

GOLDEN STAR RESOURCES LTD

Form 10-Q/A

February 26, 2007

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**SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10 Q/A**

**Ⓟ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2006
OR**

**○ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934
Commission file number 1 12284
GOLDEN STAR RESOURCES LTD.
(Exact Name of Registrant as Specified in Its Charter)**

Canada **98 0101955**
(State or other Jurisdiction of Incorporation or (I.R.S. Employer Identification No.)
Organization)

10901 West Toller Drive, Suite 300 **80127-6312**
Littleton, Colorado (Zip Code)
(Address of Principal Executive Office)

Registrant's telephone number, including area code **(303) 830 9000**
Securities registered or to be registered pursuant to Section 12 (b) of the Act:

Title of Each Class Name of each exchange on which registered
Common Shares **American Stock Exchange**
Securities registered or to be registered pursuant to Section 12(g) of the Act:

Warrants Issued February 2003

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act).

(Check one): Large accelerated filer: Accelerated filer: Non-accelerated filer:

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

Number of Common Shares outstanding as at August 8, 2006: 207,845,758

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Explanatory Note

This Form 10-Q/A is being filed to amend Golden Star Resources Ltd.'s Quarterly Report on Form 10-Q, for the quarter ended June 30, 2006 in order to reflect the restatement of our financial statements for the quarter ended June 30, 2006 to change, in the US GAAP Reconciliation note, the way in which we have accounted for our warrants to purchase common shares which have an exercise price denominated in Canadian dollars. The restatement arose from management's determination on February 22, 2007 that such warrants denominated in Canadian dollars, which had been treated as equity instruments, should have been treated as derivative instruments under US GAAP. As such the fair value of such warrants is required to be treated as a liability, and we are required to mark to market those warrants on a current basis, with the resulting gains or losses being included in the statement of operations under US GAAP.

Generally, no attempt has been made in this Form 10-Q/A to modify or update other disclosures presented in the original report on Form 10-Q except as otherwise required to reflect the effects of the restatement, including in footnote 25 and Item 4. This Form 10-Q/A does not reflect events occurring after the filing of the original Form 10-Q or modify or update those disclosures. Information not affected by the restatement is unchanged and reflects the disclosure made at the time of the original filing of the Form 10-Q with the Securities and Exchange Commission on August 8, 2006.

Table of Contents**PART I****ITEM 1. FINANCIAL STATEMENTS****GOLDEN STAR RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS****(Stated in thousands of US dollars except shares issued and outstanding)
(Unaudited)**

	As of June 30, 2006	As of December 31, 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 20,882	\$ 89,709
Short term investments (Note 2)	21,080	
Accounts receivable	7,339	6,560
Inventories (Note 3)	35,801	23,181
Future tax assets		6,248
Fair value of derivatives (Note 13)	12	1,220
Deferred stripping (Note 11)	516	1,548
Deposits (Note 4)	9,637	5,185
Prepays and other	492	686
Total Current Assets	95,759	134,337
RESTRICTED CASH	5,093	5,442
LONG TERM INVESTMENTS (Note 5)	1,156	8,160
DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 7)	166,021	167,532
PROPERTY, PLANT AND EQUIPMENT (Note 8)	85,538	84,527
MINING PROPERTIES (Note 9)	128,024	118,088
CONSTRUCTION IN PROGRESS (Note 10)	115,257	36,707
FUTURE TAX ASSETS	4,456	8,223
OTHER ASSETS	1,358	1,587
Total Assets	\$ 602,662	\$ 564,603
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 41,560	\$ 26,144
Fair value of derivatives (Note 13)	2,928	4,709
Asset retirement obligations (Note 14)	2,735	3,107
Future tax liability	74	
Current debt (Note 12)	4,666	6,855
Total Current Liabilities	51,963	40,815
LONG TERM DEBT (Note 12)	62,270	64,298
ASSET RETIREMENT OBLIGATIONS (Note 14)	9,618	8,286

FAIR VALUE OF DERIVATIVES (Note 13)		7,263
FUTURE TAX LIABILITY	42,263	45,072
Total liabilities	166,114	165,734
MINORITY INTERESTS	6,673	6,629
COMMITMENTS AND CONTINGENCIES (Note 15)		
SHAREHOLDERS EQUITY		
SHARE CAPITAL (Note 16)		
First preferred shares, without par value, unlimited shares authorized. No shares issued		
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 207,773,758 at June 30, 2006; 205,954,582 at December 31, 2005		
	524,367	522,510
CONTRIBUTED SURPLUS	9,309	6,978
EQUITY COMPONENT OF CONVERTIBLE NOTES	2,857	2,857
DEFICIT	(106,658)	(140,105)
Total Shareholders Equity	429,875	392,240
Total Liabilities and Shareholders Equity	\$ 602,662	\$ 564,603

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

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

	Three months ended		Six months ended	
	June 30,	June 30,	June 30,	June 30,
	2006	2005	2006	2005
REVENUE				
Gold sales	\$ 28,675	\$ 23,403	\$ 53,611	\$ 40,094
Royalty income	2,003	1,069	3,840	2,119
Interest and other	842	451	1,461	761
Total revenues	31,520	24,923	58,912	42,974
PRODUCTION EXPENSES				
Mining operations	21,088	19,890	44,551	31,966
Depreciation, depletion and amortization	5,248	3,741	10,825	5,913
Accretion of asset retirement obligation (Note 14)	186	181	354	368
Total mine operating costs	26,522	23,812	55,730	38,247
OPERATING EXPENSES				
Exploration expense	378	247	590	414
General and administrative expense	2,377	2,086	5,132	4,948
Corporate development expense		14		110
Total production and operating expenses	29,277	26,159	61,452	43,719
Operating income/(loss)	2,243	(1,236)	(2,540)	(745)
OTHER EXPENSES, (GAINS) AND LOSSES				
Derivative mark-to-market loss (Note 13)	2,058	647	10,728	1,927
Abandonment and impairment of mineral properties				1,083
Gain on sale of portion of investment in EURO (Note 6)	(20,940)		(20,940)	
Gain on sale of investment in Moto (Note 5)			(30,294)	
Loss on equity investments		70		110
Interest expense	490	773	961	852
Foreign exchange (gain)/loss	(2,336)	736	(3,457)	842
Income/(loss) before minority interest	22,971	(3,462)	40,462	(5,559)
Minority interest	(253)	(200)	(44)	(380)

