GOLDEN STAR RESOURCES LTD
Form 10-K
February 23, 2012

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year ended December 31, 2011
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
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	NYSE Amex

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
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 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act). (Check one):

Large accelerated filer:	o	Accelerated filer:	x

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was approximately $486.8 million as of June 30, 2011, based on the closing price of the shares on the NYSE Amex as of that date of $ 2.20 per share.

Number of Common Shares outstanding as at February 22, 2012: 258,674,486

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 2012 Annual Meeting of Shareholders are incorporated by reference to Part III of this Annual Report on Form 10-K.

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").

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

NON-GAAP FINANCIAL MEASURES

In this Form 10-K, 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 7 of Management's Discussion and Analysis of Financial Condition and Results of Operations for a definition of these measures as used in this Form 10-K.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Form 10-K 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," "will," and sir 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 Annual Report on Form 10-K.

These statements include comments regarding: anticipated attainment of gold production rates; cash operating costs generally; gold sales; gold recovery rates; ore processing; permitting; geological, environmental, community and engineering studies; receipt of environmental management plan approvals by the Ghana Environmental Protection Agency ("EPA"); changes in the tax regime in Ghana; exploration efforts, activities and costs; ore grades; our anticipated investing and exploration spending during 2012; identification of acquisition and growth opportunities; our expectations regarding Pampe oxide ore, the Bogoso tailings and the Bogoso oxide plant; completion of mining at Benso and anticipated increases in mining at Hwini-Butre and Wassa thereafter; retention of earnings from our operations; production and cash operating cost estimates for 2012; expected operational cash flow during 2012; our objectives for 2012; expected debt payments during 2012; and sources of and adequacy of liquidity to meet capital and other needs in 2012 and beyond.

The following, in addition to the factors described under "Risk Factors" in Item 1A of this annual report on 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;

2

•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, such as those proposed in Ghana;
•unanticipated title issues;
•competitive factors, including competition for property acquisitions;
•possible litigation;
•availability of capital on reasonable terms or at all;
• potential losses from future hedging activities, and
•additional risk due to increased use of mining contractors.

These factors are not intended to represent a complete list of the general or specific factors that could affect us. Many of these factors are beyond our ability to control or predict. Although we believe the expectations reflected in our forward looking statements are based on reasonable assumptions, such expectations may prove to be materially incorrect due to known and unknown risks and uncertainties. You should not unduly rely on any of our forward-looking statements. These statements speak only as of the date of this annual report on Form 10-K. Except as required by law, we undertake no obligation to update any of these forward-looking statements to reflect future events or developments.

CONVERSION FACTORS AND ABBREVIATIONS

All units in this report are stated in metric measurements unless otherwise noted.

For ease of reference, the following conversion factors are provided:

1 acre	= 0.4047 hectare	1 mile	= 1.6093 kilometers
1 foot	= 0.3048 meter	1 troy ounce	= 31.1035 grams
1 gram per metric tonne	= 0.0292 troy ounce/short ton	1 square mile	= 2.59 square kilometers
1 short ton (2000 pounds)	= 0.9072 tonne	1 square kilometer	= 100 hectares
1 tonne	= 1,000 kg or 2,204.6 lbs	1 kilogram	= 2.204 pounds or 32.151 troy oz
1 hectare	= 10,000 square meters	1 hectare	= 2.471 acres

The following abbreviations may be used herein:

m	= meter	T or t	= tonne
g	= gram	oz	= troy ounce
g/t	= grams per tonne	km^2	= square kilometers
ha	= hectare	kg	= kilogram
km	= kilometer		

GLOSSARY OF TERMS

We report our Mineral Reserves to two separate standards to meet the requirements for reporting in both Canada and the United States. Canadian reporting requirements for disclosure of mineral properties are governed by National Instrument 43-101 (“NI 43-101”). The definitions in NI 43-101 are adopted from those given by the Canadian Institute of Mining, Metallurgy and Petroleum. U.S. reporting requirements for disclosure of mineral properties are governed by the SEC Industry Guide 7. These reporting standards have similar goals in terms of conveying an appropriate level of confidence in the disclosures being reported, but embody differing approaches and definitions.

We estimate and report our Mineral Resources and Mineral Reserves according to the definitions set forth in NI 43-101 and modify them as appropriate to conform to SEC Industry Guide 7 for reporting in the U.S. The definitions for each reporting standard are presented below with supplementary explanation and descriptions of the similarities and differences.

NI 43-101 DEFINITIONS	
Mineral Reserve	The term “Mineral Reserve” refers to the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. The study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.
Proven Mineral Reserve	The term “Proven Mineral Reserve” refers to the economically mineable part of a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.
Probable Mineral Reserve	The term “Probable Mineral Reserve” refers to the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.
Mineral Resource	The term “Mineral Resource” refers to a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.
Measured Mineral Resource	The term “Measured Mineral Resource” refers to that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
Indicated Mineral Resource	The term “Indicated Mineral Resource” refers to that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
Inferred Mineral Resource	

	The term “Inferred Mineral Resource” refers to that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
Qualified Person [1]	The term “Qualified Person” refers to an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these, has experience relevant to the subject matter of the mineral project and the technical report and is a member in good standing of a professional association.

SEC INDUSTRY GUIDE 7 DEFINITIONS

Reserve	The term “Reserve” refers to that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves must be supported by a feasibility study[2] done to bankable standards that demonstrates the economic extraction. (“bankable standards” implies that the confidence attached to the costs and achievements developed in the study is sufficient for the project to be eligible for external debt financing.) A reserve includes adjustments to the in-situ tonnes and grade to include diluting materials and allowances for losses that might occur when the material is mined.
Proven Reserve	The term “Proven Reserve” refers to reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape depth and mineral content of reserves are well-established.
Probable Reserve	The term “Probable Reserve” refers to reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.
Mineralized Material [3]	The term “Mineralized Material” refers to material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.
Non-Reserves	The term “Non-Reserves” refers to mineralized material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.
Exploration Stage	An “Exploration Stage” prospect is one which is not in either the development or production stage.
Development Stage	A “Development Stage” project is one which is undergoing preparation of an established commercially mineable deposit for its extraction but which is not yet in production. This stage occurs after completion of a feasibility study.
Production Stage	A “Production Stage” project is actively engaged in the process of extraction and beneficiation of Mineral Reserves to produce a marketable metal or mineral product.

(1) Industry Guide 7 does not require designation of a qualified person.

(2) For Industry Guide 7 purposes the feasibility study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

(3) This category is substantially equivalent to the combined categories of Measured Mineral Resource and Indicated Mineral Resource specified in NI 43-101.

ADDITIONAL DEFINITIONS

assay- a measure of the valuable mineral content

bio-oxidation- a processing method that uses bacteria to oxidize refractory sulfide ore to make it amenable to normal oxide ore processing techniques such as carbon-in-leach

Birimian- a thick and extensive sequence of Proterozoic age metamorphosed sediments and volcanics first identified in the Birim region of southern Ghana

CIL or carbon-in-leach- an ore processing method involving the use of cyanide where activated carbon, which has been added to the leach tanks, is used to absorb gold as it is leached by cyanide

craton- a stable relatively immobile area of the earth's crust

cut-off grade- when determining economically viable Mineral Reserves, the lowest grade of mineralized material that qualifies as ore, i.e. that can be mined and processed at a profit

cyanidation- the process of introducing cyanide to ore to recover gold

diamond drilling- rotary drilling using diamond-set or diamond-impregnated bits, to produce a solid continuous core of rock sample
dip- the angle that a structural surface, a bedding or fault plane, makes with the horizontal, measured perpendicular to the strike of the structure
doré- unrefined gold bullion bars containing various impurities such as silver, copper and mercury, which will be further refined to near pure gold
fault- a surface or zone of rock fracture along which there has been displacement
feasibility study- a comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production
formation- a distinct layer of sedimentary rock of similar composition
geochemical- the distribution and amounts of the chemical elements in minerals, ores, rocks, solids, water, and the atmosphere
geophysical- the mechanical, electrical, gravitational and magnetic properties of the earth's crust
geophysical surveys- a survey method used primarily in the mining industry as an exploration tool, applying the methods of physics and engineering to the earth's surface
grade- quantity of metal per unit weight of host rock
greenstone- a sequence of usually metamorphosed volcanic-sedimentary rock assemblages
heap leach- a mineral processing method involving the crushing and stacking of an ore on an impermeable liner upon which solutions are sprayed to dissolve metals i.e. gold, copper etc.; the solutions containing the metals are then collected and treated to recover the metals
host rock- the rock in which a mineral or an ore body may be contained
hydrothermal- the products of the actions of heated water, such as a mineral deposit precipitated from a hot solution
in-situ- in its natural position
life-of-mine- a term commonly used to refer to the likely term of a mining operation and normally determined by dividing the tonnes of Mineral Reserve by the annual rate of mining and processing
mineral- a naturally occurring inorganic crystalline material having a definite chemical composition
mineralization- a natural accumulation or concentration in rocks or soil of one or more potentially economic minerals, also the process by which minerals are introduced or concentrated in a rock
National Instrument 43-101 or NI 43-101- standards of disclosure for mineral projects prescribed by the Canadian Securities Administration
non-refractory- ore containing gold that can be satisfactorily recovered by basic gravity concentration or simple cyanidation

open pit- surface mining in which the ore is extracted from a pit or quarry, the geometry of the pit may vary with the characteristics of the ore body
ore- mineral bearing rock that can be mined and treated profitably under current or immediately foreseeable economic conditions
ore body- a mostly solid and fairly continuous mass of mineralization estimated to be economically mineable
ore grade- the average weight of the valuable metal or mineral contained in a specific weight of ore i.e. grams per tonne of ore
oxide- gold bearing ore which results from the oxidation of near surface sulfide ore
Precambrian- period of geologic time, prior to 700 million years ago

preliminary assessment- a study that includes an economic analysis of the potential viability of Mineral Resources taken at an early stage of the project prior to the completion of a preliminary feasibility study
preliminary feasibility study and pre-feasibility study- each mean a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve
Proterozoic- the more recent time division of the Precambrian; rocks aged between 2,500 million and 550 million years old
put- a financial instrument that provides the right, but not the obligation, to sell a specified number of ounces of gold at a specified price
QA/QC- Quality Assurance/Quality Control is the process of controlling and assuring data quality for assays and other exploration and mining data
RC (reverse circulation) drilling- a drilling method using a tri-cone bit, during which rock cuttings are pushed from the bottom of the drill hole to the surface through an outer tube, by liquid and/or air pressure moving through an inner tube
refractory- ore containing gold that cannot be satisfactorily recovered by basic gravity concentration or simple cyanidation
resettlement- the relocation or resettlement of a community or part of a community
rock- indurated naturally occurring mineral matter of various compositions
sampling and analytical variance/precision- an estimate of the total error induced by sampling, sample preparation and analysis
shield- a large area of exposed basement rocks often surrounded by younger rocks, e.g. Guiana Shield
strike- the direction or trend that a structural surface, e.g. a bedding or fault plane, takes as it intersects the horizontal
strip- to remove overburden in order to expose ore
sulfide- a mineral including sulfur (S) and iron (Fe) as well as other elements; metallic sulfur-bearing mineral often associated with gold mineralization
tailings- fine ground wet waste material produced from ore after economically recoverable metals or minerals have been extracted
Tarkwaian- a group of sedimentary rocks of Proterozoic age named after the town of Tarkwa in southern Ghana where they were found to be gold bearing
tectonic- relating to the forces that produce movement and deformation of the Earth's crust
transition ore- is an ore zone lying between the oxide ore and the sulfide ore; ore material that is partially weathered and oxidized
vein- a thin, sheet-like crosscutting body of hydrothermal mineralization, principally quartz
VTEM- a proprietary airborne geophysical survey systems that identifies electrical conductivity of rock units

ITEM 1. BUSINESS

OVERVIEW OF GOLDEN STAR

We are a Canadian federally-incorporated, international gold mining and exploration company producing gold in Ghana, West Africa. We also conduct gold exploration in other countries in West Africa and in South America. Golden Star Resources Ltd. was established under the Canada Business Corporations Act on May 15, 1992. Our principal office is located at 10901 West Toller Drive, Suite 300, Littleton, Colorado 80127, and our registered and records offices are located at 333 Bay Street, Bay Adelaide Centre, Box 20, Toronto, Ontario M5H 2T6.

