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GOLDEN STAR RESOURCES LTD  
Form 10-Q/A  
April 17, 2006

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

Form 10-Q/A

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

For the quarterly period ended September 30, 2005

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

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)

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

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  
--- ---

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes X No  
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Number of Common Shares outstanding as of November 1, 2005: 142,887,394

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EXPLANATORY NOTE

This Form 10-Q/A is being filed to amend Golden Star Resources Ltd.'s Quarterly Report on Form 10-Q for the period ended September 30, 2005 in order to reflect the restatement of our unaudited consolidated financial statements and

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amendments to related disclosures as of September 30, 2005 and for the three months ended September 30, 2005 and 2004. The restatements arose from management's determination that Golden Star's 53% owned consolidated subsidiary, EURO Ressources S.A., had incorrectly used hedge accounting for its forward gold pricing derivatives established in January and August 2005.

Generally, no attempt has been made in this Form 10-Q/A to modify or update other disclosures presented in the original report on Form 10-Q except as otherwise required to reflect the effects of the restatement. This Form 10-Q/A does not reflect events occurring after the filing of the original Form 10-Q or modify or update those disclosures. Information not affected by the restatement is unchanged and reflects the disclosure made at the time of the original filing of the Form 10-Q with the Securities and Exchange Commission on November 3, 2005.

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#### Part I Financial Information

- Item 1. Financial Statements
- Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Item 3. Quantitative and Qualitative Disclosures about Market Risk
- Item 4. Controls and Procedures

#### Part II Other Information

- Item 6. Exhibits

Signatures  
Exhibits

All amounts in this Report are expressed in United States ("US") dollars, unless otherwise indicated. Canadian currency is denoted as "Cdn\$". All numeric amounts are in thousands unless noted otherwise.

Financial information is presented in accordance with accounting principles generally accepted in Canada ("Cdn GAAP"). Differences between accounting principles generally accepted in the US ("US GAAP") and those applied in Canada, as applicable to Golden Star Resources Ltd., are explained in Note 21 to the Consolidated Financial Statements.

References to "Golden Star", "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/A, 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 should not be considered in isolation or as a substitute for measures of performance prepared in accordance with 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/A.

#### STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Form 10-Q/A and the documents incorporated by reference in this Form 10-Q/A contain forward-looking statements, within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, 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 similar expressions 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 or incorporated by reference in this Form 10-Q/A.

These statements include comments regarding: the establishment and estimates of mineral reserves and resources, recovery rates, production, production commencement dates, production costs, cash operating costs, total cash costs, grade, processing capacity, potential mine life, feasibility studies, development costs, expenditures, exploration activities and expenditures, funding for EURO Ressources S.A. ("EURO"), stripping rates at Bogoso/Prestea, equipment replacement at Wassa, our expansion plans for Bogoso/Prestea and related permitting and capital costs, cash requirements and sources, production capacity, operating costs and gold recoveries.

The following, in addition to the factors described under "Risk Factors" in our Form 10-K, as amended, for the year ended December 31, 2004, are among the factors that could cause actual results to differ materially from the forward-looking statements:

- o unexpected changes in business and economic conditions;
- o significant increases or decreases in gold prices;
- o changes in interest and currency exchange rates;
- o timing and amount of gold production;
- o unanticipated grade changes;
- o unanticipated recovery or production problems;
- o effects of illegal miners on our properties;
- o changes in mining and processing costs including changes to costs of raw materials, supplies, services and personnel;
- o changes in metallurgy and processing;
- o availability of skilled personnel, materials, equipment, supplies and water;
- o changes in project parameters;
- o costs and timing of development of new reserves;
- o results of current and future exploration activities;
- o results of pending and future feasibility studies;
- o joint venture relationships;
- o political or economic instability, either globally or in the countries in which we operate;
- o local and community impacts and issues;
- o timing of receipt of and maintenance of government approvals and permits;
- o accidents and labor disputes;
- o environmental costs and risks;
- o competitive factors, including competition for property acquisitions;
- o and
- o availability of capital at reasonable rates or at all.

These factors are not intended to represent a complete list of the general or specific factors that could affect us. Your attention is drawn to other risk factors disclosed and discussed in Item 1 of our 2004 Form 10-K as amended. We

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undertake no obligation to update forward-looking statements.

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## 1. FINANCIAL STATEMENTS

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

|   | As<br>Septemb<br>200 |
|---|----------------------|
| <hr style="border-top: 1px dashed black;"/>         |                      |
| ASSETS  |                      |
| CURRENT ASSETS                                      |                      |
| Cash and cash equivalents                           | \$                   |
| Short term investments (Note 2)                     |                      |
| Accounts receivable                                 |                      |
| Inventories (Note 3)                                |                      |
| Due from sale of property (Note 4)                  |                      |
| Future tax assets                                   |                      |
| Deposits (Note 5)                                   |                      |
| Prepays and other                                   |                      |
| Total Current Assets                                |                      |
| RESTRICTED CASH (Note 15c)                          |                      |
| LONG TERM INVESTMENTS (Note 6)                      |                      |
| DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 7) |                      |
| PROPERTY, PLANT AND EQUIPMENT (Note 8)              |                      |
| MINING PROPERTIES (Note 9)                          | 1                    |
| CONSTRUCTION IN PROGRESS (Note 10)                  |                      |
| DEFERRED STRIPPING (Note 11)                        |                      |
| LOAN ACQUISITION COSTS (Note 12)                    |                      |
| OTHER ASSETS  |                      |
| Total Assets  | \$ 3                 |
| <hr style="border-top: 1px dashed black;"/>         |                      |
| LIABILITIES   |                      |
| CURRENT LIABILITIES                                 |                      |
| Accounts payable                                    | \$                   |
| Other accrued liabilities                           |                      |
| Current debt (Note 13)                              |                      |
| Total Current Liabilities                           |                      |
| LONG TERM DEBT (Note 13)                            |                      |
| ASSET RETIREMENT OBLIGATIONS (Note 14)              |                      |
| FAIR VALUE OF DERIVATIVES (NOTE 12)                 |                      |
| Total Liabilities                                   | 1                    |

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MINORITY INTERESTS

COMMITMENTS AND CONTINGENCIES (Note 15)

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:  
142,887,394 at September 30, 2005; 142,244,112 at  
December 31, 2004 (Note 16)

CONTRIBUTED SURPLUS (Note 16)

DEFICIT

-----  
Total Shareholders' Equity

-----  
Total Liabilities and Shareholders' Equity

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

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

|  | Three months ended    |                       |
|--|-----------------------|-----------------------|
|  | September 30,<br>2005 | September 30,<br>2004 |
| -----  |                       |                       |
| REVENUE  |                       |                       |
| Gold sales   | \$ 23,235             | \$ 12,327             |
| Royalty income (Note 4)                                  | 952                   | 783                   |
| Interest and other                                       | 561                   | 335                   |
| -----  |                       |                       |
| Total revenues   | 24,748                | 13,445                |
| -----  |                       |                       |
| EXPENSES   |                       |                       |
| Mining operations  | 20,060                | 10,236                |
| Depreciation, depletion and amortization                 | 4,639                 | 1,895                 |
| Accretion of asset retirement obligations (Note 14)      | 172                   | 167                   |
| -----  |                       |                       |
| Total mine operating costs                               | 24,871                | 12,298                |
| -----  |                       |                       |
| Exploration expense                                      | 191                   | 152                   |
| Corporate general and administrative and options expense | 1,557                 | 1,494                 |
| Corporate development expense                            | 37                    | 3,939                 |
| Loss on equity investments                               | 75                    | 219                   |
| Abandonments and impairments                             | -                     | -                     |
| Derivative mark-to market loss                           | 5,486                 | -                     |

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|  |              |              |
|--|--------------|--------------|
| Interest expense   | 853          | 5            |
| Foreign exchange (gain)/loss                             | (111)        | (391)        |
| <hr/>  |              |              |
| Total expenses   | 32,959       | 17,716       |
| <hr/>  |              |              |
| Income/(loss) before minority interest                   | (8,210)      | (4,271)      |
| Minority interest  | (136)        | 13           |
| <hr/>  |              |              |
| Net income/(loss) before income tax                      | (8,346)      | (4,258)      |
| Provision for future income taxes                        | 1,689        | -            |
| <hr/>  |              |              |
| Net income/(loss)  | \$ (6,657)   | \$ (4,258)   |
| <hr/>  |              |              |
| Deficit, beginning of period                             | (132,492)    | (122,907)    |
| <hr/>  |              |              |
| Deficit, end of period                                   | \$ (139,149) | \$ (127,165) |
| <hr/>  |              |              |
| Net income/(loss) per common share - basic (Note 19)     | \$ (0.047)   | \$ (0.030)   |
| Net income/(loss) per common share - diluted (Note 19)   | \$ (0.047)   | \$ (0.030)   |
| Weighted average shares outstanding (millions of shares) | 142.8        | 141.1        |

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

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

|  | Three months ended |                    | Nine months ended  |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | September 30, 2005 | September 30, 2004 | September 30, 2005 | September 30, 2004 |
| OPERATING ACTIVITIES:  | \$ (6,657)         | \$ (4,258)         | \$ (12,575)        | \$ (12,575)        |
| Net income/(loss)  |                    |                    |                    |                    |
| Reconciliation of net income to net cash provided by operating activities: |                    |                    |                    |                    |
| Depreciation, depletion and amortization                                   | 4,710              | 1,861              | 10,623             | 10,623             |
| Amortization of loan acquisition costs                                     | 30                 | -                  | 105                | 105                |
| Stock based compensation   | 98                 | 86                 | 900                | 900                |
| Deferred stripping   | (1,920)            | (652)              | (1,803)            | (1,803)            |
| Loss on equity investment  | 75                 | 219                | 185                | 185                |
| Abandonment and impairment of mineral properties                           | -                  | -                  | 1,083              | 1,083              |
| Fair value of derivatives  | 5,485              | -                  | 7,412              | 7,412              |
| Provision for future income taxes  | (1,690)            | -                  | (1,710)            | (1,710)            |
| Accretion of asset retirement obligations                                  | 172                | 167                | 540                | 540                |
| Accretion of convertible debt  | 174                | -                  | 348                | 348                |
| Minority interests   | 136                | (13)               | 516                | 516                |
| <hr/>  |                    |                    |                    |                    |
|  | 613                | (2,590)            | 5,624              | 5,624              |
| Changes in assets and liabilities:   |                    |                    |                    |                    |
| Accounts receivable  | 1,769              | 2,127              | (1,119)            | (1,119)            |
| Inventories  | (4,694)            | (407)              | (10,353)           | (10,353)           |

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|   |           |           |           |
|---|-----------|-----------|-----------|
| Deposits  | 830       | -         | (127)     |
| Accounts payable and accrued liabilities                | 3,839     | 3,874     | 5,607     |
| Other   | (410)     | (2,175)   | (317)     |
| <hr/>   |           |           |           |
| Net cash provided by (used in) operating activities     | 1,947     | 829       | (685)     |
| <hr/>   |           |           |           |
| INVESTING ACTIVITIES:                                   |           |           |           |
| Expenditures on deferred exploration and development    | (1,719)   | (1,059)   | (3,782)   |
| Expenditures on mining properties                       | (10,455)  | (6,073)   | (23,918)  |
| Expenditures on property, plant and equipment           | (6,279)   | (5,645)   | (25,372)  |
| Expenditures on mine construction in progress           | (13,084)  | (5,691)   | (19,123)  |
| Decrease in short term investments                      | 22,750    | -         | 19,100    |
| Sale of property  | -         | -         | 1,000     |
| Change in payable on capital expenditures               | 9,071     | -         | 9,071     |
| Deposits  | (161)     | -         | (2,415)   |
| Reclamation expenditures                                | (176)     | (95)      | (468)     |
| Other   | 879       | 1,830     | (1,627)   |
| <hr/>   |           |           |           |
| Net cash provided by/(used in) investing activities     | 826       | (16,733)  | (47,534)  |
| <hr/>   |           |           |           |
| FINANCING ACTIVITIES:                                   |           |           |           |
| Issuance of share capital, net of issue costs (Note 16) | 877       | 5,508     | 1,177     |
| Debt repayments (Note 13)                               | (1,087)   | (35)      | (1,972)   |
| Issuance of debt (Note 13)                              | 3,000     | -         | 58,330    |
| Equity portion of convertible notes                     | -         | -         | 2,857     |
| Other   | (52)      | 81        | (1,153)   |
| <hr/>   |           |           |           |
| Net cash provided by financing activities               | 2,738     | 5,554     | 59,239    |
| <hr/>   |           |           |           |
| Increase/(decrease) in cash and cash equivalents        | 5,511     | (10,350)  | 11,020    |
| Cash and cash equivalents, beginning of period          | 18,386    | 85,835    | 12,877    |
| <hr/>   |           |           |           |
| Cash and cash equivalents end of period                 | \$ 23,897 | \$ 75,485 | \$ 23,897 |
|   |           |           | \$        |

See Note 20 for supplemental cash flow information

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

GOLDEN STAR RESOURCES LTD.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All tabular amounts in thousands of US dollars unless noted otherwise)  
(Unaudited)

These consolidated financial statements and the accompanying notes are unaudited and should be read in conjunction with the audited consolidated financial statements and related notes thereto included in our annual report on Form 10-K, as amended, for the year ended December 31, 2004, on file with the Securities and Exchange Commission and with the Canadian securities commissions. Financial information is presented in accordance with accounting principles generally

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accepted in Canada.

In management's opinion, the unaudited consolidated financial statements for the three months and nine months ended September 30, 2005 and September 30, 2004 contained herein reflect all adjustments, consisting solely of normal recurring items, which are necessary for a fair presentation of financial position, results of operations and cash flows on a basis consistent with that of our prior audited consolidated financial statements.

In certain instances prior period amounts have been restated to reflect current period presentation.

### 1. Description of Business

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Through our subsidiaries and joint ventures we own a controlling interest in three gold properties in southern Ghana in West Africa: the Bogoso/Prestea property, which comprises the adjoining Bogoso and Prestea mining leases ("Bogoso/Prestea"), the Wassa property ("Wassa") and the Prestea Underground property ("Prestea Underground").

Bogoso/Prestea and the Prestea Underground are owned by our 90% owned subsidiary Bogoso Gold Limited ("BGL"). All of our gold production prior to April 2005 came from Bogoso/Prestea. The Prestea Underground is located on the Prestea property and consists of a currently inactive underground gold mine and associated support facilities. BGL owns a 90% operating interest in the Prestea Underground. We are currently conducting exploration and engineering studies to determine if the underground mine can be reactivated on a profitable basis.

Through another 90% owned subsidiary, Wexford Goldfields Limited ("WGL"), we own the Wassa gold mine located some 35 kilometers east of Bogoso/Prestea. Construction and commissioning of Wassa's new processing plant and open pit mine was completed at the end of March 2005 and the project was placed in service on April 1, 2005.

We hold interests in an exploration joint venture in Sierra Leone in West Africa and hold active exploration properties in Ghana, Cote d'Ivoire, Suriname and French Guiana. We hold indirect interests in gold exploration properties in Peru and Chile through an investment in Goldmin Consolidated Holdings, and in the Democratic Republic of the Congo through an investment in Moto Goldmines Limited. We also own a 57% interest in EURO Ressources S.A., ("EURO") a French registered, publicly traded royalty holding company (formerly known as Guyanor Ressources S.A.) which owns a royalty interest in Cambior Inc.'s Rosebel gold mine in Suriname.

