GOLDEN STAR RESOURCES LTD
Form 10-Q
August 09, 2011

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

OR

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

Commission file number 1-12284

GOLDEN STAR RESOURCES LTD.

(Exact Name of Registrant as Specified in Its Charter)

Canada	**98-0101955**

(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

10901 West Toller Drive, Suite 300

Littleton, Colorado	**80127-6312**
(Address of Principal Executive Office)	**(Zip Code)**

Registrant s telephone number, including area code (303) 830-9000

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

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

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

Large accelerated filer:	x	Accelerated filer:	¨
Non-accelerated filer:	¨	Smaller reporting company:	¨

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

Number of Common Shares outstanding as at August 5, 2011: 258,609,486

REPORTING CURRENCY, FINANCIAL AND OTHER INFORMATION

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

Financial information is presented in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Differences between U.S. GAAP and International Financial Reporting Standards (IFRS), as applicable to Golden Star Resources Ltd., are explained in Note 21 to the Consolidated Financial Statements.

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

NON-GAAP FINANCIAL MEASURES

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

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

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

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

These statements include comments regarding: anticipated attainment of gold production rates; production and cash operating cost estimates for 2011; production capacity, production rates, and production costs; cash operating costs generally; gold sales; mining operations and gold recovery rates; ore delivery; ore processing; permitting; geological, environmental, community and engineering studies; receipt of environmental management plan approvals by the Ghana Environmental Protection Agency (EPA); exploration efforts and activities; ore grades; our anticipated investing and exploration spending during 2011; identification of acquisition and growth opportunities; power costs, the ability to meet total power requirements; retention of earnings from our operations; expected operational cash flow during the remainder of 2011; our objectives for 2011; expected debt payments during 2011; and sources of and adequacy of liquidity to meet capital and other needs in 2011 and beyond.

The following, in addition to the factors described under Risk Factors in Item 1A of our December 31, 2010 Form 10-K, are among the factors that could cause actual results to differ materially from the forward-looking statements:

- significant increases or decreases in gold prices;
- losses or gains in Mineral Reserves from changes in operating costs and/or gold prices;
- failure of exploration efforts to expand Mineral Reserves around our existing mines;
- unexpected changes in business and economic conditions;

inaccuracies in Mineral Reserves and non-reserves estimates;

changes in interest and currency exchange rates;

timing and amount of gold production;

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

unanticipated recovery or production problems;

effects of illegal mining on our properties;

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

changes in metallurgy and processing;

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

changes in project parameters or mine plans;

costs and timing of development of new Mineral Reserves;

weather, including drought or excessive rainfall in West Africa;

changes in regulatory frameworks based upon perceived climate trends;

results of current and future exploration activities;

results of pending and future feasibility studies;

acquisitions and joint venture relationships;

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

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

local and community impacts and issues;

timing of receipt and maintenance of government approvals and permits;

unanticipated transportation costs and shipping incidents and losses;

accidents, labor disputes and other operational hazards;

environmental costs and risks;

changes in tax laws;

- unanticipated title issues;
- competitive factors, including competition for property acquisitions;
- possible litigation; and
- availability of capital at reasonable rates or at all.

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

ITEM 1. FINANCIAL STATEMENTS

U.S. GAAP FINANCIAL STATEMENTS

The following financial statements and footnotes presented immediately below, are prepared in conformity with U.S. GAAP except for Note 21.

IFRS RECONCILIATIONS

To facilitate comparison of our U.S. GAAP financial statements to the financial statements of other mining companies which report their financial results under IFRS, we have prepared a reconciliation showing our results on an IFRS basis. This reconciliation is presented below in footnote 21.

GOLDEN STAR RESOURCES LTD.