We own controlling interests in several gold properties in southwest Ghana:

- Through a 90% owned subsidiary, Golden Star (Bogoso/Prestea) Limited (“GSBPL”), we own and operate the Bogoso/Prestea gold mining and processing operations (“Bogoso/Prestea”) located near the town of Bogoso, Ghana. GSBPL operates a gold ore processing facility at Bogoso/Prestea with a capacity of up to 3.5 million tonnes of ore per annum, which uses bio-oxidation technology to treat refractory sulfide ore (“Bogoso sulfide plant”). In addition, GSBPL has a carbon-in-leach (“CIL”) processing facility located next to the sulfide plant, which is suitable for treating oxide gold ores (“Bogoso oxide plant”) at a rate up to 1.5 million tonnes per annum. Bogoso/Prestea produced and sold 140,504 ounces of gold in 2011 and 170,973 ounces of gold in 2010.
- Through another 90% owned subsidiary, Golden Star (Wassa) Limited (“GSWL”), we own and operate the Wassa open-pit gold mine and carbon-in-leach processing plant (“Wassa”), located approximately 35 km east of Bogoso/Prestea. The design capacity of the carbon-in-leach processing plant at Wassa (“Wassa processing plant”) is nominally 3.0 million tonnes per annum but varies depending on the ratio of hard to soft ore. GSWL also owns the Hwini-Butre and Benso concessions (“HBB”) in southwest Ghana. Ore from the HBB mines is sent to Wassa for processing. The Hwini-Butre and Benso concessions are located approximately 80 km and 50 km, respectively, south of Wassa along the Company's dedicated haul road. Wassa/HBB produced and sold 160,616 ounces of gold in 2011 and 183,931ounces of gold in 2010.

We also hold interests in several gold exploration projects in Ghana and elsewhere in West Africa including Sierra Leone, Niger and Côte d'Ivoire, and in South America we hold and manage exploration properties in Brazil.

All our operations, with the exception of certain exploration projects, transact business in U.S. dollars and keep financial records in U.S. dollars. Our accounting records are kept in accordance with U.S. GAAP. Our fiscal year ends December 31. We are a reporting issuer or the equivalent in all provinces of Canada, in Ghana and in the United States and file disclosure documents with securities regulatory authorities in Canada and Ghana and with the United States Securities and Exchange Commission.

GOLD SALES AND PRODUCTION

Ghana has been a significant gold producing country for over 100 years with the Obuasi mine and our inactive underground mine at Prestea historically being the two major producers. Several other areas in Ghana have also produced large amounts of gold. Ghana produced approximately 3.3 million ounces of gold in 2011.

Currently, all our gold production is shipped to a South African gold refinery in accordance with a long-term gold sales contract. Our gold is sold in the form of doré bars that average approximately 90% gold by weight with the remaining portion being silver and other metals. The sales price is based on the London P.M. fix on the day of shipment to the refinery.

GOLD PRICE HISTORY

The price of gold is volatile and is affected by numerous factors all of which are beyond our control such as the sale or purchase of gold by various central banks and financial institutions, inflation, recession, fluctuation in the relative values of the U.S. dollar and foreign currencies, changes in global and regional gold demand, and the political and economic conditions of major gold-producing countries throughout the world.

The following table presents the high, low and average London P.M. fixed prices for gold per ounce on the London Bullion Market over the past ten years.

Year	High	Low	Average	Average Price Received by Golden Star
2001	293	256	271	271
2002	349	278	310	311
2003	416	320	363	364
2004	454	375	410	410
2005	537	411	445	446
2006	725	525	603	607
2007	841	608	695	713
2008	1,011	713	872	870
2009	1,213	810	972	978

2010	1,421	1,058	1,225	1,219
2011	1,895	1,319	1,572	1,565
February 22, 2012				1,684

The following diagram depicts the organizational structure of Golden Star and its significant subsidiaries:

BUSINESS STRATEGY AND DEVELOPMENT

Our business and development strategy is focused primarily on the acquisition of producing and development-stage gold properties in Ghana and on the exploration, development and operation of these properties. We also pursue gold exploration activities in South America and other countries in West Africa.

We acquired the Bogoso property and began operating its mines and CIL processing facility in 1999. In 2001, we acquired the Prestea property located adjacent to the Bogoso property. In late 2002, we acquired Wassa and constructed the Wassa processing plant, which began commercial operation in April 2005. In July 2007, we completed construction and development of the Bogoso sulfide plant. In late 2005, we acquired the HBB properties consisting of the Benso and Hwini-Butre properties. Benso began sending ore to the Wassa processing plant in 2008, and in 2009, following its development phase, Hwini-Butre began sending ore to the Wassa processing plant.

Our overall objective is to continue the growth of our mining business to become a mid-tier gold producer. We continue to evaluate potential acquisition and merger opportunities that could further increase our annual gold production. However, we presently have no agreement or understanding with respect to any specific potential transaction.

In addition to our gold mining and development activities, we actively explore for gold in West Africa and South America, investing approximately $20 million on such activities during 2010 and approximately $24.4 million in 2011. We are conducting regional reconnaissance projects in Ghana, Cote d'Ivoire and Brazil, and have drilled more advanced targets in Ghana, Niger and Sierra Leone. See Item 2 - “Description of Properties” in this Annual Report on Form 10-K for the year ended December 31, 2011, for additional details on our assets.

GOLD PRODUCTION AND UNIT COSTS

The following table shows historical and projected gold production and cash operating costs.

Production and Cost Per Ounce(1)	2009	2010	2011	2012 Projected
BOGOSO/PRESTEA				
Gold Sales (thousands of ounces)	186.1	171.0	140.5	210 - 225
Cash Operating Cost ($/oz)	705	863	1,284	1,100 - 1,180
WASSA/HBB				
Gold Sales (thousands of ounces)	223.8	183.9	160.6	140 - 145
Cash Operating Cost ($/oz)	447	677	868	950 - 985
CONSOLIDATED				
Consolidated Total Sales (thousands of ounces)	409.9	354.8	301.1	350 - 370
Consolidated Cash Operating Cost ($/oz)	564	766	1,062	1,040 - 1,100

(1) See “Management's Discussion and Analysis of Financial Condition and Results of Operations” for the definition of cash operating cost per ounce.

MINERAL RESERVES

Our Proven and Probable Mineral Reserves are estimated in conformance with definitions set out in NI 43-101. We have filed Technical Reports regarding the initial disclosure of Mineral Reserves and Mineral Resources for Bogoso/Prestea and Wassa/HBB as required by NI 43-101. The Proven and Probable Mineral Reserves are those ore tonnages contained within economically optimized pits, configured using current and predicted mining and processing methods and related operating costs and performance parameters. We believe that our Mineral Reserves are estimated on a basis consistent with the definition of proven and probable reserves prescribed for use in the U.S. by the U.S. Securities and Exchange Commission and set forth in SEC Industry Guide 7. See our “Glossary of Terms.”

In estimating Mineral Reserves, we first design an economically optimized pit based on all operating costs, including the costs to mine. Since all material lying within the optimized pit will be mined, the cut-off grade used in determining our Mineral Reserves is estimated based on the material that, having been mined, is economic to transport and process without regard to primary mining costs (i.e. mining costs that were appropriately applied at the economic optimization stage).

The QA/QC controls program used in connection with the estimation of our Mineral Reserves consists of regular insertion and analysis of blanks and standards to monitor laboratory performance. Blanks are used to check for contamination. Standards are used to check for grade-dependence biases.

The following table summarizes our estimated Proven and Probable Mineral Reserves as of December 31, 2011, and December 31, 2010:

PROVEN AND PROBABLE MINERAL RESERVES

	As at December 31, 2011			As at December 31, 2010		
Property Mineral Reserve Category	Tonnes (millions)	Gold Grade (g/t)	Ounces (millions)	Tonnes (millions)	Gold Grade (g/t)	Ounces (millions)
Bogoso/Prestea [1]						
Proven Mineral Reserves						
Non-refractory	1.3	1.64	0.07	1.3	1.58	0.06
Refractory	8.3	2.72	0.73	12.0	2.79	1.07
Total Proven	9.6	2.57	0.80	13.2	2.67	1.14
Probable Mineral Reserves						
Non-refractory	6.9	2.31	0.51	7.0	2.31	0.52
Refractory	24.2	2.60	2.02	26.9	2.45	2.13
Total Probable	31.1	2.54	2.54	34.0	2.42	2.65
Total Proven and Probable						
Non-refractory	8.2	2.21	0.58	8.3	2.20	0.59
Refractory	32.6	2.63	2.75	38.9	2.56	3.20
Total Bogoso/Prestea Proven and Probable	40.8	2.55	3.34	47.2	2.49	3.78
Wassa [2]						
Proven Mineral Reserves						
Non-refractory	0.6	1.27	0.03	0.6	1.14	0.02
Probable Mineral Reserves						
Non-refractory	17.4	1.38	0.77	17.5	1.44	0.81
Total Wassa Proven & Probable	18.1	1.38	0.80	18.1	1.43	0.83
Totals						
Proven Mineral Reserves						
Non-refractory	1.9	1.52	0.10	1.9	1.43	0.09
Refractory	8.3	2.72	0.73	12.0	2.79	1.07
Total Proven	10.3	2.49	0.82	13.9	2.60	1.16
Probable Mineral Reserves						
Non-refractory	24.3	1.65	1.29	24.5	1.69	1.33
Refractory	24.2	2.60	2.02	26.9	2.45	2.13
Total Probable	48.5	2.12	3.31	51.5	2.09	3.46
Total Proven and Probable						
Non-refractory	26.3	1.64	1.38	26.4	1.67	1.42
Refractory	32.6	2.63	2.75	38.9	2.56	3.20
Total Proven and Probable [8]	58.8	2.19	4.14	65.3	2.20	4.62

Notes to the Mineral Reserve Statement:

(1) The stated Mineral Reserve for Bogoso/Prestea includes Prestea South, Pampe and Mampon.

(2) The stated Mineral Reserve for Wassa includes Hwini-Butre.

The stated Mineral Reserves have been prepared in accordance with Canada's National Instrument 43-101 Standards of Disclosure for Mineral Projects and are classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum's “CIM Definition Standards - For Mineral Resources and Mineral Reserves”.

(3) Mineral Reserves are equivalent to “proven” and “probable reserves” as defined by the SEC Industry Guide 7. Mineral Reserve estimates reflect the Company's reasonable expectation that all necessary permits and approvals will be obtained and maintained. Mining dilution and mining recovery vary by deposit and have been applied in estimating the Mineral Reserves.

(4) The 2011 Mineral Reserves were prepared under the supervision of Dr. Martin Raffield, Senior Vice President of Technical Services for the Company. Dr. Raffield is a "Qualified Person" as defined by Canada's National

Instrument 43-101. The 2010 Mineral Reserves were prepared under the supervision of Mr. Karl Smith, Vice President Technical Services for the Company. Mr. Smith is a “Qualified Person” as defined by Canada's National Instrument 43-101.

(5) The Mineral Reserves at December 31, 2011, were estimated using a gold price of $1,250 per ounce, which is

approximately equal to the three-year average gold price. At December 31, 2010, Mineral Reserves were estimated using a gold price of $1,025 per ounce.

(6) The terms “non-refractory” and “refractory” refer to the metallurgical characteristics of the ore and are defined in the Glossary of Terms. We plan to process the refractory ore in our sulfide bio-oxidation plant at Bogoso and to process the non-refractory ore using our more traditional gravity, flotation and/or cyanidation techniques.

(7) The slope angles of all pit designs are based on geotechnical criteria as established by external consultants. The size and shape of the pit designs are guided by consideration of the results from a pit optimization program which incorporates historical and projected operating costs at Bogoso/Prestea, Wassa and Hwini-Butre. Metallurgical recoveries are based on historical performance or estimated from test work and typically range from 80% to 95% for non-refractory ores and from 70% to 85% for refractory ores. A government royalty of 5% of gold revenues is allowed as are other applicable royalties.

(8) Numbers may not add due to rounding.

STOCKPILED ORES

Stockpiled ores are included in the Mineral Reserves for both Bogoso/Prestea and Wassa. Details of the Proven and Probable stockpiles included in the Mineral Reserves at year-end 2011 and 2010 are summarized in the table below.