Our corporate headquarters are located in Littleton, Colorado. All of our operations, with the exception of certain exploration projects, transact business in US dollars and keep financial records in US dollars.

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### 2. Short Term Investments

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Short term investments are comprised of funds invested in AA or AAA rated Auction Rate Certificates. The certificates are short term positions in long term securities. The interest rate received is reset every 7, 28 or 35 days, and the certificates can be liquidated for cash at each interest reset date.

### 3. Inventories



|                          | As of<br>September 30,<br>2005 | As of<br>December 31,<br>2004 |
|--------------------------|--------------------------------|-------------------------------|
| Stockpiled ore           | \$ 5,564                       | \$ 3,659                      |
| In-process               | 4,278                          | 2,858                         |
| Materials and supplies   | 15,876                         | 8,849                         |
| <b>Total inventories</b> | <b>\$ 25,718</b>               | <b>\$ 15,366</b>              |

4. Due From Sale of Property

In late 2001 we sold our interest in the Rosebel exploration property in South America to Cambior Inc. ("Cambior"). In addition to a \$5.0 million payment received at closing in 2002, terms of the sale agreement provided that Cambior would make three deferred payments of \$1.0 million each plus Price Participation Right (royalty) payments on the first seven million ounces of gold production. The deferred payments were received in the first quarters of 2003, 2004 and 2005 respectively.

5. Deposits

Deposits represent advance payments mostly for capital equipment purchases made by WGL and BGL.

6. Long Term Investments

We hold a 22% interest in Goldmin Consolidated Holdings, a privately held gold exploration company with a focus on South America. The investment is carried on an equity investment basis at \$1.2 million, and we recognized \$0.1 million and \$0.2 million of equity losses in the three and nine months ended September 30, 2005, respectively.

We also hold approximately 10% of the outstanding common shares of Moto Goldmines Limited ("Moto"), Canadian gold exploration and development company publicly traded in Canada, with a focus on gold exploration and development in the Democratic Republic of Congo. Our investment in Moto increased by \$1.4 million to a total of \$5.5 million during the second quarter of 2005 upon the exercise of a portion of our Moto warrants. We hold additional Moto warrants that if exercised would require the investment of an additional 4.25 million Australian dollars. The fair value of our approximately 10% interest in Moto, based on the market price of its shares on September 30, 2005, was \$10.3 million, which exceeds our cost basis by \$4.8 million.

7. Deferred Exploration and Development Costs

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|                               | Deferred<br>Exploration &<br>Development<br>Costs<br>as of 12/31/04 | Capitalized<br>Exploration<br>Expenditures | Acquisitions<br>Costs | Impairment        |
|-------------------------------|---|--|-----------------------|-------------------|
| <b>AFRICA</b>                 |   |  |                       |                   |
| Akropong trend & other Ghana  | \$ 2,443  | \$ 1,006                                   | \$ -                  | \$ -              |
| Prestea property projects     | 2,067   | 277  | -                     | -                 |
| Mininko - Mali                | 1,033   | 50   | -                     | (1,083)           |
| Mano River - Sierra Leone     | 758   | 646  | -                     | -                 |
| Afema - Ivory Coast           | -   | 601  | 110                   | -                 |
| <b>SOUTH AMERICA PROJECTS</b> |   |  |                       |                   |
| Saramacca - Suriname          | 394   | 332  | -                     | -                 |
| Bon Espoir - French Guiana    | 501   | 760  | -                     | -                 |
| Paul Isnard - French Guiana   | 256   | -  | -                     | -                 |
| <b>TOTAL</b>                  | <b>\$ 7,452</b>   | <b>\$ 3,672</b>                            | <b>\$ 110</b>         | <b>\$ (1,083)</b> |

8. Property, Plant and Equipment

|                     | As of September 30, 2005                    |                             |  | As of December 31, 2005                     |                             |
|---------------------|---|-----------------------------|--|---|-----------------------------|
|                     | Property, Plant<br>and Equipment<br>at Cost | Accumulated<br>Depreciation | Property, Plant<br>and Equipment<br>Net Book Value | Property, Plant<br>and Equipment<br>at Cost | Accumulated<br>Depreciation |
| Bogoso/Prestea      | \$ 40,706                                   | \$ 7,320                    | \$ 33,386  | \$ 27,722                                   | \$ -                        |
| Prestea Underground | 2,003                                       | -                           | 2,003  | 238   | -                           |
| EURO Ressources     | 1,456                                       | 1,446                       | 10   | 1,969                                       | -                           |
| Wassa               | 40,643                                      | 1,205                       | 39,438   | 5,460                                       | -                           |
| Corporate & Other   | 361   | 102                         | 259  | 1,060                                       | -                           |
| <b>TOTAL</b>        | <b>\$ 85,169</b>                            | <b>\$ 10,073</b>            | <b>\$ 75,096</b>                                   | <b>\$ 36,449</b>                            | <b>\$ -</b>                 |

9. Mining Properties

|                     | As of September 30, 2005        |                             |  | As of December 31, 2005         |                             |                  |
|---------------------|---------------------------------|-----------------------------|--|---------------------------------|-----------------------------|------------------|
|                     | Mining<br>Properties at<br>Cost | Accumulated<br>Amortization | Mining<br>Properties,<br>Net Book<br>Value | Mining<br>Properties at<br>Cost | Accumulated<br>Amortization | Net Book Value   |
| Bogoso/Prestea      | \$ 45,786                       | \$ 27,274                   | \$ 18,512                                  | \$ 43,420                       | \$ 23,113                   | \$ 20,307        |
| Prestea Underground | 19,307                          | -                           | 19,307                                     | 12,984                          | -                           | 12,984           |
| Wassa               | 50,141                          | 2,922                       | 47,219                                     | 9,653                           | -                           | 37,566           |
| Bogoso Sulfide      | 13,065                          | -                           | 13,065                                     | 13,065                          | -                           | 13,065           |
| Mampon              | 14,895                          | -                           | 14,895                                     | 13,676                          | -                           | 13,676           |
| Other               | 5,162                           | -                           | 5,162                                      | 4,512                           | -                           | 4,512            |
| <b>TOTAL</b>        | <b>\$ 148,356</b>               | <b>\$ 30,196</b>            | <b>\$ 118,160</b>                          | <b>\$ 97,310</b>                | <b>\$ 23,113</b>            | <b>\$ 94,847</b> |

## 10. Construction in Progress

Construction in Progress for the current periods consists of development and construction costs of the Bogoso sulfide expansion project incurred since the beginning of 2005. The Bogoso sulfide acquisition and feasibility study costs incurred prior to 2005 are classified as a component of Mining Properties on the Consolidated Balance Sheet. Balances in the comparable periods of 2004 represent costs of the Wassa project.

## 11. Deferred Stripping

We initiated a deferred waste stripping policy at the Plant-North pit on the Prestea property in the third quarter of 2004 in response to the fact that mining at Prestea has trended in recent years toward deeper pits with longer lives and higher and more variable stripping ratios than in the past.

The amount of stripping costs to be capitalized is calculated each quarter by determining the tonnes of waste moved in excess of the life-of-pit average strip ratio and valuing the excess tonnage of removed waste at the average mining cost per tonne during the period. Costs are recovered in periods when the actual tonnes of waste moved are less than what would have been moved at the average life-of-pit rate, such tonnes being valued at the rolling average cost of the waste tonnage amounts capitalized.

The capitalized component of waste rock removal costs is shown on our consolidated balance sheets in the line item titled "Deferred Stripping". The cost impact is included in the Statements of Operations in the line item titled "Mining operations". In periods when the strip ratio exceeds the pit average, the costs of the excess stripping are excluded from our cost per ounce calculations. In periods when the strip ratio is less than the pit average, capitalized waste costs are added back to operating costs and included in cost per ounce calculations.

Actual stripping ratios at the Plant-North pit were 2.3 to 1 during 2002, 3.4 to 1 during 2003, 5.5 to 1 for the first nine months of 2004, 5.9 to 1 for the second half of 2004 and 6.1 to 1 during the first nine months of 2005. A total of \$1.4 million of Plant-North deferred waste stripping cost, which would have been included in operating costs under our previous policy, was capitalized in 2004. During the first nine months of 2005, \$1.8 million of deferred stripping costs have been deferred.

Based on actual results in 2004 and our new January 1, 2005 mine plan we expect to move 3.7 million tonnes of ore and 18.0 million tonnes of waste during the overall life of the Plant-North pit and thus the expected strip ratio is 4.8 to 1. Current engineering forecasts indicate that the Plant-North pit should strip waste below the 4.8 to 1 average rate during much of the fourth quarter and in early 2006 through the end of the Plant-North pit's life and that the deferred stripping costs will be brought back as expense by the time mining is concluded.

In March 2005 the Emerging Issues Task Force of the Financial Accounting Standards Board issued statement 04-6 "Accounting for Stripping Costs Incurred During Production in the Mining Industry" ("EITF 04-6") which precludes deferral of stripping costs during a mine's production phase. EITF 04-6 requires that deferred stripping costs be considered a variable production cost. The new pronouncement is effective January 1, 2006 and transition provisions allow any remaining balances in deferred stripping asset accounts to be closed directly to

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retained earnings on January 1, 2006.

In Canada the Emerging Issues Committee ("EIC") has since issued a "Draft Abstract of Issue Discussed" titled "D56 Accounting for Stripping Costs in the Mining Industry" which concluded that deferred stripping could be retained as an acceptable accounting method in Canada under certain circumstances. A final EIC statement has not yet been issued.

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### 12. Loan Acquisition Costs, Hedging and Derivatives

-----

In the second quarter of 2005 approximately \$0.9 million of loan acquisition fees were incurred in obtaining the \$50 million of convertible notes. This amount was capitalized and is being amortized over the life of the notes. In addition, as described immediately below, we also recorded loan acquisition costs at EURO related to its January 2005 and August 2005 borrowings. As with the convertible notes, the balance is being amortized to interest expenses over the life of the loan. The net balance of loan acquisition costs was \$1.0 million as of September 30, 2005.

In January 2005, EURO, a majority owned subsidiary, entered into a series of cash-settled forward gold pricing agreements that qualify as derivatives. These agreements were entered into as part of a \$6.0 million loan agreement (see Note 13a). EURO's derivatives are tied to a future stream of gold royalty payments EURO expects to receive from a Canadian mining company. The cash-settled forward gold pricing agreements provide that (a) when the average gold price for a quarter exceeds \$421 per ounce, EURO will pay to the counter party cash equal to the difference between the quarter's average gold price per ounce and \$421 per ounce, times 5,700 ounces, and (b) when the average quarterly gold price is below \$421 per ounce, EURO will receive a cash payment from the counterparty equal to the difference between \$421 per ounce and the average gold price per ounce times 5,700 ounces. The \$421 per ounce figure was the spot gold price on the date EURO entered into the derivative. The derivative agreements established 10 tranches of 5,700 ounces each which settle quarterly over ten quarters beginning with the first quarter of 2005.

In August 2005, EURO entered into another 57,000 ounce gold forward position related to a new \$3.0 million debt agreement. The gold forward is spread over ten quarters beginning in the last quarter of 2007 and has a fixed price of \$458.50 per ounce, which was approximately \$18 per ounce over the spot price on the date of the agreement.

In the first nine months of 2005 EURO recorded a \$0.2 million derivative loss upon settlement of the first three quarterly tranches. This amount was off-set against royalty revenues. As of September 30, 2005, EURO's remaining derivative contracts had a negative mark-to-market fair value of \$6.5 million, and this amount has been recognized as an expense in our consolidated statement of operations.

To provide gold price and foreign exchange price protection during the 2005/2006 construction phase of the Bogoso sulfide expansion project we purchased a series of gold put and call options and foreign exchange forwards. In the second quarter of 2005 we purchased put options on 140,000 ounces of gold at an average floor price of \$409.75 paying approximately \$1.0 million in cash for the options. During the third quarter we purchased an additional 90,000 put options locking in a \$400 per ounce floor for each of the 90,000 ounces. Due to increases in gold prices during the third quarter of 2005 the mark-to-market value of the puts decreased by \$0.5 million between June 30, 2005 and September

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30, 2005. This decline in value was recognized in our statements of operation for the third quarter of 2005.

During the third quarter we sold 90,000 ounces of call options with a strike price of \$525 per ounce. The revenues from sale of the call options exactly offset the cost of the put options bought in the third quarter. Due to the increase in gold prices since the call options were sold, the mark-to-market value fell by \$1.1 million by September 30, 2005 and this amount was recognized in our statement of operations for the third quarter.

The foreign exchange Rand and Euro forward contracts were established without cost, and had a fair value of \$0.7 million at September 30, 2005, up from a negative \$0.4 million at the end of June 2005. The \$1.1 million increase in the mark-to-market value of these forward positions was recognized in our statement of operations in the third quarter offsetting most of the loss in value associated with the put and call options.

Year-to-date the net value of all derivatives had decreased by \$7.4 million from their original purchase value and this amount is reflected in the statement of operations.

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The following table summarizes our derivative contracts at September 30, 2005:

|  | At September 30, 2005 | 2005 | 2006  | 2007 | Thereafter |
|--|-----------------------|------|-------|------|------------|
| GOLD FORWARD CONTRACTS (EURO RESSOURCES) |                       |      |       |      |            |
| Ounces (thousands)                       |                       | 5.7  | 22.8  | 22.8 |            |
| Average price per ounce                  |                       | 421  | 421   | 440  |            |
| Fair value (\$ thousands)                | \$ (6,533)            |      |       |      |            |
| GOLD PUTS (GOLDEN STAR)                  |                       |      |       |      |            |
| Ounces (thousands)                       |                       | 37.5 | 150.0 | 37.5 |            |
| Average price per ounce                  |                       | 407  | 406   | 404  |            |
| Fair value (\$ thousands)                | \$ 420                |      |       |      |            |
| GOLD CALLS (GOLDEN STAR)                 |                       |      |       |      |            |
| Ounces (thousands)                       |                       | 15.0 | 60.0  | 15.0 |            |
| Average price per ounce                  |                       | 525  | 525   | 525  |            |
| Fair value (\$ thousands)                | \$ (1,111)            |      |       |      |            |
| FOREIGN EXCHANGE FORWARDS (GOLDEN STAR)  |                       |      |       |      |            |

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|                               |      |      |   |
|-------------------------------|------|------|---|
| South African Rand (millions) | 65.8 | 75.2 | - |
| Average rate (ZAR)            | 6.60 | 6.85 | - |

-----  
Fair value (\$ thousands) \$ 958  
-----

|                    |      |      |   |
|--------------------|------|------|---|
| Euros (millions)   | 1.5  | 2.5  | - |
| Average Rate (EUR) | 1.24 | 1.25 | - |

-----  
Fair value (\$ thousands) \$ (138)  
-----

The puts, calls and foreign exchange forward contracts are comprised of numerous individual contracts each with a different settlement date.