CONSOLIDATED BALANCE SHEETS

(Stated in thousands of U.S. dollars except shares issued and outstanding)

(unaudited)

	As of June 30 2011	As of December 31 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	$ 127,915	$ 178,018
Accounts receivable (Note 4)	14,494	11,885
Inventories (Note 6)	65,877	65,204
Deposits	9,814	5,865
Prepaids and other	2,735	1,522
Total Current Assets	220,835	262,494
RESTRICTED CASH	2,405	1,205
PROPERTY, PLANT AND EQUIPMENT (Note 8)	234,802	228,367
INTANGIBLE ASSETS	6,319	7,373
MINING PROPERTIES (Note 9)	250,135	250,620
OTHER ASSETS (Note 7)	2,625	3,167
Total Assets	$ 717,121	$ 753,226
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 4)	$ 22,959	$ 34,522
Accrued liabilities (Note 4)	47,769	53,935
Derivatives (Notes 4 and 5)	5,138	
Asset retirement obligations (Note 10)	15,459	23,485
Current tax liability (Note 12)	761	1,128
Current debt (Notes 11)	8,313	10,014
Total Current Liabilities	100,399	123,084
LONG TERM DEBT (Notes 4 and 11)	131,421	155,878
ASSET RETIREMENT OBLIGATIONS (Note 10)	24,529	21,467
DEFERRED TAX LIABILITY (Note 12)	22,024	15,678
Total Liabilities	$ 278,373	$ 316,107
COMMITMENTS AND CONTINGENCIES (Note 13)		
SHAREHOLDERS EQUITY		
SHARE CAPITAL		
First preferred shares, without par value, unlimited shares authorized. No shares issued and outstanding		
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 258,584,486 at June 30, 2011; 258,511,236 at December 31, 2010 (Note 14)	693,705	693,487
CONTRIBUTED SURPLUS	18,720	16,560
ACCUMULATED OTHER COMPREHENSIVE INCOME	1,620	1,959
DEFICIT	(273,156)	(274,036)
Total Golden Star Equity	440,889	437,970

NONCONTROLLING INTEREST	(2,141)	(851)
Total Equity	438,748	437,119
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 717,121	$ 753,226

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

GOLDEN STAR RESOURCES LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)

(Stated in thousands of U.S. dollars except shares and per share data)

(unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2011	2010	2011	2010
REVENUE				
Gold revenues	$ 109,807	$ 120,307	$ 226,313	$ 223,571
Cost of sales (Note 15)	102,525	103,854	210,276	193,493
Mine operating margin	7,282	16,453	16,037	30,078
Exploration expense	1,569	1,246	2,148	2,549
General and administrative expense	7,252	4,145	14,354	9,114
Derivative mark-to-market (gain)/loss (Note 5)	(3,677)	10,833	(17,613)	23,753
Property holding costs	1,689	1,197	4,363	2,298
Foreign exchange loss	462	204	719	571
Interest expense	2,112	2,246	4,470	4,483
Interest and other income	(63)	(98)	(102)	(295)
(Gain)/loss on sale of investments	2	71	2	(1,653)
Net income/(loss) before income tax	(2,064)	(3,391)	7,696	(10,742)
Income tax expense	(3,801)	(1,251)	(8,106)	(2,779)
Net loss	$ (5,865)	$ (4,642)	$ (410)	$ (13,521)
Net income/(loss) attributable to noncontrolling interest	(817)	976	(1,290)	1,347
Net income/(loss) attributable to Golden Star shareholders	$ (5,048)	$ (5,618)	$ 880	$ (14,868)
Net income/(loss) per share attributable to Golden Star shareholders				
Basic (Note 17)	$ (0.020)	$ (0.022)	$ 0.003	$ (0.058)
Diluted (Note 17)	$ (0.020)	$ (0.022)	$ 0.003	$ (0.058)
Weighted average shares outstanding (millions)	258.6	257.9	258.6	257.7
OTHER COMPREHENSIVE INCOME/(LOSS)				
Net loss	$ (5,865)	$ (4,642)	$ (410)	$ (13,521)
Other comprehensice income/(loss) (Note 7)	(424)	(592)	(339)	340
Comprehensive loss	$ (6,289)	$ (5,234)	$ (749)	$ (13,181)
Comprehensive income/(loss) attributable to Golden Star shareholders	$ (5,472)	$ (6,210)	$ 541	$ (14,528)
Comprehensive (income)/loss attributable to noncontrolling interest	(817)	976	(1,290)	1,347
Comprehensive (loss)	$ (6,289)	$ (5,234)	$ (749)	$ (13,181)
Deficit, beginning of period	$ (268,108)	$ (272,056)	$ (274,036)	$ (262,806)
Deficit, end of period	$ (273,156)	$ (277,674)	$ (273,156)	$ (277,674)

