

GOLDEN STAR RESOURCES LTD

Form 10-K/A

April 29, 2005

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, DC 20549**

**FORM 10-K/A  
Amendment No. 2**

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

**For the Fiscal Year ended December 31, 2004**

Commission file number 1-12284

**GOLDEN STAR RESOURCES LTD.**

(Exact Name of Registrant as Specified in Its Charter)

**Canada**

(State or other Jurisdiction of  
Incorporation or Organization)

**98-0101955**

(I.R.S. Employer  
Identification No.)

**10901 West Toller Drive, Suite 300**

**Littleton, Colorado**

(Address of Principal Executive Office)

**80127-6312**

(Zip Code)

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

Securities registered or to be registered pursuant to Section 12 (b) of the Act:

Title of Each Class

Name of each exchange on which registered

Common Shares

American Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Warrants Issued February 2003

Indicate by check mark 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 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 o

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K 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. o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes x No o

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The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was approximately \$609.4 million as of June 30, 2004, based on the closing price of the shares on the American Stock Exchange of \$4.64 per share.

Number of Common Shares outstanding as at January 31, 2005: 142,346,703.

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## 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 2005 Annual Meeting of Shareholders are incorporated by reference to Part III of this Report on Form 10-K/A.

### EXPLANATORY NOTE

This Amendment No. 2 to the Company's 2004 Annual Report on Form 10-K is solely for the purpose of including Management's Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm as required by Item 9A and as included in Item 8. These reports were initially omitted from Registrant's original 2004 Form 10-K filing, as amended ( Original Report ) as permitted by the Order under Section 36 of the Securities Exchange Act of 1934 Granting an Exemption from Specified Provisions of Exchange Act Rules 13a-1 and 15d-1 issued by the Securities and Exchange Commission ( SEC ) on November 30, 2004. Conforming changes have also been made to Item 9A and Exhibits 31.1 and 31.2 included in the Original Report. Exhibits 23.1 and 32.1 and 32.2 are being currently dated but are otherwise unchanged from those filed in the Original Report. No other changes to the Original Report have been made. This Amendment No. 2 does not reflect events occurring after the filing of the Original Report or modify or update the disclosures therein in any way other than as described above.

### **ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Shareholders of  
Golden Star Resources Ltd.:

The consolidated financial statements and all information in the Annual Report are the responsibility of the Board of Directors and management. The consolidated financial statements have been prepared by management based on information available to February 2, 2005, and are in accordance with accounting principles generally accepted in Canada.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of management, including the Chief Executive Officer and Chief Financial Officer, in order to provide reasonable assurance that financial information is accurate and reliable, and that our assets are safeguarded. Limitations exist in all cost effective systems of internal controls. Our systems have been designed to provide reasonable but not absolute assurance that financial records are adequate to allow for the completion of reliable financial information and the safeguarding of our assets. In designing our system of internal controls we have used the framework established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). We believe that the systems are adequate to achieve the stated objectives.

Our system of internal control over financial reporting includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in Canada, and that receipts and expenditures are being made only in accordance with authorizations of management and our Board of Directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

The Audit Committee of the Board of Directors is comprised of three outside directors, operates in accordance with its charter and meets quarterly with management and the independent auditors to ensure that management is maintaining adequate internal controls and systems and to approve the annual and quarterly consolidated financial statements of the Company. The Committee also reviews the audit plan of the independent auditors and discusses the results of their audit and their report prior to submitting the consolidated financial statements to the Board of Directors for approval.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2004. Based upon its assessment, management concluded that, as of December 31, 2004, our internal control over financial reporting is effective based on the COSO criteria.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants, who were appointed by the shareholders. Such registered public accounting firm has issued an attestation report on management's assessment of our internal control over financial reporting and such report is included herein.

/s/ Peter J. Bradford

Peter J. Bradford  
President and Chief Executive Officer

/s/ Allan J. Marter

Allan J. Marter  
Senior Vice President and Chief Financial Officer

April 28, 2005

April 28, 2005

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have audited management's assessment, included in the accompanying REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING, that Golden Star Resources Ltd.(the Company) maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2004 and 2003 and the consolidated statements of operations, changes in shareholders' equity and cash flows for the each of the three years in the period ended December 31, 2004 and our report dated February 2, 2005 expressed an unqualified audit opinion.

/s/ PRICEWATERHOUSECOOPERS LLP  
Chartered Accountants  
Calgary, Alberta, Canada  
April 28, 2005





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

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

<i><b>ASSETS</b></i>	As of December 31,	
	2004	2003
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (Note 1)	\$ 51,727	\$ 89,970
Accounts receivable	3,592	790
Inventories (Notes 1 and 3)	15,366	12,661
Due from sale of property (Note 4)	1,000	1,000
Tax asset (Note 17)	1,542	
Deposits (Note 5)	5,102	
Prepays	517	514
<b>Total Current Assets</b>	<b>78,846</b>	<b>104,935</b>
<b>RESTRICTED CASH (Note 14)</b>	<b>3,351</b>	<b>3,317</b>
<b>DUE FROM SALE OF PROPERTY (Note 4)</b>		<b>1,000</b>
<b>LONG TERM INVESTMENTS (Note 6)</b>	<b>5,528</b>	<b>888</b>
<b>DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 7)</b>	<b>7,452</b>	<b>9,108</b>
<b>PROPERTY, PLANT AND EQUIPMENT (Note 8)</b>	<b>28,653</b>	<b>18,202</b>
<b>MINING PROPERTIES (Note 9)</b>	<b>74,197</b>	<b>56,808</b>
<b>MINE CONSTRUCTION-IN-PROGRESS (Note 10)</b>	<b>51,159</b>	<b>27,376</b>
<b>DEFERRED STRIPPING (Notes 1 and 11)</b>	<b>1,357</b>	
<b>OTHER ASSETS</b>	<b>1,617</b>	<b>757</b>
<b>Total Assets</b>	<b>\$ 252,160</b>	<b>\$ 222,391</b>
 <i><b>LIABILITIES</b></i>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 7,010	\$ 3,800
Construction retention payable		1,350
Other accrued liabilities	9,203	2,859
Current debt (Note 12)	1,267	142
<b>Total Current Liabilities</b>	<b>17,480</b>	<b>8,151</b>
<b>LONG TERM DEBT (Note 12)</b>	<b>1,707</b>	<b>657</b>
<b>ASSET RETIREMENT OBLIGATIONS (Note 13)</b>	<b>8,660</b>	<b>7,745</b>
<b>Total Liabilities</b>	<b>27,847</b>	<b>16,553</b>
 <b>MINORITY INTEREST</b>	 <b>6,353</b>	 <b>7,476</b>

COMMITMENTS AND CONTINGENCIES (Note 14)

**SHAREHOLDERS EQUITY**

SHARE CAPITAL

First Preferred Shares, without par value, unlimited shares authorized. No shares issued

Common shares, without par value, unlimited shares authorized. Shares issued and

outstanding: 142,244,112 at December 31, 2004; 132,924,278 at December 31, 2003

CONTRIBUTED SURPLUS

DEFICIT

Total Shareholders Equity

Total Liabilities and Shareholders Equity

342,494	326,623
2,040	955
(126,574)	(129,216)
217,960	198,362
\$ 252,160	\$ 222,391

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

By: /s/ David K. Fagin Director

By: /s/ Peter J. Bradford Director

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

	For the years ended December 31,		
	2004	2003	2002
<b>REVENUE</b>			
Gold sales	\$ 60,690	\$ 63,512	\$ 38,091
Royalty income	3,049		
Interest and other	1,290	858	711
	65,029	64,370	38,802
<b>EXPENSES</b>			
Mining operations	39,095	32,125	26,747
Depreciation, depletion and amortization	8,096	4,993	2,459
Accretion of asset retirement amortization	645	578	
Total production costs	47,836	37,696	29,206
Exploration expense (Note 1)	895	594	485
General and administrative expense	6,811	5,153	3,886
Corporate development expense	4,504	10	
Option expense (Note 16)	1,386	403	
Loss on equity investment	331		
Abandonment and impairment of mineral properties	470	175	
Loss on sale of assets			(425)
Interest	139	42	265
Foreign exchange (gain)/loss	280	(2,331)	(139)
Total expenses	62,652	41,742	33,278
<b>INCOME BEFORE THE UNDERNOTED</b>	<b>2,377</b>	<b>22,628</b>	<b>5,524</b>
Gain on sale of marketable securities		1,905	
Omai preferred share redemption premium			170
Income before minority interest	2,377	24,533	5,694
Minority interest	(1,277)	(2,577)	(838)
<b>NET INCOME BEFORE TAX</b>	<b>1,100</b>	<b>21,956</b>	<b>4,856</b>
Income tax recovery (Note 17)	1,542		
<b>NET INCOME</b>	<b>\$ 2,642</b>	<b>\$ 21,956</b>	<b>\$ 4,856</b>
<b>NET INCOME PER COMMON SHARE BASIC (Note 18)</b>	<b>\$ 0.019</b>	<b>\$ 0.198</b>	<b>\$ 0.067</b>
<b>NET INCOME PER COMMON SHARE DILUTED (Note 18)</b>	<b>\$ 0.018</b>	<b>\$ 0.186</b>	<b>\$ 0.063</b>
<b>WEIGHTED AVERAGE SHARES OUTSTANDING (millions of shares)</b>	<b>138.3</b>	<b>111.0</b>	<b>72.4</b>