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Net income/(loss) before income tax	22,718	(3,662)	40,418	(5,939)
Provision for future income taxes (Note 19)	(8,294)	(33)	(6,971)	21
Net income/(loss)	\$ 14,424	\$ (3,695)	\$ 33,447	\$ (5,918)
Deficit, beginning of period	(121,082)	(128,797)	(140,105)	(126,574)
Deficit, end of period	\$(106,658)	\$(132,492)	\$(106,658)	\$(132,492)
Net income/(loss) per common share - basic (Note 20)	\$ 0.070	\$ (0.026)	\$ 0.161	\$ (0.042)
Net income/(loss) per common share - diluted (Note 20)	\$ 0.069	\$ (0.026)	\$ 0.160	\$ (0.042)
Weighted average shares outstanding (millions of shares)	207.1	142.4	207.2	142.4

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

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

	Three months ended		Six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
OPERATING ACTIVITIES:				
Net income/(loss)	\$ 14,424	\$ (3,695)	\$ 33,447	\$ (5,918)
Reconciliation of net income/(loss) to net cash provided by operating activities:				
Depreciation, depletion and amortization	5,243	3,741	10,836	5,913
Amortization of loan acquisition cost	79	75	144	75
Deferred stripping	516	33	1,032	117
Loss on equity investment		70		110
Gain on sale of investment in Moto and EURO	(20,940)		(51,234)	
Non-cash employee compensation	164	234	1,061	802
Abandonment and impairment of mineral properties				1,083
Provision for future income taxes	8,294	34	7,280	(20)
Reclamation expenditures	(338)	(63)	(523)	(292)
Fair value of derivatives	(1,832)	647	5,871	1,927
Accretion of convertible debt	184		352	
Accretion of asset retirement obligations	177	181	354	368
Minority interests	253	200	44	380
	6,224	1,457	8,664	4,545
Changes in assets and liabilities:				
Accounts receivable	(1,279)	(2,131)	(2,610)	(2,888)
Inventories	(9,463)	(7,410)	(12,620)	(5,659)
Deposits	(1,571)	(425)	(2,670)	(957)
Accounts payable and accrued liabilities	4,221	1,770	1,801	1,769
Other	319	7	194	92
Net cash used in operating activities	(1,549)	(6,732)	(7,241)	(3,098)
INVESTING ACTIVITIES:				
Expenditures on deferred exploration and development	(2,660)	(1,375)	(4,797)	(2,063)
Expenditures on mining properties	(4,758)	(8,158)	(7,762)	(14,520)
Expenditures on property, plant and equipment	(634)	(15,061)	(6,250)	(19,093)
Expenditures on mine construction in progress	(44,783)	4,568	(69,402)	(6,039)

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Asset retirement obligation assets		757		1,057
Investment in short term investments	(21,080)	(20,050)	(21,080)	(3,650)
Decrease in restricted cash	165		349	
Expenditure on purchase of Moto shares			(1,656)	
Proceeds from sale of investment in Moto			38,952	
Proceeds from sale of EURO shares	3,239		3,239	
Change in payable on capital expenditures	(1,362)		4,075	
Sale of property				1,000
Deposits	7,424	75	(1,782)	(2,254)
Other	(416)	(2,583)	(364)	(2,506)
Net cash used in investing activities	(63,597)	(41,827)	(66,478)	(48,068)
FINANCING ACTIVITIES:				
Issuance of share capital, net of issue costs	1,123	125	3,276	300
Debt repayments	(1,968)	(408)	(3,689)	(885)
Issuance of debt		48,345	5,453	55,504
Other		1,864	(150)	1,756
Net cash provided/(used) by financing activities	(845)	49,926	4,892	56,675
Increase/(decrease) in cash and cash equivalents	(65,991)	1,367	(68,827)	5,509
Cash and cash equivalents, beginning of period	86,873	17,019	89,709	12,877
Cash and cash equivalents end of period	\$ 20,882	\$ 18,386	\$ 20,882	\$ 18,386

(See Note 21 for supplemental cash flow information)

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

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**GOLDEN STAR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in tables are in thousands of US dollars unless noted otherwise)
(Unaudited)**

These consolidated financial statements and the accompanying notes are unaudited and should be read in conjunction with the audited consolidated financial statements and related notes thereto included in our annual report on Form 10 K for the year ended December 31, 2005, on file with Securities and Exchange Commission and with the Canadian securities commissions. Financial information is presented in accordance with accounting principles generally accepted in Canada.

In early 2006, it was determined that hedge accounting had been improperly applied by our subsidiary, EURO Ressources S.A. (EURO) for their cash settled forward gold price agreements during the first three quarters of 2005. As a result, our Form 10 Qs for the first three quarters of 2005 were amended to apply derivative accounting rather than hedge accounting to EURO s derivatives. In this Form 10 Q, comparative amounts from the second quarter and for the first six months of 2005 reflect this restatement.

In management s opinion, the unaudited consolidated financial statements for the three and six months ended June 30, 2006 and June 30, 2005 contained herein reflect all adjustments, consisting solely of normal recurring items, which are necessary for the fair presentation of financial position, results of operations and cash flows on a basis consistent with that of our prior audited consolidated financial statements.

In certain cases prior period amounts have been revised to reflect current period presentation.

1. Description of Business

Through our subsidiaries we own a controlling interest in four significant gold properties in southern Ghana in West Africa: the Bogoso/Prestea property, which is comprised of the adjoining Bogoso and Prestea surface mining leases (Bogoso/Prestea), the Prestea Underground property (Prestea Underground), the Wassa property (Wassa), and the Hwini Butre and Benso concessions (St. Jude Properties). In addition to these gold properties we hold various other exploration rights and interests and are actively exploring in a variety of locations in West Africa and South America. Bogoso/Prestea is owned by our 90% owned subsidiary Bogoso Gold Limited (BGL) which was acquired in 1999. Bogoso/Prestea produced and sold approximately 132,000 ounces of gold during 2005.

Through another 90% owned subsidiary, Wexford Goldfields Limited (WGL), we own the Wassa gold mine located some 35 kilometers east of Bogoso/Prestea. Construction and commissioning of Wassa s new processing plant and open pit mine was completed at the end of March 2005 and the project was placed in service on April 1, 2005. Wassa produced and sold approximately 69,000 ounces of gold in 2005 following its April 2005 in service date.

The Prestea Underground is located on the Prestea property and consists of a currently inactive underground gold mine and associated support facilities. BGL owns a 90% operating interest in the Prestea Underground. We are currently conducting exploration and engineering studies to determine if the underground mine can be reactivated on a profitable basis.

