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
þ 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 þ No o

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 o No þ

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 þ No o

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 l0-K. o

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: o Accelerated filer: þ Non-accelerated filer: o

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

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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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.

ITEM 6. SELECTED FINANCIAL DATA

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. 31, 2005	As of Dec. 31, 2004	As of Dec. 31, 2003	As of Dec. 31, 2002	As of Dec. 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 Year Ended Dec. 31, 2005	For the Year Ended Dec. 31, 2004	For the Year Ended Dec. 31, 2003	For the Year Ended Dec. 31, 2002	For the Year Ended Dec. 31, 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[1.]	As of Dec. 31, 2005	As of Dec. 31, 2004	As of Dec. 31, 2003	As of Dec. 31, 2002	As of Dec. 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[1.]	For the Year End Dec. 31, 2005	For the Year Ended Dec. 31, 2004	For the Year Ended Dec. 31, 2003	For the Year Ended Dec. 31, 2002	For the Year Ended Dec. 31, 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 - basic	(0.170)	0.345	(0.528)	0.094	(0.126)

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

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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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.

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.

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	As of December 31, 2004
ASSETS		
CURRENT ASSETS		
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
Prepaids and other	686	517
Total Current Assets	132,789	78,846
RESTRICTED CASH (Note 16c)	3,865	3,351
LONG TERM INVESTMENTS (Note 6)	8,160	5,528
DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Notes 7 and 24)	167,532	7,452
PROPERTY, PLANT AND EQUIPMENT (Note 8)	84,527	28,653
MINING PROPERTIES (Note 9)	118,088	74,197
CONSTRUCTION IN PROGRESS (Note 10)	36,707	51,159
DEFERRED STRIPPING (Note 11)	1,548	1,357
LOAN ACQUISITION COSTS (Note 13)	1,020	
FUTURE TAX ASSETS (Note 19)	8,223	
OTHER ASSETS	2,144	1,617
Total Assets	$ 564,603	$ 252,160
LIABILITIES		
CURRENT LIABILITIES		
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
Total Current Liabilities	40,815	17,480
LONG TERM DEBT (Note 12)	64,298	1,707
ASSET RETIREMENT OBLIGATIONS (Note 15)	8,286	8,660
FAIR VALUE OF DERIVATIVES (Note 14)	7,263	

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
Total revenues	95,465	65,029	64,370
EXPENSES			
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
Total mine operating costs	96,344	47,836	37,696
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)
Total expenses	121,649	62,652	39,837
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	
Net income/(loss)	$ (13,531)	$ 2,642	$21,956
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 Common Shares	Share Capital	Contributed Surplus		Equity Component of Convertible Debentures	Deficit
			Warrants	Options		
Balance at 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 forfeitures				955		
Shares issued under options	1,518,420	2,858				
Shares issued under warrants	8,167,956	8,595				
Stock bonus	57,200	118				
Shares issued to acquire property	2,750,000	11,090				
Cumulative effect of change in accounting method						483
Net income						21,956
Balance at December 31, 2003	132,924,278	324,262	2,361	955		(129,216)
Warrants exercised		755	(755)			
Options issued net of forfeitures				1,218		
Shares issued under options	767,180	1,239		(133)		
Shares issued under warrants	8,494,609	14,332				
Shares issued to acquire property	58,045	300				
Net income						2,642
Balance at 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.

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

	For the years ended December 31,		
	2005	2004	2003
OPERATING ACTIVITIES:			
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
INVESTING ACTIVITIES:			
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)	

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.

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.

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 reclassed 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.

