of 2010, we obtained legal services from a firm where our Chairman is of counsel. The cost of services incurred from this firm during the first three months of 2010 and 2009 was \$0.5 million and \$0.1 million, respectively. Our Chairman did not personally perform any legal services to the Company during the three month period ended March 31, 2010, nor in any prior period, nor did he benefit directly or indirectly from payments for the services performed by the firm.

25. Supplemental Cash Flow Information

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In the first quarter of 2010, \$0.6 million was paid for income taxes. Cash paid for income taxes during the first quarter of 2009 was nil. Cash paid for interest was \$0.5 million in the first quarter of 2010 and, \$0.6 million in the first quarter of 2009.

In February 2010, the company recognized a non-cash \$4.9 million liability and an offsetting \$4.9 million asset related to delivery of a 10 megawatt power plant upon successful commissioning of the power plant by Genser. (See note 17 for further discussion of the power plant.) .

26. 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.

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(a) Consolidated Balance Sheets in U.S. GAAP

	As of March 31 2010	As of December 31 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 164,852	\$ 154,088
Accounts receivable	8,628	7,021
Inventories (Note d4)	56,131	52,844
Deposits	4,043	4,774
Other current assets	3,461	1,415
Total current assets	237,115	220,142
Restricted cash	3,804	3,804
Available-for-sale and long term investments	1,242	181
Deferred exploration and development costs (Note d1)		
Property, plant and equipment (Note d2)	236,222	231,141
Intangible assets	8,953	9,480
Mining properties (Notes d2 and d4)	242,470	255,503
Other assets (Note d3)	2,288	2,457
Total assets	\$ 732,093	\$ 722,708
LIABILITIES		
Current liabilities		
Long term debt (Note d6)	\$ 77,786	\$ 74,936
Asset retirement obligations	178,965	160,172
Future tax liability (Note d5)	23,091	30,031
	12,699	11,688
Total liabilities	292,541	276,827
Commitments and contingencies		
SHAREHOLDERS EQUITY		
Share capital (Note d7)	690,295	690,056
Contributed surplus (Note d6)	16,145	14,767
Accumulated comprehensive income	2,273	1,340
Deficit	(272,057)	(262,806)
Total Golden Star Resources equity	436,656	443,357
Noncontrolling Interest	2,896	2,524
Total Equity	439,552	445,881
Total liabilities and shareholders equity	\$ 732,093	\$ 722,708

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(b) Consolidated Statements of Operations under US GAAP

	For the three months ended March 31	
	2010	2009
Net income/(loss) under Cdn GAAP	\$ 3,915	\$ (1,146)
Deferred exploration expenditures expensed under US GAAP (Note d1 and d2)	(1,076)	(351)
Change in gain on the sale of assets	2,000	
Write-off of deferred exploration properties (Note d1)		290
Reverse depreciation on assets already written off for US GAAP	427	2,067
Fair value adjustment on debentures (Note d6)	(14,051)	(5,402)
Debt accretion reversal (Note d6)	1,892	1,615
Expense betterment spending (Note d4)	(2,929)	
Other		(87)
Net loss under US GAAP before income tax	(9,822)	(3,014)
Income tax (expense)/recovery as adjusted (Note d5)	943	(96)
Net loss under US GAAP	\$ (8,879)	\$ (3,110)
Net income attributable to noncontrolling interest	\$ 371	\$ 264
Net loss attributable to Golden Star Resources	\$ (9,250)	\$ (3,374)
Basic and diluted net loss per share under US GAAP	\$ (0.036)	\$ (0.014)
Consolidated Statement of Comprehensive income/(loss) under US GAAP		
Net loss under US GAAP	\$ (8,879)	\$ (3,110)
Other comprehensive income on marketable securities	932	27
Comprehensive loss under US GAAP	\$ (7,947)	\$ (3,083)
Comprehensive income/(loss) attributable to noncontrolling interest	\$ 371	\$ 264
Comprehensive loss attributable to Golden Star Resources	\$ (8,318)	\$ (3,347)

(c) Consolidated Statements of Cash Flows under US GAAP

	For the three months ended March 31	
	2010	2009
Cash provided by (used in):		
Operating activities (Note d8)	\$ 21,476	\$ 10,742

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Investing activities (Note d8)	(12,904)	(11,900)
Financing activities	2,192	(4,292)
Increase/(decrease) in cash and cash equivalents	10,764	(5,450)
Cash and cash equivalent beginning of period	154,088	33,558
Cash and cash equivalents end of period	\$ 164,852	\$ 28,108

(d) Notes:

- (1) Under US GAAP, exploration, acquisition (except for property purchase costs), 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. Amounts written off in the current year under Cdn GAAP, which have previously been expensed under US GAAP, result in an adjustment when reconciling net income for the year. Amounts expensed in prior years for US GAAP but sold in the current year are recognized as increases in the gains related to the amount still capitalized for Cdn GAAP.