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



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

	Number of Common Shares	Share Capital	Contributed Surplus	Warrants	Equity Component of Convertible Debentures	Deficit
Balance at December 31, 2001	49,259,548	\$ 167,929	\$	\$ 410	\$ 545	\$ (156,511)
Shares issued	31,506,000	27,507				
Issue costs		(2,558)				
Shares issued under options	547,916	520				
Shares issued under warrants	2,535,960	1,778				
Stock bonus	107,000	78				
Debenture conversions	2,994,278	2,903			(545)	
Warrants issued				1,817		
Warrants exercised		397		(397)		
Warrants issued to acquire property				255		
Other	450,000	400				
Net income						4,856
Balance at December 31, 2002	87,400,702	198,954		2,085		(151,655)
Shares issued	33,030,000	107,598				
Issue costs		(6,455)				
Warrants issued				1,780		
Warrants exercised		1,504		(1,504)		
Option issued net of forfeitures		(955)	955			
Shares issued under options	1,518,420	2,858				
Shares issued under warrants	8,167,956	8,595				
Stock bonus	57,200	118				
Shares issued to acquire property	2,750,000	12,045				
Cumulative effect of change in accounting method						483
Net income						21,956
Balance at December 31, 2003	132,924,278	324,262	955	2,361		(129,216)
Warrants exercised		755		(755)		
Option issued net of forfeitures			1,218			
Shares issued under options	767,180	1,239	(133)			
Shares issued under warrants	8,494,609	14,332				
Shares issued to acquire property	58,045	300				
Net income						2,642

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Balance at December 31, 2004	142,244,112	\$ 340,888	\$ 2,040	\$ 1,606	\$	\$(126,574)
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*The accompanying notes are an integral part of these consolidated financial statements.*

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

	For the years ended December 31,		
	2004	2003	2002
<b>OPERATING ACTIVITIES:</b>			
<b>Net income</b>	\$ 2,642	\$ 21,956	\$ 4,856
<b>Reconciliation of net income to net cash used in operating activities:</b>			
Depreciation, depletion and amortization	8,096	4,993	2,459
Deferred stripping	(1,357)		
Loss on equity investment	331		
Convertible debentures accretion			46
Premium on Omai preferred share redemption			(170)
Non-cash employee compensation	1,386	1,085	78
Abandonment and impairment of mineral properties	470	175	
Tax asset	(1,542)		
Gain on sale of assets			(425)
Reclamation expenditures	(730)	(841)	(465)
Asset retirement obligation	645	578	
Minority interest	1,277	2,577	838
	11,218	30,523	7,217
Changes in assets and liabilities:			
Accounts receivable	(2,802)	1,187	(746)
Inventories	(2,705)	(4,240)	(424)
Accounts payable and accrued liabilities	8,204	690	45
Marketable securities		906	(906)
Other	(5)	10	(293)
<b>Net Cash Provided by Operating Activities</b>	<b>13,910</b>	<b>29,076</b>	<b>4,893</b>
<b>INVESTING ACTIVITIES:</b>			
Expenditures on deferred exploration and development	(5,260)	(4,539)	(208)
Expenditures on mining properties	(19,302)	(31,142)	(12,075)
Expenditures on property, plant and equipment	(12,286)	(10,691)	(3,430)
Expenditures on mine construction-in-progress	(23,783)	(22,833)	
Omai preferred share redemption			310
Asset retirement obligation assets	1,000	1,192	
Sale of property	1,000	1,000	5,425
Deposits	(5,102)		
Investments	(4,971)	(888)	
Other	(894)	(139)	(392)
<b>Net Cash Used in Investing Activities</b>	<b>(69,598)</b>	<b>(68,040)</b>	<b>(10,370)</b>
<b>FINANCING ACTIVITIES:</b>			

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Issuance of share capital, net of issue costs	15,270	113,408	29,095
Debt repayment	(153)	(5,289)	(6,502)
Increase in debt	2,328	799	2,384
Other			7
Net Cash Provided by Financing Activities	17,445	108,918	24,984
Increase/(decrease) in cash and cash equivalents	(38,243)	69,954	19,507
Cash and cash equivalents, beginning of period	89,970	20,016	509
Cash and cash equivalents end of period	\$ 51,727	\$ 89,970	\$ 20,016

See Note 19 for supplemental cash flow information. Cash and cash equivalents at December 31, 2004 consisted of \$2.8 million in money market funds, \$38.9 million of short-term (less than 90 days) investments and \$10.0 million of cash in checking accounts.

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



**GOLDEN STAR RESOURCES LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**1. Summary of Significant Accounting Policies**

***Basis of Consolidation and the Preparation of Financial Statements***

These consolidated financial statements are prepared and reported in United States ( US ) dollars and in accordance with generally accepted accounting principles in Canada, ( Canadian GAAP ) which differ in some respects from GAAP in the United States ( US GAAP ). These differences are quantified and explained in Note 22. The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries and joint ventures. All material inter-company balances and transactions have been eliminated.

***Fiscal Year***

Our fiscal year runs from January 1 to December 31.

***Use of Estimates***

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

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash deposits and highly liquid short term investments. We consider all highly liquid marketable securities with maturities of less than 91 days at date of purchase to be cash equivalents. Our cash equivalents consist mostly of US and Canadian government treasury bills, agency notes, auction rate certificates and money market funds.

***Inventories***

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

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

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

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

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

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

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

#### ***Marketable Securities***

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

#### ***Exploration Costs***

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

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

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

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

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

We review and evaluate our long-lived assets for impairment at least annually and also when events or changes in circumstances indicate the related carrying amounts may not be recoverable. Asset impairment is considered to exist if the total estimated future cash flows, on an undiscounted basis, are less than the carrying amount of the asset. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on estimated quantities of recoverable minerals, expected gold and other commodity prices

(considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed engineering life-of-mine plans.

The significant assumptions used in determining the future cash flows for each operating unit at December 31, 2004, apart from production cost and capitalized expenditure assumptions unique to each operation, included a long-term gold price of \$400 per ounce. In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups. With the

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

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

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

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

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

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

### ***Deferred Stripping***

In open pit mines with multi-year lives and highly variable waste-to-ore stripping ratios over a pit's life, we defer and subsequently recover waste removal costs in a manner that effectively allocates an equal share of the waste mining costs to each tonne of ore extracted. This practice is typically referred to as deferred stripping accounting and is widely used in the mining industry. Application of deferred stripping accounting results in a smoothing of the cost of waste-rock removal over the life of the pit rather than expensing the actual waste removal costs as incurred in each period. The full amount of the waste removal costs in the pit will not be expensed until the end of the pit life. When properly executed, a deferred waste stripping program will result in the deferred asset being fully amortized to zero balance when the last tonne of ore is removed from the pit.

Capitalized amounts are calculated each period by determining the tonnes of waste moved in excess of the life-of-pit average stripping ratio and valuing them at the average mining cost per tonne during the period. Costs are recovered in periods when the actual tonnes of waste moved are less than what would have been moved at the average stripping rate. The estimates required to be made in establishing and operating a deferred stripping program include the amount and location of ores reserves to be recovered and the amount of waste rock to be removed. Such estimates are subject to several uncertainties mainly related to the limited access to a buried ore body. Factors including fluctuating metal prices, unexpected changes in operating costs, discovery of additional reserves or discovery that certain areas of the mine thought to be ore bearing are not and unexpected changes in the geologic environment at depth can all impact the estimates used in a deferred stripping program. At least annually an engineering study evaluates the remaining ore

and waste tonnages in the pit using the most recent information available and adjustments to the capitalization and recovery rates are made to insure that the capitalized costs will be appropriately expensed over the remaining ore reserve tonnes in the pit.

There are mixed accounting practices in this area and some mining companies expense waste removal costs as incurred, which may result in reporting greater volatility in period to period results of operations than would be expected from a company that employs a deferred stripping policy. Mining companies also use differing mechanisms for determining the amount and cost of the waste tonnages capitalized and amounts recovered.

Capitalized waste-rock removal costs are shown on our consolidated balance sheet in a line titled *Deferred Stripping* . The cost impact is included in the statement of operations in the line titled *Mining operations* .

In early March 2005 an Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board reached a consensus on EITF issue 04-06 *Accounting for Stripping Costs in the Mining Industry* . The consensus was that deferred stripping costs should no longer be capitalized but rather should be considered a variable production cost. Transition provisions provide that deferred stripping will no longer be appropriate for fiscal years beginning after December 15, 2005. The EITF's consensus will be considered for ratification by the FASB Board March 30, 2005.

