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

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2011

OR

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

Commission file number 1-12284

GOLDEN STAR RESOURCES LTD.
(Exact Name of Registrant as Specified in Its Charter)

Canada (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

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

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

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

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

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

Number of Common Shares outstanding as at November 7, 2011: 258,624,486

REPORTING CURRENCY, FINANCIAL AND OTHER INFORMATION

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

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

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

NON-GAAP FINANCIAL MEASURES

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

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

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

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

These statements include comments regarding: anticipated attainment of gold production rates; production and cash operating cost estimates for 2011and 2012; production capacity, production rates, and production costs; cash operating costs generally; gold sales; mining operations and gold recovery rates; ore delivery; ore processing; permitting; geological, environmental, community and engineering studies; receipt of environmental management plan approvals by the Ghana Environmental Protection Agency ("EPA"); exploration efforts and activities; ore grades; our anticipated investing and exploration spending during 2011; identification of acquisition and growth opportunities; timing of completion of our Bogoso tailings recovery project; our expectations regarding Pampe oxide ore and the Bogoso oxide plant; completion of mining at Benso and anticipated increases in mining at Hwini-Butre and Wassa thereafter; retention of earnings from our operations; expected operational cash flow during the remainder of 2011; our objectives for 2011; expected debt payments during 2011; and sources of and adequacy of liquidity to meet capital and other needs in 2011 and beyond.

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

- significant increases or decreases in gold prices;
- losses or gains in Mineral Reserves from changes in operating costs and/or gold prices;
- failure of exploration efforts to expand Mineral Reserves around our existing mines;
- unexpected changes in business and economic conditions;
- inaccuracies in Mineral Reserves and non-reserves estimates;
- changes in interest and currency exchange rates;
- timing and amount of gold production;
- unanticipated variations in ore grade, tonnes mined and crushed or processed;
- unanticipated recovery or production problems;
- effects of illegal mining on our properties;
- changes in mining and processing costs, including changes to costs of raw materials, power, supplies,

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services and personnel;
•changes in metallurgy and processing;
•availability of skilled personnel, contractors, materials, equipment, supplies, power and water;
•changes in project parameters or mine plans;
•costs and timing of development of new Mineral Reserves;
•weather, including drought or excessive rainfall in West Africa;
•changes in regulatory frameworks based upon perceived climate trends;
•results of current and future exploration activities;
•results of pending and future feasibility studies;
•acquisitions and joint venture relationships;
•political or economic instability, either globally or in the countries in which we operate;
•changes in regulations or in the interpretation of regulations by the regulatory authorities affecting our operations, particularly in Ghana, where our principal producing properties are located;
•local and community impacts and issues;
•timing of receipt and maintenance of government approvals and permits;
•unanticipated transportation costs and shipping incidents and losses;
•accidents, labor disputes and other operational hazards;
•environmental costs and risks;
•changes in tax laws;
•unanticipated title issues;
•competitive factors, including competition for property acquisitions;
•possible litigation; and
•availability of capital on reasonable terms or at all.

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

ITEM 1. FINANCIAL STATEMENTS

U.S. GAAP FINANCIAL STATEMENTS

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

IFRS RECONCILIATIONS

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
(Stated in thousands of U.S. dollars except shares issued and outstanding)
(unaudited)

	As of September 30 2011	As of December 31 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	$ 114,294	$ 178,018
Accounts receivable (Note 4)	16,384	11,885
Inventories (Note 6)	64,625	65,204
Deposits	8,368	5,865
Prepaids and other	2,097	1,522
Total Current Assets	205,768	262,494
RESTRICTED CASH	2,405	1,205
PROPERTY, PLANT AND EQUIPMENT (Note 8)	241,292	228,367
INTANGIBLE ASSETS	5,793	7,373
MINING PROPERTIES (Note 9)	254,172	250,620
OTHER ASSETS (Note 7)	2,362	3,167
Total Assets	$ 711,792	$ 753,226
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 4)	$ 23,139	$ 34,522
Accrued liabilities (Note 4)	51,857	53,935
Derivatives (Notes 4 and 5)	6,813	—
Asset retirement obligations (Note 10)	11,445	23,485
Current tax liability (Note 12)	714	1,128
Current debt (Notes 11)	7,327	10,014
Total Current Liabilities	101,295	123,084
LONG TERM DEBT (Notes 4 and 11)	133,259	155,878
ASSET RETIREMENT OBLIGATIONS (Note 10)	22,311	21,467
DEFERRED TAX LIABILITY (Note 12)	24,932	15,678
Total Liabilities	$ 281,797	$ 316,107
COMMITMENTS AND CONTINGENCIES (Note 13)	—	—
SHAREHOLDERS' EQUITY		
SHARE CAPITAL		
First preferred shares, without par value, unlimited shares authorized. No shares issued and outstanding	—	—
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 258,624,486 at September 30, 2011; 258,511,236 at December 31, 2010 (Note 14)	693,784	693,487
CONTRIBUTED SURPLUS	19,258	16,560
ACCUMULATED OTHER COMPREHENSIVE INCOME	1,679	1,959
DEFICIT	(283,352)	(274,036)
Total Golden Star Equity	431,369	437,970
NONCONTROLLING INTEREST	(1,374)	(851)
Total Equity	429,995	437,119

TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$ 711,792	$ 753,226

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)
(Stated in thousands of U.S. dollars except shares and per share data)
(unaudited)

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
REVENUE				
Gold revenues	$125,880	$103,651	$352,193	$327,222
Cost of sales (Note 15)	106,385	97,952	316,661	291,444
Mine operating margin	19,495	5,699	35,532	35,778
Exploration expense	1,824	1,625	3,972	4,174
General and administrative expense	5,996	3,859	20,350	12,973
Derivative mark-to-market (gain)/loss (Note 5)	13,245	(19,280)	(4,368)	4,473
Property holding costs	1,778	1,557	6,141	3,855
Foreign exchange loss	666	313	1,385	884
Interest expense	2,193	2,395	6,663	6,879
Interest and other income	(61)	(48)	(163)	(343)
(Gain)/loss on sale of assets	(338)	3	(336)	(1,650)
Income/(loss) before income tax	(5,808)	15,275	1,888	4,533
Income tax (expense)/benefit	(3,621)	43	(11,727)	(2,737)
Net income/(loss)	$(9,429)	$15,318	$(9,839)	$1,796
Net income/(loss) attributable to noncontrolling interest	767	(626)	(523)	721
Net income/(loss) attributable to Golden Star shareholders	$(10,196)	$15,944	$(9,316)	$1,075
Net income/(loss) per share attributable to Golden Star shareholders				
Basic (Note 17)	$(0.039)	$0.062	$(0.036)	$0.004
Diluted (Note 17)	$(0.039)	$0.061	$(0.036)	$0.004
Weighted average shares outstanding (millions)	258.6	258.2	258.6	257.8
Weighted average shares outstanding-diluted (millions)	258.6	260.2	258.6	259.6
OTHER COMPREHENSIVE INCOME/(LOSS)				
Net income/(loss)	$(9,429)	$15,318	$(9,839)	$1,796
Unrealized (gain)/loss on investments (Note 7)	59	311	(280)	651
Comprehensive income/(loss)	$(9,488)	$15,007	$(9,559)	$1,145
Comprehensive income/(loss) attributable to Golden Star shareholders	$(10,255)	$15,633	$(9,036)	$424
Comprehensive (income)/loss attributable to noncontrolling interest	767	(626)	(523)	721
Comprehensive income/(loss)	$(9,488)	$15,007	$(9,559)	$1,145
Deficit, beginning of period	$(273,156)	$(277,675)	$(274,036)	$(262,806)
Deficit, end of period	$(283,352)	$(261,731)	$(283,352)	$(261,731)

