

GOLDEN STAR RESOURCES LTD  
Form 10-K  
February 25, 2010

# SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

## FORM 10-K

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

For the Fiscal Year ended December 31, 2009

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.)

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10901 West Toller Drive, Suite 300

Littleton, Colorado  
(Address of Principal Executive Office)

80127-6312  
(Zip Code)

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

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

|   |  |
|---|--|
| <p>Title of Each Class<br/>Common Shares<br/>Securities registered or to be registered pursuant to Section 12(g) of the Act: None</p> | <p>Name of each exchange on which registered<br/>NYSE Amex</p> |
|---|--|

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer:  Accelerated filer:  Non-accelerated filer:  Smaller reporting company:   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was approximately \$482.2 million as of June 30, 2009, based on the closing price of the shares on the NYSE Amex as of that date of \$2.05 per share.

Number of Common Shares outstanding as at February 23, 2010: 257,407,061.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of our Definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 2010 Annual Meeting of Shareholders are incorporated by reference to Part III of this Annual Report on Form 10-K.



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## REPORTING CURRENCY, FINANCIAL AND OTHER INFORMATION

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

Financial information is presented in accordance with accounting principles generally accepted in Canada ( Cdn GAAP or Canadian GAAP ). Differences between accounting principles generally accepted in the US ( US GAAP ) and Canadian GAAP, as applicable to Golden Star Resources Ltd., are explained in Note 26 to the Consolidated Financial Statements.

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

### NON-GAAP FINANCIAL MEASURES

In this Form 10-K, we use the terms total cash cost per ounce and cash operating cost per ounce which are considered Non-GAAP financial measures as defined in Securities and Exchange Commission ( SEC ) Regulation S-K Item 10 and applicable Canadian securities law and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Cdn GAAP or US GAAP. See Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations for a definition of these measures as used in this Form 10-K.

### STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

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

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

These statements include comments regarding: anticipated attainment of gold production rates; production and cash operating cost estimates for 2010; anticipated commencement dates of mining and production at Prestea South and Pampe development of the Dumasi pit; production capacity, production rates, and production costs; cash operating costs generally; gold sales; mining operations and recovery rates; ore delivery; ore processing; potential mine life; permitting; establishment and estimates of Mineral Reserves and Resources; geological, environmental, community and engineering studies; expectations of the resettlement of communities; exploration efforts and activities; availability, cost and efficiency of mining equipment; ore grades; reclamation work; expected reclamation expenditures over the next five years; expected PFIC (as defined below) status in 2010 and in the future; our anticipated investing and exploration spending in 2010; identification of acquisition and growth opportunities; power costs; the ability to meet total power requirements; completion of construction of the Bogoso power plant; retention of earnings from our operations; our objectives for 2010; and sources of and adequacy of liquidity to meet capital and other needs in 2010.

The following, in addition to the factors described under Risk Factors in Item 1A below, are among the factors that could cause actual results to differ materially from the forward-looking statements:

significant increases or decreases in gold prices;

losses or gains in Mineral Reserves from changes in operating costs and/or gold prices;

failure of exploration efforts to expand Mineral Reserves around our existing mines;

unexpected changes in business and economic conditions;

inaccuracies in Mineral Reserves and non-reserves estimates;

changes in interest and currency exchange rates;

timing and amount of gold production;

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

unanticipated recovery or production problems;

effects of illegal mining on our properties;

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

changes in metallurgy and processing;

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

changes in project parameters or mine plans;

costs and timing of development of new Mineral Reserves;

weather, including drought or excessive rainfall in West Africa;

changes in regulatory frameworks based upon perceived climate trends;

results of current and future exploration activities;

results of pending and future feasibility studies;

acquisitions and joint venture relationships;

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

changes in regulations affecting our operations, particularly in Ghana, where our principal producing properties are located;

local and community impacts and issues, including resettlement;

availability and cost of replacing Mineral Reserves;

timing of receipt and maintenance of government approvals and permits;

unanticipated transportation costs and shipping incidents and losses;

accidents, labor disputes and other operational hazards;

environmental costs and risks;

unanticipated title issues;

competitive factors, including competition for property acquisitions;

possible litigation; and

availability of capital at reasonable rates or at all.

These factors are not intended to represent a complete list of the general or specific factors that could affect us. Your attention is drawn to other risk factors disclosed and discussed in Item 1A below. We undertake no obligation to update forward-looking statements except as may be required by applicable laws.

### CONVERSION FACTORS AND ABBREVIATIONS

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

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

The following abbreviations may be used herein:

|                 |                     |                   |                              |
|-----------------|---------------------|-------------------|------------------------------|
| Au              | = gold              | m <sup>2</sup>    | = square meter               |
| g               | = gram              | m <sup>3</sup>    | = cubic meter                |
| g/t             | = grams per tonne   | mg                | = milligram                  |
| ha              | = hectare           | mg/m <sup>3</sup> | = milligrams per cubic meter |
| km              | = kilometer         | T or t            | = tonne                      |
| km <sup>2</sup> | = square kilometers | oz                | = troy ounce                 |
| kg              | = kilogram          | ppb               | = parts per billion          |
| m               | = meter             | Ma                | = million years              |

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

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## GLOSSARY OF TERMS

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

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

### NI 43-101 DEFINITIONS

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

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

**SEC INDUSTRY GUIDE 7 DEFINITIONS**

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

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

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

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

## ADDITIONAL DEFINITIONS

**alteration** any change in the mineral composition of a rock brought about by physical or chemical means

**arsenopyrite** a gray-to-white metallic mineral consisting of sulfide of iron and arsenic

**Archean** the earliest eon of geologic time, dating from about 3800-2500 million years ago

**assay** a measure of the valuable mineral content

**Au** gold

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

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

**cash operating cost** total cash costs for the period less production royalties and production taxes

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

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

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

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

**diamond drilling** rotary drilling using diamond-set or diamond-impregnated bits, to produce a solid continuous core of rock sample

**dip** the angle that a structural surface, a bedding or fault plane, makes with the horizontal, measured perpendicular to the strike of the structure

**diorite** a group of intrusive rocks intermediate in composition between acidic and basic, characteristically composed of dark-colored amphibole, acid plagioclase, pyroxene and sometimes a small amount of quartz.

**disseminated** where minerals occur as scattered particles in the rock

**doré** unrefined gold bullion bars containing various impurities such as silver, copper and mercury, which will be further refined to near pure gold

**fault** a surface or zone of rock fracture along which there has been displacement

**feasibility study** a comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

**formation** a distinct layer of sedimentary rock of similar composition

**gabbro** a group of dark-colored basic intrusive igneous rocks (the intrusive equivalent to basalt)

**gabbroic** rock masses made up of gabbro and other similar dark-colored basic igneous rock

**geochemistry** the study of the distribution and amounts of the chemical elements in minerals, ores, rocks, solids, water, and the atmosphere

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**geochemical prospecting** a prospecting technique which measures the content of certain metals in soils and rocks used to define anomalies for further testing

**geophysics** the study of the mechanical, electrical, gravitational and magnetic properties of the earth's crust

**geophysical surveys** a survey method used primarily in the mining industry as an exploration tool, applying the methods of physics and engineering to the earth's surface

**geotechnical** the study of ground stability

**grade** quantity of metal per unit weight of host rock

**greenstone** a sequence of usually metamorphosed volcanic-sedimentary rock assemblages

**granodiorite** a group of coarse-grained plutonic rocks intermediate in composition between quartz diorite and quartz monzonite containing quartz, plagioclase, potassium feldspar with biotite and hornblende

**granophyric** of or pertaining to granophyre which is an igneous rock containing mainly of crystals of feldspar and quartz that have crystallized together

**heap leach** a mineral processing method involving the crushing and stacking of an ore on an impermeable liner upon which solutions are sprayed to dissolve metals i.e. gold, copper etc.; the solutions containing the metals are then collected and treated to recover the metals

**host rock** the rock in which a mineral or an ore body may be contained

**hydrothermal** the products of the actions of heated water, such as a mineral deposit precipitated from a hot solution

**in-situ** in its natural position

**laterite** a reddish mixture of clayey iron and aluminum oxides and hydroxides formed by the weathering of basalt under humid, tropical conditions.

**life-of-mine** a term commonly used to refer to the likely term of a mining operation and normally determined by dividing the tonnes of Mineral Reserve by the annual rate of mining and processing

**lithology** the character of the rock described in terms of its structure, color, mineral composition, grain size and arrangement of its component parts, all those visible features that in the aggregate impart individuality to the rock

**mafic** an adjective describing a silicate mineral or rock that is rich in magnesium and iron. Common mafic rocks include basalt and gabbro

**mapped or geological mapping** the recording of geologic information including rock units and the occurrence of structural features, and mineral deposits on maps

**metavolcanic** a volcanic rock which shows evidence of having been subjected to metamorphism

**mineral** a naturally occurring inorganic crystalline material having a definite chemical composition

**mineralization** a natural accumulation or concentration in rocks or soil of one or more potentially economic minerals, also the process by which minerals are introduced or concentrated in a rock

**National Instrument 43-101 or NI 43-101** standards of disclosure for mineral projects prescribed by the Canadian Securities Administration

**non-refractory** ore containing gold that can be satisfactorily recovered by basic gravity concentration or simple cyanidation

**outcrop** that part of a geologic formation or structure that appears at the surface of the earth

**open pit or open cut** surface mining in which the ore is extracted from a pit or quarry, the geometry of the pit may vary with the characteristics of the ore body

**ore** mineral bearing rock that can be mined and treated profitably under current or immediately foreseeable economic conditions

**ore body** a mostly solid and fairly continuous mass of mineralization estimated to be economically mineable

**ore grade** the average weight of the valuable metal or mineral contained in a specific weight of ore i.e. grams per tonne of ore

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**oxide** gold bearing ore which results from the oxidation of near surface sulfide ore

**Precambrian** period of geologic time, prior to 700 million years ago

**preliminary assessment** a study that includes an economic analysis of the potential viability of Mineral Resources taken at an early stage of the project prior to the completion of a preliminary feasibility study

**preliminary feasibility study** and **pre-feasibility study** each mean a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve

**Proterozoic** the more recent time division of the Precambrian; rocks aged between 2,500 million and 550 million years old

**put** a financial instrument that provides the right, but not the obligation, to sell a specified number of ounces of gold at a specified price

**pyrite** common sulfide of iron

**QA/QC** Quality Assurance/Quality Control is the process of controlling and assuring data quality for assays and other exploration and mining data

**quartz** a mineral composed of silicon dioxide, SiO<sub>2</sub> (silica)

**RAB (rotary air blast) drilling** relatively inexpensive and quick exploration drilling method returning rock chips from the drill hole using high pressure air

**RC (reverse circulation) drilling** a drilling method using a tri-cone bit, during which rock cuttings are pushed from the bottom of the drill hole to the surface through an outer tube, by liquid and/or air pressure moving through an inner tube

**reef** general term that typically refers to a tabular ore body

**refractory** ore containing gold that cannot be satisfactorily recovered by basic gravity concentration or simple cyanidation

**resettlement** the relocation or resettlement of a community or part of a community

**rock** indurated naturally occurring mineral matter of various compositions

**sampling and analytical variance/precision** an estimate of the total error induced by sampling, sample preparation and analysis

**schist** rocks derived from clays and muds which have passed through a series of metamorphic processes involving the production of shales, slates and phyllites as intermediate steps

**sediment** particles transported by water, wind or ice

**sedimentary rock** rock formed at the earth's surface from solid particles, whether mineral or organic, which have been moved from their position of origin and re-deposited

**sericitic** a rock with abundant amounts of sericite, a white fine grained potassium mica occurring as an alteration product of various aluminosilicate minerals

**shear** a form of strain resulting from stresses that cause or tend to cause contiguous parts of a body of rock to slide relatively to each other in a direction parallel to their plane of contact

**shield** a large area of exposed basement rocks often surrounded by younger rocks, e.g. Guiana Shield

**stratigraphic** or **stratigraphically** geology that deals with the origin and succession of strata

**strike** the direction or trend that a structural surface, e.g. a bedding or fault plane, takes as it intersects the horizontal

**strip** to remove overburden in order to expose ore

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**sulfide** a mineral including sulfur (S) and iron (Fe) as well as other elements; metallic sulfur-bearing mineral often associated with gold mineralization

**tailings** fine ground wet waste material produced from ore after economically recoverable metals or minerals have been extracted

**Tarkwaian** a group of sedimentary rocks of Proterozoic age named after the town of Tarkwa in southern Ghana where they were found to be gold bearing

**tectonic** relating to the forces that produce movement and deformation of the Earth's crust

**tonne** metric tonne, equal to 1,000 kilograms or 2,204.6 pounds

**total cash cost** cost of sales costs for the period less: mining related depreciation and amortization, accretion of asset retirement obligations costs, inventory write-offs and operations-related foreign exchange gains/losses

**transition ore** is an ore zone lying between the oxide ore and the sulfide ore; ore material that is partially weathered and oxidized

**vein** a thin, sheet-like crosscutting body of hydrothermal mineralization, principally quartz

**volcanics** those originally molten rocks, generally fine grained, that have reached or nearly reached the earth's surface before solidifying

**volcano-sedimentary** rocks composed of materials of both volcanic and sedimentary origin

**wall rock** the rock adjacent to a vein

**weathering** near surface alteration and oxidation of minerals and rocks by exposure to the atmosphere or ground water

**wire frame** a mesh of triangles used to define a volume in generating computerized geological Resources.

## PART I

### Item 1. BUSINESS

#### OVERVIEW OF GOLDEN STAR

We are a Canadian federally incorporated, international gold mining and exploration company producing gold in Ghana, West Africa. We also conduct gold exploration in other countries in West Africa and in South America. Golden Star Resources Ltd. was established under the *Canada Business Corporations Act* on May 15, 1992 as a result of the amalgamation of South American Goldfields Inc., a corporation incorporated under the federal laws of Canada, and Golden Star Resources Ltd., a corporation originally incorporated under the provisions of the *Alberta Business Corporations Act* on March 7, 1984 as Southern Star Resources Ltd. Our principal office is located at 10901 West Toller Drive, Suite 300, Littleton, Colorado 80127, and our registered and records offices are located at 66 Wellington St. W, Suite 4200, P.O. Box 20, Toronto Dominion Bank Tower Toronto Dominion Centre, Toronto, Ontario M5K 1N6.

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

Through a 90% owned subsidiary, Golden Star (Bogoso/Prestea) Limited (GSBPL), we own and operate the Bogoso/Prestea gold mining and processing operations (Bogoso/Prestea) located near the town of Bogoso, Ghana. We have a nominal 3.5 million tonnes per year processing facility at Bogoso/Prestea that uses bio-oxidation technology to treat refractory sulfide ore (sulfide plant). In addition, Bogoso/Prestea has a carbon-in-leach processing facility next to the sulfide plant which is suitable for treating oxide ores (oxide plant). Bogoso/Prestea produced and sold 170,499 ounces of gold in 2008 and 186,054 ounces in 2009.

Through another 90% owned subsidiary, Golden Star (Wassa) Limited (GSWL), we own and operate the Wassa open-pit gold mine and carbon-in-leach processing plant (Wassa), located approximately 35 km east of Bogoso/Prestea. The design capacity of the carbon-in-leach processing plant at Wassa is nominally 3.0 million tonnes per annum but varies depending on the ratio of hard to soft ore. GSWL also owns the Hwini-Butre and Benso concessions (the HBB properties) in southwest Ghana. The Benso mine began shipping ore to Wassa late in 2008, and the Hwini-Butre mine began shipping ore to Wassa in May 2009. The Hwini-Butre and Benso concessions are located approximately 80 and 50 km, respectively, by road south of Wassa. Wassa/HBB produced and sold 125,427 ounces of gold in 2008 and 223,848 ounces in 2009.

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

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

### **GOLD SALES AND PRODUCTION**

Ghana has been a significant gold producing country for over 100 years with AngloGold Ashanti's Obuasi mine and our inactive underground mine at Prestea historically being the two major producers. Several other areas in Ghana have also produced large amounts of gold. Annual gold production in Ghana has exceeded two million ounces in recent years.

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

### **GOLD PRICE HISTORY**

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

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

| <b>Year</b>          | <b>High</b> | <b>Low</b> | <b>Average</b> | <b>Average Price Received<br/>by Golden Star</b> |
|----------------------|-------------|------------|----------------|--|
| 2000                 | 313         | 264        | 279            | 280  |
| 2001                 | 293         | 256        | 271            | 271  |
| 2002                 | 349         | 278        | 310            | 311  |
| 2003                 | 416         | 320        | 363            | 364  |
| 2004                 | 454         | 375        | 410            | 410  |
| 2005                 | 537         | 411        | 445            | 446  |
| 2006                 | 725         | 525        | 603            | 607  |
| 2007                 | 841         | 608        | 695            | 713  |
| 2008                 | 1,011       | 713        | 872            | 870  |
| 2009                 | 1,213       | 810        | 972            | 978  |
| To February 24, 2010 | 1,153       | 1,058      | 1,107          | NA   |

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

## **BUSINESS STRATEGY AND DEVELOPMENT**

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

We acquired Bogoso in 1999 and have operated a nominal 1.5 million tonne per annum carbon-in-leach ( CIL ) processing plant most of the time since then to process oxide and other non-refractory ores ( Bogoso oxide plant ). In 2001, we acquired the Prestea property located adjacent to our Bogoso property and mined surface deposits at Prestea from late 2001 to late 2006. In late 2002, we acquired Wassa, and constructed a new nominal 3.0 million tonne per annum CIL processing plant at Wassa, which began commercial operation in April 2005. In July 2007, we completed construction and development of a new nominal 3.5 million tonnes per annum processing facility at Bogoso/Prestea that uses bio-oxidation technology to treat refractory sulfide ore ( Bogoso sulfide plant ).

In late 2005, we acquired the HBB properties consisting of the Benso and Hwini-Butre properties. Benso development activities started in late 2007, and in the third quarter of 2008, we began trucking ore from the Benso mine to the Wassa plant for processing. Hwini-Butre development was initiated in the fourth quarter of 2008, and in May 2009 the Hwini-Butre mine began shipping ore to the Wassa plant for processing.

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

In addition to our gold mining and development activities, we actively explore for gold in West Africa and South America, investing approximately \$15.8 million on such activities during 2008 and approximately \$9.0 million during 2009. We are conducting regional reconnaissance projects in Ghana, Cote d'Ivoire and Sierra Leone and have drilled more advanced targets in Ghana, Niger and Burkina Faso. We are also evaluating gold properties in Brazil. See Item 2 Description of Properties for additional details on our assets.

**GOLD PRODUCTION AND UNIT COSTS**

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

| <b>Production and Cost Per Ounce<sup>(1) (2)</sup></b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010<br/>Projected</b> |
|--|-------------|-------------|-------------|---------------------------|
| <b>BOGOSO/PRESTEA</b>                                  |             |             |             |                           |
| Gold Sales (thousands of ounces)                       | 120.2       | 170.5       | 186.1       | 200.0                     |
| Cash Operating Cost (\$/oz)                            | 766         | 837         | 705         | 650                       |
| <b>WASSA/HBB</b>                                       |             |             |             |                           |
| Production (thousands of ounces)                       | 126.1       | 125.4       | 223.8       | 200.0                     |
| Cash Operating Cost (\$/oz)                            | 443         | 554         | 447         | 520                       |
| <b>CONSOLIDATED</b>                                    |             |             |             |                           |
| Consolidated Total Sales (thousands of ounces)         | 246.3       | 295.9       | 409.9       | 400.0                     |
| Consolidated Cash Operating Cost (\$/oz)               | 602         | 717         | 564         | 585                       |

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

(2) Gold production is shown on a 100% basis, which represents our current beneficial interest in gold production and revenues. The Government of Ghana, which has a 10% carried interest in Bogoso/Prestea and Wassa/HBB, would receive 10% of any dividends distributed from Bogoso/Prestea and Wassa/HBB once all capital costs have been repaid.

See Management's Discussion and Analysis of Financial Condition and Results of Operations for discussion of increasing trends in gold sales.

**MINERAL RESERVES**

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

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

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

The following table summarizes our estimated Proven and Probable Mineral Reserves as of December 31, 2009 and December 31, 2008:

**PROVEN AND PROBABLE MINERAL RESERVES**

| Property Mineral Reserve Category               | As at December 31, 2009 |                     |                      | As at December 31, 2008 |                     |                      |
|---|-------------------------|---------------------|----------------------|-------------------------|---------------------|----------------------|
|   | Tonnes<br>(millions)    | Gold Grade<br>(g/t) | Ounces<br>(millions) | Tonnes<br>(millions)    | Gold Grade<br>(g/t) | Ounces<br>(millions) |
| <b>Bogoso/Prestea(1)</b>                        |                         |                     |                      |                         |                     |                      |
| Proven Mineral Reserves                         |                         |                     |                      |                         |                     |                      |
| Non-refractory                                  | 1.1                     | 1.60                | 0.06                 | 1.2                     | 1.89                | 0.08                 |
| Refractory                                      | 9.7                     | 3.08                | 0.96                 | 9.6                     | 3.34                | 1.03                 |
| <b>Total Proven</b>                             | <b>10.8</b>             | <b>2.92</b>         | <b>1.01</b>          | <b>10.8</b>             | <b>3.18</b>         | <b>1.11</b>          |
| Probable Mineral Reserves                       |                         |                     |                      |                         |                     |                      |
| Non-refractory                                  | 5.0                     | 2.60                | 0.42                 | 3.9                     | 2.90                | 0.36                 |
| Refractory                                      | 15.5                    | 2.65                | 1.32                 | 9.1                     | 3.07                | 0.90                 |
| <b>Total Probable</b>                           | <b>20.5</b>             | <b>2.64</b>         | <b>1.73</b>          | <b>13.0</b>             | <b>3.02</b>         | <b>1.26</b>          |
| Total Proven and Probable                       |                         |                     |                      |                         |                     |                      |
| Non-refractory                                  | 6.1                     | 2.42                | 0.47                 | 5.1                     | 2.66                | 0.43                 |
| Refractory                                      | 25.1                    | 2.81                | 2.27                 | 18.7                    | 3.21                | 1.93                 |
| <b>Total Bogoso/Prestea Proven and Probable</b> | <b>31.2</b>             | <b>2.74</b>         | <b>2.75</b>          | <b>23.8</b>             | <b>3.09</b>         | <b>2.36</b>          |
| <b>Wassa(2)</b>                                 |                         |                     |                      |                         |                     |                      |
| Proven Mineral Reserves                         |                         |                     |                      |                         |                     |                      |
| Non-refractory                                  | 0.8                     | 1.91                | 0.05                 | 0.4                     | 1.01                | 0.01                 |
| Probable Mineral Reserves                       |                         |                     |                      |                         |                     |                      |
| Non-refractory                                  | 16.3                    | 1.79                | 0.94                 | 11.3                    | 2.47                | 0.90                 |
| <b>Total Wassa Proven &amp; Probable</b>        | <b>17.1</b>             | <b>1.79</b>         | <b>0.99</b>          | <b>11.7</b>             | <b>2.42</b>         | <b>0.91</b>          |
| <b>Totals</b>                                   |                         |                     |                      |                         |                     |                      |
| Proven Mineral Reserves                         |                         |                     |                      |                         |                     |                      |
| Non-refractory                                  | 1.9                     | 1.73                | 0.11                 | 1.6                     | 1.68                | 0.09                 |
| Refractory                                      | 9.7                     | 3.08                | 0.96                 | 9.6                     | 3.34                | 1.03                 |
| <b>Total Proven</b>                             | <b>11.6</b>             | <b>2.86</b>         | <b>1.06</b>          | <b>11.2</b>             | <b>3.10</b>         | <b>1.12</b>          |
| Probable Mineral Reserves                       |                         |                     |                      |                         |                     |                      |
| Non-refractory                                  | 21.3                    | 1.98                | 1.35                 | 15.2                    | 2.58                | 1.26                 |
| Refractory                                      | 15.5                    | 2.65                | 1.32                 | 9.1                     | 3.07                | 0.90                 |
| <b>Total Probable</b>                           | <b>36.8</b>             | <b>2.26</b>         | <b>2.67</b>          | <b>24.3</b>             | <b>2.76</b>         | <b>2.16</b>          |
| Total Proven and Probable                       |                         |                     |                      |                         |                     |                      |
| Non-refractory                                  | 23.2                    | 1.96                | 1.46                 | 16.8                    | 2.49                | 1.35                 |
| Refractory                                      | 25.1                    | 2.81                | 2.27                 | 18.7                    | 3.21                | 1.93                 |
| <b>Total Proven and Probable</b>                | <b>48.3</b>             | <b>2.40</b>         | <b>3.73</b>          | <b>35.5</b>             | <b>2.87</b>         | <b>3.28</b>          |

Notes to the Mineral Reserve Statement:

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- (1) The stated Mineral Reserve for Bogoso/Prestea includes Prestea South, Pampe and Mampon.
- (2) The stated Mineral Reserve for Wassa includes the Hwini-Butre and Benso properties.
- (3) The stated Mineral Reserves have been prepared in accordance with Canada's National Instrument 43-101 Standards of Disclosure for Mineral Projects and are classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum's CIM Definition Standards For Mineral Resources and Mineral Reserves. Mineral Reserves are equivalent to Proven and Probable Reserves as defined by the SEC Industry Guide 7. Mineral Reserve estimates reflect the Company's reasonable expectation that all necessary permits and approvals will be obtained and maintained. Mining dilution and mining recovery vary by deposit and have been applied in estimating the Mineral Reserves.
- (4) The 2009 Mineral Reserves were prepared under the supervision of Mr. Karl Smith, Vice President Technical Services for the Company. Mr. Smith is a Qualified Person as defined by Canada's National Instrument 43-101. The 2008 Mineral Reserves were prepared under the supervision of Mr. Peter Bourke, P.Eng., the former Vice President Technical Services for the Company. Mr. Bourke is a Qualified Person as defined by Canada's National Instrument 43-101.
- (5) The Mineral Reserves at December 31, 2009 were estimated using a gold price of \$850 per ounce, which is approximately equal to the three-year average gold price. At December 31, 2008, Mineral Reserves were estimated using a gold price of \$700 per ounce.

- (6) The terms non-refractory and refractory refer to the metallurgical characteristics of the ore and are defined in the Glossary of Terms. We plan to process the refractory ore in our sulfide bio-oxidation plant at Bogoso and to process the non-refractory ore using our more traditional gravity, flotation and/or cyanidation techniques.
- (7) The slope angles of all pit designs are based on geotechnical criteria as established by external consultants. The size and shape of the pit designs are guided by consideration of the results from a pit optimization program. The parameters for the pit optimization program are based on a gold price of \$850 per ounce, historical and projected operating costs at Bogoso/Prestea, Wassa and Hwini-Butre and Benso. Metallurgical recoveries are based on historical performance or estimated from test work and typically range from 80% to 95% for non-refractory ores and from 70% to 85% for refractory ores. A government royalty of 6% is allowed as are other applicable royalties.
- (8) Mineral Reserves are expressed on a 100% basis. Our share of the Mineral Reserves is subject to the Government of Ghana's 10% carried interest which entitles it to a 10% dividend once our capital costs have been recovered.
- (9) Numbers may not add due to rounding.

**Stockpiled Ores**

Stockpiled ores are included in the Mineral Reserves for both Bogoso/Prestea and Wassa. Details of the proven stockpiles included in the Mineral Reserves at year-end 2009 and 2008 are summarized in the table below.

**PROVEN AND PROBABLE STOCKPILES INCLUDED IN MINERAL RESERVES**

| Property Mineral Reserve Category                 | As at December 31, 2009 |                     |                      | As at December 31, 2008 |                     |                      |
|---|-------------------------|---------------------|----------------------|-------------------------|---------------------|----------------------|
|   | Tonnes<br>(millions)    | Gold Grade<br>(g/t) | Ounces<br>(millions) | Tonnes<br>(millions)    | Gold Grade<br>(g/t) | Ounces<br>(millions) |
| <b>Bogoso/Prestea</b>                             |                         |                     |                      |                         |                     |                      |
| Proven Stockpiles                                 |                         |                     |                      |                         |                     |                      |
| Non-refractory                                    | 0.0                     | 2.32                | 0.00                 | 0.0                     | 2.32                | 0.00                 |
| Refractory  | 0.1                     | 2.67                | 0.01                 | 0.1                     | 2.32                | 0.01                 |
| <b>Total Proven Stockpiles</b>                    | <b>0.1</b>              | <b>2.57</b>         | <b>0.01</b>          | <b>0.1</b>              | <b>2.32</b>         | <b>0.01</b>          |
| Probable Stockpiles                               |                         |                     |                      |                         |                     |                      |
| Non-refractory                                    | 0.0                     | 0.00                | 0.00                 | 0.0                     | 0.00                | 0.00                 |
| Refractory  | 0.7                     | 2.34                | 0.05                 | 0.7                     | 2.52                | 0.05                 |
| <b>Total Probable Stockpiles</b>                  | <b>0.7</b>              | <b>2.34</b>         | <b>0.05</b>          | <b>0.7</b>              | <b>2.52</b>         | <b>0.05</b>          |
| Total Proven and Probable                         |                         |                     |                      |                         |                     |                      |
| Non-refractory                                    | 0.0                     | 2.32                | 0.00                 | 0.0                     | 2.32                | 0.00                 |
| Refractory  | 0.7                     | 2.37                | 0.06                 | 0.8                     | 2.50                | 0.06                 |
| <b>Total Bogoso/Prestea Proven and Probable</b>   | <b>0.8</b>              | <b>2.37</b>         | <b>0.06</b>          | <b>0.8</b>              | <b>2.49</b>         | <b>0.06</b>          |
| <b>Wassa</b>                                      |                         |                     |                      |                         |                     |                      |
| Proven Stockpiles                                 |                         |                     |                      |                         |                     |                      |
| Non-refractory                                    | 0.3                     | 1.08                | 0.01                 | 0.3                     | 0.98                | 0.01                 |
| Probable Stockpiles                               |                         |                     |                      |                         |                     |                      |
| Non-refractory                                    | 2.7                     | 0.52                | 0.05                 | 0.8                     | 0.45                | 0.01                 |
| <b>Total Wassa Proven and Probable Stockpiles</b> | <b>3.0</b>              | <b>0.57</b>         | <b>0.06</b>          | <b>1.1</b>              | <b>0.56</b>         | <b>0.02</b>          |
| <b>Totals</b>                                     |                         |                     |                      |                         |                     |                      |
| Proven Stockpiles                                 |                         |                     |                      |                         |                     |                      |
| Non-refractory                                    | 0.3                     | 1.20                | 0.01                 | 0.4                     | 1.10                | 0.01                 |
| Refractory  | 0.1                     | 2.67                | 0.01                 | 0.1                     | 2.32                | 0.01                 |
| <b>Total Proven Stockpiles</b>                    | <b>0.4</b>              | <b>1.49</b>         | <b>0.02</b>          | <b>0.5</b>              | <b>1.36</b>         | <b>0.02</b>          |
| Probable Stockpiles                               |                         |                     |                      |                         |                     |                      |
| Non-refractory                                    | 2.7                     | 0.52                | 0.05                 | 0.8                     | 0.45                | 0.01                 |
| Refractory  | 0.7                     | 2.34                | 0.05                 | 0.7                     | 2.52                | 0.05                 |
| <b>Total Probable Stockpiles</b>                  | <b>3.4</b>              | <b>0.87</b>         | <b>0.10</b>          | <b>1.5</b>              | <b>1.39</b>         | <b>0.07</b>          |
| Total Proven and Probable Stockpiles              |                         |                     |                      |                         |                     |                      |
| Non-refractory                                    | 3.0                     | 0.59                | 0.06                 | 1.2                     | 0.61                | 0.02                 |
| Refractory  | 0.7                     | 2.37                | 0.06                 | 0.8                     | 2.50                | 0.06                 |
| <b>Total Proven and Probable Stockpiles</b>       | <b>3.8</b>              | <b>0.93</b>         | <b>0.11</b>          | <b>1.9</b>              | <b>1.36</b>         | <b>0.08</b>          |

**Reconciliation of Mineral Reserves as shown under NI 43-101 and under SEC Industry Guide 7**

Since we report our Mineral Reserves to both NI 43-101 and SEC Industry Guide 7 standards, it is possible for our Mineral Reserve figures to vary between the two. Where such a variance occurs it will arise from the differing requirements for reporting Mineral Reserves. For example,

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NI 43-101 has a minimum requirement that Mineral Reserves be supported by a pre-feasibility study, whereas SEC Industry Guide 7 requires support from a detailed feasibility study that demonstrates that economic extraction is justified.

For the Mineral Reserves at December 31, 2009 and 2008, there is no difference between the Mineral Reserves as disclosed under NI 43-101 and those disclosed under SEC Industry Guide 7, and therefore no reconciliation is provided.

**Reconciliation of Proven and Probable Mineral Reserves December 31, 2008 to December 31, 2009**

|  | Tonnes<br>(millions) | Contained Ounces<br>(millions) | Tonnes<br>(% of Opening) | Ounces<br>(% of Opening) |
|--|----------------------|--------------------------------|--------------------------|--------------------------|
| <b>Mineral Reserves at December 31, 2008</b> | 35.5                 | 3.28                           | 100%                     | 100%                     |
| Gold Price Increase(1)                       | 4.9                  | 0.17                           | 14%                      | 5%                       |
| Exploration Changes(2)                       | 5.9                  | 0.25                           | 17%                      | 7%                       |
| Mining Depletion(3)                          | (4.9)                | (0.47)                         | (14)%                    | (14)%                    |
| Engineering(4)                               | 6.8                  | 0.52                           | 19%                      | 16%                      |
| Mineral Reserves at December 31, 2009(5)     | 48.3                 | 3.73                           | 136%                     | 114%                     |

Notes to the reconciliation of Mineral Reserves:

- (1) Gold Price Increase represents changes resulting from an increase in gold price used in the Mineral Reserve estimates from \$700 per ounce in 2008 to \$850 per ounce in 2009.
- (2) Exploration Changes include changes due to geological modeling, data interpretation and resource block modeling methodology as well as due to exploration discovery of new mineralization.
- (3) Mining Depletion represents the 2008 Mineral Reserve within the volume mined in 2009 with adjustments to account for stockpile addition and depletions during 2009 and therefore does not correspond with 2009 actual gold production.
- (4) Engineering includes changes as a result of engineering facts such as changes in operating costs, mining dilution and recovery assumptions, metallurgical recoveries, pit slope angles and other mine design and permitting considerations.
- (5) Numbers may not add due to rounding.