PROVEN AND PROBABLE STOCKPILES INCLUDED IN MINERAL RESERVES

	As at December 31, 2011			As at December 31, 2010		
Property Mineral Reserve Category	Tonnes (millions)	Gold Grade (g/t)	Ounces (millions)	Tonnes (millions)	Gold Grade (g/t)	Ounces (millions)
Bogoso/Prestea						
Proven Stockpiles						
Non-refractory	0.2	2.24	0.01	—	—	—
Refractory	0.5	2.19	0.03	—	—	—
Total Proven Stockpiles	0.6	2.21	0.04	—	—	—
Probable Stockpiles						
Non-refractory	—	—	—	—	—	—
Refractory	—	—	—	0.2	2.31	0.02
Total Probable Stockpiles				0.2	2.31	0.02
Total Proven and Probable						
Non-refractory	0.2	2.24	0.01	0.0	2.56	0.00
Refractory	0.5	2.19	0.03	0.2	2.30	0.02
Total Bogoso/Prestea Proven and Probable	0.6	2.21	0.04	0.3	2.33	0.02
Wassa						
Proven Stockpiles						
Non-refractory	0.5	1.30	0.02	0.3	0.78	0.01
Probable Stockpiles						
Non-refractory	1.5	0.56	0.03	2.6	0.52	0.04
Total Wassa Proven & Probable Stockpiles	2.0	0.75	0.05	2.8	0.55	0.05
Totals						
Proven Stockpiles						
Non-refractory	0.7	1.53	0.03	0.3	0.98	0.01
Refractory	0.5	2.19	0.03	0.0	2.10	0.00
Total Proven Stockpiles	1.2	1.79	0.07	0.3	1.03	0.01
Probable Stockpiles						
Non-refractory	1.5	0.56	0.03	2.6	0.52	0.04
Refractory	—	—	—	0.2	2.31	0.02
Total Probable Stockpiles	1.5	0.56	0.03	2.8	0.67	0.06
Total Proven and Probable Stockpiles						
Non-refractory	2.2	0.86	0.06	2.9	0.57	0.06
Refractory	0.5	2.19	0.03	0.2	2.30	0.02
Total Proven and Probable Stockpiles	2.7	1.09	0.09	3.1	0.70	0.07

RECONCILIATION OF MINERAL RESERVES AS SHOWN UNDER NI 43-101 AND UNDER SEC INDUSTRY GUIDE 7

Since we report our Mineral Reserves to both NI 43-101 and SEC Industry Guide 7 standards, it is possible for our Mineral Reserve figures to vary between the two. Where such a variance occurs it will arise from the differing requirements for reporting Mineral Reserves. For example, NI 43-101 has a minimum requirement that Mineral Reserves be supported by a pre-feasibility study, whereas SEC Industry Guide 7 requires support from a detailed feasibility study that demonstrates that economic extraction is justified.

For the Mineral Reserves at December 31, 2011, and 2010, there is no difference between the Mineral Reserves as disclosed under NI 43-101 and those disclosed under SEC Industry Guide 7, and therefore no reconciliation is provided.

RECONCILIATION OF PROVEN AND PROBABLE MINERAL RESERVES-DECEMBER 31, 2010 TO DECEMBER 31, 2011

	Tonnes (millions)	Contained Ounces (millions)	Tonnes (% of Opening)	Ounces (% of Opening)
Mineral Reserves at December 31, 2010 [5]	65.3	4.62	100	100
Gold Price Increase [1 and 6]	4.4	0.09	7	2
Exploration Changes [2 and 7]	4.3	0.27	7	6
Mining Depletion [3]	(5.3)	(0.38)	(8)	(8)
Engineering [4]	(9.9)	(0.46)	(15)	(10)
Mineral Reserves at December 31, 2011 [5]	58.8	4.14	90	90

Notes to the reconciliation of Mineral Reserves:

(1) Gold price increase represents changes resulting from an increase in gold price used in the Mineral Reserve estimates from $1,025 per ounce in 2010 to $1,250 per ounce in 2011.

(2) Exploration changes include changes due to geological modeling, data interpretation and resource block modeling methodology as well as exploration discovery of new mineralization.

(3) Mining depletion represents the 2010 Mineral Reserve within the volume mined in 2011 with adjustments to account for stockpile addition and depletions during 2011 and therefore does not correspond with 2011 actual gold production.

(4) Engineering includes changes as a result of engineering facts such as changes in operating costs, mining dilution and recovery assumptions, metallurgical recoveries, pit slope angles and other mine design and permitting considerations.

(5) Numbers may not add due to rounding.

(6) Pit design changes that are primarily due to a higher gold price are included here.

(7) Pit design changes that are primarily due to exploration discoveries are included here.

NON-RESERVES-MEASURED AND INDICATED MINERAL RESOURCES

Cautionary Note to U.S. Investors Concerning Estimates of Measured and Indicated Mineral Resources

This section uses the terms “Measured Mineral Resources” and “Indicated Mineral Resources.” We advise U.S. investors that while those terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission does not recognize them. US investors are cautioned not to assume that any part or all of the mineral deposits in these categories will ever be converted into Mineral Reserves.

Our Measured and Indicated Mineral Resources, which are reported in this Form 10-K, do not include that part of our Mineral Resources that have been converted to Proven and Probable Mineral Reserves as shown above, and have been estimated in compliance with definitions set out in NI 43-101. Golden Star Resources has filed Technical Reports regarding the initial disclosure of Mineral Reserves and Mineral Resources for Bogoso/Prestea, Wassa and the HBB properties as required by NI 43-101 regulations. See our “Glossary of Terms.”

Except as otherwise provided, the total Measured and Indicated Mineral Resources for all properties have been estimated at an economic cut-off grade based on a gold price of $1,500 per ounce for December 31, 2011, and $1,300 per ounce for December 31, 2010, and on economic parameters deemed realistic. The economic cut-off grades for Mineral Resources are lower than those for Mineral Reserves and are indicative of the fact that the Mineral Resource estimates include material that may become economic under more favorable conditions including increases in gold price.

The following table summarizes our estimated non-reserves-Measured and Indicated Mineral Resources as of December 31, 2011, as compared to the totals for December 31, 2010:

	Measured		Indicated		Measured & Indicated	
Property	Tonnes (millions)	Gold Grade (g/t)	Tonnes (millions)	Gold Grade (g/t)	Tonnes (millions)	Gold Grade (g/t)
Bogoso/Prestea [1]	5.0	1.82	13.4	1.99	18.4	1.94
Prestea Underground	—	—	1.6	12.63	1.6	12.63
Wassa	0.1	0.78	13.9	0.99	14.0	0.99
Benso	—	—	2.8	2.54	2.8	2.54
Chichiwelli Manso	—	—	1.4	1.69	1.4	1.69
Hwini-Butre	—	—	1.3	3.02	1.3	3.02
Father Brown Underground [8]	—	—	0.6	5.69	0.6	5.69
Buesichem Underground	—	—	1.2	3.73	1.2	3.73
Total 2011 [6]	5.1	1.81	36.2	2.27	41.2	2.21
Total 2010	8.6	1.93	46.4	2.00	54.9	1.99

Notes to Non-Reserves-Measured and Indicated Mineral Resources Table:

(1) The Mineral Resources for Bogoso/Prestea include Pampe and Mampon.

(2) The Mineral Resources were estimated in accordance with the definitions and requirements of Canada's National Instrument 43-101. The Mineral Resources are equivalent to Mineralized Material as defined by the SEC Industry Guide 7.

(3) The Mineral Resources were estimated using optimized pit shells at a gold price of $1,500 per ounce from which the Mineral Reserves have been subtracted. Other than gold price, the same optimized pit shell parameters and modifying factors used to determine the Mineral Reserves were used to determine the Mineral Resources. The Prestea Underground resource was estimated using a $1,500 per ounce gold price and operating cost estimates using a economic gold cut-off of 2.3 g/t. In 2010, we used a gold price of $1,300 per ounce for the optimized shell.

(4) The Mineral Resources are not included in and are in addition to the Mineral Reserves described above.

(5) The Qualified Person reviewing and validating the estimation of the Mineral Resources is S. Mitchel Wasel, Golden Star Resources Vice President of Exploration.

(6) Numbers may not add due to rounding.

(7) The Buesichem Underground resources have been estimated below the $1,500 pit shell down to the 4500M level using an economic gold cut-off of 2.8 g/t gold.

(8) The Father Brown Underground resource has been estimated below the $1,500 pit shell down to the 750 m elevation using an economic gold grade cut-off of 2.2 g/t.

(9) The 2010 totals include indicated resources of 2.7 million tonnes at a grade of 1.75 g/t at the Goulagou property in Burkina Faso. The 2011 totals exclude Goulagou's resources because the Goulagou property was sold in February 2012.

NON-RESERVES-INFERRED MINERAL RESOURCES

Cautionary Note to U.S. Investors Concerning Estimates of Inferred Mineral Resources

This section uses the term “Inferred Mineral Resources.” We advise U.S. investors that while this term is recognized and required by NI 43-101, the U.S. Securities and Exchange Commission does not recognize it. “Inferred Mineral Resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of Inferred Mineral Resources will ever be upgraded to a higher category. In accordance with Canadian rules, estimates of Inferred Mineral Resources cannot form the basis of feasibility or other economic studies. U.S. investors are cautioned not to assume that part or all of the Inferred Mineral Resource exists, or is economically or legally mineable.

Our Inferred Mineral Resources have been estimated in compliance with definitions defined by NI 43-101. Golden Star Resources has filed Technical Reports regarding the initial disclosure of Mineral Reserves and Mineral Resources for Bogoso/Prestea, Wassa and the HBB properties as required by NI 43-101. See our “Glossary of Terms.”

The total Inferred Mineral Resources for all of our open pit deposits are those ore tonnages contained within economically optimized pits, configured using current and predicted mining and processing methods and related operating costs and performance parameters. Except as otherwise indicated, the Inferred Mineral Resources for all properties have been estimated at economic cut-off grades based on gold prices of $1,500 per ounce and $1,300 per ounce as of December 31, 2011, and December 31, 2010, respectively, and economic parameters deemed realistic.

The following table summarizes estimated non-reserves - Inferred Mineral Resources as of December 31, 2011, as compared to the total for December 31, 2010:

Property	Tonnes (millions)	Gold Grade (g/t)
Bogoso/Prestea [1]	5.1	2.46
Prestea Underground	5.2	7.28
Wassa	0.1	2.03
Benso	0.2	2.61
Hwini-Butre	1.3	1.66
Chichiwelli Manso	0.0	1.98
Father Brown Underground [8]	0.5	5.23
Buesichem Underground	0.8	4.08
Total 2011	13.3	4.49
Total 2010	16.5	3.66

Notes to Non-Reserves-Inferred Mineral Resources Table

(1) The Inferred Mineral Resources for Bogoso/Prestea incorporates Pampe and Mampon.

(2) The Inferred Mineral Resources were estimated in accordance with the definitions and requirements of Canada's National Instrument 43-101. Inferred Mineral Resources are not recognized by the United States Securities and Exchange Commission.

(3) The Inferred Mineral Resources were estimated using an optimized pit shell at a gold price of $1,500 per ounce from which the Mineral Reserves have been subtracted. Other than gold price, the same optimized pit shell parameters and modifying factors used to determine the Mineral Reserves were used to determine the Mineral Resources. The Prestea Underground resource was estimated using a $1,500 per ounce gold price and operating cost estimates using an economic gold cut-off of 2.3 g/t.

(4) The Inferred Mineral Resources are not included in and are in addition to the Mineral Reserves described above.

(5) The Qualified Person reviewing and validating the estimation of the Inferred Mineral Resources is S. Mitchel Wasel, Golden Star Resources Vice President of Exploration.

(6) Numbers may not add due to rounding.

(7) The Buesichem Underground resource has been estimated below the $1,500 pit shell down to the 4500m elevation using an economic gold grade cut-off of 2.8 g/t.

(8) The Father Brown Underground resource has been estimated below the $1,500 pit shell down to the 750m elevation using an economic gold grade cut-off of 2.2 g/t.

(9) The 2010 totals include inferred resources of 0.5 million tonnes at a grade of 1.00 g/t at the Goulagou property in Burkina Faso. The 2011 totals exclude Goulagou's resources because the Goulagou property was sold in February 2012.

EMPLOYEES

As of December 31, 2011, Golden Star, including our majority-owned subsidiaries, had approximately 2,360 full time employees and approximately 190 contract employees, for a total of 2,550, a 2% increase from the approximately 2,120 full time and 370 contract employees at the end of 2010. The 2011 total includes 21 employees at our principal office in Littleton, Colorado and nine exploration personnel in South America.

CUSTOMERS

Currently all of our gold production is shipped to a South African gold refinery in accordance with a gold sales contract. The refinery arranges for sale of the gold on the day it is shipped from the mine site and we receive payment for gold sold two working days after the gold leaves the mine site. The global gold market is competitive with numerous banks and refineries willing to buy gold on short notice. Therefore, we believe that the loss of our current

customer would not materially delay or disrupt revenues.

COMPETITION

Our competitive position depends upon our ability to successfully and economically explore, acquire and develop new and existing gold properties. Factors that allow gold producers to remain competitive in the market over the long term include the quality and size of ore bodies, cost of operation, and the acquisition and retention of qualified employees. We compete with

other mining companies in the acquisition, exploration, financing and development of new mineral properties. Many of these companies are larger and better capitalized than we are. There is significant competition for a limited number of gold acquisition and exploration opportunities. We also compete with other mining companies for skilled mining engineers, mine and processing plant operators and mechanics, mining equipment, geologists, geophysicists and other experienced technical personnel.