Through our 100% owned subsidiary, St. Jude Resources Ltd. (St. Jude), we own the St. Jude Properties in southwest Ghana. The St. Jude Properties consist of the Hwini Butre and Benso concessions which together cover an area of 201 square kilometers. Both concessions contain undeveloped zones of gold mineralization. The Hwini Butre and Benso concessions are located

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approximately 80 and 40 kilometers south of Wassa, respectively. The mineralized zones have been delineated through the efforts of St. Jude that conducted extensive exploration work from the mid 1990s to 2005.

We hold interests in several gold exploration projects in Ghana and elsewhere in West Africa including Sierra Leone, Burkina Faso, Niger and Cote d'Ivoire. We also hold and manage exploration properties in Suriname and French Guiana in South America. We hold indirect interests in gold exploration properties in Peru and Chile through a 16% shareholding investment in Goldmin Consolidated Holdings. We also own a 43% interest in EURO Ressources S.A. (EURO), a French publicly traded royalty holding company which owns a royalty interest based on gold production at Cambior Inc.'s Rosebel gold mine in Suriname.

Our corporate headquarters are located in Littleton, Colorado, USA. Our accounting records are kept in compliance with Canadian GAAP. All of our operations, except for certain exploration projects keep financial records in US dollars.

2. Short term investments

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

3. Inventories

	As of June 30, 2006	As of December 31, 2005
Stockpiled ore	\$ 9,849	\$ 5,753
In process	4,526	3,106
Materials and supplies	21,426	14,322
Total	\$ 35,801	\$ 23,181

4. Deposits

Represents cash advances and payments for equipment and materials purchases at WGL and BGL which are not yet on-site.

5. Long Term Investments

We hold a 16% interest in Goldmin Consolidated Holdings, a privately held gold exploration company which operates in South America. In the year ended December 31, 2005 we accounted for our investment as an equity investment but by March 31, 2006 our investment was diluted to less than 20%, and we now account for the investment on the cost basis at \$1.2 million.

As of December 31, 2005 we held approximately 11% of the outstanding common shares of Moto Goldmines Limited (Moto), a gold exploration and development company publicly traded in Canada, with a focus on gold exploration and development in the Democratic Republic of Congo. In March 2006 we exercised our remaining one million warrants increasing our total ownership to six million common shares, and immediately afterward sold all six million common shares in a bought deal transaction in Canada for Cdn\$7.50 per share. The sale of the six million shares resulted in net proceeds to Golden Star of \$39.0 million (Cdn\$45.0 million) yielding a pre-tax capital gain of \$30.3 million.

Table of Contents**6. Investment in EURO**

EURO's most significant asset is its royalty from the Rosebel mine in Suriname, owned and operated by Cambior Inc. Additionally, EURO holds certain gold exploration and development mineral rights in French Guiana, which are the subject of joint venture arrangements. At March 31, 2006 we owned 53% of EURO's outstanding common shares and as such consolidated EURO's financial results with our own.

During the second quarter of 2006 we sold 362,029 of our EURO shares in open market transactions realizing approximately \$0.7 million of cash. On June 19, 2006 we sold an additional four million EURO shares in a private transaction receiving \$2.5 million of cash. The purchasers of the four million shares have agreed to pay additional consideration to Golden Star if they sell the shares at a gain.

The combined share sales during the second quarter diluted our holding in EURO's common shares to approximately 43%. In response to a reduced ownership position, the equity method of accounting was adopted on June 20 for our remaining interest in EURO. Under the equity accounting method, our consolidated financial statements no longer include EURO's assets and liabilities which at March 31, 2006 included \$3.2 million of net current assets, \$5.6 million of tax assets, \$7.0 million of bank loans and \$14.9 million of derivative liabilities. The net effect of the change in accounting method resulted in recognition of \$17.7 million of non-cash gains. The total gain from the change in our EURO ownership position, includes \$3.2 million cash received from sale of shares and \$17.7 million from the change in accounting method, is \$20.9 million.

Under the equity method accounting rules, Golden Star will recognize a share of EURO's future earnings/losses in proportion to Golden Star's ownership position at the end of each period (currently 43%). Golden Star has a zero carrying value for its investment in EURO, and future gains and losses will not be recognized until such time as EURO's future income offsets accumulated deficits. The value of our remaining 21.4 million EURO common shares was \$31.4 million based on EURO's closing share price June 30, 2006.

7. Deferred Exploration and Development Costs

Consolidated property expenditures on our exploration projects for the six months ended June 30, 2006 were as follows:

	Deferred Exploration & Development Costs as of 12/31/05		Capitalized Exploration Expenditures	Acquisition Costs	Transfer to mining properties	Deferred Exploration & Development Costs as of 6/30/06				
AFRICAN PROJECTS										
Akropong trend and other Ghana	\$	4,947	\$	91	\$	(4,209)	\$	829		
Prestea property Ghana		2,074		25		(2,099)				
Hwini Butre and Benso Ghana		135,832		2,262		1,897		139,991		
Mano River Sierra Leone		1,285		477				1,762		
Afema Ivory Coast		1,028		314				1,342		
Goulagou Burkina Faso		18,247		96		254		18,597		
Other Africa		1,750		232		(1,090)		892		
SOUTH AMERICAN PROJECTS										
Saramacca Suriname		731		43				774		
Bon Espoir French Guiana		1,382		196				1,578		
Other South America		256						256		
Total	\$	167,532	\$	3,736	\$	1,061	\$	(6,308)	\$	166,021

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	As of June 30, 2006			As of December 31, 2005		
	Property, Plant and Equipment at Cost	Accumulated Depreciation	Property, Plant and Equipment Net Book Value	Property, Plant and Equipment at Cost	Accumulated Depreciation	Property, Plant and Equipment, Net Book Value
Bogoso/Prestea	\$ 45,604	\$ 10,453	\$ 35,151	\$ 40,802	\$ 8,240	\$ 32,562
Prestea Underground	2,919		2,919	2,748		2,748
Wassa	51,866	4,866	47,000	50,701	1,985	48,716
EURO Ressources				1,456	1,449	7
Corporate & Other	615	147	468	611	117	494
Total	\$ 101,004	\$ 15,466	\$ 85,538	\$ 96,318	\$ 11,791	\$ 84,527

9. Mining Properties

	As of June 30, 2006			As of December 31, 2005		
	Mining Properties at Cost	Accumulated Amortization	Mining Properties, Net Book Value	Mining Properties at Cost	Accumulated Amortization	Mining Properties, Net Book Value
Bogoso/Prestea	\$ 48,100	\$ 31,384	\$ 16,716	\$ 46,970	\$ 28,792	\$ 18,178
Prestea Underground	25,818		25,818	21,612		21,612
Bogoso Sulfide	13,065		13,065	13,065		13,065
Mampon	15,583		15,583	15,062		15,062
Wassa	54,421	7,998	46,423	50,810	5,104	45,706
Other	10,419		10,419	4,465		4,465
Total	\$ 167,406	\$ 39,382	\$ 128,024	\$ 151,984	\$ 33,896	\$ 118,088

10. Mine Construction in Progress

At June 30, 2006 and at December 31, 2005, mine construction in progress represents costs incurred for the Bogoso Sulfide Expansion Project since the beginning of 2005. Included in the total are costs of development drilling, plant equipment purchases, materials and construction costs, payments to the construction contractors, mining equipment costs, capitalized interest and pre-production stripping costs.

