GOLDEN STAR RESOURCES LTD
Form 10-Q
November 08, 2012

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

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

Commission file number 1-12284

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

Canada (State or other Jurisdiction of Incorporation or Organization)	98-0101955 (I.R.S. Employer Identification No.)
10901 West Toller Drive, Suite 300 Littleton, Colorado (Address of Principal Executive Office)	80127-6312 (Zip Code)

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

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

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

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

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

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

Number of Common Shares outstanding as at November 6, 2012: 259,015,970

REPORTING CURRENCY, FINANCIAL AND OTHER INFORMATION

All amounts in this report are expressed in United States (“U.S.”) dollars, unless otherwise indicated. Canadian currency is denoted as “Cdn$.” Financial information is presented in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).

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

NON-GAAP FINANCIAL MEASURES

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

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

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

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

These statements include comments regarding: anticipated attainment of gold production rates; cash operating costs generally; gold sales; gold recovery rates; ore processing; permitting; geological, environmental, community and engineering studies; the timing for the completion of the final West Reef feasibility study and future drilling activities at the West Reef; receipt of environmental management plan approvals from the Ghana Environmental Protection Agency (“EPA”); changes in the tax regime and mining laws in Ghana; exploration efforts, activities and costs; development and exploration including the Wassa tailings project, the Wassa drilling program, drilling plans in Cote d'Ivoire and sampling programs on the Iriri joint venture property; ore grades; our anticipated investing and exploration spending through the end of 2012; identification of acquisition and growth opportunities; our expectations regarding Pampe non-refractory ore, the Bogoso tailings and the Bogoso non-refractory plant; retention of earnings from our operations; gold production estimates for the remainder of 2012; expected operational cash flow through the end of 2012; our objectives for 2012 and beyond; expected debt payments during 2012 including repayment of the 4% debentures; and sources of and adequacy of liquidity to meet capital and other needs in 2012 and beyond.

The following, in addition to the factors described under “Risk Factors” in Item 1A of our Form 10-K for the year ended December 31, 2011, 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-reserve estimates;
- changes in interest and currency exchange rates;
- timing and amount of gold production;
- unanticipated variations in ore grade, tonnes mined and crushed ore processed;
- unanticipated gold recovery or production problems;
- effects of illegal mining on our properties;

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- changes in mining and processing costs, including changes to costs of raw materials, power, 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 or in the interpretation of regulations by the regulatory authorities affecting our operations, particularly in Ghana, where our principal producing properties are located;
- local and community impacts and issues;
- timing of receipt and maintenance of government approvals and permits;
- unanticipated transportation costs and shipping incidents and losses;
- accidents, labor disputes and other operational hazards;
- environmental costs and risks;
- changes in tax laws, such as those proposed in Ghana;
- unanticipated title issues;
- competitive factors, including competition for property acquisitions;
- possible litigation;
- availability of capital on reasonable terms or at all;
- potential losses from future hedging activities; and
- additional risk due to increased use of mining contractors.

These factors are not intended to represent a complete list of the general or specific factors that could affect us. Many of these factors are beyond our ability to control or predict. Although we believe the expectations reflected in our forward-looking statements are based on reasonable assumptions, such expectations may prove to be materially incorrect due to known and unknown risks and uncertainties. You should not unduly rely on any of our forward-looking statements. These statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we undertake no obligation to update any of these forward-looking statements to reflect future events or developments.