SEASONALITY

All of our operations are in tropical climates that experience annual rainy seasons. Ore output from our surface mining operations can be reduced during wet periods. While mine plans anticipate periods of high rain fall each year, in the third and fourth quarters of 2011 unusually heavy rainfall disrupted operations at Wassa/HBB. Exploration activities are generally timed to avoid the rainy periods to ease transportation logistics associated with wet roads and swollen rivers.

AVAILABLE INFORMATION

We make available, free of charge, on or through our Internet website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our Internet address is www.gsr.com. Our Internet website and the information contained therein or connected thereto are not intended to be, and are not incorporated into this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

You should consider the following discussion of risks in addition to the other information contained in or included by reference in this Form 10-K. In addition to historical information, the information in this Form 10-K contains "forward-looking statements" about our future business and performance. Our actual operating results and financial performance may be very different from what we expect as of the date of this Form 10-K. The risks below address material factors that may affect our future operating results and financial performance.

General Risks

A substantial or prolonged decline in gold prices would have a material adverse effect on us.

The price of our common shares, our financial results and our exploration, development and mining activities have previously been, and would in the future be significantly adversely affected by a substantial or prolonged decline in the price of gold. The price of gold is volatile and is affected by numerous factors beyond our control such as the sale or purchase of gold by various central banks and financial institutions, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional demand, and the political and economic conditions of major gold-producing countries throughout the world. Any drop in the price of gold adversely impacts our revenues, profits and cash flows. In particular, a sustained low gold price could:

- cause suspension of our mining operations at Bogoso/Prestea and Wassa/HBB if these operations become uneconomic at the then-prevailing gold price, thus further reducing revenues;
- cause us to be unable to fulfill our obligations under agreements with our partners or under our permits and licenses which could cause us to lose our interests in, or be forced to sell, some of our properties;
- cause us to be unable to fulfill our debt payment obligations;
- halt or delay the development of new projects; and
- reduce funds available for exploration, with the result that depleted mineral reserves are not replaced.

Furthermore, the need to reassess the feasibility of any of our projects because of declining gold prices could cause substantial delays or could interrupt operations until a reassessment could be completed. Mineral reserve estimations and life-of-mine plans using significantly lower gold prices could result in reduced estimates of mineral reserves and non-reserve mineral resources and in material write-downs of our investment in mining properties and increased amortization, reclamation and closure charges.

We have incurred and may in the future incur substantial losses that could make financing our operations and business strategy more difficult and that may affect our ability to service our debts as they become due.

We had net losses of $2.5 million in 2011, $14.6 million in 2010, $8.9 million in 2009 and $69.2 million in 2008. In recent years increasing operating costs, lower ore grades from our mines and lower gold recovery rates have been the

primary factors

contributing to such losses. In the future, these factors, as well as declining gold prices, could cause us to continue to be unprofitable. Future operating losses could adversely affect our ability to raise additional capital if needed, and could materially and adversely affect our operating results and financial condition. In addition, continuing operating losses could affect our ability to meet our debt payment obligations.

Our obligations could strain our financial position and impede our business strategy.

We had total consolidated debt and liabilities as of December 31, 2011, of $289.4 million, including $17.8 million in equipment financing loans; $121.2 million ($125.0 million face value) pursuant to the convertible debentures; $92.1 million of current trade payables, accrued current and other liabilities; $24.2 million of current and future taxes; $0.2 million payable under capital leases and a $33.9 million accrual for environmental rehabilitation liabilities. Our indebtedness and other liabilities may increase as a result of general corporate activities. These liabilities could have important consequences, including the following:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, exploration costs and other general corporate requirements;
- requiring us to dedicate a significant portion of our cash flow from operations to make debt service payments, which would reduce our ability to fund working capital, capital expenditures, exploration and other general corporate requirements;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry; and
- placing us at a disadvantage when compared to our competitors that have less debt relative to their market capitalization.

Estimates of our Mineral Reserves and non-reserve Mineral Resources could be inaccurate, which could cause actual production and costs to differ from estimates.

There are numerous uncertainties inherent in estimating Proven and Probable Mineral Reserves and non-reserve Measured, Indicated and Inferred Mineral Resources, including many factors beyond our control. The accuracy of estimates of Mineral Reserves and non-reserves is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation, which could prove to be unreliable. These estimates of Mineral Reserves and non-reserves may not be accurate, and Mineral Reserves and non-reserves may not be able to be mined or processed profitably.

Fluctuation in gold prices, results of drilling, metallurgical testing, changes in operating costs, production, and the evaluation of mine plans subsequent to the date of any estimate could require revision of the estimates. The volume and grade of Mineral Reserves mined and processed and recovery rates might not be the same as currently anticipated. Any material reductions in estimates of our Mineral Reserves and non-reserves, or of our ability to extract these Mineral Reserves and non-reserves, could have a material adverse effect on our results of operations and financial condition.

We currently have only two sources of operational cash flows, which could be insufficient by themselves to fund our continuing exploration and development activities.

While we have received significant infusions of cash from sales of equity and debt securities in the past, our only current significant internal sources of funds are operational cash flows from Bogoso/Prestea and Wassa/HBB. The anticipated continuing exploration and development of our properties are expected to require significant expenditures over the next several years. Although we expect sufficient internal cash flow to cover all of these projects, such expenditures may exceed free cash flows generated by Bogoso/Prestea and Wassa/HBB in future years, and therefore, we may require additional external debt or equity financing. Our ability to raise significant new capital will be a function of macroeconomic conditions, future gold prices, our operational performance and our then current cash flow and debt position, among other factors. Global credit markets are currently facing unusual challenges as governments and banks react to the decline in economic activity in recent years. As a result, we may not be able to obtain adequate financing on acceptable terms or at all, which could cause us to delay or indefinitely postpone further exploration and development of our properties. Consequently, we could lose our interest in, or could be forced to sell, some of our properties.

We are subject to fluctuations in currency exchange rates, which could materially adversely affect our financial position.

Our revenues are in United States dollars, and we maintain most of our working capital in United States dollars or United States dollar-denominated securities. We convert our United States funds to foreign currencies as certain payment obligations become due. Accordingly, we are subject to fluctuations in the rates of currency exchange between the United States dollar and these foreign currencies, and these fluctuations could materially affect our financial position and results of operations. A significant portion of the operating costs at Bogoso/Prestea and Wassa/HBB is based on the Ghanaian currency, the Cedi. We

are required by the Government of Ghana to convert into Cedis 20% of the foreign exchange proceeds that we receive from selling gold, but the Government could require us to convert a higher percentage of gold sales proceeds into Cedis in the future. We obtain construction and other services and materials and supplies from providers in South Africa and other countries. The costs of goods and services could increase or decrease due to changes in the value of the United States dollar or the Cedi, the Euro, the South African Rand or other currencies. Consequently, operation and development of our properties could be more costly than anticipated.

Our hedging activities might be unsuccessful and incur losses.

In early 2011, we entered into a series of put and call contracts covering 152,000 ounces of our future gold production between February and December 2011. The contracts were spread evenly in each week over this period and were structured as cashless collars with a floor of $1,200 per ounce and a cap of $1,457 per ounce for approximately half of the contracts and a cap of $1,502 for the other half of the contracts. As of December 31, 2011, all of these positions had expired. While we may enter into additional hedging arrangements in the future, further hedging activities might not protect adequately against declines in the price of gold. In addition, although a hedging program could protect us from a decline in the price of gold, it might also prevent us from benefiting fully from price increases. For example, as part of a hedging program, we could be obligated to sell gold at a price lower than the then-current market price.

Risks inherent in acquisitions that we might undertake could adversely affect our current business and financial condition and our growth.

We plan to continue to pursue the acquisition of producing, development and advanced stage exploration properties and companies. The search for attractive acquisition opportunities and the completion of suitable transactions are time consuming and expensive, divert management attention from our existing business and may be unsuccessful. Success in our acquisition activities depends on our ability to complete acquisitions on acceptable terms and integrate the acquired operations successfully with our operations. Any acquisition would be accompanied by risks. For example, there may be a significant change in commodity prices after we have committed to complete a transaction and established the purchase price or exchange ratio, a material ore body may prove to be below expectations or the acquired business or assets may have unknown liabilities which may be significant. We may lose the services of our key employees or the key employees of any business we acquire or have difficulty integrating operations and personnel. The integration of an acquired business or assets may disrupt our ongoing business and our relationships with employees, suppliers and contractors. Any one or more of these factors or other risks could cause us not to realize the anticipated benefits of an acquisition of properties or companies, and could have a material adverse effect on our current business and financial condition and on our ability to grow.

We are subject to litigation risks.

All industries, including the mining industry, are subject to legal claims, with and without merit. As such, we are involved in various routine legal proceedings incidental to our business. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have a material effect on our future financial position and results of operations.

We are subject to a number of operational hazards that can delay production or result in liability to us.

Our activities are subject to a number of risks and hazards including:

- power shortages;
- mechanical and electrical equipment failures;
- parts availability;
- unexpected changes in ore grades;
- unexpected changes in ore chemistry and gold recoverability;
- environmental hazards;
- discharge of pollutants or hazardous chemicals;
- industrial accidents;
- labor disputes and shortages;
- supply and shipping problems and delays;
- shortage of equipment and contractor availability;

- unusual or unexpected geological or operating conditions;

- cave-ins of underground workings;
- slope failures and failure of pit walls or dams;
- fire;
- marine and transit damage and/or loss;
- changes in the regulatory environment, including in the area of climate change;
- delayed or restricted access to ore due to community interventions; and
- natural phenomena such as inclement weather conditions, floods, droughts and earthquakes.

These or other occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, delayed production, monetary losses and possible legal liability. Satisfying such liabilities could be very costly and could have a material adverse effect on our financial position and results of operations.

Our mining operations are subject to numerous environmental laws, regulations and permitting requirements and bonding requirements that can delay production and adversely affect operating and development costs.

Compliance with existing regulations governing the discharge of materials into the environment, or otherwise relating to environmental protection, in the jurisdictions where we have projects may have a material adverse effect on our exploration activities, results of operations and competitive position. New or expanded regulations, if adopted, could affect the exploration, development, or operation of our projects or otherwise have a material adverse effect on our operations.

Portions of our Wassa property, as well as some of our exploration properties in Ghana, including Dunkwa, are located within forest reserve areas. Although Dunkwa and Wassa have been identified by the Government of Ghana as eligible for mining permits, subject to normal procedures and a site inspection, permits for projects in forest reserve areas may not be issued in a timely fashion, or at all, and such permits may contain special requirements with which it is burdensome or uneconomic to comply.

Mining and processing gold from our future development projects in Ghana will require mining, environmental, and other permits and approvals from the Government of Ghana. The trend to longer lead times in obtaining environmental permits has reached a point where we are no longer able to accurately estimate permitting times for our planning purposes. The increases in permitting requirements could affect our environmental management activities including, but not limited to, tailings disposal facilities and water management projects at our mines.

Developing our pit at Dumasi will require us to implement a resettlement action plan and reach agreements both with the residents who live close to the pit and other stakeholders. These negotiations could be difficult or unsuccessful and may materially affect our ability to access these mineral reserves and mineral resources.

Due to an increased level of non-governmental organization activity targeting the mining industry in Ghana, the potential for the Government of Ghana to delay the issuance of permits or impose new requirements or conditions upon mining operations in Ghana may increase. Any changes in the Government of Ghana's policies, or their application, may be costly to comply with and may delay mining operations. The exact nature of other environmental control problems, if any, which we may encounter in the future, cannot be predicted primarily because of the changing character of environmental requirements that may be enacted within the various jurisdictions where we operate.

As a result of the foregoing risks, project expenditures, production quantities and rates and cash operating costs, among other things, could be materially and adversely affected and could differ materially from anticipated expenditures, production quantities and rates, and costs. In addition, estimated production dates could be delayed materially. Any such events could have a materially adverse effect on our business, financial condition, results of operations and cash flows.

The development and operation of our mining projects involve numerous uncertainties that could affect the feasibility or profitability of such projects.

Mine development projects, including our recent development at Benso and Hwini-Butre, typically require a number of years and significant expenditures during the development phase before production is possible.

Development projects are subject to the completion of successful feasibility studies and environmental and socioeconomic assessments, the issuance of necessary governmental permits and receipt of adequate financing. The economic feasibility of development projects is based on many factors such as:

- estimation of mineral reserves and mineral resources;
- mining rate, dilution and recovery;

- anticipated metallurgical characteristics of the ore and gold recovery rates;
- environmental and community considerations including resettlement, permitting and approvals;
- future gold prices;
- and
- anticipated capital and operating costs.