### ***Environmental Rehabilitation and Closure***

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

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

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

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

### ***Income and Mining Taxes***

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

### ***Net Income per Share***

Basic income per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The calculation of diluted net income per common share uses the treasury stock method to compute the dilutive effects of stock options and warrants.

***Revenue Recognition***

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

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

***Stock Based Compensation***



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

### ***Reclassifications***

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

### ***Recent Accounting Pronouncements***

In November 2003, the CICA amended CICA 3870 - *Stock-based Compensation and Other Stock-based Payments* to require recognition at the date of grant, of expense for stock option grants after December 31, 2003 in an amount equal to the fair value of the option. We opted for an early adoption of this new guidance and began expensing stock options during 2003. The impact of this election resulted in recognition of approximately \$1.0 million of stock option expense in 2003 and approximately \$1.4 million in 2004.

In December 2001, the CICA issued Accounting Guideline 13 ( *AcG-13* ), *Hedging Relationships* . The guideline establishes requirements for the identification, documentation and effectiveness of hedging relationships, which would have been effective for fiscal years beginning on or before July 1, 2003. Since we had no hedging instruments there was no impact on our financial results from the adoption of the guidance.

### **AcG 15 Consolidations of variable interest entities**

In November 2004, the CICA issued Accounting Guideline *Consolidation of Variable Interest Entities* ( *AcG-15* ) to provide guidance for determining when an enterprise includes assets, liabilities and results of activities of variable interest entities in its consolidated financial statements. Variable interest entities are those in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. We do not anticipate any material impact on our consolidated financial statements or financial results from the adoption of AcG-15.

For a discussion of recent accounting pronouncements under US GAAP, see Note 22 to the Consolidated Financial Statements.

## **2. Financial Instruments**

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

**(b) Commodity Instruments** In the past we have purchased put option contracts ( *puts* ). Puts provide the right, but not the obligation, to sell a specified number of ounces of gold at a specified price on a specified future transaction date. Put options thereby provide a floor price for a portion of future production but they do not limit the upside potential of higher gold prices in excess of the specified price. If we opt to forego exercising a put option, the put

expires on its specified transaction date. We have not entered into a hedging program nor do we currently otherwise manage exposure to commodity price risk.

**3. Inventories**

	<b>As of December 31,</b>	
	<b>2004</b>	<b>2003</b>
Stockpiled ore	\$ 3,659	\$ 4,167
In-process	2,858	2,821
Materials and supplies	8,849	5,673
Total	\$ 15,366	\$ 12,661

There were approximately 15,400 and 28,000 recoverable ounces of gold in ore stockpile inventories at December 31, 2004 and 2003, respectively. These ounces contained in our ore stockpile inventories are included in ore reserves. The stockpile inventories are for the most part short-term surge piles which will be processed in the next 12 months or less.

**4. Guiana Shield transactions**

In 2001 we sold our 50% interest in the Rosebel exploration property in South America to Cambior Inc. In addition to a \$5.0 million payment received at closing in 2002 and a future royalty (or participation right) based on future Rosebel production, the terms of the sale agreement provided that Cambior would make three deferred payments of \$1.0 million each and also pays a royalty on future gold production. The first of the deferred payments was received in the first quarter of 2003. The second deferred payment was made in the first quarter of 2004, and the third and final payment is expected in the first quarter of 2005.

We began receiving royalty payments in early 2004 from Cambior Inc. related to the participation right. Royalty income totaled \$3.0 million during 2004. On December 31, 2004 we sold the Rosebel participation right to our 53% owned subsidiary Guyanor Ressources SA for \$12.0 million, of which \$6.0 million was paid on January 8, 2005 and the balance is due to Golden Star prior to June 30, 2005. There was no gain recognition on the sale. Additionally, Golden Star will receive up to \$2.50 per ounce of Rosebel production for all production in excess of 2 million ounces but less than 4 million ounces and up to \$5.00 per ounce when production exceeds 4 million ounces up to 7 million ounces.

**5. Deposits**

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

**6. Long Term Investments**

Represents a \$1.4 million investment in Goldmin Holdings, a private exploration firm with a focus on South American projects and a \$4.1 million investment in the common shares of Moto Gold Mines Limited ( Moto ), a publicly traded gold exploration and development firm.

We invested an additional \$0.8 million in Goldmin Holdings during 2004 bringing our ownership to 30.5%. We carry this investment as an equity investment and recognized \$0.3 million of equity losses in 2004.

During 2004 when we acquired a 9.5% equity interest in Moto for \$4.1 million. In addition to the common shares, we received warrants, which if exercised will raise our interest to 13.3%. This investment is carried as a long-term investment. The fair value of our investment in Moto remained at \$4.1 million as of December 31, 2004.



**7. Deferred Exploration and Development Costs**

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

	Deferred Exploration & Development	Capitalized Exploration Expenditures	Acquisitions	Impairment Write-offs	Reclassified to Mining Property	Deferred Exploration & Development Costs as of 12/31/04
<b>GHANA:</b>						
Bogoso Sulfide Project	\$ 5,930	\$	\$	\$	\$ (5,930)	\$
Akropong Trend & Other Ghana	2,037	406				2,443
Prestea Property Projects		2,537		(470)		2,067
Beta Boundary	814				(814)	
<b>MALI:</b>						
Mininko	130	903				1,033
<b>SIERRA LEONE</b>						
Mano River		758				758
<b>FRENCH GUIANA:</b>						
Bon Espoir			501			501
Paul Isnard			256			256
<b>SURINAME:</b>						
Saramacca	197	197				394
<b>TOTAL</b>	<b>\$ 9,108</b>	<b>\$ 4,801</b>	<b>\$ 757</b>	<b>\$ (470)</b>	<b>\$ (6,744)</b>	<b>\$ 7,452</b>

The Bogoso Sulfide Project and the Beta Boundary Project (now referred to as the Bondaye Project) were reclassified as Mining Properties during 2004.

Consolidated property expenditures for exploration projects for the year ended December 31, 2003 were as follows:

	Deferred Exploration & Development	Capitalized Exploration Expenditures	Acquisitions	Impairment Write-offs	Deferred Exploration & Development Costs as of 12/31/03
	Costs as of 12/31/02				

**GHANA:**

Obuom	\$ 269	\$ 9	\$	\$	\$ 278
Bogoso Sulfide Project	3,621	119	2,190		5,930
Akropong Trend & Other Ghana	787	972			1,759
Beta Boundary		814			814
Other Bogoso Area Properties		109		(109)	

**MALI:**

Mininko		130			130
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**FRENCH GUIANA:**

Yaou	33			(33)	
Dorlin	33			(33)	

**SURINAME:**

Saramacca		197			197
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<b>TOTAL</b>	\$ 4,743	\$ 2,350	\$ 2,190	\$ (175)	\$ 9,108
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**8. Property, Plant and Equipment**

	As of December 31, 2004			As of December 31, 2003		
	Property, Plant and Equipment at Cost	Accumulated Depreciation	Property, Plant and Equipment Net Book Value	Property, Plant and Equipment at Cost	Accumulated Depreciation	Property, Plant and Equipment Net Book Value
Bogoso/Prestea	\$ 27,722	\$ 5,057	\$ 22,665	\$ 15,765	\$ 4,143	\$ 11,622
Prestea Underground	238		238	227		227
Guyanor	1,969	1,951	18	1,985	1,952	33
Wassa	5,460		5,460	6,259		6,259
Corporate & other	1,060	788	272	782	721	61
Total	\$ 36,449	\$ 7,796	\$ 28,653	\$ 25,018	\$ 6,816	\$ 18,202

**9. Mining Properties**

	As of December 31, 2004			As of December 31, 2003		
	Mine Property at Cost	Accumulated Amortization	Mine Property, Net Book Value	Mine Property at Cost	Accumulated Amortization	Mine Property, Net Book Value
Bogoso/Prestea	\$ 43,420	\$ 23,113	\$ 20,307	\$ 41,885	\$ 16,856	\$ 25,029
Prestea Underground	12,984		12,984	8,560		8,560
Wassa	9,653		9,653	9,778		9,778
Bogoso Sulfide	13,065		13,065			
Mampon	13,676		13,676	13,441		13,441
Beta Boundary	4,512		4,512			
Total	\$ 97,310	\$ 23,113	\$ 74,197	\$ 73,664	\$ 16,856	\$ 56,808

Some prior period numbers have been adjusted to conform to the 2004 presentation.

In June 2004 due to financial difficulties experienced by our joint venture partner, the portion of the Prestea Underground owned by our joint venture partner reverted to our ownership per the terms of the original joint venture agreement. As a result, a \$2.4 million minority interest recorded when the partnership was originally organized was reversed and a \$2.4 million reduction was recorded in the carrying value of the Prestea Underground Mining Property assets.