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

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

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
OPERATING ACTIVITIES:				
Net income/(loss)	$(9,429)	$15,318	$(9,839)	$1,796
Reconciliation of net loss to net cash provided by operating activities:				
Depreciation, depletion and amortization	15,621	22,558	52,113	75,391
Amortization of loan acquisition cost	321	1,088	993	893
(Gain)/loss on sale of assets	(338)	4	(336)	(1,649)
Non-cash employee compensation	564	449	2,784	2,368
Future income tax expense/(benefit)	2,908	(215)	9,255	961
Fair value of derivatives (gain)/loss	1,700	(312)	6,879	(631)
Fair value (gain)/loss on convertible debt	2,084	(18,965)	(22,208)	4,038
Accretion of asset retirement obligations	2,184	601	5,300	1,802
Reclamation expenditures	(8,416)	(1,934)	(20,244)	(5,534)
	7,199	18,592	24,697	79,435
Changes in non-cash working capital:				
Accounts receivable	(1,886)	9,214	(4,690)	(3,215)
Inventories	1,177	(3,016)	756	(7,208)
Deposits	147	(1,495)	(553)	(1,775)
Accounts payable and accrued liabilities	4,265	6,388	(14,534)	10,991
Other	565	(59)	(1,524)	259
Net cash provided by operating activities	11,467	29,624	4,152	78,487
INVESTING ACTIVITIES:				
Expenditures on mining properties	(12,211)	(15,253)	(30,242)	(24,434)
Expenditures on property, plant and equipment	(13,678)	(9,966)	(33,541)	(27,255)
Cash securing letters of credit (used)/refunded	(1,200)	2,598	(1,200)	2,598
Change in accounts payable and deposits on mine equipment and material	2,499	(5,186)	(685)	(2,593)
Other	681	(752)	681	1,468
Net cash used in investing activities	(23,909)	(28,559)	(64,987)	(50,216)
FINANCING ACTIVITIES:				
Principal payments on debt	(2,622)	(8,814)	(7,960)	(25,224)
Proceeds from debt agreements and equipment financing	1,391	11,168	4,861	25,674
Other	52	(646)	210	1,196
Net cash provided by/(used in) financing activities	(1,179)	1,708	(2,889)	1,646
Increase/(decrease) in cash and cash equivalents	(13,621)	2,773	(63,724)	29,917
Cash and cash equivalents, beginning of period	127,915	181,232	178,018	154,088
Cash and cash equivalents end of period	$114,294	$184,005	$114,294	$184,005

(See Note 20 for supplemental cash flow information)
The accompanying notes are an integral part of the consolidated financial statements

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GOLDEN STAR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All currency amounts in tables and text are in thousands of U.S. Dollars unless noted otherwise)

1. NATURE OF OPERATIONS

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

2. BASIS OF PRESENTATION

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

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

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

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

3. RECENT ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED STANDARDS

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

In April 2010, the FASB issued Accounting Standards Update No. 2101-12 which amends topic 718 “Compensation-Stock Compensation”. The amendment addresses the classification of an employee share-based payment awards with an exercise price denominated in the currency of a market in which the underlying equity security trades, stating that a share-based award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity trades shall not be considered to contain a market, performance, or service condition. Therefore, such an award is not to be classified as a liability if it otherwise qualifies as equity. This new provision is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2010. While our stock option plan denominates option strike prices in Canadian dollars, a substantial portion of our common shares trade in Canada and thus this new guidance did not affect our consolidated financial position, cash flows, nor results of operations in 2011.

RECENTLY ISSUED STANDARDS

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

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

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

4. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

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

		As of September 30, 2011		As of December 31, 2010	
Assets	Category	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value
Cash and cash equivalents (1)	Loans and receivables	$114,294	$114,294	$178,018	$178,018
Restricted cash (1)	Loans and receivables	2,405	2,405	1,205	1,205
Accounts receivable (1)	Loans and receivables	16,384	16,384	11,885	11,885
Derivative instrument - Riverstone Warrants (1)	Held-for-trading	308	308	375	375
Available for sale investments (3)	Available-for-sale	1,117	1,117	928	928
Total financial assets		$134,508	$134,508	$192,411	$192,411

FINANCIAL LIABILITIES

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

As of September 30, 2011		As of December 31, 2010	
Estimated	Carrying	Estimated	Carrying

Liabilities	Category	Fair Value	Value	Fair Value	Value
Accounts payable and accrued liabilities (1)	Other financial liabilities	$74,996	$74,996	$88,457	$88,457
Derivative instrument-Structured Gold Options	Held-for-trading	6,813	6,813	—	—
Convertible debentures (2)	Other financial liabilities	126,818	125,146	147,779	147,353
Revolving credit facility (2)	Other financial liabilities	—	—	—	—
Equipment financing loans (2)	Other financial liabilities	15,041	14,557	16,113	15,714
Total financial liabilities	Total Financial Liabilities	$223,668	$221,512	$252,349	$251,524

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

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

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

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

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - Inputs that are not based on observable market data.

	Financial assets measured at fair value as at September 30, 2011			
	Level 1	Level 2	Level 3	Total
Available for sale investments	$1,117	$—	$—	$1,117
Warrants	—	308	—	308
	$1,117	$308	$—	$1,425

	Financial liabilities measured at fair value as at September 30, 2011			
	Level 1	Level 2	Level 3	Total
Convertible debentures	$—	$—	$126,818	$126,818
Gold price derivatives	—	6,813	—	6,813
	$—	$6,813	$126,818	$133,631

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

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

The convertible senior unsecured debentures are recorded at fair value. These debentures are valued based on discounted cash flows for the debt portion and based on a Black-Scholes model for the equity portion. Inputs used to determine these values were; discount rate 8.97%, risk free interest rate of 0.91%, volatility of 98.5%, and a remaining life of 1.2 years. Note 11 - Debt has a more detailed discussion of the debentures.

Fair value measurements using Level 3 inputs:

	Convertible debentures
Balance at December 31, 2010	$147,779

Gain included in net income	(20,961	)
Balance at September 30, 2011	$ 126,818	

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5. DERIVATIVE GAINS AND LOSSES

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

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
Riverstone Resources, Inc. - warrants	$ 25	$ (311)	$ 67	$ (630)
Gold price derivatives	11,136	—	17,773	1,066
Convertible debenture	2,084	(18,969)	(22,208)	4,037
Derivative (gain)/loss	$ 13,245	$ (19,280)	$ (4,368)	$ 4,473

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
Realized (gain)/loss	$ 9,461	$ —	$ 10,960	$ 1,066
Unrealized (gain)/loss	3,784	(19,280)	(15,328)	3,407
Derivative (gain)/loss	$ 13,245	$ (19,280)	$ (4,368)	$ 4,473

RIVERSTONE RESOURCES INC. - WARRANTS

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

GOLD PRICE DERIVATIVES

In January 2011, we entered into a series of put and call contracts covering 76,800 ounces of future gold production between February and December 2011. The contracts are spread evenly in each week over this period and are structured as cashless collars with a floor of $1,200 per ounce and a cap of $1,457 per ounce. In early February 2011, we entered into a second set of put and call contracts covering 75,200 ounces of future gold production between February and December 2011. The contracts are spread evenly in each week during this period and are structured as cashless collars with a floor of $1,200 per ounce and a cap of $1,503 per ounce. As of September 30, 2011, each tranche had 20,800 ounces outstanding.