**NON-RESERVES MEASURED AND INDICATED MINERAL RESOURCES*****Cautionary Note to US Investors concerning estimates of Measured and Indicated Mineral Resources***

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

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

Except as otherwise provided, the total Measured and Indicated Mineral Resources for all properties have been estimated at an economic cut-off grade based on a gold price of \$1000 per ounce for December 31, 2009 and \$800 per ounce for December 31, 2008 and on economic parameters deemed realistic. The economic cut-off grades for Mineral Resources are lower than those for Mineral Reserves and are indicative of the fact that the Mineral Resource estimates include material that may become economic under more favorable conditions including increases in gold price.



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The following table summarizes our estimated non-reserves Measured and Indicated Mineral Resources as of December 31, 2009 as compared to the totals for December 31, 2008:

| Property            | Measured          |                  | Indicated         |                  | Measured & Indicated |                  |
|---------------------|-------------------|------------------|-------------------|------------------|----------------------|------------------|
|                     | Tonnes (millions) | Gold Grade (g/t) | Tonnes (millions) | Gold Grade (g/t) | Tonnes (millions)    | Gold Grade (g/t) |
| Bogoso/Prestea(1)   | 4.7               | 1.90             | 12.9              | 2.20             | 17.6                 | 2.12             |
| Prestea Underground |                   |                  | 1.4               | 13.36            | 1.4                  | 13.36            |
| Wassa               | 0.1               | 0.82             | 4.3               | 0.89             | 4.4                  | 0.89             |
| Benso               |                   |                  | 0.2               | 1.73             | 0.2                  | 1.73             |
| Hwini-Butre (9)     |                   |                  | 0.3               | 5.38             | 0.3                  | 5.38             |
| Goulagou(8)         |                   |                  | 2.7               | 1.75             | 2.7                  | 1.75             |
| <b>Total 2009</b>   | <b>4.8</b>        | <b>1.87</b>      | <b>21.8</b>       | <b>2.66</b>      | <b>26.6</b>          | <b>2.52</b>      |
| Total 2008          | 5.4               | 2.24             | 21.6              | 2.89             | 27.0                 | 2.76             |

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

- (1) The Mineral Resources for Bogoso/Prestea include Pampe and Mampon.
- (2) The Mineral Resources were estimated in accordance with the definitions and requirements of Canada's National Instrument 43-101. The Mineral Resources are equivalent to Mineralized Material as defined by the SEC Industry Guide 7.
- (3) The Mineral Resources, other than for Goulagou (see Note 8), were estimated using optimized pit shells at a gold price of \$1,000 per ounce from which the Mineral Reserves have been subtracted. Other than gold price, the same optimized pit shell parameters and modifying factors used to determine the Mineral Reserves were used to determine the Mineral Resources. The Prestea Underground resource was estimated using a \$1,000 per ounce gold price and operating cost estimates. In 2008, we used a gold price of \$800 per ounce for the optimized shell.
- (4) The Mineral Resources are not included in and are in addition to the Mineral Reserves described above.
- (5) The Qualified Person for the estimation of the Mineral Resources is S. Mitchel Wasel, Golden Star Resources Vice President of Exploration.
- (6) Numbers may not add due to rounding.
- (7) Mineral Resources are shown on a 100% basis. The Mineral Resources shown above, other than for Goulagou, are subject to the Government of Ghana's 10% carried interest, which entitles it to a 10% dividend once capital costs have been recovered. The Mineral Resources at Prestea Underground are subject to the Government of Ghana's 19% minority interest, with Golden Star having an 81% beneficial interest. Goulagou is 10% owned by a third party.
- (8) The Mineral Resources for Goulagou were estimated using optimized pit shells at a gold price of \$560. Pit optimization parameters for the Goulagou Mineral Resources were estimated based on feasibility studies on other similar gold deposits in Burkina Faso,

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Golden Star's experience in West Africa, and from limited metallurgical test work on the Goulagou ores. Heap leach processing was the assumed processing option for this deposit.

- (9) The Hwini Butre Indicated Mineral Resource includes 0.29 million tonnes at a grade of 5.38 g/t which occurs below the \$1,000 pit shells and which we believe may be exploitable by underground mining.

### **NON-RESERVES INFERRED MINERAL RESOURCES**

#### *Cautionary Note to US Investors concerning estimates of Inferred Mineral Resources*

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

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

The total Inferred Mineral Resources for all of our open pit deposits are those ore tonnages contained within economically optimized pits, configured using current and predicted mining and processing methods and related operating costs and performance parameters. Except as otherwise indicated, the Inferred Mineral Resources for all properties have been estimated at economic cut-off grades based on gold prices of \$1,000 per ounce and \$800 per ounce as of December 31, 2009 and December 31, 2008, respectively, and economic parameters deemed realistic.

The following table summarizes estimated non-reserves Inferred Mineral Resources as of December 31, 2009 as compared to the total for December 31, 2008:

| Property            | Tonnes<br>(millions) | Gold<br>Grade<br>(g/t) |
|---------------------|----------------------|------------------------|
| Bogoso/Prestea(1)   | 3.8                  | 3.10                   |
| Prestea Underground | 4.1                  | 7.79                   |
| Wassa               | 0.1                  | 1.70                   |
| Benso               | 0.3                  | 3.98                   |
| Hwini-Butre (10)    | 0.4                  | 5.28                   |
| Chichiwelli Manso   | 1.9                  | 1.91                   |
| Goulagou(8)         | 0.5                  | 1.02                   |
| <b>Total 2009</b>   | <b>11.0</b>          | <b>4.62</b>            |
| Total 2008          | 20.2                 | 3.68                   |

**Notes to Non-Reserves Inferred Mineral Resources Table**

- (1) The Inferred Mineral Resources for Bogoso/Prestea incorporates Pampe and Mampon.
- (2) The Inferred Mineral Resources were estimated in accordance with the definitions and requirements of Canada's National Instrument 43-101. Inferred Mineral Resources are not recognized by the United States Securities and Exchange Commission.
- (3) The Inferred Mineral Resources, other than for Goulagou, were estimated using an optimized pit shell at a gold price of \$1,000 per ounce from which the Mineral Reserves have been subtracted. Other than gold price, the same optimized pit shell parameters and modifying factors used to determine the Mineral Reserves were used to determine the Mineral Resources. For Goulagou optimized pit shell at a gold price of \$560 was used. The Prestea Underground resource was estimated using an \$1,000 per ounce gold price and operating cost estimates.
- (4) The Inferred Mineral Resources are not included in and are in addition to the Mineral Reserves described above.
- (5) The Qualified Person for the estimation of the Inferred Mineral Resources is S. Mitchel Wasel, Golden Star Resources Vice President of Exploration.
- (6) Numbers may not add due to rounding.
- (7) Inferred Mineral Resources are shown on a 100% basis. Except for Goulagou and the Prestea Underground, the Inferred Mineral Resources shown are subject to the Government of Ghana's 10% carried interest which entitles it to a 10% dividend once our capital costs have been recovered. The Inferred Mineral Resources at Prestea Underground, are subject to the Government of Ghana's 19% minority

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interest, with Golden Star currently having an 81% beneficial interest. A private party owns 10% of Goulaogu.

- (8) Pit optimization parameters for the Goulagou Inferred Mineral Resources were estimated based on feasibility studies on other similar gold deposits in Burkina Faso, Golden Star's experience in West Africa, and from limited metallurgical test work on the Goulagou ores. Heap leach processing was the assumed processing option for this deposit.
- (9) The Hwini Butre Inferred Mineral Resource includes 0.26 million tonnes at a grade of 5.87 g/t which occurs below the \$1,000 pit shells and which we believe may be exploitable by underground mining.

### **EMPLOYEES**

As of December 31, 2009, Golden Star, including our majority-owned subsidiaries, had approximately 2,000 full time employees and approximately 200 contract employees, for a total of 2,200 a 21% decrease from the approximately 2,800 people employed at the end of 2008. The 2009 total includes 18 employees at our principal office in Littleton, Colorado and 5 exploration personnel in South America.

## **CUSTOMERS**

Currently all of our gold production is shipped to a South African gold refinery in accordance with a long-term gold sales contract. The refiner arranges for sale of the gold on the day it is shipped from the mine site and we receive payment for gold sold approximately two working days after the gold leaves the mine site. The global gold market is competitive with numerous banks and refineries willing to buy gold on short notice. Therefore we believe that the loss of our current customer would not materially delay or disrupt revenues.

## **COMPETITION**

Our competitive position depends upon our ability to successfully and economically explore, acquire and develop new and existing gold properties. Factors that allow gold producers to remain competitive in the market over the long term include the quality and size of ore bodies, cost of operation, and the acquisition and retention of qualified employees. We compete with other mining companies and other natural mineral resource companies in the acquisition, exploration, financing and development of new mineral properties. Many of these companies are larger and better capitalized than we are. There is significant competition for the limited number of gold acquisition and exploration opportunities.

We also compete with other mining companies for skilled mining engineers, mine and processing plant operators and mechanics, geologists, geophysicists and other experienced technical personnel.

## **SEASONALITY**

All of our operations are in tropical climates that experience annual rainy seasons. Ore output from our surface mining operations can be reduced during wet periods but mine plans are formulated to compensate for the periodic decreases and typically mining operations are not materially affected by rainy seasons. Exploration activities are generally timed to avoid the rainy periods to ease transportation logistics associated with wet roads and swollen rivers.

## **AVAILABLE INFORMATION**

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

## **ITEM 1A. RISK FACTORS**

### **RISK FACTORS**

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

### **Financial Risks**

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

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

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cause suspension of our mining operations at Bogoso/Prestea and Wassah/HBB if these operations become uneconomic at the then-prevailing gold price, thus further reducing revenues;

cause us to be unable to fulfill our obligations under agreements with our partners or under our permits and licenses which could cause us to lose our interests in, or be forced to sell, some of our properties;

cause us to be unable to fulfill our debt payment obligations;

halt or delay the development of new projects; and

reduce funds available for exploration, with the result that depleted mineral reserves are not replaced.

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

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

While we had net income of \$16.5 million in 2009, we experienced net losses of \$119.3 million and \$35.3 million in 2008 and 2007, respectively, and have experienced net losses in other prior fiscal years. In recent years, the start-up of the Bogoso sulfide plant, lower than expected ore grades or recoveries, higher than expected operating costs, and impairment write-offs of mine property and/or exploration property costs have been the primary factors contributing to such losses. In the future, these factors, as well as declining gold prices, could cause us to continue to be unprofitable. Future operating losses could adversely affect our ability to raise additional capital if needed, and could materially and adversely affect our operating results and financial condition. In addition, continuing operating losses could affect our ability to meet our debt payment obligations.

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

We had total consolidated debt and liabilities as of December 31, 2009 of \$233.6 million, including \$2.5 million payable to banks (\$5.0 before netting loan fees); \$21.0 million in equipment financing loans; \$101.0 million (\$125.0 million including the loan's equity portion) pursuant to the convertible debentures; \$63.1 million of current trade payables, accrued current and other liabilities; \$14.0 million of future taxes; and a \$32.0 million accrual for environmental rehabilitation liabilities. Our indebtedness and other liabilities may increase as a result of general corporate activities. These liabilities could have important consequences, including the following:

increasing our vulnerability to general adverse economic and industry conditions;

limiting our ability to obtain additional financing to fund future working capital, capital expenditures, exploration costs and other general corporate requirements;

requiring us to dedicate a significant portion of our cash flow from operations to make debt service payments, which would reduce our ability to fund working capital, capital expenditures, exploration and other general corporate requirements;

limiting our flexibility in planning for, or reacting to, changes in our business and the industry; and

placing us at a disadvantage when compared to our competitors that have less debt relative to their market capitalization.

***Our estimates of Mineral Reserves and non-reserves could be inaccurate, which could cause actual production and costs to differ from estimates.***

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

Fluctuation in gold prices, results of drilling, metallurgical testing, changes in operating costs, production, and the evaluation of mine plans subsequent to the date of any estimate could require revision of the estimates. The volume and grade of Mineral Reserves mined and processed

and recovery rates might not be the same as currently anticipated. Any material reductions in estimates of our Mineral Reserves and non-reserves, or of our ability to extract these Mineral Reserves and non-reserves, could have a material adverse effect on our results of operations and financial condition.

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

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

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

Our revenues are in United States dollars, and we maintain most of our working capital in United States dollars or United States dollar-denominated securities. We convert our United States funds to foreign currencies as certain payment obligations become due. Accordingly, we are subject to fluctuations in the rates of currency exchange between the United States dollar and these foreign currencies, and these fluctuations could materially affect our financial position and results of operations. A significant portion of the operating costs at Bogoso/Prestea and Wassah/HBB is based on the Ghanaian currency, the Cedi. We are required by the Government of Ghana to convert into Cedis 20% of the foreign exchange proceeds that we receive from selling gold, but the Government could require us to convert a higher percentage of gold sales proceeds into Cedis in the future. In addition, we currently have future obligations that are payable in South African Rand and Euros. We obtain construction and other services and materials and supplies from providers in South Africa and other countries. The costs of goods and services could increase or decrease due to changes in the value of the United States dollar or the Cedi, the Euro, the South African Rand or other currencies. Consequently, operation and development of our properties could be more costly than anticipated.

***Our hedging activities might be unsuccessful and incur losses.***

During September 2009, we entered into structured gold option agreements to address a significant increase in gold price volatility. All of these contracts had terms of 180 days or less. As of December 31, 2009, all of these agreements had expired. We may enter into additional hedging arrangements in the future, however, further hedging activities might not protect adequately against declines in the price of gold. In addition, although a hedging program could protect us from a decline in the price of gold; it might also prevent us from benefiting fully from price increases. For example, as part of a hedging program, we could be obligated to sell gold at a price lower than the then-current market price.

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

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

***We are subject to litigation risks.***

All industries, including the mining industry, are subject to legal claims, with and without merit. We are currently involved in litigation relating to crop compensation. We believe this action is frivolous and entirely without merit, and we are vigorously defending against this action on numerous grounds. We are also involved in various routine legal proceedings incidental to our business. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have a material effect on our future financial position and results of operations.



**Operational Risks**

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

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

power shortages;

mechanical and electrical equipment failures;

parts availability;

unexpected changes in ore grades;

unexpected changes in ore chemistry and gold recoverability;

environmental hazards;

discharge of pollutants or hazardous chemicals;

industrial accidents;

labor disputes and shortages;

supply and shipping problems and delays;

shortage of equipment and contractor availability;

unusual or unexpected geological or operating conditions;

cave-ins of underground workings;

slope failures and failure of pit walls or dams;

fire;

marine and transit damage and/or loss;

changes in the regulatory environment;

delayed or restricted access to ore due to community interventions; and

natural phenomena such as inclement weather conditions, floods, droughts and earthquakes.

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

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

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

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

Mining and processing gold from the south end of the Prestea property and from the Mampon property as well as the other planned activities will require mining, environmental, and other permits and approvals from the Government of Ghana. These permits and approvals may not be issued on a timely basis or at all, and such permits and approvals, when issued, may be subject to requirements or conditions with which it is burdensome or uneconomic to comply. Such permitting issues could adversely affect our projected production commencement dates, production amounts and costs.

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

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

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

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

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

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

estimation of mineral reserves and mineral resources;

mining rate, dilution and recovery;

anticipated metallurgical characteristics of the ore and gold recovery rates;

environmental and community considerations including resettlement, permitting and approvals;

future gold prices; and

anticipated capital and operating costs.

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

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

unanticipated changes in grade and tonnage of ore to be mined and processed;

unanticipated adverse geotechnical conditions;

incorrect data on which engineering assumptions are made;

costs of constructing and operating a mine in a specific environment;

cost of processing and refining;

availability of economic sources of power;

availability of qualified staff;

adequacy of water supply;

adequate access to the site including competing land uses (such as agriculture and illegal mining);

unanticipated transportation costs and shipping incidents and losses;

significant increases in the cost of diesel fuel, cyanide or other major components of operating costs;

government regulations and changes to existing regulations (including regulations relating to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, protection of the environment and agricultural lands, including bonding requirements);

fluctuations in gold prices; and

accidents, labor actions and force majeure events.

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

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

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

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

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

the identification of potential gold mineralization based on surface analysis;

availability of prospective land;

availability of government-granted exploration and exploitation permits;

the quality of our management and our geological and technical expertise; and

the funding available for exploration and development.

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

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

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

***Title to our mineral properties could be challenged.***

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

***We depend on the services of key executives.***

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

***Our insurance coverage could be insufficient.***

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

adverse environmental conditions;

industrial accidents;

labor disputes;

unusual or unexpected geological conditions;

ground or slope failures;

cave-ins;

changes in the regulatory environment;

marine transit and shipping damage and/or losses;

natural phenomena such as inclement weather conditions, floods and earthquakes; and

political risks including expropriation and civil war.

Such occurrences could result in:

damage to mineral properties or production facilities and equipment;

personal injury or death;

loss of legitimate title to properties;

environmental damage to our properties or the properties of others;

delays in mining, processing and development;

monetary losses; and

possible legal liability.

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

### **Governmental and Regulatory Risks**

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

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

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

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

licensing;

production;

taxes;

disposal of process water or waste rock;

toxic substances;

development and permitting;

exports and imports;

labor standards;

mine and occupational health and safety;

environmental protection and corporate responsibility, and

mine reclamation and closure plans.

Compliance with these regulations increases the costs of the following:

planning;

designing;

drilling;

operating;

developing;

constructing; and

closure, reclamation and rehabilitation.

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

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

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

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

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

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

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

In addition, the Government of Ghana has recently announced it is considering increases in mineral royalty rates. Golden Star has paid a royalty rate of 3% of its revenues from Bogoso/Prestea and Wassa/HBB for the last three years, and any increase in the royalty rate would adversely affect our financial results.

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

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

war, civil unrest, terrorism, coups or other violent or unexpected changes in government;

political instability and violence;

expropriation and nationalization;

renegotiation or nullification of existing concessions, licenses, permits, and contracts;

illegal mining;

changes in taxation policies (such as the temporary national stabilization levy imposed by the Government of Ghana in July 2009, which require payments equal to 5% of profits before tax);

unilaterally imposed increases in royalty rates;

restrictions on foreign exchange and repatriation; and

changing political conditions, currency controls, and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

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

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

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

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

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

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

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

**Market Risks**

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

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

the extent of analytical coverage available to investors concerning our business could be limited if investment banks with research capabilities do not continue to follow our securities;

the trading volume and general market interest in our securities could affect an investor's ability to trade significant numbers of common shares;

the size of the public float in our common shares may limit the ability of some institutions to invest in our securities; and

a substantial decline in our stock price that persists for a significant period of time could cause our securities to be delisted from NYSE Amex, the Toronto Stock Exchange and/or the Ghana Stock Exchange, further reducing market liquidity.

As a result of any of these factors, the market price of our common shares at any given point in time might not accurately reflect our long-term value. The stock markets in general have recently suffered major declines. Securities class action litigation often has been brought against companies following periods of market price volatility that affects the market price of particular securities without regard to the performance of

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the company whose stock price is affected. We could in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

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

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

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

Holders of our common shares or options to purchase our common shares or convertible debentures, referred to as equity securities, who are U.S. taxpayers should consider that we could be considered to be a passive foreign investment company (PFIC) for U.S. federal income tax purposes. Although we believe that we were not a PFIC in 2009 and do not expect to become a PFIC in the foreseeable future, the tests for determining PFIC status depend upon a number of factors, some of which are beyond our control, and can be subject to uncertainties, and we cannot assure you that we will not be a PFIC. We undertake no obligation to advise holders of our equity securities as to our PFIC status for any year.

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

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

Elections may be available to mitigate the adverse tax rules that apply to PFICs (the so-called QEF and mark-to-market elections), but these elections may accelerate the recognition of taxable income and may result in the recognition of ordinary income. The QEF and mark-to-market elections are not available to U.S. holders with respect to options to acquire our common shares or convertible debentures. We have not decided whether we would provide to U.S. holders of our common shares the annual information that would be necessary to make the QEF election.

Additional special adverse rules also apply to investors who are U.S. holders who own our common shares if we are a PFIC and have a non-U.S. subsidiary that is also a PFIC. Special adverse rules that impact certain estate planning goals could apply to our equity securities if we are a PFIC.

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

The conversion price of the convertible debentures is \$5.00 and represented a 72% premium over the closing price of our common shares on the NYSE Amex on February 23, 2010. In the event our share price is greater than the conversion price, this conversion feature may limit the increase in the price of our common shares, since any increase in the stock price above the conversion price will make it more likely that the convertible debentures will be converted, thereby exerting a downward pressure on the market price of the common shares.

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

As of February 23, 2010, there were options outstanding to purchase up to 6,644,898 common shares at exercise prices ranging from Cdn\$1.02 to Cdn\$9.07 per share. In addition, 1,477,579 additional common shares are available for issuance under our stock option plans. Furthermore, 25.0 million common shares are currently issuable upon conversion of the convertible debentures (additional shares may be issuable in certain circumstances). During the life of the options, convertible debentures and other rights, the holders are given an opportunity to profit from a rise in the market price of common shares, with a resulting dilution in the interest of the other shareholders. Our ability to obtain additional financing during the period such rights are outstanding could be adversely affected, and the existence of the rights could have an adverse effect on the price of our common shares. The holders of the options, convertible debentures and other rights can be expected to exercise or convert them at a time when we would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable than those

provided by the outstanding rights.

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

Current global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may affect our ability to obtain equity or debt financing in the future on favorable terms. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, our operations could be adversely impacted and the trading price of the common shares may be adversely affected.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None

**ITEM 2. DESCRIPTION OF PROPERTIES  
MAPS OF OPERATIONS AND PROPERTIES**

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

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**PROPERTY STATUS TABLE**

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

|                                   | <b>Property</b>                                | <b>Type of Interest</b>   | <b>Expiry Date</b>                      | <b>Property size</b>   | <b>2009 Status</b> | <b>Comments</b>              |
|-----------------------------------|--|---|---|--|--------------------|------------------------------|
| Bogoso<br>(Ghana)                 | Bogoso Mining Lease 1<br>Bogoso Mining Lease 2 | Government granted mining leases held by a 90% owned subsidiary   | 8/20/2017<br>8/15/2018                  | 50 km <sup>2</sup><br>45 km <sup>2</sup>                           | Active             | Mining stage                 |
| Bogoso<br>(Ghana)                 | Bogoso Prospecting License                     | Prospecting license<br>(PL)                                       | 3/10/2004<br>Renewal under application  | 58.52 km <sup>2</sup>  | Inactive           | Exploration stage            |
| Prestea<br>(Ghana)                | Prestea Mining Surface Lease                   | Government granted mining lease held by a 90% owned subsidiary    | 6/28/2031                               | 115.5 km <sup>2</sup>  | Active             | Mining and development stage |
| Prestea<br>Underground<br>(Ghana) | Prestea Underground Mining Lease               | Government granted mining lease held by a 81% beneficial interest | 7/6/2031                                | 115.5 km <sup>2</sup><br>lies directly below Prestea surface lease | Active             | Exploration stage            |
| Wassa<br>(Ghana)                  | Wassa Mining Lease                             | Government granted mining lease held by a 90% owned subsidiary    | 9/16/2022                               | 52.89 km <sup>2</sup>  | Active             | Mining stage                 |
| Wassa<br>Regional<br>(Ghana)      | Accra<br>Newtown                               | Prospecting license   | 5/6/2009<br>Renewal under application   | 15.68 km <sup>2</sup>  | Active             | Exploration stage            |
|                                   | Adaase   | Prospecting license   | 12/15/2009<br>Renewal under application | 45.6 km <sup>2</sup>   |                    | Exploration stage            |
|                                   | Ateiku-Twifo                                   | Reconnaissance license<br>(RL)                                    | 1/5/2010                                | 39.7 km <sup>2</sup>   |                    | Exploration stage            |
|                                   | Dwaben (Safric)                                | Reconnaissance license  | 2/7/2007<br>Renewal under               | 24.05 km <sup>2</sup>  |                    | Exploration stage            |

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application

|                        |                     |                                 |                    |        |                   |
|------------------------|---------------------|---------------------------------|--------------------|--------|-------------------|
| Dunkwa-Asikuma (Ghana) | Prospecting license | 12/20/2008                      | 66 km <sup>2</sup> | Active | Development stage |
|                        |                     | Renewal<br>under<br>application |                    |        |                   |

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| Property               | Type of Interest                                    | Expiry Date                     | Property size          | 2009 Status        | Comments                     |                              |
|------------------------|---|---------------------------------|------------------------|--------------------|------------------------------|------------------------------|
| Dunkwa-Mansiso (Ghana) | Prospecting license                                 | 9/3/2009                        | 56 km <sup>2</sup>     | Active             | Exploration stage            |                              |
|                        |   | Renewal under application       |                        |                    |                              |                              |
| Akropong (Ghana)       | Alkebulan Prospecting license                       | 7/15/2006                       | 25.04 km <sup>2</sup>  |                    | Exploration stage            |                              |
|                        |   | Renewal under application       |                        |                    |                              |                              |
|                        | Joset Prospecting license                           | 11/15/2008                      | 40.25 km <sup>2</sup>  | Active             | Exploration stage            |                              |
|                        |   | Renewal under application       |                        |                    |                              |                              |
|                        | Moseaso Prospecting license                         | 1/10/2010                       | 43.2 km <sup>2</sup>   | Active             | Exploration stage            |                              |
|                        |   | Renewal under application       |                        |                    |                              |                              |
|                        | Kobra-Riyadh East Reconnaissance license            | PL application under processing | 138 km <sup>2</sup>    |                    | Exploration stage            |                              |
| Pampe                  | Pampe Mining Lease                                  | Mining lease                    | 6/3/2012               | 50 km <sup>2</sup> | Active                       | Mining and Exploration stage |
| Hwini-Butre (Ghana)    | Mining lease  | 1/10/2012                       | 40 km <sup>2</sup>     | Active             | Mining and Exploration stage |                              |
| Manso (Ghana)          | 3 Prospecting licenses and joint venture agreements | Various                         | 221.07 km <sup>2</sup> | Active             | Exploration stage            |                              |
| Benso                  | Mining lease  | 9/26/2011                       | 20.38 km <sup>2</sup>  | Active             | Mining and Exploration stage |                              |
| Subriso                |   |                                 |                        |                    |                              |                              |
| Block                  |   |                                 |                        |                    |                              |                              |
| (Ghana) Benso-         | Prospecting license                                 | 11/18/2010                      | 22.46 km <sup>2</sup>  | Active             | Exploration stage            |                              |
| Amantin & Chichiwelli  |   | Renewal under application       |                        |                    |                              |                              |

Blocks

(Ghana)

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| Property      | Type of Interest | Expiry Date                           | Property size                      | 2009 Status            | Comments |                   |
|---------------|------------------|---------------------------------------|------------------------------------|------------------------|----------|-------------------|
| Ghana         | Abura            | Reconnaissance license joint venture  | 9/18/2007                          | 129.05 km <sup>2</sup> | Active   | Exploration stage |
| Regional      |                  |                                       | Conversion to PL in advanced stage |                        |          |                   |
|               | Adubrim          | Reconnaissance license                | 12/3/2008                          | 85.17 km <sup>2</sup>  |          |                   |
|               |                  |                                       | Renewal under application          |                        |          |                   |
|               | Afranse          | Prospecting license joint venture     | 7/24/2009                          | 77.46 km <sup>2</sup>  |          |                   |
|               |                  |                                       | Renewal under application          |                        |          |                   |
|               | Hotopo           | Reconnaissance licence- joint venture | 12/19/2008                         | 18.06 km <sup>2</sup>  |          |                   |
|               |                  |                                       | Renewal under application          |                        |          |                   |
|               | Oseneso          | Prospecting license joint venture     | 9/7/2008                           | 66.21 km <sup>2</sup>  |          |                   |
|               |                  |                                       | Renewal under application          |                        |          |                   |
|               | Apowa            | Reconnaissance license                | Under application                  | 99.9 km <sup>2</sup>   |          |                   |
| Côte d Ivoire | Amelekia         | Exploration license                   | 8/10/2010                          | 810.05 km <sup>2</sup> | Active   | Exploration stage |
| Regional      |                  |                                       |                                    |                        |          |                   |
|               | Abengourou       | Exploration license                   | 8/10/2010                          | 998.03 km <sup>2</sup> |          |                   |
|               | Agboville        | Exploration license                   | 8/10/2010                          | 999.7 km <sup>2</sup>  |          |                   |

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| Property                  | Type of Interest                         | Expiry Date  | Property size       | 2009 Status            | Comments          |   |
|---------------------------|--|--|---------------------|------------------------|-------------------|---|
| Mano JV<br>(Sierra Leone) | Sonfon South<br>Mano River Resources Inc | 8/18/2010  | 153 km <sup>2</sup> | Active                 | Exploration stage |   |
| Property                  | Type of Interest                         | Expiry Date  | Property size       | 2008 Status            | Comments          |   |
| Burkina Faso              | Goulagou                                 | Agreement allow earning up to 90%                          | 11/11/2011          | 185.25 km <sup>2</sup> | Active            | Optioned to Riverstone Resources Inc.   |
|                           | Rounga                                   | Agreement allow earning up to 90%                          | 11/13/2012          | 240 km <sup>2</sup>    |                   | Optioned to Riverstone Resources Inc.   |
|                           | Youba                                    | Agreement allow earning up to 90%                          | 10/17/2011          | 61.75 km <sup>2</sup>  |                   | Optioned to Riverstone Resources Inc. Formerly part of the optioned Goulagou permit |
|                           | Tougou                                   | Exploration Permit 100% held by GSE-BF (GSR subsidiary)    | 8/21/2011           | 128 km <sup>2</sup>    |                   | Exploration stage   |
|                           | Bangodo                                  | Exploration Permit 100% held by GSE-BF (GSR subsidiary)    | 10/17/2011          | 249.77 km <sup>2</sup> |                   | Exploration stage   |
|                           | Kampouaga                                | 100 % held by GSE-BF (GSR Subsidiary)                      | 10/17/2011          | 243.99 km <sup>2</sup> |                   | Exploration stage   |
| Niger                     | Deba                                     | Exploration Permit 100% held by GSE-Niger (GSR subsidiary) | 12/27/2010          | 550 km <sup>2</sup>    | Active            | JV with AMI Resources Inc who are earning into properties                           |
|                           | Tialkam                                  | Exploration Permit 100% held by GSE-Niger (GSR subsidiary) | 12/27/2010          | 372 km <sup>2</sup>    |                   |   |

## MINING IN GHANA

### Ghanaian Ownership and Special Rights

Ghana is situated on the west coast of Africa, approximately 600 kms north of the Equator on the Gulf of Guinea. Accra, the capital city of Ghana, is located almost exactly on the Prime Meridian. The former British colony changed its name from the Gold Coast to Ghana on achieving independence on March 6, 1957. Ghana is now a republic with a population of approximately 24 million people and a democratically elected government. English remains the official and commercial language.

The total land area of the country is approximately 238,000 square kilometers and the topography is relatively flat. Ghana has a tropical climate with two rainy seasons and two dry seasons each year particularly in the western region where Golden Star Resources has its two operations.

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

A company or individual can apply to the Minerals Commission for a renewable exploration license granting exclusive rights to explore for a particular mineral in a selected area for an initial period not exceeding three years. When exploration has successfully delineated a Mineral Reserve, an application may be made to the Minerals Commission for conversion to a mining lease, granting a company the right to produce a specific product from the concession area, normally for a period of 20 to 30 years or a lesser period that may be agreed upon with the applicant.

The 2006 Act requires that any person who intends to acquire a controlling share of the equity of any mining company that has been granted a mining lease, must first give notice of its intent to the Government and obtain its consent prior to acquiring a controlling share.

Under the 2006 Act, the Government of Ghana holds a 10% free-carried interest in all companies that hold mining leases. The 10% free carried interest entitles the Government to a pro-rata share of future dividends. The Government has no obligation to contribute development capital or operating expenses. GSBPL and GSWL owe \$496 million and \$155 million, respectively, to Golden Star or its subsidiaries as of December 31, 2009 for past advances and interest on these advances, and these amounts would be repaid before payment of any dividends.

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

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

it would carry no voting rights, but the holder would be entitled to receive notice of and to attend and speak at any general meeting of the members or any separate meeting of the holders of any class of shares;

it could only be issued to, held by, or transferred to the Government or a person acting on behalf of the Government;

the written consent of the holder would be required for all amendments to the organizational documents of the company, the voluntary winding-up or liquidation of the company or the disposal of any mining lease or the whole or any material part of the assets of the company;

it would not confer a right to participate in the dividends, profits or assets of the company or a return of assets in a winding up or liquidation of the company;

the holder of a special share may require the company to redeem the special share at any time for no consideration or for a consideration determined by the company

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

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

### **Ghanaian Royalty Requirements**

The holder of a mining lease is required to pay quarterly a royalty of not less than 3% and not more than 6% of gold revenues. The Government of Ghana determines the royalty percentage each year based on the ratio that our operating margin bears to the value of gold produced from a mining lease in that year.

Based on the Mineral Royalty Regulation currently in force, the royalty is 3% when the operating ratio is 30% or less, and increases 0.075% for each 1% increase in operating ratio until it reaches a maximum of 6% at an operating ratio of 70%. In 2009, 2008 and 2007 the royalty rate for GSBPL was 3% of revenues and GSBPL paid \$5.4 million, \$4.5 million and, \$2.6 million, respectively. The royalty payments from GSBPL have not exceeded 3% per annum in any year. GSWL paid a 3% royalty of \$7.3 million, \$3.3 million and \$2.7 million in 2009, 2008 and 2007, respectively.

During 2009, the Government of Ghana announced its intention to increase mining royalty rates as part of a general review of national revenue sources. It is unclear when and how this will be implemented.