The Bogoso Sulfide project, and the Beta Boundary project at Prestea, which is expected to feed the proposed Bondaye processing plant, were deemed sufficiently advanced by early 2004 for reclassification as Mining Properties rather than as exploration properties. Reclassification was based upon having defined proven and probable reserves at both projects, completion of a feasibility study for the Bogoso Sulfide project showing it to be economically viable, and advanced engineering and design work on the Bondaye/Beta Boundary project which is now awaiting environmental permits. The Mining Properties costs associated with these two projects will be amortized over production ounces when gold production begins.

#### **10. Mine Construction-in-Progress**

Mine construction in progress represents costs incurred at the Wassa project subsequent to acquisition. The balance includes feasibility study costs, equipment purchases and construction costs, including interim payments to the construction contractor and development costs.

#### **11. Deferred Stripping**

We initiated a deferred waste stripping policy at the Plant-North pit at Prestea in the third quarter of 2004. In the past, most of our pits have been relatively shallow and short-lived because the Bogoso processing plant could effectively process only near-surface ores that had been naturally oxidized by relatively shallow ground water. With recent plant modifications we are now able to process certain deeper ores from Prestea. As a result we anticipate deeper pits with longer lives than in the past. Adoption of this policy resulted in deferral of \$1.4 million of Plant-North waste stripping costs during the second half of 2004. There were no recoveries of stripping costs during 2004. We expect that the entire \$1.4 million of deferred stripping costs will be recovered during 2005. The value of capitalized waste costs is included in the Mining Properties balance on our consolidated balance sheets. The cost impact is included in the statement of operations in the line titled Mining operations .

#### **12. Debt**



		As of December 31, 2004	As of December 31, 2003
<b>Current debt:</b>			
Equipment financing loans	Bogoso (Note a)	\$ 1,130	\$
Equipment financing loans	Wassa (Note b)	137	142
Total current debt		\$ 1,267	\$ 142
<b>Long term debt:</b>			
Equipment financing loans	Bogoso (Note a)	1,198	
Equipment financing loans	Wassa (Note b)	\$ 509	\$ 657
Total long term debt		\$ 1,707	\$ 657

- (a) In June 2004 an equipment financing credit facility of up to \$25 million was established between Caterpillar Financial Services Corporation and BGL and WGL, subsidiaries of Golden Star, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit for a mixture of new and used mining equipment and is available until April 2005. Amounts drawn under this facility are repayable over five years for new equipment and over two years for used equipment. The interest rate is fixed using the Federal Reserve Bank 2-year or 5-year swap rate plus 2.28% or we can opt for a floating interest rate of LIBOR plus 2.28%. As of December 31, 2004, \$2.3 million had been drawn to purchase used equipment and is repayable in 24 equal monthly installments beginning December 2004 with an interest rate of 6.01%.
- (b) Caterpillar Financial Services Corporation - A \$0.8 million installment loan was used to purchase mobile equipment at Wassa and is repayable in 60 equal monthly installments from December 2003 with an interest rate of 6.25%.

### **13. Asset Retirement Obligations**

Effective January 1, 2003, we changed our accounting policy for asset retirement obligations to comply with CICA Handbook Section 3110, Asset Retirement Obligations. This change was made on a retroactive basis. Upon the adoption of this new standard, we recognized a \$0.5 million reduction in the carrying value of liabilities related to future reclamation and other asset retirement obligations. The cumulative effect of the adoption of this new standard totaled \$0.5 million and was recorded as a reduction in the deficit account in shareholders' equity.

Our Asset Retirement Obligations ( ARO ) recognize the present value of the ultimate closure cost associated with reclamation, demolition and stabilization of our mining properties. Included in this liability are the costs of mine closure and reclamation, processing plant and infrastructure demolition, tailings pond stabilization and reclamation and environmental monitoring costs.

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

	<b>Year ended December 31, 2004</b>	
<b>Asset Retirement Obligations</b>		
Balance at beginning of the year	\$	7,745
Accretion expense		645
Reclamation work performed		(730)
New AROs incurred during the period		1,000
Balance at December 31, 2004	\$	8,660

#### **14. Commitments and Contingencies**

**(a) Environmental Regulations and Asset Retirement Obligations** - We are not aware of any events of material non-compliance with environmental laws and regulations in our operations which could have a material adverse effect on our operations or financial condition. The exact nature of 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 various jurisdictions. Asset retirement obligations, which include environmental rehabilitation liabilities for reclamation and for closure costs, were \$6.0 million at Bogoso/Prestea at December 31, 2004, up from \$5.2 million at December 31, 2003. Asset retirement obligations at Wassa totaled \$2.7 million at December 31, 2004, up from \$2.5 million at the end of 2003.

**(b) Cash Restricted for Environmental Rehabilitation Liabilities** - In 1999, we were required, according to the acquisition agreement with the sellers of BGL, to restrict \$6.0 million of cash to be used for the ongoing and final reclamation and closure costs at Bogoso. The withdrawal of these funds must be agreed to by the sellers, who are ultimately responsible for the reclamation in the event of our non-performance. There have been no agreements for disbursements since 2001. We are seeking to obtain an amendment to the agreement that would remove the restriction and in its place establish a reclamation bond to meet Ghana's Environmental Protection Agency reclamation bonding requirements as discussed below. At December 31, 2004, approximately \$3.4 million of restricted cash was held as a cash provision against future reclamation commitments at Bogoso.

**(c) Corporate Office Building Lease** - Effective January 1, 2004, we entered into a five year office building lease for our corporate headquarters in Littleton, Colorado. The annual initial lease rate was \$19.00 per rentable square foot, which escalates to \$21.00 per rentable square foot in the last year of the lease.

**(d) Environmental Bonding in Ghana** - During 2004 the Ghana Environmental Protection Agency requested that we provide cash collateralized environmental reclamation bonds for both Bogoso/Prestea and Wassa. While the Environmental Protection Agency has not specified the exact amount of the required bonds, we expect, based on our cost estimates for required future reclamation spending, that the bonds will be approximately \$9.0 million for Bogoso/Prestea and approximately \$3.9 million for Wassa. We plan to fund these obligations with a combination of cash on hand and letters of credit.

#### **(e) Royalties -**

**(i) Dunkwa Properties:** As part of the acquisition of the Dunkwa properties in August 2003, we agreed to pay the seller a net smelter return royalty on future gold production from the Mansiso and Asikuma properties, excluding any royalty on the first 200,000 ounces produced from Mampon which is located on the Asikuma property. The amount of

the royalty is based on a sliding scale which ranges from 2% of net smelter return at gold prices of or below \$300 per ounce up to 3.5% for gold prices in excess of \$400 per ounce.

(ii) Government of Ghana: Under the laws of Ghana, a holder of a mining lease is required to pay an annual royalty of not less than 3% and not more than 12% of the total revenues earned from the lease area. The royalty is payable on a quarterly basis. We currently pay a 3% annual royalty on gold production from Bogoso/Prestea and expect to pay a royalty at a similar rate on Wassa production. The Government of Ghana retains the right to increase the amount of the royalty to as much as 12% based upon a formula related to a company's operating margin.

**(f) Wassa Construction Contract** - We entered into a contract with Metallurgical Design and Management (Pty) Ltd. ( MDM ), a South African company, in July 2003, for the construction of the CIL processing plant facility and other associated processing facilities at Wassa. By the end of 2004 substantially all construction work had been completed at Wassa, except for the completion of the power line, and the contract with MDM was terminated and no further payments are due them.

**(g) Mano River Joint Venture** - We entered into a joint venture agreement in late 2003 to invest up to \$6 million over four years in the Mano River project in Sierra Leone via an earn-in agreement with a junior exploration company which holds a group of gold exploration properties in Sierra Leone. The initial \$6 million, if fully funded (we can terminate the agreement after spending \$1.0 million) would yield a 51% interest in the joint venture. Further provisions of the joint venture agreement provide the opportunity to acquire up to 85% of the joint venture by continued long term funding. The joint venture agreement is subject to completion of documentation. Spending during 2003 was nil. Spending in 2004 totaled \$0.8 million leaving \$0.2 million left on our minimum commitment to the project.

**(h) Mininko Joint Venture** - In late 2003 we entered into a joint venture agreement, agreeing to fund exploration work on the Mininko gold property in Mali. Funding of \$2.6 million would earn a 51% interest in the joint venture. We can terminate the joint venture after spending \$0.4 million of which \$0.1 million was spent in 2003. Spending during 2004 totaled \$0.9 million. The joint venture agreement provides that we can earn up to an 82.5% interest by continued funding of exploration and development, if warranted.

## **15. Warrants**

At December 31, 2004, there were two series of warrants outstanding to purchase a total of 8.8 million common shares. Of the total, 8.4 million were issued during 2003 and 0.4 million were issued during 2002 as follows:

<b>Type:</b>	<b>Date issued</b>	<b>Warrants outstanding</b>	<b>Exercise price</b>	<b>Term</b>	<b>Expiration date</b>
Broker warrants	July 24, 2002	385,000	Cdn\$2.28	2 years <sup>(1)</sup>	July 24, 2005
	February 14, 2003			4 years	February 14, 2007
Equity offering		8,448,334	Cdn\$4.60		
Total		8,833,334			

(1) The July 24, 2002 broker warrants are exercisable during a two-year period ending July 24, 2005. During 2004, 8.5 million warrants were exercised resulting in cash proceeds of \$14.3 million to Golden Star.