Estimates of proven and probable mineral reserves and operating costs developed in feasibility studies are based on reasonable assumptions including geologic and engineering analyses and may not prove to be accurate.

The management of mine development projects and the start up of new operations are complex. Completion of development and the commencement of production may be subject to delays, as occurred in connection with the Bogoso sulfide expansion project. Any of the following events, among others, could affect the profitability or economic feasibility of a project:

- unanticipated changes in grade and tonnage of ore to be mined and processed;
- unanticipated adverse geotechnical conditions;
- incorrect data on which engineering assumptions are made;
- costs of constructing and operating a mine in a specific environment;
- cost of processing and refining;
- availability of economic sources of power and fuel;
- availability of qualified staff;
- adequacy of water supply;
- adequate access to the site including competing land uses (such as agriculture and illegal mining);
- unanticipated transportation costs and shipping incidents and losses;
- significant increases in the cost of diesel fuel, cyanide or other major components of operating costs;
- government regulations and changes to existing regulations (including regulations relating to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, protection of the environment and agricultural lands, including bonding requirements);
- fluctuations in gold prices; and
- accidents, labor actions and force majeure events.

Adverse effects on the operations or further development of a project could also adversely affect our business (including our ability to achieve our production estimates), financial condition, results of operations and cash flow.

We need to continually discover, develop or acquire additional Mineral Reserves for gold production and a failure to do so would adversely affect our business and financial position in the future.

Because mines have limited lives based on Proven and Probable Mineral Reserves, we must continually replace and expand Mineral Reserves as our mines produce gold. We are required to estimate mine life in connection with our estimation of reserves, but our estimates may not be correct. In addition, mine life would be shortened if we expand production or if we lose reserves due to changes in gold price or operating costs. Our ability to maintain or increase our annual production of gold will be dependent in significant part on our ability to bring new mines into production and to expand or extend the life of existing mines.

Gold exploration is highly speculative, involves substantial expenditures, and is frequently non-productive.

Gold exploration, involves a high degree of risk. Exploration projects are frequently unsuccessful. Few prospects that are explored are ultimately developed into producing mines. We cannot assure you that our gold exploration efforts will be successful. The success of gold exploration is dependent in part on the following factors:

- the identification of potential gold mineralization based on surface analysis;
- availability of prospective land;
- availability of government-granted exploration and exploitation permits;
- the quality of our management and our geological and technical expertise; and
- the funding available for exploration and development.

Substantial expenditures are required to determine if a project has economically mineable mineralization. It could take several years to establish Proven and Probable Mineral Reserves and to develop and construct mining and processing facilities. Because of these uncertainties, we cannot assure you that current and future exploration programs will result in the discovery of Mineral Reserves, the expansion of our existing Mineral Reserves or the development of mines.

We face competition from other mining companies in connection with the acquisition of properties.

We face strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing gold. Many of these companies have greater financial resources, operational experience and technical capabilities. As a result of this competition, we might be unable to maintain or acquire attractive mining properties on terms we consider acceptable or at all. Consequently, our future revenues, operations and financial condition could be materially adversely affected.

Title to our mineral properties could be challenged.

We seek to confirm the validity of our rights to title to, or contract rights with respect to, each mineral property in which we have a material interest. We have mining leases with respect to our Bogoso/Prestea, Wassa, Prestea Underground and HBB properties. Title insurance generally is not available, and our ability to ensure that we have obtained a secure claim to individual mineral properties or mining concessions is limited. We generally do not conduct surveys of our properties until they have reached the development stage, and therefore, the precise area and location of such properties could be in doubt. Accordingly, our mineral properties could be subject to prior unregistered agreements, transfers or claims, and title could be affected by, among other things, undetected defects. In addition, we might be unable to operate our properties as permitted or to enforce our rights with respect to our properties.

We depend on the services of key executives.

We are dependent on the services of key executives including our President and Chief Executive Officer and a small number of highly skilled and experienced executive personnel. Due to the relatively small size of our management team, the loss of one or more of these persons or our inability to attract and retain additional highly skilled employees could have an adverse effect on our business and future operations.

Our increased use of contractors may expose us to a number of risks and increase our mining costs.

We have increased our use of mining contractors at Bogoso/Prestea and Wassa/HBB. The increased use of contractors subjects us to certain risks, some of which are outside our control, including:

- our ability to negotiate agreements with contractors on acceptable terms;
- reduced control over those aspects of operations which are the responsibility of the contractor;
- failure of a contractor to perform under its agreement;
- interruption of operations or increased costs in the event that a contractor ceases to do business due to insolvency or other unforeseen events;
- failure of a contractor to comply with applicable legal and regulatory requirements;
- labor relation issues from a contractors' workforce; and
- the potential to incur liability to third parties as a result of the actions of our contractors.

The occurrence of one or more of these risks could adversely affect our financial position and results of operations.

Our insurance coverage could be insufficient.

Our business is subject to a number of risks and hazards generally, including:

- adverse environmental conditions;
- industrial accidents;
- labor disputes;
- unusual or unexpected geological conditions;
- ground or slope failures;
- cave-ins;
- changes in the regulatory environment;
- marine transit and shipping damage and/or losses;

23

- natural phenomena such as inclement weather conditions, floods and earthquakes; and
- political risks including expropriation and civil war.

Such occurrences could result in:

- damage to mineral properties or production facilities and equipment;
- personal injury or death;
- loss of legitimate title to properties;
- environmental damage to our properties or the properties of others;
- delays in mining, processing and development;
- monetary losses; and
- possible legal liability.

Although we maintain insurance in amounts that we believe to be reasonable, our insurance might not cover all the potential risks associated with our business. We might also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage might not continue to be available or might not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to us or to other companies in the mining industry on acceptable terms. We might also become subject to liability for pollution or other hazards which we cannot insure against or which we might elect not to insure against because of premium costs or other reasons. Losses from these events might cause us to incur significant costs that could have a material adverse effect upon our financial performance and results of operations.

Governmental and Regulatory Risks

As a holding company, limitations on the ability of our operating subsidiaries to make distributions to us could adversely affect the funding of our operations.

We are a holding company that conducts operations through foreign (principally Ghanaian) subsidiaries and joint ventures, and substantially all of our assets consist of equity in these entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and these entities, or among these entities, could restrict our ability to fund our operations efficiently, or to repay the convertible debentures or other debt. Any such limitations, or the perception that such limitations might exist now or in the future, could have an adverse impact on available credit and our valuation and stock price.

The Government of Ghana has proposed a number of changes to the mining fiscal regime for 2012 that could have a significant impact on our overall costs.

In late 2011, the Government of Ghana proposed a number of changes to the mining fiscal regime for 2012, which if implemented, would result in an increase in the overall corporate tax payable by mining companies in Ghana. For instance, the Government indicated that in 2012, the corporate income tax rate will increase from 25% to 35% for mining companies, and capital allowances (tax depreciation) will be deductible at a flat rate of 20% over a 5 year period instead of an 80% deduction in the year that the capital spending was incurred. The Government further proposed to disallow expenditures from one mining area as a deduction from revenues in a separate mining area belonging to the same company in determining the company's taxable income for tax purposes. Additionally, the Government announced its intent to introduce a 10% windfall profit tax on mining companies in 2012.

Moreover, the Ghana Government announced in late 2011 that it intends to establish a tax stability renegotiation team which plans to review the existing tax stability agreements of mining companies operating in Ghana. While our mines do not have tax stability agreements, it is not clear at this time if the tax stability renegotiation team will review our Deeds of Warranty which specify certain tax agreements for our properties.

Although the specific details of some of these proposed changes have not been made available, if these changes are implemented, they would have a significant impact on our profitability and financial resources.

We are subject to changes in the regulatory environment where we operate which may increase our costs of compliance.

Our mining operations and exploration activities are subject to extensive regulation governing various matters, including:

- licensing;

- production;
- taxes;
- disposal of process water or waste rock;
- toxic substances;
- development and permitting;
- exports and imports;
- labor standards;
- mine and occupational health and safety;
- environmental protection and corporate responsibility, and
- mine rehabilitation and closure plans.

Compliance with these regulations increases the costs of the following:

- planning;
- designing;
- drilling;
- operating;
- developing;
- constructing; and
- closure, reclamation and rehabilitation and post closure.

We believe that we are in substantial compliance with current laws and regulations in Ghana and elsewhere. However, these laws and regulations are subject to frequent change and reinterpretation. Amendments to current laws and regulations governing operations and activities of mining companies or more stringent implementation or interpretation of these laws and regulations could have a material adverse impact on us. These factors could cause a reduction in levels of production and delay or prevent the development or expansion of our properties in Ghana.

The implementation of changes in regulations that limit the amount of proceeds from gold sales that could be withdrawn from Ghana could also have a material adverse impact on us, as Bogoso/Prestea and Wassa/HBB are currently our only sources of internally generated operating cash flows.

Environmental bonding requirements are under review in Ghana and bonding requirements may be increased.

As part of its periodic assessment of mine reclamation and closure costs, the Ghana EPA reviews the adequacy of reclamation bonds and guarantees. In certain cases, it has requested higher levels of bonding based on its findings. If the EPA were to require additional bonding at our properties, it may be difficult, if not impossible, to provide sufficient bonding. If we are unable to meet any such increased requirements or negotiate an acceptable solution with the Ghanaian government, our operations and exploration and development activities in Ghana may be materially adversely affected.

The Government of Ghana has the right to increase its interest in certain subsidiaries.

In accordance with the Minerals and Mining Act, 2006 (Act 703), the Government of Ghana has a 10% carried interest in the mineral operations of Ghanaian mining companies. The carried interest comes into existence at the time the government issues a mining license. As such, the Government of Ghana currently has a 10% carried interest in our subsidiaries that own the Bogoso/Prestea properties, and the Wassa/HBB properties.

Under Act 703, the Government has the right to acquire a special share or “golden share” in such subsidiaries at any time for no consideration or such consideration as the Government of Ghana and such subsidiaries might agree, and a pre-emptive right to purchase all gold and other minerals produced by such subsidiaries. A “golden share” carries no voting rights and does not participate in dividends, profits or assets. While the Government of Ghana has not sought to exercise any of these rights at our properties, any such attempts to do so in the future could adversely affect our financial results.

We are subject to risks relating to exploration, development and operations in foreign countries.

Our assets and operations are affected by various political and economic uncertainties in the countries where we operate, including:

- war, civil unrest, terrorism, coups or other violent or unexpected changes in government;
- political instability and violence;
- expropriation and nationalization;
- renegotiation or nullification of existing concessions, licenses, permits, and contracts;
- illegal mining;
- changes in taxation policies;
- unilaterally imposed increases in royalty rates, such as the increase in royalty rates imposed by the Government of Ghana, effective March 2011, which changed the method of calculating the royalties from not less than 3% and not more than 6% of a mines total mineral revenues to a flat rate of 5% of mineral revenues;
- restrictions on foreign exchange and repatriation; and
- changing political conditions, currency controls, and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Illegal mining has occurred on our properties, it is difficult to control, can disrupt our business and can expose us to liability.

We continue to experience illegal mining activity on our mining and exploration properties. Most of this activity is on our Prestea South and Hwini-Butre properties. While we are proactively working with local, regional and national governmental authorities to obtain protection of our property rights, any action on the part of such authorities may not occur, may not fully address our problems or may be delayed.

In addition to the impact on our mineral reserves and non-reserves, the presence of illegal miners can lead to project delays and disputes and delays regarding the development or operation of commercial gold deposits. Illegal miners could cause environmental damage or other damage to our properties, or personal injury or death, for which we could potentially be held responsible. Illegal miners may work on other of our properties from time to time, and they may in the future increase their presence and have increased negative impacts such as those described above on such other properties.

Our activities are subject to complex laws, regulations and accounting standards that can adversely affect operating and development costs, the timing of operations, the ability to operate our mines and our financial results.

Our business, mining operations and exploration and development activities are subject to extensive Canadian, United States, Ghanaian and other foreign, federal, state, provincial, territorial and local laws and regulations governing exploration, development, production, exports, taxes, labor standards, waste disposal, protection of the environment, reclamation, historic and cultural resource preservation, mine safety and occupational health, toxic substances, reporting and other matters, as well as accounting standards. Compliance with these laws, regulations and standards or the imposition of new such requirements could adversely affect operating and development costs, the timing of operations and the ability to operate and financial results.

Failure to maintain effective internal controls could have a material adverse effect on our business and share price.

Annually, we are required to test our internal controls over financial reporting to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which requires annual management assessments of the effectiveness of our internal controls over financial reporting. Failure to maintain effective internal controls could have a material adverse effect on our business and share price.

Market Risks

The market price of our common shares has experienced volatility and could continue to do so in the future.