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

GOLDEN STAR RESOURCES LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in thousands of U.S. dollars)

(unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2011	**2010**	**2011**	**2010**
OPERATING ACTIVITIES:				
Net loss	$ (5,865)	$ (4,642)	$ (410)	$ (13,521)
Reconciliation of net loss to net cash provided by operating activities:				
Depreciation, depletion and amortization	15,274	27,376	36,492	52,833
Amortization of loan acquisition cost	318	(159)	672	(195)
Gain/Loss on sale of assets	2	71	2	(1,653)
Non cash employee compensation	879	502	2,220	1,919
Future income tax expense	3,040	152	6,347	1,176
Fair value of derivatives	930	812	5,179	(319)
Fair value (gains)/losses on convertible debt	(6,107)	8,949	(24,292)	23,002
Accretion of asset retirement obligations	2,183	601	3,116	1,201
Reclamation expenditures	(7,945)	(2,049)	(11,828)	(3,600)
	2,709	31,613	17,498	60,843
Changes in non-cash working capital:				
Accounts receivable	(1,779)	(11,692)	(2,804)	(12,429)
Inventories	(15)	(291)	(421)	(4,192)
Deposits	245	(364)	(700)	(280)
Accounts payable and accrued liabilities	(2,185)	6,722	(18,799)	4,603
Other	(425)	1,399	(2,089)	318
Net cash provided by/(used in) operating activities	(1,450)	27,387	(7,315)	48,863
INVESTING ACTIVITIES:				
Expenditures on mining properties	(9,191)	(7,217)	(18,031)	(9,181)
Expenditures on property, plant and equipment	(9,951)	(5,461)	(19,863)	(17,289)
Change in accounts payable and deposits on mine equipment and material	(4,077)	2,593	(3,184)	2,593
Other		1,332		2,220
Net cash used in investing activities	(23,219)	(8,753)	(41,078)	(21,657)
FINANCING ACTIVITIES:				
Principal payments on debt	(2,573)	(8,197)	(5,338)	(16,410)
Proceeds from debt agreements and equipment financing	3,470	4,506	3,470	14,506
Other	26	1,437	158	1,842
Net cash provided by/(used in) financing activities	923	(2,254)	(1,710)	(62)
Increase/(decrease) in cash and cash equivalents	(23,746)	16,380	(50,103)	27,144
Cash and cash equivalents, beginning of period	151,661	164,852	178,018	154,088
Cash and cash equivalents end of period	$ 127,915	$ 181,232	$ 127,915	$ 181,232

(See Note 20 for supplemental cash flow information)

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

GOLDEN STAR RESOURCES LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. NATURE OF OPERATIONS

Through our 90% owned subsidiary Golden Star (Bogoso/Prestea) Ltd (GSBPL) we own and operate the Bogoso/Prestea gold mining and processing operation (Bogoso/Prestea) located near the town of Bogoso, Ghana. Through our 90% owned subsidiary Golden Star (Wassa) Ltd (GSWL) we also own and operate the Wassa gold mine (Wassa), located approximately 35 kilometers east of Bogoso/Prestea. Wassa mines ore from pits near the Wassa plant and also processes ore mined at our Hwini-Butre and Benso (HBB) mines located south of Wassa. We hold interests in several gold exploration projects in Ghana and elsewhere in West Africa including Sierra Leone, Burkina Faso, Niger and Côte d Ivoire, and in South America we hold and manage exploration properties in Brazil.

2. BASIS OF PRESENTATION

Golden Star Resources Ltd (Golden Star or Company) is a Canadian federally incorporated, international gold mining and exploration company headquartered in the United States (U.S.). Prior to 2011, Golden Star has reported to security regulators in both Canada and the U.S. using Canadian GAAP financial statements with a footnote reconciliation to U.S. GAAP. However, a change in SEC position in late 2009 required Canadian companies such as Golden Star, that do not qualify as a foreign private issuer, to file their financial statements in the U.S. using U.S. GAAP after December 31, 2010. We therefore adopted U.S. GAAP as of January 1, 2011 for all of our subsequent U.S. and Canadian filings. All comparative financial information presented in this Form 10-Q is thus reported in accordance with U.S. GAAP.