The warrants issued in conjunction with the February 14, 2003 equity offering are traded on the Toronto Stock Exchange under the symbol GSC.WT.A. There is no public market for the broker warrants.

## **16. Stock Based Compensation**

**(a) Stock Options** - We have one stock option plan, the 1997 Stock Option Plan, as amended (the GSR Plan ) and options are granted under this plan from time to time at the discretion of the Compensation Committee. Options granted are non-assignable and are exercisable for a period of ten years or such other period as stipulated in a stock option agreement between Golden Star and the optionee. Under the GSR Plan, we may grant options to employees, consultants and directors of the Company or its subsidiaries for up to 15,000,000 shares of common stock. Options

take the form of non-qualified stock options, and the exercise price of each option is not less than the market price of our stock on the date of grant. Options typically vest over periods ranging from immediately to four years from the date of grant. Vesting periods are determined at the discretion of the Compensation Committee.

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

	2004		2003		2002	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
<b>GSR Plan</b>	(000s)	(Cdn\$)	(000s)	(Cdn\$)	(000s)	(Cdn\$)
Outstanding at beginning of year	5,241	2.41	4,489	1.36	4,595	1.42
Granted	855	6.95	2,354	3.99	640	1.17
Exercised	(767)	2.12	(1,518)	1.73	(548)	1.49
Forfeited	(58)	4.31	(84)	2.92	(198)	1.76
Outstanding at end of year	5,271	3.17	5,241	2.41	4,489	1.36
Options vested and exercisable at year-end	4,140	2.54	3,803	1.81	4,006	1.40
Weighted-average fair value of options granted during the year		2.45		1.25		0.86

	Options Outstanding			Options Exercisable	
	Number Outstanding at December 31, 2004 (000s)	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price (Cdn\$)	Number Exercisable at December 31, 2004 (000s)	Weighted-Average Exercise Price (Cdn\$)
<b>GSR Plan Range of Exercise Prices (Cdn\$)</b>					
1.00 to 2.50	2,869	5.6	1.39	2,794	1.36
2.51 to 4.00	1,162	8.2	3.46	757	3.38
4.01 to 7.00	1,026	9.3	6.65	482	6.63
7.01 to 10.00	214	8.9	8.83	107	8.83
All options	5,271	7.1	3.17	4,140	2.54

Options granted during 2004:

Date	Number of Options (000s)	Strike Price (Cdn\$)	Fair Value per option (Cdn\$)	Total Fair	
				Value (000s of Cdn\$)	Option Life
<b>Granted</b>					

May 14, 2004	855	6.95	2.45	2,094	10 years
<b>Total</b>	855	6.95	2.45	2,094	10 years

Options granted during 2003:

<b>Date Granted</b>	<b>Number of Options (000s)</b>	<b>Strike Price (Cdn\$)</b>	<b>Fair Value per option (Cdn\$)</b>	<b>Total Fair Value (000s of Cdn\$)</b>	<b>Option Life years</b>
January 30, 2003	1,134	3.14	0.96	1,093	10 years
March 21, 2003	225	2.39	0.90	203	10 years
July 30, 2003	556	4.00	1.17	648	10 years
September 18, 2003	225	5.25	1.94	436	10 years
October 30, 2003	32	7.45	2.21	71	10 years

<b>Date</b>	<b>Number of Options</b>	<b>Strike Price</b>	<b>Fair Value per option</b>	<b>Total Fair Value</b>	<b>Option Life</b>
<b>Granted</b>	<b>(000s)</b>	<b>(Cdn\$)</b>	<b>(Cdn\$)</b>	<b>(000s of Cdn\$)</b>	<b>years</b>
December 18, 2003	182	9.07	2.67	486	10 years
<b>Total</b>	2,354	3.99	1.25	2,937	10 years

The fair value of options granted during 2004, 2003 and 2002 were estimated at the grant dates using the Black-Scholes option-pricing model with the following weighted average assumptions:

	<b>2004</b>	<b>2003</b>	<b>2002</b>
Expected volatility	36%	34%	89% to 102%
Risk-free interest rate	3.72% - 4.06%	3.01% - 4.46%	3.68% - 4.47%
Expected lives	3.5 to 5 years	3.5 to 5 years	5 years
Dividend yield	0%	0%	0%

In November 2003 the Accounting Standards Board of the Canadian Institute of Certified Accountants amended CICA Handbook CICA 3870, *Stock-based Compensation and other Stock-based Payments* to require expensing of all stock based compensation awards for fiscal years beginning on or after January 1, 2004. In light of this development we adopted the new provision of CICA 3870 in 2003. As a result, we recognized stock based compensation expense of approximately \$1.4 million and \$1.0 million in 2004 and 2003 respectively for stock options granted during 2004 and 2003. During 2003 approximately \$0.5 million of the total option expense was included in mining operations expense.

Prior to 2003 we did not recognize compensation costs related to stock options granted. Had compensation costs been recognized for options vesting in 2002, our net income and earnings per share would have been reduced to the pro forma amounts shown below:

		<b>2004</b>	<b>2003</b>	<b>2002</b>
Net income	As reported	\$ 2,642	\$ 21,956	\$ 4,856
	Pro forma	\$ 2,633	\$ 21,882	\$ 4,339
Net income per share	As reported	\$ 0.019	\$ 0.198	\$ 0.067
	Pro forma	\$ 0.019	\$ 0.197	\$ 0.060

**(b) Stock Bonus Plan** - In December 1992, we established an Employees Stock Bonus Plan (the *Bonus Plan*) for any full-time or part-time employee (whether or not a director) of the Company or any of our subsidiaries who has rendered meritorious services which contributed to the success of the Company or any of its subsidiaries. The Bonus Plan provides that a specifically designated committee of the Board of Directors may grant bonus common shares on



terms that it might determine, within the limitations of the Bonus Plan and subject to the rules of applicable regulatory authorities. The Bonus Plan, as amended, provided for the issuance of 900,000 common shares of bonus stock of which 445,820 common shares have been issued as of December 31, 2004.

During 2004, 2003 and 2002 a total of nil, 57,200 and 107,000 common shares respectively were issued to employees pursuant to the Bonus Plan. We recognized compensation expense related to bonuses under the Bonus Plan during 2004, 2003 and 2002 of nil, \$117,800 and \$78,000.

### **17. Income Taxes**

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

Our future tax assets and liabilities at December 31, 2004 and 2003 include the following components:

(in thousands)	2004	2003
<b>Future tax assets:</b>		
Offering costs	\$ 2,218	\$ 2,835
Loss carryovers	59,795	62,745
Mine property costs	18,132	16,366
Valuation allowance	(64,399)	(66,222)
Future tax assets	\$ 15,746	\$ 15,724
<b>Future tax liabilities:</b>		
Mine property costs	\$ 13,805	\$ 15,724
Reclamation costs	399	
Deferred tax liabilities	\$ 14,204	\$ 15,724
Net future tax asset	\$ 1,542	\$ 0

The composition of our valuation allowance is summarized as follows:

(in thousands)	2004	2003
Canada	\$ 32,756	\$ 31,826
France	26,141	27,065
Ghana	5,502	7,331
Total Valuation Allowance	\$ 64,399	\$ 66,222

During 2004, we reduced the valuation allowance by \$1.5 million. This allowance was related to our net future tax assets in Ghana.

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

	2004	2003	2002
Net income before minority interest	\$ 2,377	\$ 24,533	\$ 5,694
Statutory tax rate	32.1%	34.1%	36.1%
Tax expense (recovery) at statutory rate	763	8,365	2,057
Enacted future tax rate reductions		(490)	(228)
Foreign tax rates	(152)	(6,489)	(797)
Change in tax rates			5,870
Nondeductible portion of capital losses	3,174		
Expired loss carryovers	1,450	2,866	1,861
Ghana investment allowance	(316)	(636)	(339)

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Nondeductible stock option compensation	445	129	
Nondeductible expenses	119		
Tax loss on sale of Guyanor shares	(2,898)		
Loss carryover not previously recognized	4,447		(9,766)
Ghana property basis not previously recognized	(2,733)	716	(5,571)
Change in future tax assets due to exchange rates	(3,919)	(8,283)	(3,214)
Change in valuation allowance	(1,922)	3,822	10,127
Income tax expense (recovery)	\$ (1,542)	\$	\$

During 2004, 2003 and 2002, we recognized \$0.3 million, \$6.4 million and \$2.6 million, respectively, of share offering costs. Shareholders' equity has been credited in the amounts of \$0.1 million, \$2.1 million and \$0.8 million for the tax benefits of these deductions; however a valuation allowance had been provided against their full amount.