ITEM 1. FINANCIAL STATEMENTS

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
REVENUE				
Gold revenues	$133,497	$125,880	$400,830	$352,193
Cost of sales (Note 15)	120,899	106,385	354,914	316,661
Mine operating margin	12,598	19,495	45,916	35,532
Exploration expense	583	1,824	2,674	3,972
General and administrative expense	4,606	5,996	16,091	20,350
Derivative mark-to-market loss (Note 5)	—	11,161	162	17,840
Loss/(gain) on fair value of convertible debentures	30,055	2,084	32,092	(22,208)
Property holding costs	1,617	1,778	5,027	6,141
Foreign exchange loss	282	666	2,162	1,385
Interest expense	2,067	2,193	8,563	6,663
Interest and other income	(89)	(61)	(357)	(163)
Gain on sale of assets	(52)	(338)	(113)	(336)
Loss/(gain) on sale of investments	70	—	(22,290)	—
(Gain)/loss on extinguishment of debt (Note 11)	(14)	—	568	—
(Loss)/income before income tax	(26,527)	(5,808)	1,337	1,888
Income tax expense (Note 12)	(4,002)	(3,621)	(19,464)	(11,727)
Net loss	$(30,529)	$(9,429)	$(18,127)	$(9,839)
Net income/(loss) attributable to noncontrolling interest	322	(767)	(483)	523
Net loss attributable to Golden Star shareholders	$(30,207)	$(10,196)	$(18,610)	$(9,316)
Net loss per share attributable to Golden Star shareholders				
Basic (Note 17)	$(0.12)	$(0.04)	$(0.07)	$(0.04)
Diluted (Note 17)	$(0.12)	$(0.04)	$(0.07)	$(0.04)
Weighted average shares outstanding (millions)	258.9	258.6	258.8	258.6
Weighted average shares outstanding-diluted (millions)	258.9	258.6	258.8	258.6

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/LOSS
(Stated in thousands of U.S. dollars)
(unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
OTHER COMPREHENSIVE LOSS				
Net loss	$(30,529)	$(9,429)	$(18,127)	$(9,839)
Unrealized gain/(loss) on investments net of deferred taxes (Note 7)	8,679	(59)	(271)	280
Comprehensive loss	$(21,850)	$(9,488)	$(18,398)	$(9,559)
Comprehensive income/(loss) attributable to noncontrolling interest	$322	$767	$(483)	$(523)
Comprehensive loss attributable to Golden Star shareholders	(22,172)	(10,255)	(17,915)	(9,036)

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

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

	As of September 30, 2012	As of December 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$106,322	$103,644
Accounts receivable	8,113	10,077
Inventories (Note 6)	91,876	74,297
Deposits	8,505	6,474
Available for sale investments (Note 4 and Note 7)	17,817	1,416
Prepaids and other	2,173	2,048
Total Current Assets	234,806	197,956
RESTRICTED CASH	2,028	1,273
PROPERTY, PLANT AND EQUIPMENT (Note 8)	256,338	252,131
INTANGIBLE ASSETS	3,685	5,266
MINING PROPERTIES (Note 9)	252,496	270,157
OTHER ASSETS	—	895
Total Assets	$749,353	$727,678
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$28,829	$40,708
Accrued liabilities	53,981	51,380
Asset retirement obligations (Note 10)	7,886	8,996
Current tax liability (Note 12)	—	197
Current debt (Note 11)	51,270	128,459
Total Current Liabilities	141,966	229,740
LONG TERM DEBT (Note 11)	116,642	10,759
ASSET RETIREMENT OBLIGATIONS (Note 10)	22,716	24,884
DEFERRED TAX LIABILITY (Note 12)	43,457	23,993
Total Liabilities	$324,781	$289,376
COMMITMENTS AND CONTINGENCIES (Note 13)	—	—
SHAREHOLDERS' EQUITY		
SHARE CAPITAL		
First preferred shares, without par value, unlimited shares authorized. No shares issued and outstanding	—	—
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 258,950,971 at September 30, 2012; 258,669,487 at December 31, 2011 (Note 14)	$694,480	$693,899
CONTRIBUTED SURPLUS	23,903	19,815
ACCUMULATED OTHER COMPREHENSIVE INCOME	1,707	1,978
DEFICIT	(294,722)	(276,112)
Total Golden Star Equity	425,368	439,580

NONCONTROLLING INTEREST	(796)	(1,278)
Total Equity	424,572	438,302
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$749,353	$727,678