Our common shares are listed on the NYSE Amex, the Toronto Stock Exchange and the Ghana Stock Exchange. Companies with market capitalizations similar to ours have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Our share price is also likely to be significantly affected by short-term changes in gold prices or in our financial condition or results of operations as reflected in our quarterly earnings reports. Other factors unrelated to our performance that could have an effect on the price of our common shares include the following:

- the extent of analytical coverage available to investors concerning our business could be limited if investment

26

banks with research capabilities do not continue to follow our securities;
- the trading volume and general market interest in our securities could affect an investor's ability to trade significant numbers of common shares;
- the size of the public float in our common shares may limit the ability of some institutions to invest in our securities; and
- a substantial decline in our stock price that persists for a significant period of time could cause our securities to be delisted from NYSE Amex, the Toronto Stock Exchange and/or the Ghana Stock Exchange, further reducing market liquidity.

As a result of any of these factors, the market price of our common shares at any given point in time might not accurately reflect our long-term value. The stock markets in general have recently suffered major declines. Securities class action litigation often has been brought against companies following periods of market price volatility that affects the market price of particular securities without regard to the performance of the company whose stock price is affected. We could in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Investors could have difficulty or be unable to enforce certain civil liabilities on us, our directors and our experts.

Golden Star is a Canadian corporation. A majority of our assets are located outside of Canada and the United States, and our principal office is located in the United States. It might not be possible for investors to collect judgments obtained in Canadian courts predicated on the civil liability provisions of Canadian or U.S. securities legislation. It could also be difficult for investors to effect service of process in connection with any action brought in the United States upon our directors and officers. Execution by United States courts of any judgment obtained against us, or any of the directors or executive officers, in the United States courts would be limited to our assets or the assets of such persons in the United States. The enforceability in Canada of United States judgments or liabilities in original actions in Canadian courts predicated solely upon the civil liability provisions of the federal securities laws of the United States is doubtful.

There are certain U.S. federal income tax risks associated with ownership of Golden Star common shares.

Holders of our common shares or options to purchase our common shares or convertible debentures, referred to as “equity securities”, who are U.S. taxpayers should consider that we could be considered to be a “passive foreign investment company” (“PFIC”) for U.S. federal income tax purposes. Although we believe that we were not a PFIC in 2011 and do not expect to become a PFIC in the foreseeable future, the tests for determining PFIC status depend upon a number of factors, some of which are beyond our control, and can be subject to uncertainties, and we cannot assure you that we will not be a PFIC. We undertake no obligation to advise holders of our equity securities as to our PFIC status for any year.

If we are a PFIC for any year, any person who holds our equity securities who is a U.S. person for U.S. income tax purposes, referred to as a U.S. holder and whose holding period for those equity securities includes any portion of a year in which we are a PFIC, generally would be subject to a special adverse tax regime in respect of “excess distributions.” Excess distributions include certain distributions received with respect to PFIC shares in a taxable year. Gain recognized by a U.S. holder on a sale or other transfer of our equity securities (including certain transfers that would otherwise be tax free) also would be treated as excess distributions. Such excess distributions and gains would be allocated ratably to the U.S. holder's holding period. For these purposes, the holding period of shares acquired either through an exercise of options or the conversion of convertible debentures includes the holder's holding period in the option or convertible debt.

The portion of any excess distribution (including gains treated as excess distributions) allocated to the current year would be includible as ordinary income in the current year. The portion of any excess distribution allocated to prior years would be taxed at the highest marginal rate applicable to ordinary income for each such year (regardless of the taxpayer's actual marginal rate for that year and without reduction by any losses or loss carry forwards) and would be subject to interest charges to reflect the value of the U.S. income tax deferral.

Elections may be available to mitigate the adverse tax rules that apply to PFICs (the so-called “QEF” and “mark-to-market” elections), but these elections may accelerate the recognition of taxable income and may result in the recognition of ordinary income. The QEF and mark-to-market elections are not available to U.S. holders with respect

to options to acquire our common shares or convertible debentures. We have not decided whether we would provide to U.S. holders of our common shares the annual information that would be necessary to make the QEF election. Additional special adverse rules also apply to investors who are U.S. holders who own our common shares if we are a PFIC and have a non-U.S. subsidiary that is also a PFIC. Special adverse rules that impact certain estate planning goals could apply to our equity securities if we are a PFIC.

The conversion feature of the convertible debentures could limit increases in the trading price of our common shares.

The conversion price of the convertible debentures is $5.00 and represented a 146% premium over the closing price of our common shares on the NYSE Amex on February 22, 2012. In the event our share price is greater than the conversion price, this conversion feature may limit the increase in the price of our common shares, since any increase in the stock price above the conversion price will make it more likely that the convertible debentures will be converted, thereby exerting a downward pressure on the market price of the common shares.

The existence of outstanding rights to purchase or acquire common shares could impair our ability to raise capital.

As of February 22, 2012, there were options outstanding to purchase up to 12,489,572 common shares at exercise prices ranging from Cdn$1.08 to Cdn$6.95 per share. In addition, 5,075,146 common shares are available for future issuance under our stock option plans. Furthermore, 25.0 million common shares are currently issuable upon conversion of the convertible debentures (additional shares may be issuable to debenture holders in certain circumstances). During the life of the options, convertible debentures and other rights, the holders are given an opportunity to profit from a rise in the market price of common shares, with a resulting dilution in the interest of the other shareholders. Our ability to obtain additional financing during the period such rights are outstanding could be adversely affected, and the existence of the rights could have an adverse effect on the price of our common shares. The holders of the options, convertible debentures and other rights can be expected to exercise or convert them at a time when we would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable than those provided by the outstanding rights.

Current global financial conditions may affect our ability to obtain financing and may negatively affect our asset values and results of operations.

Global financial conditions during recent years have been characterized by heightened volatility and uncertainty. As a result, access to financing has been negatively impacted, which may affect our ability to obtain equity or debt financing in the future on favorable terms. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue or worsen, our operations could be adversely impacted and the trading price of our common shares may be adversely affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None

ITEM 2. DESCRIPTION OF PROPERTIES

MAPS OF OPERATIONS AND PROPERTIES

The maps below show the locations of Bogoso, Prestea, Wassa, Pampe, the Hwini-Butre, Benso and Mampon in Ghana, and various exploration properties in other areas of West Africa and Brazil. These properties are described in further detail below.

29

30

PROPERTY STATUS TABLE

The chart below summarizes information regarding our more significant properties, which are described in further detail below:

Property		Type of Interest	Expiry Date	Property size	2011 Status	Comments
Bogoso (Ghana)	Bogoso Mining Lease 1	Government granted mining leases held by a 90% owned subsidiary	8/20/2017	50 km^2	Active	Mining stage Application sent to expand mining lease 1 to cover Opon deposit within Mansiso prospecting license
	Bogoso Mining Lease 2		8/15/2018	45 km^2		
Bogoso (Ghana)	Bogoso Prospecting License	Prospecting license	3/10/2004 Renewal under application	58.52 km^2	Inactive	Exploration stage
Prestea (Ghana)	Prestea Mining Surface Lease	Government granted mining lease held by a 90% owned subsidiary	6/28/2031	115.5 km^2	Active	Mining and development stage
Prestea Underground (Ghana)	Prestea Underground Mining Lease	Government granted mining lease held by a 81% beneficial interest	7/6/2031	11.3 km^2 lies directly below Prestea surface lease	Active	Exploration stage
Wassa (Ghana)	Wassa Mining Lease	Government granted mining lease held by a 90% owned subsidiary	9/16/2022	52.89 km^2	Active	Mining stage
Wassa Regional (Ghana)	Accra Newtown	Prospecting license	1/11/2012	15.68 km^2	Active	Exploration stage
	Ateiku-Twifo	Reconnaissance license	1/5/2010 Renewal under application	39.7 km^2		Exploration stage
	Dwaben (Safric)	Reconnaissance license	1/10/2012	24.05 km^2		Exploration stage
Dunkwa-Asikuma (Ghana)		Prospecting license	8/15/2012	66 km^2	Active	Development stage Application sent to convert 63 km^2 into Mampon Mining Lease
Dunkwa-Mansiso (Ghana)		Prospecting license	7/21/2011	56 km^2	Active	Exploration stage Extension under application
Akropong (Ghana)	Moseaso	Prospecting license	7/18/2012	43.2 km^2	Active	Exploration stage

	Kobra-Riyadh East	Reconnaissance license	Conversion to PL in advanced stage	138 km^2		Exploration stage
Pampe	Pampe Mining Lease	Mining lease	6/3/2012	50 km^2	Active	Mining and Exploration Stage Five year extension under application
Hwini-Butre (Ghana)		Mining lease	1/10/2012	40 km^2	Active	Mining and Exploration stage Seven years extension under application
Manso (Ghana)		3 Prospecting licenses and joint venture agreements	Various	221.07 km^2	Active	Exploration stage
Benso - Subriso Block (Ghana)		Mining lease	9/26/2011	20.38 km^2	Active	Mining and Exploration stage Seven years extension under application

Benso-Amantin & Chichiwelli Blocks (Ghana)		Prospecting license	11/18/2010 Renewal under application	22.46 km^2	Active	Exploration stage
Ghana	Abura	Prospecting license - joint venture	2/3/2012	129.05 km^2	Active	Exploration stage
Regional	Adubrim	Reconnaissance license	12/3/2008 Conversion to PL under application	85.17 km^2		
	Afranse	Prospecting license - joint venture	2/23/2011 Extension under application	77.46 km^2		
	Esuaso	Prospecting license	11/30/2012	35.58 km^2		
	Hotopo	Reconnaissance license- joint venture	12/19/2008 Renewal under application	18.06 km^2		
	Oseneso	Prospecting license - joint venture	3/1/2011	66.21 km^2		
	Wassa Akropong (Rocco 1)	Reconnaissance license- joint venture	Extension under application 1/5/2010 Renewal under application	66.4 km^2		
Côte d'Ivoire Regional	Amelekia	Exploration license - 100% held by GSE - CI (GSR subsidiary). Renewal has been granted but documents are still pending due to backlog of renewals after political unrest in 2011.	8/10/2010	403.5 km^2	Active	Exploration stage
	Abengourou	Exploration license - 100% held by GSE - CI (GSR subsidiary). Renewal has been granted but documents are still pending due to backlog of renewals after political unrest in 2011.	8/10/2010	537.3 km^2	Inactive	Exploration stage
	Agboville	Exploration license Renewal has been granted but documents are pending due to back-log of renewals after	8/10/2010	481.0 km^2	Active	Exploration stage

		political unrest in 2011.				
Mano JV (Sierra Leone)	Sonfon South	Mano River Resources Inc	8/18/2011	153 km^2	Active	Exploration stage License renewal being negotiated with Government
Burkina Faso (All Burkina Faso properties were sold in the first quarter of 2012.)	Goulagou	Agreement allow earning up to 90%	5/19/2012	185.25 km^2	Active	Optioned to Riverstone Resources Inc.
	Rounga	Agreement allow earning up to 90%	9/10/2012	240 km^2	Active	Optioned to Riverstone Resources Inc.
	Youba	Agreement allow earning up to 90%	10/17/2014	61.75 km^2	Active	Optioned to Riverstone Resources Inc. Formerly part of the optioned Goulagou permit
	Tougou	Exploration permit - 100% held by GSE-BF (GSR subsidiary)	8/21/2014	128 km^2	Active	Exploration stage

Niger	Deba	Exploration permit - 100% held by GSE-Niger (GSR subsidiary)	12/27/2013	275 km^2	Active	JV with AMI Resources Inc who are earning into properties
	Tialkam	Exploration permit - 100% held by GSE-Niger (GSR subsidiary)	12/27/2013	183 km^2		
Brazil	MT-Iriri	41 Prospecting Licenses - Joint Venture	Various: 7/6/2012 10/29/2012 12/2/2012 3/25/2014 9/1/2014: 4-Renewal under application	3,348 km^2	Active	Exploration stage JV with Votorantim Metais Zinco S/A
	MT-Nhandu/Fabinho/Natal	6 Prospecting licenses - 100% held by Caystar-Brasil (GSR subsidiary)	Various 3/23/2013 8/17/2013 9/16/2013 6/1/2014 6/2/2014	405 km^2	Active	Exploration stage
	MG-Sao Bartolomeu	8 Prospecting licenses - JV Agreement allow earning up to 65%	Various 4/6/2012 2/22/2013 4/1/2014 6/13/2014 4-Renewal under Application)	98 km^2	Active	Optioned to Kinross Brasil Mineracao S/A
	MG-Fazenda Guardas/Fe Miguuel Bournier	3 Prospecting licenses - 100% held by Caystar-Brasil (GSR subsidiary)	Various 2/8/2012 8/25/2012 6/14/2014	22 km^2	Active	Exploration stage
	GO-Sao Jose/Boa Vista Trend	1 Prospecting license - 100% held by Caystar-Brasil (GSR subsidiary)	5/5/2014 (3 - under application)	76 km^2	Active	Exploration stage

License renewal requests were filed with the Ghana Mineral Commission prior to the license expiry dates for all properties shown as expired in the table above above. We remain in frequent contact with the Mineral Commission and expect to receive all permits upon completion of administrative processing.