The \$1.5 million provision for taxes is a deferred foreign provision.

At December 31, 2004 we had loss carryovers expiring as follows:

	<b>Canada</b>	<b>Ghana</b>	<b>France</b>
2005	\$ 10,187	\$	\$
2006	2,508		
2007	344		
2008	1,837		
2009	2,265		
2010	1,134		
2011	6,723		
Indefinite	39,583	65,377	73,215
Total	\$ 64,582	\$ 65,377	\$ 73,215

### **18. Earnings per Common Share**

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

	<b>For the years ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Net Income/(Loss)</b>	\$ 2,642	\$ 21,956	\$ 4,856
<b>Shares (in millions)</b>			
Weighted average number of common shares	138.3	111.0	72.4
Dilutive Securities:			
Options	2.9	2.7	1.6
Warrants	2.5	4.2	2.7
<b>Weighted average number of dilutive common shares</b>	<b>143.7</b>	<b>117.9</b>	<b>76.7</b>
<b>Basic Income/(Loss) Per Common Share</b>	<b>\$ 0.019</b>	<b>\$ 0.198</b>	<b>\$ 0.067</b>
<b>Diluted Income/(Loss) Per Common Share</b>	<b>\$ 0.018</b>	<b>\$ 0.186</b>	<b>\$ 0.063</b>

### **19. Supplemental Cash Flow Information**

The following is a summary of non-cash transactions:

	<b>For the years ended December</b>		
	<b>2004</b>	<b>31, 2003</b>	<b>2002</b>
<b>Investing:</b>			
Prestea acquisition costs paid with common shares	\$	\$	\$ (400)
Common shares issued for Prestea acquisition cost			400
Receivable on sale of property			(3,000)
Acquisition, deferred exploration and development			3,000
Wassa property acquisition			
Property, plant and equipment			(4,120)

	<b>For the years ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Reclamation liability assumed			2,302
Assumption of bank debt			1,818
Minority interest in Prestea Underground joint venture			2,400
Mine property Prestea Underground joint venture			(2,400)
Warrants issued for Obuom acquisition			255
Obuom property acquisition			(255)
Acquisition of properties in French Guiana			(66)
Guiana Shield transaction property exchange			66
Barnex royalty buy-back		12,045	
Common shares issued for Barnex royalty buy-back		(12,045)	
Common shares issued to purchase Goldfields Minière S.A.	300		
Acquisition of Investment in Goldfields Minière S.A.	(300)		
Acquisition of minority interest in Prestea Underground:			
Minority interest	(2,400)		
Mining Property	2,400		
<b>Financing:</b>			
Equity component of convertible debentures			(545)
Common shares issued upon conversion of convertible debentures			2,903
Conversion of convertible debentures			(2,358)

There was no cash paid for income taxes during 2004, 2003 and 2002. Cash paid for interest was \$0.1 million in 2004, \$0.1 million in 2003 and \$0.4 million in 2002.

## **20. Operations by Segment and Geographic Area**

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

<b>(as of December 31 or for the year ended)</b>	<b>Africa - Ghana</b>			<b>South America</b>	<b>Corporate</b>	<b>Total</b>
	<b>Bogoso/ Prestea</b>	<b>Wassa</b>	<b>Other</b>			
<b>2004</b>						
Revenues	\$ 61,002	\$	\$	\$ 3,145	\$ 882	\$ 65,029
Net Income/(Loss)	12,533	(168)		1,772	(11,495)	2,642
Total Assets	90,297	70,681	31,080	817	59,285	252,160
<b>2003</b>						
Revenues	\$ 63,640	\$	\$	\$ 102	\$ 628	\$ 64,370
Net Income/(Loss)	23,253	(171)		(1,411)	285	21,956
Total Assets	64,828	44,523	20,058	352	92,630	222,391
<b>2002</b>						
Revenues	\$ 38,199	\$	\$	\$ 466	\$ 137	\$ 38,802

Net Income/(Loss)	8,089			(1,106)	(2,127)	4,856
Total Assets	36,585	10,434	3,688	189	23,239	74,135

**21. Related Parties**

During 2004 we obtained legal services from a legal firm to which our Chairman is of counsel. Total cost of all services purchased during 2004 was \$1.7 million. Our Chairman did not personally perform any legal services for us during 2004 nor did he benefit directly or indirectly from payments for the services performed by the firm.

**22. Generally Accepted Accounting Principles in Canada and the United States**

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

<b>(a) Balance Sheets Under US GAAP</b>	<b>As of December 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and short term investments	\$ 51,727	\$ 89,970
Accounts receivable	3,592	790
Inventories	15,366	12,661
Due from sale of property	1,000	1,000
Current tax asset	1,542	
Deposits	5,102	
Prepays	517	514
 Total current assets	 78,846	 104,935
Restricted cash	3,351	3,317
Due from sale of property		1,000
Long term investments	4,132	
Deferred exploration and development costs (Note 2)		
Property, plant and equipment, net	28,653	18,202
Mining property (Note 3)	52,586	46,478
Mine construction in progress	49,430	25,647
Deferred stripping	1,357	
Other assets	1,617	758
 Total Assets	 \$ 219,972	 \$ 200,337
 Current liabilities	 \$ 17,480	 \$ 8,151
Long term debt	1,707	657
Asset retirement obligations (Note 4)	8,660	7,745
 Total Liabilities	 27,847	 16,553
 Minority interest (Notes 2 and 3)	 3,899	 3,367
 Share capital (Note 6)	 339,524	 323,654
Contributed capital	2,040	955
Accumulated comprehensive income (Note 1)	1,316	1,316
Deficit (Note 4)	(154,654)	(145,508)



Total Shareholders' Equity	188,226	180,417
Total Liabilities and Shareholders' Equity	\$ 219,972	\$ 200,337

<b>(b) Statements of Operations under US GAAP</b>	<b>For the Years ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Net income under Cdn GAAP	\$ 2,642	\$ 21,956	\$ 4,856
Deferred exploration expenditures expensed per US GAAP (Note 2)	(5,735)	(5,252)	(529)
Gain on sale of exploration property (Note 5)			8,066
Effect of mining property depletion			
Capitalized mine property acquisition costs expensed for US GAAP (Note 3)	(6,799)	(4,763)	(7,246)
Other			(7)
Net income/(loss) under US GAAP before minority interest	(9,892)	11,941	5,140
Minority interest, as adjusted (Notes 2 and 3)	746	933	1,612
Net income/(loss) under US GAAP before cumulative effect of change in accounting method	(9,146)	12,874	6,752
Cumulative effect of change in accounting method (Note 4)		483	
Net Income/(loss) under US GAAP	(9,146)	13,357	6,752
Other comprehensive income - gain on marketable securities (Note 1)		(548)	548
Comprehensive income/(loss)	\$ (9,146)	\$ 12,809	\$ 7,300
Basic net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	\$ (0.066)	\$ 0.116	\$ 0.093
Cumulative effect of change in accounting method		0.004	
Basic net income/(loss) per share under US GAAP after cumulative effect of change in accounting method	\$ (0.066)	\$ 0.120	\$ 0.093
Diluted net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	\$ (0.066)	\$ 0.109	\$ 0.088
Cumulative effect of change in accounting method		0.004	
Diluted net income/(loss) per share under US GAAP after cumulative effect of change in accounting method	\$ (0.066)	\$ 0.113	\$ 0.088

**(c) Statements of Cash Flows under US GAAP****For the years ended December 31,**

	<b>2004</b>	<b>2003</b>	<b>2002</b>
Cash provided by (used in):			
Operating Activities	\$ 575	\$ 19,029	\$ 1,040
Investing activities	(56,263)	(57,993)	(6,517)
Financing activities	17,445	108,918	24,984
Increase/(Decrease) in cash and cash equivalents for the year	(38,243)	69,954	19,507
Cash and cash equivalent beginning of the year	89,970	20,016	509
Cash and cash equivalents end of the year	\$ 51,727	\$ 89,970	\$ 20,016

**(d) Notes**

(1) Under US GAAP, marketable securities available for sale are marked to market and gains or losses are recognized in Other Comprehensive Income until the securities are sold. Under Cdn GAAP, marketable securities are accounted for at the lower of cost or market.

(2) Under US GAAP, exploration, acquisition and general and administrative costs related to exploration projects are charged to expense as incurred. Under Cdn GAAP, exploration, acquisition and general and administrative costs related to exploration projects are capitalized. In each subsequent period, the exploration, engineering, financial and market information for each exploration project is reviewed by management to determine if any of the capitalized costs are impaired. If found impaired, the asset's cost basis is reduced in accordance with Cdn GAAP provisions.

(3) Under US GAAP, the initial purchase cost of mining properties is capitalized. Pre-acquisition costs and subsequent development costs incurred, until such time as a final feasibility study is completed, are expensed in the period incurred. Under Cdn GAAP, the purchase costs of new mine properties as well as all development costs incurred after acquisition are capitalized and subsequently reviewed each period for impairment. If found impaired, the asset's cost basis is reduced in accordance with Cdn GAAP provisions.