CONVERTIBLE DEBENTURES

The convertible senior unsecured debentures are recorded at fair value for U.S. GAAP purposes. These debentures are valued based on discounted cash flows for the debt portion and based on a Black-Scholes model for the equity portion. Inputs used to determine these values were: discount rate of 8.97%, risk free interest rate of 0.91%, volatility of 98.5%, and a remaining life of 1.2 years. Note 11 - Debt has a more detailed discussion of the debentures.

6. INVENTORIES

	As of September 30	As of December 31
	2011	2010
Stockpiled ore	$ 9,007	$ 2,551
In-process	6,709	13,839
Materials and supplies	48,909	48,814
Finished goods	—	—
Total	$ 64,625	$ 65,204

There were approximately 28,000 and 20,000 recoverable ounces of gold in the ore stockpile inventories shown above at September 30, 2011 and December 31, 2010, respectively. Stockpile inventories are short-term surge piles expected to be processed within the next 12 months.

7. AVAILABLE FOR SALE INVESTMENTS

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

	As of September 30, 2011		As of December 31, 2010	
	Riverstone Fair Value	Shares	Riverstone Fair Value	Shares
Balance at beginning of period	$928	1,300,000	$181	700,000
Acquisitions	469	700,000	128	600,000
OCI - unrealized gain/(loss)	(280)	—	619	—
Balance at end of period	$1,117	2,000,000	$928	1,300,000

8. PROPERTY, PLANT AND EQUIPMENT

	As of September 30, 2011			As of December 31, 2010		
	Property, Plant and Equipment at Cost	Accumulated Depreciation	Property, Plant and Equipment Net Book Value	Property, Plant and Equipment at Cost	Accumulated Depreciation	Property, Plant and Equipment Net Book Value
Bogoso/Prestea	$166,216	$(108,654)	$57,562	$157,010	$(107,132)	$49,878
Bogoso sulfide plant	186,671	(56,673)	129,998	184,641	(50,988)	133,653
Wassa/HBB	105,313	(52,457)	52,856	89,875	(45,607)	44,268
Corporate & other	1,727	(851)	876	1,343	(775)	568
Total	$459,927	$(218,635)	$241,292	$432,869	$(204,502)	$228,367

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

9. MINING PROPERTIES

	As of September 30, 2011			As of December 31, 2010		
	Mining Properties	Accumulated Amortization	Mining Properties, Net Book	Mining Properties	Accumulated Amortization	Mining Properties, Net Book
Bogoso/Prestea	$110,800	$(59,228)	$51,572	$99,435	$(56,488)	$42,947
Bogoso sulfide	60,217	(41,585)	18,632	56,541	(37,101)	19,440
Mampon	15,995	—	15,995	15,995	—	15,995
Wassa/HBB	321,818	(171,854)	149,964	303,379	(147,558)	155,821
Other	20,339	(2,330)	18,009	18,747	(2,330)	16,417
Total	$529,169	$(274,997)	$254,172	$494,097	$(243,477)	$250,620

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

10. ASSET RETIREMENT OBLIGATIONS

At the end of each period, Asset Retirement Obligations (“ARO”) are equal to the present value of all estimated future costs required to remediate any environmental disturbances that exist as of the end of the period, using discount rates applicable at the time of initial recognition of each component of the liability. Included in this liability are the costs of closure, reclamation, demolition and stabilization of the mines, processing plants, infrastructure, tailings storage facilities, waste dumps and ongoing post-closure environmental monitoring and maintenance costs. While the majority of these costs will be incurred near the end of the mines' lives, it is expected that certain on-going reclamation costs will be incurred prior to mine closure. These costs are recorded against the asset retirement obligation liability as incurred. At September 30, 2011 and December 31, 2010, the total undiscounted amount of the estimated future cash needs was estimated to be $67.8 million and $84.3 million, respectively. Discount rates used to value the ARO range between 8% and 10%. The schedule of payments required to settle the September 30, 2011, ARO liability extends through 2029.

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

	For the nine months ended September 30	
	2011	2010
Beginning balance	$44,952	$31,969
Accretion expense	5,300	1,802
Additions and change in estimates	3,748	16,352
Cost of reclamation work performed	(20,244)	(5,534)
Balance at September 30	$33,756	$44,589
Current portion	$11,445	$17,140
Long term portion	$22,311	$27,449

11. DEBT

	As of September 30 2011	As of December 31 2010
Current debt:		
Equipment financing credit facility	$6,444	$7,189
Capital lease	883	2,825
Revolving credit facility	—	—
Total current debt	$7,327	$10,014
Long term debt:		
Equipment financing credit facility	$8,113	$8,525
Convertible debentures	125,146	147,353
Total long term debt	$133,259	$155,878

EQUIPMENT FINANCING CREDIT FACILITY

GSBPL and GSWL maintain a $40 million equipment financing facility with Caterpillar Financial Services Corporation, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit for new and used mining equipment. Amounts drawn under this facility are repayable over five years for new equipment and over two years for used equipment. The interest rate for each draw-down is fixed at the date of the draw-down using the Federal Reserve Bank 2-year or 5-year swap rate or London Interbank Offered Rate (“LIBOR”) plus 2.38%. At September 30, 2011, approximately $25.4 million was available to draw down. The average interest rate on the outstanding loans was approximately 7.0% at September 30, 2011. Each outstanding equipment loan is secured by the title of the specific equipment purchased with the loan until the loan has been repaid in full.

CAPITAL LEASE

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

CONVERTIBLE DEBENTURES

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

Upon the occurrence of certain change in control transactions, the holders of the Debentures may require us to purchase the

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

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

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

REVOLVING CREDIT FACILITY

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

12. INCOME TAXES

The provision for income taxes includes the following components:

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
Current expense				
Canada	$—	$—	$—	$—
Foreign	(788)	(170)	(2,472)	(1,158)
Future expense				
Canada	—	—	—	—
Foreign	(2,833)	213	(9,255)	(1,579)
Total expense	$(3,621)	$43	$(11,727)	$(2,737)

The future tax expense is related to the change in the temporary difference between book and tax basis at GSWL.

The current tax expense is related to a temporary tax levy on certain Ghanaian industries, including mining, brewing, banking, communications and insurance. The levy is set at 5% of “profits before tax” as disclosed on the statements of operations. The effective period of this levy has been extended through the end of 2011.

13. COMMITMENTS AND CONTINGENCIES

Our commitments and contingencies include the following items:

ENVIRONMENTAL BONDING IN GHANA

In July 2011, we increased a letter of credit for Wassa's environmental bonding from $2.85 million to $7.8 million. This brought the total bonded amount, including $0.15 million of cash, from $3.0 million to $7.95 million. We have also bonded $9.0 million to cover rehabilitation and closure obligations at Bogoso/Prestea. These bonding requirements have been met by an $8.1 million letter of credit from a commercial bank and a $0.9 million cash deposit held by the EPA. The cash deposits are recorded as Restricted Cash on our Consolidated Balance Sheets.