### **Ghanaian Environmental Regulations**

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

In 2005, pursuant to a reclamation bonding agreement between the EPA and GSWL, we bonded \$3.0 million to cover future reclamation obligations at Wassa. To meet the bonding requirements, we established a \$2.85 million letter of credit and deposited \$0.15 million of cash with the EPA. Pursuant to a further bonding agreement between the EPA and GSBPL, we bonded \$9.5 million in early 2006 to cover our future obligations at Bogoso/Prestea. To meet these requirements, we deposited \$0.9 million of cash with the EPA with the balance covered by a letter of credit. In 2008, the bond was increased by \$0.5 million to cover the Pampe mining site.

In 2008, the EPA required Bogoso/Prestea to resubmit their Environmental Management Plan ( EMP ) with an updated estimate of the reclamation and closure costs prepared by a third party consultant. A consultant was commissioned to prepare the reclamation and closure cost estimate and the EMP was submitted to the EPA in February, 2009. The EPA requested payment of fees associated with the issuance of the certificate, which was completed. Bogoso/Prestea has completed all the legal requirements and is waiting for the EPA to issue the environmental certificate.

In 2009, the EPA required Wassa to resubmit their EMP with an updated estimate of the reclamation and closure costs prepared by a third party consultant. A consultant was commissioned to review the reclamation and closure cost estimate and the EMP was submitted to the EPA in September 2009. A letter from the EPA was subsequently received with comments and Wassa was asked to incorporate the comments and submit the required number of copies to the EPA. The document is under revision for submission.

Reclamation activities were ongoing at both Wassa and Bogoso/Prestea during 2009 to rehabilitate disturbed lands and reduce some of the long-term liabilities including re-profiling waste dumps, capping hard rock with oxide materials, topsoil spreading and planting for both slope stabilization and long-term rehabilitation. Our consolidated reclamation expenditures totaled \$2.0 million, \$1.2 million and \$0.9 million respectively in 2009, 2008 and 2007. We believe all our operations in Ghana are currently in substantial compliance with all environmental requirements.

### **Environmental Laws and Regulations**

All phases of our operations are subject to environmental laws and regulations in the various jurisdictions where we operate. These regulations may define, among other things, air and water quality standards, waste management requirements, and mine closure and land rehabilitation obligations. In general, environmental legislation is evolving to require stricter operating standards, more detailed social and environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors, and employees for social responsibility and health and safety. However, changes in environmental regulations could affect the way we operate, resulting in higher environmental and social operating costs that may affect the viability of our operations. In the past year in particular, we have noted a trend toward increasing environmental requirements.



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

educated our leaders and managers so that they are committed to creating a culture that makes social and environmental matters an integral part of the short- and long-term operations and performance management systems;

worked with our employees so that they understand and accept environmental and social policies and procedures as a fundamental part of the business;

signed and implemented the International Cyanide Management Code ( the Code ) and attained substantive compliance for both the Bogoso/Prestea and Wassa operations;

signed and publicly stated our support for the UN Global Compact and completed our communications on progress (COP);

established, and continue to improve operating standards and procedures that aim to meet or exceed requirements in relevant laws and regulations, the commitments made in our environmental impact statements, environmental and socioeconomic management plans, rehabilitation and closure plans and any international protocols to which we are a signatory;

incorporated environmental and human rights performance requirements into all relevant contracts;

provided training to employees and contractors in environmental matters;

regularly prepared, reviewed, updated and implemented site-specific environmental management and rehabilitation and closure plans;

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

consulted local communities and regulators to provide us with input to our environmental management policies and procedures;

regularly reviewed our environmental performance; and

publicly reported our social, health, safety, and environmental performance.

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

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

and results of operations.

### **CORPORATE SOCIAL RESPONSIBILITY**

In keeping with our health and safety, environmental, community relations and human rights policies, we strive at all times to conduct our business as a responsible corporate citizen. We believe our ongoing success in Ghana depends on our continuing efforts to build good relations with our local stakeholder communities and by incorporating broader stakeholder comments and addressing their concerns in our developing projects and ongoing operations. We believe our success as an employer, as a neighbor and as an important part of the local economy is furthered by contributing to the diversification of the local economy with projects such as our Oil Palm Project and by our support of community-driven improvement projects through our Development Foundation. During 2009, the Development Foundation worked with our local Community Mine Consultation Committees to fund and sponsor several community driven projects including a medical clinic, continuing scholarships for local students, nurses quarters, a clinic refurbishment, supplying of medical equipment in partnership with Project C.U.R.E., school buildings and community electrification projects.

Our Oil Palm Project continued to advance during 2009 and now has over 700 hectares under cultivation. Our second set of plantation plots were handed over resulting in a total of 132 families now each having 4 hectares of oil palm plantation.

In our efforts to promote transparency in governance, we continue to work with the Extractive Industry Transparency Initiative and throughout 2009 we published our payments to government (e.g. taxes, royalties, fees). We furthered our work in human rights and against child and forced labor with an extensive training program within GSR and expressed our support of human rights in letter outlining our commitment and training material that were sent to the to our major suppliers.

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

## **OPERATING PROPERTIES**

### **The Bogoso/Prestea Gold Mine**

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

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

We acquired Bogoso in 1999 and Prestea in 2001. Bogoso/Prestea gold sales totaled 120,216 ounces in 2007, 170,499 in 2008 and 186,054 in 2009. See the Operating Results for Bogoso/Prestea section below for additional details on historical production and operating costs. In addition to the Bogoso/Prestea complex described above, Bogoso/Prestea assets include the following non-operating properties:

**Mampon** The Mampon deposit is located approximately 35 kilometers north of the Bogoso processing plant. Mampon is an undeveloped gold deposit with, as of December 31, 2009, an estimated 1.2 million tonnes of Probable Mineral Reserves at an average gold grade of 5.24 g/t, which we plan to mine by open pit mining methods. It is expected that Mampon ore will be hauled by truck to the Bogoso processing plants when mining is initiated here.

**Pampe** The Pampe deposit is located approximately 19 kilometers west of the Bogoso processing plants. As at December 31, 2009 we have estimated a Probable Mineral Reserve of 1.5 million tonnes at an average gold grade of 3.53 g/t. Pampe was mined during 2007 and 2008 but has been placed on a care and maintenance since then. We expect to resume mining at Pampe once mining is initiated at Prestea South so that Pampe oxide ore will be blended with the Prestea South oxide ore.

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

**Prestea Underground** This property is discussed in more detail below under the EXPLORATION STAGE PROPERTIES IN GHANA section.

### ***Geology at Bogoso/Prestea***

Bogoso/Prestea lies within the Eburnean Tectonic Province in the West African Precambrian Shield along the Ashanti Trend located immediately south of the town of Bogoso. The area is dominated by a major northeast-southwest trending structural fault zone referred to as the Ashanti Trend, which hosts the Prestea, Bogoso, Obuasi and Konongo gold deposits, among others. Parallel to the Ashanti Trend is the Akropong Trend, which hosts the Ayanfuri deposit. The Akropong Trend is about 15 kilometers west of the Ashanti Trend in the Bogoso region, and gradually converges with it at Obuasi forming the basis for the Obuasi mine, which is owned and operated by AngloGold Ashanti Limited.

### ***Mineral Reserves at Bogoso/Prestea***

At December 31, 2009, Bogoso/Prestea had Proven and Probable Mineral Reserves, including the Probable Mineral Reserves at Prestea South, Mampon and Pampe, of 31.2 million tonnes grading 2.74 g/t containing approximately 2.75 million ounces of gold before any reduction for recovery losses and the Government of Ghana's 10% minority interest. See the Proven and Probable Mineral Reserves table and the Non-Reserves Measured and Indicated Mineral Resource table in Item 1 of this Form 10-K.



**Operating Results for Bogoso/Prestea**

The following tables show historical operating results:

| <b>BOGOSO/PRESTEA OPERATING RESULTS</b> | <b>2009</b> | <b>2008</b> | <b>2007</b> |
|---|-------------|-------------|-------------|
| Ore mined refractory (t)                | 2,940,822   | 2,604,639   | 1,427,958   |
| Ore mined non-refractory                |             | 140,036     | 928,621     |
| Total ore mined (t)                     | 2,940,822   | 2,744,675   | 2,356,579   |
| Waste mined (t)                         | 14,929,249  | 19,464,979  | 18,515,851  |
| Refractory ore processed (t)            | 2,887,400   | 2,736,379   | 1,640,318   |
| Refractory ore grade (g/t)              | 2.78        | 2.82        | 2.44        |
| Gold recovery refractory ore (%)        | 70.7%       | 66.5%       | 52.1%       |
| Non-refractory ore processed (t)        |             | 359,669     | 1,429,309   |
| Non-refractory ore grade (g/t)          |             | 2.38        | 2.04        |
| Gold recovery non-refractory ore (%)    | 0.0%        | 66.0%       | 73.3%       |
| Gold sales (oz)                         | 186,054     | 170,499     | 120,216     |
| <b>Total cash cost (\$/oz)</b>          | <b>735</b>  | <b>863</b>  | <b>788</b>  |
| Royalties (\$/oz)                       | 30          | 26          | 22          |
| <b>Cash operating cost (\$/oz)</b>      | <b>705</b>  | <b>837</b>  | <b>766</b>  |

- (1) Gold sales 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 from the subsidiary owning Bogoso/Prestea.
- (2) The Bogoso/Prestea sulfide processing plant was placed in service in July 2007.

**Exploration at Bogoso/Prestea**

During 2009, Bogoso/Prestea area exploration activities focused on drilling VTEM geophysical targets and testing extensions of gold mineralization in proximity to the operating pits. The VTEM targets were ranked based on favorable geology and structure coinciding with zones of high conductivity. During 2009 we tested the two top ranked VTEM targets, which were near Chujah and Buesichem, and based on the 2009 results, plan follow-up drilling on the Buesichem target in 2010. We also plan to drill test other Bogoso/Prestea VTEM targets over the next few years.

**Bogoso/Prestea Outlook for 2010**

During 2010 we expect that the Bogoso sulfide plant will continue to process refractory sulfide ores from the pits at Bogoso/Prestea. The Bogoso oxide plant may process sulfide ores, if needed, to maintain optimum sulfide concentrate feed to the Bogoso sulfide biox reactors. We expect Bogoso/Prestea will produce approximately 200,000 ounces of gold in 2010 from sulfide ores at an average cash operating cost of approximately \$650 per ounce.

**The Wassa Gold Mine****Overview of the Wassa Gold Mine**

We own and operate the Wassa gold mine located approximately 35 kilometers east of Bogoso/Prestea in southwest Ghana. The property was acquired in 2001 from a former owner who had operated Wassa as a heap leach gold mine. The property, as now constituted, includes a series of open-pits, a nominal 3.0 million tonne per annum CIL processing plant with its crushing and grinding circuits, a fleet of mining equipment, ancillary facilities including an administration building, a warehouse, a maintenance shop, a stand-by power generating facility and an employee residential complex. We completed construction of the CIL processing plant in early 2005, and the plant was placed in commercial service on April 1, 2005.

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

**Geology at Wassa**

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

**Mineral Reserves at Wassa**

As at December 31, 2009 Wassa, including the HBB properties, had Proven and Probable Mineral Reserves of 17.1 million tonnes with an average grade of 1.79 g/t containing approximately 0.99 million ounces of gold before recovery losses and any reduction for the Government of Ghana's 10% minority interest. See the Proven and Probable Mineral Reserves table and the Non-Reserves Measured and Indicated Mineral Resource table in Item 1 of this Form 10-K.

**Operating Results for Wassa**

The following table displays historical operating results at Wassa.

| <b>WASSA/HBB OPERATING RESULTS</b> | <b>2009</b> | <b>2008</b> | <b>2007</b> |
|------------------------------------|-------------|-------------|-------------|
| Ore mined (t)                      | 2,222,511   | 2,885,985   | 3,091,292   |
| Waste mined (t)                    | 16,708,312  | 7,416,516   | 8,125,132   |
| Ore processed (t)                  | 2,652,939   | 3,187,230   | 3,752,376   |
| Grade processed (g/t)              | 2.76        | 1.33        | 1.17        |

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|                                    |            |            |            |
|------------------------------------|------------|------------|------------|
| Recovery (%)                       | 95.3%      | 93.6%      | 92.0%      |
| Gold sales (oz)                    | 223,848    | 125,427    | 126,062    |
| <b>Total cash cost (\$/oz)</b>     | <b>479</b> | <b>580</b> | <b>444</b> |
| Royalties (\$/oz)                  | 33         | 26         | (21)       |
| <b>Cash operating cost (\$/oz)</b> | <b>447</b> | <b>554</b> | <b>465</b> |

### ***Exploration at Wassa***

Wassa's 2009 exploration activities focused on expanding reserves in the Wassa main pit and the development of new deeper ore zones at the SAK pits during 2009 which resulted in a decision to deepen the SAK 1 pit in 2010 to access the new-found reserves. Later in 2009, drilling proceeded to test various targets around the Benso mining operations and near the Hwini Butre mine operations.

### **Wassa Outlook for 2010**

Wassa/HBB is expected to produce approximately 200,000 ounces in 2010 at an average cash operating cost of approximately \$520 per ounce.

## **DEVELOPMENT PROPERTIES**

### **Prestea South Properties**

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

We received mining permits for this area in 2008 and subsequently applied for environmental permits. We expect to initiate development at Prestea South, including its 20 kilometer haul road, once the environmental permits are received. The Prestea South oxide ore will be transported to Bogoso and processed through the Bogoso oxide plant. The Prestea South sulfide ore will be processed through the Bogoso sulfide plant.

As of December 31, 2009, the Prestea South properties had total Proven and Probable Mineral Reserves of 4.6 million tonnes grading 2.58 g/t containing approximately 0.38 million ounces before any reduction for the Government of Ghana's 10% minority interest. Prestea South Mineral Reserve estimates have been adjusted to reflect our estimate of the ore illegally removed.

## **EXPLORATION STAGE PROPERTIES IN GHANA**

### **Prestea Underground**

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

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

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

Exploration activities at the Prestea Underground in 2009 were limited to desktop review of additional drilling targets. We continue to dewater the Prestea Underground, and we are refurbishing the Central Shaft and assessing services on 12, 17 and 24 level.

### ***Geology of Prestea Underground***

The Prestea Underground deposits are located along the same Ashanti Trend structure as are our Bogoso deposits a few kilometers to the north and our Prestea South deposits a few kilometers to the south with most of the gold mineralization found in a narrow tabular fault zone which dips steeply to the northwest.

### **Akropong Trend Properties**

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The Akropong properties are located along a fault structure which roughly parallels the Ashanti Trend and is located approximately 20 kilometers to the west of our Bogoso processing plant. Our 2009 exploration programs tested several targets along this trend with further rotary air blast drilling being planned for 2010. If this exploration is successful we would look at trucking this material to our Bogoso processing plant as we had been doing with ore from Pampe, located on the southern end of these properties. We also intend to test the down dip high grade portions of the Pampe deposit, below the current open pit designs, in 2010. These targets would be amenable to underground mining methods should we intersect grades and thicknesses of economic viability.

### **Dunkwa Properties**

The Dunkwa Properties, which are located directly north of our Bogoso Mining lease, consist of two prospecting licenses, Mansiso and Asikuma, the latter hosting our Mampon ore deposit.

The Mansiso and Asikuma concessions were both flown as part of the 2008 VTEM airborne geophysical survey. The chargeability response from this survey has enhanced the understanding of the major structures running through the property and several new targets have been identified, some of which were explored in 2009. We continue to follow up on targets generated by this geophysical survey and have plans to drill the Opon East anomaly which we identified in 2009. Deeper exploration drilling to test the high grade down plunge extension of the Mampon deposit has also been budgeted for 2010.

### **OTHER EXPLORATION STAGE PROPERTIES IN AFRICA**

#### ***African Aura Mining (Mano River) Joint Venture, Sierra Leone***

There was minimal activity at the Sonfon project during 2009. Field activities were restarted in late 2009 and will carry over into 2010 when we plan to conduct additional geophysical surveys and drilling programs. Drilling targets will follow up on any geophysical anomalies delineated from the survey as well as on significant results intersected during the initial diamond drilling campaign in 2008.

During 2009 our cumulative life-to-date exploration expenditures at Sonfon reached \$2 million which, per terms of the joint venture agreement, earned Golden star a 51% interest in the Sonfon property.

#### ***Cote d Ivoire***

The 2009 exploration programs focused on our Amélekia and Abengourou concessions located in the southeastern portion of Cote d Ivoire adjacent to the Ghanaian border along northeast trending structures located to the west of the Sefwi greenstone belt in Ghana. Late in 2009 we initiated an infill soil sampling program over the two previously defined soil anomalies on the Ameleкия concession. This program will carry over into 2010, and once completed, we plan to follow up on any gold in soil anomalies with first pass rotary air blast drilling.

#### ***Burkina Faso***

We hold a 90% beneficial interest in the Goulagou and adjoining Rounga gold properties, with a local Burkina Faso partner owning a 10% interest. The Government of Burkina Faso will receive a statutory 10% carried interest upon the granting of a mining lease. The two properties are located approximately 100 kilometers west of Ouagadougou, the capital city of Burkina Faso, and 20 kilometers north of the city of Ouahigouya. Drilling programs carried out by the prior owner and its predecessors identified several areas of gold mineralization including two parallel zones on the Goulagou property the Goulagou I and II deposits.

In October 2007, we granted Riverstone Resources Inc. ( Riverstone ) an option to purchase the Goulagou and Rounga concessions. Exploration programs in 2009 were managed and implemented by Riverstone and mainly consisted of infill reverse circulation drilling on the Goulagou concession. We expect that Riverstone will continue its exploration efforts during 2010.

In addition to the Goulagou and Rounga concessions, Golden Star Burkina Faso also holds three other licenses which preliminary reconnaissance exploration work was carried out on in late 2009. Results from this first pass prospection will determine how we proceed with these properties in 2010.

#### ***Deba and Tialkam Projects, Niger***

Our interest in the Deba and Tialkam gold properties in Niger were optioned to AMI Resources in 2009, which is earning into the property.

### **EXPLORATION STAGE PROPERTIES IN SOUTH AMERICA**

#### ***Saramacca Property***

The Saramacca property, located in Suriname, consists of three concessions totaling 536 square kilometers. The area is underlain by lower Proterozoic greenstone rocks of the Paramaka and Armina formations which also host IamGold's Gross Rosebel Mine and Newmont's Nassau gold project. During 2009, Newmont earned a 51% interest in the Saramacca project by spending \$6 million on exploration expenditures and has taken over management of the programs. In November 2009, we entered into an agreement to sell our interest in the Saramacca joint venture to

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Newmont for approximately \$8.0 million. Proceeds of the sale have been put in escrow pending the receipt of required governmental approvals and certain additional customary conditions.

### ***French Guiana***

Activities in French Guiana remained on a care and maintenance basis during 2009 waiting on the French Governments finalization of the new Mining Scheme . All of our concession renewals and applications have remained in a state of suspension as the new legislation is yet to be approved.

In November 2009, we entered into a settlement agreement in respect of the outstanding litigation regarding the Paul Isnard properties in French Guiana, pursuant to which the rights to those properties are to be transferred to us, subject to receiving the required governmental approvals. Also in November 2009, we entered into an agreement to sell our rights, title and interest in the Bon Espoir, Iracoubo Sud and Paul Isnard properties in French Guiana for approximately \$2.1 million.

**Brazil**

Several potential joint venture earn-in opportunities were identified and new concessions were staked during 2009. We have farmed out several of our concessions in Minas Gerais and we are seeking partners for other projects in this area. Golden Star is focusing its 2010 exploration efforts in Northern Mato Grosso and we will also continue to evaluate prospective ground as well as farm-in or acquisition opportunities in other locations in Brazil as well.

**ITEM 3. LEGAL PROCEEDINGS**

We are engaged in routine litigation incidental to our business none of which is deemed to be material. 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.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted to a vote of security holders during the fourth quarter of 2009.

**PART II**

**ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASE OF EQUITY SECURITIES**

Our common shares trade on the Toronto Stock Exchange (TSX) under the trading symbol GSC, on the NYSE Amex (formerly known as the American Stock Exchange) under the symbol GSS and on the Ghana Stock Exchange under the symbol GSR. As of February 23, 2010, 257,407,061 common shares were outstanding and we had 982 registered shareholders. On February 23, 2010, the closing price per share for our common shares as reported by the TSX was Cdn\$3.04 and as reported by the NYSE Amex exchange was \$2.91.

The following table sets forth, for the periods indicated, the high and low market closing prices per share of our common shares as reported by the TSX and the NYSE Amex.

|                | Toronto Stock Exchange |       | NYSE AMEX |      |
|----------------|------------------------|-------|-----------|------|
|                | Cdn\$                  | Cdn\$ | \$        | \$   |
|                | High                   | Low   | High      | Low  |
| <b>2009</b>    |                        |       |           |      |
| First Quarter  | 2.32                   | 1.21  | 1.82      | 1.01 |
| Second Quarter | 2.53                   | 1.50  | 2.33      | 1.20 |
| Third Quarter  | 3.81                   | 2.12  | 3.56      | 1.83 |
| Fourth Quarter | 4.59                   | 3.19  | 4.39      | 2.96 |

|                | Toronto Stock Exchange |       | NYSE AMEX |      |
|----------------|------------------------|-------|-----------|------|
|                | Cdn\$                  | Cdn\$ | \$        | \$   |
|                | High                   | Low   | High      | Low  |
| <b>2008</b>    |                        |       |           |      |
| First Quarter  | 4.16                   | 2.74  | 4.31      | 3.29 |
| Second Quarter | 3.85                   | 3.28  | 3.80      | 2.64 |
| Third Quarter  | 2.67                   | 1.25  | 2.67      | 1.18 |
| Fourth Quarter | 1.75                   | 0.56  | 1.57      | 0.46 |

We have not declared or paid cash dividends on our common shares since our inception and we expect for the foreseeable future to retain all of our earnings from operations for use in expanding and developing our business. Future dividend decisions will consider then current business

results, cash requirements and our financial condition.

**Performance Graph and Table**

The following graph and table illustrates the cumulative total shareholder return on the common shares for the fiscal years ended December 31, 2004 through 2009, together with the total shareholder return of the S&P/TSX Composite Index, and the Amex Gold Bugs Index for the same period. The graph and table assumes an initial investment of Cdn\$100 at December 31, 2004 and is based on the trading prices of the common shares for the periods indicated. Because we did not pay dividends on our common shares during the measurement period, the calculation of the cumulative total shareholder return on the common shares does not include dividends.

|                                     | 2004      | 2005      | 2006      | 2007      | 2008      | 2009      |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Golden Star Resources Ltd.</b>   |           |           |           |           |           |           |
| Dollar Value                        | \$ 100.00 | \$ 63.77  | \$ 71.23  | \$ 64.70  | \$ 25.38  | \$ 67.67  |
| Annualized Return Since Base Year   |           | (36.2)%   | (15.6)%   | (13.5)%   | (29.0)%   | (7.5)%    |
| Return Over Previous Year           |           | (36.2)%   | 11.7%     | (9.2)%    | (60.8)%   | 166.6%    |
| <b>S&amp;P /TSX Composite Index</b> |           |           |           |           |           |           |
| Dollar Value                        | \$ 100.00 | \$ 118.08 | \$ 135.17 | \$ 122.84 | \$ 98.91  | \$ 110.48 |
| Annualized Return Since Base Year   |           | 18.1%     | 16.3%     | 7.1%      | (0.3)%    | 2.0%      |
| Return Over Previous Year           |           | 18.1%     | 14.5%     | (9.1)%    | (19.5)%   | 11.7%     |
| <b>Amex Gold Bugs Index (1)</b>     |           |           |           |           |           |           |
| Dollar Value                        | \$ 100.00 | \$ 124.55 | \$ 152.09 | \$ 156.10 | \$ 142.91 | \$ 173.64 |
| Annualized Return Since Base Year   |           | 24.6%     | 23.3%     | 16.0%     | 9.3%      | 11.7%     |
| Return Over Previous Year           |           | 24.6%     | 22.1%     | 2.6%      | (8.4)%    | 21.5%     |

(1) Prior to 2007, we utilized the Canadian Gold Index. This index is no longer published. For 2007 and afterward, we utilized the Amex Gold Bugs Index, which is comparable to the Canadian Gold Index.

**RECENT SALES OF UNREGISTERED SECURITIES**

No sales of unregistered securities occurred during 2009.

**CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

The following is a summary of the principal Canadian federal income tax considerations that apply to the holding and disposition of our common shares. This summary only applies to a holder who is for Canadian income tax purposes not resident in Canada, is resident in the United States of America under the provisions of the *Canada-United States Income Tax Convention* (1980) (the Treaty) and holds our common shares as capital property.

This summary is based on the current provisions of the *Income Tax Act* (Canada) and the regulations there under (the Tax Act) and all amendments to the Tax Act publicly proposed by the Government of Canada to the date hereof. This summary is also based on the current provisions of the Treaty and our understanding of the current publicly available administrative and assessing practices published in writing by the Canada Revenue Agency.

It is assumed that each proposed amendment will be enacted as proposed and there is no other relevant change in any governing law, although no assurance can be given in these respects. This summary does not otherwise take into account any change in law or administrative practice, whether by judicial, governmental, legislative or administrative action, nor does it take into account provincial, territorial or foreign income tax consequences, which may vary from the Canadian federal income tax considerations described herein.

A particular US resident person may not be entitled to benefits under the Treaty if the limitations of benefits provisions of the Treaty apply to the particular US resident person. The limitation of benefits provisions under the Treaty are complex and US residents are advised to consult their own tax advisors in this regard.

Under the Treaty members of a limited liability corporation created under the limited liability company legislation in the U.S. and treated as a partnership or disregarded entity under US tax law ( LLC ) (and holders of interests in similarly fiscally transparent US entities) may be entitled to benefits under the Treaty in certain circumstances provided that the members of the LLC are taxed in the United States on any income, profits or gains earned through the LLC in the same way they would be if they had earned it directly. Note, the recently concluded Fifth Protocol to the Treaty will affect those shareholders that hold their shares through an LLC or other fiscally transparent or hybrid entity. If you utilize such entities to hold your common shares, then you consult your tax advisors about the impact of the Fifth Protocol on your holdings.

Special rules, which are not discussed in this summary, may apply if you are an insurer carrying on business in Canada and elsewhere, or a financial institution as defined by section 142.2 of the Tax Act. If you are in any doubt as to your tax position, you should consult with your tax advisor.

This summary is of a general nature only and it is not intended to be, nor should it be construed to be, legal or tax advice to any holder of the common shares and no representation with respect to Canadian federal income tax consequences to any holder of common shares is made herein. **ACCORDINGLY, SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE INCOME AND OTHER TAX CONSEQUENCES ARISING IN THEIR PARTICULAR CIRCUMSTANCES.**

#### *Taxation of Dividends*

Dividends paid or credited (or deemed to be paid or credited) by us to a holder of one or more common shares will be subject to Canadian non-resident withholding tax at the rate of 25% on the gross amount of the dividend. Under the Treaty, the rate of withholding tax is reduced to 15% if the holder is the beneficial owner of the dividends or 5% if the holder is a company that owns at least 10% of the company's voting stock and beneficially owns the dividend. Dividends paid to religious, scientific, charitable and similar tax exempt organizations and pension organizations that are resident and exempt from tax in the U.S. and that have complied with the administrative procedures specified in the Treaty are exempt from this Canadian withholding tax.

#### *Taxation of Capital Gains*

Gains realized by a holder on a sale, disposition or deemed disposition of our common shares will not be subject to tax under the Tax Act unless the common shares constitute taxable Canadian property within the meaning of the Tax Act at the time of the sale, disposition or deemed disposition (including a deemed disposition upon death of a holder). Our common shares are not taxable Canadian property provided that they are listed on a designated stock exchange (which includes the TSX), and that neither you, nor one or more persons with whom the you did not deal at arm's length, alone or together, at any time in the five years immediately preceding the disposition, owned 25% or more of the issued shares of any class or series of our capital stock. Even if our common shares are taxable Canadian property to you, under the Treaty you will generally be exempt from paying Canadian income tax on any gain provided that you are a resident of the United States for the purposes of the Treaty (and are otherwise eligible for the benefits of the Treaty), and further provided that the value of our common share is not derived principally from real property situated in Canada.

Currently, our common shares do not derive their value principally from real property situated in Canada and therefore capital gains realized from the disposition of our common shares would be exempt from tax by virtue of the provisions of the Tax Treaty; however, the determination as to whether Canadian tax would be applicable on a sale, disposition or deemed disposition of common shares must be made at the time of that sale, disposition or deemed disposition.

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**CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

Holders of our common shares, or options to purchase our common shares, or convertible debentures (collectively, "Equity Securities") who are U.S. taxpayers should consider that we could be considered to be a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes. Although we believe that we were not a PFIC for 2009, and do not expect to become a PFIC in 2010, the tests for determining PFIC status depend upon a number of factors, some of which are beyond our control, and can be subject to uncertainties, and we cannot assure you that we will not be a PFIC. We do not undertake any obligation to advise holders of our Equity Securities as to our PFIC status for any year. If we are a PFIC for any year, any holder of our Equity Securities who is a U.S. person for U.S. income tax purposes (a "U.S. Holder") and whose holding period for those Equity Securities includes any portion of a year in which we are a PFIC generally would be subject to a special adverse tax regime in respect of "excess distributions." Excess distributions include certain distributions received with respect to PFIC shares in a taxable year. Gain recognized by a U.S. Holder on a sale or certain other transfer of our Equity Securities (including certain transfers that would otherwise be tax free) also would be treated as excess distributions. Such excess distributions (including gains treated as excess distributions) would be allocated ratably to the U.S. Holder's holding period. For these purposes, the holding period of common shares acquired through either an exercise of options or a conversion of debentures includes the holder's holding period in those options, or convertible debentures. The allocation to the current year or to prior years in which we were not a PFIC would be includible as ordinary income in the current year. Allocations to prior years in which we were a PFIC would be taxed at the highest marginal rate applicable to ordinary income for each such year (regardless of the holder's actual marginal tax rate for the taxable year, and without reduction for any losses or carryforwards) and would be subject to interest charges to reflect the value of the U.S. income tax deferral.

Elections may be available to mitigate the adverse tax rules that apply to PFICs (the so-called "QEF" and "mark-to-market" elections), but these elections may accelerate the recognition of taxable income and may result in the recognition of ordinary income. We have not decided whether we would provide to U.S. Holders of our common shares annual information that would be necessary to make the QEF election. The QEF and mark-to-market elections are not available to U.S. Holders with respect to options to acquire our common shares or with respect to convertible debentures.

Additional special adverse rules also apply to investors who are U.S. Holders who own our common shares if we are a PFIC and have a non-U.S. subsidiary that is also a PFIC. Special adverse rules that could impact estate planning goals could apply to our Equity Securities if we are a PFIC.

**ITEM 6. SELECTED FINANCIAL DATA**

The selected financial data set forth below are derived from our audited consolidated financial statements for the years ended December 31, 2009, 2008, 2007, 2006 and 2005, and should be read in conjunction with those financial statements and the notes thereto. The consolidated financial statements have been prepared in accordance with Canadian GAAP. Selected financial data derived in accordance with US GAAP has also been provided and should be read in conjunction with Note 26 to the financial statements. Reference should also be made to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

**Summary of Financial Condition**

(Amounts in thousands except per share data)

| Canadian GAAP         | As of December 31 |          |           |           |           |
|-----------------------|-------------------|----------|-----------|-----------|-----------|
|                       | 2009              | 2008     | 2007      | 2006      | 2005      |
| Working capital       | \$ 144,560        | \$ 1,651 | \$ 71,589 | \$ 28,258 | \$ 91,974 |
| Current assets        | 219,496           | 91,973   | 145,826   | 90,534    | 132,789   |
| Total assets          | 753,879           | 694,299  | 789,876   | 659,988   | 560,333   |
| Current liabilities   | 74,936            | 90,322   | 74,237    | 62,276    | 40,815    |
| Long-term liabilities | 158,623           | 175,810  | 166,989   | 131,974   | 124,919   |
| Shareholder's equity  | 520,320           | 428,167  | 542,500   | 458,314   | 387,970   |

| Canadian GAAP                       | For the    | For the    | For the    | For the    | For the    |
|-------------------------------------|------------|------------|------------|------------|------------|
|                                     | Year Ended | Year Ended | Year Ended | Year Ended | Year Ended |
|                                     | Dec 31     | Dec 31     | Dec 31     | Dec 31     | Dec 31     |
|                                     | 2009       | 2008       | 2007       | 2006       | 2005       |
| Revenues                            | \$ 400,739 | \$ 257,355 | \$ 175,614 | \$ 126,612 | \$ 93,841  |
| Net income/(loss)                   | 16,519     | (119,303)  | (35,290)   | 65,173     | (17,801)   |
| Net income/(loss) per share - basic | 0.070      | (0.506)    | (0.154)    | 0.314      | (0.124)    |

| US GAAP               | As of December 31 |          |           |           |           |
|-----------------------|-------------------|----------|-----------|-----------|-----------|
|                       | 2009              | 2008     | 2007      | 2006      | 2005      |
| Working capital       | \$ 145,206        | \$ 1,651 | \$ 71,407 | \$ 21,383 | \$ 91,794 |
| Current assets        | 220,142           | 91,973   | 146,599   | 90,534    | 132,789   |
| Total assets          | 722,708           | 663,344  | 728,977   | 606,095   | 522,443   |
| Current liabilities   | 74,936            | 90,322   | 75,192    | 69,151    | 40,815    |
| Long-term liabilities | 201,891           | 193,871  | 202,870   | 129,624   | 135,832   |
| Shareholder's equity  | 443,357           | 379,151  | 449,278   | 404,418   | 343,832   |

| US GAAP                             | For the    | For the    | For the    | For the    | For the    |
|-------------------------------------|------------|------------|------------|------------|------------|
|                                     | Year Ended | Year Ended | Year Ended | Year Ended | Year Ended |
|                                     | Dec 31     | Dec 31     | Dec 31     | Dec 31     | Dec 31     |
|                                     | 2009       | 2008       | 2007       | 2006       | 2005       |
| Revenues                            | \$ 400,739 | \$ 257,355 | \$ 175,614 | \$ 128,690 | \$ 102,237 |
| Net income/(loss)                   | (8,903)    | (69,204)   | (41,749)   | 57,875     | (24,470)   |
| Net income/(loss) per share - basic | (0.048)    | (0.313)    | (0.182)    | 0.279      | (0.170)    |

Note: 2005 US GAAP figures have been restated to reflect the correction of the accounting treatment of warrants issued in currencies other than US\$.