11. Deferred Stripping

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

The capitalized component of waste rock removal costs is shown on our consolidated balance sheets in the line item titled Deferred Stripping. The cost impact is included in the Statements of Operations in the line item titled Mining operations.

During the quarter ended June 30, 2006, \$0.5 million of deferred stripping costs were recovered and we expect that all remaining deferred stripping cost will be recovered by the end of the third quarter of 2006.

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	As of June 30, 2006	As of December 31, 2005
Current debt:		
Bank loan EURO Ressources (Note a)	\$	\$ 2,667
Equipment financing loans (Note b)	4,666	4,188
Total current debt	\$ 4,666	\$ 6,855
Long term debt:		
Bank loan EURO Ressources (Note a)	\$	\$ 5,000
Equipment financing loans (Note b)	14,252	11,632
Convertible notes (Note c)	48,018	47,666
Total long term debt	\$ 62,270	\$ 64,298

- (a) **Bank debt** As a result of the sale of the EURO shares in June 2006 (see Note 6) Golden Star no longer consolidates the financial statements of EURO as of June 30, 2006. Therefore the EURO bank loan is not included within consolidated debt as of June 30, 2006.
- (b) **Equipment financing credit facility** We have established an equipment financing facility between Caterpillar Financial Services Corporation, BGL and WGL, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit for a mixture of new and used mining equipment. This facility is reviewed annually. 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 LIBOR plus 2.38%. As of June 30, 2006, \$18.9 million was outstanding under this facility. The average interest rate on the outstanding loans is approximately 6.7%. We estimate the fair value of the equipment financing facility to be approximately \$16.2 million at June 30, 2006.
- (c) **Convertible notes** We sold \$50 million of senior unsecured convertible notes to a private investment fund on April 15, 2005. These notes, maturing on April 15, 2009, were issued at par and bear interest at 6.85% with a conversion price of \$4.50 per common share. At the maturity date, we have the option, to repay the outstanding notes with i.) cash, ii.) by issuing common shares to the note holders or iii.) a combination of cash and common shares. For any notes repaid in common shares the number of shares will be determined by dividing the loan balance by an amount equal to 95% of the average price of the 20 trading day period ended five days before the notes are due. Due to the beneficial conversion feature, approximately \$47.1 million of the note balance was initially classified as a liability and \$2.9 million was classified as equity. Periodic accretion will increase the liability to the full \$50 million amount due (after adjustments, if any, for converted notes) by the end of the note term. The periodic accretion is included in interest expense. A total of \$4.0 million of interest on the convertible notes was capitalized as Bogoso sulfide expansion project costs. We estimate the fair value of the convertible notes to be essentially equal to their carrying value at June 30, 2006.

13. Derivatives

EURO In January 2005, EURO, then a majority owned subsidiary, entered into a series of derivative contracts in conjunction with a \$6.0 million loan agreement. EURO's derivatives are tied to a future stream of gold royalty payments EURO expects to receive from Cambior Inc., which purchased a mining property interest from Golden Star in 2002. Golden Star originally owned the royalty but sold the

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royalty to EURO in 2004. In September 2005, EURO entered into a second set of derivative contracts related to a further \$3.0 million debt facility.

During 2005, we recorded a realized derivative loss of \$0.5 million for cash settlement of the first four quarterly tranches and we recorded \$9.6 million of unrealized, non cash mark to market losses as of December 31, 2005. At June 30, 2006 we recorded \$0.8 million payments to EURO's counterparties for expiring positions and an additional \$4.1 million mark to market loss for the period ended June 19, 2006.

As a result of the sale of the EURO shares in June 2006, (see Note 6) Golden Star is not required to consolidate the financial statements of EURO as of June 30, 2006. Therefore the EURO derivative contract liability is no longer included in our consolidated derivatives as of June 30, 2006.

Gold Derivatives To provide gold price protection during the 2005/2006 construction phase of the Bogoso Sulfide Expansion Project, we purchased a series of gold puts. The first purchase occurred in the second quarter of 2005 when we purchased put options on 140,000 ounces of gold at an average floor price of \$409.75, paying approximately \$1.0 million in cash for the options.

We purchased an additional 90,000 put options in the third quarter of 2005 locking in a \$400 per ounce floor for each of the 90,000 ounces. Increases in gold price during the first six of 2006 resulted in a nil value for the puts at June 30, 2006. This was \$0.1 million less than the value at December 31, 2005 and approximately \$1.0 million less than the initial purchase cost. We have 112,500 ounces of put options with an average strike price of \$404 per ounce remaining at June 30, 2006.

To acquire the put options in the third quarter of 2005, we sold 90,000 ounces of call options with a strike price of \$525 per ounce. The revenue from the sale of the call options exactly offset the cost of the put options bought in the same quarter. At the beginning of 2006 there were 65,000 call options outstanding. During the second quarter of 2006 we bought back 30,000 ounces of call options for \$2.6 million. Lower gold prices at June 30, 2006 resulted in a \$0.3 million decrease in settlement costs of the calls and accordingly we recorded a \$0.4 million mark to market gain on the calls. In addition call options for 17,000 ounces were exercised during the first half of 2006 requiring a \$1.5 million payment to the counterparty. The payment is included in derivative loss in the Statement of Operations. At June 30, 2006 our gold call obligation consists of 18,000 ounces at \$525 per ounce.

Foreign Currency Forward Positions To help control the potential adverse impact of fluctuations in foreign currency exchange rates on the cost of equipment and materials we expect to purchase during the 2006 construction phase of the Bogoso Sulfide Expansion Project, we entered into Rand forward contracts. These contracts, established without cost, had a fair value of \$(1.0) million and \$1.0 million at June 30, 2006 and December 31, 2005, respectively.