In 2008, Bogoso/Prestea resubmitted an updated draft of the Environmental Management Plan (“EMP”) to the EPA that included an updated estimate of the reclamation and closure costs prepared by a third party consultant. A consultant was commissioned to prepare the reclamation and closure cost estimate and the final EMP was submitted to the EPA in February 2009. Bogoso/Prestea has completed all the legal requirements and is waiting for the environmental certificate. In the mean time and in compliance with the legal time line for the previous EMP, Bogoso/Prestea is preparing a new EMP for submission to the EPA in the fourth quarter of 2011.

In March 2011, we provided $12 million of reclamation bonding to the Ghana Environmental Protection Agency (“EPA”) to

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cover backfilling of the Plant North pit at Prestea, which we mined from 2003 to 2006. The bonding requirements were met by a $1.2 million cash deposit and a $10.8 million letter of credit from a commercial bank. Provisions of the bond allow the bonded amount to be reduced as cash is spent on the progress of the backfill project. The bonded amount was reduced by $2.7 million in June and then a further $4.7 million in August, reflecting the effort and success achieved in backfilling the Plant North Pit.

ROYALTIES

Dunkwa Properties

As part of the acquisition of the Dunkwa properties in 2003, we agreed to pay the seller a net smelter return royalty on future gold production from the Mansiso and Asikuma properties. As per the acquisition agreement, there will be no royalty due on the first 200,000 ounces produced from Mampon which is located on the Asikuma property. The amount of the royalty is based on a sliding scale which ranges from 2% of net smelter return at gold prices at or below $300 per ounce and progressively increases to 3.5% for gold prices in excess of $400 per ounce.

Government of Ghana

The Ghana Government receives a royalty equal to 5% of mineral revenues, effective as of March 31, 2011.

Benso

Benso pays a $1.00 per ounce gold production royalty to former owners.

Hwini-Butre

As part of the agreement for the purchase of the Hwini-Butre properties, Golden Star agreed to pay B.D. Goldfields Ltd, Hwini-Butre's former owner, an additional $1.0 million in cash if at least one million ounces of gold are produced and recovered in the first five years of production from the area covered by the Hwini-Butre prospecting license. Gold production was initiated at Hwini-Butre in May 2009. It is not possible at this time to know if future exploration work will increase Hwini-Butre's reserves sufficiently to yield production of one million ounces prior to May 2014.

EXPLORATION AGREEMENTS

Obuom

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

Goulagou and Rounga

In October 2007, we entered into an option agreement with Riverstone Resources Inc. ("Riverstone") whereby Riverstone has the right to acquire our 90% interest in the Goulagou and Rounga properties in Burkina Faso. To exercise the option, Riverstone is required to spend Cdn$4 million on exploration programs on the Goulagou and Rounga properties over a four-year period ended in February 2012, and may then purchase our interest for $18.6 million in cash or Riverstone common shares. We were entitled to receive up to two million shares of Riverstone over the term of the option, all of which were received as of March 31, 2011. In addition we received a one-time distribution of two million Riverstone common share purchase warrants during 2008. The Riverstone purchase warrants have an exercise price of Cdn$0.45.

LEGAL PROCEEDINGS

On July 19, 2011 B.D. Goldfields, Ltd. ("plaintiff"), a Ghanaian registered company, filed suit in the Superior Court of Judicature, the High Court of Justice, Commercial Division, in Accra, Ghana, against Golden Star Resources Ltd. and our subsidiary St. Jude Resources (Ghana) Ltd. The plaintiff is challenging the validity of the concession contracts and settlements related to our acquisition of the Hwini-Butre gold property in Ghana in 2006. More specifically the plaintiff is taking the position that the original sales agreement covered only a small section of the Hwini-Butre concession and is now seeking $24 million plus a royalty for the remaining portion of the concession. The plaintiff is also seeking an interim court injunction which would halt mining on the concession until all legal issues are resolved. In 2008, the plaintiff filed two similar suits in the United States, challenging our ownership of the Hwini-Butre concession and these claims were dismissed by the courts.

Based on the earlier dismissed claims and comprehensive court- approved settlements that were reached among the plaintiff and our wholly- owned subsidiary St Jude Resources Ltd. and other related parties before the Ghanaian Court of Appeal in February 2006 with respect to title to the Hwini-Butre gold property, management has assessed the likelihood that any amount would be settled on this claim is remote. During the third quarter of 2011 we prepared a defense to this claim and filed it with the Ghana court on October 5, 2011. We are now awaiting the court's consideration of this case.

14. SHARE CAPITAL

Changes in share capital during the nine months ended September 30, 2011 are as follows:

	Shares	Amount
Balance at December 31, 2010	258,511,236	$693,487
Common shares issued:		
Option exercises	113,250	297
Balance at September 30, 2011	258,624,486	$693,784

We held no treasury shares as of December 31, 2010 and September 30, 2011.

15. COST OF SALES

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
Mining operations costs	$ 87,387	$ 77,329	$258,487	$216,655
Operations costs from/(to) metal inventory	1,310	(2,548)	851	(2,314)
Mining related depreciation and amortization	15,504	22,570	52,023	75,301
Accretion of asset retirement obligations	2,184	601	5,300	1,802
Total cost of sales	$ 106,385	$ 97,952	$316,661	$291,444

16. STOCK BASED COMPENSATION

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

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
Total stock compensation expense	$ 564	$ 449	$ 2,784	$ 2,368

STOCK OPTIONS

We have one stock option plan, the Third Amended and Restated 1997 Stock Option Plan (the “Plan”) approved by shareholders in May 2010, under which options are granted at the discretion of the Board of Directors. Options granted are non-assignable and are exercisable for a period of ten years or such other period as stipulated in a stock option agreement between Golden Star and the optionee. Under the Plan, we may grant options to employees, consultants and directors of the Company or its subsidiaries for up to 25,000,000 shares, of which 9,143,846 are available for grant as of September 30, 2011, and the exercise price of each option is not less than the closing price of our shares on the Toronto Stock Exchange on the day prior to the date of grant. Options typically vest over periods ranging from immediately to three years from the date of grant. Vesting periods are determined at the discretion of the Board of Directors.

We granted 1,988,000 and 1,308,500 options during the first nine months of 2011 and 2010, respectively. We do not receive a tax deduction for the issuance of options. As a result we do not recognize any income tax benefit related to the stock compensation expense.

The fair value of our option grants are estimated at the grant dates using the Black-Scholes option-pricing model. Fair values of options granted in the first nine months of 2011 and 2010 were based on the assumptions noted in the following table:

	For the nine months ended September 30	
	2011	2010
Expected volatility	66.33 to 69.79%	67.95 to 77.37%
Risk-free interest rate	1.58 to 2.26%	2.34 to 2.58%
Expected lives	5.63 to 8.47 years	6.0 to 8.6 years
Dividend yield	0%	0%

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

A summary of option activity under the Plan during the nine months ended September 30, 2011:

	Options (‘000)	Weighted–Average Exercise price (Cdn$)	Weighted–Average Remaining Contractual Term (Years)	Aggregate intrinsic value Cdn($000)
Outstanding as of December 31, 2010	6,724	3.35	7.0	9,001
Granted	1,988	2.80	10.0	—
Exercised	(113)	1.84	4.0	—
Forfeited, canceled and expired	(127)	3.65	6.0	—
Outstanding as of September 30, 2011	8,472	3.24	7.0	474
Exercisable as of September 30, 2011	6,047	3.32	6.0	393

Stock Bonus Plan

In December 1992, we established an Employees' Stock Bonus Plan (the “Bonus Plan”). The activity and status of the Bonus Plan is unchanged from what was disclosed in our December 31, 2010 annual report on Form 10-K.