**ITEM 7. 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 audited consolidated financial statements and related notes. The financial statements have been prepared in accordance with Canadian GAAP. For a reconciliation to accounting principles generally accepted in the United States (US GAAP), see Note 26 to the consolidated financial statements. This Management's Discussion and Analysis of Financial Condition and Results of Operations includes information available to February 24, 2010.

**OVERVIEW OF GOLDEN STAR**

We are a Canadian federally incorporated, international gold mining and exploration company producing gold in Ghana, West Africa. We also conduct gold exploration in other countries in West Africa and in South America. Golden Star Resources Ltd. was established under the *Canada Business Corporations Act* on May 15, 1992 as a result of the amalgamation of South American Goldfields Inc., a corporation incorporated under the federal laws of Canada, and Golden Star Resources Ltd., a corporation originally incorporated under the provisions of the *Alberta Business Corporations Act* on March 7, 1984 as Southern Star Resources Ltd. Our principal office is located at 10901 West Toller Drive, Suite 300, Littleton, Colorado 80127, and our registered and records offices are located at 66 Wellington St. W, Suite 4200, P.O. Box 20, Toronto Dominion Bank Tower Toronto Dominion Centre, Toronto, Ontario M5K 1N6.



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

Through a 90% owned subsidiary, Golden Star (Bogoso/Prestea) Limited ( GSBPL ), we own and operate the Bogoso/Prestea gold mining and processing operations ( Bogoso/Prestea ) located near the town of Bogoso, Ghana. We have a nominal 3.5 million tonnes per year processing facility at Bogoso/Prestea that uses bio-oxidation technology to treat refractory sulfide ore ( sulfide plant ). In addition, Bogoso/Prestea has a carbon-in-leach processing facility next to the sulfide plant which is suitable for treating oxide ores ( oxide plant ). Bogoso/Prestea produced and sold 170,499 ounces of gold in 2008 and 186,054 ounces in 2009.

Through another 90% owned subsidiary, Golden Star (Wassa) Limited ( GSWL ), we own and operate the Wassa open-pit gold mine and carbon-in-leach processing plant ( Wassa ), located approximately 35 km east of Bogoso/Prestea. The design capacity of the carbon-in-leach processing plant at Wassa is nominally 3.0 million tonnes per annum but varies depending on the ratio of hard to soft ore. GSWL also owns the Hwini-Butre and Benso concessions (the HBB properties ) in southwest Ghana. The Benso mine began shipping ore to Wassa late in 2008, and the Hwini-Butre mine began shipping ore to Wassa in May 2009. The Hwini-Butre and Benso concessions are located approximately 80 and 50 km, respectively, by road south of Wassa. Wassa/HBB produced and sold 125,427 ounces of gold in 2008 and 223,848 ounces in 2009.

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

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

#### **NON-GAAP FINANCIAL MEASURES**

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

Cost of sales as found in our statement of operations includes all mine-site operating costs, including the costs of mining, processing, maintenance, work-in-process inventory changes including inventory write-offs and adjustments, mine-site overhead as well as production taxes, royalties, mine site depreciation, depletion, amortization, asset retirement obligation accretion and by-product credits, but does not include exploration costs, property holding costs, corporate office general and administrative expenses, impairment charges, corporate business development costs, gains and losses on asset sales, capital gains and losses on foreign currency conversions, interest expense, gains and losses on derivatives, gains and losses on investments and income tax expense/benefit.

Total cash cost per ounce for a period is equal to Cost of sales for the period less mining related depreciation and amortization costs, accretion of asset retirement obligation costs and operations-related foreign currency gains and losses for the period, divided by the number of ounces of gold sold during the period.

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

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The following table shows the derivation of these measures:

|   | For the year ended December 31, 2009 |                    |                   |
|---|--------------------------------------|--------------------|-------------------|
|   | Wassa                                | Bogoso/<br>Prestea | Combined          |
| Mining operations costs                           | \$ 98,858                            | \$ 131,947         | \$ 230,805        |
| Royalties   | 7,306                                | 5,457              | 12,763            |
| Costs (to)/from metals inventory                  | 1,417                                | 1,606              | 3,023             |
| Mining related depreciation and amortization      | 71,291                               | 42,983             | 114,274           |
| Accretion of asset retirement obligations         | 818                                  | 1,347              | 2,165             |
| <b>Cost of sales GAAP</b>                         | <b>\$ 179,690</b>                    | <b>\$ 183,340</b>  | <b>\$ 363,030</b> |
| Less operations-related foreign exchange gains    | (281)                                | (1,418)            | (1,699)           |
| Less inventory write-offs                         |                                      | (890)              | (890)             |
| Less mining related depreciation and amortization | (71,291)                             | (42,983)           | (114,274)         |
| Less accretion of asset retirement obligations    | (818)                                | (1,347)            | (2,165)           |
| <b>Total cash cost</b>                            | <b>\$ 107,300</b>                    | <b>\$ 136,702</b>  | <b>\$ 244,002</b> |
| Less royalties and production taxes               | (7,306)                              | (5,456)            | (12,762)          |
| <b>Cash Operating Costs</b>                       | <b>\$ 99,994</b>                     | <b>\$ 131,246</b>  | <b>\$ 231,240</b> |
| <b>Ounces sold</b>                                | <b>223,848</b>                       | <b>186,054</b>     | <b>409,902</b>    |
| Total cash cost per ounce                         | \$ 479                               | \$ 735             | \$ 595            |
| Cash operating cost per ounce                     | \$ 447                               | \$ 705             | \$ 564            |
|   | For the year ended December 31, 2008 |                    |                   |
|   | Wassa                                | Bogoso/<br>Prestea | Combined          |
| Mining operations costs                           | \$ 71,271                            | \$ 149,040         | \$ 220,311        |
| Royalties   | 3,262                                | 4,465              | 7,727             |
| Costs (to)/from metals inventory                  | (1,153)                              | 10,823             | 9,670             |
| Mining related depreciation and amortization      | 29,111                               | 31,333             | 60,444            |
| Accretion of asset retirement obligations         | 385                                  | 393                | 778               |
| <b>Cost of sales GAAP</b>                         | <b>\$ 102,876</b>                    | <b>\$ 196,054</b>  | <b>\$ 298,930</b> |
| Less operations-related foreign exchange gains    | (610)                                | (776)              | (1,386)           |
| Less inventory write-offs                         |                                      | (16,436)           | (16,436)          |
| Less mining related depreciation and amortization | (29,111)                             | (31,333)           | (60,444)          |
| Less accretion of asset retirement obligations    | (385)                                | (393)              | (778)             |
| <b>Total cash cost</b>                            | <b>\$ 72,770</b>                     | <b>\$ 147,116</b>  | <b>\$ 219,886</b> |
| Less royalties and production taxes               | (3,261)                              | (4,433)            | (7,694)           |
| <b>Cash Operating Costs</b>                       | <b>\$ 69,509</b>                     | <b>\$ 142,683</b>  | <b>\$ 212,192</b> |
| <b>Ounces sold</b>                                | <b>125,427</b>                       | <b>170,499</b>     | <b>295,926</b>    |
| Total cash cost per ounce                         | \$ 580                               | \$ 863             | \$ 743            |
| Cash operating cost per ounce                     | \$ 554                               | \$ 837             | \$ 717            |

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 in applicable Canadian securities laws 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, 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.

## **BUSINESS STRATEGY AND DEVELOPMENT**

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

We acquired Bogoso in 1999 and have operated a nominal 1.5 million tonne per annum carbon-in-leach ( CIL ) processing plant most of the time since then to process oxide and other non-refractory ores ( Bogoso oxide plant ). In 2001, we acquired the Prestea property located adjacent to our Bogoso property and mined surface deposits at Prestea from late 2001 to late 2006. In late 2002, we acquired Wassa, and constructed a new nominal 3.0 million tonne per annum CIL processing plant at Wassa, which began commercial operation in April 2005. In July 2007, we completed construction and development of a new nominal 3.5 million tonnes per annum processing facility at Bogoso/Prestea that uses bio-oxidation technology to treat refractory sulfide ore ( Bogoso sulfide plant ).

In late 2005, we acquired the HBB properties consisting of the Benso and Hwini-Butre properties. Benso development activities started in late 2007, and in the third quarter of 2008, we began trucking ore from the Benso mine to the Wassa plant for processing. Hwini-Butre development was initiated in the fourth quarter of 2008, and in May 2009 the Hwini-Butre mine began shipping ore to the Wassa plant for processing.

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

In addition to our gold mining and development activities, we actively explore for gold in West Africa and South America, investing approximately \$15.8 million on such activities during 2008 and approximately \$9.0 million during 2009. We are conducting regional reconnaissance projects in Ghana, Cote d'Ivoire and Sierra Leone and have drilled more advanced targets in Ghana, Niger and Burkina Faso. We are also evaluating gold properties in Brazil. See Item 2 Description of Properties for additional details on our assets.

## **SIGNIFICANT TRENDS AND EVENTS DURING 2009**

### **Gold Prices**

Gold prices have generally trended upward during the last eight years, from a low of \$260 per ounce in 2001 to a high of \$1,213 per ounce in late 2009. Realized gold prices for our shipments averaged \$978 per ounce during 2009 compared with \$870 per ounce during 2008.

### **Hwini-Butre Development**

Development work, which started at the Hwini-Butre mine in the fourth quarter of 2008, was mostly completed by April 2009, and this new operation has continuously sent ore to the Wassa plant since start-up in May 2009.

### **Benso Royalty Purchase**

During the second quarter of 2009, we purchased, from an unrelated party, a 1.5% net smelter royalty payable on gold production from our Benso mine for \$3.6 million. The royalty agreement provided us with the option to buy the royalty at any time prior to 18 months after gold production was initiated, regardless of the ownership at that date, for a specified price of Cdn\$4.0 million.

### **Higher Gold Output and Lower Cost Per Ounce at Wassa and Bogoso**

The Benso and Hwini-Butre mines, which commenced mining operations late in 2008 and May 2009 respectively, provided 60% of the ore processed at Wassa during 2009. The higher grade ores from Benso and Hwini-Butre have resulted in a marked increase in Wassa's gold sales

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and revenues compared with 2008. Wassa's 2009 sales totaled 223,848 ounces, up from 125,427 ounces in 2008. The improved grade and resulting increase in ounces, along with lower power costs, reduced Wassa's 2009 average cash operating costs per ounce to \$447, down from an average of \$554 in 2008.

Bogoso's 2009 gold sales increased to 186,054 ounces, up from 170,499 ounces in 2008, on higher tonnes processed and better gold recoveries. In addition to the improved gold sales, Bogoso's average cash operating costs fell to \$705 per ounce, down from \$837 per ounce in 2008. See the Results of Operations discussions below for additional details.

### **International Financial Reporting Standards**

Golden Star has, since its inception, reported to security regulators in both Canada and the US using Canadian GAAP financial statements with a reconciliation to US GAAP. However, a change in SEC position in late 2009 will require that after 2010, Canadian companies such as Golden Star, that do not qualify as private foreign issuers, must file their financial statements in the US using US GAAP. We plan to continue using Canadian GAAP for US and Canadian filings in 2010 and will adopt US GAAP on January 1, 2011 for all subsequent US and Canadian filings. Canada has announced that it will continue to accept US GAAP financial statements.

### **Revolving Credit Facility**

On May 1, 2009, we finalized an agreement for a revolving credit facility (the Facility) with Standard Chartered Bank. The Facility provides for a fully committed revolving credit line of \$30 million, of which \$15 million became immediately available at signing and an additional \$15 million became available on July 30, 2009. As of December 31, there was \$5.0 million drawn and outstanding on this new facility.

The Facility carries a term of three years from signing and bears interest at the higher of LIBOR or the applicable lenders' cost of funds rate (which is capped at 1.25% per annum above LIBOR), plus a margin of 5% per annum. The Facility is secured by a pledge of shares in our significant subsidiaries and also provides for negative pledges on all other presently unsecured assets. Proceeds of the Facility will be used for working capital and general corporate purposes. The Facility is described in more detail in our Form 8-K filed May 5, 2009.

### **New Ghanaian National Stabilization Levy**

At the end of July 2009, the Ghanaian government introduced a temporary levy (scheduled to end on December 31, 2010) on certain Ghanaian industries, including mining, brewing, banking, communications and insurance. The law requires that companies subject to the levy, which includes all of our Ghanaian subsidiaries, will pay an amount equal to 5% of profits before tax, as disclosed on the statements of operations prepared in accordance with Ghanaian GAAP. No adjustments are allowed to the taxable income as defined above. We incurred a total of \$1.7 million of tax expense for this new tax during 2009.

### **Paul Isnard Project**

The disputed title of the Paul Isnard property in French Guiana was resolved during the fourth quarter of 2009 allowing the transfer to Golden Star of 100 percent of the common shares of the French company that holds the exploration rights to Paul Isnard. All legal activity related to the disputed title have been dropped by both sides.

### **Sale of South American Assets**

On November 30, 2009, we entered into an agreement to sell our interest in the Saramacca joint venture, which holds the Saramacca properties in Suriname, to its joint venture partner for approximately \$8.0 million. Completion of the transaction is pending the receipt of required governmental approvals and certain additional customary conditions.

On November 18, 2009, we entered into a settlement agreement in respect of the outstanding litigation regarding the Paul Isnard properties in French Guiana, pursuant to which the rights to this property is to be transferred to us, subject to receiving the required governmental approvals. On November 19, 2009, we entered into an agreement to sell all of our rights, title and interest in the Bon Espoir, Iracoubou Sud and Paul Isnard properties in French Guiana for approximately \$2.1 million, subject to government approval.

### **Equity Offering**

On December 17, 2009, we closed an equity offering of 20 million common shares at a price of \$3.75 per share resulting in \$75.0 million in gross proceeds, or approximately \$71.0 million in net proceeds after fees and offering expenses.

**RESULTS OF OPERATIONS 2009 COMPARED TO 2008****Consolidated Results**

Our consolidated net income totaled \$16.5 million or \$0.070 per share for 2009 as compared to a net loss of \$119.3 million or \$0.506 per share, in 2008. The significant earnings improvement, as compared to 2008, was largely related to a \$79.3 million improvement in mine operating margins which was the result of a 38.5%, or 113,975 ounce, increase in gold sales and a \$108 per ounce increase in average realized gold price. An \$8.3 million increase in tax benefits and \$65.3 million reduction in impairment losses also contributed to the earnings improvement from 2008. A \$64.1 million increase in cost of sales partially offset the improvements in gold sales, and gold price.

Bogoso's gold sales improved by 9%, or 15,555 ounces mostly due to improved gold recoveries, and higher grade ores during 2009 from Wassas new Hwini-Butre and Benso mines ( HBB properties ) yielded a 78%, or 98,421 ounce, increase in Wassas gold sales. These higher ounces combined with the gold price improvements resulted in a 56% increase in gold revenues over 2008 levels. Bogoso's cost of sales declined from 2008 levels, but the extra costs associated with the new HBB mining operations, resulted in increases in Wassas cost of sales, resulting in our overall increase in cost of sales. See additional discussion in the Wassas Operations 2009 compared to 2008 section below.

Transfer of the HBB mining leases to Wassas in 2009 and improved operational performance at Wassas, which allowed release of deferred tax asset valuation allowances, provided the tax benefit.

| <b>SUMMARY OF FINANCIAL RESULTS</b>                | <b>2009</b> | <b>2008</b> | <b>2007</b> |
|--|-------------|-------------|-------------|
| Gold sales (oz)                                    | 409,902     | 295,927     | 246,278     |
| Average realized price (\$/oz)                     | 978         | 870         | 713         |
| Revenues (\$ in thousands)                         | 400,739     | 257,355     | 175,614     |
| Cash flow provided by operations (\$ in thousands) | 104,615     | 30,043      | 6,670       |
| Net income/(loss) (\$ in thousands)                | 16,519      | (119,303)   | (35,290)    |
| Net income/(loss) per share basic (\$)             | 0.070       | (0.506)     | (0.154)     |

Our 2009 general and administrative expense was down \$1.1 million reflecting lower legal and tax audit costs than in 2008 and the cost cutting programs implemented in early 2009. Property holding costs are mostly the costs incurred in care and maintenance activities at the Prestea Underground which was deemed impaired and written off at the end of 2008. Higher derivative costs reflect the increased use of gold price derivatives during 2009 as compared to 2008. Most of the increase in interest expense was related to scheduled increases in accretion of the convertible debentures equity component.

**Bogoso/Prestea Operations 2009 compared to 2008**

Bogoso/Prestea gold shipments increased to 186,054 ounces in 2009 at an average price of \$978 per ounce, up from 170,499 ounces in 2008 at an average price of \$873 per ounce. The increase in gold recovery to 70.7% in 2009 from 66.5% in 2008 was the major factor in the gold sales improvement. While the Bogoso oxide plant processed refractory ore at various times during 2009, there was no non-refractory ore processed at Bogoso during the year. Oxide ore mining remained on stand-by at Pampe awaiting receipt of permits for Prestea South. Once Prestea South permits are issued, we expect to mine oxide ore from both Pampe and Prestea South in amounts sufficient to run the Bogoso oxide mill at capacity.

| <b>BOGOSO/PRESTEA OPERATING RESULTS</b> | <b>2009</b> | <b>2008</b> | <b>2007</b> |
|---|-------------|-------------|-------------|
| Ore mined refractory (t)                | 2,940,822   | 2,604,639   | 1,427,958   |
| Ore mined non-refractory                |             | 140,036     | 928,621     |
| Total ore mined (t)                     | 2,940,822   | 2,744,675   | 2,356,579   |
| Waste mined (t)                         | 14,929,249  | 19,464,979  | 18,515,851  |
| Refractory ore processed (t)            | 2,887,400   | 2,736,379   | 1,640,318   |
| Refractory ore grade (g/t)              | 2.78        | 2.82        | 2.44        |
| Gold recovery refractory ore (%)        | 70.7%       | 66.5%       | 52.1%       |
| Non-refractory ore processed (t)        |             | 359,669     | 1,429,309   |
| Non-refractory ore grade (g/t)          |             | 2.38        | 2.04        |
| Gold recovery non-refractory ore (%)    | 0.0%        | 66.0%       | 73.3%       |
| Gold sales (oz)                         | 186,054     | 170,499     | 120,216     |
| <b>Total cash cost (\$/oz)</b>          | <b>735</b>  | <b>863</b>  | <b>788</b>  |
| Royalties (\$/oz)                       | 30          | 26          | 22          |
| <b>Cash operating cost (\$/oz)</b>      | <b>705</b>  | <b>837</b>  | <b>766</b>  |

Bogoso/Prestea operations resulted in a \$1.5 million operating margin loss, an improvement from its \$47.2 million operating margin loss in 2008. Cash operating costs fell from \$142.7 million in 2008 to \$131.2 million in 2009 on lower fuel, power and consumable costs. Lower cash operating costs coupled with increases in gold output resulted in an improvement in unit costs to \$705 per ounce, down from \$837 per ounce in 2008. Bogoso expects to continue its efforts to increase recovery and plant throughput during 2010 while continuing to manage its cost structure. The major capital expenditures in 2010 will be related to development of the Dumasi pit to prepare it for mining in 2012.

As explained in Item 1 Business above, Bogoso added 0.39 million ounces of new Proven and Probable Reserves during 2009, bringing the 2009 year end reserves to 31.2 million tonnes at an average grade of 2.74 g/t, or 2.75 million ounces before recovery losses.

The Prestea Underground mine remained on a care and maintenance basis during 2009, and dewatering continued as we evaluated various plans that could allow underground mining to restart.

#### **Wassa/HBB Operations 2009 compared to 2008**

Wassa mining operations underwent significant changes during 2009 due to the impact of its two new mining operations at Benso and Hwini-Butre located 50 and 80 kilometers south of Wassa, respectively. Both of these ore bodies are much higher grade than the pits located adjacent to the Wassa plant site which have furnished ore to the Wassa plant since 2005. As a result of the new ores from Benso and Hwini-Butre during 2009, Wassa saw higher ore grades, increased gold sales, better gold recoveries and lower costs per ounce.

With the new HBB ores, Wassa's plant feed grade averaged 2.76 grams per tonne during 2009 as compared to 1.33 grams per tonne in 2008. Total tonnes processed during 2009 were 16.8% lower than in 2008, but gold recovery increased to 95.3%, up from 93.6% in 2008. Tonnes processed were lower as Wassa cut back on processing low-grade heap leach material to maximize ore residence time in the plant to achieve higher recovery from the higher grade HBB ores.

| WASSA/HBB OPERATING RESULTS(1)     | 2009       | 2008       | 2007       |
|------------------------------------|------------|------------|------------|
| Ore mined (t)                      | 2,222,511  | 2,885,985  | 3,091,292  |
| Waste mined (t)                    | 16,708,312 | 7,416,516  | 8,125,132  |
| Ore a processed (t)                | 2,652,939  | 3,187,230  | 3,752,376  |
| Grade processed (g/t)              | 2.76       | 1.33       | 1.17       |
| Recovery (%)                       | 95.3%      | 93.6%      | 92.0%      |
| Gold sales (oz)                    | 223,848    | 125,427    | 126,062    |
| <b>Total cash cost (\$/oz)</b>     | <b>479</b> | <b>580</b> | <b>464</b> |
| Royalties (\$/oz)                  | 32         | 26         | 21         |
| <b>Cash operating cost (\$/oz)</b> | <b>447</b> | <b>554</b> | <b>443</b> |

Benso ore began arriving at the Wassa processing plant in late 2008 and Hwini-Butre ore began arriving May 2009. While these higher grade ores resulted in improved gold sales, they also increased the operating costs as the HBB ores have higher stripping ratios and longer haul routes. Cash operating costs rose to \$100.0 million in 2009, up from \$69.5 million in 2008, but cash operating cost per ounce dropped from 2008 levels on the increase in the number of ounces sold, from \$554 per ounce in 2008 to \$447 per ounce in 2009. In response to the grade and recovery improvements, Wassa generated \$39.2 million of operating margin in 2009, up from a \$4.9 million operating margin in 2008.

A \$42.2 million increase in depreciation and amortization over the 2008 level, was related to the impact of the increase in ounces produced and to the HBB purchase and development costs which we began amortizing as Benso and Hwini-Butre came into production. Wassa/HBB's average realized gold price rose to \$978 per ounce in 2009, up from \$866 per ounce in 2008.

## RESULTS OF OPERATIONS 2008 COMPARED TO 2007

### Consolidated Results

Our consolidated net loss totaled \$119.3 million or \$0.506 per share for 2008 as compared to a net loss of \$35.3 million or \$0.154 per share in 2007. Impairment losses, negative operating margins and an inventory adjustment were the major factors contributing to the increase in net loss as compared to prior years. Impairment write-offs totaled \$68.4 million and included write-offs of the Prestea Underground, the Goulagou exploration project in Burkina Faso, a portion of the Prestea South project at Bogoso and the Niger exploration projects. Our mine operating margin was a negative \$41.6 million, which included a \$16.4 million net realizable value adjustment which added \$16.4 million to mine operating costs. Increases in cash operating costs, most notably electric power costs and lower gold prices in the fourth quarter, were the major factors contributing to the impairments and inventory adjustment. The results of a pre-feasibility study of the Prestea Underground, completed in mid-2008, further contributed to the Prestea Underground impairment.

While gold sales were 49,649 ounces above the 2007 level, and our average realized gold price was up \$157 per ounce, increases in operating costs more than offset the improved revenues yielding a mine operating margin loss approximately \$28.0 million larger than the 2007 operating margin loss. The increase in revenues versus 2007 was related mostly to higher gold prices and to a full year of output at the Bogoso sulfide plant in 2008 as compared to a half year in 2007 following its July 2007 plant in-service date.

Operating costs were significantly higher in 2008 as compared to 2007. Recognition of a full year's operating costs at the Bogoso sulfide plant in 2008 versus only six months of costs in 2007 was responsible for much of the operating cost increase. At the same time, several of our key operating inputs at both mines experienced significant cost increases in 2008. Electric power costs increased from \$0.06 per kilowatt hour in early 2007 to approximately \$0.10 per kilowatt hour in late 2007 and to approximately \$0.178 per kilowatt hour after June 30, 2008. Similarly, fuel costs trended up during most of 2008 reaching a high of \$1.37 per liter by October. Our fuel costs averaged \$1.21 per liter in 2008, up from \$0.92 per liter in 2007. Several other key inputs saw similar significant increases during 2008 including labor costs.

General and administrative costs increased by \$1.4 million to \$15.2 million in 2008. The increase is primarily attributable to the cost of professional fees and severance costs related to management changes.

Interest expense totaled \$14.6 million during 2008, up from \$6.0 million in 2007. Two factors contributed to the increase. First was the fact that most of the interest expense in the first half of 2007 was capitalized as a cost of the Bogoso sulfide plant prior to its July 1, 2007 in-service date. Secondly during 2007 most of the interest expense was related to \$50.0 million of convertible notes which were repaid in November 2007 and replaced with \$125.0 million of convertible debentures. A \$7.1 million loss on debt restructuring was incurred in November 2007 upon the redemption of the \$50 million of convertible notes.

In response to lower gold prices near the end of 2008, several cost cutting measures were implemented company-wide including reductions in the consumption rate of various key reagents and other items including labor force reductions. At the same time commodity prices began falling, lowering costs for fuel and various chemical reagents. As a result of our cost reduction programs and declining consumable prices, fourth quarter cash costs fell below levels experienced earlier in 2008.



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### **Bogoso/Prestea Operations 2008 compared to 2007**

Bogoso/Prestea gold shipments increased to 170,499 ounces in 2008 at an average price of \$873 per ounce, up from 120,216 ounces in 2007 at an average price of \$720 per ounce. The large increase in 2008 Bogoso/Prestea gold shipments reflects the fact that the 2008 shipments include a full year of sulfide plant output while the 2007 amount was for only six months of 2007 following the sulfide plant's July 1, 2007 in-service date.

The increase in gold output at Bogoso/Prestea also reflects improved operating availability at the sulfide plant following remediation of several mechanical problems encountered in late 2007 and the first half of 2008, including replacement of most of the bio-oxidation tank agitators and agitator gearboxes. A more stable operation has now resulted in a pattern of increasing tonnes processed and an improvement in gold recoveries during 2008, as evidenced by sulfide plant gold shipments of 31,415 ounces in the first quarter of 2008, 35,248 ounces in the second quarter, 45,585 ounces in the third quarter and 40,192 in the fourth quarter. Gold recovery averaged 66.5% in 2008, up from 52.1% in 2007.

In the first half of 2008 the Bogoso oxide plant demonstrated its flexibility by processing several ore types at various times including oxide ores, siliceous ores, refractory transition ores and refractory leachable transition ores. However, the Bogoso oxide plant was idled in August 2008 due to unavailability of oxide ore.

Bogoso/Prestea operations resulted in a \$47.2 million operating margin loss; up from a \$23.9 million operating margin loss in 2007. Bogoso/Prestea's cash operating costs rose to \$837 per ounce in 2008, up from \$767 per ounce a year earlier. Increases in operating costs including labor, fuel, power and other consumables are responsible for the higher unit costs.

Combined operating costs of the oxide and the sulfide operations totaled \$159.9 million in 2008, as compared to \$92.1 million in 2007. The major factors contributing to the cost increase included a full year of operation at the sulfide plant in 2008 versus a half year in 2007 and a \$16.4 million adjustment to the transition ore stockpile at Bogoso. Power, fuel, other consumables and labor costs were also up in the year. Electric power costs increased from \$0.06 per kilowatt hour in early 2007 to approximately \$0.10 per kilowatt hour in late 2007 and to approximately \$0.178 per kilowatt hour after June 30, 2008. Similarly, fuel costs trended up during most of 2008 reaching a high of \$1.37 per liter by October. Our fuel costs averaged \$1.21 per liter in 2008, up from an average of \$0.92 per liter in 2007.

The transition stockpile contained partially oxidized ore mined from shallow depths in the sulfide pits. Partial oxidation results in low gold recovery. When test batches of this ore were processed through both plants in 2008, it was found that gold recoveries were lower than anticipated. In addition, lower gold prices in the fourth quarter of 2008 and higher operating costs resulted in the need to adjust the stockpile's carrying value down to its net recoverable value resulting in \$16.4 million of inventory costs being moved into cost of sales.

The Prestea Underground mine was deemed impaired at the end of 2008, and a \$44.6 million write-off was recognized in the statement of operations. Completion of a pre-feasibility study in mid-2008 on the Prestea Underground indicated that the economics of the project were marginal. Increases in electric power costs later in 2008 and the on-going costs of maintaining the inactive underground mine further contributed to the impairment determination. Portions of the Prestea South project near the town of Prestea were also deemed impaired because the estimated cost of relocating homes and town site infrastructure negated the economic benefit of the reserves.

### **Wassa Operations 2008 compared to 2007**

Wassa generated \$4.9 million of operating margin in 2008 versus a \$9.6 million operating margin in 2007. While ore grades and gold prices were higher in 2008 than a year earlier, increases in operating costs during 2008 more than offset the price and grade benefit.

Wassa's cash operating costs totaled \$69.5 million in 2008, up from \$55.9 million in 2007. The cost increases reflect material increases in the costs of power, fuel, other consumables and labor. Wassa also saw an increase in costs once the new Benso ore began arriving at Wassa in the fourth quarter, due primarily to haulage costs from Benso to Wassa. Cash operating costs averaged \$554 per ounce in 2008, up from \$444 per ounce in 2007.

Wassa's average realized gold price rose to \$866 per ounce in 2008, up from \$706 per ounce in 2007, and the average ore grade increased from 1.17 g/t in 2007 to 1.33 g/t in 2008. The grade improvement was related to receipt of 291,000 tonnes of Benso ore in the fourth quarter of 2008 at an average grade of 4.14 grams per tonne.

Plant throughput was adversely impacted in September and October 2008 by ball mill repairs which reduced throughput to approximately half of usual capacity for eight weeks. In addition plant throughput dropped in the fourth quarter when the Benso ore began arriving. Shallow ore from the new Benso pit is wetter and contains more clay than ore from the Wassa pits and required a slower feed rate.



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## DEVELOPMENT PROJECTS 2009

### Prestea South Properties

We received mining permits for Prestea South in 2008 and subsequently applied for environmental permits. We expect to initiate development at Prestea South, including its 20 kilometer haul road, once the environmental permits are received. The Prestea South oxide ore will be transported to Bogoso and processed through the Bogoso oxide plant. The Prestea South sulfide ore will be processed through the Bogoso sulfide plant.

## EXPLORATION PROJECTS

During 2009, Golden Star spent \$9.0 million on exploration activities compared to \$15.8 million in 2008. The 2009 exploration effort concentrated on resource delineation drilling at Wassa, Hwini-Butre and at Benso and initial VTEM geophysical target testing at Bogoso and Prestea. Other Ghana exploration included drilling at several targets on the Western Ashanti belt, and ground geophysical surveys at the Wassa and Benso mining leases.

Our Burkina Faso properties were drilled by a joint venture partner during 2009 as part of an option agreement expenditure requirement. In Cote D'Ivoire in-fill soil sampling programs were continued over the previously defined stream sediment anomalies at Amelekie. The Sierra Leone and Niger projects were on care and maintenance for most of 2009. Our joint venture with Newmont on the Saramacca Project in Suriname continued in 2009 with Newmont completing their 51% earn-in on the project and they have now taken over as project manager. Our French Guiana exploration efforts were limited in 2009 as we awaited finalization of the new mining legislation by the French Government. The first half of 2009 was quiet in Brazil with evaluations ramping up in the second half and further applications for ground being submitted in Mato Grosso.

### 2010 Exploration Plans

We expect to spend approximately \$18 million on exploration activities in 2010, focusing on resource definition drilling in and around our mining leases in Ghana, testing deeper potential underground targets below higher grade portions of the current open pits, drilling of VTEM targets along strike at Bogoso/Prestea and follow up exploration of targets delineated by past efforts at Hwini-Butre, Benso, Akropong and Wassa Complex concessions. We are also looking at completing a detailed regional airborne geophysical survey over the eastern side of the Ashanti belt from Chichiwelli in the North to Manso in the south. Targets generated from this airborne geophysical and ground IP surveys we are conducting will be followed up in the later part of 2010.

In addition, early stage reconnaissance and follow up activities will be aggressively advanced by our Brazilian exploration subsidiary.

## LIQUIDITY AND CAPITAL RESOURCES

During 2009 our cash and cash equivalents increased by \$120.5 million to a December 31, 2009 closing balance of \$154.1 million, up from \$33.6 million at the end of 2008. The increase in cash was a function of improvements in cash from operations and \$71.0 million of new equity funding in December 2009. Cash flow from operations improved to \$104.6 million for the year, up from \$30.0 million in 2008 and was sufficient to meet all of our operational, investing and debt needs. As explained above, improved gold prices and increases in gold output were responsible for the improvement in operating cash flows.

Our capital projects used \$47 million during the year with \$27 million spent on mine development projects, \$12 million on purchases of capital equipment and \$8 million on drilling and exploration. Of the \$47 million total, the largest item was the Hwini-Butre development project where spending totaled \$28 million, including road construction, mine development, buildings and equipment.

On May 1, 2009, we finalized an agreement for a revolving credit facility (the Facility) with Standard Chartered Bank. The Facility provides for a fully committed revolving credit line of \$30 million. The credit line drops to \$27 million at the end of 2010 and to \$21 million at the end of 2011. The Facility carries a term of three years from signing and bears interest at the higher of LIBOR or the applicable lenders' cost of funds rate (capped at 1.25% per annum above LIBOR), plus a margin of 5% per annum. The Facility is secured by a pledge of shares in our significant subsidiaries and also provides for negative pledges on all other presently unsecured assets. We borrowed a total of \$21 million on the new revolving facility during 2009 and repaid \$16 million leaving an outstanding balance of \$5.0 million at year-end.

On December 17, 2009, we closed an equity offering of 20 million common shares at a price of \$3.75 per share resulting in \$75.0 million in gross proceeds, or approximately \$71.0 million in net proceeds after fees and offering expenses.