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 of the stripping activity can be shown to represent a betterment 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 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 Exploration & Development Costs as of 12/31/04	Capitalized Exploration Expenditures	Acquisition Costs	Impairments	Deferred Exploration & Development Costs as of 12/31/05
AFRICAN PROJECTS					
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
SOUTH AMERICAN PROJECTS					
Saramacca Suriname	394	337			731
Bon Espoir French Guiana	501	881			1,382
Paul Isnard French Guiana	256				256
TOTAL	$ 7,452	$ 5,834	$ 155,649	$ (1,403)	$ 167,532

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

	Deferred Exploration & Development Costs as of 12/31/03	Capitalized Exploration Expenditures	Acquistion Costs	Impairments	Reclassified to mining Property	Deferred Exploration & Development Costs as of 12/31/04
AFRICAN PRODUCTS						
Bogoso Sulfide Project Ghana	$ 5,930	$	$	$	$ (5,930)	$
Akropong Trend & Other Ghana	2,037	406				2,443
Prestea Property Projects 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 Guiana			501			501
Paul Isnard	French Guiana			256			256
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, Plant and Equipment at Cost	Accumulated Depreciation Equipment Net Book Value	Property, Plant and Equipment at Cost	Property, Plant and	Accumulated Depreciation Equipment Net Book Value	Property, 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
TOTAL	$96,318	$ 11,791	$84,527	$36,449	$ 7,796	$28,653

9. Mining Properties

	As of December 31, 2005			As of December 31, 2004		
	Mining Properties at Cost	Accumulated Amortization	Mining Properties, Net Book Value	Mining Properties at Cost	Accumulated Amortization	Mining Properties, Net Book 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
TOTAL	$151,984	$33,896	$118,088	$97,310	$23,113	$74,197

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

DEBT	As of December 31, 2005	As of December 31, 2004
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

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 o 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 Value 12/31/2005	Amount Outstanding/ Average Price 2006	2007	Thereafter	Total / Average
Gold Forward Contracts (EURO Ressources)					
Ounces (thousands)		22.8	22.8	51.3	96.9
Average price per ounce		421	430	459	443
Fair value ($ thousands)	$(9,560)				
Gold Put Options (Golden Star)					
Ounces (thousands)		150	37.5		187.5
Average price per ounce		407	405		407
Fair value ($ thousands)	$ 74				
Gold Call Options (Golden Star)					
Ounces (thousands)		50	15		65
Average price per ounce		525	525		525
Fair value ($ thousands)	$(2,250)				
Foreign Exchange Forward Contracts (Golden Star)					
South African Rand (millions)		122.1			122.1
Average Rate (ZAR/$)		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:

	Year ended December 31, 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
Balance at December 31, 2005	$ 11,393
Current portion	$ 3,107
Long term portion	$ 8,286

	Year ended December 31, 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
Balance at December 31, 2004	$ 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.

(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 outstanding	Exercise price	Expiration date
Equity Offering	February 14, 2003	8,448,334	Cdn$4.60	February 14, 2007
St. Jude Acquisition	December 21, 2005	3,240,000	Cdn$4.17	November 20, 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:

	2005		2004		2003	
GSR Plan	Shares (000s)	Weighted-Average Exercise Price (Cdn$)	Shares (000s)	Weighted-Average Exercise Price (Cdn$)	Shares (000s)	Weighted-Average Exercise Price (Cdn$)
Outstanding at beginning 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 exercisable at year-end	6,414	2.34	4,140	2.54	3,803	1.81
Weighted-average fair value of options granted during the year		0.95		2.45		1.25

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GSR Plan Range of Exercise Prices (Cdn$)	Options Outstanding Number Outstanding at December 31, 2005 (000s)	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price (Cdn$)	Options Exercisable Number Exercisable at December 31, 2005 (000s)	Weighted-Average Exercise Price (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 Granted	Number of Options (000s)	Strike Price (Cdn$)	Fair Value per option (Cdn$)	Total Fair Value (000s of Cdn$)	Option 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 months
December 21, 2005	722	1.82	0.91	658	6 months
December 21, 2005	720	2.50	0.37	266	6 months
Total	3,047	2.56	0.95	2,881	

Options granted during 2004:

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

Total	855	6.95	2.45	2,094	10 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.

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
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.

	Africa - Ghana					
(as of December 31 or for the year ended)	Bogoso/ Prestea	Wassa	Other	South America	Corporate	Total
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						

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

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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, it 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
Total Acquisition Cost		$ 112,793

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
Total Assets	$ 158,545
Accounts Payable and Accrued Expenses	$ 680
Future Tax Liability	45,072
Total Liabilities	$ 45,752

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.

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.

	Cdn GAAP		US GAAP	
(in $ million, except per share amounts)	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