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The following table summarizes our derivative contracts at June 30, 2006:

At June 30, 2006	2006	2007	Thereafter	Total/ Average
Gold put options				
Ounces (thousands)	75	37.5		112.5
Average price per ounce (\$)	405	404		404
Gold call options				
Ounces (thousands)	12	6		18
Average price per ounce (\$)	525	525		525
Foreign exchange forward contracts				
South African Rand (millions)	31.5			31.5
Average rate (ZAR/\$)	6.3			6.3

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

	June 30, 2006	Fair value of EURO derivative on June 19, 2006	December 31, 2005	Six months (Expense)/ Gain
Fair Value of Derivatives				
Cash settled forward gold price agreements	\$ 12	\$ (13,707)	\$ (9,560)	\$ (4,147)
Puts			74	(62)
Calls	(1,944)		(2,250)	306
Rand forward purchases	(984)		1,146	(2,130)
Euros forward purchases			(162)	162
Unrealized loss	\$ (2,916)	\$ (13,707)	\$ (10,752)	\$ (5,871)
Realized losses:				(757)
Cash settled forward gold price agreements				
Calls				(4,100)
Total gains/(losses)				\$ (10,728)

14. Asset Retirement Obligations

Our Asset Retirement Obligations (ARO) are equal to the present value of all estimated future closure costs associated with reclamation, demolition and stabilization of our Bogoso/Prestea and Wassa mining and ore processing properties. Included in this liability are the costs of mine closure and reclamation, processing plant and infrastructure demolition, tailings pond stabilization and reclamation and environmental monitoring costs. While the majority of these costs will be incurred near the end of the mines' lives, it is expected that certain on going reclamation costs will be incurred prior to mine closure. These costs are recorded against the current ARO provision.

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

Balance at December 31, 2005	\$ 11,393
Accretion expense	354
Cost of reclamation work performed	(523)
New AROs incurred during the period	1,129

Balance at June 30, 2006	\$ 12,353
Current portion	\$ 2,735
Long term portion	\$ 9,618

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15. Commitments and Contingencies

Our commitments and contingencies include the following items:

- (a) **Environmental Regulations** The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. As such we cannot predict the full amount of our future expenditure to comply with these laws and regulations. We conduct our operations so as to protect the environment and believe our operations are in compliance with applicable laws and regulations in all material respects.
- (b) **Environmental Bonding in Ghana** In 2005, pursuant to a reclamation bonding agreement between the Ghana Environmental Protection Agency (EPA) and WGL, 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. In addition, pursuant to a bonding agreement between the EPA and BGL 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.
- (c) **Cash Restricted for Environmental Rehabilitation Liabilities** In 1999, we were required, according to the acquisition agreement with the sellers of BGL, to restrict \$6.0 million of cash to be used for the ongoing and final reclamation and closure costs at Bogoso. Between 1999 and 2001 we withdrew \$2.6 million of the restricted cash to cover our out of pocket cash reclamation costs. There have been no disbursements of the restricted cash since 2001. Now that BGL has met the EPA's environmental bonding requirements, we will seek to amend the agreement with the original sellers of BGL and obtain their consent to allow us to withdraw the remaining restricted cash which now totals \$3.5 million.
- (d) **Royalties**
 - (i) **Dunkwa Properties:** As part of the acquisition of the Dunkwa properties in August 2003, we agreed to pay the seller a net smelter return royalty on future gold production from the Mansiso and Asikuma properties. 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 up to 3.5% for gold prices in excess of \$400 per ounce.
 - (ii) **Government of Ghana:** Under the laws of Ghana, a holder of a mining lease is required to pay an annual royalty of not less than 3% and not more than 6% of the total revenues earned from the lease area. The royalty is payable on a quarterly basis. We currently pay a 3% annual royalty on gold production from Bogoso/Prestea and Wassa.
 - (iii) **Benso:** Benso is subject a 1.5% net smelter return royalty and a \$1.00 per ounce gold production royalty. The smelter return royalty may be purchased for \$4.0 million (or \$6.0 million if a feasibility study indicates more than 3.5 million ounces of recoverable gold) and the gold production royalty may be purchased for \$0.5 million.

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- (iv) **Prestea Underground** The Prestea Underground is 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 Prestea Gold Resources Limited, our former joint venture partner in the Prestea Underground.
- (e) **Afema Project** On March 29, 2005 we entered into an agreement with Societe d Etat pour le Developpement Minier de la Cote d Ivoire (SO.DE.MI.), the Cote d Ivoire state mining and exploration company, to acquire their 90% interest in the Afema gold property in south east Cote d Ivoire. A \$0.1 million initial payment to SO.DE.MI. provided us the right to carry out a six month detailed technical due diligence program. On September 30, 2005 a six month extension to March 29, 2006 was granted by SO.DE.MI. to allow Golden Star to carry out further due diligence work and to analyze the large quantity of data collected during 2005. On March 14, 2006, we contacted SO.DE.MI. clarifying that (i) Golden Star will be indemnified in respect of the past environmental degradation at Afema, and (ii) that no other claims against the property exist. SO.DE.MI. is still considering its response to the latter question and hence the option remains unexercised pending their decision. In addition to the acquisition payments, we agreed to pay SO.DE.MI. a royalty on any future gold production from the Afema property. The royalty is indexed to the gold price and ranges from 2% of net smelter returns at gold prices below \$300 per ounce to 3.5% of net smelter returns for gold prices exceeding \$525 per ounce. If we proceed with the \$1.5 million payment to acquire full rights to the property, the purchase agreement requires us to spend an additional \$3.5 million on exploration work at Afema, subject to exploration success, over the following three and a half years.
- (f) We are engaged in routine litigation incidental to our business. No material legal proceedings, involving us or our business are pending, or, to our knowledge, contemplated, by any governmental authority. We are not aware of any material events of non compliance with environmental laws and regulations.

16. Share Capital

Changes in share capital during the six months ended June 30, 2006 were:

	Shares	Amount
Balance as of December 31, 2005	205,954,582	\$ 522,510
Common shares issued:		
Option exercises	1,815,176	4,566
Reclassification of warrants to capital surplus		(2,575)
Bonus shares and other	4,000	(134)
Balance as of June 30, 2006	207,773,758	\$ 524,367

17. Warrants

The following warrants were outstanding as of June 30, 2006:

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Issued with:	Date issued	Warrants		
		outstanding	Exercise price	Expiration date
Equity offering	February 14, 2003	8,448,334	Cdn\$4.60	February 14, 2007
St. Jude acquisition	December 21, 2005	3,240,000	Cdn\$4.17	November 20, 2008
Total		11,688,334		

The 8.4 million warrants expiring February 14, 2007 are traded on the Toronto Stock Exchange under the symbol GSC.WT.A. No warrants were exercised during the six months ended June 30, 2005 and 2006.