13. Debt  
-----

|   | As of<br>September 30, 2005 | As of<br>December 31, 2004 |
|---|-----------------------------|----------------------------|
| DEBT                                    |                             |                            |
| -----                                   |                             |                            |
| Current debt:                           |                             |                            |
| Bank loan - at EURO Ressources (Note a) | 2,667                       | -                          |
| CAT equipment financing loans (Note b)  | \$ 1,798                    | \$ 1,267                   |
| -----                                   |                             |                            |
| Total current debt                      | \$ 4,465                    | \$ 1,267                   |
| -----                                   |                             |                            |
| Long term debt:                         |                             |                            |
| Bank loan - at EURO Ressources (Note a) | 5,666                       | -                          |
| CAT equipment financing loans (Note b)  | 2,057                       | 1,707                      |
| Convertible notes (Note c)              | \$ 47,491                   | \$ -                       |
| -----                                   |                             |                            |
| Total long term debt                    | \$ 55,214                   | \$ 1,707                   |
| -----                                   |                             |                            |

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(a) Bank debt - In January 2005, EURO drew down \$6.0 million under a credit facility from a bank and paid the funds to Golden Star as the first installment on its purchase of the Rosebel royalty. The loan is repayable in nine equal payments of \$666,667. The first payment was made on July 29, 2005 and eight subsequent payments will be made every three months thereafter along with accrued interest. The interest rate for each period is set at LIBOR plus 2.5% and EURO may choose a 1, 2 or 3 month interest period. The loan is collateralized by the assets of EURO, including the Rosebel royalty. The lender has no recourse to Golden Star.

In September 2005 EURO borrowed an additional \$3.0 million from the same commercial bank and forwarded the proceeds to Golden Star leaving an outstanding balance due of \$3.0 million (plus a future royalty). The interest rate on the new debt is set at LIBOR plus 2.5% and EURO may choose a 1, 2 or 3 month interest period. The \$3.0 million is to be repaid by five quarterly payments of \$0.6 million each commencing October 31, 2007. EURO is seeking funding to allow payment of the final \$3.0 million owed to Golden Star by the end of 2005.

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Interest on the outstanding balance is set at 6% which will rise to 12% if payment is not made by the end of 2005.

(b) Equipment financing credit facility - We have established a \$25 million equipment financing facility between Caterpillar Financial Services Corporation, BGL and WGL, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit for a mixture of new and used mining equipment. This facility is reviewed annually and was renewed in April 2005. Amounts drawn under this facility are repayable over five years for new equipment and over two years for used equipment. The interest rate for each draw-down is fixed at the date of the draw-down using the Federal Reserve Bank 2-year or 5-year swap rate plus 2.38% or a floating interest rate of LIBOR plus 2.38%. As of September 30, 2005, \$3.9 million was outstanding under this facility. The average interest rate is approximately 5.9% on the used equipment loans and 6.2% for the new equipment loans.

(c) Convertible notes - We sold \$50 million of senior unsecured convertible notes to a private investment fund on April 15, 2005. These notes, maturing on April 15, 2009, were issued at par and bear interest at 6.85% with a conversion price of \$4.50 per common share. At the maturity date, we have the option, at our discretion, to liquidate the outstanding notes with cash or by issuing common shares to the note holders. If the notes are paid in common shares the number of shares will be determined by dividing the loan balance by an amount equal to 95% of the average price of the 20 trading day period ended five days before the notes are due. Due to the conversion feature, approximately \$47.1 million of the note balance was initially classified as a liability and \$2.9 million was classified as equity and recorded as contributed surplus. Periodic accretion will increase the liability to the full amount due (after adjustments for converted notes) by the end of the note life. The periodic accretion is classified as interest expense. A total of \$1.0 million of interest on the convertible notes was capitalized into the Bogoso sulfide expansion project costs.

### 14. Asset Retirement Obligations

-----

Our Asset Retirement Obligations ("ARO") are equal to the present value of all estimated future closure cost associated with reclamation, demolition and stabilization of our Bogoso/Prestea and Wassa mining and ore processing properties. Included in this liability are the costs of mine closure and reclamation, processing plant and infrastructure demolition, tailings pond stabilization and reclamation and environmental monitoring costs. While the majority of these costs will be incurred near the end of the mines' lives, it is expected that cash costs will be incurred in interim periods reclaiming areas where mining has been completed, such costs being netted against the ARO provision.

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The changes in the carrying amount of the ARO during the first nine months of 2005 and 2004 were:

|                                     | -----                                   |       |
|-------------------------------------|---|-------|
|                                     | Nine months ended<br>September 30, 2005 |       |
|                                     | -----                                   |       |
| Balance at December 31, 2004        | \$                                      | 8,660 |
| Accretion expense                   |   | 540   |
| Cost of reclamation work performed  |   | (468) |
| New AROs incurred during the period |   | 1,755 |

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|                                     |   |        |
|-------------------------------------|---|--------|
| Balance at September 30, 2005       | \$                                      | 10,487 |
| -----                               |   |        |
|                                     | Nine months ended<br>September 30, 2004 |        |
| Balance at December 31, 2003        | \$                                      | 7,745  |
| Accretion expense                   |   | 489    |
| Cost of reclamation work performed  |   | (563)  |
| New AROs incurred during the period |   | 647    |
| Balance at September 30, 2004       | \$                                      | 8,318  |
| -----                               |   |        |

15. Commitments and Contingencies

(a) Environmental Regulations and Asset Retirement Obligations -

The Plant-North pit at Prestea has been developed in stages with the development of the final stage (Phase 3) commencing in August 2005. Initiation of Phase 3 mining was conditional on a number of mitigation measures identified in the Environmental Impact Statement. On September 13, 2005, the Ghana Environmental Protection Agency ("EPA") requested the suspension of mining of the Plant-North Phase 3 pit until the following outstanding mitigation measures were completed:

- o Relocation of the Prestea police to a new police station which we built to replace the existing police station. Relocation was necessary because of the old station's proximity to mining operations during the Phase 3 development;
- o Erection of a fence around the Phase 3 pit development;
- o Construction of a bypass road to divert traffic away from the southern end of the pit development and closure of the existing road; and
- o Sensitization of the communities and vendors adjacent to the Phase 3 pit development.

We responded immediately to the EPA's notice by suspending all mining activity in the Plant-North Pit Phase 3, although mining continued in the Phase 2 area of the Plant-North pit in accordance with permits already received. Subsequently, on September 28 all mining in the Plant-North pit was suspended on verbal request of the EPA.

The mitigation measures requested by the EPA were completed on October 15, 2005. The EPA was advised of the completion of the work and subsequently inspected the work on October 19, 2005. On November 1, we received approval from the EPA to recommence mining operations at the Plant-North pit. We expect to recommence mining in the next few days following a series of informational meetings with the Prestea community.

During the period of the suspension of mining in the Plant-North pit, processing operations continued at the Bogoso processing plant using stockpiled ore. Mining and processing operations at the Wassa mine and construction activities on the Bogoso sulfide expansion project also continued without interruption.



The exact nature of other environmental control problems, if any, which we may encounter in the future cannot be predicted, primarily because of the changing character of environmental requirements that may be enacted within various jurisdictions. ARO's, which include environmental rehabilitation liabilities for reclamation and for closure costs, were \$7.4 million at Bogoso/Prestea at September 30, 2005, up from \$6.0 million at December 31, 2004. ARO's at Wassa totaled \$3.1 million at September 30, 2005, up \$0.4 million from \$2.7 million at the end of 2004.

(b) Environmental Bonding in Ghana - During 2004, the EPA requested that we provide environmental reclamation bonds for both Bogoso/Prestea and Wassa. In March 2005, we bonded \$3.0 million to cover future reclamation obligations at Wassa, with a \$2.85 million letter of credit and \$0.15 million of cash which was deposited with the EPA. An \$8.55 million letter of credit has been established to cover our obligations for Bogoso/Prestea bonding. We have also deposited cash totaling \$0.5 million with the EPA for Bogoso/Prestea's bonding.

(c) Cash Restricted for Environmental Rehabilitation Liabilities - In 1999, we were required, according to the acquisition agreement with the sellers of BGL, to restrict \$6.0 million of cash to be used for the ongoing and final reclamation and closure costs at Bogoso. The withdrawal of these funds must be agreed to by the sellers, who are ultimately responsible for the reclamation in the event of our non-performance. Between 1999 and 2001 we were able to draw \$2.6 million of the restricted cash to cover our out-of-pocket cash reclamation costs. There have been no disbursements of the restricted cash since 2001. Once the BGL reclamation bond and cash are in place, we will seek to amend the agreement with the original sellers of BGL and obtain their consent to allow us to withdraw the remaining \$3.4 million of restricted cash.

(d) Royalties -

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

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

(e) Mano River Joint Venture - We entered into a joint venture agreement in late 2003 to invest up to \$6 million over four years in the Mano River project in Sierra Leone via an earn-in agreement with a junior exploration company, Mano River Resources Inc. which holds a group of gold exploration properties in Sierra Leone. The initial \$6 million, if fully funded, would yield a 51% interest in the joint venture. Further provisions of the joint venture agreement provide the opportunity to acquire up to 85% of the joint venture by continued long term funding. Spending in 2004 totaled \$0.8 million, leaving \$0.2 million on our minimum commitment to the project. We have now spent \$0.5 million on the Mano River project during 2005, thereby meeting the minimum commitment. In addition, agreement has been reached with our partner to extend the earn in

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period by 12 months.

(f) Afema Project - On March 29, 2005 we entered into an agreement with Societe d'Etat pour le Developpement Minier de la Cote d'Ivoire ("SO.DE.MI."), the Cote d'Ivoire state mining and exploration company, to acquire their 90% interest in the Afema gold property in south-east Cote d'Ivoire. A \$0.1 million initial payment to SO.DE.MI. gave us the right to carry out a six month detailed technical due diligence program which was essentially completed by September of 2005. We now have the right to acquire 100% of SO.DE.MI.'s rights in the Afema

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property for an additional \$1.5 million. A six month extension has subsequently been granted by SO.DE.MI. to allow Golden Star to carry out further due diligence work and to analyze the large quantity of data collected during 2005 before making a decision on the \$1.5 million payment. In addition to the acquisition payments, we agreed to pay SO.DE.MI. a royalty on any future gold production from the Afema property. The royalty is indexed to the gold price and ranges from 2% of net smelter returns at gold prices below \$300 per ounce to 3.5% of net smelter returns for gold prices exceeding \$525 per ounce. If we proceed with the \$1.5 million payment to acquire full rights to the property the purchase agreement requires us to spend an additional \$3.5 million on exploration work at Afema, subject to exploration success, over the following three and a half years.

(g) Pending Legal Issues - Prestea Gold Resources Limited ("PGR"), our joint venture partner in the Prestea Underground, entered receivership in March 2003. The joint venture agreement between BGL and PGR specified that if either party to the joint venture were to go into receivership any remaining interest held in the partnership by the insolvent partner would immediately vest with the solvent partner. While PGR's official liquidator affirmed that the vesting of this interest in BGL was proper under the terms of the joint venture agreement, the transfer and vesting of PGR's ownership was challenged in an action brought before the High Court in Accra, Ghana against the official liquidator by Merchant Bank (Ghana) Ltd, in its capacity as a judgment creditor of PGR. The action was commenced on February 28, 2005 and sought an order of the court to compel the official liquidator to take control of PGR's residual interest in the joint venture and to have the interest valued with the ultimate goal of making proceeds available for distribution among all the creditors of PGR.

The judgment creditor's claim was based on the assertion that the vesting of the residual interest in BGL under the joint venture agreement was either illegal and void and/or that such vesting should necessarily go with the assumption by BGL of all PGR's obligations owed to third parties, including those unrelated to the joint venture.

In June 2005, the High Court issued a finding in favor of the Merchant Bank (Ghana) Ltd. While the ruling transferred PGR's ownership position to the liquidator, it did not require BGL to assume any of PGR's obligations. Nevertheless, in subsequent periods following the vesting of PGR's ownership position in BGL, continued project spending by BGL diluted PGR's original ownership position to less than 10% by September 30, 2005. The joint venture agreement further specifies that if either partner allowed itself to be diluted to 10% or less, the residual value would immediately convert into a 2.5% net profit interest in potential future earnings from the Prestea Underground mine. While the court's ruling has effectively given the 2.5% net profits interest to the bankruptcy trustee, the trustee still must establish the fair value of the interest and then find a buyer. At a recent bankruptcy hearing none of the creditors were willing to fund a valuation study.

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We are also engaged in routine litigation incidental to our business. No material legal proceedings, involving us or our business are pending, or, to our knowledge, contemplated, by any governmental authority. We are not aware of any material events of noncompliance with environmental laws and regulations.

(h) St. Jude Acquisition - On September 27, 2005 we signed a pre-merger agreement with St. Jude Resources Ltd. whereby we would acquire all of the outstanding shares of St. Jude on the basis of 0.72 of a Golden Star common share for every St. Jude common share. Completion of the transaction is conditional on the execution of a definitive agreement, approval of St. Jude shareholders and, requisite regulatory and court approvals as well as satisfaction of other customary conditions.

The terms of the transaction resulted in a purchase price of Cdn\$3.10 per St. Jude share (based on the closing price of Golden Star on the TSX on September 26, 2005) representing a premium of 38% to the 20 day average closing price of St. Jude common shares on the TSX Venture Exchange. Upon completion of the transaction, St. Jude shareholders will own approximately 19% of Golden Star on a fully diluted basis.

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St. Jude's principal assets are the Hwini-Butre and Benso Gold projects at the southeastern end of the Ashanti gold belt region in Ghana. St. Jude has publicly reported that Hwini-Butre and Benso combined have total near surface attributable measured and indicated mineral resources of approximately 15.1 million tonnes at an average grade of 2.71 grams per tonne. In addition, St. Jude has other exploration projects in Ghana, Burkina Faso and Niger.

### 16. Share Capital and Contributed Surplus

Changes in share capital during the nine months ended September 30, 2005 were:

|   | Shares      | Amount     |
|---|-------------|------------|
| Beginning balance as of December 31, 2004 | 142,244,112 | \$ 342,494 |
| Common shares issued:                     |             |            |
| Option exercises                          | 212,940     | 570        |
| Warrant exercises                         | 385,000     | 718        |
| Bonus shares and other                    | 45,342      | 170        |
| Ending balance as of September 30, 2005   | 142,887,394 | \$ 343,952 |

Changes in contributed surplus during the nine months ended September 30, 2005 were:

|  | Amount   |
|--|----------|
| Beginning balance as of December 31, 2004                    | \$ 2,040 |
| Option expense (net of forfeitures)                          | 734      |
| Reclass to share capital for fair value of options exercised | (113)    |
| Issuance of convertible note - equity component              | 2,857    |
| Ending balance as of September 30, 2005                      | \$ 5,518 |

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### 17. Stock Based Compensation

(a) Stock Options - We have one stock option plan, the Second Amended and Restated 1997 Stock Option Plan (the "GSR Plan"), and options are granted under this plan from time to time at the discretion of the Compensation Committee, except with respect to grants to non-employee directors, which are granted by the Board of Directors as a whole. 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 non qualified options to employees, consultants and directors of the Company or its subsidiaries for up to 15,000,000 shares of common stock, at an exercise price 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 or the Board of Directors.

A total of 514,000 options were granted during the first nine months of 2005 versus 855,000 in the same period of 2004. There were no options granted during the third quarter of 2005.