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

- (2) Under US GAAP, the initial purchase cost of mining properties is capitalized. Pre-acquisition costs and subsequent development costs incurred, until 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. Amounts written off in the current year under Cdn GAAP which have previously been expensed under US GAAP result in an adjustment when reconciling net income for the year.
- (3) Under US GAAP loan fees are capitalized as an asset and amortized over the life of loan. This amortized amount is netted against the loan liability for Cdn GAAP.
- (4) Under Cdn GAAP, expenditures for betterment stripping costs (*i.e.*, the costs of removing overburden and waste material to access mineral deposits) that can be shown to be a betterment of the mineral property are capitalized and subsequently amortized on a units-of-production basis over the mineral reserves that directly benefit from the specific waste stripping activity. US GAAP has no provision of betterment stripping costs and as such, amounts capitalized during 2009 for Cdn GAAP are reversed and expensed for US GAAP. This adjustment also increased the operating costs used for the valuation of metals inventory for US GAAP, resulting in a higher value for metals inventory under US GAAP.
- (5) While tax accounting rules are essentially the same under both US and Cdn GAAP, tax account differences can arise from differing treatment of various assets and liabilities. For example, most exploration expenditures and certain mine development cost are capitalized under Cdn GAAP and expensed under US GAAP, as explained in notes 1 and 2 above. An analysis of these differences indicates that there are larger potential tax benefits under US GAAP than under Cdn GAAP in the GSBPL and GSWL tax jurisdiction.

On January 1, 2007, we adopted the provisions of FIN 48 (as codified in ASC topic 740 Income Taxes) (ASC 740) for US GAAP purposes. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 requires that we recognize in our consolidated financial statements, only those tax positions that are more-likely-than-not of being sustained as of the adoption date, based on the technical merits of the position. As a result of the implementation of ASC 740, we performed a comprehensive review of our material tax positions in accordance with recognition and measurement standards established by ASC 740. Based on this review the provisions of ASC 740 had no effect on our financial position, cash flows or results of operations at either December 31, 2009 or March 31, 2010.

We and our subsidiaries are subject to the following material taxing jurisdictions: Ghana, Canada and Burkina Faso. The tax years that remain open to examination by the Ghana Internal Revenue Service are years 2008 through 2009. The tax years that remain open to examination by Revenue Canada are years 2003 through 2009. All tax years remain open to examination in Burkina Faso. Our policy is to recognize interest and penalties related to uncertain tax benefits in general and administrative expense. In the prior year the company has accrued immaterial penalties related to ongoing CRA Audits in Canada.

- (6) Under Cdn GAAP, the fair value of the conversion feature of convertible debt is classified as equity and the balance is classified as a liability. The liability portion is accreted each period in amounts which will increase the liability to its full face amount of the convertible instrument as of the maturity date. Accretion is recorded as interest expense. For US GAAP purposes, the entire amount of convertible debt is classified as a liability and recorded at fair value at the end of each period, with the change in fair value recorded in the statement of operations in accordance with FAS 155 (as codified in ASC topic 820 Fair Value Measurements and Disclosures).
- (7) 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.
- (8) Under US GAAP, exploration expenditures and betterment stripping costs are treated as operating cash flows. Cdn GAAP treats certain exploration expenditures as investing cash flows (see note 1). This creates differences in the statement of cash flows.
- (9) Fair value of financial assets and liabilities

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Financial assets at fair value as at March 31, 2010			
	Level 1	Level 2	Level 3	Total
Available for sale investments	\$ 1,242	\$	\$	\$ 1,242
Warrants		1,290		1,290
	\$ 1,242	\$ 1,290	\$	\$ 2,531

	Financial liabilities at fair value as at March 31, 2010			
	Level 1	Level 2	Level 3	Total
Convertible senior unsecured debentures	\$	\$	\$ 159,788	\$ 159,788
	\$	\$	\$ 159,788	\$ 159,788

	Financial assets at fair value as at March 31, 2009			
	Level 1	Level 2	Level 3	Total
Available for sale investments	\$ 94	\$	\$	\$ 94
Warrants		32		32
Gold Forward Contracts	2,097			2,097
				\$ 2,191