18. Stock Based Compensation

Stock Options We have one stock option plan, the 1997 Stock Option Plan, as amended (the Plan) and options are granted under this plan from time to time at the discretion of the Compensation Committee. Options granted are non assignable and are exercisable for a period of ten years or such other period as stipulated in a stock option agreement between Golden Star and the optionee. Under the GSR Plan, we may grant options to employees, consultants and directors of the Company or its subsidiaries for up to 15,000,000 shares of common stock. Options take the form of non qualified stock options, and the exercise price of each option is not less than the market price of our stock on the date of grant. Options typically vest over periods ranging from immediately to four years from the date of grant. Vesting periods are determined at the discretion of the Compensation Committee.

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 of which 864,000 remain unexercised as of June 30, 2006. All of the remaining unexercised options held by St. Jude employees are vested. All figures shown below include the options issued to St. Jude employees.

Amounts recognized in the statements of operations with respect to the Plan are as follows:

	Six months ended June 30,	
	2006	2005
Total cost during the period	\$ 1,045	\$ 802

Amount of related income tax benefit recognized to income

We granted 746,000 and 514,000 options during the six months ended June 30, 2006 and June 30, 2005, respectively. The Company recognized \$1.0 million and \$0.9 million of non cash compensation expense in the six months ended June 30, 2006 and 2005, respectively.

The fair value of options granted during the first six months of 2006 and 2005 were estimated at the grant dates using the Black Scholes option pricing model based on the assumptions noted in the following table:

	Six months ended June 30,	
	2006	2005
Expected volatility	62.5% to 96.1%	34.9%
Risk free interest rate	2.44% to 2.78%	3.15% to 3.52%
Expected lives	3.5 to 5 years	3.5 to 5 years
Dividend yield	0%	0%

Expected volatilities are based on the historical volatility of Golden Star's shares. 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 similar historical behavior are considered separately for valuation purposes. The expected term of the options granted is derived from the output of the option pricing model and represents the period of time that the option granted are expected to be outstanding; the

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range given below 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 June 30, 2006 and changes during the six months then ended is presented below:

	Options (000)	Weighted Average Exercise price (Cdn\$)	Weighted Average Remaining Contractual Term (Years)	Aggregate intrinsic value (\$000)
Outstanding as of December 31, 2005	7,390	2.75		
Granted	746	3.94		
Exercised	(1,815)	1.97		
Forfeited	(136)	7.07		
Outstanding as of June 30, 2006	6,185	2.99	5.7	7,174
Exercisable at June 30, 2006	4,026	1.78	4.2	\$ 7,174

The weighted average grant date fair value of share options granted during the six months ended June 30, 2006 and June 30, 2005 was Cdn\$2.50 and Cdn\$1.58, respectively. The intrinsic value of options exercised during the six months ended June 30, 2006 and 2005 was \$2.1 million and \$0.1 million, respectively.

A summary of the status of non vested options at June 30, 2006 and changes during the six months ended June 30, 2006, is presented below:

	Number of options (000)	Weighted average grant date fair value (Cdn\$)
Nonvested at January 1, 2006	155	2.03
Granted	746	1.84
Vested	(610)	1.84
Forfeited	(71)	2.09
Nonvested at June 30, 2006	220	1.88

As of June 30, 2006 there was a total unrecognized compensation cost of \$1.0 million related to non vested share based compensation granted under the Plan. That cost is expected to be recognized over a weighted average period of 2.8 years. The total fair values of shares vested during the six months ended June 30, 2006 and 2005 were Cdn\$1.1 million and Cdn\$0.4 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 495,162 common shares had been issued as of June 30, 2006.

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During the six months ended June 30, 2006 and 2005 we issued 4,000 and 45,342 common shares, respectively, to employees under the Bonus Plan.

19. Income Taxes

Income tax (expense)/benefit attributable to net income before income taxes consists of:

	Three months ended June		Six months ended June	
	30,		30,	
	2006	2005	2006	2005
Current				
Canada	\$	\$	\$ (4,926)	\$
Foreign				
Future				
Canada	3,117		3,118	
Foreign	(11,411)	(33)	(5,163)	21
Total	\$ (8,294)	\$ (33)	\$ (6,971)	\$ 21

The current tax expense recorded for the six months ended June 30, 2006 is for the gain on sale of the Moto shares. The Canadian future tax benefit recorded relates primarily to exploration expenditures incurred by St. Jude. The foreign future tax expense recorded for the six months ended June 30, 2006 relates primarily to the sale of EURO (see Note 6), derivative losses incurred, and the decrease in the Ghanaian tax rate. Golden Star records a valuation allowance against any portion of its remaining future income tax assets that it believes will, more likely than not, fail to be realized.

20. Earnings per Common Share

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Net income/(loss)	\$ 14,424	\$ (3,695)	\$ 33,447	\$ (5,918)
Weighted average number of common shares (millions)	207.1	142.4	207.2	142.4
Dilutive securities:				
Options	1.9	1.7	2.0	1.9
Warrants		0.1		0.2
Weighted average number of diluted shares	209.0	144.2	209.2	144.5
Basic earnings/(loss) per share	\$ 0.070	\$ (0.026)	\$ 0.161	\$ (0.042)
Diluted earnings/(loss) per share	\$ 0.069	\$ (0.026)	\$ 0.160	\$ (0.042)

21. Supplemental Cash Flow Information

No cash income taxes were paid during the six months ended June 30, 2006 and 2005. Cash paid for interest was \$2.5 million and \$0.4 million for June 30, 2006 and 2005, respectively. A total of \$11,000 and nil of depreciation was included in general and administrative costs or was capitalized into projects for the quarters ended June 30, 2006 and 2005, respectively.

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. The corporate entity is incorporated in Canada.