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

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
OPERATING ACTIVITIES:				
Net loss	$(30,529)	$(9,429)	$(18,127)	$(9,839)
Reconciliation of net loss to net cash provided by operating activities:				
Depreciation, depletion and amortization	25,541	15,621	69,765	52,113
Amortization of loan acquisition costs	—	321	895	993
Loss/(gain) on sale of investments	70	—	(22,290)	—
(Gain)/loss on extinguishment of debt	(14)	—	568	—
Gain on sale of assets	(52)	(338)	(113)	(336)
Non-cash employee compensation	1,033	564	4,737	2,784
Deferred income tax expense	4,002	2,908	19,464	9,255
Fair value of derivatives loss	—	1,700	162	6,879
Fair value loss/(gain) on convertible debt	30,055	2,084	32,092	(22,208)
Accretion of asset retirement obligations	703	2,184	2,111	5,300
Reclamation expenditures	(967)	(8,416)	(5,389)	(20,244)
Changes in working capital (Note 20)	(5,530)	4,268	(24,109)	(20,545)
Net cash provided by operating activities	24,312	11,467	59,766	4,152
INVESTING ACTIVITIES:				
Expenditures on mining properties	(11,079)	(12,211)	(30,942)	(30,242)
Expenditures on property, plant and equipment	(7,996)	(13,678)	(27,616)	(33,541)
Change in accounts payable and deposits on mine equipment and material	2,544	2,499	(145)	(685)
Increase in restricted cash	(755)	—	(755)	—
Cash used for equity investments	—	(1,200)	(938)	(1,200)
Proceeds from sale of investments (Note 7)	399	681	7,084	681
Net cash used in investing activities	(16,887)	(23,909)	(53,312)	(64,987)
FINANCING ACTIVITIES:				
Principal payments on debt	(8,055)	(2,622)	(12,476)	(7,960)
Proceeds from debt agreements and equipment financing	1,124	1,391	8,510	4,861
Exercise of options	99	52	190	210
Net cash used in financing activities	(6,832)	(1,179)	(3,776)	(2,889)
Increase/(decrease) in cash and cash equivalents	593	(13,621)	2,678	(63,724)
Cash and cash equivalents, beginning of period	105,729	127,915	103,644	178,018
Cash and cash equivalents, end of period	$106,322	$114,294	$106,322	$114,294

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

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

1. NATURE OF OPERATIONS

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

2. BASIS OF PRESENTATION

Golden Star Resources Ltd (“Golden Star” or “Company”) is a Canadian federally-incorporated, international gold mining and exploration company headquartered in the United States (“U.S.”).

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

These consolidated financial statements include the accounts of the Company and its 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.

The results reported in these interim financial statements are not necessarily indicative of the results that may be reported for the entire year. Accordingly, these interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011, as filed on Form 10-K with the United States Securities and Exchange Commission (the "SEC").

3. RECENT ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED STANDARDS

Presentation of Comprehensive Income: In June 2011, the FASB issued Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220)-Presentation of Comprehensive Income (ASU 2011-05), to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for us in the first quarter of fiscal 2012 and was applied retrospectively. Our presentation of comprehensive income complies with this new guidance.

Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements: In May 2011, the FASB issued Accounting Standards Update No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820)-Fair Value Measurement (ASU 2011-04), to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for level 3 fair value measurements. ASU 2011-04 is effective for us in 2012 and was applied prospectively. The fair value measurement principles used before the adoption of this standard is consistent with the standard and the disclosures made in the financial statements complies with this new guidance.

4. FINANCIAL INSTRUMENTS

The following tables illustrate the classification of the Company's financial instruments within the fair value hierarchy as of September 30, 2012. The three levels of the fair value hierarchy are:

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

	Financial assets measured at fair value as at September 30, 2012			
	Level 1	Level 2	Level 3	Total
Available for sale investments	$17,817	$—	$—	$17,817
	$17,817	$—	$—	$17,817

Available for sale investments in Level 1 are based on the quoted market price for the equity investment. It is possible that some of these investments could be sold in large blocks at a future date via a negotiated agreement and such agreements may include a discount from the quoted price.