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We used \$28.9 million for debt repayments during 2009, of which \$0.6 million was for the final installment payment of our Ghanaian bank loan, \$12.3 million was paid on equipment financing loans and \$16.0 million was repaid on amounts borrowed earlier in 2009 on the new revolving credit facility.

Our \$35 million equipment financing facility had an outstanding balance of \$21.0 million at December 31, 2009 with available credit of \$14.0 million.

Share option exercises contributed \$2.5 million of cash during 2009, up from \$0.9 during 2008. During 2009 all of our cash was held as cash or was invested in a fund that held only US treasury notes and bonds.

## **LIQUIDITY OUTLOOK**

During 2008 and 2009, world financial markets suffered a series of significant difficulties including financial institution failures, a decrease in liquidity, a decrease in world-wide economic activity and unprecedented volatility in the cost of operating consumables and commodity prices including gold. While these trends have had deleterious effects on a wide group of industries, during 2009, gold mining enterprises have enjoyed certain benefits from the financial and economic disruptions. These benefits have included lower costs of certain parts, materials and supplies, better availability of skilled employees, better availability of capital equipment, generally higher gold prices, and improved access to debt and equity capital versus 2008.

Gold prices declined sharply to a low of \$713 per ounce near the end of 2008, but, have trended upward since then reaching a high of \$1,213 per ounce in December 2009. The improved gold prices along with higher gold output were the major contributing factors in the \$74.6 million improvement in our cash flows from operations during 2009, as compared to 2008. In response to the lower gold prices late in 2008, we implemented cost reduction programs throughout the company which have also contributed to the improved cash flow situation.

Our new revolving line of credit, and additional equity funding late in the year, along with a \$14.0 million unused balance on our equipment financing facility, have resulted in an improved liquidity outlook for 2010 as compared to 2008 and early 2009.

Based on the trends and resources described above and projected future cash flows from our mining operations, we expect that operational cash flows during 2010, along with the \$154.1 million of cash and cash equivalents on hand at December 31, 2009, the revolver and the equipment financing facility, will be sufficient to cover capital and operating needs during 2010.

Our expected 2010 capital budget is approximately \$70 million, up from actual capital spending of \$47 million spent in 2009. The largest individual capital budget project is \$14 million for preliminary development of future pits at Bogoso. Other 2010 projects will total approximately \$16 million for deferred exploration and mine site drilling, \$27 million on mine development and \$27 million of sustaining capital at Bogoso and Wassa.

During 2010, we are scheduled to make payments of principal and interest of approximately \$10.8 million on the equipment financing facility, interest payments of \$5.0 million on convertible debentures and payments of principal and interest of \$5.1 million on the revolving facility.

## **LOOKING AHEAD**

Our objectives for 2010 include:

finalize permitting the Prestea South ore bodies to provide oxide ore for the Bogoso oxide processing plant;

continue reserve and resource definition drilling at Bogoso/Prestea and Wassa/HBB; and

examine options at the Prestea Underground.

We are estimating 2010 Bogoso/Prestea gold production of 200,000 ounces at an average cash operating cost of \$650 per ounce. We expect Wassa to also produce approximately 200,000 ounces during 2010 at an average cash operating cost of \$520 per ounce, with combined total production of approximately 400,000 ounces at an average cash operating cost of approximately \$585 per ounce.

As more fully disclosed in the Risk Factors in Item 1A of this Form 10-K, 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.

## **RELATED PARTY TRANSACTIONS**

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During 2009, we obtained legal services from a legal firm to which our Chairman is of counsel. The total value of all services purchased from this law firm during 2009 and 2008 was \$0.6 million and \$0.7 million, respectively. Our Chairman did not personally perform any legal services for us during 2009 or 2008, nor did he benefit directly or indirectly from payments for the services performed by the firm.

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## 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 3 of our consolidated financial statements.

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, tax assets, determination of fair values of financial instruments and site reclamation/closure accruals are subject to estimates and assumptions regarding reserves, gold recoveries, future gold prices, future operating and reclamation costs 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. Certain exploration properties have been found to be impaired in the past and were written off in prior years. We continue to retain title to certain properties after impairment write-offs as future events and discoveries may ultimately prove that they have value.

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

**Ore stockpiles:** Stockpiles represent coarse ore that has been extracted from the mine and is available for further processing. Stockpiles are measured by physical surveying or by estimating the number of tonnes of ore added and removed from the stockpile during a period. The number of contained ounces is based on sample assay data and the estimated gold recovery percentage is based on the expected processing method. Stockpile values are based on mining costs incurred up to the point of stockpiling the ore, including a share of direct overhead and applicable depreciation, depletion and amortization relating to mining operations. Costs are added to a stockpile based on current mining costs and are removed at the average mining cost per tonne for material processed. Stockpiles are reduced as material is removed and fed to the mill. A 10% adjustment of the stockpile value, based on stockpile levels at the end of 2009, would change the carrying value of the stockpile inventory by approximately \$0.4 million.

**Impairment Charges:** We periodically review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate the related carrying amounts may not be recoverable from 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 long-lived 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.

**Mining property amortization:** Mining properties and certain property plant and equipment items recorded in our financial records are amortized using a units-of-production method over Proven and Probable Mineral 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 total December 31, 2009 reserves at Wassa and at Bogoso/Prestea could result in an approximately \$6 to \$8 million annual change in amortization expense.

**Tax Assets:** Recognition of future tax assets requires an analysis of future taxable income expectations to evaluate the probability of sufficient future taxable income to utilize the accrued tax benefits. Determination of expected future taxable income requires numerous estimates of future variable including but not limited to, gold prices, operating costs, gold recovery, ore reserves, gold production, ore grades, administrative costs, tax rates, and potential changes in tax laws.

**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 as required to complete the reclamation and environmental remediation work mandated by existing laws, regulations and customs. Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could

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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 cash costs would result in an approximately \$5 million increase in our asset retirement obligations.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

Effective January 1, 2009, we adopted the following accounting standards updates issued by the Canadian Institute of Chartered Accountants ( CICA ).

The Canadian Accounting Standards Board ( AcSB ) issued Canadian Institute of Chartered Accountants: Handbook ( CICA ) Section 3064, Goodwill and Intangible Assets which replaces CICA 3062 and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. CICA 3064 expands on the criteria for recognition of intangible assets that can be recognized and applies to internally-generated intangible assets as well as to purchased intangible assets. Section 3064 dictates that certain expenditures not meeting the recognition criteria of an intangible asset are expensed as incurred. Emerging issues committee decision ( EIC )27 (Revenues and Expenditures in the pre-operation period) is no longer applicable for entities that have adopted CICA 3064. Section 3064 became effective January 1, 2009 and required that we retrospectively adjust our financial statements to reflect the impact of the changes to the accounting for intangible assets. In response to this new standard, the accompanying December 31, 2009 financial statements and comparative period financials include the impact of the reclassification of certain 2005 plant start-up period costs to expense, such costs having been initially capitalized as Mining Property assets. Depreciation expense was decreased by \$0.5 million, \$0.8 million and \$1.1 million in 2009, 2008 and 2007, respectively.

In June 2009, CICA Handbook Section 3862, Financial Instruments Disclosures ( Section 3862 ), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

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

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

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

The Company adopted this amended standard in 2009 and required disclosures are included in note 4.

#### ***Future Guidance***

In January 2009, the CICA issued Handbook Section 1582, Business Combinations ( Section 1582 ), Section 1582 requires that all assets and liabilities of an acquired business will be recorded at fair value at acquisition. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. Section 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011.

In January 2009, the CICA issued Handbook Section 1601, Consolidations ( Section 1601 ), and section 1602, Non-controlling Interests ( Section 1602 ). Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

#### **OFF BALANCE SHEET ARRANGEMENTS**

We have no off balance sheet arrangements.

**TABLE OF CONTRACTUAL OBLIGATIONS**

|                                  | Total    | Payment due (in millions) by period |              |              | More than<br>5 Years |
|----------------------------------|----------|-------------------------------------|--------------|--------------|----------------------|
|                                  |          | Less than<br>1 Year                 | 1 to 3 years | 3 to 5 years |                      |
| Debt (1)                         | \$ 151.0 | \$ 14.5                             | \$ 136.5     | \$           | \$                   |
| Interest on long term debt       | 12.4     | 6.4                                 | 6.0          |              |                      |
| Operating lease obligations      | 1.2      | 0.3                                 | 0.6          | 0.3          |                      |
| Capital lease obligations        | 0.3      | 0.3                                 |              |              |                      |
| Asset retirement obligations (2) | 52.3     | 8.3                                 | 18.0         | 3.8          | 22.2                 |
| Total                            | \$ 217.2 | \$ 29.8                             | \$ 161.1     | \$ 4.1       | \$ 22.2              |

- (1) Includes \$125.0 million of convertible debentures maturing in September 2012. Golden Star has the right to repay the \$125.0 million in cash or in common shares at the due date under certain circumstances. The presentation shown above assumes payment is made in cash and also assumes no conversions of the debt to common shares by the holders prior to the maturity date.
- (2) Asset retirement obligations include estimates about future reclamation costs, mining schedules, timing of the performance of reclamation work and the quantity of ore reserves, an analysis of which determines the ultimate closure date and 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 \$32.0 million as of December 31, 2009. The amounts shown above are undiscounted to show full expected cash requirements.

**OUTSTANDING SHARE DATA**

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes information available to February 24, 2010. As of February 23, 2010 we had outstanding 257,407,061 common shares, options to acquire 6,644,898 common shares, and convertible debentures which are currently convertible into 25,000,000 common shares.

**ITEM 7A. 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 and debt, changes in foreign currency exchange rates, commodity price fluctuations and equity price risk.

**Interest Rate Risk**

Our excess cash is typically invested in high quality short-term debt instruments. The interest rates received on such investments 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 2010, a 1% change in interest rates would not materially impact our annual income. All of our debt is fixed rate and therefore does not subject us to interest rate risk. We do not utilize interest rate sensitive derivatives to mitigate interest rate risk. 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, certain purchases of labor, operating supplies and capital assets are denominated in Euros, British pounds, Australian dollars, South African rand and Ghanaian cedi. As a result, currency exchange fluctuations have in the past and may continue in the future to impact the costs of goods and services purchased in currencies other than the US dollar. The appreciation of non-US dollar currencies against the US dollar increases the costs of goods and services purchased in non-US dollar terms, which can adversely impact our net income and cash flows. Conversely, a depreciation of non-US dollar currencies against the US dollar usually decreases the costs of goods and services purchased in US dollar terms. During 2009, strengthening of the US dollar resulted in \$3.0 million of currency gains mostly related to purchases of operating and capital items in Ghana where the Ghana Cedi has weakened against the US dollar.

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In general, the value of cash and cash equivalent investments denominated in foreign currencies 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. We held minimal balances in foreign currency accounts during 2009 and thus there were no material gains or losses from this source.

At December 31, 2009, we held no foreign currency purchase agreements and do not anticipate using foreign currency purchase agreements on a regular basis.

**Commodity Price Risk**

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. To reduce gold price volatility we have at various times entered in to gold price derivatives. At the end of 2009, we did not hold any gold price derivatives and thus we were not subject to gold price risk as of December 31, 2009. See note 13 in the accompanying financial statements for a description of the instruments held during 2009.

**Equity Price Risk**

We have in the past, and may in the future, seek to acquire additional funding by the sale of common shares. Movements in the price of our common shares have been volatile in the past and may 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.

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

To the Shareholders of Golden Star Resources Ltd.

We have completed integrated audits of Golden Star Resources Ltd.'s 2009, 2008 and 2007 consolidated financial statements and of its internal control over financial reporting as at December 31, 2009. Our opinions, based on our audits, are presented below.

**Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Golden Star Resources Ltd. as at December 31, 2009 and December 31, 2008, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for each of the years in the three year period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of the Company's financial statements in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. A financial statement audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and December 31, 2008, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2009 in accordance with Canadian generally accepted accounting principles.

**Internal Control over Financial Reporting**

We have also audited Golden Star Resources Ltd.'s internal control over financial reporting as at December 31, 2009, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Item 9A of the Annual Report on Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2009 based on criteria established in *Internal Control - Integrated Framework* issued by the COSO.

/s/ PricewaterhouseCoopers LLP

Vancouver, British Columbia

Chartered Accountants

February 24, 2010

## ITEM 1. FINANCIAL STATEMENTS

## GOLDEN STAR RESOURCES LTD.

## CONSOLIDATED BALANCE SHEETS

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

|   | As of<br>December 31,<br>2009 | As of<br>December 31,<br>2008<br>restated (note 3) |
|---|-------------------------------|--|
| <b>ASSETS</b>   |                               |  |
| <b>CURRENT ASSETS</b>   |                               |  |
| Cash and cash equivalents   | \$ 154,088                    | \$ 33,558  |
| Accounts receivable   | 7,021                         | 4,306  |
| Inventories (Note 6)  | 52,198                        | 49,134   |
| Deposits (Note 7)   | 4,774                         | 3,875  |
| Prepays and other   | 1,415                         | 1,100  |
| Total Current Assets  | 219,496                       | 91,973   |
| RESTRICTED CASH (Note 17)   | 3,804                         | 4,249  |
| DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 9)   | 12,949                        | 13,713   |
| PROPERTY, PLANT AND EQUIPMENT (Note 10)   | 231,855                       | 271,528  |
| INTANGIBLE ASSET (Note 12)  | 9,480                         |  |
| MINING PROPERTIES (Note 11)   | 276,114                       | 312,029  |
| OTHER ASSETS  | 181                           | 807  |
| Total Assets  | \$ 753,879                    | \$ 694,299   |
| <b>LIABILITIES</b>  |                               |  |
| <b>CURRENT LIABILITIES</b>  |                               |  |
| Accounts payable  | \$ 28,234                     | \$ 43,355  |
| Accrued liabilities   | 34,178                        | 30,879   |
| Fair value of derivatives (Note 13)   |                               | 1,690  |
| Asset retirement obligations (Note 14)  | 1,938                         | 1,620  |
| Current Tax Liability   | 616                           |  |
| Current debt (Note 15)  | 9,970                         | 12,778   |
| Total Current Liabilities   | 74,936                        | 90,322   |
| LONG TERM DEBT (Note 15)  | 114,595                       | 112,649  |
| ASSET RETIREMENT OBLIGATIONS (Note 14)  | 30,031                        | 30,036   |
| FUTURE TAX LIABILITY (Note 16)  | 13,997                        | 33,125   |
| Total Liabilities   | 233,559                       | 266,132  |
| <b>MINORITY INTEREST</b>  |                               |  |
| <b>COMMITMENTS AND CONTINGENCIES (Note 17)</b>  |                               |  |
| <b>SHAREHOLDERS EQUITY</b>  |                               |  |
| <b>SHARE CAPITAL</b>  |                               |  |
| First preferred shares, without par value, unlimited shares authorized. No shares issued and outstanding.   |                               |  |
| Common shares, without par value, unlimited shares authorized. Shares issued and outstanding:<br>257,362,561 at December 31, 2009, 235,945,311 at December 31, 2008 |                               |  |
|   | 690,423                       | 615,463  |
| CONTRIBUTED SURPLUS   | 15,759                        | 15,197   |
| EQUITY COMPONENT OF CONVERTIBLE DEBENTURES  | 34,542                        | 34,542   |
| ACCUMULATED OTHER COMPREHENSIVE INCOME  | 24                            | (88)   |
| DEFICIT   | (220,428)                     | (236,947)  |

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|  |            |            |
|--|------------|------------|
| Total Shareholders' Equity                 | 520,320    | 428,167    |
| Total Liabilities and Shareholders' Equity | \$ 753,879 | \$ 694,299 |

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

## GOLDEN STAR RESOURCES LTD.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)

(Stated in thousands of US dollars except for share and per share data)

|  | For the years ended December 31, |                           |                           |
|--|----------------------------------|---------------------------|---------------------------|
|  | 2009                             | 2008<br>restated (note 3) | 2007<br>restated (note 3) |
| <b>REVENUE</b>   |                                  |                           |                           |
| Gold revenues  | \$ 400,739                       | \$ 257,355                | \$ 175,614                |
| Cost of sales (Note 19)                                  | 363,030                          | 298,930                   | 188,822                   |
| Mine operating margin/(loss)                             | 37,709                           | (41,575)                  | (13,208)                  |
| <b>OTHER EXPENSES, (GAINS) AND LOSSES</b>                |                                  |                           |                           |
| Exploration expense                                      | 834                              | 1,954                     | 1,953                     |
| General and administrative expense                       | 14,156                           | 15,221                    | 13,869                    |
| Abandonment and impairment                               | 3,079                            | 68,380                    | 3,499                     |
| Derivative mark-to-market losses (Note 13)               | 3,538                            | 980                       | 232                       |
| Property holding costs                                   | 4,196                            |                           |                           |
| Loss on retirement of debt                               |                                  |                           | 7,067                     |
| Foreign exchange (gain)/loss                             | (2,995)                          | (2,587)                   | 112                       |
| Interest expense   | 15,647                           | 14,591                    | 6,040                     |
| Interest and other income                                | (197)                            | (805)                     | (2,173)                   |
| Loss on sale of assets                                   | 304                              | 575                       |                           |
| Gain on sale of investments                              |                                  | (5,402)                   | (12,449)                  |
| Loss before minority interest                            | (853)                            | (134,482)                 | (31,358)                  |
| Minority interest  |                                  | 6,150                     | 1,274                     |
| Net loss before income tax                               | (853)                            | (128,332)                 | (30,084)                  |
| Income tax (expense)/benefit (Note 16)                   | 17,372                           | 9,029                     | (5,206)                   |
| <b>Net income/(loss)</b>                                 | <b>\$ 16,519</b>                 | <b>\$ (119,303)</b>       | <b>\$ (35,290)</b>        |
| <b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>                 |                                  |                           |                           |
| Unrealized (gain)/loss on available-for-sale investments | 113                              | (3,280)                   | 3,192                     |
| <b>Comprehensive income/(loss)</b>                       | <b>\$ 16,632</b>                 | <b>\$ (122,583)</b>       | <b>\$ (32,098)</b>        |
| Net income/(loss) per common share basic (Note 21)       | \$ 0.070                         | \$ (0.506)                | \$ (0.154)                |
| Net income/(loss) per common share diluted (Note 21)     | \$ 0.069                         | \$ (0.506)                | \$ (0.154)                |
| Weighted average shares outstanding (millions)           | 237.2                            | 235.7                     | 229.1                     |
| Weighted average number of diluted shares (millions)     | 238.4                            | 235.7                     | 229.1                     |

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

## GOLDEN STAR RESOURCES LTD.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(Stated in thousands of US dollars)

|  | Number of<br>Common<br>Shares | Share<br>Capital  | Contributed Surplus |                  | Equity<br>Component of<br>Convertible<br>Debentures | Accumulated<br>Other<br>Comprehensive<br>Income/(Loss) | Retained<br>Deficit<br>(restated note 3) | Total<br>Shareholders<br>Equity |
|--|-------------------------------|-------------------|---------------------|------------------|---|--|--|---------------------------------|
|  |                               |                   | Warrants            | Options          |   |  |  |                                 |
| <b>Balance at December 31, 2006</b>                      | <b>207,891,358</b>            | <b>\$ 524,619</b> | <b>\$ 5,151</b>     | <b>\$ 4,889</b>  | <b>\$ 2,857</b>                                     | <b>\$</b>  | <b>\$ (79,201)</b>                       | <b>\$ 458,315</b>               |
| Options granted net of forfeitures                       |                               |                   |                     | 3,274            |   |  |  | 3,274                           |
| Shares issued under options                              | 1,548,857                     | 2,355             |                     | (71)             |   |  |  | 2,284                           |
| Change in fair value of available<br>for sale securities |                               |                   |                     |                  |   | 3,192  |  | 3,192                           |
| Issue costs  |                               | (5,240)           |                     |                  |   |  |  | (5,240)                         |
| Warrants exercised                                       | 62,783                        | 254               | (13)                |                  |   |  |  | 241                             |
| Common shares issued                                     | 24,150,000                    | 86,940            |                     |                  |   |  |  | 86,940                          |
| Stock bonus (Note 22)                                    | 50,683                        | 175               |                     |                  |   |  |  | 175                             |
| Issuance of new convertible debt                         |                               |                   |                     |                  | 35,852  |  |  | 35,852                          |
| Retirement of convertible debt                           |                               |                   |                     |                  | (2,857)   |  |  | (2,857)                         |
| Equity related loan fees on new<br>convertible debt      |                               |                   |                     |                  | (1,232)   |  |  | (1,232)                         |
| Loss on retirement of convertible<br>debt-equity portion |                               |                   |                     |                  |   |  | (3,153)                                  | (3,153)                         |
| Net loss   |                               |                   |                     |                  |   |  | (35,290)                                 | (35,290)                        |
| <b>Balance at December 31, 2007</b>                      | <b>233,703,681</b>            | <b>\$ 609,103</b> | <b>\$ 5,138</b>     | <b>\$ 8,092</b>  | <b>\$ 34,620</b>                                    | <b>\$ 3,192</b>  | <b>\$ (117,644)</b>                      | <b>\$ 542,501</b>               |
| Shares issued under options                              | 360,000                       | 1,023             |                     | (121)            |   |  |  | 902                             |
| Options granted net of forfeitures                       |                               |                   |                     | 2,088            |   |  |  | 2,088                           |
| Realized gain on available for<br>sale securities        |                               |                   |                     |                  |   | (5,402)  |  | (5,402)                         |
| Unrealized loss on available for<br>sale securities      |                               |                   |                     |                  |   | 2,122  |  | 2,122                           |
| Common shares issued                                     | 1,881,630                     | 5,674             |                     |                  |   |  |  | 5,674                           |
| Issue costs  |                               | (337)             |                     |                  |   |  |  | (337)                           |
| Payment of loan fees                                     |                               |                   |                     |                  | (78)  |  |  | (78)                            |
| Net loss   |                               |                   |                     |                  |   |  | (119,303)                                | (119,303)                       |
| <b>Balance at December 31, 2008</b>                      | <b>235,945,311</b>            | <b>\$ 615,463</b> | <b>\$ 5,138</b>     | <b>\$ 10,059</b> | <b>\$ 34,542</b>                                    | <b>\$ (88)</b>   | <b>\$ (236,947)</b>                      | <b>\$ 428,167</b>               |
| Shares issued under options                              | 1,417,250                     | 4,008             |                     | (1,470)          |   |  |  | 2,538                           |
| Options granted net of forfeitures                       |                               |                   |                     | 2,032            |   |  |  | 2,032                           |
| Unrealized gain on available for<br>sale securities      |                               |                   |                     |                  |   | 112  |  | 112                             |
| Common shares issued                                     | 20,000,000                    | 75,000            |                     |                  |   |  |  | 75,000                          |
| Issue costs  |                               | (4,048)           |                     |                  |   |  |  | (4,048)                         |
| Net income   |                               |                   |                     |                  |   |  | 16,519                                   | 16,519                          |
| <b>Balance at December 31, 2009</b>                      | <b>257,362,561</b>            | <b>\$ 690,423</b> | <b>\$ 5,138</b>     | <b>\$ 10,621</b> | <b>\$ 34,542</b>                                    | <b>\$ 24</b>   | <b>\$ (220,428)</b>                      | <b>\$ 520,320</b>               |

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Stated in thousands of US dollars)

|   | For the years ended December 31, |                           |                           |
|---|----------------------------------|---------------------------|---------------------------|
|   | 2009                             | 2008<br>restated (note 3) | 2007<br>restated (note 3) |
| <b>OPERATING ACTIVITIES:</b>  |                                  |                           |                           |
| Net income/(loss)   | \$ 16,519                        | \$ (119,303)              | \$ (35,290)               |
| Reconciliation of net income/(loss) to net cash provided by operating activities: |                                  |                           |                           |
| Depreciation, depletion and amortization  | 113,977                          | 60,583                    | 35,064                    |
| Amortization of loan acquisition cost   | 1,201                            | 732                       | 449                       |
| Abandonment and impairment  | 3,079                            | 68,379                    | 3,499                     |
| Gain on sale of equity investments  |                                  | (5,402)                   | (12,449)                  |
| Loss on retirement of debt  |                                  |                           | 7,067                     |
| Loss on sale of assets  | 304                              | 575                       |                           |
| Non-cash employee compensation  | 2,033                            | 2,088                     | 3,449                     |
| Future income tax expense/(benefit)   | (19,127)                         | (9,029)                   | 5,206                     |
| Reclamation expenditures  | (1,985)                          | (1,163)                   | (872)                     |
| Fair value of derivatives   | (1,838)                          | 2,076                     | (561)                     |
| Accretion of convertible debt   | 6,624                            | 6,198                     | 1,606                     |
| Accretion of asset retirement obligations   | 2,165                            | 778                       | 1,062                     |
| Minority interests  |                                  | (6,150)                   | (1,274)                   |
|   | 122,952                          | 362                       | 6,956                     |
| Changes in non-cash working capital:  |                                  |                           |                           |
| Accounts receivable   | (2,702)                          | 4,060                     | (1,168)                   |
| Inventories   | (4,327)                          | 3,229                     | (11,645)                  |
| Deposits  | (845)                            |                           |                           |
| Accounts payable and accrued liabilities  | (10,848)                         | 24,618                    | 12,169                    |
| Other   | 385                              | (2,226)                   | 358                       |
| Net cash provided by operating activities   | 104,615                          | 30,043                    | 6,670                     |
| <b>INVESTING ACTIVITIES:</b>  |                                  |                           |                           |
| Expenditures on deferred exploration and development                              | (3,460)                          | (6,937)                   | (6,397)                   |
| Expenditures on mining properties   | (32,839)                         | (42,830)                  | (36,877)                  |
| Expenditures on property, plant and equipment                                     | (12,468)                         | (24,660)                  | (71,593)                  |
| Proceeds from sale of equity investment   |                                  | 7,104                     | 13,124                    |
| Proceeds from the sale of assets  | 2                                | 1,351                     |                           |
| Change in payable on capital expenditures   | (962)                            | (5,235)                   | (1,846)                   |
| Change in deposits on mine equipment and material                                 | (54)                             | 2,881                     | 2,960                     |
| Other   | 445                              | (2,740)                   | (401)                     |
| Net cash used in investing activities   | (49,336)                         | (71,066)                  | (101,030)                 |
| <b>FINANCING ACTIVITIES:</b>  |                                  |                           |                           |
| Issuance of share capital, net of issue costs                                     | 73,489                           | 6,238                     | 84,225                    |
| Principal payments on debt  | (28,856)                         | (17,816)                  | (13,480)                  |
| Proceeds from equipment financing facility and revolving debt facility            | 22,837                           | 11,456                    | 13,463                    |
| Retirement of convertible notes   |                                  |                           | (61,760)                  |
| Issuance of convertible debentures, net of issuance costs                         |                                  |                           | 120,558                   |
| Other   | (2,219)                          | (1,051)                   |                           |
| Net cash provided by/(used in) financing activities                               | 65,251                           | (1,173)                   | 143,006                   |
| Increase (decrease) in cash and cash equivalents                                  | 120,530                          | (42,196)                  | 48,646                    |
| Cash and cash equivalents, beginning of period                                    | 33,558                           | 75,754                    | 27,108                    |
| Cash and cash equivalents end of period   | \$ 154,088                       | \$ 33,558                 | \$ 75,754                 |

*(See Note 23 for supplemental cash flow information)*

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**GOLDEN STAR RESOURCES LTD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**1. Nature of Operations**

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

**2. Basis of Presentation**

Our consolidated financial statements are prepared and reported in United States ( US ) dollars and in accordance with generally accepted accounting principles in Canada ( Cdn GAAP ) which differ in some respects from GAAP in the United States ( US GAAP ). These differences in GAAP are quantified and explained in Note 26. These consolidated financial statements were prepared in conformity with annual reporting standards and as such contain all of the information required for annual financial statements. Our consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of all liabilities in the normal course of business.

These consolidated financial statements include the accounts of the Company and its majority owned subsidiaries, whether owned directly or indirectly. All inter-company balances and transactions have been eliminated. Subsidiaries are defined as entities in which the company holds a controlling interest, is the general partner or where it is subject to the majority of expected losses or gains. Our fiscal year-end is December 31. Certain comparative figures have been reclassified to conform to the presentation adopted for the current period and to reflect retroactive restatements of certain balance required upon the adoption of new guidance in the current year.

**3. Summary of Significant Accounting Policies**

*Use of estimates*

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

*Cash and cash equivalents*

Cash includes cash deposits, in any currency, residing in checking accounts, money market funds and sweep accounts. Cash equivalents consist of highly liquid investments purchased with maturities of three months or less. Investments with maturities greater than three months and up to one year are classified as short-term investments, while those with maturities in excess of one year are classified as long-term investments. Cash equivalents and short-term investments are stated at cost, which typically approximates market value.

*Inventories*

Inventory classifications include stockpiled ore, in-process inventory, finished goods inventory and materials and supplies. All of our inventories, except materials and supplies, are recorded at the lower of weighted average cost or market. The stated value of all production inventories include direct production costs and attributable overhead and depreciation incurred to bring the materials to it current point in the processing cycle, except for our materials and supplies inventories. General and administrative costs for corporate offices are not included in any inventories.

Stockpiled ore represents coarse ore that has been extracted from the mine and is awaiting processing. Stockpiled ore is measured by estimating the number of tonnes (via truck counts or by physical surveys) added to, or removed from the stockpile, the number of contained ounces (based

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on assay data) and estimated gold recovery percentage. Stockpiled ore value is based on the costs incurred (including depreciation and amortization) in bringing the ore to the stockpile. Costs are added to the stockpiled ore based on current mining costs per tonne and are removed at the average cost per tonne of ore in the stockpile.

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

Finished goods inventory is composed of saleable gold in the form of doré bars that have been poured but not yet shipped from the mine site. The bars are valued at the lower of total cost or net realizable value. Included in the total costs are the direct costs of the mining and processing operations as well as direct mine-site overhead, amortization and depreciation.

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

#### ***Ore reserve quantities used in units-of-production amortization***

Gold ounces contained in stockpiled ore are excluded from total reserves when determining units-of-production amortization of mining property, asset retirement assets and other assets.

#### ***Exploration costs and deferred exploration properties***

Exploration costs not directly related to an identifiable mineral deposit are expensed as incurred.

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

If a Deferred Exploration property is abandoned or it is determined that its carrying value cannot be supported by future production cash flows or sale, the related costs are charged against operations in the year of impairment. Subsequent costs, if any, incurred for that property are expensed as incurred.

The accumulated costs of Deferred Exploration properties are reclassified as Mine Property when proven and probable mineral reserves are established and such costs are subsequently depleted on a units-of-production basis once mining commences.

#### ***Impairment of long-lived assets***

We review and evaluate our long-lived assets for impairment at least annually and also when events or changes in circumstances indicate the related carrying amounts may not be recoverable. An asset impairment is considered to exist if an asset's recoverable value is less than its carrying value as recorded on our Consolidated Balance Sheet. In most cases an asset's recoverable value is assumed to be equal to the sum of the asset's expected future cash flows on an undiscounted basis. If the sum of the undiscounted future cash flows does not exceed the asset's carrying value, an impairment loss is measured and recorded based on discounted estimated future cash flows from the asset. Future cash flows are based on estimated quantities of gold and other recoverable metals, expected price of gold and other commodity (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed engineering life-of-mine plans.

In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups. With the exception of other mine-related exploration potential and exploration potential in areas outside of the immediate mine-site, all assets at a particular operation are considered together for purposes of estimating future cash flows. In the case of mineral interests associated with other mine-related exploration potential and exploration potential in areas outside of the immediate mine-site, cash flows and fair values are individually evaluated based primarily on recent exploration results.

Numerous factors including, but not limited to, such things as unexpected grade changes, gold recovery problems, shortages of equipment and consumables, equipment failures, and collapse of pit walls, could impact our ability to achieve forecasted production schedules from proven and probable reserves. Additionally, commodity prices, capital expenditure requirements and reclamation costs could differ from the assumptions

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used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically.

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

***Property, plant, equipment and mine development***

Property, plant and equipment assets, including, machinery, processing equipment, mining equipment, mine site facilities, vehicles and expenditures that extend the life of such assets are recorded at cost, including acquisition and installation costs. The costs of self-constructed assets, including mine development assets, include direct construction costs and allocated interest during the construction phase. Indirect overhead costs are not included in the cost of self-constructed assets. Depreciation for mobile equipment and other assets having estimated lives shorter than the estimated life of the ore reserves, is computed using the straight-line method at rates calculated to depreciate the cost of the assets, less their anticipated residual values, if any, over their estimated useful lives.

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

***Asset retirement obligations***

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

***Foreign currencies and foreign currency translation***

Our functional currency is the US dollar.

The carrying value of monetary assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at the rates of exchange prevailing when the assets were acquired or the liabilities assumed. Revenue and expense items are translated at the average rate of exchange during the period. Translation gains or losses are included in net earnings for the period.

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

***Income taxes***

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

***Net income per share***

Basic income per share of common stock is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. In periods with earnings, the calculation of diluted net income per common share uses the treasury stock method to compute the dilutive effects of stock options, and other dilutive instruments. In periods of loss, diluted net income per share is equal to basic income per share.

***Revenue recognition***

Revenue from the sale of metal is recognized when title and the risk of ownership pass to the buyer. All of our gold is sent to a South African gold refiner who locates and arranges for the sale to a third party on the day of shipment from the mine site. The sales price is based on the London P.M. fix on the day of shipment. Title and risk of ownership pass to the buyer on the day doré is shipped from the mine sites.

*Stock based compensation*

Under the company's common share option programs (see note 20), common share options may be granted to executives, employees, consultants and non-employee directors. Compensation expense for such grants is recorded in the Consolidated Statements of Operations as general and administrative expense, with a corresponding increase recorded in the Contributed Surplus account in the Consolidated Balance Sheets.

The expense is based on the fair values of the option at the time of grant and is recognized over the estimated vesting periods of the respective options. Consideration paid to the company on exercise of options is credited to share capital.