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As of and for the three months ended June 30,	Africa		Ghana		South America	Corporate	Total
	Bogoso/ Prestea	Wassa	Other				
2006							
Revenues	\$ 14,903	\$ 13,851	\$ 2	\$ 2,119	\$ 645	\$ 31,520	
Net income/(loss)	2,039	(114)	(601)	(5,263)	18,363	14,424	
Total assets	234,632	105,432	206,224	1,031	55,343	602,662	
2005							
Revenues	\$ 14,233	\$ 9,190	\$	\$ 1,050	\$ 450	\$ 24,923	
Net income/(loss)	1,769	(2,627)		469	(3,306)	(3,695)	
Total assets	103,221	90,126	35,264	3,301	78,115	310,027	

As of and for the six months ended June 30,	Africa		Ghana		South America	Corporate	Total
	Bogoso/ Prestea	Wassa	Other				
2006							
Revenues	\$ 26,457	\$ 27,279	\$ 17	\$ 3,984	\$ 1,175	\$ 58,912	
Net income/(loss)	857	(2,251)	3,024	(8,335)	40,152	33,447	
Total assets	234,632	105,432	206,224	1,031	55,343	602,662	
2005							
Revenues	\$ 30,950	\$ 9,190	\$	\$ 2,119	\$ 715	\$ 42,974	
Net income/(loss)	3,595	(2,676)		407	(7,244)	(5,918)	
Total assets	103,221	90,126	35,264	3,301	78,115	310,027	

23. Related Parties

During the first half of 2006 we obtained legal services from a legal firm to which our Chairman is counsel. Total value of all services purchased from this law firm during the first half was \$0.6 million. Our Chairman did not personally perform any legal services for us during the first quarter nor did he benefit directly or indirectly from payments for the services performed by the firm.

During the first quarter of 2006, a corporation controlled by Michael A. Terrell, a director of Golden Star, provided management services to St. Jude for which it was paid Cdn\$0.13 million. Mr. Terrell became a director of Golden Star following our acquisition of St. Jude in December 2005. Mr. Terrell's company ceased providing services to St. Jude at March 31, 2006.

24. Financial Instruments

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

25. 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.

Table of Contents**(a) Consolidated Balance Sheets Under US GAAP**

	June 30, 2006	December 31, 2005
	(Restated-Note d13)	(Restated-Note d13)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,882	\$ 89,709
Short term investments	21,080	
Accounts receivable	7,339	6,560
Inventories	35,801	23,181
Future tax assets		6,248
Fair value of derivatives	12	1,220
Deposits	9,637	5,185
Other current assets	492	686
Total current assets	95,243	132,789
Restricted cash	5,093	3,865
Long term investments (Notes d1 and d2)		15,182
Deferred exploration and development costs (Notes d3 and d4)		
Property, plant and equipment (Note d5)	84,824	83,813
Mine construction in progress	115,257	36,707
Mining properties (Notes d3, d4 and d5)	239,119	237,153
Deferred stripping (Note d6)		1,548
Loan acquisition costs	766	1,020
Future tax asset	4,456	8,223
Other assets	592	1,124
Total assets	\$ 545,350	\$ 522,443
LIABILITIES		
Current liabilities	\$ 51,962	\$ 40,815
Long term debt (Note d8)	64,253	66,632
Asset retirement obligations	9,618	8,286
Future tax liability	42,263	45,072
Fair value of long term derivatives (Note d7)	8,703	15,842
Total liabilities	176,799	176,647
Minority interest	2,070	1,964
Commitments and contingencies		
SHAREHOLDERS EQUITY		
Share capital (Note d9)	525,554	523,696

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Contributed surplus (Note d10)	6,750	4,419
Accumulated comprehensive income and other (Note d2)	1,316	9,495
Deficit	(167,139)	(193,778)
Total shareholders' equity	366,481	343,832
Total liabilities and shareholders' equity	\$ 545,350	\$ 522,443

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

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
	(Restated-Note d1)	(Restated-Note d1)	(Restated-Note d1)	(Restated-Note d1)
Net income under Cdn GAAP	\$ 14,424	\$ (3,695)	\$ 33,447	\$ (5,918)
Deferred exploration expenditures expensed per US GAAP (Note d3)	(4,947)	999	(7,833)	(3,575)
Impact of start-up accounting		(1,072)		(5,725)
Depreciation and amortization differences - Wassa (Note d5)	262		1,737	
Write-off of deferred exploration properties (Note d3)				1,083
Derivative gain/(loss) on non-US\$ warrants (Note d11)	496	(947)	(124)	4,483
Other (Notes d3 and d7)	509	180	505	220
Net income/(loss) under US GAAP before minority interest	10,744	(4,535)	27,732	(9,432)
Minority interest, as adjusted	(220)	54	(62)	56
Net income/(loss) under US GAAP	10,524	(4,481)	27,670	(9,376)
Other comprehensive income - gain on marketable securities (Note d2)		(156)		893
Comprehensive income/(loss)	\$ 10,524	\$ (4,637)	\$ 27,670	\$ (8,483)
Basic net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	\$ 0.051	\$ (0.031)	\$ 0.134	\$ (0.066)
Diluted net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	\$ 0.050	\$ (0.031)	\$ 0.132	\$ (0.065)

(c) Consolidated Statements of Cash Flows under US GAAP

	Three months ended June		Six months ended June	
	30,	30,	30,	30,
	2006	2005	2006	2005
Cash provided by (used in):				
Operating activities	\$ (4,984)	\$ (4,243)	\$ (13,407)	\$ (11,284)
Investing activities	(60,072)	(44,146)	(60,312)	(39,712)
Financing activities	(845)	49,756	4,892	56,505
Increase/(Decrease) in cash and cash equivalents	(65,901)	1,367	(68,827)	5,509
Cash and cash equivalent beginning of period	86,783	17,019	89,709	12,877

Cash and cash equivalents end of period	\$ 20,822	\$ 18,386	\$ 20,822	\$ 18,386
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(d) Notes:

- (1) Minority investments in entities whose major business is mineral exploration are deemed for US GAAP to be equivalent to exploration spending and are expensed as incurred.
- (2) Under US GAAP, investments in marketable equity securities are marked to fair value at the end of each period with gains and losses recognized in the statement of operations. Under Cdn GAAP gains and losses on marketable equity securities are noted in the foot notes and recognized in the statement of operations only when the investment is sold.
- (3) Under US GAAP, exploration, acquisition (except for Purchase Accounting 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.
- (4) Under US GAAP, the initial purchase cost of mining properties is capitalized. Pre-acquisition costs and subsequent development costs incurred, until such time as a final feasibility study is completed, are expensed in the period incurred. Under Cdn GAAP, the purchase costs of new mining properties as well as all development costs incurred after

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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.