(4) Under US GAAP the cumulative effect of applying SFAS 143 Accounting for Asset Retirement Obligations in January 2003 is included in net income for the period. In Cdn GAAP, under CICA 3110 Asset Retirement Obligations, the cumulative effect of the application of this new standard was recorded as an adjustment to beginning deficit account.

(5) The US GAAP basis in the Rosebel deferred exploration had been expensed in prior periods. Thus under US GAAP the full amount of the sales price was a gain. In Cdn GAAP, this property's basis approximated the sales price and thus there was no material impact on the statement of operations from the sale.

(6) Numerous transactions since the Company's organization in 1992 have contributed to the difference in share capital versus the Canadian GAAP balance, including: i.) under US GAAP, compensation expense was recorded for the difference between quoted market prices and the strike price of options granted to employees and directors under stock option plans under Canadian GAAP, recognition of compensation expense was not required; ii.) in May 1992 our accumulated deficit was eliminated through an amalgamation (defined as a quasi-reorganization under US GAAP) - under US GAAP the cumulative deficit was greater than the deficit under Canadian GAAP due to the past write-offs of certain deferred exploration costs; iii.) gains recognized in Canadian GAAP upon issuances of subsidiaries' shares were not allowed under US GAAP; and iv.) Canadian GAAP requires that convertible debentures be classified into its component parts as liability and equity under US GAAP convertible debentures are classified entirely as debt.

#### **(e) Impact of Recently Issued Accounting Standards**

The adoption of the following recent accounting pronouncements did not have any impact on our results of operations and financial condition:

FASB Interpretation No. 46(R) ( FIN 46R ), Consolidation of Variable Interest Entities-An Interpretation of ARB No. 51 .

EITF Issue No. 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments .

In November 2004, the FASB issued SFAS No. 151, Inventory Costs An Amendment of ARB No. 43, Chapter 4 ( SFAS 151 ). SFAS 151 amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Among other provisions, the new rule requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling costs be recognized as current-period charges regardless of whether they meet the criterion of so abnormal as stated in ARB No. 43. Additionally, SFAS 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005 and is required to be adopted by us in the first quarter of fiscal 2006, beginning on January 1, 2006. We are currently evaluating the effect that the adoption of SFAS 151 will have on our consolidated results of operations and financial condition but we do not expect SFAS 151 to have a material impact.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payment ( SFAS 123R ), which replaces SFAS No. 123, Accounting for Stock-Based Compensation ( SFAS 123 ) and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS 123R requires all share-based payments to employees,

including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first interim or annual period after June 15, 2005, with early adoption encouraged. The pro forma disclosures previously permitted under SFAS 123 no longer will be an alternative to financial statement

recognition. We adopted a policy of recognizing the cost of stock options at the beginning of 2003 and as a result anticipate no impact on our consolidated results of operations and financial condition when Share-Based Payment ( SFAS 123R ) becomes effective.

In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions ( SFAS 153 ). SFAS 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, Accounting for Nonmonetary Transactions, and replaces it with an exception for exchanges that do not have commercial substance. SFAS 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for the fiscal periods beginning after June 15, 2005. We will adopt SFAS 153 in the first quarter of 2006. We are currently evaluating the effect that the adoption of SFAS 153 will have on our consolidated results of operations and financial condition but do not expect it to have a material impact.

### **23. Quarterly Financial Data - Unaudited**

	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>	<b>Total</b>
			<b>2004</b>		
Net Sales	\$ 19,857	\$ 16,494	\$ 13,445	\$ 15,233	\$ 65,029
Gross Profit	8,061	3,975	1,029	3,233	16,298
Net Income/(Loss)	5,194	1,115	(4,258)	591	2,642
Basic Earning/(Loss) Per Common Share	\$ 0.039	\$ 0.008	\$ (0.030)	\$ 0.004	\$ 0.019
			<b>2003</b>		
Net Sales	\$ 15,141	\$ 12,693	\$ 18,801	\$ 17,735	\$ 64,370
Gross Profit	5,572	3,434	7,838	9,236	26,080
Net Income	3,984	3,993	6,095	7,884	21,956
Basic Earning Per Common Share	\$ 0.041	\$ 0.037	\$ 0.053	\$ 0.063	\$ 0.198
			<b>2002</b>		
Net Sales	\$ 9,332	\$ 9,699	\$ 8,350	\$ 11,421	\$ 38,802
Gross Profit	2,447	2,954	1,762	1,948	9,111
Net Income	1,454	1,557	834	1,011	4,856
Basic Earning Per Common Share	\$ 0.024	\$ 0.024	\$ 0.010	\$ 0.009	\$ 0.067

## **ITEM 9A CONTROLS AND PROCEDURES**

We carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based on this evaluation, the principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective.

There have been no significant changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's report on internal control over financial reporting and the attestation report of PricewaterhouseCoopers LLP, our registered public accounting firm, are included in Item 8 of this Annual Report on Form 10-K/A.

## **PART IV**

## **ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

### **(a) The following documents are filed as part of this Report:**

#### 1. Financial Statements

Management's Responsibility for Financial Information and Report On Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2004 and 2003

Consolidated Statements of Operations for the years ended December 31, 2004, 2003 and 2002

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2004, 2003 and 2002

Consolidated Statements of Cash Flows for the years ended December 31, 2004, 2003 and 2002

Notes to the Consolidated Financial Statements

#### 2. Financial Statement Schedules

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

**(b) Exhibits**

- 3(i) Incorporating Documents of the Company, including: Articles of Arrangement dated May 14, 1992, with Plan of Arrangement attached, with Certificate of Amendment with respect thereto dated May 15, 1992; Certificate of Amendment dated May 15, 1992, with Articles of Amendment; Certificate of Amendment dated March 26, 1993, with Articles of Amendment; Articles of Arrangement dated March 7, 1995, with Plan of Arrangement attached, with Certificate of Amendment with respect thereto dated March 14, 1995; Certificate of Amendment dated July 29, 1996, with Articles of Amendment; and Certificate of Amendment dated July 10, 2002, with Articles of Amendment (all incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on January 23, 2003)
- 3(ii) Bylaws of the Company, including: Bylaw Number One, amended and restated as of April 3, 2002 (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-3 (Reg. No. 333-102225) filed on December 27, 2002); Bylaw Number Two, effective May 15, 1992 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on January 23, 2003); and Bylaw Number Three, effective May 15, 1992 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on January 23, 2003)

- 4.1 Form of Specimen Certificate for Common Shares (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3/A (Reg. No. 333-91666) filed on July 15, 2002)
- 4.2 Amended and Restated Shareholder's Rights Plan dated as of May 20, 2004 between the Company and CIBC Mellon Trust Company, as rights agent (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed June 3, 2004)
- 4.7 Form of Underwriters' Warrants (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-3/A (Reg. 333-91666) filed on July 15, 2002)
- 4.9 Warrant Indenture, dated as of February 14, 2003, between the Company and CIBC Mellon Trust Company, including the Form of Warrant (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed on February 14, 2003)
- 4.10 Form of Underwriters' Warrant, dated February 14, 2003 (incorporated by reference to Exhibit 4.2 of the Company's Form 8-K filed on February 14, 2003)
- 10.1 Summary of Executive Management Performance Bonus Plan (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on January 23, 2003)
- 10.2 Second Amended and Restated 1997 Stock Option Plan, effective as of April 8, 2004 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.3 Form of Indemnification Agreement between the Company and its officers and directors (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on January 23, 2003)
- 10.4 Summary of Severance Arrangements between the Company and certain executive officers (incorporated by reference to Exhibit 10.4 of the Company's Form 8-K filed on January 23, 2003)
- 10.5 Employees' Stock Bonus Plan amended and restated to April 6, 2000 (incorporated by reference to Exhibit 10(j) to the Company's Form 10-K for the year ended December 31, 2000)
- 10.6 Guyanor Ressources S.A. Stock Option Plan amended and restated as of June 15, 1999 (English translation) (incorporated by reference to Exhibit 10.35(a) to the Company's Form 10-K for the year ended December 31, 1999)
- 10.7 Amended and Restated Employment Agreement with Mr. Peter Bradford dated April 30, 2004 (incorporation by reference to Exhibit 10.7 to the Company's Form 10-K for the year ended December 31, 2004); Letter Agreement amending Mr. Bradford's Amended and Restated Employment Agreement dated February 3, 2005
- 10.8



Amended and Restated Employment Agreement with Mr. Allan J. Marter dated April 30, 2004 (incorporation by reference to Exhibit 10.8 to the Company's Form 10-K for the year ended December 31, 2004)

- 10.9 Amended and Restated Employment Agreement with Dr. Douglas Jones dated April 30, 2004 (incorporation by reference to Exhibit 10.9 to the Company's Form 10-K for the year ended December 31, 2004)