#### *Deferred mining costs*

In accordance with EIC 160 Stripping Costs Incurred in the Production Phase of Mining Operation, expenditures for waste stripping (*i.e.*, the costs of removing overburden and waste material to access mineral deposits) that can be shown to be a betterment of the mineral property are capitalized and subsequently amortized on a units-of-production basis over the mineral reserves that directly benefit from the specific waste stripping activity. Waste stripping costs incurred during the production phase of a mine which do not qualify as a betterment, are considered variable production costs and are included as a component of inventory produced during the period in which stripping costs are incurred. The balance in our betterment stripping account was nil at the beginning of 2009 and totaled \$4.2 million at December 31, 2009. There was no amortization of such costs in 2009 because none of the reserves accessed by the stripping were mined in the year.

#### *Leases*

Leases that transfer substantially all the benefits and risks of ownership to the company are recorded as capital leases and classified as property, plant and equipment with a corresponding amount recorded with current and long-term debt. All other leases are classified as operating leases under which leasing costs are expensed in the period incurred.

#### *Financial instruments*

Our financial instruments include cash, cash equivalents, restricted cash, available for sale investments, accounts receivable, derivative contracts, accounts payable, accrued liabilities and current and long term debt. Each financial asset and financial liability instrument is initially measured at fair value, adjusted for any associated transaction costs. In subsequent periods, the estimated fair values of financial instruments are determined based on our assessment of available market information and appropriate valuation methodologies including reviews of current interest rates, related market values and current pricing of financial instruments with comparable terms; however, these estimates may not necessarily be indicative of the amounts that could be realized or settled in a current market transaction.

The carrying value of the Convertible Senior Unsecured Debentures is split between the debt and equity components of the instrument. The debt component of the instrument is accreted to its maturity value through charges to income over the term of the notes based on the effective yield method.

Financing costs associated with the issuance of debt are deferred, amortized over the term of the related debt using the effective yield method and presented as a reduction of the related debt.

Financial assets, financial liabilities and derivative financial instruments are classified into one of five categories: held-to-maturity, available-for-sale, loans and receivables, other financial liabilities and held-for-trading.

All financial instruments classified as available-for-sale or held-for-trading, and derivative financial instruments are subsequently measured at fair value. Changes in the fair value of financial instruments designated as held-for-trading and recognized derivative financial instruments are charged or credited to the statement of operations for the relevant period, while changes in the fair value of financial instruments designated as available-for-sale, excluding impairments, are charged or credited to other comprehensive income until the instrument is realized. All other financial assets and liabilities are accounted for at cost or at amortized cost depending upon the nature of the instrument. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

Following is a summary of the categories the Company has elected to apply to each of its significant financial instruments

| Financial Instrument                     | Category                    |
|--|-----------------------------|
| Cash and cash equivalents                | Loans and receivables       |
| Deposits                                 | Loans and receivables       |
| Restricted cash                          | Loans and receivables       |
| Marketable equity securities             | Available-for-sale          |
| Accounts receivable                      | Loans and receivables       |
| Convertible senior unsecured debentures  | Other financial liabilities |
| Accounts payable and accrued liabilities | Other financial liabilities |
| Debt facilities                          | Other financial liabilities |
| Derivatives                              | Held-for-trading            |

#### ***Comprehensive income***

Components of comprehensive income/loss consist of unrealized gains (losses) on available-for-sale securities and net income. Unrealized gains or losses on securities are net of any reclassification adjustments for realized gains or losses included in net income.

#### ***Derivatives***

At various times we utilize foreign exchange and commodity price derivatives to manage exposure to fluctuations in foreign currency exchange rates and gold prices, respectively. We do not employ derivative financial instruments for trading purposes or for speculative purposes. Our derivative instruments are recorded on the balance sheet at fair value with changes in fair value recognized in the statement of operations at the end of each period in an account titled Derivative mark-to-market gain/(loss) .

#### ***Changes in accounting policies during 2009***

Effective January 1, 2009, we adopted the following accounting standards updates issued by the Canadian Institute of Chartered Accountants ( CICA ).

The Canadian Accounting Standards Board ( AcSB ) issued CICA Section 3064, Goodwill and Intangible Assets which replaces CICA 3062 and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. CICA 3064 expands on the criteria for recognition of intangible assets that can be recognized and applies to internally-generated intangible assets as well as to purchased intangible assets. Section 3064 dictates that certain expenditures not meeting the recognition criteria of an intangible asset are expensed as incurred. Emerging issues committee decision ( EIC )27 (Revenues and Expenditures in the pre-operation period) is no longer applicable for entities that have adopted CICA 3064. Section 3064 became effective January 1, 2009 and required that we retrospectively adjust our financial statements to reflect the impact of the changes to the accounting for intangible assets. In response to this new standard, the accompanying December 31, 2009 financial statements and comparative period financials include the impact of the reclassification of certain 2005 plant start-up period costs to expense, such costs having been initially capitalized as Mining Property assets. Depreciation expense was decreased by \$0.5 million, \$0.8 million and \$1.1 million in 2009, 2008 and 2007, respectively.

In June 2009, CICA Handbook Section 3862, Financial Instruments Disclosures ( Section 3862 ), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

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

The Company adopted this amended standard in 2009 and required disclosures are included in note 4.

Effective March 27, 2009, we adopted Emerging Issues Committee ( EIC ) Abstract 174, Mining Exploration Costs . This standard provides guidance on the capitalization of exploration costs related to mining properties, in particular, and on impairment of long-lived assets. The adoption of this standard did not have a material impact on our consolidated financial statements.

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Effective January 1, 2009, we adopted EIC Abstract 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities . This standard requires companies to take into account their own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this standard did not have a material impact on our consolidated financial statements.

*Future Guidance*

In January 2009, the CICA issued Handbook Section 1582, Business Combinations ( Section 1582 ), Section 1582 requires that all assets and liabilities of an acquired business will be recorded at fair value at acquisition. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. Section 1582 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011.

In January 2009, the CICA issued Handbook Section 1601, Consolidations ( Section 1601 ), and section 1602, Non-controlling Interests ( Section 1602 ). Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

**International Financial Reporting Standards**

Golden Star has, since its inception, reported to security regulators in both Canada and the US using Canadian GAAP financial statements with a reconciliation to US GAAP. However, a change in SEC position in late 2009 will require that after 2010, Canadian companies such as Golden Star, that do not qualify as private foreign issuers, must file their financial statements in the US using US GAAP. We plan to continue using Canadian GAAP for US and Canadian filings in 2010 and will adopt US GAAP on January 1, 2011 for all subsequent US and Canadian filings. Canada has announced that it will continue to accept US GAAP financial statements.

**4. Financial Instruments**Financial Assets

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

| Assets                                      | Category              | As of<br>December 31, 2009 |                   | As of<br>December 31, 2008 |                   |
|---|-----------------------|----------------------------|-------------------|----------------------------|-------------------|
|   |                       | Estimated<br>Fair Value    | Carrying<br>Value | Estimated<br>Fair Value    | Carrying<br>Value |
| Cash and cash equivalents <sup>1</sup>      | Loans and receivables | \$ 154,088                 | \$ 154,088        | \$ 33,558                  | \$ 33,558         |
| Deposits <sup>1</sup>                       | Loans and receivables | 4,774                      | 4,774             | 3,875                      | 3,875             |
| Restricted cash <sup>1</sup>                | Loans and receivables | 3,804                      | 3,804             | 4,249                      | 4,249             |
| Accounts receivable <sup>1</sup>            | Loans and receivables | 7,021                      | 7,021             | 4,306                      | 4,306             |
| Derivative Instrument- Riverstone           |                       |                            |                   |                            |                   |
| Warrants <sup>1</sup>                       | Held-for-trading      | 158                        | 158               | 11                         | 11                |
| Available for sale investments <sup>1</sup> | Available-for-sale    | 181                        | 181               | 29                         | 29                |
| <b>Total financial assets</b>               |                       | <b>\$ 170,026</b>          | <b>\$ 170,026</b> | <b>\$ 46,028</b>           | <b>\$ 46,028</b>  |

Financial Liabilities

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

| Liabilities  | Category                    | As of<br>December 31, 2009 |                   | As of<br>December 31, 2008 |                   |
|--|-----------------------------|----------------------------|-------------------|----------------------------|-------------------|
|  |                             | Estimated<br>Fair Value    | Carrying<br>Value | Estimated<br>Fair Value    | Carrying<br>Value |
| Accounts payable and accrued liabilities <sup>1</sup>  | Other financial liabilities | \$ 62,412                  | \$ 62,412         | \$ 74,234                  | \$ 74,234         |
| Derivative instruments <sup>4</sup>                    | Gold Forward Contracts      |                            |                   |                            |                   |
|  | Held for trading            |                            |                   | 1,690                      | 1,690             |
| Convertible senior unsecured debentures <sup>2,3</sup> | Other financial liabilities | 104,617                    | 101,024           | 108,436                    | 93,738            |
| Revolving credit facility <sup>2</sup>                 | Other financial liabilities | 5,053                      | 2,543             |                            |                   |
| Debt facility <sup>1</sup>                             | Other financial liabilities |                            |                   | 625                        | 625               |
| Equipment financing loans <sup>2</sup>                 | Other financial liabilities | 21,028                     | 20,998            | 33,757                     | 31,063            |
| <b>Total financial liabilities</b>                     |                             | <b>\$ 193,110</b>          | <b>\$ 186,977</b> | <b>\$ 218,742</b>          | <b>\$ 201,350</b> |

<sup>1</sup> Carrying amount is a reasonable approximation of fair value.

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- <sup>2</sup> The fair values of the debt portion of the convertible senior unsecured debentures, the equipment financing loans, and the revolving credit facility are determined by discounting the stream of future payments of interest and principal at the estimated prevailing market rates of comparable debt instruments.
- <sup>3</sup> The carrying value of the convertible senior unsecured debentures is being accreted to maturity value through charges to income over their term based on the effective yield method. Financing costs allocated to the issuance of debt are deferred, amortized over the term of the related debt using the effective yield method and presented as a reduction of the related debt.
- <sup>4</sup> The fair value represents quoted market prices in an active market.

During 2009, CICA Handbook Section 3862, Financial Instruments Disclosures ( Section 3862 ), was amended to require disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2009

|                                | Financial assets at fair value as at December 31, 2009 |         |         | Total |
|--------------------------------|--|---------|---------|-------|
|                                | Level 1  | Level 2 | Level 3 |       |
| Available for sale investments | 181  |         |         | 181   |
| Warrants                       |  | 158     |         | 158   |
|                                | 181  | 158     |         | 339   |

No financial liabilities are measured at fair value on the balance sheet as at December 31, 2009.

<sup>1</sup>Comparative information has not been presented in the table because this information is not required in the year of adoption. For periods subsequent to the year of adoption, comparative information would be necessary.

## 5. Financial Instrument Risk Exposure and Risk Management

The Company is exposed in varying degrees to a variety of financial instrument risks. The type of risk exposure and the way in which such exposure is managed is provided as follows:

### *Liquidity risk*

Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. We manage the liquidity risk inherent in these financial obligations by preparing quarterly forecasts and annual long-term budgets which forecast cash needs and expected cash availability to meet future obligations. Typically these obligations are met by cash flows from operations. Scheduling of spending plans and acquisitions of financial resources may also be employed, as needed and as available, to meeting the cash demands of our obligations.

Our ability to repay or refinance our future obligations depends on a number of factors, some of which may be beyond our control. Factors that influence our ability to meet these obligations include general global economic conditions, credit and capital market conditions, and the price of gold.

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The following table provides a maturity analysis of our financial liabilities as of December 31, 2009:

| Liabilities               | 2010             | 2011             | 2012              | 2013            | 2014      | Maturity     |
|---------------------------|------------------|------------------|-------------------|-----------------|-----------|--------------|
| Equipment financing loans |                  |                  |                   |                 |           |              |
| principal                 | \$ 9,500         | \$ 5,603         | \$ 3,592          | \$ 1,975        | \$        | 2010 to 2013 |
| interest                  | 1,326            | 703              | 279               | 64              |           |              |
| Bank facility             |                  |                  |                   |                 |           |              |
| principal                 | 5,000            |                  |                   |                 |           | 8/31/2012    |
| interest                  | 53               |                  |                   |                 |           |              |
| Convertible debentures    |                  |                  |                   |                 |           |              |
| principal                 |                  |                  | 125,000           |                 |           | 11/30/2012   |
| Interest                  | 5,000            | 5,000            | 5,000             |                 |           |              |
| <b>Total</b>              | <b>\$ 20,879</b> | <b>\$ 11,306</b> | <b>\$ 133,871</b> | <b>\$ 2,039</b> | <b>\$</b> |              |

### *Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Our credit risk is primarily associated with liquid financial assets. We limit exposure to credit risk on liquid financial assets through maintaining our cash, cash equivalents, restricted cash and deposits with high-credit quality financial institutions. At the end of 2009 all of our excess cash was invested in funds that hold only US treasury bills.

### *Market Risk*

The significant market risk exposures include foreign exchange risk, interest rate risk and commodity price risk. These are discussed further below.

### *Currency Risk*

Currency risk is risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 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. Since gold is sold throughout the world based principally on the US dollar price, but portions of our costs are in non-dollar terms, currency exchange fluctuations may affect the costs and margins at our operations. 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.

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.

In the past we have entered into forward purchase contracts for South African Rand, Euros and other currencies to hedge expected purchase prices of capital assets. We maintain certain operating cash accounts in non US dollar currencies. As of December 31, 2009 we had no currency related derivatives and \$4.3 million of cash in foreign currencies bank accounts.

*Interest rate risk* Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. From time to time we invest excess cash in high credit quality, short term 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.

With respect to financial liabilities, the senior convertible unsecured debentures and the outstanding loans under the equipment financing facility are not subject to interest rate risk since they bear interest at a fixed rate and are not subject to fluctuations in interest rate. Our revolving credit facility has a variable interest rate of the higher of the applicable lender's cost of funds (capped at 1.25% per annum above Libor) and LIBOR plus a margin of 5%. As of December 31, 2009 we had \$5.0 million outstanding on this \$30 million facility. 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. A 1% change in interest rates would not have a material impact on our net loss or comprehensive loss.

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*Commodity price risk* 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. To reduce gold price volatility we have at various times entered in to gold price derivatives. At the end of 2009, we did not hold any gold price derivatives and thus we were not subject to gold price risk as of December 31, 2009. See note 13 in the accompanying financial statements for a description of the instruments held during 2009.

**6. Inventories**

|                        | As of<br>December 31, |                  |
|------------------------|-----------------------|------------------|
|                        | 2009                  | 2008             |
| Stockpiled ore         | \$ 4,335              | \$ 6,497         |
| In process             | 8,501                 | 10,626           |
| Materials and supplies | 39,362                | 32,011           |
| <b>Total</b>           | <b>\$ 52,198</b>      | <b>\$ 49,134</b> |

There were approximately 26,000 and 45,000 recoverable ounces of gold in ore stockpile inventories at December 31, 2009 and 2008, respectively. Stockpile inventories are short-term surge piles expected to be processed in the next 12 months or less. During 2008 we recorded a total of \$25.7 million of net realizable value adjustment write-downs. Of the \$25.7 million total, \$16.4 million was related to approximately 700,000 tonnes of transition ore stockpiles. The decision to write down the transition ore stockpile value was based on information obtained during processing test runs of the various transition ore stockpiles during 2008, and also on the gold price at December 31, 2008. During 2009, \$1.0 million was recorded as inventory write downs, \$0.1 million in net realizable value adjustment write downs on the stockpile inventories, and \$0.9 million of obsolete inventory write downs on the materials and supplies inventory.

**7. Deposits**

Represents cash advances and payments for equipment and materials purchases by our mines which are not yet delivered on-site.

**8. Available-For-Sale Investments**

|                                     | Year Ended December 31, 2009 |        |                |        |            |         | Total<br>Investments |
|-------------------------------------|------------------------------|--------|----------------|--------|------------|---------|----------------------|
|                                     | Mineral IRL                  |        | EURO Resources |        | Riverstone |         |                      |
|                                     | Fair Value                   | Shares | Fair Value     | Shares | Fair Value | Shares  |                      |
| <b>Balance at December 31, 2008</b> | \$                           |        | \$             |        | \$ 29      | 300,000 | \$ 29                |
| Acquisitions                        |                              |        |                |        | 40         | 400,000 | 40                   |
| Dispositions                        |                              |        |                |        |            |         |                      |
| Realized gain on sale               |                              |        |                |        |            |         |                      |
| OCI unrealized gain / (loss)        |                              |        |                |        | 112        |         | 112                  |
| <b>Balance at December 31, 2009</b> | \$                           |        | \$             |        | \$ 181     | 700,000 | \$ 181               |

  

|                                     | Year Ended December 31, 2008 |             |                |             |            |         | Total<br>Investments |
|-------------------------------------|------------------------------|-------------|----------------|-------------|------------|---------|----------------------|
|                                     | Mineral IRL                  |             | EURO Resources |             | Riverstone |         |                      |
|                                     | Fair Value                   | Shares      | Fair Value     | Shares      | Fair Value | Shares  |                      |
| <b>Balance at December 31, 2007</b> | \$ 3,084                     | 5,012,800   | \$ 2,037       | 1,483,967   | \$         |         | \$ 5,121             |
| Acquisitions                        |                              |             |                |             | 118        | 300,000 | 118                  |
| Dispositions                        | (1,626)                      | (5,012,800) | (304)          | (1,483,967) |            |         | (1,930)              |
| Realized gain on sale               | (3,405)                      |             | (1,997)        |             |            |         | (5,402)              |
| OCI 1 unrealized gain / (loss)      | 1,947                        |             | 264            |             | (89)       |         | 2,122                |
| <b>Balance at December 31, 2008</b> | \$                           |             | \$             |             | \$ 29      | 300,000 | \$ 29                |



**9. Deferred exploration and development costs**

Consolidated property expenditures on our exploration projects for the year ended December 31, 2009 were as follows:

|  | Deferred<br>Exploration &<br>Development<br>Costs as of<br>12/31/2008 | Capitalized<br>Exploration<br>Expenditures | Transfer<br>to<br>Mining<br>Properties | Impairments<br>(see Note<br>25) | Deferred<br>Exploration &<br>Development<br>Costs as of<br>12/31/2009 |
|--|---|--|--|---------------------------------|---|
| <b>AFRICAN PROJECTS</b>                |   |  |  |                                 |   |
| Ghana                                  | \$ 4,437  | \$ 2,643                                   | \$ (1,145)                             | \$                              | \$ 5,935  |
| Sonfon Sierra Leone                    | 2,674   | 171  |  |                                 | 2,845   |
| Other Africa                           | 1,295   | 13   |  | (290)                           | 1,018   |
| <b>SOUTH AMERICAN PROJECTS</b>         |   |  |  |                                 |   |
| Saramacca Suriname                     | 781   | 370  |  |                                 | 1,151   |
| Paul Isnard French Guiana <sup>2</sup> | 4,526   | 263  |  | (2,789)                         | 2,000   |
| <b>Total</b>                           | <b>\$ 13,713</b>  | <b>\$ 3,460</b>                            | <b>\$ (1,145)</b>                      | <b>\$ (3,079)</b>               | <b>\$ 12,949</b>  |

<sup>1</sup> In November 2009, we entered into an agreement to sell our interest in the Saramacca joint venture to Newmont for approximately \$8.0 million. Proceeds of the sale have been put in escrow pending the receipt of required governmental approvals and certain additional customary conditions.

<sup>2</sup> In November 2009, we entered into a settlement agreement in respect of the outstanding litigation regarding the Paul Isnard properties in French Guiana, pursuant to which the rights to those properties are to be transferred to us, subject to receiving the required governmental approvals. Also in November 2009, we entered into an agreement to sell our rights, title and interest in the Bon Espoir, Iracoubo Sud and Paul Isnard properties in French Guiana for approximately \$2.1 million. The sale will be recognized upon receiving the required governmental approvals.

Consolidated property expenditures on our exploration projects for the year ended December 31, 2008 were as follows:

|                                  | Deferred<br>Exploration &<br>Development<br>Costs as of<br>12/31/2007 | Capitalized<br>Exploration<br>Expenditures | Transfer<br>from<br>Mining<br>Properties | Impairments<br>(see Note<br>25) | Other           | Deferred<br>Exploration &<br>Development<br>Costs as of<br>12/31/2008 |
|----------------------------------|---|--|--|---------------------------------|-----------------|---|
| <b>AFRICAN PROJECTS</b>          |   |  |  |                                 |                 |   |
| Other Ghana                      | \$ 1,519  | \$ 2,918                                   | \$                                       | \$                              | \$              | \$ 4,437  |
| Prestea Underground <sup>1</sup> |   |  | 44,551                                   | (44,551)                        |                 |   |
| Sonfon Sierra Leone              | 1,486   | 1,188                                      |  |                                 |                 | 2,674   |
| Afema Ivory Coast                | 1,539   |  |  | (1,539)                         |                 |   |
| Goulagou Burkina Faso            | 19,273  | 26   |  | (18,886)                        | (413)           |   |
| Other Africa                     | 1,518   | 1,366                                      |  | (1,589)                         |                 | 1,295   |
| <b>SOUTH AMERICAN PROJECTS</b>   |   |  |  |                                 |                 |   |
| Saramacca Suriname               | 781   |  |  |                                 |                 | 781   |
| Paul Isnard French Guiana        | 3,087   | 1,439                                      |  |                                 |                 | 4,526   |
| <b>Total</b>                     | <b>\$ 29,203</b>  | <b>\$ 6,937</b>                            | <b>\$ 44,551</b>                         | <b>\$ (66,565)</b>              | <b>\$ (413)</b> | <b>\$ 13,713</b>  |

<sup>1</sup> During 2008, the assets related to the Prestea Underground were reclassified as deferred exploration and development costs following updated feasibility study results which indicated these amounts no longer met the definition of mining property, plant and equipment.

**10. Property, Plant and Equipment**

|                      | As of December 31, 2009                        |                             |  | As of December 31, 2008                        |                             |  |
|----------------------|--|-----------------------------|--|--|-----------------------------|--|
|                      | Property,<br>Plant and<br>Equipment<br>at Cost | Accumulated<br>Depreciation | Property,<br>Plant and<br>Equipment<br>Net Book<br>Value | Property,<br>Plant and<br>Equipment<br>at Cost | Accumulated<br>Depreciation | Property,<br>Plant and<br>Equipment<br>Net Book<br>Value |
| Bogoso/Prestea       | \$ 64,527                                      | \$ (36,434)                 | \$ 28,093  | \$ 63,209                                      | \$ (29,956)                 | \$ 33,253  |
| Bogoso sulfide plant | 189,426  | (35,797)                    | 153,629  | 198,989  | (15,498)                    | 183,491  |
| Wassa/HBB            | 83,468   | (33,792)                    | 49,676   | 74,488   | (22,720)                    | 51,768   |
| Corporate & other    | 1,118  | (661)                       | 457  | 3,489  | (473)                       | 3,016  |
| <b>Total</b>         | <b>\$ 338,539</b>                              | <b>\$ (106,684)</b>         | <b>\$ 231,855</b>  | <b>\$ 340,175</b>                              | <b>\$ (68,647)</b>          | <b>\$ 271,528</b>  |

**11. Mining Properties**

|                | As of December 31, 2009         |   |  | As of December 31, 2008         |   |  |
|----------------|---------------------------------|---|--|---------------------------------|---|--|
|                | Mining<br>Properties at<br>Cost | Accumulated<br>Amortization<br>And<br>Impairments | Mining<br>Properties,<br>Net Book<br>Value | Mining<br>Properties at<br>Cost | Accumulated<br>Amortization<br>And<br>Impairments | Mining<br>Properties,<br>Net Book<br>Value |
| Bogoso/Prestea | \$ 61,421                       | \$ (35,894)                                       | \$ 25,527                                  | \$ 61,528                       | \$ (34,071)                                       | \$ 27,457                                  |
| Bogoso Sulfide | 57,314                          | (14,959)  | 42,355                                     | 53,452                          | (5,360)   | 48,092                                     |
| Mampon         | 15,914                          |   | 15,914                                     | 15,666                          |   | 15,666                                     |
| Wassa / HBB    | 281,662                         | (103,811)   | 177,851                                    | 252,713                         | (45,202)  | 207,511                                    |
| Other          | 17,844                          | (3,377)   | 14,467                                     | 16,680                          | (3,377)   | 13,303                                     |
| <b>Total</b>   | <b>\$ 434,155</b>               | <b>\$ (158,041)</b>                               | <b>\$ 276,114</b>                          | <b>\$ 400,039</b>               | <b>\$ (88,010)</b>                                | <b>\$ 312,029</b>                          |

In 2009 we capitalized certain betterment stripping costs totaling \$4.2 million. These costs are included in the mining property balance for Wassa shown above. These costs will be amortized in years 2010 through 2012 on a units-of-production basis over the ounces accessed by the deferred betterment stripping.

**12. Intangible Asset**

We, along with three other gold mining companies operating in Ghana, organized a consortium that purchased and constructed a nominal 80 megawatt power station in Ghana. Construction was completed in 2008, and the plant has since generated power, adding its output to the Ghana national grid. Our share of the acquisition and construction costs totaled \$12.4 million. At June 30, 2009, the four owners transferred ownership and operational responsibility of the plant to the Ghana power authority. In response, at the end of the second quarter of 2009, our 25% ownership share in the power plant, with a net book value of \$10.5 million, was transferred from fixed assets to intangible assets in our balance sheet.

This intangible asset represents our right to receive from the Ghana national grid, an amount of the electric power equal to one fourth of the plant's power output over and above any rationing limit that might be imposed in the future by the Ghana national power authority. The intangible asset is being amortized over five years from the transfer date.

**13. Derivatives**

The derivative mark-to-market losses recorded in the Statement of Operations is comprised of the following amounts:

|                                     | <b>For the years ended December 31,</b> |               |               |
|-------------------------------------|---|---------------|---------------|
|                                     | <b>2009</b>                             | <b>2008</b>   | <b>2007</b>   |
| Riverstone Resources, Inc. warrants | \$ (139)                                | \$ 285        | \$            |
| Forward currency agreements         |   | 124           | (124)         |
| EURO Resources S.A. shares          |   | (31)          | 248           |
| Gold forward price contracts        | 3,677                                   | 602           | 108           |
| <b>Derivative loss</b>              | <b>\$ 3,538</b>                         | <b>\$ 980</b> | <b>\$ 232</b> |
| Realized (gain)/loss                | \$ 3,677                                | \$ (995)      | \$ 108        |
| Unrealized (gain)/loss              | (139)                                   | 1,975         | 124           |
| <b>Derivative loss</b>              | <b>\$ 3,538</b>                         | <b>\$ 980</b> | <b>\$ 232</b> |

**Riverstone Resources Inc. Warrants**

In the first quarter of 2008, we received 2 million warrants from Riverstone Resources Inc. ( Riverstone ) as partial payment for the right to earn an ownership interest in our exploration projects in Burkina Faso. These warrants are exercisable through January of 2012 at prices between Cdn \$0.40 and Cdn \$0.45, depending on the timing of exercise.

**Gold Price Derivatives**

In response to a significant increase in gold price volatility during late 2008 and 2009, we entered into a series of short-term (less than 90 days) gold pricing hedging contracts. The net result of the 2009 contracts was a realized derivative loss of \$3.7 million for the year. As of December 31, 2009, all of the forward contracts entered into in 2009 had expired and at the end of 2009 we had no outstanding gold price hedging instruments.

In the third and fourth quarters of 2008, we entered into a series of gold forward price contracts. The contracts covered 67,500 ounces at an average price of \$832 per ounce. All of these positions expired at or before December 31, 2008 yielding a \$1.1 million net gain for the year. Late in 2008, we entered into additional forward pricing contracts for 45,000 ounces of gold at an average price of \$825 per ounce all of which matured during the first quarter of 2009. At December 31, 2008, the fair value of these contracts was estimated to be \$1.7 million resulting in an unrealized loss of \$1.7 million. During the first three quarters of 2009 the realized net result of these agreements was a loss of \$2.8 million. These contracts had unrealized gains of \$0.5 million as of the end of the second quarter of 2009 and resulted in a recognized net loss on gold forward price contracts of \$0.9 million in the third quarter of 2009. As of September 30, and December 30, 2009 we held no unmatured gold forward pricing contracts.

**14. Asset Retirement Obligations**

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At the end of each period, Asset Retirement Obligations ( ARO ) are equal to the present value of all estimated future costs required to remediate any environmental disturbances that exist as of the end of the period, using discount rates applicable at the time of initial recognition of each component of the liability. Included in this liability are the costs of closure, reclamation, demolition and stabilization of the mines, processing plants, infrastructure, tailings ponds, waste dumps and ongoing post-closure environmental monitoring costs. While the majority of these costs will be incurred near the end of the mines' lives, it is expected that certain on-going reclamation costs will be incurred prior to mine closure. These costs are recorded against the asset retirement obligation liability as incurred. At December 31, 2009, the total, undiscounted amount of the estimated future cash needs is estimated to be \$52.3 million, down slightly from \$54.4 million at the end of 2008. The liabilities recognized in 2009 was discounted using the company's credit adjusted risk free rate of 10%. Amounts recorded in prior years were discounted at rates ranging from 8% to 10%. The schedule of payments to settle the ARO liability will occur over the life of the operating assets, which currently runs through 2022.

The changes in the carrying amount of the ARO during 2009 and 2008 are follows:

|                                    | For the years ended December 31, |                  |
|------------------------------------|----------------------------------|------------------|
|                                    | 2009                             | 2008             |
| Balance at January 1               | \$ 31,656                        | \$ 18,919        |
| Accretion expense                  | 2,165                            | 778              |
| Additions and change in estimates  | 133                              | 13,122           |
| Cost of reclamation work performed | (1,985)                          | (1,163)          |
| <b>Balance at December 31</b>      | <b>\$ 31,969</b>                 | <b>\$ 31,656</b> |
| Current portion                    | \$ 1,938                         | \$ 1,620         |
| Long term portion                  | \$ 30,031                        | \$ 30,036        |

Our previous reclamation and closure cost estimate for Bogoso was updated in 2008 by an independent consulting firm. Our expected cash outlays for reclamation projects over the next five years are as follows: 2010 \$8.3 million, 2011 \$6.7 million, 2012 \$2.8 million, 2013 \$8.5 million, 2014 \$1.7 million and after five years \$24.3 million.

## 15. Debt

|                             | As of December 31, |                   |
|-----------------------------|--------------------|-------------------|
|                             | 2009               | 2008              |
| <b>Current debt:</b>        |                    |                   |
| Debt facility               | \$                 | \$ 626            |
| Equipment financing         | 9,970              | 12,152            |
| <b>Total current debt</b>   | <b>9,970</b>       | <b>12,778</b>     |
| <b>Long term debt:</b>      |                    |                   |
| Revolving credit facility   | 2,543              |                   |
| Equipment financing loans   | 11,028             | 18,911            |
| Convertible debentures      | 101,024            | 93,738            |
| <b>Total long term debt</b> | <b>\$ 114,595</b>  | <b>\$ 112,649</b> |

### Debt Facility

In the first quarter of 2009, the final \$0.6 million installment payment was made on a \$15.0 million debt facility provided by two Ghana-based banks in 2006. The facility provided for no additional credit after the final payment and is now closed. Proceeds of this \$15 million loan were used for the construction of the Bogoso sulfide expansion project.

### Equipment Financing Credit Facility

GSBPL and GSWL maintain an equipment financing facility with Caterpillar Financial Services Corporation, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit for new and used mining equipment and is secured by the mobile equipment. Amounts drawn under this facility are repayable over five years for new equipment and over two years for used equipment. The interest rate for each draw-down is fixed at the date of the draw-down using the Federal Reserve Bank 2-year or 5-year swap rate or London Interbank Offered Rate ( LIBOR ) plus 2.38%. During the third quarter of 2009, the facility limit was reduced from \$40 million to \$35 million. At December 31, 2009, approximately \$14.0 million was available to draw down. The average interest rate on the outstanding loans was approximately 7.8% at December 31, 2009. Each outstanding equipment loan is secured by the title of the specific equipment purchased with the loan until the loan has been repaid in full.

### Convertible Debentures

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On November 8, 2007 we completed the sale of \$125 million aggregate principal amount of 4.0% Convertible Senior Unsecured Debentures due November 30, 2012 (the "Debentures"). Interest on the Debentures is payable semi-annually in arrears on May 31 and November 30 of each year, beginning May 31, 2008. Each Debenture is, subject to certain limitations, convertible into common shares at a conversion rate of 200 shares per \$1,000 principal amount of debentures (equal to an initial conversion price of \$5.00 per share) subject to adjustment under certain circumstances. The Debentures are not redeemable at our option.

On maturity, we may, at our option, satisfy our repayment obligation by paying the principal amount of the Debentures in cash or, subject to certain limitations, by issuing that number of our common shares obtained by dividing the principal amount of the Debentures outstanding by 95% of the weighted average trading price of our common shares on the NYSE Amex stock exchange for the 20 consecutive trading days ending five trading days preceding the maturity date (the "Market Price"). Upon the occurrence of certain change in control transactions, the holders of the debentures may require us to purchase the Debentures for cash at a price equal to 101% of the principal amount plus accrued and unpaid interest. If 10% or more of the fair market value of any such change in control consideration consists of cash, the holders may convert their Debentures and receive a number of additional common shares, which number is determined as set forth in the Indenture.

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

The Debentures were accounted for in accordance with EIC 164, Convertible and other Debt Instruments with Embedded Derivatives. Under this statement, the fair value of the Conversion feature is recorded as equity. The issuance date fair value of the Company's obligation to make principal and interest payments was estimated at \$89.1 million and was recorded as convertible senior unsecured debentures. The issuance date fair value of the holder's conversion option was estimated at \$35.9 million and was recorded as the equity component of convertible debentures. Fees totaling \$4.7 million relating to the issuance of these debentures were allocated pro-rata between deferred financing fees of \$3.4 million and equity of \$1.3 million. Periodic accretion of the liability portion of the loan has brought the December 31, 2009 balance to \$101.0 million.

### **Revolving Credit Facility**

On May 1, 2009, we entered into a \$30.0 million revolving credit facility (the Facility) pursuant to an agreement (the Facility Agreement) between Standard Chartered Bank, Golden Star Resources and our subsidiaries which own the Bogoso/Prestea, Wassa and HBB properties. The term of the Facility Agreement extends through September 30, 2012. The amount available under the Facility will be reduced by \$3.0 million on December 31, 2010 and by an additional \$6.0 million on December 31, 2011. The Facility bears interest at the higher of LIBOR or the applicable lenders' cost of funds rate (which is capped at 1.25% per annum above LIBOR), plus a margin of 5% per annum. The interest rate as of December 31, 2009 was 5.26%. Covenants require that we meet certain financial ratios at the end of each quarter, including that in excess of 95% of our assets are retained within a group of subsidiaries known as Obligor and whose common shares are pledged as collateral for amounts drawn under the revolver facility. We were in compliance with all covenants at December 31, 2009.