Deferred Share Units

On March 9, 2011 the Board adopted a Deferred Share Unit Plan (“DSU plan”) which was subsequently approved by shareholders at the May 2011 annual meeting. The DSU Plan creates Deferred Share Units (“DSUs”), each representing the right to receive one share of Golden Star common stock upon redemption. DSUs may be redeemed only upon termination of the holder's services to the Company, and may be subject to vesting provisions. DSU awards are granted at the sole discretion of the Company's compensation committee. The DSU Plan allows directors, at their option, to receive all or any portion of their retainer by accepting DSUs in lieu of cash.

The compensation committee may also award DSUs to executive officers and/or directors in lieu of cash as a component of their long term performance compensation, the amount of such awards being in proportion to the officer's or director's achievement of pre-determined performance goals. As with DSU awards for directors' retainers, DSUs received as performance compensation are redeemable only upon termination of the holder's services to the Company. The Company may, at its option, provide cash in lieu of common shares upon a holder's redemption, the cash value being established by the share price on the DSU original award date, less all applicable tax withholding.

In the third quarter of 2011, the Company granted 8,483 units to directors of the company in lieu of fees earned and accrued in the second quarter of 2011. These units were immediately vested. The Company recognized compensation expense related to DSUs of $21,461. As of September 30, 2011, there was nil unrecognized compensation expense related to DSUs granted under the Company's DSU plan. There were 8,483 DSUs outstanding at September 30, 2011.

17. EARNINGS PER COMMON SHARE

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

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	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
Net income/(loss) attributable to Golden Star shareholders	$ (10,196)	$ 15,944	$ (9,316)	$ 1,075
Weighted average number of shares (millions)	258.6	258.2	258.6	257.8
Dilutive securities:				
Options	—	2.0	—	1.8
Convertible debentures	—	—	—	—
Weighted average number of diluted shares (millions)	258.6	260.2	258.6	259.6
Net income/(loss) per share attributable to Golden Star shareholders:				
Basic	(0.039)	0.062	(0.036)	0.004
Diluted	(0.039)	0.061	(0.036)	0.004

18. OPERATIONS BY SEGMENT AND GEOGRAPHIC AREA

As of and for the three months ended September 30	Africa Bogoso/ Prestea	Wassa/ HBB	Other	South America	Corporate	Total
2011						
Revenues	$68,693	$57,187	$—	$—	$—	$125,880
Net income/(loss) attributable to Golden Star	2,881	8,174	(1,039)	(92)	(20,120)	(10,196)
Income tax expense	—	(3,621)	—	—	—	(3,621)
Capital expenditure	9,027	11,638	146	—	—	20,811
Total assets	371,787	253,685	2,532	228	83,560	711,792
2010						
Revenues	$54,003	$49,648	$—	$—	$—	$103,651
Net income/(loss) attributable to Golden Star	833	1,793	(1,169)	(75)	14,562	15,944
Income tax benefit	—	43	—	—	—	43
Capital expenditure	13,115	12,076	29	—	—	25,220
Total assets	357,487	231,953	3,095	(251)	167,443	759,727

As of and for the nine months ended September 30	Africa Bogoso/ Prestea	Wassa/ HBB	Other	South America	Corporate	Total
2011						
Revenues	$162,790	$189,403	$—	$—	$—	$352,193
Net income/(loss) attributable to Golden Star	(12,889)	27,189	(2,419)	(356)	(20,841)	(9,316)
Income tax expense	—	(11,727)	—	—	—	(11,727)
Capital expenditure	29,877	28,407	421	—	—	58,705
Total assets	371,787	253,685	2,532	228	83,560	711,792
2010						
Revenues	$168,212	$159,010	$—	$—	$—	$327,222
Net income/(loss) attributable to Golden Star	16,596	8,045	(2,446)	59	(21,179)	1,075
Income tax expense	—	(2,737)	—	—	—	(2,737)
Capital expenditure	29,806	20,176	1,613	—	95	51,690
Total assets	357,487	231,953	3,095	(251)	167,443	759,727

19. RELATED PARTIES

During the first nine months of 2011, we obtained legal services from a firm to which one of our board members is of counsel. The cost of services incurred from this firm during the first nine months of 2011 and 2010 was $0.3 million and $0.8 million, respectively. Our board member did not personally provide any legal services to the Company during these periods nor did he benefit directly or indirectly from payments for the services performed by the firm.

20. SUPPLEMENTAL CASH FLOW INFORMATION

In the first nine months of 2011, $2.5 million was paid for income taxes. Cash paid for income taxes during the first nine months of 2010 was $1.0 million. Cash paid for interest was $3.4 million in the first nine months of 2011 and $3.8 million in the first nine months of 2010.

In February 2010, the company recognized a non-cash $4.9 million liability and an offsetting $4.9 million asset related to delivery of a 10 megawatt power plant upon successful commissioning at Bogoso.

21. INTERNATIONAL FINANCIAL REPORTING STANDARDS

Our consolidated financial statements have been prepared in accordance with U.S. GAAP which differ from financial statements prepared in accordance with IFRS. The effect of applying IFRS to our financial statements is shown below:

CONSOLIDATED BALANCE SHEETS UNDER IFRS

	US GAAP As of September 30 2011	Note	Adjustments	IFRS As of September 30 2011	IFRS As of December 31 2010
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	$ 114,294			$ 114,294	$ 178,018
Accounts receivable	16,384			16,384	11,885
Inventories	64,625	1	$ (21)	64,604	65,204
Deposits	8,368			8,368	5,865
Prepaids and other	2,097			2,097	1,523
Total Current Assets	205,768			205,747	262,495
RESTRICTED CASH	2,405			2,405	1,205
PROPERTY, PLANT AND EQUIPMENT	241,292			241,292	227,367
INTANGIBLE ASSETS	5,793			5,793	7,373
MINING PROPERTIES	254,172	2, 3	35,838	290,010	293,102
DEFERRED EXPLORATION	—	4	16,287	16,287	14,487
OTHER ASSETS	2,362			2,362	3,168
Total Assets	$ 711,792			$ 763,896	$ 809,197
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	$ 23,139			$ 23,139	$ 34,522
Accrued liabilities	51,857			51,857	53,935
Fair value of derivatives	6,813			6,813	—
Asset retirement obligations	11,445			11,445	23,485
Current tax liability	714			714	1,128
Current debt	7,327			7,327	10,014
Total Current Liabilities	101,295			101,295	123,084
LONG TERM DEBT	133,259	6	(10,590)	122,669	117,290
ASSET RETIREMENT OBLIGATIONS	22,311	3	14,700	37,011	42,826
CAPITAL LEASES	—			—	—
NET DEFERRED TAX LIABILITY	24,932	5	5,208	30,140	21,094
Total Liabilities	$ 281,797			$ 291,115	$ 304,294
COMMITMENTS AND CONTINGENCIES	—			—	—
SHAREHOLDERS' EQUITY					
SHARE CAPITAL					
First preferred shares, without par value, unlimited shares authorized.					
No shares issued and outstanding	—			—	—
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 258,624,486 at September 30, 2011; 258,511,236 at December 31, 2010	693,784			693,784	693,487