Since the U.S. GAAP financial statements contained in this Form 10-Q differ in certain respects from financial statements prepared in accordance with International Financial Reporting Standards (IFRS), Note 21 has been added to this Form 10-Q which presents our Consolidated Balance Sheets, Statements of Operations and Statements of Cash Flow as if we had adopted IFRS. This is done to facilitate comparison of our financial results to those of other mining companies that report in IFRS.

These unaudited interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the interim periods presented.

The results reported in these interim financial statements are not necessarily indicative of the results that may be reported for the entire year. Accordingly, these interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2010, including note 27, Generally Accepted Accounting Principles in the United States , filed on Form 10-K.

3. RECENT ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED STANDARDS

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements*, which amends Subtopic 820-10 of the FASB Accounting Standards Codification to require new disclosures for fair value measurements and provides clarification for existing disclosure requirements. More specifically, this update required (a) an entity to disclose separately the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and to describe the reasons for the transfers; and (b) information about purchases, sales, issuances and settlements to be presented separately (i.e. present the activity on a gross basis rather than net) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3 inputs). This update clarified existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value and requires disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. We adopted this new guidance in the first quarter of 2010 and it did not materially expand our consolidated financial statement footnote disclosures.

In April 2010, the FASB issued Accounting Standards Update No. 2101-12 which amends topic 718 Compensation Stock Compensation . The amendment addresses the classification of an employee share-based payment awards with an exercise price denominated in the currency of a market in which the underlying equity security trades, stating that a share-based award with an exercise price denominated in the currency of a market in which a substantial portion of the entity s equity trades shall not be considered to contain a market, performance, or service condition. Therefore, such an award is not to be classified as a liability if it otherwise qualifies as equity. This new provision is effective for fiscal years, and interim periods

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within those years, beginning on or after December 15, 2010. While our stock option plan denominates option strike prices in Canadian dollars, a substantial portion of our common shares trade in Canada and thus this new guidance did not affect our consolidated financial position, cash flows, nor results of operations in 2011.

RECENTLY ISSUED STANDARDS

Presentation of Comprehensive Income: In June 2011, the FASB issued Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220)-Presentation of Comprehensive Income* (ASU 2011-05), to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for us in our first quarter of fiscal 2013 and should be applied retrospectively. We are currently evaluating the impact of our pending adoption of ASU 2011-04 on our consolidated financial statements.

Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements: In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820)*-Fair Value Measurement (ASU 2011-04), to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for level 3 fair value measurements. ASU 2011-04 is effective for us in our fourth quarter of fiscal 2012 and should be applied prospectively. We are currently evaluating the impact of our pending adoption of ASU 2011-04 on our consolidated financial statements.

Disclosure Requirements Related to Fair Value Measurements: In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements (Topic 820)-Fair Value Measurements and Disclosures* (ASU 2010-06), to add additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, and the activity in Level 3 fair value measurements. Certain provisions of this update will be effective for us in fiscal 2012 and we and do not believe these provisions will have a material impact on our consolidated financial statements.

4. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

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

Assets	Category	As of June 30, 2011 Estimated Fair Value	As of June 30, 2011 Carrying Value	As of December 31, 2010 Estimated Fair Value	As of December 31, 2010 Carrying Value
Cash and cash equivalents (1)	Loans and receivables	$ 127,915	$ 127,915	$ 178,018	$ 178,018
Restricted cash (1)	Loans and receivables	2,405	2,405	1,205	1,205
Accounts receivable (1)	Loans and receivables	14,494	14,494	11,885	11,885
Derivative instrument - Riverstone Warrants (1)	Held-for-trading	334	334	375	375
Available for sale investments (3)	Available-for-sale	1,058	1,058	928	928
Total financial assets		$ 146,206	$ 146,206	$ 192,411	$ 192,411

FINANCIAL LIABILITIES

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

Liabilities	Category	As of June 30, 2011 Estimated Fair Value	As of June 30, 2011 Carrying Value	As of December 31, 2010 Estimated Fair Value	As of December 31, 2010 Carrying Value
Accounts payable and accrued liabilities (1)	Other financial liabilities	$ 70,728	$ 70,728	$ 88,457	$ 88,457
Derivative instrument-Structured Gold Options (1)	Held-for-trading	5,138	5,138		
Convertible senior unsecured debentures (2)	Other financial liabilities	123,473	123,062	147,779	147,353
Equipment financing loans (2)	Other financial liabilities	15,726	15,143	16,113	15,714
Total financial liabilities		$ 215,065	$ 214,071	$ 252,349	$ 251,524

(1) Carrying amount is a reasonable approximation of fair value.