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In the nine months ended September 30, 2005, we recognized approximately \$0.8 million of expense related to stock options, which includes approximately \$0.1 million of expense related to EURO, as discussed below.

|                                      | Options<br>(000's) | Weighted-Average<br>Exercise Price (Cdn\$) |
|--------------------------------------|--------------------|--|
| Outstanding as of December 31, 2004  | 5,271              | \$ 3.17                                    |
| Granted                              | 514                | 4.58                                       |
| Exercised                            | (213)              | 2.64                                       |
| Forfeited                            | (515)              | 5.54                                       |
| Outstanding as of September 30, 2005 | 5,057              | \$ 3.10                                    |

The fair value of options granted during the nine months ended September 30, 2005 was estimated at the grant date using a Black-Scholes option-pricing model with the following assumptions:

|                         | Three months ended September 30, |      | Nine months ended September 30, |                |
|-------------------------|----------------------------------|------|---------------------------------|----------------|
|                         | 2005                             | 2004 | 2005                            | 2004           |
| Expected volatility     | NA                               | NA   | 34.9%                           | 36.4% to 36.6% |
| Risk-free interest rate | NA                               | NA   | 3.1% to 3.5%                    | 3.7% to 4.0%   |
| Expected lives          | NA                               | NA   | 3.5 to 5 years                  | 3.5 to 5 years |
| Dividend yield          | NA                               | NA   | 0%                              | 0%             |

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(b) Stock Bonus Plan - In December 1992, we established an Employees' Stock Bonus Plan (the "Bonus Plan") for full-time and part-time employees (whether or not a director) of Golden Star or any of our subsidiaries who has rendered meritorious services which contributed to the success of Golden Star 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, provides for the issuance of 900,000 common shares of which 491,162 common shares have been issued as of September 30, 2005 including 41,758 shares issued at Cdn\$4.58 per share and 3,584 shares issued at \$2.79 per share during the first nine months of 2005. No bonus shares were issued in the first nine months of 2004.

(c) EURO Option Grants - In March 2005, EURO granted 400,000 options to purchase EURO shares. The options have a strike price of Cdn\$0.36. Their fair value was estimated, using a Black Scholes model, at Cdn\$0.17 each. Compensation expense of \$0.06 million was recognized in the consolidated statement of operations for this grant. The Black Scholes model assumed a 3.81% risk free rate, a five year life, 50% volatility and no dividends.

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### 18. Operations by Geographic Area

The following geographic data includes revenues based on product shipment origin and long-lived assets based on physical location:

| For the three months<br>ended<br>and as at September 30, | Africa             |          |         | North<br>America |           | Total    |
|--|--------------------|----------|---------|------------------|-----------|----------|
|  | Bogoso/<br>Prestea | Wassa    | Other   | South<br>America | Corporate |          |
| <hr/>  |                    |          |         |                  |           |          |
| 2005   |                    |          |         |                  |           |          |
| Revenues   | \$12,856           | \$10,500 | \$ -    | \$1,058          | \$ 334    | \$24,748 |
| Net Income/(Loss)  | 1,667              | (3,660)  | (1,331) | (2,654)          | (679)     | (6,657)  |
| Total Assets   | 131,575            | 98,512   | 45,531  | 7,684            | 42,354    | 325,656  |
| <hr/>  |                    |          |         |                  |           |          |
| 2004   |                    |          |         |                  |           |          |
| Revenues   | \$12,363           | \$ -     | \$ -    | \$ 24            | \$ 1,058  | \$13,445 |
| Net (Loss)   | (37)               | (45)     | (149)   | (481)            | (3,546)   | (4,258)  |
| Total Assets   | 78,586             | 61,664   | 28,105  | 2,220            | 77,694    | 248,269  |
| <hr/>  |                    |          |         |                  |           |          |

| For the nine months<br>ended<br>and as at September 30, | Africa             |          |         | North<br>America |           | Total     |
|---|--------------------|----------|---------|------------------|-----------|-----------|
|   | Bogoso/<br>Prestea | Wassa    | Other   | South<br>America | Corporate |           |
| <hr/>   |                    |          |         |                  |           |           |
| 2005  |                    |          |         |                  |           |           |
| Revenues  | \$ 43,806          | \$19,690 | \$ -    | \$ 3,177         | \$ 1,049  | \$ 67,722 |
| Net Income/(Loss)                                       | 5,278              | (6,336)  | (1,331) | (2,263)          | (7,923)   | (12,575)  |
| Total Assets  | 131,575            | 98,512   | 45,531  | 7,684            | 42,354    | 325,656   |
| <hr/>   |                    |          |         |                  |           |           |

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|                   |           |        |        |         |          |           |  |
|-------------------|-----------|--------|--------|---------|----------|-----------|--|
| 2004              |           |        |        |         |          |           |  |
| Revenues          | \$ 47,156 | \$ -   | \$ -   | \$ 75   | \$ 2,565 | \$ 49,796 |  |
| Net Income/(Loss) | 9,948     | (137)  | (149)  | (1,196) | (6,415)  | 2,051     |  |
| Total Assets      | 78,586    | 61,664 | 28,105 | 2,220   | 77,694   | 248,269   |  |

### 19. Earnings per Common Share

The following table provides reconciliation between basic and diluted earnings/(loss) per common share:

|  | Three months ended<br>September 30, |            | Nine months ended<br>September 30, |          |
|--|-------------------------------------|------------|------------------------------------|----------|
|  | 2005                                | 2004       | 2005                               | 2004     |
| Net income/(loss)                                      | \$ (6,657)                          | \$ (4,258) | \$ (12,575)                        | \$ 2,051 |
| Weighted average number of common shares<br>(millions) | 142.8                               | 141.1      | 142.5                              | 137.0    |
| Dilutive securities:                                   |                                     |            |                                    |          |
| Options  | 1.8                                 | 3.1        | 1.9                                | 3.7      |
| Warrants   | -                                   | 2.0        | -                                  | 3.2      |
| Weighted average number of diluted<br>shares           | 144.6                               | 146.2      | 144.4                              | 143.9    |
| Basic earnings/(loss) per share                        | \$ (0.047)                          | \$ (0.030) | \$ (0.088)                         | \$ 0.015 |
| Diluted earnings/(loss) per share                      | \$ (0.047)                          | \$ (0.030) | \$ (0.088)                         | \$ 0.014 |

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Earnings per share on a US GAAP basis are found in Note 21 below.

### 20. Supplemental Cash Flow Information

|                   | Three months<br>ended September 30, |      | Nine months<br>ended September 30, |         |
|-------------------|-------------------------------------|------|------------------------------------|---------|
|                   | 2005                                | 2004 | 2005                               | 2004    |
| Minority interest | -                                   | -    | -                                  | 2,400   |
| Mining property   | -                                   | -    | -                                  | (2,400) |

There were no cash payments for income taxes in the first nine months of 2005

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and 2004. Cash payments for interest were \$1 .1 million and nil in the first nine months of 2005 and 2004 respectively. The increase over 2004 is principally related to the convertible notes and Caterpillar equipment loans.

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### 21. Generally Accepted Accounting Principles in Canada and the United States

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The following Golden Star consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

#### (a) BALANCE SHEET IN US GAAP

| BALANCE SHEETS - US GAAP                             | As of<br>September 30,<br>2005 | As of<br>December 31,<br>2004 |
|--|--------------------------------|-------------------------------|
| <hr/>  |                                |                               |
| ASSETS   |                                |                               |
| <hr/>  |                                |                               |
| Current assets:                                      |                                |                               |
| Cash and cash equivalents                            | \$23,897                       | \$12,877                      |
| Short term investments                               | 19,750                         | 38,850                        |
| Accounts receivable                                  | 4,711                          | 3,592                         |
| Inventories  | 25,718                         | 15,366                        |
| Due from sale of property                            | -                              | 1,000                         |
| Future tax assets                                    | 3,252                          | 1,542                         |
| Deposits   | 7,244                          | 5,102                         |
| Other current assets                                 | 1,376                          | 517                           |
| <hr/>  |                                |                               |
| Total current assets                                 | 85,948                         | 78,846                        |
| <br>   |                                |                               |
| Restricted cash                                      | 3,372                          | 3,351                         |
| Long term investments (Note d2)                      | 10,335                         | 4,132                         |
| Deferred exploration and development costs (Note d2) | -                              | -                             |
| Property, plant and equipment (Note d1)              | 74,382                         | 28,653                        |
| Mining properties (Notes d1 and d3)                  | 84,115                         | 52,586                        |
| Mine construction in progress (Note d1)              | 20,300                         | 49,430                        |
| Deferred stripping (Note d7)                         | 3,160                          | 1,357                         |
| Loan acquisition costs                               | 1,047                          | -                             |
| <br>   |                                |                               |
| Other assets   | 1,707                          | 1,617                         |
| <hr/>  |                                |                               |
| Total assets   | \$284,366                      | \$219,972                     |
| <hr/>  |                                |                               |
| LIABILITIES  |                                |                               |
| <hr/>  |                                |                               |
| Current liabilities                                  | \$34,688                       | \$17,480                      |
| Long term debt (Note d6)                             | 58,390                         | 1,707                         |
| Asset retirement obligations                         | 10,487                         | 8,660                         |
| Fair value of derivatives                            | 7,412                          | -                             |
| Other liabilities                                    | -                              | -                             |
| <hr/>  |                                |                               |
| Total liabilities                                    | 110,977                        | 27,847                        |
| <hr/>  |                                |                               |

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|                                     |       |       |
|-------------------------------------|-------|-------|
| Commitments and contingencies       | -     | -     |
| Minority interest (notes d2 and d3) | 4,286 | 3,899 |

SHAREHOLDERS' EQUITY

|  |           |           |
|--|-----------|-----------|
| Share capital (Note d5)                              | 340,982   | 339,524   |
| Contributed surplus                                  | 2,660     | 2,040     |
| Accumulated comprehensive income and other (Note d4) | 6,147     | 1,316     |
| Deficit  | (180,686) | (154,654) |
| Total shareholders' equity                           | 169,103   | 188,226   |
| Total liabilities and shareholders' equity           | \$284,366 | \$219,972 |

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(b) STATEMENTS OF OPERATIONS - US GAAP

| STATEMENT OF OPERATIONS - US GAAP  | Three months ended<br>September 30, |            | Nine<br>e<br>Sept |
|--|-------------------------------------|------------|-------------------|
|  | 2005                                | 2004       | 2005              |
| Net income/(loss) under Cdn GAAP   | \$ (6,657)                          | \$ (4,258) | \$ (12,575)       |
| Deferred exploration expenditures expensed per US GAAP (note d2)           | (5,920)                             | (3,337)    | (9,495)           |
| Loss at Wassa mine in the first quarter of 2005 (note d1)                  | 182                                 | -          | (5,543)           |
| Write-off of deferred exploration projects (Note d2)                       | -                                   | -          | 1,083             |
| Other  | 150                                 | -          | 370               |
| Net (loss) under US GAAP before minority interest                          | (12,245)                            | (7,595)    | (26,160)          |
| Minority interest, as adjusted (note d2 and d3)                            | 71                                  | 52         | 127               |
| Net income/(loss) under US GAAP  | \$ (12,174)                         | \$ (7,543) | \$ (26,033)       |
| Other comprehensive income -gain/(loss) on marketable securities (Note d4) | 3,938                               | -          | 4,831             |
| Comprehensive income/(loss)  | \$ (8,236)                          | \$ (7,543) | \$ (21,202)       |
| Basic net income/(loss) per share under US GAAP                            | \$ (0.085)                          | \$ (0.055) | \$ (0.183)        |
| Diluted net income/(loss) under US GAAP                                    | \$ (0.085)                          | \$ (0.055) | \$ (0.183)        |



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Revenues for the first nine months of 2005 were \$74.6 million under US GAAP, or \$6.7 million higher than under Cdn GAAP, the difference being attributed to first quarter 2005 revenues at Wassa which was put in service in the first quarter of 2005 for US GAAP but was not put in-service until the second quarter for Cdn GAAP.

### (c) STATEMENTS OF CASH FLOW - US GAAP

| STATEMENTS OF CASH FLOW - US GAAP                                  | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |          |
|--|-------------------------------------|-----------|------------------------------------|----------|
|  | 2005                                | 2004      | 2005                               | 2004     |
| Cash provided by/(used in):  |                                     |           |                                    |          |
| Operating activities   | \$4,280                             | \$(2,174) | \$(7,004)                          | \$2,955  |
| Investing activities   | (1,507)                             | (13,730)  | (41,215)                           | (32,876) |
| Financing activities   | 2,738                               | 5,554     | 59,239                             | 15,436   |
| Increase/(decrease) in cash and cash<br>equivalents for the period |                                     |           |                                    |          |
| Cash and cash equivalents beginning of the<br>period               | 5,511                               | (10,350)  | 11,020                             | (14,485) |
|  | 18,386                              | 85,835    | 12,877                             | 89,970   |
| Cash and cash equivalents end of the period                        | \$23,897                            | \$75,485  | \$23,897                           | \$75,485 |

### (d) Notes

(1) Under US GAAP new production facilities are placed in service once the facility has been constructed and fully tested to the point where it can be shown that it is capable of producing its intended product. Under Cdn GAAP new production facilities are placed in service when output reaches a significant portion of the facility's design capacity. As such, the new Wassa mine and processing operation was placed in service on January 1, 2005 for US GAAP purposes and was placed in service on April 1, 2005 for Cdn GAAP purposes. All operating expenses, including ARO accretion, depreciation, depletion and amortization and work in process inventory adjustments were recognized in the statement of operations for US GAAP during the first quarter of 2005 while such costs were capitalized net of revenues generated for Cdn GAAP.

(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. In addition, minority investments in companies whose

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major business is mineral exploration are deemed for US GAAP to be equivalent to exploration spending.

(3) Under US GAAP, the initial purchase cost of mining properties is capitalized. Pre-acquisition costs and DJ 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 mining 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 Cdn GAAP gains and losses on marketable equity securities are reported in the foot notes. Under US GAAP gains and losses on marketable equity securities are reported in the Other Comprehensive Income section of the statement of operations.

(5) Numerous transactions since the Company's organization in 1992 have contributed to the difference in share capital versus the Cdn 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 while under Cdn 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 Cdn GAAP due to the past write-offs of certain deferred exploration costs; and (iii) gains recognized in Cdn GAAP upon issuances of subsidiaries' shares are not allowed under US GAAP.

(6) For US GAAP purposes, 100% of the \$50.0 million of convertible notes issued in the second quarter of 2005 was classified as a liability. Under Cdn GAAP, the fair value of the conversion feature is classified as equity and the balance is classified as a liability. Under Cdn GAAP, the liability portion is accreted each period in amounts which will increase the liability to its full amount as of the maturity date and the accretion is recorded as interest expense.

(7) In March 2005, the Emerging Issues Task Force of the Financial Accounting Standards Board issued statement 04-6 "Accounting for Stripping Costs Incurred During Production in the Mining Industry" ("EITF 04-6") which precludes deferral of stripping costs during a mine's production phase. EITF 04-6 requires that deferred stripping costs be considered a variable production cost. The new pronouncement is effective January 1, 2006 and transition provisions allow any remaining balances in deferred stripping asset accounts to be closed directly to retained earnings on January 1, 2006. In Canada the Emerging Issues Committee ("EIC") has since issued a "Draft Abstract of Issue Discussed" titled "D56 Accounting for Stripping Costs in the Mining Industry" which concludes that deferred stripping could be retained as an acceptable accounting method in Canada under certain circumstances. A final EIC statement has not yet been issued.

### 22. Restatement

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Our September 30, 2005 Form 10-Q, was originally filed in November 2005 under the assumption that the EURO cash-settled forward gold price agreements qualified for hedge accounting. As such, the original Form 10-Q deferred recognition of mark-to-market losses under these agreements during the first three quarters of 2005 as gold prices increased. In early 2006 a review of our hedge accounting assumptions determined that the EURO cash-settled forward gold price agreements did not qualify for hedge accounting because i) it could not be established that the fair value of the agreements was nil at inception and ii) the documentation of the transaction and proposed accounting method was insufficient to meet GAAP requirements.