MINING IN GHANA

Ghanaian Ownership and Special Rights

Ghana is situated on the west coast of Africa, approximately 600 km north of the Equator on the Gulf of Guinea. Accra, the capital city of Ghana, is located almost exactly on the Prime Meridian. The former British colony changed its name from the Gold Coast to Ghana on achieving independence on March 6, 1957. Ghana is now a republic with a population of approximately 23 million people and a democratically elected government. English remains the official and commercial language.

The total land area of the country is approximately 238,000 square kilometers and the topography is relatively flat. Ghana has a tropical climate with two rainy seasons and two dry seasons each year. The natural vegetation in the Western Region where Golden Star Resources has its two operations is moist tropical forest, now found only in forest reserves, with a majority of the land converted to agricultural pursuits.

Rights to explore and develop a mine are administered by the Minister of Lands and Natural Resources, through the Minerals Commission, a governmental organization designed to promote and regulate the development of Ghana's mineral wealth in accordance with the Minerals and Mining Act of 2006 (Act 703), which came into effect in March 2006 (“2006 Mining Act”).

A company or individual can apply to the Minerals Commission for a renewable exploration license granting exclusive rights to explore for a particular mineral in a selected area for an initial period not exceeding three years. When exploration has successfully delineated a Mineral Reserve, an application may be made to the Minerals Commission for conversion to a mining lease, granting a company the right to produce a specific product from the concession area, normally for a period of 20 to 30 years or a lesser period that may be agreed upon with the applicant. The 2006 Mining Act requires that any person who intends to acquire a controlling share of the equity of any mining company that has been granted a mining lease, must first give notice of its intent to the Government and also obtain its consent prior to

acquiring a controlling share.

Under the 2006 Mining Act, the Government of Ghana holds a 10% free-carried interest in all companies that hold mining leases. The 10% free-carried interest entitles the Government to a pro-rata share of future dividends. The Government has no obligation to contribute development capital or operating expenses. GSBPL and GSWL owe $480.0 million and $85.0 million, respectively, to Golden Star or its subsidiaries as of December 31, 2011, for past advances and interest on these advances, and these amounts would be repaid before payment of any dividends to the government.

Under the 2006 Mining Act, the Government of Ghana is empowered to acquire a special or golden share in any mining company. The special share would constitute a separate class of shares with such rights as the Government and the mining company might agree. Though deemed a preference share, it could be redeemed without any consideration or for a consideration determined by the mining company and payable to the holder on behalf of the Government of Ghana.

In the absence of such agreement, the special share would have the following rights:

- it would carry no voting rights but the holder would be entitled to receive notice of, and to attend and speak at, any general meeting of the members or any separate meeting of the holders of any class of shares;
- it could only be issued to, held by, or transferred to the Government or a person acting on behalf of the Government;
- the written consent of the holder would be required for all amendments to the organizational documents of the company, the voluntary winding-up or liquidation of the company, or the disposal of any mining lease, or the whole or any material part of the assets of the company;
- it would not confer a right to participate in the dividends, profits or assets of the company or a return of assets in a winding up or liquidation of the company; and
- the holder of a special share may require the company to redeem the special share at any time for no consideration or for a consideration determined by the company.

GSBPL and GSWL have not issued, nor to date been requested to issue, a special share to the Government of Ghana.

The Government of Ghana has a pre-emptive right to purchase all gold and other minerals produced by mines in Ghana. The purchase price would be agreed by the Government of Ghana and the mining company, or the price established by any gold hedging arrangement between the company and any third party approved by the Government, or the publicly quoted market price prevailing for the minerals or products as delivered at the mine or plant where the right of preemption was exercised. The Government of Ghana has agreed to take no preemptive action pursuant to its right to purchase gold or other minerals so long as mining companies sell gold in accordance with certain procedures approved by the Bank of Ghana.

Ghanaian Royalty Requirements

During the first quarter of 2010, the Government of Ghana amended the 2006 Mining Act to change the method of calculating mineral royalties payable to the Government. The prior rules established a royalty rate of not less than 3% and not more than 6% of a mine's total revenues, the exact amount being determined by each mine's margin as defined in the law. Under the old rules, our mines have, since their inception, qualified for, and paid, a 3% rate. The amended law set the royalty at a flat rate of 5% of mineral revenues. While the new law was initially effective as of as March 19, 2010, we were subsequently notified by the government that the effective date was extended to March 31, 2011. We paid royalties of $21.3 million, $13.1 million and $12.8 million in 2011, 2010, and 2009, respectively.

Ghana Corporate Tax Requirements

In late 2011, the Government of Ghana proposed a number of changes to the mining fiscal regime for 2012, which if implemented, will likely result in an increase in corporate tax payable by mining companies in Ghana. The Government indicated that in 2012 the corporate income tax rate will increase from 25% to 35% for mining companies, and capital allowances (tax depreciation) will be deductible at a flat rate of 20% over a five year period instead of an 80% deduction in the year that the capital spending was incurred. The Government further proposed to disallow expenditures from one mining area as a deduction from revenues in a separate mining area belonging to the same company in determining the company's taxable income for tax purposes. The Government also announced its intent to introduce a 10% windfall profit tax on mining companies in 2012. The details of these tax changes have not been made available and we are thus not able to determine the impact of these new taxes on our operations at this

time. Moreover, the Ghana Government announced in late 2011 that it intends to establish a tax stability renegotiation team which plans to review the existing tax stability agreements of mining companies operating in Ghana. While our mines do not have tax stability agreements, it is not clear at this time if the tax stability renegotiation team will review our Deeds of Warranty which specify certain tax agreements for our properties.

Environmental Laws and Regulations

Environmental matters in Ghana, including those related to mining, fall under the oversight of the Environmental Protection Agency ("EPA"), with some responsibilities lying with the Minerals Commission. The EPA has rules and guidelines that govern environmental and socioeconomic impact statements, environmental management plans, mine operations, the quality of water discharges to the environment, environmental auditing and review, and mine closure and reclamation, among other matters to which our operations are subject. Additional provisions governing surface uses by our stakeholders are provided in the 2006 Mining Act, but regulations for the implementation of these provisions have yet to be promulgated.

In the various jurisdictions where we operate, all phases of our exploration, project development, and operations are subject to environmental laws and regulations. These laws and regulations may define, among other things, air and water quality standards, waste management requirements, and closure and rehabilitation obligations. In general, environmental legislation is evolving to require more strict operating standards, more detailed socioeconomic and environmental impact assessments of proposed projects, and a heightened degree of accountability for companies and their officers, directors, and employees for corporate social responsibility, and health and safety. Changes in environmental regulations, and the way they are interpreted by the regulatory authorities, could affect the way we operate, resulting in higher environmental and social operating costs that may affect the viability of our operations.

We note a continuing trend toward substantially increasing environmental requirements and greater corporate social responsibility expectations in Ghana. This includes requirements for more permits, analysis, data gathering, community hearings and negotiations than have been required typically in the past for both routine operational needs and for new development projects. The trend to longer lead times in obtaining environmental permits has reached a point where we are no longer able to accurately estimate permitting times for our planning purposes. The increases in permitting requirements could affect our environmental management activities including, but not limited to, tailings disposal facilities and water management projects at our mines.

Our mining, processing, development, and mineral exploration activities are subject to various laws governing prospecting, development, production, taxes, labor standards, occupational health and safety, land claims of local people and other matters. New rules and regulations may be enacted or existing rules and regulations may be modified and applied in a manner that could have an adverse effect on our financial position and results of operations.

We use hazardous chemicals in our gold recovery activities, and thus generate environmental contaminants that may adversely affect air and water quality. To mitigate these effects, we have established objectives to achieve regulatory requirements in all of our exploration, development, operation, closure, and post-closure activities so that our employees, the local environment, and our stakeholder communities are protected and that the post-closure land use contributes to the sustainability of the local economy. In order to meet our objectives, we:

- Educate our managers so that they are committed to creating a culture that makes social and environmental matters an integral part of short-term and long-term operations and performance management systems;
- Work with our employees so they understand and accept environmental and social policies and procedures as a fundamental part of the business;
- Signed and implemented the international cyanide management code and attained certification for the Wassa and Bogoso / Prestea operations;
- Signed and publicly stated our support for the UN Global Compact and completed our commitments that are provided in our communications on progress;
- Establish, and continue to improve, operating standards and procedures that aim to meet or exceed requirements in relevant laws and regulations, the commitments made in our environmental impact statements, environmental and socioeconomic management plans, rehabilitation and closure plans, and any international protocols to which we are a signatory;
- Incorporated environmental and human rights performance requirements into all relevant contracts;
- Provide training to employees and contractors in environmental matters;
- Regularly prepare, review, update and implement site-specific environmental management and rehabilitation and closure plans;
-

Work to progressively rehabilitate disturbed areas in conformance with the site-specific environmental management and rehabilitation and closure plans;

- Consult local communities and regulators to provide us with input on our environmental management policies and procedures;
- Regularly review our environmental performance; and
- Publicly report our social, health, safety, and environmental performance.

Governmental approvals and permits are currently required, and will likely continue to be required in the future, in connection with our ongoing operations and our development activities. To the extent that such approvals are required and not obtained, we could be limited or prohibited from continuing our mining and processing operations, or from proceeding with planned exploration or the development of mineral properties.

Reclamation activities were ongoing at both Wassa/HBB and Bogoso/Prestea during 2011 to rehabilitate disturbed lands and reduce some of the long-term liabilities including re-profiling waste dumps, capping hard rock with oxide materials, topsoil spreading and planting for both slope stabilization and long-term rehabilitation. Our consolidated reclamation expenditures totaled $26.9 million, $9.7 million, and $2.0 million in 2011, 2010, and 2009, respectively. The large increase in 2011 spending reflects backfilling of the Plant North Pit. We believe all our operations in Ghana are currently in substantial compliance with all environmental requirements.

Corporate Social Responsibility

In keeping with our health and safety, environmental, community relations and human rights policies, we strive at all times to conduct our business as a responsible corporate citizen. We believe our ongoing success in Ghana depends on our continuing efforts to build good relations with our local stakeholder communities, and by reviewing broader stakeholder comments and addressing stakeholder concerns in our developing projects and ongoing operational activities. We believe our success as an employer, as a neighbor, and as an important part of the local economy is furthered by contributing to the diversification of the local economy with initiatives such as our Golden Star Oil Palm Project and by our support of community-driven improvement projects through our Golden Star Development Foundation. During 2011, the Development Foundation worked with our local Community Mine Consultation Committees to fund and sponsor several community-driven projects including schools, public toilets, a community centre, continuing scholarships for local students, supplying of medical advice in partnership with a European aid organization (GIZ) and community electrification projects.

Our Oil Palm Project continued to advance during 2011 and now has 790 hectares of palm oil trees under cultivation with fruit production on the increase. We have also provided palm seedlings and other agricultural assistance to a group of local farmers who are developing an additional 140 hectares of palm oil trees on their own farms. GSR also supports a skills training program for stakeholders aimed at local economic development. The Golden Star Skills Training and Employability Program (GSSTEP) provides practical training for local people in construction and in high tech services such as cell phone repair. We currently have about 140 graduates who are now able to provide skilled services.

In our efforts to promote transparency in governance, we continue to work with the Extractive Industry Transparency Initiative, and throughout 2011 we published our payments to the government of Ghana (e.g. taxes, royalties, fees). We furthered our work in human rights and against child and forced labor with an extensive training program within Golden Star and initiated a program of training on anti-discrimination. Our major suppliers were provided with the training materials to allow them to provide training to their staff.

Our commitment to the development of our stakeholder communities demonstrates Golden Star's dedication to Ghana and to sharing the success of our operations with our local communities. As we continue to expand our community development programs, we plan to integrate more local people and communities into our economic development and outreach programs, so assisting the Western Region of Ghana to achieve its full potential within the broader Ghana development.

OPERATING PROPERTIES

THE BOGOSO/PRESTEA GOLD MINE

Bogoso/Prestea consists of a gold mining and processing operation located along the Ashanti Trend in western Ghana, approximately 35 kilometers northwest of the town of Tarkwa. The mine site can be reached by paved roads from Accra, Ghana's capital city, via Tarkwa, a local commercial center. Bogoso and Prestea are adjoining mining concessions that together cover approximately 40 kilometers of strike along the southwest-trending Ashanti gold district. Mining areas at Bogoso and Prestea are linked to the Bogoso processing plants by paved and gravel haul-roads located on our properties.