(2) The fair values of the debt portion of the convertible senior unsecured debentures, the equipment financing loans, and the revolving credit facility are determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rates of comparable debt instruments. The carrying values of these liabilities are shown net of any capitalized loan fees. The fair value of the equity component of the convertible debentures is estimated by a Black Scholes option pricing model.

(3) The fair value represents quoted market prices in an active market.

The following tables illustrate the classification of the Company s financial instruments within the fair value hierarchy as at June 30, 2011. The three levels of the fair value hierarchy are:

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

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

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

	Financial assets measured at fair value as at June 30, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Available for sale investments	$ 1,058	$	$	$ 1,058
Warrants		334		334
	$ 1,058	$ 334	$	$ 1,392

	Financial liabilities measured at fair value as at June 30, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Convertible senior unsecured debentures	$	$	$ 123,473	$ 123,473
Gold price derivatives		5,138		5,138
	$	$ 5,138	$ 123,473	$ 128,611

	Financial assets measured at fair value as at December 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Available for sale investments	$ 928	$	$	$ 928
Warrants		375		375
	$ 928	$ 375	$	$ 1,303

	Financial liabilities measured at fair value as at December 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Convertible senior unsecured debentures	$	$	$ 147,779	$ 147,779
	$	$	$ 147,779	$ 147,779

The convertible senior unsecured debentures are recorded at fair value. These debentures are valued based on discounted cash flows for the debt portion and based on a Black-Scholes model for the equity portion. Inputs used to determine these values were; discount rate 8.86%, Risk Free interest rate of 1.58%, volatility of 71.9%, and a remaining life of 1.5 years. Note 11 - Debt has a more detailed discussion of the debentures.

Fair value measurements using Level 3 inputs

	Convertible senior unsecured debentures
Balance of December 31, 2010	$ 147,779
Gain included in net income	(24,306)
Balance at June 30, 2011	$ 123,473

5. DERIVATIVE GAINS AND LOSSES

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

	For the three months ended June 30		For the six months ended June 30	
	2011	**2010**	**2011**	**2010**
Riverstone Resources, Inc. - warrants	$ 315	$ 812	$ 41	$ (319)
Gold forward price contracts	2,115	1,066	6,638	1,066
Convertible debenture	(6,107)	8,955	(24,292)	23,006
Derivative (gain)/loss	$ (3,677)	$ 10,833	$ (17,613)	$ 23,753

	For the three months ended June 30		For the six months ended June 30	
	2011	**2010**	**2011**	**2010**
Realized (gain)/loss	$ 1,499	$ 1,066	$ 1,499	$ 1,066
Unrealized (gain)/loss	(5,176)	9,767	(19,112)	22,687
Derivative (gain)/loss	$ (3,677)	$ 10,833	$ (17,613)	$ 23,753

RIVERSTONE RESOURCES INC. WARRANTS

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

GOLD PRICE DERIVATIVES

In January 2011, we entered into a series of put and call contracts covering 76,800 ounces of future gold production between February and December 2011. The contracts are spread evenly in each week over this period and are structured as cashless collars with a floor of $1,200 per ounce and a cap of $1,457 per ounce. In early February 2011, we entered into a second set of put and call contracts covering 75,200 ounces of future gold production between February and December 2011. The contacts are spread evenly in each week during this period and are structured as cashless collars with a floor of $1,200 per ounce and a cap of $1,503 per ounce. As of June 30, 2011 each tranche had 41,600 ounces outstanding.