CONTRIBUTED SURPLUS	19,258	7	1,125	20,383	17,433
EQUITY COMPONENT OF CONVERTIBLE NOTES	—	6	34,542	34,542	34,542
ACCUMULATED OTHER COMPREHENSIVE INCOME	1,679			1,679	1,959
DEFICIT	(283,352)		4,475	(278,877)	(243,930)
TOTAL GOLDEN STAR EQUITY	431,369			471,511	503,491
NONCONTROLLING INTEREST	(1,374)	8	$ 2,644	1,270	1,412
TOTAL EQUITY	$ 429,995			$ 472,781	$ 504,903
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 711,792			$ 763,896	$ 809,197

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CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS) UNDER IFRS

	US GAAP For the three months ended September 30 2011	Note	Adjustments	IFRS For the three months ended September 30 2011	IFRS For the three months ended September 30 2010
REVENUE					
Gold revenues	$125,880			$125,880	$103,651
Cost of sales	106,385	1,2,3	$886	107,271	90,824
Mine operating margin	19,495			18,609	12,827
Exploration expense	1,824	4	(735)	1,089	637
General and administrative expense	5,996	7	106	6,102	3,943
Abandonment and impairment	—	4	—	—	3
Derivative mark-to-market gains	13,245	6	(2,085)	11,160	(311)
Property holding costs	1,778			1,778	1,557
Foreign exchange loss	666			666	313
Interest expense	2,193	6	1,906	4,099	4,341
Interest and other income	(61)			(61)	(48)
Gain on sale of assets	(338)			(338)	—
Income/(loss) before income tax	(5,808)			(5,886)	2,392
Income tax expense	(3,621)	5	683	(2,938)	(487)
Net income/(loss)	$(9,429)			$(8,824)	$1,905
Net income attributable to noncontrolling interest	767	8	(203)	564	61
Net income/(loss) attributable to Golden Star shareholders	(10,196)			(9,388)	1,844
Net income/(loss) attributable to Golden Star shareholders per share:					
Basic	$(0.039)			$(0.036)	$0.007
Diluted	$(0.039)			$(0.036)	$0.007
Weighted average shares outstanding (millions)	258.6			258.6	258.2
Weighted average number of diluted shares (millions)	258.6			258.6	260.2
OTHER COMPREHENSIVE INCOME/(LOSS)					
Net income/(loss)	$(9,429)			$(8,824)	$1,905
Other comprehensive (income)/loss	59			59	310
Comprehensive income/(loss)	$(9,488)			$(8,883)	$2,215
Comprehensive income/(loss) attributable to Golden Star shareholders	$(10,255)			$(9,447)	$2,154
Comprehensive income attributable to noncontrolling interest	767	8	$(203)	564	61
Comprehensive income/(loss)	$(9,488)			$(8,883)	$2,215
Deficit, beginning of period	(273,156)			(269,489)	(234,687)
Deficit, end of period	$(283,352)			$(278,877)	$(232,843)

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	US GAAP For the nine months ended September 30 2011	Note	Adjustments	IFRS For the nine months ended September 30 2011	IFRS For the nine months ended September 30 2010
REVENUE					
Gold revenues	$ 352,193			$ 352,193	$ 327,222
Cost of sales	316,661	1,2,3	$ (329)	316,332	279,646
Mine operating margin	35,532			35,861	47,576
Exploration expense	3,972	4	(1,966)	2,006	1,315
General and administrative expense	20,350	7	252	20,602	13,191
Abandonment and impairment	—	4	167	167	350
Derivative mark-to-market (gains)/losses	(4,368)	6	22,207	17,839	436
Property holding costs	6,141			6,141	3,855
Foreign exchange loss	1,385			1,385	884
Interest expense	6,663	6	5,792	12,455	12,637
Interest and other income	(163)			(163)	(343)
Gain on sale of investments	(336)			(336)	—
Income/(loss) before income tax	1,888			(24,235)	15,251
Income tax expense	(11,727)	5	819	(10,908)	(5,430)
Net income/(loss)	$ (9,839)			$ (35,143)	$ 9,821
Net income/(loss) attributable to noncontrolling interest	(523)	8	327	(196)	2,121
Net income/(loss) attributable to Golden Star shareholders	(9,316)			(34,947)	7,700
Net income/(loss) attributable to Golden Star shareholders per share:					
Basic	$ (0.036)			$ (0.135)	$ 0.030
Diluted	$ (0.036)			$ (0.135)	$ 0.030
Weighted average shares outstanding (millions)	258.6			258.6	257.8
Weighted average number of diluted shares (millions)	258.6			258.6	259.6
OTHER COMPREHENSIVE INCOME/(LOSS)					
Net income/(loss)	$ (9,839)			$ (35,143)	$ 9,821
Other comprehensive (income)/loss	(280)			(280)	650
Comprehensive income/(loss)	$ (9,559)			$ (34,863)	$ 10,471
Comprehensive income/(loss) attributable to Golden Star shareholders	$ (9,036)			$ (34,667)	$ 8,350
Comprehensive income/(loss) attributable to noncontrolling interest	(523)	8	$ 327	(196)	2,121
Comprehensive income/(loss)	$ (9,559)			$ (34,863)	$ 10,471
Deficit, beginning of period	(274,036)			(243,930)	(240,543)
Deficit, end of period	$ (283,352)			$ (278,877)	$ (232,843)

CONSOLIDATED STATEMENTS OF CASH FLOWS UNDER IFRS

OPERATING ACTIVITIES:	US GAAP For the three months ended September 30 2011	Note	Adjustments	IFRS For the three months ended September 30 2011	IFRS For the three months ended September 30 2010
Net income/(loss)	$(9,429)		$ 605	$(8,824)	$1,905
Reconciliation of net loss to net cash provided by operating activities:					
Depreciation, depletion and amortization	15,621	2, 4	3,319	18,940	22.365
Amortization of loan acquisition cost	321			321	1,088
Abandonment and impairment	—	4	—	—	—
Gain on sale of equity investments	—			—	—
Gain/Loss on sale of assets	(338)			(338)	4
Non cash employee compensation	564	7	106	670	533
Future income tax expense	2,908	5	(683)	2,225	317
Fair value (gain)/loss on derivatives	1,700			1,700	(312)
Fair value (gain)/loss on convertible debt	2,084	6	(2,084)	—	—
Accretion of asset retirement obligations	2,184	3	(1,852)	332	(2,005)
Reclamation expenditures	(8,416)			(8,416)	(1,934)
	7,199			6,610	21,960
Changes in non-cash working capital:					
Accounts receivable	(1,886)			(1,886)	9,214
Inventories	1,177	2	(146)	1,031	(2,615)
Deposits	147			147	(1,495)
Accounts payable and accrued liabilities	4,265			4,265	6,388
Other	565	6	1,905	2,470	1,977
Net cash provided by operating activities	$11,467			$12,637	$35,429
INVESTING ACTIVITIES:					
Expenditures on deferred exploration projects	—	4	(736)	(736)	(988)
Expenditures on mining properties	(12,211)	2	$ (434)	(12,645)	(20,070)
Expenditures on property, plant and equipment	(13,678)			(13,678)	(9,966)
Cash securing letters of credit (used)/refunded	(1,200)			(1,200)	—
Change in accounts payable and deposits on mine equipment and material	2,499			2,499	(5,186)
Other	681			681	1,846
Net cash used in investing activities	$(23,909)			$(25,079)	$(34,364)
FINANCING ACTIVITIES:					
Principal payments on debt	(2,622)			(2,622)	(8,814)
Proceeds from debt agreements and equipment financing	1,391			1,391	11,168
Other	52			52	(646)
Net cash provided by/(used in) financing activities	$(1,179)			$(1,179)	$1,708
Increase/(decrease) in cash and cash equivalents	(13,621)			(13,621)	2,773
Cash and cash equivalents, beginning of period	127,915			127,915	181,232
Cash and cash equivalents end of period	$114,294			$114,294	$184,005