- 10.10 Amended and Restated Employment Agreement with Mr. Bruce Higson-Smith dated April 30, 2004 (incorporation by reference to Exhibit 10.10 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.11 Amended and Restated Employment Agreement with Mr. Richard Q. Gray dated April 30, 2004 (incorporation by reference to Exhibit 10.11 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.12 Agreements between the Company and its outside directors granting them options to purchase Guyanor Class B common shares, (1) dated December 8, 1995, and December 10, 1996 (incorporated by reference as Exhibit 10.39 to the Company's Form 10-K for the year ended December 31, 1996), (2) dated December 9, 1997 (incorporated by reference to Exhibit 10.39(a) to the Company's Form 10-K for the year ended December 31, 1997), (3) dated December 8, 1998 (incorporated by reference to Exhibit 10.39(b) to the Company's Form 10-K for the year ended December 31, 1998), (4) dated June 15, 1999 (incorporated by reference to Exhibit 10.39(c) to the Company's Form 10-K for the year ended December 31, 1999), and (5) dated August 16, 2001 (incorporated by reference to Exhibit 10.11 to the Company's Form 10-K for the year ended December 31, 2002)
- 10.22 Agreement, dated November 16, 2001, between Bogoso Gold Limited and Prestea Gold Resources Limited for the purchase of Prestea mining lease rights and option payments (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on March 6, 2002)
- 10.24 Guiana Shield Transaction Agreement with Cambior Inc. dated October 25, 2001 for the sale and swap of Golden Star's interest in Gross Rosebel and other properties (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed March 6, 2002)
- 10.25 Mining lease, dated June 29, 2001, between the Government of the Republic of Ghana and Bogoso Gold Limited, relating to the Prestea property (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 6, 2002)
- 10.26 Mining lease, dated September 17, 1992 between the Government of the Republic of Ghana and Satellite Goldfields Limited, with letter dated April 25, 2002 from the Ministry of Mines consenting to assignment to Wexford Goldfields Limited, relating to the Wassa property (incorporation by reference to Exhibit 10.26 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.27 Mining lease dated June 29, 2001, between the Government of the Republic of Ghana and Prestea Gold Resources Limited, relating to the Prestea underground property (incorporation by reference to Exhibit 10.27 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.28 Joint Operating Agreement, dated January 31, 2002, between Bogoso Gold Limited and Prestea Gold Resources Limited (incorporated by reference to Exhibit 10.25 to the Company's Form 10-K for the year ended December 31, 2002)

- 10.29 Memorandum of Agreement, dated March 14, 2002, among Prestea Gold Resources Limited, Bogoso Gold Limited and others (incorporated by reference to Exhibit 10.26 to the Company's Form 10-K for the year ended December 31, 2002)
- 10.30 Letter agreement between the Company and Guyanor Ressources S.A. dated September 30, 2004 relating to sale of Gross Rosebel Participation Right (incorporation by reference to Exhibit 10.30 to the Company's Form 10-K for the year ended December 31, 2004)

- 21 Subsidiaries of the Company (incorporated by reference to Exhibit 21 to the Company's Form 10-K for the year ended December 31, 2004)
- 23.1 Consent of PricewaterhouseCoopers LLP
- 23.2 Consent of Colin Jones (incorporated by reference to Exhibit 23.2 to the Company's Form 10-K for the year ended December 31, 2004)
- 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certificate of Principal Executive Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
- 32.2 Certificate of Principal Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

SIGNATURES

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

GOLDEN STAR RESOURCES LTD.  
Registrant

By: /s/ Peter J. Bradford  
Peter J. Bradford  
President and Chief Executive Officer

Date: April 28, 2005

EXHIBIT INDEX

- 3(i) Incorporating Documents of the Company, including: Articles of Arrangement dated May 14, 1992, with Plan of Arrangement attached, with Certificate of Amendment with respect thereto dated May 15, 1992; Certificate of Amendment dated May 15, 1992, with Articles of Amendment; Certificate of Amendment dated March 26, 1993, with Articles of Amendment; Articles of Arrangement dated March 7, 1995, with Plan of Arrangement attached, with Certificate of Amendment with respect thereto dated March 14, 1995; Certificate of Amendment dated July 29, 1996, with Articles of Amendment; and Certificate of Amendment dated July 10, 2002, with Articles of Amendment (all incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on January 23, 2003)
- 3(ii) Bylaws of the Company, including: Bylaw Number One, amended and restated as of April 3, 2002 (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-3 (Reg. No. 333-102225) filed on December 27, 2002); Bylaw Number Two, effective May 15, 1992 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on January 23, 2003); and Bylaw Number Three, effective May 15, 1992 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on January 23, 2003)
- 4.1 Form of Specimen Certificate for Common Shares (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3/A (Reg. No. 333-91666) filed on July 15, 2002)
- 4.2 Amended and Restated Shareholder's Rights Plan dated as of May 20, 2004 between the Company and CIBC Mellon Trust Company, as rights agent (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed June 3, 2004)
- 4.7 Form of Underwriters' Warrants (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-3/A (Reg. 333-91666) filed on July 15, 2002)
- 4.9 Warrant Indenture, dated as of February 14, 2003, between the Company and CIBC Mellon Trust Company, including the Form of Warrant (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed on February 14, 2003)
- 4.10 Form of Underwriters' Warrant, dated February 14, 2003 (incorporated by reference to Exhibit 4.2 of the Company's Form 8-K filed on February 14, 2003)
- 10.1 Summary of Executive Management Performance Bonus Plan (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on January 23, 2003)
- 10.2 Second Amended and Restated 1997 Stock Option Plan, effective as of April 8, 2004 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.3 Form of Indemnification Agreement between the Company and its officers and directors (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on January 23, 2003)
- 10.4 Summary of Severance Arrangements between the Company and certain executive officers (incorporated by reference to Exhibit 10.4 of the Company's Form 8-K filed on January 23, 2003)



- 10.5 Employees Stock Bonus Plan amended and restated to April 6, 2000 (incorporated by reference to Exhibit 10(j) to the Company's Form 10-K for the year ended December 31, 2000)
- 10.6 Guyanor Ressources S.A. Stock Option Plan amended and restated as of June 15, 1999 (English translation) (incorporated by reference to Exhibit 10.35(a) to the Company's Form 10-K for the year ended December 31, 1999)
- 10.7 Amended and Restated Employment Agreement with Mr. Peter Bradford dated April 30, 2004 (incorporation by reference to Exhibit 10.7 to the Company's Form 10-K for the year ended December 31, 2004); Letter Agreement amending Mr. Bradford's Amended and Restated Employment Agreement dated February 3, 2005
- 10.8 Amended and Restated Employment Agreement with Mr. Allan J. Marter dated April 30, 2004 (incorporation by reference to Exhibit 10.8 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.9 Amended and Restated Employment Agreement with Dr. Douglas Jones dated April 30, 2004 (incorporation by reference to Exhibit 10.9 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.10 Amended and Restated Employment Agreement with Mr. Bruce Higson-Smith dated April 30, 2004 (incorporation by reference to Exhibit 10.10 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.11 Amended and Restated Employment Agreement with Mr. Richard Q. Gray dated April 30, 2004 (incorporation by reference to Exhibit 10.11 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.12 Agreements between the Company and its outside directors granting them options to purchase Guyanor Class B common shares, (1) dated December 8, 1995, and December 10, 1996 (incorporated by reference as Exhibit 10.39 to the Company's Form 10-K for the year ended December 31, 1996), (2) dated December 9, 1997 (incorporated by reference to Exhibit 10.39(a) to the Company's Form 10-K for the year ended December 31, 1997), (3) dated December 8, 1998 (incorporated by reference to Exhibit 10.39(b) to the Company's Form 10-K for the year ended December 31, 1998), (4) dated June 15, 1999 (incorporated by reference to Exhibit 10.39(c) to the Company's Form 10-K for the year ended December 31, 1999), and (5) dated August 16, 2001 (incorporated by reference to Exhibit 10.11 to the Company's Form 10-K for the year ended December 31, 2002)
- 10.22 Agreement, dated November 16, 2001, between Bogoso Gold Limited and Prestea Gold Resources Limited for the purchase of Prestea mining lease rights and option payments (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on March 6, 2002)
- 10.24 Guiana Shield Transaction Agreement with Cambior Inc. dated October 25, 2001 for the sale and swap of Golden Star's interest in Gross Rosebel and other properties (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed March 6, 2002)
- 10.25



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Mining lease, dated June 29, 2001, between the Government of the Republic of Ghana and Bogoso Gold Limited, relating to the Prestea property (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 6, 2002)

10.26 Mining lease, dated September 17, 1992 between the Government of the Republic of Ghana and Satellite Goldfields Limited, with letter dated April 25, 2002 from the Ministry of Mines consenting to assignment to Wexford Goldfields Limited, relating to the Wassa property

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(incorporation by reference to Exhibit 10.26 to the Company's Form 10-K for the year ended December 31, 2004)

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