CONVERTIBLE DEBENTURES

The convertible senior unsecured debentures are recorded at fair value for U.S. GAAP purposes. These debentures are valued based on discounted cash flows for the debt portion and based on a Black-Scholes model for the equity portion. Inputs used to determine these values were; discount rate 8.86%, Risk Free interest rate of 1.58%, volatility of 71.9%, and a remaining life of 1.5 years. Note 11 - Debt has a more detailed discussion of the debentures

6. INVENTORIES

	As of June 30 2011	As of December 31 2010
Stockpiled ore	$ 4,712	$ 2,551
In-process	12,390	13,839
Materials and supplies	48,775	48,814
Finished Goods		
Total	**$ 65,877**	**$ 65,204**

There were approximately 23,000 and 20,000 recoverable ounces of gold in the ore stockpile inventories shown above at June 30, 2011 and December 31, 2010, respectively. Stockpile inventories are short-term surge piles expected to be processed within the next 12 months.

7. AVAILABLE FOR SALE INVESTMENTS

The following table presents changes in available for sale investments in the first half of 2011 and the full year 2010:

	As of June 30, 2011 Riverstone		As of December 30, 2010 Riverstone	
	Fair Value	**Shares**	**Fair Value**	**Shares**
Balance at December 31	$ 928	1,300,000	$ 181	700,000
Acquisitions	469	700,000	128	600,000
OCI - unrealized gain/(loss)	(339)		619	
Balance as of June 30	$ 1,058	2,000,000	$ 928	1,300,000

8. PROPERTY, PLANT AND EQUIPMENT

	As of June 30, 2011			As of December 31, 2010		
	Property, Plant and Equipment at Cost	**Accumulated Depreciation**	**Property, Plant and Equipment Net Book Value**	**Property, Plant and Equipment at Cost**	**Accumulated Depreciation**	**Property, Plant and Equipment, Net Book Value**
Bogoso/Prestea	$ 164,640	$ (111,646)	$ 52,994	$ 157,010	$ (107,132)	$ 49,878
Bogoso sulfide plant	186,909	(54,180)	132,729	184,641	(50,988)	133,653
Wassa/HBB	101,320	(52,992)	48,328	89,875	(45,607)	44,268
Corporate & other	1,580	(829)	751	1,343	(775)	568
Total	$ 454,449	$ (219,647)	$ 234,802	$ 432,869	$ (204,502)	$ 228,367

There was no interest capitalized in new additions to property, plant and equipment in the periods shown above.

9. MINING PROPERTIES

	As of June 30, 2011			As of December 31, 2010		
	Mining Properties	Accumulated Amortization	Mining Properties, Net Book	Mining Properties	Amortization	Mining Properties, Net Book
Bogoso/Prestea	$ 109,991	$ (58,173)	$ 51,818	$ 99,435	$ (56,488)	$ 42,947
Bogoso Sulfide	57,562	(39,862)	17,700	56,541	(37,101)	19,440
Mampon	15,995		15,995	15,995		15,995
Wassa / HBB	313,936	(166,219)	147,717	303,379	(147,558)	155,821
Other	19,235	(2,330)	16,905	18,747	(2,330)	16,417
Total	$ 516,719	$ (266,584)	$ 250,135	$ 494,097	$ (243,477)	$ 250,620

There was no interest capitalized in new additions to mining properties in the periods shown above.

10. ASSET RETIREMENT OBLIGATIONS

At the end of each period, Asset Retirement Obligations (ARO) are equal to the present value of all estimated future costs required to remediate any environmental disturbances that exist as of the end of the period, using discount rates applicable at the time of initial recognition of each component of the liability. Included in this liability are the costs of closure, reclamation, demolition and stabilization of the mines, processing plants, infrastructure, tailings storage facilities, waste dumps and ongoing post-closure environmental monitoring and maintenance costs. While the majority of these costs will be incurred near the end of the mines lives, it is expected that certain on-going reclamation costs will be incurred prior to mine closure. These costs are recorded against the asset retirement obligation liability as incurred. At June 30, 2011, and December 31, 2010, the total undiscounted amount of the estimated future cash needs was estimated to be $76.2 million and $84.3 million, respectively. Discount rates used to value the ARO range between 8% and 10%. The schedule of payments required to settle the June 30, 2011, ARO liability extends through 2029.