### **16. Income Taxes**

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

Our future tax assets and liabilities at December 31, 2009 and 2008 include the following components:

|  | As of December 31, |                    |
|--|--------------------|--------------------|
|  | 2009               | 2008               |
| <b>Future tax assets:</b>                  |                    |                    |
| Offering costs                             | \$ 1,567           | \$ 1,096           |
| Non-capital loss carryovers                | 172,199            | 149,401            |
| Capital loss carryovers                    | 449                |                    |
| Mine property costs                        | 9,882              | 9,900              |
| Reclamation costs                          | 6,160              | 6,082              |
| Derivatives                                | 16                 | 645                |
| Unrealized loss                            | (7)                | 26                 |
| Other                                      | 3,571              | 1,361              |
| Valuation allowance                        | (99,994)           | (98,020)           |
| <b>Future tax assets</b>                   | <b>93,843</b>      | <b>70,491</b>      |
| <b>Future tax liabilities:</b>             |                    |                    |
| Mine property costs                        | 107,483            | 103,259            |
| Other                                      | 357                | 357                |
| <b>Future tax liabilities</b>              | <b>107,840</b>     | <b>103,616</b>     |
| <b>Net future tax assets/(liabilities)</b> | <b>\$ (13,997)</b> | <b>\$ (33,125)</b> |

The composition of our valuation allowance by tax jurisdiction is summarized as follows:

|                                  | As of December 31, |                  |
|----------------------------------|--------------------|------------------|
|                                  | 2009               | 2008             |
| Canada                           | \$ 38,237          | \$ 28,094        |
| U.S.                             | 587                | 233              |
| Ghana                            | 60,646             | 69,234           |
| Burkina Faso                     | 524                | 459              |
| <b>Total valuation allowance</b> | <b>\$ 99,994</b>   | <b>\$ 98,020</b> |

The income taxes (recovery)/expense includes the following components:

|                | For the years ended December 31, |                   |                 |
|----------------|----------------------------------|-------------------|-----------------|
|                | 2009                             | 2008              | 2007            |
| <b>Current</b> |                                  |                   |                 |
| Canada         | \$                               | \$                | \$              |
| Foreign        | 1,755                            |                   |                 |
| <b>Future</b>  |                                  |                   |                 |
| Canada         |                                  |                   |                 |
| Foreign        | (19,127)                         | (9,029)           | 5,206           |
| <b>Total</b>   | <b>\$ (17,372)</b>               | <b>\$ (9,029)</b> | <b>\$ 5,206</b> |

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



|   | For the years ended December 31, |              |             |
|---|----------------------------------|--------------|-------------|
|   | 2009                             | 2008         | 2007        |
| Net income /(loss) before minority interest       | \$ (832)                         | \$ (135,250) | \$ (32,473) |
| Statutory tax rate                                | 29.0%                            | 29.5%        | 32.5%       |
| Tax expense/(benefit) at statutory rate           | \$ (241)                         | \$ (39,898)  | \$ (10,560) |
| Foreign tax rates                                 | (6,951)                          | (6,401)      | (8,377)     |
| Change in tax rates                               | 476                              | 3,317        |             |
| Non-taxable portion of capital (gains)/losses     |                                  | (392)        | (2,202)     |
| Expired loss carryovers                           |                                  | 99           | 136         |
| Ghana investment allowance                        | (63)                             | (1,288)      | (3,638)     |
| Non-deductible stock option compensation          | 554                              | 616          | 1,065       |
| Non-deductible expenses                           | 1,924                            | 1,803        | 324         |
| Loss carryover not previously recognized          | (2,849)                          | 399          | 158         |
| Ghana property basis not previously recognized    | (7,601)                          |              |             |
| Non-deductible Ghana property basis               |                                  |              | 788         |
| Change in future tax assets due to exchange rates | (4,018)                          | 5,792        | (4,578)     |
| Change in valuation allowance                     | (359)                            | 26,924       | 32,090      |
| National Tax Levy                                 | 1,756                            |              |             |
| Income tax expense /(recovery)                    | \$ (17,372)                      | \$ (9,029)   | \$ 5,206    |

During 2009, we recognized \$4 million of share offering costs. Shareholders' equity has been credited in the amounts of \$1.2 million for the tax benefits of these deductions. In addition, in 2008 we recognized \$3.3 million of unrealized loss on marketable equity securities. Other comprehensive income has been credited for the \$1 million tax benefit of these future tax deductions. A \$1.2 million valuation allowance has been provided in shareholders' equity for the net tax impact of the share offering costs. In addition, a \$1 million valuation allowance has been provided in other comprehensive income for the net tax impact of the unrealized loss.

At December 31, 2009 we had tax pool and loss carryovers expiring as follows:

|              | Canada           | Ghana             |
|--------------|------------------|-------------------|
| 2009         | \$               | \$                |
| 2010         |                  |                   |
| 2011         |                  |                   |
| 2012         |                  | 41,694            |
| 2013         |                  | 46,294            |
| 2014         | 2,731            |                   |
| 2015         | 9,154            |                   |
| 2026         | 15,110           |                   |
| 2027         | 21,087           |                   |
| 2028         | 13,874           |                   |
| 2029         | 25,172           |                   |
| Indefinite   | 3,098            | 497,494           |
| <b>Total</b> | <b>\$ 90,226</b> | <b>\$ 585,482</b> |

## 17. Commitments and Contingencies

Our commitments and contingencies include the following items:

### Environmental Bonding in Ghana

In 2005, pursuant to a reclamation bonding agreement between the Ghana Environmental Protection Agency ( EPA ) and GSWL, we bonded \$3.0 million to cover future reclamation obligations at Wassa. To meet the bonding requirements, we established a \$2.85 million letter of credit and deposited \$0.15 million of cash with the EPA. Pursuant to a further bonding agreement between the EPA and GSBPL, we bonded \$9.5 million in early 2006 to cover our future obligations at Bogoso/Prestea. To meet these requirements, we deposited \$0.9 million of cash with the EPA with the balance covered by a letter of credit. In 2008 the GSBPL letter of credit was increased by \$0.5 million to cover the Pampe mining areas. The cash deposits are recorded as Restricted Cash in our balance sheet.

In 2008, the EPA required Bogoso/Prestea to resubmit their Environmental Management Plan ( EMP ) with an updated estimate of the reclamation and closure costs prepared by a third party consultant. A consultant was commissioned to prepare the reclamation and closure cost estimate and the EMP was submitted to the EPA in February, 2009. The EPA requested payment of the fees associated with the issuance of the certificate, which was completed. Bogoso/Prestea has completed all the legal requirements and is waiting for the EPA to issue the environmental certificate.

### Royalties

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

**Government of Ghana:** 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 6% of the total revenues earned from the lease area. The specific amount paid is determined by a mine's margin as defined by the royalty regulations. The royalty is payable on a quarterly basis. During 2009 and in all prior years we have paid a 3% annual royalty on gold production from Bogoso/Prestea and Wassa. During 2009 the Ghana Minerals Commission announced that it is considering possible changes to its mineral royalty regulations. Since the Minerals Commission review has not been finalized, it is not yet possible to predict changes, if any, in the royalty structure.

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Benso: Benso is subject to a \$1.00 per ounce gold production royalty.

Pampe: Portions of the Pampe deposit are subject to a 7.5% net smelter return royalty.

Prestea Underground Areas of the Prestea Underground below a point 150 meters below sea level are subject to a 2.5% net profits interest on future income. Ownership of the 2.5% net profit interest is currently held by the bankruptcy trustee overseeing liquidation of our former joint venture partner in the Prestea Underground. While we believe that the joint venture agreement provides for the 2.5% net profit interest, confirmation of this position has not been received from the bankruptcy trustee.

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

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

**Goulagou and Rounga** In October 2007, we entered into an option agreement with Riverstone Resources Inc. ( Riverstone ) whereby Riverstone has the right to acquire our 90% interest in the Goulagou and Rounga properties in Burkina Faso. To exercise the option, Riverstone is required to spend Cdn\$4 million on exploration programs on the Goulagou and Rounga properties over a four-year period, and may then purchase our interest for \$18.6 million in cash or Riverstone common shares. We are entitled to receive up to 2 million shares of Riverstone over the term of the option, of which 1.3 million shares have been received as of February 24, 2010. In addition we received 2 million common share purchase warrants of Riverstone during 2008. The Riverstone purchase warrants have remaining exercise prices that range from Cdn\$0.40 to Cdn\$0.45.

## Litigation

**EURO Resources S.A. Action** In September 2008, we issued a statement of claim in Ontario against EURO Ressources S.A. ( EURO ) and its subsidiary Société de Travaux Publics et de Mines Aurifères en Guyane S.A.R.L. ( SOTRAPMAG ). The statement of claim sought to have EURO transfer the Paul Isnard Permis Exclusif de Recherches ( PER ) and the shares of SOTRAPMAG (which holds eight mineral concessions in the Paul Isnard area of French Guiana (together with the PER, the Paul Isnard Properties ) to us in compliance with EURO's obligations under certain agreements between the parties, as well as monetary damages. In September 2008, EURO commenced litigation in British Columbia concerning our ownership of mineral rights at the Paul Isnard gold property in French Guiana. EURO asked the courts to confirm our repudiation of an option agreement on Paul Isnard, and EURO sought unspecified damages.

In December 2008, a Canadian gold mining entity acquired a controlling interest in EURO and we subsequently pursued discussions with the new owner regarding settlement of the litigation and the ultimate transfer of the Paul Isnard properties to us as agreed in 2004 earn-in option agreement. On November 18, 2009, we entered into a settlement agreement with EURO in respect of the outstanding litigation, pursuant to which the Company is to be transferred the rights to those properties subject to receiving required governmental approvals. (See note 9 for information about sale of this property.)

**B.D. Goldfields Action** On August 29, 2008 B.D. Goldfields, Ltd., a Ghanaian registered company, and a shareholder of B.D. Goldfields, Ltd. filed suit in the United States District Court of the District of Colorado (the Court ) against Golden Star Resources Ltd. and our subsidiary St. Jude Resources Ltd. The plaintiffs challenged the validity of the various concession contracts and settlements related to the Hwini-Butre gold property in Ghana. The Company filed a motion to dismiss with the Court on November 6, 2008. The Court granted the Company's motion to dismiss and issued its Order of Dismissal on May 8, 2009, with judgment entered in favor of us on May 12, 2009. The Order of Dismissal and Judgment (the Judgment ) dismissed with prejudice all claims against Golden Star and St. Jude Resources Ltd. for lack of jurisdiction.

After entry of the Judgment, the plaintiffs filed a post-judgment motion to alter the Judgment. We opposed the post-judgment motion and on September 28, 2009, the Court denied the motion. Accordingly, the Judgment is final.

Meanwhile, on June 12, 2009, the plaintiffs also appealed the Judgment to the United States Court of Appeals for the Tenth Circuit (the Appeals Court ). On June 26, 2009, we filed a motion to dismiss the appeal for lack of jurisdiction. On July 10, 2009, the Appeals Court dismissed the appeal. Accordingly, the case now has been closed at the trial and appellate levels.

**Ghana Crop Damage Action** On October 22, 2008, a Ghanaian court awarded plaintiffs a settlement of approximately \$1.9 million in damages against GSBPL in a legal action filed against GSBPL in 2000 related to a 1991 crop damage claim. The plaintiffs claimed that emissions from a now defunct processing plant at Bogoso, which was operating in 1991, injured the plaintiffs' cocoa trees and reduced their cocoa output. We have appealed the judgment to the Ghana Supreme Court and have obtained a stay of execution of the judgment. As ordered by lower courts we have already deposited \$0.6 million of cash with the court to partially settle the claim. Thus, we believe that if our appeal is not successful, the settlement cost would be less than \$0.5 million. We intend to vigorously pursue any and all appropriate remedies in this regard.

**Bogoso Power Plant** In early 2008 Genser Power Ghana Limited ( Genser ) initiated construction of a nominal 20 megawatt stand-by power plant at Bogoso known as the Genser power plant. This plant is planned for use in periods of power outages or shortages in Ghana. As collateral for a letter of credit issued in connection with the project, we restricted \$3.6 million of cash in March of 2008 as required by the bank providing the letter of credit.

The initial amount of the letter of credit was \$2.0 million, but increased each month after initiation of construction and reached a maximum of approximately \$7.0 million in the fourth quarter of 2008. The letter of credit has progressively decreased since reaching the \$7.0 million maximum, and it will continue to decrease until it reaches nil at the end of the 30 months following the initiation of construction. At any point in the first 30 months we can terminate the contract by making a payment to Genser equal to the remaining balance on the letter of credit. If such payment is made, Genser will return the letter of credit and the title to the power plant will be transferred to us. If the contract is terminated after 30 months, title to the plant will transfer to us for no consideration.

Once the power plant is completed, we have agreed to purchase electric power from the Genser plant as needed and make payments in accordance with the following formulas: in months where our average monthly demand is equal to or less than 10 megawatts, we will pay Genser \$295,200 per month plus the cost of fuel regardless of the amount of power used. In months where our average monthly demand exceeds 10 megawatts, we will pay Genser \$0.030/kilowatt hour for amounts in excess of 10 megawatts plus fuel costs. The plant met its commissioning test in February 2010 and has been placed in service in February 2010.

## 18. Capital Disclosures

The Company's objectives when managing capital are to safeguard the Company's access to sufficient funding as needed to continue its acquisition and development of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level of risk. These objectives have not changed materially since the end of 2008.

In the management of capital, the Company includes the components of shareholders' equity and debt. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of investments. Other than the revolver facility opened in 2009, we have no restrictions or covenants on our capital structure as of the end of 2009. Revolver covenants require that we meet certain financial ratios at the end of each quarter, including that in excess of 95% of our assets are retained within a group of subsidiaries known as Obligor and whose common shares are pledged as collateral for amounts drawn under the revolver facility. We were in compliance with all covenants at December 31, 2009.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which project expected cash and debt positions over several years and which are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

In order to maximize cash available for development efforts, the Company does not pay dividends. The Company's cash investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities of three months or less when acquired, selected with regards to the expected timing of expenditures from continuing operations.

## 19. Cost of Sales

|  | 2009              | 2008              | 2007              |
|--|-------------------|-------------------|-------------------|
| Mining operations costs                                    | \$ 243,568        | \$ 228,037        | \$ 158,310        |
| Change in inventories (costs from / (to) metals inventory) | 3,023             | 9,670             | (5,003)           |
| Mining related depreciation and amortization               | 114,274           | 60,445            | 34,453            |
| Accretion of asset retirement obligations                  | 2,165             | 778               | 1,062             |
| <b>Total cost of sales</b>                                 | <b>\$ 363,030</b> | <b>\$ 298,930</b> | <b>\$ 188,822</b> |

## 20. Stock Based Compensation

**Stock Options** We have one stock option plan, the Second Amended and Restated 1997 Stock Option Plan (the "Plan"), and options are granted under this plan from time to time at the discretion of the Board of Directors. Options granted are non-assignable and are exercisable for a period of ten years or such other period as stipulated in a stock option agreement between Golden Star and the optionee. Under the Plan, we may grant options to employees, consultants and directors of the Company or its subsidiaries for up to 15,000,000 shares of common stock of which 1,593,746 are available for grant at December 31, 2009. Options take the form of non-qualified stock options, and the exercise price of each option is not less than the fair market value 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 Board of Directors.

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In addition to options issued under the Plan, 2,533,176 options were issued to various employees of St. Jude in exchange for St. Jude options in late 2005 of which 216,000 were unexercised as of December 31, 2008. All 216,000 of the remaining unexercised options held by St. Jude employees at the end of 2008 were exercised during 2009. Comparative figures shown below include the options issued to St. Jude employees.

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

|  | 2009     | 2008     | 2007     |
|--|----------|----------|----------|
| Total stock compensation expense during the period | \$ 2,033 | \$ 2,088 | \$ 3,274 |

We granted 1,760,000, 1,964,000 and 1,875,023 options during 2009, 2008 and 2007, respectively. We do not receive a tax deduction for the issuance of options. As a result we did not recognize any income tax benefit related to the stock compensation expense during 2009, 2008 and 2007.

The fair value of options granted during 2009, 2008 and 2007 were estimated at the grant dates using the Black-Scholes option-pricing model based on the assumptions noted in the following table:

|                         | 2009             | 2008             | 2007            |
|-------------------------|------------------|------------------|-----------------|
| Expected volatility     | 68.39% to 74.25% | 47.52% to 67.78% | 47.39 to 67.13% |
| Risk free interest rate | 1.88% to 2.94%   | 2.11% to 3.32%   | 3.85 to 4.58%   |
| Expected lives          | 4 to 7 years     | 4 to 7 years     | 4 to 7 years    |
| Dividend yield          | 0%               | 0%               | 0%              |

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

A summary of option activity under the Plan as of December 31, 2009 and changes during the year then ended is presented below:

|                                     | Options<br>(000 ) | Weighted<br>Average<br>Exercise<br>price<br>(Cdn\$) | Weighted<br>Average<br>Remaining<br>Contractual<br>Term (Years) | Aggregate<br>intrinsic value<br>Cdn(\$000) |
|-------------------------------------|-------------------|---|---|--|
| Outstanding as of December 31, 2008 | 7,478             | 3.23  | 5.9   | 3,154                                      |
| Granted                             | 1,760             | 1.96  | 9.3   |  |
| Exercised                           | (1,417)           | 1.94  | 2.8   | (1,662)                                    |
| Forfeited, cancelled and expired    | (538)             | 3.06  |   |  |
| Outstanding as of December 31, 2009 | 7,283             | 3.19  | 7.0   | 4,221                                      |
| Exercisable at December 31, 2009    | 5,158             | 3.46  | 6.3   | 383  |

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A summary of option activity under the Plan as of December 31, 2008 and changes during the year then ended is presented below:

|                                     | Options<br>(000 ) | Weighted<br>Average<br>Exercise<br>price<br>(Cdn\$) | Weighted<br>Average<br>Remaining<br>Contractual<br>Term (Years) | Aggregate<br>intrinsic value<br>Cdn(\$000) |
|-------------------------------------|-------------------|---|---|--|
| Outstanding as of December 31, 2007 | 6,624             | 3.46  | 6.3   | 3,775                                      |
| Granted                             | 1,964             | 2.83  | 9.4   |  |
| Exercised                           | (360)             | 2.50  |   | (594)                                      |
| Forfeited, cancelled and expired    | (750)             | 4.56  |   |  |
| Outstanding as of December 31, 2008 | 7,478             | 3.23  | 5.9   | 3,154                                      |
| Exercisable at December 31, 2008    | 5,552             | 3.23  | 3.2   | 2,602                                      |

The number of options outstanding by strike price as of December 31, 2009 and 2008 is shown in the following tables:

| Range of exercise prices (Cdn\$) | Options outstanding                                       |   |   | Options exercisable                               |   |
|----------------------------------|---|---|---|---|---|
|                                  | Number<br>outstanding at<br>December 31,<br>2009<br>(000) | Weighted<br>average<br>remaining<br>contractual life<br>(years) | Weighted-<br>average<br>exercise price<br>(Cdn\$) | Number<br>exercisable at<br>December 31,<br>(000) | Weighted-<br>average<br>exercise price<br>(Cdn\$) |
| 1.00 to 2.50                     | 2,285   | 7.5   | 1.54  | 1,138   | 1.39  |
| 2.51 to 4.00                     | 3,365   | 7.1   | 3.43  | 2,587   | 3.46  |
| 4.01 to 7.00                     | 1,633   | 6.0   | 4.98  | 1,433   | 5.11  |
| 7.01 to 10.00                    |   |   |   |   |   |
|                                  | 7,283   | 7.0   | 3.19  | 5,158   | 3.46  |

| Range of exercise prices (Cdn\$) | Options outstanding                                       |   |   | Options exercisable                               |   |
|----------------------------------|---|---|---|---|---|
|                                  | Number<br>outstanding at<br>December 31,<br>2008<br>(000) | Weighted<br>average<br>remaining<br>contractual life<br>(years) | Weighted-<br>average<br>exercise price<br>(Cdn\$) | Number<br>exercisable at<br>December 31,<br>(000) | Weighted-<br>average<br>exercise price<br>(Cdn\$) |
| 1.00 to 2.50                     | 2,234   | 4.1   | 1.41  | 1,902   | 1.37  |
| 2.51 to 4.00                     | 3,505   | 7.6   | 3.47  | 2,211   | 3.48  |
| 4.01 to 7.00                     | 1,707   | 4.8   | 5.02  | 1,407   | 5.23  |
| 7.01 to 10.00                    | 32  | 5.0   | 9.07  | 32  | 9.07  |
|                                  | 7,478   | 5.9   | 3.23  | 5,552   | 3.23  |

The weighted average grant date fair value of share options granted during the years ended December 31, 2009, 2008 and 2007 was Cdn\$1.21, Cdn\$3.31 and Cdn\$2.20, respectively. The intrinsic value of options exercised during the years ended December 31, 2009, 2008 and 2007 was Cdn\$1.7million, Cdn\$0.6 million and Cdn\$4.5 million, respectively.

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A summary of the status of non-vested options at December 31, 2009 and 2008 and changes during the years ended December 31, 2009 and 2008, is presented below:

|  | Number of<br>options<br>( '000) | Weighted<br>average<br>grant date<br>fair value<br>(Cdn\$) |
|--|---------------------------------|--|
| Non-vested at January 1, 2009          | 1,926                           | 1.92   |
| Granted                                | 1,760                           | 1.21   |
| Vested                                 | (1,386)                         | 1.76   |
| Forfeited, cancelled and expired       | (175)                           | 1.22   |
| <b>Non-vested at December 31, 2009</b> | <b>2,125</b>                    | <b>1.49</b>  |

|  | Number of<br>options<br>( '000) | Weighted<br>average<br>grant date<br>fair value<br>(Cdn\$) |
|--|---------------------------------|--|
| Non-vested at January 1, 2008          | 1,203                           | 2.17   |
| Granted                                | 1,964                           | 1.62   |
| Vested                                 | (1,027)                         | 1.65   |
| Forfeited, cancelled and expired       | (214)                           | 1.91   |
| <b>Non-vested at December 31, 2008</b> | <b>1,926</b>                    | <b>1.92</b>  |

As of December 31, 2009, there was a total unrecognized compensation cost of Cdn\$2.1 million related to share-based compensation granted under the Plan. That cost is expected to be recognized over a weighted-average period of 0.9 years. The total fair values of shares vested during the years ended December 31, 2009, 2008 and 2007 were Cdn\$2.4 million, Cdn\$1.5 million and Cdn\$4.0 million, respectively.

**Stock Bonus Plan** In December 1992, we established an Employees Stock Bonus Plan (the Bonus Plan) for any full-time or part-time employee (whether or not a director) of the Company or any of our subsidiaries who has rendered meritorious services which contributed to the success of the Company or any of its subsidiaries. The Bonus Plan provides that a specifically designated committee of the Board of Directors may grant bonus common shares on terms that it might determine, within the limitations of the Bonus Plan and subject to the rules of applicable regulatory authorities. The Bonus Plan, as amended, provides for the issuance of 900,000 common shares of bonus stock, of which 545,845 common shares had been issued as of December 31, 2009. During the years ended December 31, 2009, 2008 and 2007 we issued nil, nil and 50,683 common shares, respectively, to employees under the Bonus Plan. The cost of the share grants was \$0.2 million in 2007.

### 21. Earnings per Common Share

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

|   | 2009         | 2008         | 2007         |
|---|--------------|--------------|--------------|
| Net income/(loss)                                   | \$ 16,519    | \$ (119,303) | \$ (35,290)  |
| Weighted average number of common shares (millions) | 237.2        | 235.7        | 229.1        |
| Dilutive securities:                                |              |              |              |
| Options   | 1.2          |              |              |
| Convertible debentures                              |              |              |              |
| <b>Weighted average number of diluted shares</b>    | <b>238.4</b> | <b>235.7</b> | <b>229.1</b> |

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|                                   |          |            |            |
|-----------------------------------|----------|------------|------------|
| Basic earnings/(loss) per share   | \$ 0.070 | \$ (0.506) | \$ (0.154) |
| Diluted earnings/(loss) per share | \$ 0.069 | \$ (0.506) | \$ (0.154) |

**22. Operations by Segment and Geographic Area**

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

| As of and for the year ended December 31, | Africa             |               |          |                  |           | Total      |
|---|--------------------|---------------|----------|------------------|-----------|------------|
|   | Bogoso/<br>Prestea | Wassa/<br>HBB | Other    | South<br>America | Corporate |            |
| 2009                                      |                    |               |          |                  |           |            |
| Revenues                                  | \$ 181,820         | \$ 218,919    | \$       | \$               | \$        | \$ 400,739 |
| Net income/(loss)                         | (3,883)            | 55,490        | (728)    | (3,629)          | (30,731)  | 16,519     |
| Income tax (expense) benefit              |                    | 17,372        |          |                  |           | 17,372     |
| Capital Expenditures                      | 11,077             | 36,739        | 291      | 638              | 22        | 48,767     |
| Total assets                              | 347,974            | 272,019       | 9,208    | 9,412            | 115,266   | 753,879    |
| 2008                                      |                    |               |          |                  |           |            |
| Revenues                                  | \$ 148,765         | \$ 108,590    | \$       | \$               | \$        | \$ 257,355 |
| Net income/(loss)                         | (89,358)           | 6,732         | (15,822) | (1,047)          | (19,781)  | (119,303)  |
| Income tax (expense) benefit              |                    | 1,267         | 7,762    |                  |           | 9,029      |
| Capital Expenditures                      | 13,544             | 54,194        | 5,130    | 1,439            | 120       | 74,427     |
| Total assets                              | 371,134            | 289,749       | 11,087   | 12,112           | 10,217    | 694,299    |
| 2007                                      |                    |               |          |                  |           |            |
| Revenues                                  | \$ 86,602          | \$ 89,012     | \$       | \$               | \$        | \$ 175,614 |
| Net income/(loss)                         | (31,710)           | 9,785         | (2,970)  | (516)            | (9,879)   | (35,290)   |
| Income tax (expense) benefit              | (5,206)            |               |          |                  |           | (5,206)    |
| Capital Expenditures                      | 90,697             | 19,009        | 2,303    | 2,831            | 27        | 114,867    |
| Total assets                              | 436,250            | 108,831       | 173,228  | 10,769           | 60,800    | 789,878    |

**23. Supplemental Cash Flow Information**

In 2009 \$1.1 million was paid for income taxes. There was no cash paid for income taxes during 2008 and 2007. Cash paid for interest was \$7.6 million in 2009, \$7.9 million in 2008 and \$7.2 million in 2007.

**24. Related Parties**

During 2009, we obtained legal services from a firm where our Chairman is of counsel. The cost of services incurred from this firm during 2009 and 2008 was \$0.6 million and \$0.7 million, respectively. Our Chairman did not personally provide any legal services to the Company during 2009 or 2008 nor did he benefit directly or indirectly from payments for the services performed by the firm.

**25. Asset Impairments**

| Asset                                    | 2009     | 2008      | 2007     |
|--|----------|-----------|----------|
| Prestea Underground exploration property | \$       | \$ 44,550 | \$       |
| Prestea South development property       |          | 1,815     |          |
| Niger exploration properties             |          | 1,589     |          |
| Burkina Faso exploration properties      |          | 18,886    |          |
| Ivory Coast exploration property         |          | 1,539     |          |
| Sierra Leone exploration property        |          |           | 1,855    |
| Abandonment of mine equipment            |          |           | 1,644    |
| French Guiana exploration properties     | 2,789    |           |          |
| Other                                    | 290      |           |          |
| Total                                    | \$ 3,079 | \$ 68,379 | \$ 3,499 |

2009

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French Guiana In late 2009, agreement was reached to sell our French Guiana exploration properties. In response to the pending sales agreement, at December 31, 2009, the carrying value of the French Guiana exploration properties was written down to the agreed sales price.

Other Represents the carrying costs of various inactive exploration properties.

### 2008

Prestea Underground Since acquiring the underground mine, Bogoso/Prestea has incurred \$44.6 million in drilling, maintenance, shaft refurbishment, dewatering and engineering study costs. A pre-feasibility study prepared in 2008 indicated that substantial amounts of capital would be required to reopen the mine and the resulting operating cash flows would not materially increase cash flows from Bogoso/Prestea's existing surface mining operations. The pre-feasibility did not include the additional costs of ongoing dewatering and maintenance costs of the underground mine outside of the active mining areas. Furthermore, the pre-feasibility study did not anticipate the sharp increases in mine operating costs during 2008 due to higher power, fuel, reagents and labor costs.

Based on the pre-feasibility study results, the increases in operating costs since the study was completed in 2008, especially in the cost of electric power, and due to the high costs of maintaining access to the underground workings, Bogoso/Prestea temporarily stopped its development activities at this project in late 2008. As a result, the carrying value of the property was fully written down as of December 31, 2008 and an impairment charge of \$44.6 million recorded in the consolidated statements of operations.

Prestea South Portions of the Prestea South properties near the town of Prestea were deemed impaired because the cost of relocating homes and town site infrastructure negated the economic benefit of the reserves. The development costs to date of \$1.8 million have also been written off and an impairment charge recorded in the consolidated statements of operations.

Niger Exploration Projects Approximately \$2.6 million has been spent on exploration work at the Deba and Tialkam gold projects in Niger since acquiring them from St. Jude in 2005. We plan to continue to hold these properties on care and maintenance basis and evaluate various alternatives for them. In response to our decision to scale back near-term exploration activities, they have been written down by \$1.6 million.

Burkina Faso Exploration Projects The Goulagou/Rounga project was acquired in 2005, and a total of \$18.2 million in purchase cost was allocated to these projects at that time. Since then we have spent an additional \$1.1 million on exploration at these two properties and the limited work to date has not resulted in a material increase in the gold resources.

A reevaluation of the economics of the project at the end of 2008, indicate that there is currently insufficient resources to proceed with development of the project at this time. Based on our analysis, the project has been written off and an impairment charge recorded in the consolidated statements of operations.

Ivory Coast Exploration Projects We spent approximately \$1.5 million on exploration efforts at the Afema project in the Ivory Coast in the past four years. Exploration results failed to identify resources that warranted further work and the project was impaired and written off in 2008.

2007 Impairment charges in 2007 represent the write-off of exploration projects in Sierra Leone and disposal of equipment at one of our mines.

**26. Generally Accepted Accounting Principles in the United States**

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

**(a) Consolidated Balance Sheets under U.S. GAAP**

|  | As of December 31, |            |
|--|--------------------|------------|
|  | 2009               | 2008       |
| <b>ASSETS</b>  |                    |            |
| Current assets:                                      |                    |            |
| Cash and cash equivalents                            | \$ 154,088         | \$ 33,558  |
| Accounts receivable                                  | 7,021              | 4,306      |
| Inventories (Note d4)                                | 52,844             | 49,134     |
| Deposits   | 4,774              | 3,875      |
| Other current assets                                 | 1,415              | 1,100      |
| Total current assets                                 | 220,142            | 91,973     |
| Restricted cash                                      | 3,804              | 4,249      |
| Available-for-sale and long term investments         | 181                | 29         |
| Deferred exploration and development costs (Note d1) |                    |            |
| Property, plant and equipment (Note d2)              | 231,141            | 270,814    |
| Intangible asset                                     | 9,480              |            |
| Mining properties (Notes d2)                         | 255,503            | 291,823    |
| Future tax asset (Note d5)                           |                    |            |
| Other assets (Note d3)                               | 2,457              | 4,456      |
| Total assets   | \$ 722,708         | \$ 663,344 |
| <b>LIABILITIES</b>                                   |                    |            |
| Current liabilities                                  | \$ 74,936          | \$ 90,322  |
| Long term debt (Note d7)                             | 160,172            | 131,876    |
| Asset retirement obligations                         | 30,031             | 30,036     |
| Future tax liability (Note d5)                       | 11,688             | 31,959     |
| Total liabilities                                    | 276,827            | 284,193    |
| Commitments and contingencies                        |                    |            |
| <b>SHAREHOLDERS EQUITY</b>                           |                    |            |
| Share capital (Note d8)                              | 690,056            | 615,097    |
| Contributed surplus (Note d7)                        | 14,767             | 14,205     |
| Accumulated comprehensive income and other           | 1,340              | 1,228      |
| Deficit  | (262,806)          | (251,379)  |
| Total Golden Star Resources equity                   | 443,357            | 379,151    |
| Noncontrolling interest                              | 2,524              |            |
| Total Equity   | 445,881            | 379,151    |
| Total liabilities and shareholders equity            | \$ 722,708         | \$ 663,344 |

**(b) Consolidated Statements of Operations under US GAAP**

|  | For the years ended December 31, |                           |                           |
|--|----------------------------------|---------------------------|---------------------------|
|  | 2009                             | 2008<br>restated (note 3) | 2007<br>restated (note 3) |
| Net income/(loss) under Cdn GAAP   | \$ 16,519                        | \$ (119,303)              | \$ (35,290)               |
| Deferred exploration expenditures expensed under US GAAP (Note d1 and d2)  | (3,457)                          | (13,279)                  | (11,661)                  |
| Write-off of deferred exploration properties (Note d1)                     | 3,076                            | 43,420                    | 1,973                     |
| Debt retirement expense  |                                  |                           | (4,918)                   |
| Derivative gain on non-US\$ warrants (Note d6)                             |                                  | 954                       | 1,929                     |
| Reverse depreciation on assets already written off for US GAAP             | 3,813                            | 488                       | 2,947                     |
| Fair value adjustment on debentures (Note d7)                              | (31,181)                         | 11,438                    | 598                       |
| Debt Accretion Reversal  | 3,610                            | 6,197                     | 1,165                     |
| Expense betterment spending (Note d4)                                      | (3,571)                          |                           |                           |
| Other  | 1,145                            | 1,229                     | (6)                       |
| <b>Net income/(loss) under US GAAP before income tax</b>                   | <b>(10,046)</b>                  | <b>(68,856)</b>           | <b>(43,263)</b>           |
| Income tax (expense)/recovery, as adjusted (Note d5)                       | 1,143                            | (348)                     | 1,514                     |
| <b>Net income/(loss) under US GAAP</b>                                     | <b>\$ (8,903)</b>                | <b>\$ (69,204)</b>        | <b>\$ (41,749)</b>        |
| Net income/(loss) adjustments to noncontrolling interest                   | \$ (2,524)                       | \$ (4,513)                | \$ (10)                   |
| <b>Net loss attributable to Golden Star Resources</b>                      | <b>\$ (11,427)</b>               | <b>\$ (73,717)</b>        | <b>\$ (41,759)</b>        |
| Basic and diluted net loss per share under US GAAP                         | \$ (0.048)                       | \$ (0.313)                | \$ (0.182)                |
| <b>Consolidated Statement of Comprehensive Loss under US GAAP</b>          |                                  |                           |                           |
| Net loss under US GAAP   | \$ (8,903)                       | \$ (69,204)               | \$ (41,749)               |
| Other comprehensive income on marketable securities                        | 113                              | (4,737)                   | (1,070)                   |
| <b>Comprehensive loss under US GAAP</b>                                    | <b>\$ (8,790)</b>                | <b>\$ (73,941)</b>        | <b>\$ (42,819)</b>        |
| <b>Comprehensive income/(loss) attributable to noncontrolling interest</b> | <b>\$ (2,524)</b>                | <b>\$ (4,513)</b>         | <b>\$ (10)</b>            |
| <b>Comprehensive loss attributable to Golden Star Resources</b>            | <b>\$ (11,314)</b>               | <b>\$ (78,454)</b>        | <b>\$ (42,829)</b>        |

**(c) Consolidated Statements of Cash Flows under US GAAP**

|   | For the years ended December 31, |                  |                  |
|---|----------------------------------|------------------|------------------|
|   | 2009                             | 2008             | 2007             |
| Cash provided by (used in):                             |                                  |                  |                  |
| Operating activities (Note d9)                          | \$ 96,940                        | \$ 16,764        | \$ (4,991)       |
| Investing activities (Note d9)                          | (41,661)                         | (57,787)         | (89,369)         |
| Financing activities                                    | 65,251                           | (1,173)          | 143,006          |
| <b>Increase/(decrease) in cash and cash equivalents</b> | <b>120,530</b>                   | <b>(42,196)</b>  | <b>48,646</b>    |
| Cash and cash equivalent beginning of period            | 33,558                           | 75,754           | 27,108           |
| <b>Cash and cash equivalents end of period</b>          | <b>\$ 154,088</b>                | <b>\$ 33,558</b> | <b>\$ 75,754</b> |

**(d) Notes:**

- (1) Under US GAAP, exploration, acquisition (except for property purchase costs), and general and administrative costs related to exploration projects are charged to expense as incurred. Under Cdn GAAP, exploration, acquisition and direct 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. Amounts written off in the current year under Cdn GAAP, which have previously been expensed under US GAAP, result in an adjustment when reconciling net income for the year.
  