There are two ore processing facilities at Bogoso/Prestea and open pit mining methods are employed. Ore is hauled by truck from the pits to the processing plants. Equipment and facilities include the nominal 1.5 million tonne per annum Bogoso oxide plant, the nominal 3.5 million tonne per annum Bogoso sulfide plant, a fleet of haul trucks, loaders, drills and mining support equipment. In addition, there are numerous ancillary support facilities including warehouses, maintenance shops, roadways, administrative offices, an employee residential complex, a water supply system, a stand-by 20 megawatt power plant, a medical clinic, and a tailings storage facility. Electric power is available locally

from the Ghana power grid.

We acquired Bogoso in 1999 and Prestea in 2001. In July 2007, we completed construction and development of the Bogoso sulfide plant. Bogoso/Prestea gold sales totaled 140,504 ounces in 2011 and 170,973 ounces in 2010. See the "Operating Results for Bogoso/Prestea" below for additional details on historical production and operating costs. In addition to the Bogoso/Prestea complex described above, Bogoso/Prestea assets include the following properties:

Mampon - The Mampon deposit is located approximately 35 kilometers north east of the Bogoso Sulfide plant. Mampon is an

undeveloped gold deposit with, as of December 31, 2011, an estimated 1.6 million tonnes of Probable Mineral Reserves at an average gold grade of 4.62g/t, which we plan to mine by open pit mining methods. It is expected that Mampon ore will be hauled by truck to the Bogoso processing plants when mining is initiated there.

Pampe - The Pampe deposit is located approximately 19 kilometers west of the Bogoso processing plants. As of December 31, 2011, we have estimated a Probable Mineral Reserve of 1.6 million tonnes at an average gold grade of 3.55g/t. Pampe was mined during 2007 and 2008 but was placed on a care and maintenance until late 2011 when mining and waste stripping resumed in response to increased gold prices. Pampe ore will be moved by truck to the Bogoso oxide processing plant.

Prestea South - This property, located 20 km south west of the Bogoso/Prestea processing plants, is discussed in more detail below in the “DEVELOPMENT PROPERTIES” section.

Prestea Underground - This property is discussed in more detail below in the “EXPLORATION STAGE PROPERTIES IN GHANA” section.

Geology at Bogoso/Prestea

Bogoso/Prestea lies within the Eburnean Tectonic Province in the West African Precambrian Shield along the Ashanti Trend located immediately south of the town of Bogoso. The area is dominated by a major northeast-southwest trending structural fault zone referred to as the Ashanti Trend, which hosts our Bogoso/Prestea operations as well as the Obuasi and Konongo gold deposits, among others. Parallel to the Ashanti Trend is the Akropong Trend, which hosts our Pampe property as well as the Ayanfuri deposit. The Akropong Trend is approximately 15 kilometers west of the Ashanti Trend in the Bogoso region.

Mineral Reserves at Bogoso/Prestea

At December 31, 2011, Bogoso/Prestea had Proven and Probable Mineral Reserves, including the Probable Mineral Reserves at Prestea South, Mampon and Pampe, of 40.7 million tonnes grading 2.55g/t containing approximately 3.4 million ounces of gold before any reduction for recovery losses and the Government of Ghana's 10% minority interest. See the Proven and Probable Mineral Reserves table and the Non-Reserves - Measured and Indicated Mineral Resource table in Item 1 of this Form 10-K.

Operating Results for Bogoso/Prestea

The following tables show historical operating results at Bogoso/Prestea:

BOGOSO/PRESTEA OPERATING RESULTS	2011	2010	2009
Ore mined refractory (t)	2,671,918	2,733,730	2,940,822
Ore mined non-refractory (t)	42,220	115,417	—
Total ore mined (t)	2,714,138	2,849,147	2,940,822
Waste mined (t)	25,242,631	17,839,043	14,929,249
Refractory ore processed (t)	2,396,935	2,776,160	2,887,400
Refractory ore grade (g/t)	2.57	2.81	2.78
Gold recovery - refractory ore (%)	69.8	65.7	70.7
Non-refractory ore processed (t)	—	146,252	—
Non-refractory ore grade (g/t)	—	2.91	—
Gold recovery - non-refractory ore (%)	—	43.5	—
Gold sales (oz)	140,504	170,973	186,054
Cash operating cost ($/oz)	1,284	863	705
Royalties ($/oz)	73	36	30
Total cash cost ($/oz)	1,357	899	735

Exploration at Bogoso/Prestea

During 2011, Bogoso/Prestea area exploration activities focused on drilling the full extents of the Buesichem South deposit which was discovered in late 2009. The drilling focus was shifted mid-year when Buesichem South drilling was completed and three rigs began drilling at Bogoso North, Chujah and Pampe. The drilling at these active pits targeted deeper inferred mineralization and strike extensions of the known zones. The Buesichem South drilling was used to update the resource estimates for year-end 2011, and additional resource model updates are expected to be

completed for the other pits in the first half of 2012. The 2012 exploration focus will be on additional oxide or free milling targets such as Buesichem East, Opon and Opon East and Pampe South.

THE WASSA GOLD MINE

We own and operate the Wassa gold mine located approximately 35 kilometers east of Bogoso/Prestea in southwest Ghana. The property, as now constituted, includes several open-pit mines, the nominal 3.0 million tonne per annum CIL Wassa plant with its crushing and grinding circuits, a fleet of mining equipment, a tailings storage facility, ancillary facilities including an administration building, a warehouse, a maintenance shop, a stand-by power generating facility and an employee residential complex. Electric power is available locally from the Ghana power grid. We completed construction of the Wassa plant in early 2005, and the plant was placed in commercial service on April 1, 2005.

GSWL also owns and operates the Hwini-Butre and Benso mines located 80 and 50 km, respectively, south of Wassa. In 2008, following completion of a 50 km haul road, we started mining at Benso and began hauling its ore to Wassa for processing. In May 2009, following completion of a 30 km road extension, the Hwini-Butre mine began trucking ore to the Wassa processing plant. The Benso and Hwini-Butre mines include multiple open pits at both locations as well as mining equipment, equipment repair shops, warehouses and other ancillary support equipment and buildings. Mining was completed at Benso in February 2012. Mining is expected to continue at Hwini-Butre through early 2014.

Geology at Wassa

Wassa lies within the Eburnean Tectonic Province in the West African Precambrian Shield. The Proterozoic rocks that comprise most of the West African craton and host the major gold mineralization in Ghana are subdivided into meta-sedimentary and volcanic rocks of the Birimian and Tarkwaian sequences. Wassa is hosted within the same Birimian volcano-sedimentary greenstone package as Bogoso/Prestea. However, Wassa is situated on the southeastern flank of the Ashanti Belt while Bogoso and Prestea occur along the northwestern flank.

Mineral Reserves at Wassa

As at December 31, 2011, Wassa and Hwini-Butre had Proven and Probable Mineral Reserves of 18.1 million tonnes with an average grade of 1.38g/t containing approximately 0.80 million ounces of gold. See the Proven and Probable Mineral Reserves table and the Non-Reserves - Measured and Indicated Mineral Resource table in Item 1 of this Form 10-K.

Operating Results for Wassa/HBB

The following table displays historical operating results at Wassa.

WASSA/HBB OPERATING RESULTS	2011	2010	2009
Ore mined (t)	2,540,965	2,561,088	2,222,511
Waste mined (t)	15,353,762	19,172,059	16,708,312
Ore processed (t)	2,579,430	2,648,232	2,652,939
Ore grade processed (g/t)	2.04	2.29	2.76
Recovery (%)	94.3	94.7	95.3
Gold sales (oz)	160,616	183,931	223,848
Cash operating cost ($/oz)	868	677	447
Royalties ($/oz)	69	37	32
Total cash cost ($/oz)	937	714	479

Exploration at Wassa/HBB

Exploration activities on the Wassa mining lease during 2011 focused on drilling higher grade zones of mineralization at depths below several of the existing pits as well as drilling along strike to the south. The drilling below the pits and along strike has confirmed gold grades and thicknesses that are expected to have a positive effect on future resources. This drilling will continue into 2012 and we intend on doing a reinterpretation and re-estimation of the geology and grade models in the second half of the year.

Exploration activities on the HBB concessions during 2011 included deeper drilling on two underground targets beneath the Subriso West and Father Brown pits and several other targets along the Wassa to Hwini-Butre haulage route. The drill results for a potential Subriso West underground deposit are yet to be incorporated into the resource models and once this is done, we plan to conduct a preliminary scoping study to determine whether underground exploitation is a viable option for this mineralization. The drilling done on the regional targets will be used for

preliminary resource models and subsequent economic evaluations in 2012.

DEVELOPMENT PROPERTIES

PAMPE AND THE BOGOSO OXIDE PLANT REFURBISHMENT

Late in the third quarter of 2011, mining operations were restarted at the Pampe oxide property located 19 kilometers west of the Bogoso processing plant site. Ore mined at Pampe in the third and fourth quarters of 2011 was stockpiled, and the Bogoso oxide plant began processing this oxide ore in February 2012. It is expected that Pampe oxide ores will be less expensive to process than the Bogoso sulfide ores and should yield better gold recovery rates. In conjunction, the Bogoso oxide plant was refurbished during the last quarter of 2011 in anticipation of processing Pampe oxide and other non-refractory ores from the Bogoso area.

BOGOSO TAILINGS RECOVERY PROJECT

Construction continued during the fourth quarter of 2011 on our hydraulic tailings recovery system at Bogoso that will feed tailings from a decommissioned Bogoso tailings storage facility directly into the Bogoso oxide plant's CIL circuit. The final environmental permit needed for start-up was received in October 2011. While the grade of the tailings material is lower than that of the ores typically treated in the Bogoso oxide plant in the past, operating costs are expected to be low since reclaimed tailings have low mining costs and can be fed directly into the existing CIL circuit, thereby resulting in lower overall processing costs. It is expected that this material will be a supplemental feed to oxide ores mined from Pampe and later from Prestea South once mining is initiated there later in 2012.

PRESTEA SOUTH PROPERTIES

The Prestea South project is located on the Ashanti Trend, southwest of the town of Prestea and approximately 20 kilometers southwest of the Bogoso processing plants. Gold mineralization is associated with the same Ashanti Trend fault structure that continues to the north through our Bogoso and Prestea properties. While various sections of the mineral resources at Prestea South were mined by prior owners using underground methods, the surface oxide mineral resources have not been extensively mined, and there are also sulfide mineral resources accessible by open pit mining. Our past exploration efforts have identified several deposits along this trend which can be mined by surface mining methods.

We received mining permits for this area in 2008 and subsequently applied for environmental permits. We expect to initiate development at Prestea South, including its 10 kilometer haul road extension, once the environmental permits are received. The Prestea South oxide ore will be transported to Bogoso and processed through the Bogoso oxide plant. The Prestea South sulfide ore will be processed through the Bogoso sulfide plant.

As of December 31, 2011, the Prestea South properties had total Proven and Probable Mineral Reserves of 6.1 million tonnes grading 2.35g/t containing approximately 0.46 million ounces.

EXPLORATION PROPERTIES

Prestea Underground

The Prestea Underground is an inactive underground gold mine located a few kilometers south of Bogoso and adjacent to the town of Prestea. The property consists of two usable access shafts and extensive underground workings and support facilities. Access to the mine site is via a paved road from Tarkwa.

The Prestea Underground was mined from the 1870's until 2002 when mining ceased following an extended period of low gold prices in the late 1990s and early 2000s. The Prestea Underground has produced approximately nine million ounces of gold, the second highest production of any mine in Ghana. The underground workings are extensive, reaching depths of approximately 1,450 meters and extending along a strike length of nine kilometers. Underground workings can currently be accessed via two surface shafts, one near the town of Prestea (Central Shaft) and a second approximately four kilometers to the southwest at Bondaye.

GSBPL now holds a 90% ownership in the Prestea Underground with the Government of Ghana holding a 10% ownership interest in the Prestea Underground as well as its 10% holding in GSBPL, resulting in an 81% beneficial ownership by Golden Star.

There were no exploration activities at the Prestea Underground in 2011. We continue to dewater the Prestea Underground, and we are refurbishing the Central Shaft and assessing services on 12, 17 and 24 levels. Dewatering, ongoing maintenance and refurbishment costs are included in the statement of operations and totaled approximately $8.7 million during 2011. In late

39

2011, our new Technical Services Group began a Pre-feasibility study to evaluate economic potential of developing the Prestea Underground mine using mechanized mining methods.

Geology of Prestea Underground

The Prestea Underground deposits are located along the same Ashanti Trend structure as are our Bogoso de