The changes in the carrying amount of the ARO during the six months ended June 30, 2011 and 2010 are as follows:

	For the six months ended June 30	
	2011	2010
Beginning balance	$ 44,952	$ 31,969
Accretion expense	3,116	1,201
Additions and change in estimates	3,748	
Cost of reclamation work performed	(11,828)	(3,599)
Balance at June 30	$ 39,988	$ 29,571
Current portion	$ 15,459	$ 7,520
Long term portion	$ 24,529	$ 22,051

11. DEBT

	As of	
	June 30 2011	**December 31 2010**
Current debt:		
Equipment financing credit facility	$ 6,784	$ 7,189
Capital lease	1,529	2,825
Revolving credit facility		
Total current debt	$ 8,313	$ 10,014
Long term debt:		
Equipment financing credit facility	8,359	8,525
Convertible debentures	123,062	147,353
Total long term debt	$ 131,421	$ 155,878

EQUIPMENT FINANCING CREDIT FACILITY

GSBPL and GSWL maintain a $40 million equipment financing facility with Caterpillar Financial Services Corporation, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit for new and used mining equipment. Amounts drawn under this facility are repayable over five years for new equipment and over two years for used equipment. The interest rate for each draw-down is fixed at the date of the draw-down using the Federal Reserve Bank 2-year or 5-year swap rate or London Interbank Offered Rate (LIBOR) plus 2.38%. At June 30, 2011, approximately $24.8 million was available to draw down. The average interest rate on the outstanding loans was approximately 7.1% at June 30, 2011. Each outstanding equipment loan is secured by the title of the specific equipment purchased with the loan until the loan has been repaid in full.

CAPITAL LEASE

In February 2010, GSBPL accepted delivery of a nominal 20 megawatt power plant. Upon acceptance, a $4.9 million liability was recognized which, at the time, was equal to the present value of future lease payments. The life of the lease is two years from the plant s February 2010 in-service date. We are required to pay the owner/operator a minimum of $0.3 million per month on the lease, of which $0.23 million will be allocated to principal and interest on the recognized liability and the remainder of the monthly payments will be charged as operating costs.

CONVERTIBLE DEBENTURES

Interest on the $125 million aggregate principal amount of 4.0% convertible senior unsecured debentures due November 30, 2012, (the Debentures) is payable semi-annually in arrears on May 31 and November 30 of each year. The Debentures are, subject to certain limitations, convertible into common shares at a conversion rate of 200 shares per $1,000 principal amount of the Debentures (equal to a conversion price of $5.00 per share) subject to adjustment under certain circumstances. The Debentures are not redeemable at our option. On maturity, we may, at our option, satisfy our repayment obligation by paying the principal amount of the Debentures in cash or, subject to certain limitations, by issuing that number of our common shares obtained by dividing the principal amount of the Debentures outstanding by 95% of the weighted average trading price of our common shares on the NYSE Amex stock exchange for the 20 consecutive trading days ending five trading days preceding the maturity date (the Market Price).

Upon the occurrence of certain change in control transactions, the holders of the Debentures may require us to purchase the Debentures for cash at a price equal to 101% of the principal amount plus accrued and unpaid interest. If 10% or more of the fair market value of any such change in control consideration consists of cash, the holders may convert their Debentures and receive a number of additional common shares, determined as set forth in the Indenture.

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

See Note 4 Financial Liabilities and Note 5 Derivative Gains and Losses for additional information on the fair value of these convertible debentures.

REVOLVING CREDIT FACILITY

We have a revolving credit facility agreement (the Facility Agreement) with Standard Chartered Bank which extends through September 30, 2012. The Facility currently provides us with $40.5 million of borrowing capacity and bears interest at the higher of LIBOR or the applicable lenders cost of funds rate (which is capped at 1.25% per annum above LIBOR), plus a margin of 5% per annum. As of June 30, 2011, the outstanding balance was nil. The amount available under the Facility will be reduced, as scheduled in the agreement, by $9.0 million on December 31, 2011. Covenants require that we meet certain financial ratios at the end of each quarter, including that in excess of 90% of our assets are retained within a group of subsidiaries whose common shares are pledged as collateral for amounts drawn under the revolving credit facility. We were in compliance with all covenants at June 30, 2011 and December 31, 2010.

12. INCOME TAXES

The provision for income taxes includes the following components:

	For the three months ended June 30		For the six months ended June 30	
	2011	**2010**	**2011**	**2010**
Current expense				
Canada	$	$	$	$
Foreign	(686)	(470)	(1,684)	(988)
Future expense				
Canada				