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OPERATING ACTIVITIES:	US GAAP For the nine months ended September 30 2011	Note	Adjustments	IFRS For the nine months ended September 30 2011	IFRS For the nine months ended September 30 2010
Net income/(loss)	$(9,839)		$ (25,304)	$(35,143)	$9,821
Reconciliation of net loss to net cash provided by operating activities:					
Depreciation, depletion and amortization	52,113	2, 4	5,848	57,961	76,206
Amortization of loan acquisition cost	993			993	893
Abandonment and impairment	—	4	167	167	—
Gain on sale of equity investments	—			—	—
Gain/Loss on sale of assets	(336)			(336)	351
Non cash employee compensation	2,784	7	252	3,036	2,588
Future income tax expense	9,255	5	(819)	8,436	3,655
Fair value (gain)/loss on derivatives	6,879			6,879	(631)
Fair value gain on convertible debt	(22,208)	6	22,208	—	—
Accretion of asset retirement obligations	5,300	3	(4,304)	996	2,420
Reclamation expenditures	(20,244)			(20,244)	(5,534)
	24,697			22,745	89,769
Changes in non-cash working capital:					
Accounts receivable	(4,690)			(4,690)	(3,215)
Inventories	756	2	21	777	(6,926)
Deposits	(553)			(553)	(1,775)
Accounts payable and accrued liabilities	(14,534)			(14,534)	10,991
Other	(1,524)	6	5,792	4,268	6,017
Net cash provided by operating activities	$4,152			$8,013	$94,861
INVESTING ACTIVITIES:					
Expenditures on deferred exploration projects	—	4	(1,966)	(1,966)	(2,859)
Expenditures on mining properties	(30,242)	2	$ (1,895)	(32,137)	(37,949)
Expenditures on property, plant and equipment	(33,541)			(33,541)	(27,255)
Cash securing letters of credit (used)/refunded	(1,200)			(1,200)	—
Change in accounts payable and deposits on mine equipment and material	(685)			(685)	(2,593)
Other	681			681	4,066
Net cash used in investing activities	$(64,987)			$(68,848)	$(66,590)
FINANCING ACTIVITIES:					
Principal payments on debt	(7,960)			(7,960)	(25,224)
Proceeds from debt agreements and equipment financing	4,861			4,861	25,674
Other	210			210	1,196
Net cash provided by/(used in) financing activities	$(2,889)			$(2,889)	$1,646
Increase/(decrease) in cash and cash equivalents	(63,724)			(63,724)	29,917
Cash and cash equivalents, beginning of period	178,018			178,018	154,088
Cash and cash equivalents, end of period	$114,294			$114,294	$184,005

Notes to IFRS Financial Statements:

The Company adopted IFRS as of January 1, 2011 with a transition date of January 1, 2009.

The Company has taken certain elections under IFRS 1 (International Financial Reporting Standard 1 - First-time Adoption of International Financial Reporting Standards Summary) to allow departure from retrospective application in certain areas. The areas where the Company has applied IFRS 1 include:

- non-controlling interests;
- business combinations;
- share-based payment transactions;
- asset retirement obligations; and
- borrowing costs.

1. In-Process inventory - Costs that qualify as betterment stripping are capitalized as Mining Properties under IFRS, but are included within inventory and expensed for U.S. GAAP. As a result, the amount of waste mining costs expensed and included within in-process metal inventory is higher under U.S. GAAP than under IFRS.
2. Deferred Stripping - Under IFRS, expenditures for stripping costs (i.e., the costs of removing overburden and waste

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material to access mineral deposits) that can be shown to be a betterment of the mineral property are capitalized and subsequently amortized on a units-of-production basis over the mineral reserves that directly benefit from the specific waste stripping activity. U.S. GAAP has no provision for capitalization of betterment stripping costs. Thus in periods where betterment stripping occurs, operating costs are higher under U.S. GAAP since all waste costs are expensed. The amounts of capitalized betterment stripping are shown in the table immediately below and are included in the Mining Properties totals shown in the IFRS consolidated balance sheets.

Costs of Betterment Stripping Capitalized under IFRS:

	Wassa/HBB	Bogoso/Prestea	TOTAL
Balance as of December 31, 2010	$12,935	$ 5,558	$18,493
Additions in the nine months ended September 30, 2011	—	1,890	1,890
Amortization of betterment stripping assets	(6,344)	—	(6,344)
Balance as of September 30, 2011	$6,591	$ 7,448	$14,039

It is expected that Wassa's deferred betterment stripping costs will be amortized in 2011 and 2012. Bogoso's deferred betterment stripping costs are expected to be amortized between 2012 and 2015.

3. Forecasted amounts of required future environmental, reclamation and closure costs are the same under U.S. GAAP and IFRS. However, differences exist in determining the discount rate to be applied to the future costs. Under U.S. GAAP, the estimated liability for future reclamation and closure costs of each period's new environmental disturbances are discounted at the prevailing discount rates in effect during the period of the new disturbance and once the discount rate is applied, it is not revised in subsequent periods. This in effect creates layers of liability for new disturbances incurred in each time period. Under IFRS, at the end of each period, the entire pool of all estimated future cash costs for existing disturbances are discounted using the discount rate existing at the end of each period.

4. Under U.S. GAAP, mineral property acquisition costs are capitalized. Pre-acquisition costs and subsequent exploration, mine development and direct general and administrative costs are expensed as incurred until such time as a feasibility study shows that the mineral property is economically viable. Following completion of a viable feasibility study all subsequent exploration, development and direct general and administrative costs are capitalized. For IFRS purposes, all exploration, mine development, acquisition and direct general and administrative costs related to exploration and development projects are capitalized into Deferred Exploration once sufficient work has been performed to demonstrate that an exploration asset exists. In each subsequent period, under IFRS, the exploration, engineering, development, financial and market information for each exploration project is reviewed by management to determine if such capitalized exploration and development costs are impaired. If found impaired, the exploration asset's cost basis is reduced in accordance with IFRS provisions. Amounts written off in the current year under IFRS, which have previously been expensed under U.S. GAAP, result in an adjustment when reconciling net income for the year.