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In this Form 10-Q/A, EURO's cash-settled forward gold price agreements have been treated as derivatives and marked-to-market at the end of the relevant period. The fair value at the end of September 2005 has been determined to be a loss of \$7.4 million, and this amount was recognized as an expense, with a \$7.4 million liability recognized for the potential future payment of this amount. The losses provide future French tax benefits, and thus a tax asset and tax provision have also been recognized which offset approximately 33% of the increased expense.

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### 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 the accompanying unaudited consolidated financial statements and related notes. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Cdn GAAP"). See Note 21 to the accompanying consolidated financial statements for a reconciliation to accounting principles generally accepted in the United States ("US GAAP"). This Management's Discussion and Analysis of Financial Condition and Results of Operations includes information available to November 1, 2005.

In this Form 10-Q/A we use the terms "Total operating cost per ounce", "total cash cost per ounce" and "cash operating cost per ounce".

Total operating cost per ounce is equal to "Total mine operating costs" as found on our consolidated statements of operations divided by the ounces of gold sold in the period. Total mine operating costs include all mine-site operating costs, including the costs of mining, processing, maintenance, work in process inventory changes, mine-site overhead, production taxes and royalties, mine site depreciation, depletion, amortization, asset retirement obligations and by-product credits, but do not include exploration costs, corporate general and administrative expenses, impairment charges, corporate business development costs, gains and losses on asset sales, interest expense, mark-to-market gains and losses on derivatives, foreign currency gains and losses, gains and losses on investments and income tax.

Total cash cost per ounce is equal to "Mining operations" costs, as found on our consolidated statements of operations divided by the number of ounces of gold sold during the period.

Cash operating cost per ounce is equal to "total cash costs" for the period less production royalties and production taxes, divided by the number of ounces of gold sold during the period.

The following table shows the derivation of these measures and a reconciliation of "total cash cost per ounce" and "cash operating cost per ounce".

| Derivation of Total Mine<br>Operating Cost | For the three months ended<br>September 30, 2005 |                |       | For the three<br>months<br>ended September 30,<br>2004 |
|--|--|----------------|-------|--|
|  | Wassa  | Bogoso/Prestea | Total | Total  |
|  |  |                |       |  |

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|   |          |          |          |          |
|---|----------|----------|----------|----------|
| Mining operations                                     | \$11,461 | \$ 8,599 | \$20,060 | \$10,236 |
| Mining related depreciation, depletion & amortization | 2,429    | 2,210    | 4,639    | 1,895    |
| Accretion of asset retirement obligations             | 47       | 125      | 172      | 167      |
| Total mine operating costs                            | \$13,937 | \$10,934 | \$24,871 | \$12,298 |
| Ounces sold   | 24,312   | 29,346   | 53,658   | 30,755   |
| Derivation of Costs per Ounce:                        |          |          |          |          |
| Total mine operating cost per ounce - GAAP (\$/oz)    | 573      | 372      | 464      | 400      |
| Less depreciation, depletion & amortization (\$/oz)   | 100      | 75       | 86       | 62       |
| Less accretion of asset retirement obligation (\$/oz) | 2        | 4        | 3        | 5        |
| Total cash cost (\$/oz)                               | 471      | 293      | 374      | 333      |
| Less royalties and production taxes (\$/oz)           | 11       | 13       | 12       | 14       |
| Cash operating cost (\$/oz)                           | 460      | 280      | 362      | 319      |

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| Derivation of Total Mine Operating Cost               | For the nine months ended September 30, 2005 |                |           | For the nine months ended September 30, 2004 |
|---|--|----------------|-----------|--|
|   | Wassa (1)                                    | Bogoso/Prestea | Total     | Total  |
| Mining operations                                     | \$21,566                                     | \$ 30,460      | \$ 52,026 | \$ 29,551                                    |
| Mining related depreciation, depletion & amortization | 4,128  | 6,424          | 10,552    | 6,084  |
| Accretion of asset retirement obligations             | 142  | 398            | 540       | 489  |
| Total mine operating costs                            | \$25,836                                     | \$ 37,282      | \$ 63,118 | \$ 36,124                                    |
| Ounces sold   | 45,063                                       | 101,709        | 146,772   | 116,763                                      |
| Derivation of Costs per Ounce:                        |  |                |           |  |

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|   |     |     |     |     |
|---|-----|-----|-----|-----|
| Total operating cost per ounce                        |     |     |     |     |
| - GAAP (\$/oz)  | 573 | 367 | 430 | 309 |
| Less depreciation, depletion & amortization (\$/oz)   | 92  | 63  | 72  | 52  |
| Less accretion of asset retirement obligation (\$/oz) | 3   | 4   | 4   | 4   |
| Total cash cost (\$/oz)                               | 478 | 299 | 354 | 253 |
| Less royalties and production taxes (\$/oz)           | 13  | 12  | 13  | 16  |
| Cash operating cost (\$/oz)                           | 465 | 287 | 341 | 237 |

(1) The Wassa mine was placed in service on April 1, 2005 and thus includes only six months of operational data to September 30, 2005.

These calculations of total cash cost per ounce and cash operating cost per ounce are in compliance with an industry standard for such measures established in 1996 by the Gold Institute, a non-profit industry group.

We use total cash cost per ounce and cash operating cost per ounce as key operating indicators. We monitor these measures monthly, comparing each month's values to prior period's values to detect trends that may indicate increases or decreases in operating efficiencies. These measures are also compared against budget to alert management to trends that may cause actual results to deviate from planned operational results. We provide these measures to our investors to allow them to also monitor operational efficiencies of our mines. We calculate these measures for both individual operating units and on a consolidated basis.

Total cash cost per ounce and cash operating cost per ounce should be considered as non-GAAP financial measures as defined in SEC Regulation S-K Item 10 and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. There are material limitations associated with the use of such non-GAAP measures. Since these measures do not incorporate revenues, changes in working capital and non-operating cash costs, they are not necessarily indicative of operating profit or cash flow from operations as determined under GAAP. Changes in numerous factors including, but not limited to, mining rates, milling rates, gold grade, gold recovery, and the costs of labor, consumables and mine site general and administrative activities can cause these measures to increase or decrease. We believe that these measures are the same as, or similar to the measures of other gold mining companies, but may not be comparable to similarly titled measures in every instance.

All figures and amounts in this Item 2 are shown on a 100% basis, which represents our current beneficial interest in gold production and revenues. Once all capital has been repaid, the Government of Ghana would receive 10% of the dividends distributed from the subsidiaries owning the Bogoso/Prestea and Wassa mines.

### OUR BUSINESS

#### Description of Business

Through our subsidiaries and joint ventures we own a controlling interest in three gold properties in southern Ghana in West Africa: the Bogoso/Prestea

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property, which comprises the adjoining Bogoso and Prestea mining leases ("Bogoso/Prestea"), the Wassa property ("Wassa") and the Prestea Underground property ("Prestea Underground").

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Bogoso/Prestea and the Prestea Underground are owned by our 90% owned subsidiary Bogoso Gold Limited ("BGL"). All of our gold production prior to April 2005 came from Bogoso/Prestea. The Prestea Underground is located on the Prestea property and consists of a currently inactive underground gold mine and associated support facilities. BGL owns a 90% operating interest in the Prestea Underground. We are currently conducting exploration and engineering studies to determine if the underground mine can be reactivated on a profitable basis.

Through another 90% owned subsidiary, Wexford Goldfields Limited ("WGL"), we own the Wassa gold mine located some 35 kilometers east of Bogoso/Prestea. Construction and commissioning of Wassa's new processing plant and open pit mine was completed at the end of March 2005 and the project was placed in service on April 1, 2005.

We hold interests in an exploration joint venture in Sierra Leone in West Africa and hold active exploration properties in Ghana, Cote d'Ivoire, Suriname and French Guiana. We hold indirect interests in gold exploration properties in Peru and Chile through an investment in Goldmin Consolidated Holdings, and in the Democratic Republic of the Congo through an investment in Moto Goldmines Limited. We also own a 57% interest in EURO Ressources S.A., ("EURO") a French registered, publicly traded royalty holding company (formerly known as Guyanor Ressources S.A.) which owns a royalty interest in Cambior Inc.'s Rosebel gold mine in Suriname.

Our corporate headquarters are located in Littleton, Colorado. All of our operations, with the exception of certain exploration projects, transact business in US dollars and keep financial records in US dollars.

### TRENDS AND EVENTS DURING THE FIRST NINE MONTHS OF 2005

#### St. Jude Acquisition

On September 27, 2005 we signed a pre-merger agreement with St. Jude Resources Ltd. whereby we would acquire all of the outstanding shares of St. Jude on the basis of 0.72 of a Golden Star common share for every St. Jude common share. Completion of the transaction is conditional on the execution of a definitive agreement, approval of St. Jude shareholders and requisite regulatory and court approvals as well as satisfaction of other customary conditions.

The terms of the transaction resulted in a purchase price of Cdn\$3.10 per St. Jude share (based on the closing price of Golden Star on the TSX on September 26, 2005) representing a premium of 38% to the 20 day average closing price of St. Jude common shares on the TSX Venture Exchange. Upon completion of the transaction, St. Jude shareholders will own approximately 19% of Golden Star on a fully diluted basis.

St. Jude's principal assets are the Hwini-Butre and Benso gold projects at the southeastern end of the Ashanti gold belt region in Ghana. St. Jude has publicly reported that Hwini-Butre and Benso combined have total near surface attributable measured and indicated mineral resources of approximately 15.1 million tonnes at an average grade of 2.71 grams per tonne. In addition, St. Jude has other exploration projects in Ghana, Burkina Faso and Niger.

Temporary Mining Suspension at Bogoso/Prestea's Plant-North Pit

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The Plant-North pit at Prestea has been developed in stages with the development of the final stage (Phase 3) commencing in August 2005. Initiation of Phase 3 mining was conditional on a number of mitigation measures identified in the Environmental Impact Statement. On September 13, 2005, the Ghana Environmental Protection Agency ("EPA") requested the suspension of mining of the Plant-North Phase 3 pit until the following outstanding mitigation measures were completed:

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- o Relocation of the Prestea police to a new police station which we built to replace the existing police station. Relocation was necessary because of the old station's proximity to mining operations during the Phase 3 development;
- o Erection of a fence around the Phase 3 pit development;
- o Construction of a bypass road to divert traffic away from the southern end of the pit development and closure of the existing road; and
- o Sensitization of the communities and vendors adjacent to the Phase 3 pit development.

We responded immediately to the EPA's notice by suspending all mining activity in the Plant-North pit Phase 3, although mining continued in the Phase 2 area of the Plant-North pit in accordance with permits already received. Subsequently, on September 28 all mining in the Plant-North pit was suspended at the EPA's request.

The mitigation measures requested by the EPA were completed on October 15, 2005. The EPA was advised of the completion of the work and they subsequently inspected the work on October 19, 2005. On November 1, we received approval from the EPA to recommence mining operations at the Plant-North pit. We expect to recommence mining in the next few days following a series of informational meetings with the Prestea community.

During the mining suspension at Plant-North, processing operations continued at the Bogoso processing plant using stockpiled ore. Mining and processing operations at the Wassa mine and construction activities on the Bogoso sulfide expansion project also continued without interruption.

### Advance Stripping for the Sulfide Project

One of three fleets of mining equipment at Bogoso/Prestea has been moved to the Ablifa deposit on the southern end of the Bogoso property to begin mining a small oxide deposit following which this fleet will commence stripping of the Buesichem sulfide pit. The oxide ore mined from Ablifa will be fed to the Bogoso plant.

### Wassa Start-Up

Following the completion of construction and commissioning in the first quarter of 2005, the Wassa mine was placed in service on April 1, 2005. The Wassa processing plant has since processed 1,776,631 tonnes of ore, averaging 9,708 tonne per day, and has shipped and sold 45,063 ounces of gold. The plant's design capacity is 10,000 tonnes per day. Prior to the April 1 in service date, revenues were netted against operating costs and resulting balance was capitalized. Wassa generated a net loss of \$6.3 million for the six months since its in service date on April 1.

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### Bogoso/Prestea Operations

Operations at Bogoso/Prestea were profitable during the three months and nine months ended September 30, 2005, with operating earnings of \$1.7 million and \$5.3 million respectively.

Bogoso/Prestea continued to process hard transition and non-refractory sulfide ores from the Plant-North pit at Prestea during the first nine months of 2005, and we expect that the Bogoso processing plant will continue to process Plant-North pit transition and non-refractory ores through the remainder of 2005 and into early 2006 with recovery rates, gold production rates and cash operating costs similar to those experienced in the first nine months of 2005.

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### Sale of Convertible Notes

On April 15, 2005 we sold \$50 million of senior unsecured convertible notes (the "Notes") maturing on April 15, 2009, to a private investment fund. The Notes were issued at par and bear interest at 6.85%. The Notes are convertible to common shares at a fixed conversion price of \$4.50 per share, a 48% premium to the closing price of the common shares on April 5, 2005. Proceeds from the sale of the Notes are being used for the sulfide expansion project at Bogoso and for general corporate purposes. A registration statement for the shares issuable upon conversion of the Notes was filed with the U.S. Securities and Exchange Commission in July and became effective in August.

### Put and Call Options

We have purchased gold put options ("puts") during 2005 to provide down-side gold price protection for a portion of our operational cash flows during the Bogoso sulfide expansion project construction period. We have also sold call options ("calls") to offset the cost of a portion of the puts.

A put gives us the right, but not the obligation, to sell gold to a counter party on a specified future date at a contractually agreed upon strike price. Each put also has a specified expiry date. The put's strike price is set at a point below the spot market price on the date the put is established. The closer the put strike price is to the spot market price, the higher the cost of the put. We paid an average of \$7.10 per ounce for the puts purchased in the second quarter of 2005 locking in an average strike price of \$409.75 per ounce when the spot market price was between \$427 and \$429 per ounce.

A put, in effect, becomes an insurance policy that guarantees us a minimum gold price on ounces covered by the puts. With the puts established in the second quarter of 2005 we have guaranteed that we will receive at least \$409.75 per ounce for 140,000 ounces. If, on the expiry date, the spot market price is above the put strike price we will allow the put to expire unused.

A call obligates us to sell gold at a specified future date to a counter party at a contractually agreed upon price. If the spot market gold price exceeds the call strike price we will receive only the lower call strike price on ounces covered by the calls. We sell calls to and receive payment from the counter party. If the counter party declines to exercise the call (i.e. the spot market price of gold is below the calls strike price) the calls expire unused.

In the third quarter of 2005 we bought an additional 90,000 puts and at the same time sold 90,000 calls. The strike prices of the calls and the puts were set so that the revenue on the sale of the calls exactly offsets the cost of the puts, and thus no cash was required in the transactions. The strike price of the puts



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was set at \$400 per ounce and the calls at \$525 per ounce.

Puts acquired in the second quarter of 2005 expire as follows: 27,500 ounces in 2005, 90,000 in 2006 and 22,500 in 2007. Puts and calls acquired in the third quarter of 2005 expire at a rate of 5,000 per month between October 2005 and March 2007.

Derivative accounting rules require that at the end of each period, the remaining unexpired puts and calls be revalued at their mark-to-market value (the price we could sell the puts for or the price at which we could buy back the call options). The initial mark-to-market value of the puts was equal to the price we paid for them. The mark-to-market value at the end of the third quarter had dropped because gold prices went up during the quarter making it less likely that the floor price established by the puts would provide a future benefit to us. The decrease in the mark-to-market value of the puts as of September 30, 2005, has been recorded in our Statement of Operations.

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If the gold price were to fall in the future, the mark-to-market value of the puts would increase since it would be more likely that the floor price mechanism in the puts would provide an economic benefit to us. In such a case we would recognize a quarterly gain equal to the increase in the mark-to-market value of the puts since the end of the prior period.