- (2) Under US GAAP, the initial purchase cost of mining properties is capitalized. Pre-acquisition costs and subsequent development costs incurred, until 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. Amounts written off in the current year under Cdn GAAP which have previously been expensed under US GAAP result in an adjustment when reconciling net income for the year.

- (3) Under US GAAP loan fees are capitalized as an asset and amortized over the life of loan. This amortized amount is netted against the loan liability for Cdn GAAP.
- (4) Under Cdn GAAP, expenditures for betterment stripping costs (*i.e.*, the costs of removing overburden and waste material to access mineral deposits) that can be shown to be a betterment of the mineral property are capitalized and subsequently amortized on a units-of-production basis over the mineral reserves that directly benefit from the specific waste stripping activity. US GAAP has no provision of betterment stripping costs and as such, amounts capitalized during 2009 for Cdn GAAP are reversed and expensed for US GAAP. This adjustment also increased the operating costs used for the valuation of metals inventory for US GAAP, resulting in a higher value for metals inventory under US GAAP.

- (5) While tax accounting rules are essentially the same under both US and Cdn GAAP, tax account differences can arise from differing treatment of various assets and liabilities. For example, most exploration expenditures and certain mine development cost are capitalized under Cdn GAAP and expensed under US GAAP, as explained in notes 1 and 2 above. An analysis of these differences indicates that there are larger potential tax benefits under US GAAP than under Cdn GAAP in the GSBPL and GSWL tax jurisdiction.

On January 1, 2007, we adopted the provisions of FIN 48 (as codified in ASC topic 740 Income Taxes ) ( ASC 740 ) for US GAAP purposes. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 requires that we recognize in our consolidated financial statements, only those tax positions that are more-likely-than-not of being sustained as of the adoption date, based on the technical merits of the position. As a result of the implementation of ASC 740, we performed a comprehensive review of our material tax positions in accordance with recognition and measurement standards established by ASC 740. Based on this review the provisions of ASC 740 had no effect on our financial position, cash flows or results of operations at either December 31, 2008 or December 31, 2009.

We and our subsidiaries are subject to the following material taxing jurisdictions: Ghana, Canada and Burkina Faso. The tax years that remain open to examination by the Ghana Internal Revenue Service are years 2008 through 2009. The tax years that remain open to examination by Revenue Canada are years 2003 through 2009. All tax years remain open to examination in Burkina Faso. Our policy is to recognize interest and penalties related to uncertain tax benefits in general and administrative expense. In the current year the company has accrued immaterial penalties related to ongoing CRA Audits in Canada.

- (6) Under US GAAP, the fair value of warrants denominated in currencies other than the company's functional currency are treated as a derivative liability. The derivative liability of such warrants is marked to market at the end of each period and the change in fair value is recorded in the statement of operations. Under Cdn GAAP the issue-date fair values of all warrants is treated as a component of shareholders' equity and are recorded as contributed surplus and are not subsequently marked to their fair value.
- (7) Under Cdn GAAP, the fair value of the conversion feature of convertible debt is classified as equity and the balance is classified as a liability. The liability portion is accreted each period in amounts which will increase the liability to its full face amount of the convertible instrument as of the maturity date. Accretion is recorded as interest expense. For US GAAP purposes, the entire amount of convertible debt is classified as a liability and recorded at fair value at the end of each period, with the change in fair value recorded in the statement of operations in accordance with FAS 155 (as codified in ASC topic 820 Fair Value Measurements and Disclosures ).
- (8) 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.
- (9) Under US GAAP, exploration expenditures and betterment stripping costs are treated as operating cash flows. Cdn GAAP treats certain exploration expenditures as investing cash flows (see note 1). This creates differences in the statement of cash flows.

(10) Impact of recently issued Accounting Standards

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**Recently Adopted Standards**

In September 2006, the Financial Accounting Standards Board ( FASB ) issued a statement requiring fair value measurements, which defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements. This new guidance was effective for us on January 1, 2008 for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in our Consolidated Financial Statements on a recurring basis (at least annually). For all other nonfinancial assets and liabilities, this statement was effective for us on January 1, 2009. Also on April 9, 2009, FASB issued further guidance on determining fair value when the volume and level of activity for an asset or liability have significantly decreased and also guidance on identifying transactions that are not orderly. Adoption of this new guidance did not have a material impact.

In December 2007, FASB issued new standards for Non-controlling Interests in Consolidated Financial Statements . This standard establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a non-controlling interest in a subsidiary (minority interest) is an ownership interest in the consolidated entity that should be reported as equity in the Consolidated Financial Statements and separate from the parent company s equity. Among other requirements, this statement requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the Consolidated Statement of Operations, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. This standard became effective for us on January 1, 2009. The consolidated net loss attributable to Golden Star Resources would have been \$8.903 if the new standard had not been applied.

In March 2008, the FASB issued new standards which requires companies with derivative instruments to disclose information that should enable financial statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect a company s financial position, financial performance and cash flows. We adopted these new standards in the first quarter of fiscal 2009. Since the new standards only required additional disclosure (see Note 13), the adoption did not impact our consolidated financial position, results of operations or cash flows.

In April 2008, the FASB issued new standards which provided guidance on how to determine the useful life of intangible assets by amending the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets. This new guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. These standards are effective for financial statements issued for fiscal years beginning after December 15, 2008 and was effective for us beginning in the first quarter of 2009. There was no impact to our current consolidated financial statements.

In May 2008, FASB issued guidance for convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative. The company elected to report its convertible debt at fair value and thus this new pronouncement does not have an impact on the company s financials.

In September 2008, the FASB issued additional guidance which requires additional disclosures by sellers of credit derivatives, including credit derivatives embedded in hybrid instruments. This new guidance also amends previous guidance related to accounting for guarantees to require additional disclosure about the current status of the payment/performance risk of a guarantee. These new provisions are effective for reporting periods ending after November 15, 2008. These provisions further clarify the effective date of new disclosure requirements regarding derivative instruments and hedging activities. We adopted these disclosure requirements in the first quarter of 2009. Since the new guidance only required additional disclosures, the adoption did not impact our consolidated financial position, results of operations or cash flows.

In April 2009, the FASB issued new standards for the recognition and measurement of other-than-temporary impairments for debt securities which replaced the pre-existing intent and ability indicator. These new standards specify that if the fair value of a debt security is less than its amortized cost basis, an other-than-temporary impairment is triggered in circumstances where (1) an entity has an intent to sell the security, (2) it is more likely than not that the entity will be required to sell the security before recovery of its amortized cost basis, or (3) the entity does not expect to recover the entire amortized cost basis of the security (that is, a credit loss exists). Other-than-temporary impairments are separated into amounts representing credit losses which are recognized in earnings and amounts related to all other factors which are recognized in other comprehensive income (loss). We adopted these standards in the third quarter of fiscal 2009 and they did not have a material effect on our consolidated financial position, results of operations or cash flows.

In May 2009, the FASB issued new standards for subsequent events, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The new standards are effective for interim and annual reporting periods ending after June 15, 2009. We adopted the new standards during the third quarter of fiscal 2009 and, as the pronouncement only requires additional disclosures, the adoption did not have an impact on our consolidated financial position, results of operations or cash flows. We have evaluated subsequent events through February 24 , 2010, the date that these financial statements were issued.



In June 2009, the FASB issued the FASB Accounting Standards Codification (the Codification) for financial statements issued for interim and annual periods ending after September 15, 2009, which was effective for us beginning in the fourth quarter of fiscal 2009. The Codification became the single authoritative source for GAAP. Accordingly, previous references to GAAP accounting standards are no longer used in our disclosures, including these Notes to the Consolidated Financial Statements. The codification is not expected to affect our consolidated financial position, cash flows, or results of operations.

In June 2009, the FASB issued accounting guidance regarding the accounting for transfers of financial assets that is designed to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. The guidance enhances the information provided to financial statement users to provide greater transparency about transfers of financial assets and a transferor's continuing involvement, if any, with transferred financial assets. The guidance requires enhanced disclosures about the risks that a transferor continues to be exposed to because of its continuing involvement in transferred financial assets. This guidance is effective for an entity's first annual reporting period after November 15, 2009 and is not eligible for early adoption. This codification is not expected to materially affect our consolidated financial position, cash flows, or results of operations.

In August 2009, the FASB issued changes to fair value accounting for liabilities. These changes clarify existing guidance that in circumstances in which a quoted price in an active market for the identical liability is not available, an entity is required to measure fair value using either a valuation technique that uses a quoted price of either a similar liability or a quoted price of an identical or similar liability when traded as an asset, or another valuation technique that is consistent with the principles of fair value measurements, such as an income approach (e.g., present value technique). This guidance also states that both a quoted price in an active market for the identical liability and a quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. These changes became effective for the company on October 1, 2009. The adoption of this new guidance did not have an impact on our Financial Statements.

#### ***Recently Issued Standards***

In June 2009, the FASB issued amended standards for determining whether to consolidate a variable interest entity. These new standards amend the evaluation criteria to identify the primary beneficiary of a variable interest entity and requires ongoing reassessment of whether an enterprise is the primary beneficiary of the variable interest entity. The provisions of the new standards are effective for annual reporting periods beginning after November 15, 2009 and interim periods within those fiscal years. These standards will be effective for us beginning in the first quarter of fiscal 2010. The adoption of the new standards will not have an impact on our consolidated financial position, results of operations and cash flows.

In October 2009, FASB issued new revenue recognition standards for arrangements with multiple deliverables, where certain of those deliverables are non-software related. The new standards permit entities to initially use management's best estimate of selling price to value individual deliverables when those deliverables do not have VSOE of fair value or when third-party evidence is not available. Additionally, these new standards modify the manner in which the transaction consideration is allocated across the separately identified deliverables by no longer permitting the residual method of allocating arrangement consideration. These new standards are effective for annual periods ending after June 15, 2010 and are effective for us beginning in the first quarter of fiscal 2011, however early adoption is permitted. We are currently evaluating the impact of adopting these new standards on our consolidated financial position, results of operations and cash flows.

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

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The three levels of the fair value hierarchy are:

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2009

|                                | Financial assets at fair value as at December 31, 2009 |         |         |        |
|--------------------------------|--|---------|---------|--------|
|                                | Level 1  | Level 2 | Level 3 | Total  |
| Available for sale investments | \$ 181   | \$      | \$      | \$ 181 |
| Warrants                       |  | 158     |         | 158    |
|                                | \$ 181   | \$ 158  | \$      | \$ 339 |

|  | Financial liabilities at fair value as at December 31, 2009 |         |            |            |
|--|---|---------|------------|------------|
|  | Level 1   | Level 2 | Level 3    | Total      |
| Convertible senior unsecured debentures <sup>1</sup> | \$  | \$      | \$ 144,651 | \$ 144,651 |
|  |   |         | 144,651    | 144,651    |

|                                | Financial assets at fair value as at December 31, 2008 |         |         |       |
|--------------------------------|--|---------|---------|-------|
|                                | Level 1  | Level 2 | Level 3 | Total |
| Available for sale investments | \$ 29  | \$      | \$      | \$ 29 |
| Warrants                       |  | 11      |         | 11    |
|                                | \$ 29  | \$ 11   | \$      | \$ 40 |

|  | Financial liabilities at fair value as at December 31, 2008 |         |         |          |
|--|---|---------|---------|----------|
|  | Level 1   | Level 2 | Level 3 | Total    |
| Gold Forward Contracts                               | \$ 1,690  | \$      | \$      | \$ 1,690 |
| Convertible senior unsecured debentures <sup>1</sup> |   |         | 113,416 | 113,416  |
|  | 1,690   |         | 113,416 | 115,106  |

<sup>1</sup> The convertible senior unsecured debenture is recorded at fair market value for US GAAP purposes only in note 26. These debentures are valued based on discounted cash flows for the debt portion and based on a black scholes model for the equity portion. Inputs used to determine these values were; discount rate 8.87%, Risk Free interest rate of 1.92%, volatility of 87.5%, and a remaining life of 2.9 years. The following table reconciles the Company's level 3 fair value measurements from December 31, 2008 to December 31, 2009:

|                              | Fair value measurements using Level 3 inputs |            |
|------------------------------|--|------------|
|                              | Convertible senior unsecured debentures      | Total      |
| Balance of December 31, 2008 | \$ 113,416                                   | \$ 113,416 |

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|                                    |            |            |
|------------------------------------|------------|------------|
| (Gain) loss included in net income | 31,235     | 31,235     |
| Balance at December 31, 2009       | \$ 144,651 | \$ 144,651 |

**27. Quarterly Financial Data (Unaudited)**

| (\$ millions, except per share data) | 2009 Quarters ended |            |          |            | 2008 Quarters ended |            |            |            |
|--------------------------------------|---------------------|------------|----------|------------|---------------------|------------|------------|------------|
|                                      | Dec. 31             | Sept. 30   | Jun. 30  | Mar. 31    | Dec. 31             | Sept. 30   | Jun. 30    | Mar. 31    |
| Revenues                             | \$ 117.4            | \$ 103.8   | \$ 91.9  | \$ 87.6    | \$ 69.7             | \$ 64.1    | \$ 70.4    | \$ 53.2    |
| Net income/(loss)                    | 19.5                | (2.3)      | 0.4      | (1.1)      | (86.9)              | (22.4)     | (6.9)      | (3.9)      |
| Net earnings/(loss) per share        |                     |            |          |            |                     |            |            |            |
| Basic                                | \$ 0.083            | \$ (0.010) | \$ 0.002 | \$ (0.005) | \$ (0.368)          | \$ (0.095) | \$ (0.095) | \$ (0.017) |
| Diluted                              | \$ 0.082            | \$ (0.010) | \$ 0.002 | \$ (0.005) | \$ (0.368)          | \$ (0.095) | \$ (0.029) | \$ (0.017) |

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**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

There have been no disagreements with PricewaterhouseCoopers LLP, our auditors, regarding any matter of accounting principles or practices or financial statement disclosure.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures:**

As of December 31, 2009, 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, the Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2009, disclosure controls and procedures were effective.

**Management's Report on Consolidated Financial Statements**

Management has concluded that the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and 2008 and the results of its operations and its cash flows for each of the three years in the periods ended December 31, 2009 in accordance with Canadian generally accepted accounting principles. The consolidated financial statements have been audited by PricewaterhouseCoopers LLP as stated in their report which expressed an unqualified opinion thereon.

**Management's Annual Report on Internal Control Over Financial Reporting**

Management of Golden Star is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Exchange Act. Golden Star's internal control over financial reporting is a process designed under the supervision of Golden Star's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with Canadian GAAP. As of December 31, 2009, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment using those criteria, management concluded that Golden Star maintained effective internal control over financial reporting as of December 31, 2009. The effectiveness of Golden Star's internal control over financial reporting at December 31, 2009 has been audited by PricewaterhouseCoopers LLP, as stated in their report, which appears herein.

**Changes in Internal Control Over Financial Reporting**

There was no change in Golden Star's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 under the Exchange Act that occurred during the Company's last fiscal quarter of 2009 that has materially affected or is reasonably likely to materially affect Golden Star's internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III**

**ITEMS 10, 11, 12, 13 AND 14**

In accordance with General Instruction G(3), the information required by Part III is hereby incorporated by reference from our proxy circular to be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

**PART IV**

**ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

1. The following documents are filed as part of this Report:

1. Financial Statements

Management's Report

Auditors' Report

Consolidated Balance Sheets as of December 31, 2009 and 2008

Consolidated Statements of Operations for the years ended December 31, 2009, 2008 and 2007

Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2009, 2008 and 2007

Consolidated Statements of Cash Flows for the years ended December 31, 2009, 2008 and 2007

Notes to the Consolidated Financial Statements

2. Financial Statement Schedules

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

3. Exhibits

- 3(i) Incorporating Documents of the Company, including: Articles of Arrangement dated May 14, 1992, with Plan of Arrangement attached, with Certificate of Amendment with respect thereto dated May 15, 1992; Certificate of Amendment dated May 15, 1992, with Articles of Amendment; Certificate of Amendment dated March 26, 1993, with Articles of Amendment; Articles of Arrangement dated March 7, 1995, with Plan of Arrangement attached, with Certificate of Amendment with respect thereto dated March 14, 1995; Certificate of Amendment dated July 29, 1996, with Articles of Amendment; and Certificate of Amendment dated July 10, 2002, with Articles of Amendment (all incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on January 23, 2003); Articles of Amendment dated May 6, 2005 (incorporated by reference to Exhibit 3(i) of the Company's Form 10-K for the year ended December 31, 2006)
- 3(ii) Bylaws of the Company, including: Bylaw Number One, amended and restated as of April 3, 2002 (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-3 (Reg. No. 333-102225) filed on December 27, 2002); Bylaw Number Two, effective May 15, 1992 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on January 23, 2003); and Bylaw Number Three, effective May 15, 1992 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on January 23, 2003); Amendment No. 1 to Bylaw Number One, effective March 9, 2006 (incorporated by reference to Exhibit 3(ii) of the Company's Registration Statement on Form S-3 (File No. 333-148296) filed on December 21, 2007)

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- 4.1 Form of Specimen Certificate for Common Shares (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3/A (File No. 333-91666) filed on July 15, 2002)
- 4.2 Amended and Restated Shareholder's Rights Plan dated as of May 9, 2007 between the Company and CIBC Mellon Trust Company, as rights agent (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended June 30, 2007)
- 4.3 Indenture dated November 8, 2007 between the Company and The Bank of New York for the Company's 4.0% Convertible Senior Unsecured Debentures due November 30, 2012 (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed November 13, 2007)
- 4.4 Form of Canadian Global Debenture dated November 8, 2007 for the Company's 4.0% Convertible (incorporated by reference to Exhibit 4.3 to the Company's Form 8-K filed November 13, 2007)
- 4.5 Form of US Global Debenture dated November 8, 2007 for the Company's 4.0% Convertible Senior Unsecured Debentures (incorporated by reference to Exhibit 4.3 to the Company's Form 8-K filed November 13, 2007)
- 4.6 Registration Rights Agreement dated November 8, 2007 between the Company and BMO Nesbitt Burns Inc. for the Company's 4.0% Convertible Senior Unsecured Debentures (incorporated by reference to Exhibit 4.4 to the Company's Form 8-K filed November 13, 2007)

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- 10.1 Summary of Executive Management Performance Bonus Plan (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on January 23, 2003)
  - 10.2 Second Amended and Restated 1997 Stock Option Plan, effective as of April 8, 2004 (incorporated by reference to Exhibit 10.2 of the Company's Form 10-K, for the year ended December 31, 2008)
  - 10.3 Form of Stock Option Agreement (Employee) (incorporated by reference to Exhibit 10.3 to the Company's Form 10-K, for the year ended December 31, 2007)
  - 10.4 Form of Stock Option Agreement (Director) (incorporated by reference to Exhibit 10.4 to the Company's Form 10-K for the year ended December 31, 2007)
  - 10.5 Form of Indemnification Agreement between the Company and its officers and directors (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on January 23, 2003)
  - 10.6 Employees' Stock Bonus Plan amended and restated to April 6, 2000 (incorporated by reference to Exhibit 10(j) to the Company's Form 10-K for the year ended December 31, 2000)
  - 10.7 Amended and Restated Employment Agreement dated effective April 1, 2008 between Golden Star Management Services Company and Mr. Thomas G. Mair (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 2008)
  - 10.8 Employment Agreement dated as of August 20, 2008 by and between Golden Star Management Services Company and John A. Labate (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed August 26, 2008)
  - 10.9 Amended and Restated Employment Agreement dated effective April 1, 2008 between Golden Star Management Services Company and Bruce Higson-Smith (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended September 30, 2008)
  - 10.10 Amended and Restated Employment Agreement dated effective April 1, 2008 between Golden Star Management Services Company and Roger Palmer (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed October 10, 2008)
  - 10.11 Amended and Restated Employment Agreement dated effective April 1, 2008 between Golden Star Resources Ltd. and Mitch Wasel (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed October 10, 2008)
  - 10.12 Employment Agreement dated as of April 2, 2008 by and between Golden Star Management Services Company and D. Scott Barr (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed April 7, 2008)
  - 10.13 Agreements between the Company and its outside directors granting them options to purchase Guyanor Class B common shares, dated August 16, 2001 (incorporated by reference to Exhibit 10.9 to the Company's Form 10-K for the year ended December 31, 2002)
  - 10.14 Mining lease, dated August 16, 1988, between the Government of the Republic of Ghana and Canadian Bogosu Resources Limited, relating to the Bogoso property (incorporated by reference to Exhibit 10.14 to the Company's Form 10-K for the year ended December 31, 2006)
  - 10.15 Mining lease, dated August 21, 1987, between the Government of the Republic of Ghana and Canadian Bogosu Resources Limited, relating to the Bogoso property (incorporated by reference to Exhibit 10.15 to the Company's Form 10-K for the year ended December 31, 2006)
  - 10.16 Mining lease, dated June 29, 2001, between the Government of the Republic of Ghana and Bogoso Gold Limited, relating to the Prestea property (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 6, 2002)
  - 10.17 Mining lease, dated September 17, 1992 between the Government of the Republic of Ghana and Satellite Goldfields Limited, with letter dated April 25, 2002 from the Ministry of Mines consenting to assignment to Wexford Goldfields Ltd., relating to the Wassa property (incorporated by reference to Exhibit 10.26 to the Company's Form 10-K for the year ended December 31, 2004)

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- 10.18 Mining lease dated June 29, 2001, between the Government of the Republic of Ghana and Prestea Gold Resources, relating to the Prestea Underground property (incorporated by reference to Exhibit 10.27 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.19 Mining lease, dated January 11, 2008, between the Government of the Republic of Ghana and First Canadian Goldfields Limited relating to the Hwini Butre property (incorporated by reference to Exhibit 10.20 to the Company's Form 10-K for the year ended December 31, 2008)
- 10.20 Mining lease, dated September 27, 2007, between the Government of the Republic of Ghana and First Canadian Goldfields Limited relating to the Benso property (incorporated by reference to Exhibit 10.21 to the Company's Form 10-K for the year ended December 31, 2009)
- 10.21 Joint Operating Agreement, dated January 31, 2002, between Bogoso Gold Limited and Prestea Gold Resources Limited (incorporated by reference to Exhibit 10.25 to the Company's Form 10-K for the year ended December 31, 2002)
- 10.22 Memorandum of Agreement, dated March 14, 2002, among Prestea Gold Resources, Bogoso Gold Limited and others (incorporated by reference to Exhibit 10.26 to the Company's Form 10-K for the year ended December 31, 2002)
- 10.23 License Agreement, dated June 28, 2004 between Biomin Technologies S.A. and Bogoso Gold Limited (incorporated by reference to Exhibit 10.24 to the Company's Form 10-K for the year ended December 31, 2005)
- 10.24 EPCM Services Agreement, dated April 16, 2006, between Bogoso Gold Limited, GRD Minproc (Pty) Limited and GRD Minproc Limited (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended June 30, 2006)
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- 31.2 Certification of Principal Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
- 32.2 Certification 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 on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Golden Star Resources Ltd.

Registrant

By: /s/ Thomas G. Mair  
Thomas G. Mair

President and CEO

Date: February 24, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

By: /s/ Ian MacGregor

Name: Ian MacGregor  
Title: Director  
Date: February 24, 2010

By: /s/ James E. Askew

Name: James E. Askew  
Title: Director  
Date: February 24, 2010

By: /s/ Thomas G. Mair

Name: Thomas G. Mair  
Title: President and Chief Executive Officer (principal executive officer and director)  
Date: February 24, 2010

By: /s/ Robert E. Doyle

Name: Robert E. Doyle  
Title: Director  
Date: February 24, 2010

By: /s/ John A. Labate

Name: John A. Labate  
Title: Senior Vice President and Chief Financial Officer (principal financial and accounting officer)  
Date: February 24, 2010

By: /s/ David K. Fagin

Name: David K. Fagin  
Title: Director  
Date: February 24, 2010

By: /s/ Lars-Eric Johansson

Name: Lars-Eric Johansson  
Title: Director  
Date: February 24, 2010

By: /s/ Michael Martineau

Name: Michael Martineau  
Title: Director  
Date: February 24, 2010

By: /s/ Christopher M.T. Thompson

Name: Christopher M.T. Thompson  
Title: Director  
Date: February 24, 2010

**EXHIBIT INDEX**

- 3(i) Incorporating Documents of the Company, including: Articles of Arrangement dated May 14, 1992, with Plan of Arrangement attached, with Certificate of Amendment with respect thereto dated May 15, 1992; Certificate of Amendment dated May 15, 1992, with Articles of Amendment; Certificate of Amendment dated March 26, 1993, with Articles of Amendment; Articles of Arrangement dated March 7, 1995, with Plan of Arrangement attached, with Certificate of Amendment with respect thereto dated March 14, 1995; Certificate of Amendment dated July 29, 1996, with Articles of Amendment; and Certificate of Amendment dated July 10, 2002, with Articles of Amendment (all incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on January 23, 2003); Articles of Amendment dated May 6, 2005 (incorporated by reference to Exhibit 3(i) of the Company's Form 10-K for the year ended December 31, 2006)
- 3(ii) Bylaws of the Company, including: Bylaw Number One, amended and restated as of April 3, 2002 (incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-3 (Reg. No. 333-102225) filed on December 27, 2002); Bylaw Number Two, effective May 15, 1992 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on January 23, 2003); and Bylaw Number Three, effective May 15, 1992 (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on January 23, 2003); Amendment No. 1 to Bylaw Number One, effective March 9, 2006 (incorporated by reference to Exhibit 3(ii) of the Company's Registration Statement on Form S-3 (File No. 333-148296) filed on December 21, 2007)
- 4.1 Form of Specimen Certificate for Common Shares (incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3/A (File No. 333-91666) filed on July 15, 2002)
- 4.2 Amended and Restated Shareholder's Rights Plan dated as of May 9, 2007 between the Company and CIBC Mellon Trust Company, as rights agent (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended June 30, 2007)
- 4.3 Indenture dated November 8, 2007 between the Company and The Bank of New York for the Company's 4.0% Convertible Senior Unsecured Debentures due November 30, 2012 (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed November 13, 2007)
- 4.4 Form of Canadian Global Debenture dated November 8, 2007 for the Company's 4.0% Convertible (incorporated by reference to Exhibit 4.3 to the Company's Form 8-K filed November 13, 2007)
- 4.5 Form of US Global Debenture dated November 8, 2007 for the Company's 4.0% Convertible Senior Unsecured Debentures (incorporated by reference to Exhibit 4.3 to the Company's Form 8-K filed November 13, 2007)
- 4.6 Registration Rights Agreement dated November 8, 2007 between the Company and BMO Nesbitt Burns Inc. for the Company's 4.0% Convertible Senior Unsecured Debentures (incorporated by reference to Exhibit 4.4 to the Company's Form 8-K filed November 13, 2007)
- 10.1 Summary of Executive Management Performance Bonus Plan (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed on January 23, 2003)
- 10.2 Second Amended and Restated 1997 Stock Option Plan, effective as of April 8, 2004 (incorporated by reference to Exhibit 10.2 of the Company's Form 10-K, for the year ended December 31, 2008)
- 10.3 Form of Stock Option Agreement (Employee) (incorporated by reference to Exhibit 10.3 to the Company's Form 10-K, for the year ended December 31, 2007)
- 10.4 Form of Stock Option Agreement (Director) (incorporated by reference to Exhibit 10.4 to the Company's Form 10-K for the year ended December 31, 2007)
- 10.5 Form of Indemnification Agreement between the Company and its officers and directors (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed on January 23, 2003)
- 10.6 Employees' Stock Bonus Plan amended and restated to April 6, 2000 (incorporated by reference to Exhibit 10(j) to the Company's Form 10-K for the year ended December 31, 2000)
- 10.7 Amended and Restated Employment Agreement dated effective April 1, 2008 between Golden Star Management Services Company and Mr. Thomas G. Mair (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 2008)

- 10.8 Employment Agreement dated as of August 20, 2008 by and between Golden Star Management Services Company and John A. Labate (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed August 26, 2008)
- 10.9 Amended and Restated Employment Agreement dated effective April 1, 2008 between Golden Star Management Services Company and Bruce Higson-Smith (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q for the quarter ended September 30, 2008)
- 10.10 Amended and Restated Employment Agreement dated effective April 1, 2008 between Golden Star Management Services Company and Roger Palmer (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed October 10, 2008)
- 10.11 Amended and Restated Employment Agreement dated effective April 1, 2008 between Golden Star Resources Ltd. and Mitch Wasel (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed October 10, 2008)
- 10.12 Employment Agreement dated as of April 2, 2008 by and between Golden Star Management Services Company and D. Scott Barr (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed April 7, 2008)
- 10.13 Agreements between the Company and its outside directors granting them options to purchase Guyanor Class B common shares, dated August 16, 2001 (incorporated by reference to Exhibit 10.9 to the Company's Form 10-K for the year ended December 31, 2002)
- 10.14 Mining lease, dated August 16, 1988, between the Government of the Republic of Ghana and Canadian Bogosu Resources Limited, relating to the Bogoso property (incorporated by reference to Exhibit 10.14 to the Company's Form 10-K for the year ended December 31, 2006)
- 10.15 Mining lease, dated August 21, 1987, between the Government of the Republic of Ghana and Canadian Bogosu Resources Limited, relating to the Bogoso property (incorporated by reference to Exhibit 10.15 to the Company's Form 10-K for the year ended December 31, 2006)
- 10.16 Mining lease, dated June 29, 2001, between the Government of the Republic of Ghana and Bogoso Gold Limited, relating to the Prestea property (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on March 6, 2002)
- 10.17 Mining lease, dated September 17, 1992 between the Government of the Republic of Ghana and Satellite Goldfields Limited, with letter dated April 25, 2002 from the Ministry of Mines consenting to assignment to Wexford Goldfields Ltd., relating to the Wassa property (incorporated by reference to Exhibit 10.26 to the Company's Form 10-K for the year ended December 31, 2004)

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- 10.18 Mining lease dated June 29, 2001, between the Government of the Republic of Ghana and Prestea Gold Resources, relating to the Prestea Underground property (incorporated by reference to Exhibit 10.27 to the Company's Form 10-K for the year ended December 31, 2004)
- 10.19 Mining lease, dated January 11, 2008, between the Government of the Republic of Ghana and First Canadian Goldfields Limited relating to the Hwini Butre property (incorporated by reference to Exhibit 10.20 to the Company's Form 10-K for the year ended December 31, 2008)
- 10.20 Mining lease, dated September 27, 2007, between the Government of the Republic of Ghana and First Canadian Goldfields Limited relating to the Benso property (incorporated by reference to Exhibit 10.21 to the Company's Form 10-K for the year ended December 31, 2009)
- 10.21 Joint Operating Agreement, dated January 31, 2002, between Bogoso Gold Limited and Prestea Gold Resources Limited (incorporated by reference to Exhibit 10.25 to the Company's Form 10-K for the year ended December 31, 2002)
- 10.22 Memorandum of Agreement, dated March 14, 2002, among Prestea Gold Resources, Bogoso Gold Limited and others (incorporated by reference to Exhibit 10.26 to the Company's Form 10-K for the year ended December 31, 2002)
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