- (5) Under US GAAP new production facilities are placed in service once the facility has been constructed and fully tested to the point where it can be shown that it is capable of producing its intended product. Under Cdn GAAP new production facilities are placed in service when output reaches a significant portion of the facility's design capacity. As such, the new Wassa mine and processing operation was placed in service on January 1, 2005 for US GAAP purposes and was placed in service on April 1, 2005 for Cdn GAAP purposes. All operating expenses, including ARO accretion, depreciation, depletion and amortization and work in process inventory adjustments were recognized in the statement of operations for US GAAP during the first quarter of 2005 while such costs were capitalized net of revenues generated for Cdn GAAP.
- (6) In March 2005, the Emerging Issues Task Force of the Financial Accounting Standards Board issued statement 04-6 Accounting for Stripping Costs Incurred During Production in the Mining Industry (EITF 04-6) which precludes deferral of stripping costs during a mine's production phase. EITF 04-6 requires that deferred stripping costs be considered a variable production cost. The new pronouncement is effective January 1, 2006 and transition provisions allow any remaining balances in deferred stripping asset accounts to be closed directly to retained earnings on January 1, 2006. In Canada the Emerging Issues Committee (EIC) has issued EIC 160 Stripping Costs Incurred in the Production Phase of the Mining Operation which concludes that deferred stripping costs during the production phase of a mine's life should generally be considered a variable production cost and included in the cost of inventory unless it can be shown that the stripping costs represent a betterment to the mineral property.
- (7) Under US GAAP the fair value of warrants denominated in currencies other than US\$ is treated as a derivative liability. Under Cdn GAAP the fair value of all warrants are treated as a component of shareholders' equity.
- (8) For US GAAP purposes, 100% of the \$50.0 million of convertible notes issued in the second quarter of 2005 was classified as a liability. Under Cdn GAAP, the fair value of the conversion feature is classified as equity and the balance is classified as a liability. Under Cdn GAAP, the liability portion is accreted each period in amounts which will increase the liability to its full amount as of the maturity date and the accretion is recorded as interest expense.
- (9) 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; (iv) when warrants denominated in currencies other than US\$ are exercised the difference between the fair value and the strike price of the warrant is recorded as share capital for US GAAP purposes, but under Cdn GAAP only the strike price is recorded as share capital on exercise.
- (10) Under Cdn GAAP the issuance-date fair value of all warrants issued and outstanding are recorded as contributed surplus. Under US GAAP contributed surplus excludes the fair value of warrants denominated in currencies other than US\$. The fair value of warrants denominated in currencies other than US\$ is recorded in derivative liability.
- (11)

Under US GAAP the change in fair value of warrants denominated in currencies other than the functional currency of the company is recognized in the Statement of Operations. Under Cdn GAAP warrants are not marked to fair value.

- (12) In December 2004, the Financial Accounting Standards Board (FASB) finalized SFAS No. 123R Share-Based Payment, amending SFAS No. 123 (SFAS 123R), effective beginning our first quarter of fiscal 2006. SFAS 123R requires the Company to expense stock options based on grant date fair value in its financial statements. Further, the SFAS 123R requires additional accounting related to the income tax effects and additional disclosure regarding the cash flow effects resulting from share-based payment arrangements. In March 2005, the U.S. Securities and Exchange Commission (the SEC) issued Staff

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Accounting Bulletin (SAB) No. 107, which expresses views of the SEC staff regarding the interaction between SFAS 123R and certain SEC rules and regulations, and provides the staff's views regarding the valuation of share-based payment arrangements for public companies. We adopted the optional provisions of SFAS No. 123 in 2003 and have expensed share based payments since that time. We have expanded share-based payment disclosures as required by of SFAS 123R at March 31, 2006.

- (13) The US GAAP reconciliation has been restated to take effect of the difference between Canadian and US GAAP described in notes d7 and d11 above.

Statement of Operations	For the three months ended				For the six months ended			
	June 30, 2006		June 30, 2005		June 30, 2006		June 30, 2005	
	Originally stated	Restated	Originally stated	Restated	Originally stated	Restated	Originally stated	Restated
Derivative loss USD								
Warrants		496		(947)		(124)		4,483
Net Income/(Loss) under US GAAP before minority interest	10,248	10,744	(3,588)	(4,535)	27,856	27,732	(13,915)	(9,432)
Net Income/(Loss) under US GAAP	10,028	10,524	(3,534)	(4,481)	27,794	27,670	(13,859)	(9,376)
Comprehensive income/(loss)	10,028	10,524	(3,690)	(4,637)	27,794	27,670	(12,966)	(8,483)
Basic net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	\$ 0.048	\$ 0.051	\$(0.025)	\$(0.031)	\$ 0.134	\$ 0.134	\$(0.097)	\$(0.066)
Diluted net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	\$ 0.047	\$ 0.050	\$(0.024)	\$(0.031)	\$ 0.133	\$ 0.132	\$(0.090)	\$(0.065)

Balance Sheet	June 30, 2006		December 31, 2005	
	Originally stated	Restated	Originally stated	Restated
Fair value of long term derivatives		8,703	7,263	15,842
Total liabilities	168,096	176,799	168,068	176,647
Share Capital	521,398	525,554	519,540	523,696
Contributed Surplus	10,625	6,750	8,294	4,419
Deficit	(156,839)	(167,139)	(183,602)	(193,778)
Total shareholders' equity	375,184	366,481	352,411	343,832

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ITEM 4. CONTROLS AND PROCEDURES

It was determined that as of June 30, 2006 management did not maintain effective controls over the presentation and documentation of certain derivatives. Specifically, Golden Star did not properly account in its US GAAP footnote (note 25) for warrants denominated in currencies other than US dollars. Warrants denominated in currencies other than US dollars were treated as a component of shareholders' equity. Proper accounting would have treated them as a derivative instrument, which would have been marked to fair value at the end of each period. This control deficiency resulted in the requirement for the restatement of our US GAAP footnote financial statements for the quarters ended March 31 and June 30, 2006. Because of the existence of the deficiency in question at June 30, 2006, management concluded that Golden Star's internal controls over financial reporting was ineffective as of that date.

(a) Disclosure Controls and Procedures

As of June 30, 2006, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Golden Star's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on the evaluation and as a result of the material weakness discussed above, management has concluded that as of June 30, 2006 our disclosure controls and procedures were not effective.

(b) Changes in Internal Control over Financial Reporting

Changes in our internal control over financial reporting to address the material weakness described above were implemented subsequent to the quarter ended June 30, 2006. There was no change in our internal control over financial reporting that occurred during the quarter ended June 30, 2006 that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

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ITEM 6. EXHIBITS

- 10.1 EPCM Services Agreement, dated April 6, 2006 between Bogoso Gold Limited, GRD Minproc (Pty) Limited and GRD Minproc Limited (previously filed)
- 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
- 32.1 Certificate of Principal Executive Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes Oxley Act of 2002)
- 32.2 Certificate of Principal Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes Oxley Act of 2002)

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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-Q/A to be signed on its behalf by the undersigned, thereunto duly authorized.

GOLDEN STAR RESOURCES LTD.
Registrant

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

Date: February 26, 2007

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