Deferred Exploration IFRS - Consolidated capitalized expenditures on our exploration projects for the period ended September 30, 2011, were as follows:

	Deferred Exploration & Development Costs as of 12/31/2010	Capitalized Exploration Expenditures	Impairments	Other	Deferred Exploration & Development Costs as of 9/30/2011
AFRICAN PROJECTS					
Ghana	$ 8,047	$2,285	$(166)	$—	$ 10,166
Sonfon - Sierra Leone	4,271	473	—	(792)	3,952
Other Africa	1,018	—	—	—	1,018
SOUTH AMERICAN PROJECTS					
Saramacca - Suriname	1,151	—	—	—	1,151
Total	$ 14,487	$2,758	$(166)	$(792)	$ 16,287

5. Income tax - The application of U.S. GAAP and IFRS tax accounting is the same for the company. The difference in the tax liability and expense arise from the changes in reported pre-tax income or loss under the different GAAPs as well as the differing treatment of various assets and liabilities.
6. Convertible debentures - Under U.S. GAAP, convertible debt is measured at fair value at each reporting date with changes in fair value shown in the statement of operations. Fair value includes the value of the future stream of cash flows from the debt plus the fair value of the option component attached to the debenture. Fair value of the interest and principal is determined by discounting the cash flows at our external cost of funds. Fair value of the

option component is determined using a Black-Scholes option pricing model. Under IFRS, the convertible debentures are separated into a liability and equity component. The fair value of the liability is determined at the origination of the debentures based on discounted cash flows of the future interest and principal, with the residual allocated to the equity portion. The amount of the liability is subsequently accreted through interest expense up to the full $125 million face value over the life of the debentures.

7. Shareholders' Equity - Differences in Contributed Surplus reflect differences in stock option expense recognition. Under U.S. GAAP, the expense for a grant is recognized evenly over the vesting period of the grant. Under IFRS we expense each tranche of a grant evenly over that tranche's vesting period.
8. Noncontrolling interest - The application of non-controlling interest accounting is the same under U.S. GAAP and IFRS. The difference in the recognized equity account and related expense arise from the changes in reported income or loss under the different GAAPs.
9. Recently issued IFRS accounting standards - IAS 1 Presentation of Items of Other Comprehensive Income (“OCI”) - IAS 1 is intended to change the disclosure of items presented in Other Comprehensive Income (“OCI”), including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future. The new pronouncement is effective for years beginning on or after January 1, 2012. Certain provisions of this pronouncement will be effective for us beginning in 2012. It is expected that these provisions will not have a material impact on our consolidated IFRS financial statements.

IFRS 13 Fair Value Measurement and Disclosure Requirements - IFRS 13 provides a single source of guidance on how to measure fair value where it is already required or permitted by other IFRS guidance and enhances disclosure requirements for information about fair value measurement. Certain provisions of this pronouncement will be effective for us beginning in 2013. It is expected that these provisions will not have a material impact on our consolidated IFRS financial statements.

IFRS 10 Consolidated Financial Statements - IFRS 10 replaces guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and SIC-12 Consolidations - Special Purpose Entities. IFRS 10 changes the definition of control under IFRS so that the same criteria are applied to all entities to determine control. Certain provisions of this pronouncement will be effective for us beginning in 2013. It is expected that these provisions will not have a material impact on our consolidated financial statements.

IFRS 11 Joint Agreements - IFRS 11 replaces IAS-31 Interests in Joint Ventures. IFRS 11 reduces the types of joint arrangements to two: “joint ventures” and “joint operations”. IFRS 11 requires the use of equity accounting for interests in joint ventures, eliminating the existing policy choice of proportionate consolidation for jointly controlled entities under IAS 31. Entities that participate in joint operations will follow accounting much like that for jointly controlled assets and jointly controlled operations under IAS 31. Certain provisions of this pronouncement will be effective for us beginning in 2013. It is expected that these provisions will not have a material impact on our consolidated IFRS financial statements.

IFRS 12 Disclosure of Interest in Other Entities - IFSR 12 sets out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in IAS 28 Investments in Associates. Certain provisions of this pronouncement will be effective for us beginning in 2013. It is expected that these provisions will not have a material impact on our consolidated IFRS financial statements.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our Form 10-K for the period ended December 31, 2010, and with the accompanying unaudited consolidated financial statements and related notes for the period ended September 30, 2011. This Management’s Discussion and Analysis of Financial Condition and Results of Operations includes information available to November 7, 2011. All amounts shown are in thousands of dollars unless noted otherwise. All currency amounts are stated in U.S. dollars unless noted otherwise.

OVERVIEW OF GOLDEN STAR

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

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

- Through a 90% owned subsidiary, Golden Star (Bogoso/Prestea) Limited (“GSBPL”), we own and operate the Bogoso/Prestea gold mining and processing operations (“Bogoso/Prestea”) located near the town of Bogoso, Ghana. GSBPL operates a gold ore processing facility at Bogoso/Prestea with a capacity of up to 3.5 million tonnes of ore per annum, which uses bio-oxidation technology to treat refractory sulfide ore (“Bogoso sulfide plant”). In addition, GSBPL has a carbon-in-leach (“CIL”) processing facility located next to the sulfide plant, which is suitable for treating oxide gold ores (“Bogoso oxide plant”) at a rate up to 1.5 million tonnes per annum. Bogoso/Prestea produced and sold 170,973 ounces of gold in 2010 and 105,029 ounces of gold in the first nine months of 2011.
- Through another 90% owned subsidiary, Golden Star (Wassa) Limited (“GSWL”), we own and operate the Wassa open-pit gold mine and carbon-in-leach processing plant (“Wassa”), located approximately 35 km east of Bogoso/Prestea. The design capacity of the carbon-in-leach processing plant at Wassa (“Wassa processing plant”) is nominally 3.0 million tonnes per annum but varies depending on the ratio of hard to soft ore. GSWL also owns the Hwini-Butre and Benso concessions (“HBB”) in southwest Ghana. Ore from the HBB mines is sent to Wassa for processing. The Hwini-Butre and Benso concessions are located approximately 80 km and 50 km, respectively, by road south of Wassa. Wassa/HBB produced and sold 183,931 ounces of gold in 2010 and 125,280 ounces of gold in the first nine months of 2011.

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

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

NON-GAAP FINANCIAL MEASURES

In this Form 10-Q, we use the terms “total cash cost per ounce” and “cash operating cost per ounce.”

“Cost of sales” as found in our statements of operations, includes all mine-site operating costs, including the costs of mining, ore processing, maintenance, work-in-process inventory changes, mine-site overhead as well as production taxes, royalties, mine site depreciation, depletion, amortization, asset retirement obligation accretion and by-product credits, but excludes exploration costs, property holding costs, corporate office general and administrative expenses, impairment charges, corporate business development costs, gains and losses on asset sales, foreign exchange gains and losses, interest expense, gains and losses on derivatives, gains and losses on investments and income tax expense/benefit.

“Cash operating cost per ounce” for a period is equal to “Cost of sales” for the period less mining related depreciation and amortization costs, royalties, accretion of asset retirement obligation costs, costs that meet the definition of Betterment Stripping and operations-related foreign currency gains and losses for the period, divided by the number of ounces of gold sold during the period. “Total cash cost per ounce” for a period is equal to “Cash operating costs” for the period plus royalties and production taxes, divided by the number of ounces of gold sold during the period.

	For the three months ended September 30, 2011		
	Wassa	Bogoso/Prestea	Combined
Mining operations costs	$31,967	$49,021	$80,988
Royalties	2,881	3,664	6,545
Costs from metals inventory	16	1,278	1,294
Mining related depreciation and amortization	7,754	7,759	15,513
Accretion of asset retirement obligations	291	1,754	2,045
Cost of sales – GAAP	42,909	63,476	106,385
Less royalties	(2,881)	(3,664)	(6,545)
Less betterment waste stripping costs	(281)	(434)	(715)
Less operations-related foreign exchange losses	121		