The value of the call options are also marked to market each period in a manner similar to the put options. The only difference is that the mark-to-market value would be based on the price we would have to pay to the counter party to buy the call options back.

### Rand and Euro Forwards

During 2005 we have established forward contracts for South African Rand and for Euros. We have taken this action to limit the potential impact of unfavorable foreign currency fluctuations on the cost of equipment and services we expect to acquire from South African and European vendors during the construction phase of the Bogoso sulfide expansion project.

At September 30, 2005 we held forward positions that allow us to buy 141.0 million South African Rand at an average exchange rate of 6.7232 Rand per the dollar. Approximately half of the positions expire in the fourth quarter of 2005 and the balance expires in the first half of 2006. We also held at September 30, 2005 forward positions that allow us to buy 4.0 million Euros at an average exchange rate of 0.8027 Euros per the dollar. Approximately 20% of the Euro forwards expire in the fourth quarter of 2005 and the balance expire in the first five months of 2006.

### Acquisition of the Afema Property

On March 29, 2005 we entered into an agreement with Societe d'Etat pour le Developpement Minier de la Cote d'Ivoire ("SO.DE.MI."), the Cote d'Ivoire state mining and exploration company, to acquire their 90% interest in the Afema gold property in south-east Cote d'Ivoire. Under the terms of this agreement, the Cote d'Ivoire government would retain a 10% interest in this property.

A \$0.1 million initial payment to SO.DE.MI. gave us the right to carry out a six month detailed technical due diligence program prior to exercising the option to acquire 100% of SO.DE.MI.'s rights in the Afema property by the payment of an additional \$1.5 million. The six months due diligence program has since been extended to twelve months, at our request, to allow additional time for review

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and analysis of the data collected during 2005. The option exercise date is now March 2006. In addition to the acquisition payments, we agreed to pay SO.DE.MI. a royalty on any future gold production from the Afema property. The royalty is indexed to the gold price and ranges from 2% of net smelter returns at gold prices below \$300 per ounce to 3.5% of net smelter returns at gold prices exceeding \$525 per ounce.

The Afema property covers an area of 2,012 square kilometers of the Sefwi Belt meta-volcanics and the Kumasi Basin meta-sedimentary rocks which extend into the Cote d'Ivoire. In Ghana, this 'belt-basin' contact hosts the multi-million ounce Chirano and Bibiani gold deposits. In the 1990s approximately 125,000 ounces of gold were produced from oxide ores on the Afema property from several small open pits along a 12 kilometer strike-length.

To date we have spent \$0.7 million on due diligence and exploration, including the \$0.1 million initial payment. As part of our due diligence we have consolidated the historical work on the property and have carried out a regional gold in soil geochemical program taking 12,500 samples. If we proceed with the \$1.5 million payment to acquire full rights to the property the purchase agreement requires us to spend an additional \$3.5 million on exploration work at Afema, subject to exploration success, over the following three and a half years.

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### Environmental Reclamation Bonds

During 2004, the Ghana EPA requested that we provide environmental reclamation bonds for both Bogoso/Prestea and Wassa. In March 2005, we bonded \$3.0 million to cover future reclamation obligations at Wassa, with a \$2.85 million letter of credit and \$0.15 million of cash which was deposited with the EPA. An \$8.55 million letter of credit has been established to cover our obligations for Bogoso/Prestea bonding. We have also deposited cash totaling \$0.5 million with the EPA for Bogoso/Prestea's bonding.

### EURO Ressources Restructuring

On January 8, 2005 EURO, a 57% owned subsidiary (formerly called Guyanor Ressources S.A.), drew down, under a loan agreement, \$6.0 million from a commercial bank and paid the full amount to Golden Star as the first installment for the purchase of the Rosebel Participation Right (royalty) which was purchased from Golden Star for \$12.0 million (plus a royalty based on future Rosebel gold production) in December 2004. In September 2005 EURO borrowed an additional \$3.0 million from the same commercial bank and forwarded the proceeds to Golden Star leaving an outstanding balance due of \$3.0 million (plus the future royalty). EURO is seeking funding to allow payment of the final \$3.0 million owed to Golden Star by the end of 2005. Interest on the outstanding balance is set at 6% which will rise to 12% if the payment is not made by the end of 2005. Covenants in the January 2005 loan agreement preclude EURO from acquiring any additional debt without the bank's approval.

Since the Rosebel royalty revenues received by EURO from Cambior fluctuate with gold prices the bank required that EURO enter into a cash-settled forward gold price agreement with the bank designed to eliminate a portion of the potential impact of gold price fluctuations on expected future Rosebel royalty revenues.

The forward agreements specify that beginning with the first quarter of 2005 and every three months thereafter until July 30, 2007, when the average gold price for the prior quarter is less than \$421 per ounce, the bank will pay in cash to EURO an amount equal to the difference between the average gold price and \$421

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times 5,700 ounces. In quarters where the average gold price exceeds \$421 per ounce EURO will pay cash to the bank in an amount equal to the difference between the average gold price and \$421 times 5,700 ounces. The 5,700 ounces is a notional amount agreed to by EURO and the bank. Neither EURO nor the bank are required to deliver gold under the agreement. The net effect of the agreement is that EURO receives a net royalty revenue on the first 57,000 ounces of gold mined at the Rosebel mine each quarter based on \$421 per ounce gold price regardless of the actual gold price. In August 2005, in conjunction with the \$3.0 million loan drawn in September, EURO entered into agreements for another 5,700 ounces per quarter from October 30, 2007 to January 29, 2010 at a price of \$458.50 per ounce. The August agreements are structured exactly as the first agreements described above except for the higher agreed sales price.

EURO has recorded a \$6.5 million year-to-date loss on its outstanding cash-settled forward agreements as of September 30, 2005. The loss is a factor of the increase in the price of gold since December 31, 2004. In addition gold prices averaged \$427, \$427 and \$439 per ounce during the first, second and third quarters of 2005 resulting in EURO making payments to the bank of \$38,000, \$36,000 and \$0.1 million respectively in the three quarters of 2005. The cash payments were netted from royalty revenues. Since quarterly gold prices exceeded \$421 (the forward sales price per the agreement) EURO's royalty revenues were higher by the same amount thereby offsetting the payments to the bank.

In April, EURO received its first royalty payment from Cambior Inc. As required by its loan agreement with the commercial bank which made the \$6.0 million loan in January, all royalty proceeds are initially deposited with the bank. Funds are subsequently disbursed to EURO on an as-needed basis. Excess funds retained by the bank are classified as restricted cash on the Golden Star consolidated balance sheet.

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### Gold Prices

Gold prices have generally trended upward during most of the last four years, from a low of just under \$260 per ounce in early 2001 to a high of \$475 per ounce in October 2005. Much of the price increase has been attributed to a decrease in the value of the US dollar versus other major foreign currencies over the past few years. Our realized gold price for shipments during the first nine months of 2005 averaged \$436 per ounce compared to \$403 per ounce average price received in the first nine months of 2004.

### Illegal Mining

In February 2005, Ghana Government authorities resolved formally, with the support of the Chamber of Mines and other stakeholders, that illegal mining would not be tolerated and accordingly notice was given by the Ghana Government to illegal miners nationwide that they were to cease all illegal mining operations. In particular, the Ghana Government singled out illegal miners who are operating on our Bogoso/Prestea property and has undertaken to use Ghana Government security agencies to remove them if they do not voluntarily depart. The notice given by the Ghana Government to the illegal miners has expired and therefore, we expect that the Ghana Government will, in the near future, undertake appropriate steps to resolve the situation .

Separately, the Ghanaian Minister for Lands, Forestry and Mines has commenced an initiative to simplify the process for persons to become legitimate small scale miners and to identify suitable areas for legitimate small scale mining. Several areas, which are outside our property holdings, have been designated by the Ghana Minerals Commission for such purposes. The Ghana Government and its

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agencies have also carried out educational programs for the illegal miners and the nearby communities relating to the negative social, health and environmental impacts of illegal mining. The program also makes illegal miners aware of the Ghana Government's small scale mining initiative and educates them on environmental and safety issues.

We are working closely with the Ghana Government security agencies to reduce tensions in the area and to reduce the risk of an escalation of the situation and possible injury to people and damage to property. Unfortunately, the actions proposed by the Ghana Government have caused unrest in the community at Prestea resulting in a number of protests and demonstrations during which violence has been threatened and during which illegal miners have entered our pits where they damaged property and removed ore.

Due to security concerns and the Company's policy of avoiding unnecessary confrontation, we have limited access to many of the areas where the illegal mining is occurring. As a result we have not been able to update estimates made in the fourth quarter of 2004 of gold illegally removed from our property. In addition, we have not been able to carry out a comprehensive survey of the environmental degradation caused by the illegal miners.

### RESULTS OF OPERATIONS

Third Quarter of 2005 Compared to the Third Quarter of 2004

Summary - Third Quarter 2005

During the three months ended September 30, 2005, we incurred a net loss of \$(6.7) million or \$(0.047) per share on revenues of \$24.7 million, versus a net loss of \$(4.3) million or \$(0.030) per share on revenues of \$13.4 million during the three months ended September 30, 2004. Gold revenues were \$10.9 million higher than in the same period of 2004 due mostly to production from our new Wassa mine and from higher realized gold prices. Mine operating costs were \$12.6 million higher, due mostly to production costs at the Wassa mine which was placed in service on April 1, 2005.

The net loss in the third quarter of 2005 was \$2.4 million more than in the same quarter of 2004. While the loss in the third quarter of 2004 was impacted by a \$3.9 million non-operating corporate development charge related to the IAMGold

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acquisition effort, a \$5.5 million derivative mark-to-market loss adversely impacted the third quarter of 2005. From an operating perspective the current quarter was adversely impacted by operating losses at Wassa, and a \$0.9 million increase in interest expense primarily on the convertible notes and on the EURO loans. These higher costs and losses were partly offset by \$1.9 million of operating earnings at Bogoso/Prestea. Unit costs were lower at Bogoso/Prestea than in the same quarter of 2004 and gold prices were higher. Realized gold prices averaged \$433 per ounce for the third quarter of 2005, an 8% increase from the \$401 per ounce realized in the same quarter of 2004.

| CONSOLIDATED<br>FINANCIAL RESULTS | Three months ended<br>September 30, |      | Nine months ended<br>September 30, |      |
|-----------------------------------|-------------------------------------|------|------------------------------------|------|
|                                   | 2005                                | 2004 | 2005                               | 2004 |
|                                   |                                     |      |                                    |      |

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|   |         |         |         |         |
|---|---------|---------|---------|---------|
| Gold sold (oz)                              | 53,658  | 30,755  | 146,772 | 116,772 |
| Average price realized (\$/oz)              | 433     | 401     | 431     | 431     |
| Cash flow from operations (in \$ thousands) | 1,947   | 829     | (685)   | 12,947  |
| Total revenues (in \$ thousands)            | 24,748  | 13,445  | 67,722  | 49,748  |
| Net income/(loss) (in \$ thousands)         | (6,657) | (4,258) | 12,575  | 2,047   |
| Net income/(loss) per share - basic (\$)    | (0.047) | (0.030) | (0.088) | 0.047   |

Bogoso/Prestea Operations - Third Quarter 2005

During the quarter ended September 30, 2005 Bogoso/Prestea generated operating profits after-tax of \$1.7 million. The income was based on sales of 29,346 ounces of gold during the third quarter of 2005, down five percent from 30,755 ounces in the same period of 2004. While plant throughput and gold recovery were higher in the third quarter of 2005 than in the same period of 2004, the grades was lower resulting in lower gold output and shipments than in the same period of 2004.

| BOGOSO/PRESTEA<br>OPERATING RESULTS | Three months ended September 30, |           | Nine months ended September 30, |           |
|-------------------------------------|----------------------------------|-----------|---------------------------------|-----------|
|                                     | 2005                             | 2004      | 2005                            | 2004      |
| Ore mined (t)                       | 426,617                          | 284,910   | 1,350,764                       | 972,617   |
| Waste mined (t)                     | 3,569,876                        | 1,648,640 | 8,263,097                       | 5,442,617 |
| Ore processed (t)                   | 397,815                          | 374,114   | 1,167,368                       | 1,309,815 |
| Grade processed (g/t)               | 4.20                             | 4.53      | 4.45                            | 3.97      |
| Recovery (%)                        | 56.6                             | 56.0      | 59.1                            | 60.0      |
| Gold sold (oz)                      | 29,346                           | 30,755    | 101,709                         | 116,772   |
| Cash operating cost (\$/oz)         | 280                              | 319       | 287                             | 333       |
| Royalties (\$/oz)                   | 13                               | 14        | 12                              | 13        |
| Total cash cost (\$/oz)             | 293                              | 333       | 299                             | 346       |

Lower operating costs versus the same period in 2004 resulted in lower unit costs. Cash operating costs dropped to \$280 per ounce, down from \$319 per ounce in the third quarter of 2004, and total cash costs averaged \$293 per ounce, down from \$333 per ounce in the third quarter of 2004.

The Bogoso processing plant processed an average of 4,324 tonnes of ore per day at an average grade of 4.20 grams per tonne, as compared to 4,066 tonnes per day at 4.53 grams per tonne in the same period in 2004. During the quarter gold recovery improved marginally to 56.6% from 56.0% in the third quarter of 2004.

Wassa Operations - Third Quarter 2005

The Wassa mine was placed in service on April 1, 2005 after completing its commissioning and testing phase in the first quarter. Wassa shipped and sold 24,312 ounces of gold during the third quarter, receiving an average price of \$442 per ounce. Plant throughput averaged 10,467 tonnes per day at an average

grade of 0.86 grams per tonne with a recovery of 87.7%. Feed to the Wassa plant consisted of approximately 775,668 tonnes of pit ore averaging 0.94 grams per tonne and 205,339 tonnes of heap leach materials which averaged 0.60 grams per tonne.

| WASSA OPERATING RESULTS<br>(After April 1, 2005 start up) | Three months ended September 30, |      | Six months ended September 30, |      |
|---|----------------------------------|------|--------------------------------|------|
|   | 2005                             | 2004 | 2005                           | 2004 |
| Ore mined (t)   | 692,142                          | -    | 1,380,385                      | -    |
| Waste mined (t)   | 2,430,764                        | -    | 4,416,597                      | -    |
| Heap leach material processed (t)                         | 205,339                          | -    | 348,603                        | -    |
| Grade of leach material processed (g/t)                   | 0.60                             | -    | 0.67                           | -    |
| Pit ore processed (t)                                     | 757,668                          | -    | 1,428,028                      | -    |
| Grade of pit ore processed (g/t)                          | 0.94                             | -    | 0.98                           | -    |
| Total processed (t)                                       | 963,007                          | -    | 1,776,631                      | -    |
| Average grade processed (g/t)                             | 0.86                             | -    | 0.91                           | -    |
| Recovery (%)  | 87.7                             | -    | 88.7                           | -    |
| Gold sold (oz)  | 24,312                           | -    | 45,063                         | -    |
| Cash Operating Cost (\$/oz)                               | 460                              | -    | 465                            | -    |
| Royalties (\$/oz)   | 11                               | -    | 13                             | -    |
| Total Cash Cost (\$/oz)                                   | 471                              | -    | 478                            | -    |

- (1) Since the Wassa mine was not placed in service until April 1, 2005, the production figures for the period ended September 30, reflect only six months of operations.

Higher than expected operating costs and lower than expected gold production combined to yield cash operating costs of \$460 per ounce for the third quarter. The higher cash operating costs per ounce (relative to the expected life of mine average) are a result of less gold being produced than planned largely as a result of lower plant throughput than planned and lower than average grades being processed. The lower plant throughput was a result of construction activity in August and September to rectify design defects in the crushed ore stockpile feeders and the heap leach reclaim system. The lower than average grades are representative of the near surface oxide material currently being mined, and grades are expected to increase with depth as mining continues. In addition, our reconciliations since April indicate that we are getting more dilution than planned with 43% more ore being mined than indicated by the resource model at a grade 13% lower than the unaudited resource model. Our engineering studies had assumed 0% increase in tonnage at a 5% reduction in grade relative to the unaudited resource model.

Although metallurgical recovery continues to be marginally below expectation we believe this is a function of the low grades currently being processed and that as the grade mined increases deeper in the pits, the recovery will also increase.

Generally the cost structure at Wassa has been above what we expected. From

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September on we anticipate that commissioning our own mining equipment to replace the hired mining equipment will improve the cost structure. We therefore anticipate that once gold production is increased to the expected levels the cash operating costs will also meet expectations.

Nine Months Ended September 30, 2005 Compared to the Nine Months Ended September 30, 2004

Summary - Nine Months ended September 30, 2005

During the nine months ended September 30, 2005, we incurred a net loss of \$(12.6) million or \$(0.088) per share on revenues of \$67.7 million, versus net income of \$2.1 million or \$0.015 per share on revenues of \$49.8 million during the first nine months of 2004. While gold revenues were \$16.2 million higher than in the same period of 2004, due mostly to production from our new Wassa mine and from higher realized gold prices, operating costs were \$27.0 million higher, also due mostly to costs from Wassa. The major factors contributing to the \$14.6 million swing from a net income position in the first nine months of 2004 to a net loss in the first nine months of 2005 include a \$7.4 million

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mark-to-market loss on derivatives mostly related to EURO's cash-settled forward gold pricing contracts, a \$4.7 million reduction in operating income at Bogoso/Prestea, a current year \$6.3 million operating loss at Wassa, a \$1.1 million impairment write-off of an exploration project, \$0.6 million of EURO restructuring costs and a \$1.7 million increase in interest expense. These higher costs were Formatted: Not Highlight partly offset by \$1.3 million increase in royalty income. There was also a \$3.9 million reduction in corporate development charge versus the first nine months of 2004. Realized gold prices averaged \$431 per ounce for the first nine months of 2005, a 6.9% increase from the \$403 per ounce realized in the same quarter of 2004.

Bogoso/Prestea Operations - Nine Months ended September 30, 2005

Bogoso/Prestea generated \$5.3 million of after-tax operating income on sales of 101,709 ounces of gold during the first nine months of 2005, down from \$9.9 million of after-tax operating income on sales of 116,763 ounces in the same period of 2004. The major factors contributing to the lower earnings and lower gold output versus a year earlier were lower plant through-put and lower gold recovery, both of which were adversely impacted by the metallurgical characteristics of the deeper, harder non-refractory sulfide Plant-North ores processed in 2005 versus the shallower and softer oxide and non-refractory sulfide ores milled in 2004.

The lower gold output and higher mine operating costs resulted in a significant increase in unit costs from the same period of 2004. Cash operating costs for the nine months averaged \$287 per ounce, compared to \$237 per ounce in the first nine months of 2004, and total cash costs averaged \$299 per ounce, up from \$253 per ounce in 2004.

The Bogoso processing plant processed an average of 4,276 tonnes per day at an average grade of 4.45 grams per tonne, as compared to 4,798 tonnes per day at 3.84 grams per tonne in the same period in 2004. Gold recovery dropped to 59% in 2005 from 69% in 2004.

Wassa Operations - Nine Months ended September 30, 2005

Since the Wassa project was not in service in the first quarter of 2005, operating results discussed below are for the six months ended September 30,

2005.

Wassa generated \$6.3 million of after-tax operating loss on sales of 45,063 ounces of gold during the six months ended September 30, 2005. Cash operating costs for the six months averaged \$465 per ounce and total cash costs averaged \$478 per ounce. The Wassa processing plant processed an average of 9,708 tonnes per day at an average grade of 0.91 grams per tonne with a gold recovery of 88.7%.

Prior to early June when we connected to the national power grid, plant operations were impacted by the limited availability and high cost of power from our diesel fueled, owner-operated powerhouse which resulted in the plant operating at less than its designed capacity. This, in combination with the lower grade in the upper levels of the Wassa open pit, contributed to lower overall production in the second quarter. The lower than expected gold production and high power costs contributed to high cash operating costs during the second quarter which averaged \$472 per ounce. In the third quarter, gold output suffered from lower than expected processing rates and lower than expected ore grades as discussed above in the quarterly analysis.

The employment of new, larger mining equipment in the fourth quarter is expected to reduce mining costs per ounce. We are also working to stabilize the plant through-put at rates above 10,000 tonne per day and still expect increases in head grades as mining accesses higher grade ores deeper in the pit. These factors are expected to yield lower unit mining costs in the near future.

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#### EXPANSION PROJECTS

##### Bogoso Sulfide Expansion Project

Construction for the Bogoso sulfide expansion project commenced mid-year following the receipt of environmental permits and Board approvals in June 2005. The project is designed to expand the existing Bogoso processing plant facility by adding a sulfide processing plant with a nominal capacity of 3.5 million tonnes per year of refractory sulfide ore. The sulfide plant will utilize the BIOX bio-oxidation process.

We estimate that the total capital cost of the project, including the expansion of the mining fleet, to be approximately \$115 to \$125 million, and we expect a 15 to 18 month construction period, ending in late 2006.

Construction work has proceeded according to plan with the concrete work benefiting from a late start to the wet season in Ghana. Stainless steel for the tanks has been procured and delivered to site and work to build the tanks has commenced. Ordering of long lead time items and detailed design is also well advanced. The project is currently on time and on budget.

The existing 1.5 million tonnes per year Bogoso oxide processing plant will be unaffected by the sulfide expansion project and will provide operating cash flow during the construction and commissioning of the expansion. With the continued availability of the Bogoso oxide plant, a decision was made in early 2005 not to proceed with development of a separate oxide ore processing facility at Bondaye, south Prestea. Instead we intend to transport oxide ore from Bondaye, and other locations north and west of Bogoso, to the Bogoso oxide plant. Operation of the oxide and sulfide processing plants in a single centralized complex is expected to streamline the management structure and result in reduced general and administrative costs and other fixed costs which should offset the cost of transporting oxide ores.



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The design and construction of the expansion project is being managed by GRD Minproc on an engineering, procurement and construction management basis. Work has proceeded under a letter of agreement entered into in February 2005, while a contract is expected to be finalized in the fourth quarter.

At year-end 2004 we had estimated proven and probable sulfide reserves, based on a \$360 per ounce gold price, at Bogoso/Prestea (including Mampon) of 21.2 million tonnes at an average grade of 2.89 grams per tonne for total contained gold of 1.97 million ounces. Following completion, gold production from the sulfide processing plant is expected to average approximately 270,000 ounces per annum and to range between 260,000 and 290,000 ounces per annum at an average cash operating cost between \$250 and \$270 per ounce. Commercial production is expected to be achieved in late 2006. Gold recoveries from the BIOX process are expected to average 86% and vary between 78% and 88%.

As at December 31, 2004 we had proven and probably oxide and non-refractory reserves, based on a \$360 per ounce gold price, at Bogoso/Prestea (including Mampon) of approximately 10.7 million tonnes at an average grade of 2.93 grams per tonne for total contained gold of 1.0 million ounces. The oxide plant at Bogoso is expected to produce gold at its historical rate of between 100,000 and 150,000 ounces per annum at a cash operating cost between \$200 and \$250 per ounce.

The oxide plant at Bogoso is expected to produce gold at its historical rate of between 100,000 and 150,000 ounces per annum at a cash cost between \$200 and \$250 per ounce.

### EXPLORATION

We spent approximately \$10.8 million on exploration activities in Ghana during the first nine months of 2005 including \$2.0 million at Wassa, \$2.5 million at the Prestea Underground, \$3.9 million on sulfide targets at Bogoso/Prestea and approximately \$2.4 million on exploration projects outside the immediate Bogoso/Prestea and Wassa areas. In addition we spent \$1.3 million in South

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America and \$1.8 million in other areas of Africa outside Ghana bringing total September 2005 year to date exploration spending to \$13.9 million. Exploration costs in 2006 are expected to decrease as the intensive drilling at Bogoso and Prestea to convert sulfide resources to reserves tails off.

### Ghana

Drilling at Bogoso beneath the Chujah and Dumase inferred pits intersected mineralized zones of economic thickness and tenor which should push our optimized pits deeper, and further drilling in these areas was conducted this quarter to confirm the continuity of the mineralization; results are pending. Drilling to infill the inferred resource within the \$400 inferred pits at Chujah and Dumase thus far have confirmed the previously interpreted grades and thicknesses supporting the possible upgrade of the resources to indicated.

Drilling of possible underground targets at Prestea beneath and to the south of the Plant-North open pit has confirmed there are zones with grades and widths which could be exploited from underground mining, but further drilling and engineering studies need to be conducted to determine whether this would be economically viable.

Pumping underground has been upgraded and we are making good progress dewatering

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lower levels of the underground and expect to dewater the 30 Level in the fourth quarter, which will allow us to commence drilling beneath the 30 level.

On the Dunkwa concession north of Bogoso, exploration involved drilling of the Aniamote prospect, deeper drilling of the down plunge extensions of the high grade Mampon mineralization and geological modeling and preliminary resource estimation of the Mampon open pit mineralization. Evaluation of the drilling results will continue into the fourth quarter, and the new resource estimates will be validated and checked for inclusion in the 2005 year-end resource statements. Metallurgical samples shipped last quarter have arrived in Australia and are currently being analyzed.

The initial resource drilling program at the Pampe and Riyadh concessions on the Akropong trend to the west of Bogoso was completed this quarter. Geological interpretations and grade estimations have been initiated and will be sent to SRK, our resource consultants, for validation during the fourth quarter. A second phase of drilling has been planned and will be used to update the resource estimates in the first quarter of 2006. Results from the first resource estimation will form the basis for our feasibility study on the viability of treating this mineralization through our Bogoso processing plant.

The exploration effort at Wassa during the third quarter concentrated on testing the southern extensions of the South Akyempim deposit. Reverse circulation drilling on 100 meter spaced drilling fences intersected zones of mineralization averaging 18 meters true width and grading approximately 2.4 g/t gold. Drilling at South Akyempim is expected to continue in the fourth quarter.

Two of our reconnaissance license applications were approved by the Ghana Minerals Commission, the Adubrim and Breman Asikuma reconnaissance licenses, totaling approximately 85 and 4,000 square kilometers respectively. Wide spaced soil geochemistry surveys were initiated at Adubrim and a more regional laterite and stream geochemistry program was implemented over Breman Asikuma. Work on both these concessions is ongoing and should be completed in early 2006.

### Other African Projects

We hold a 10% interest in Moto Goldmines Limited ("Moto"). Moto controls the approximate 4,700 square kilometer Moto concessions located in the north east of the Democratic Republic of Congo which has seen historical production in excess of 11 million ounces. Moto's recent drilling program confirmed and expanded the gold resource around the areas previously mined. Based upon this work Moto's independent resource consultants have reported estimated total resources of 65.8 million tonnes at an average grade of 2.9 g/t for a total of 6.1 million ounces of gold.

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In Sierra Leone a regional soil sampling program designed to identify new targets on the three Mano River joint venture project areas was completed in the second quarter and samples were dispatched for assay. Final assay results were received near the end of the third quarter and are still being assessed. In the meantime, it has been agreed with our joint venture partner, Mano River Resources Inc, that the earn-in period will be extended by 12 months.

Work conducted at Afema during the third quarter included an intensive soil sampling program focused on the Bibiani-Chirano-Afema structural corridor where it cuts through the Afema property, with over 12,000 samples being collected and analyzed for gold and a multi-element suite. Results are still being assessed but we believe that significant gold and pathfinder element anomalism is present along this structure. A six month extension of time on the option period was

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negotiated with the property owners.

### South American Projects

A further analysis of the drill results from the Saramacca property was carried out during the third quarter and various options for future work on the property are being considered.

At Bon Espoir, which is located in French Guiana north of our Paul Isnard Property in a geological setting interpreted by us as having many similarities to the Ashanti Trend of Ghana, a soil sampling program was completed during July. Some 32.2 kilometers of baseline and 120 kilometers of cross lines were cut, with soil sampling completed on 26 cross lines spaced 1600 meters apart on 100 meter centers. The assay results have identified zones of anomalous low-level gold and arsenic along the main structural break that hosts the Wayamaga prospect drilled by previous owners of the Bon Espoir permit. Consideration is being given to a follow-up infill sampling program during the fourth quarter of 2005.

### LIQUIDITY AND CAPITAL RESOURCES

Our cash, cash equivalents and short term investments balance stood at \$43.6 million at September 30, 2005, compared with approximately \$51.7 million at the end of 2004. Operating activities consumed approximately \$0.7 million of cash during the first nine months of 2005. The \$0.7 million of cash used in operations in the first nine months compared to \$13.0 million of operating cash flow provided by operations in the same period of 2004. While gold revenues were higher than in the first nine months of 2004, on higher shipments and higher gold prices, higher operating costs and the cash used for working capital at Wassa and Bogoso/Prestea were the major factors contributing to the decrease in operating cash flow. The higher operating costs versus a year earlier were mostly due to the change in ore type as explained in the Bogoso/Prestea Operations section above.

Capital projects consumed \$47.5 million of cash during the first nine months of 2005, up from \$42.9 million in the same period of 2004. Completion of the Wassa plant, power line construction at Wassa, additional mining equipment and work on the Bogoso sulfide expansion project and exploration spending were the major areas of capital investment in the quarter. During the first nine months of 2005 we received \$1.0 million of cash from Cambior Inc. as the third and final installment on its 2001 purchase of our interest in the Rosebel property.

Stock option and warrant exercises provided \$1.2 million of cash during the first nine months of 2005, and new debt contributed \$61.2 million. Repayments of Caterpillar Financial loans consumed \$1.3 million of cash. At September 30, 2005, working capital stood at \$47.6 million, versus \$61.4 million at the end of 2004.

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On April 15, 2005 we sold \$50 million of senior unsecured convertible notes maturing on April 15, 2009, to a private investment fund. The funds are now being used for the sulfide expansion project at Bogoso and for general corporate purposes.

In January 2005, EURO drew down \$6.0 million under a loan facility from a bank and paid the funds to Golden Star as the first installment on its purchase of the Rosebel royalty. The loan is repayable by EURO in nine equal payments of \$666,667 beginning July 29, 2005 and every three months thereafter. The interest rate is set at LIBOR plus 2.5%. In September EURO borrowed an additional \$3.0

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million from the same bank and sent the cash to Golden Star as the second installment on its purchase of the Rosebel royalty. The loan is repayable by EURO in five equal quarterly payments of \$600,000 beginning on October 31, 2007. The interest rate is set at LIBOR plus 2.5%.

In April 2005 we renewed a \$25 million equipment financing credit facility from Caterpillar Financial Services. The facility provides credit for a mixture of new and used mining equipment. A total of \$2.2 million was drawn under this facility in the first nine months of 2005. We expect to draw additional funding from this facility in the fourth quarter of 2005 as new mining equipment is delivered.

### Outlook

We expect Bogoso/Prestea will continue to generate positive operating cash flows through 2005 but will require additional capital to cover costs of the Bogoso sulfide expansion project. We expect that Wassa will be able to fund its own operating expenses during the remainder of 2005 but will draw on the Caterpillar Finance loan facility to pay for new mining equipment.

Our analysis of expected cash flows over the next 12 to 15 months indicates cash on hand at September 30, 2005, plus projected cash flow from operations and proceeds of expected equipment financing will likely be insufficient to fund completion of the Bogoso sulfide expansion project. We are negotiating with two financial institutions to establish a \$30 million revolving line of credit and will, if necessary, pursue other potential financing sources including asset sales and issuance of equity to meet financing requirements created by factors including unanticipated declines in gold production, unanticipated increases in cash operating costs, unanticipated increases in capital estimates, unfavorable favorable currency exchange rates and lower gold prices.

### LOOKING AHEAD

Our main objectives for the next twelve months include:

- o Completion of mining of Prestea Plant-North pit;
- o Permitting and commencement of oxide mining from the Akropong trend west of Bogoso, to provide oxide ore to the Bogoso plant following exhaustion of the Prestea Plant-North ores;
- o Commencement of sulfide mining at Bogoso;
- o Completion of construction at the Bogoso sulfide expansion project by the end of 2006;
- o Achievement of targeted production rates and costs at Wassa;
- o Continued evaluation of the Prestea Underground potential;
- o A continued high level of exploration efforts;

- o Completion of the St. Jude acquisition; and
- o Continuation of efforts to identify and pursue acquisition and growth opportunities in Ghana and elsewhere.

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We expect gold production at Bogoso/Prestea during 2005 to total approximately 130,000 ounces at an average cash operating cost of about \$290 per ounce and production of approximately 70,000 ounces for the nine months at Wassa at a cash operating cost of approximately \$440 per ounce, bringing total consolidated 2005 production to approximately 200,000 ounces at an average cash operating cost of \$343 per ounce.

As more fully disclosed in the Risk Factors in our 2004 Form 10-K, as amended, numerous factors could cause our estimates and expectations to be wrong or could lead to changes in our plans. Under any of these circumstances, the estimates described above could change materially.

### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements reflect the application of Cdn GAAP, which is different in certain material respects from US GAAP. The accounting policies reflected therein are generally those applied by similarly situated mining companies in Canada. Our accounting policies under Cdn GAAP are described in Note 1 of our consolidated financial statements as found in our 2004 Form 10-K, as amended.

Preparation of our consolidated financial statements requires the use of estimates and assumptions that can affect reported amounts of assets, liabilities, revenues and expenses. Accounting policies relating to asset impairments, depreciation and amortization of mining property, plant and equipment, and site reclamation/closure accruals are subject to estimates and assumptions regarding reserves, gold recoveries, future reclamation costs, future gold prices and future mining activities.

Decisions to write off, or not to write off, all or a portion of our investment in various properties, especially exploration properties subject to impairment analysis, are based on our judgment as to the actual value of the properties and are therefore subjective in most cases. We have written off substantially all of our pre-1999 investments in exploration properties based upon our assessments of the amounts recoverable from those properties. Additional exploration properties and joint venture interests have been found to be impaired and were written off in 2003 and 2004 and in the first quarter of 2005. We continue to retain title to certain properties after impairment write-offs as future events and discoveries may ultimately prove that they have significant value.

Listed below are the accounting policies and estimates that we believe are critical to our financial statements due to the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported.

- o Ore stockpiles: Stockpiles represent coarse ore that has been extracted from the mine and is available for further processing. Stockpiles are measured by estimating the number of tons added and removed from the stockpile, the number of contained ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpiles are valued based on mining costs incurred up to the point of stockpiling the ore including applicable depreciation, depletion and amortization relating to mining operations. Costs are added to a stockpile based on current mining costs and removed at the average cost per recoverable ounce of gold in the stockpile. Stockpiles are reduced as material is removed and fed to the mill. A 10% adjustment of the stockpile value, based on stockpile levels in recent periods, would change the carrying value of the stockpile inventory by approximately \$0.3 to \$0.5 million and change operating costs by the same amount.
- o Impairment Charges: We periodically review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate

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that the related carrying amounts may not be recoverable from

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continued operation of the asset. An asset impairment is considered to exist if the sum of all estimated future cash flows, on an undiscounted basis, are less than the carrying value of the asset. The determination of expected future cash flows requires numerous estimates about the future including gold prices, operating costs, gold recovery, reclamation spending, ore reserves and capital expenditures. A review of Bogoso/Preseta's expected future cash flows as of December 31, 2004 indicated that there is no impairment at gold prices in excess of \$369 per ounce and at Wassa there is no impairment at gold prices greater than \$320 per ounce.

- o Mining properties: Mine properties recorded on our financial records are amortized using a units-of-production method over proven and probable reserves. Reserve estimates, which serve as the denominator in units of production amortization calculations, involve the exercise of subjective judgment and are based on numerous assumptions about future operating costs, future gold prices, continuity of mineralization, future gold recovery rates, spatial configuration of gold deposits, and other factors that may prove to be incorrect. A 10% adjustment in estimated reserves could result in an approximately \$0.75 million annual change in amortization expense.
  
- o Asset retirement obligation and reclamation expenditures: Accounting for reclamation obligations requires management to make estimates at each mining operation of reclamation and closure costs to be incurred in the future in order to complete the reclamation and environmental remediation work mandated by existing laws and regulations. Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required. Based upon our current situation, we estimate that a 10% increase in total future reclamation and closure costs would result in an approximately \$1.4 million increase in our asset retirement obligations.

### OFF BALANCE SHEET ARRANGEMENTS

We have no off balance sheet arrangements.

### SUMMARY OF QUARTERLY RESULTS

#### Summary of Quarterly Results

(\$ millions, except per share data)

|   | 2005 Quarter Ended |         |          |         | 2004 Quarter ended |         |          |    |
|---|--------------------|---------|----------|---------|--------------------|---------|----------|----|
|   | Sept. 30           | June 30 | March 31 | Dec. 31 | Sept. 30           | June 30 | March 30 |    |
| Revenues  | 24.7               | 24.9    | 18.0     | 15.2    | 13.4               | 16.5    | 19.9     | 17 |
| Net earnings/(losses)   | (6.7)              | (3.7)   | (2.2)    | 0.6     | (4.3)              | 1.1     | 5.2      | 7  |
| -----   |                    |         |          |         |                    |         |          |    |
| Net earnings/(losses) attributable to common shareholders per share |                    |         |          |         |                    |         |          |    |
| Basic   | (0.047)            | (0.026) | (0.016)  | 0.004   | (0.030)            | 0.008   | 0.039    | 0  |
| Diluted   | (0.047)            | (0.026) | (0.016)  | 0.004   | (0.030)            | 0.008   | 0.035    | 0  |

OUTSTANDING SHARE DATA

As of November 1, 2005 we had outstanding 142,887,394 common shares, options to acquire 5,057,451 common shares, warrant to acquire 8,448,334 common shares and convertible notes which are convertible into 11,111,111 common shares.

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TABLE OF CONTRACTUAL OBLIGATIONS

| Contractual Obligations<br>(as of September 30, 2005)                        | Payment due by period (thousand) |                     |              |              |
|--|----------------------------------|---------------------|--------------|--------------|
|  | Total                            | Less than 1<br>year | 1 to 3 years | 3 to 5 years |
| Long term debt (a)   | \$ 62,201                        | \$ 4,411            | \$ 5,896     | \$ 51,894    |
| Interest on long term debt   | 14,478                           | 4,032               | 7,806        | 2,640        |
| Operating lease obligations  | 531                              | 163                 | 328          | 40           |
| Other long term liabilities reflected on<br>the balance sheet under GAAP (b) | 15,915                           | 3,492               | 2,439        | 3,513        |
| Total  | \$ 93,125                        | \$ 12,098           | \$ 16,469    | \$ 58,087    |

(a) Includes \$50.0 million of convertible notes maturing in 2009. Golden Star has the right to repay the \$50.0 million in cash or in common shares. The presentation shown above assumes payment is made in cash and also assumes no conversions of the debt to common stock by the note holders prior to the maturity date.

(b) Other long term liabilities represent asset retirement obligations. Asset retirement obligations include several estimates about future reclamation costs, mining schedules, timing of the performance of reclamation work and the quantity of ore reserves which in turn determine the ultimate closure date, which in turn impacts the discounted amounts of future asset retirement liabilities. The discounted value of these projected cash flows is recorded as "Asset retirement obligations" on the balance sheet of \$10.5 million as of September 30, 2005. The amounts shown above are undiscounted to show full expected cash requirements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk includes, but is not limited to, the following risks: changes in interest rates on our investment portfolio, changes in foreign currency exchange rates, commodity price fluctuations and equity price risk.

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### Interest Rate Risk

From time to time we invest excess cash in high quality short-term debt instruments. The rates received on such investments may fluctuate with changes in economic conditions. As a result, our investment income may fall short of expectations during periods of lower interest rates. We estimate that, given the cash balances expected during the next twelve months, a 1% change in interest rates would result in a \$0.3 to \$0.5 million change in annual interest income.

We have both fixed rate and variable rate debt. At September 30, 2005 we had approximately \$9.0 million of variable rate debt which carries an interest rate of LIBOR plus 2.5%. We estimate that a 1% increase in the interest rate on the variable rate debt would result in a \$0.1 million change in annual interest expense. We have not entered into any agreements to hedge against unfavorable changes in interest rates, but may in the future actively manage our exposure to interest rate risk.

### Foreign Currency Exchange Rate Risk

While our major operating units transact most of their business in US dollars, many purchases of labor, operating supplies and capital assets are denominated in Euros, British pounds, Australian dollars, South African Rand and Ghanaian Cedis. As a result, currency exchange fluctuations may impact the costs incurred at our operations. Gold is sold throughout the world based principally on the US dollar price, but portions of our operating expenses and some of our capital purchases are incurred in currencies other than the US dollar. The appreciation of non-US dollar currencies against the US dollar increases production costs and the cost of capital assets in US dollar terms at mines located outside the US, which can adversely impact our net income and cash flows. Conversely, a depreciation of non-US dollar currencies usually decreases production costs and capital asset purchases in US dollar terms.

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The value of cash and cash equivalent investments denominated in foreign currencies also fluctuates with changes in currency exchange rates. Appreciation of non-US dollar currencies results in a foreign currency gain on such investments and a decrease in non-US dollar currencies results in a loss.

While in the past we have not utilized market risk sensitive instruments to manage our exposure to foreign currency exchange rates, during 2005 we have entered into forward purchase contracts for South African Rands and Euros to hedge expected future purchases of capital assets in South Africa and Europe associated mostly with the Bogoso sulfide expansion project.

### Commodity Price Risk

We are engaged in gold mining and related activities, including exploration, extraction, processing and reclamation. Gold is our primary product and, as a result, changes in the price of gold could significantly affect our results of operations and cash flows. According to current estimates, a \$10 change in our average realized price of gold would result in a \$2 million to \$3 million change in pre-tax earnings and cash flows over the next 12 months.

Beginning in the second quarter of 2005 we have purchased puts to lock in minimum prices for portions of our annual gold sales in 2005, 2006 and 2007. As of September 30, 2005 we have purchased put options for 230,000 ounces of future gold production during 2005, 2006, and early 2007 to establish a floor price for operating cash flows during the construction period of the Bogoso sulfide expansion project. In the third quarter of 2005 we sold 90,000 \$525 per ounce



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call options to offset the cash costs of the put options purchased in the quarter.

Since the Rosebel royalty revenues received by EURO from Cambior fluctuate with gold prices a recent debt agreement required that EURO enter into a cash-settled forward gold price agreement with the lender designed to eliminate a portion of the potential impact of gold price fluctuations on expected future Rosebel royalty revenues.

The forward agreement specifies that beginning April 20, 2005 and every three months thereafter until July 30, 2007, when the average gold price for the prior quarter is less than \$421 per ounce, the bank will pay in cash to EURO an amount equal to the difference between the average gold price and \$421 times 5,700 ounces. In quarters where the average gold price exceeds \$421 per ounce EURO will pay cash to the bank in an amount equal to the difference between the average gold price and \$421 times 5,700 ounces. The 5,700 ounces is a notional amount agreed to by EURO and the bank. Neither EURO nor the bank are required to deliver gold under the agreement. The net effect of the agreement is that EURO receives a net royalty revenue on the first 57,000 ounces of gold mined at the Rosebel mine each quarter based on \$421 per ounce gold price regardless of the actual gold price.

In August 2005, in conjunction with the \$3.0 million loan drawn in September, EURO entered into agreements for another 5,700 ounces per quarter from October 30, 2007 to January 29, 2010 at a price of \$458.50 per ounce. The second August agreements are structured as the first agreements described above for the higher agreed sales price.

Gold prices averaged \$427, \$427 and \$439 per ounce during the first, second and third quarters of 2005 resulting in EURO making payments to the bank of \$38,000, \$36,000 and \$0.1 million respectively in the three quarters of 2005. Since quarterly gold prices exceeded \$421 (the forward sales price per the agreement) EURO's royalty revenues were higher by the same amount thereby offsetting the payments to the bank.

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We are experiencing significant price increases in certain operating consumables including fuel, cyanide, tires, and other chemical reagents used in our processing plants. Fuel prices have risen from \$0.60 per liter in September 2004 to \$0.85 in September 2005 and we have seen a 43% increase in the price of cyanide. The price paid for several other consumables, including truck tires, have risen 20% to 40% in the past 12 months.

### Equity Price Risk

We have in the past and may in the future seek to acquire additional funding by sale of common shares. Movements in the price of our common shares have been volatile in the past and may also be volatile in the future. As a result, there is a risk that we may not be able to sell new common shares at an acceptable price should the need for new equity funding arise.

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures:

As discussed in Note 22 to the consolidated financial statements, it was determined that as of December 31, 2005 management did not maintain effective controls over the presentation and documentation of certain

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derivatives. Specifically, Golden Star did not prepare and maintain sufficient documentation to support the designation and effectiveness of hedge accounting for certain gold price future contracts entered into by its subsidiary, EURO Ressources S.A., during 2005. This control deficiency resulted in the requirement for the restatement of our consolidated financial statements for the quarters ended March 31, June 30 and September 30, 2005 and an audit adjustment to the 2005 annual consolidated financial statements. Because of the existence of the deficiency in question at year-end, management concluded that the Company's internal control over financial reporting was ineffective as of December 31, 2005.

As of September 30, 2005, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Golden Star's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on the evaluation and as a result of the material weakness discussed above, management has concluded that as of September 30, 2005 our disclosure controls and procedures were not effective.

### Changes in Internal Control over Financing Reporting

Changes to our internal control over financial reporting to address the material weakness described above were implemented subsequent to the quarter ended September 30, 2005. There was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2005 that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 6. EXHIBITS

- 2.1 Pre-merger Agreement dated September 27, 2005 between Golden Star Resources Ltd. and St. Jude Resources Ltd. (incorporated by reference to Exhibit 10.1 to Form 8-K filed September 29, 2005).
- 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.

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- 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)

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## 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 to be signed on its

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behalf by the undersigned, thereunto duly authorized.

GOLDEN STAR RESOURCES LTD.  
Registrant

By: /s/ Peter J. Bradford  
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Peter J. Bradford  
President and Chief Executive  
Officer Date: April 14, 2006

By: /s/ Allan J. Marter  
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Allan J. Marter  
Senior Vice President and Chief Financial  
Officer Date: April 14, 2006

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EXHIBIT INDEX

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