	Financial liabilities measured at fair value as at September 30, 2012			
	Level 1	Level 2	Level 3	Total
4% Convertible debentures	$44,415	$—	$—	$44,415
5% Convertible debentures	—	—	105,214	105,214
	$44,415	$—	$105,214	$149,629

Both the 4% and 5% Convertible Senior Unsecured Debentures are recorded at fair value. The 4% Debentures are valued based on recent observable trading of the Debentures. The 4% Debentures $44.4 million fair value includes $0.6 million of accrued interest as of September 30, 2012. The 5% Debentures are valued based on discounted cash flows for the debt component and a Black-Scholes model for the equity component. Inputs used to determine these values were: discount rate of 8.5%, risk free interest rate of 0.63%, volatility of 40% and a remaining life of 4.67 years. The 5% Debentures $105.2 million fair value includes $1.3 million of accrued interest as of September 30, 2012.

Fair value measurements using significant unobservable inputs	Level 3
Balance at December 31, 2011	$—
5% Debentures transferred into Level 3	74,003
Unrealized loss included in loss on fair value of Convertible Debentures in Statement of Operations	31,211
Balance at September 30, 2012	$105,214

It is our policy to transfer fair value measurements if there is an indication that quoted market prices will not be available to value the Debentures. As a result the 5% Debentures was transferred from Level 1 to Level 3 because of a lack of observable market data, resulting from a decrease in market activity of these 5% Debentures.

During the nine months ended September 30, 2012, an unrealized loss of $32.1 million (2011: gain of $22.2 million) was recorded in the Statement of Operations relating to the change in fair value of the Convertible Debentures.

	Financial assets measured at fair value as at December 31, 2011			
	Level 1	Level 2	Level 3	Total
Available for sale investments	$1,416	$—	$—	$1,416
Warrants	—	555	—	555
	$1,416	$555	$—	$1,971

	Financial liabilities measured at fair value as at December 31, 2011			
	Level 1	Level 2	Level 3	Total
4% Convertible debentures	$121,625	$—	$—	$121,625
	$121,625	$—	$—	$121,625

5. DERIVATIVE LOSSES

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Riverstone Resources, Inc. - warrants	$—	$25	$162	$67
Gold price derivatives	—	11,136	—	17,773
Derivative loss	$—	$11,161	$162	$17,840

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Realized (gain)/loss	$—	$9,461	$162	$10,960
Unrealized loss	—	1,700	—	6,880
Derivative loss	$—	$11,161	$162	$17,840

RIVERSTONE RESOURCES INC. - WARRANTS

In the first quarter of 2008, we received 2.0 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 were exercisable through January 2012 at Cdn$0.45, and in January 2012, the Riverstone warrants were exercised.

GOLD PRICE DERIVATIVES

In January 2011, we entered into a series of put and call contracts covering 76,800 ounces of future gold production between February and December 2011. The contracts were spread evenly in each week over this period and structured as cashless collars with a floor of $1,200 per ounce and a cap of $1,457 per ounce. In early February 2011, we entered into a second set of put and call contracts covering 75,200 ounces of future gold production between February and December 2011. The contracts were spread evenly in each week during this period and structured as cashless collars with a floor of $1,200 per ounce and a cap of $1,503 per ounce. As of September 30, 2012, there were no outstanding gold price contracts.

6. INVENTORIES

	As of September 30, 2012	As of December 31, 2011
Stockpiled ore	$28,993	$16,773
In-process	13,122	8,912
Materials and supplies	46,782	48,612
Finished goods	2,979	—
Total	$91,876	$74,297

There were approximately 54,000 and 48,000 recoverable ounces of gold in the ore stockpile inventories and in-process inventories at September 30, 2012, and December 31, 2011, respectively. Finished goods at September 30, 2012, consisted of 2,461 ounces of unsold gold. Stockpile inventories are short-term surge piles expected to be processed within the next 12 months. A total of $0.6 million and $1.4 million of material and supply inventories were written off in 2012 and 2011 respectively, due to obsolescence and counts. $0.1 million and $1.7 million of net realizable value adjustments were recorded at Bogoso in 2012 and 2011 respectively. The net realizable value adjustments in 2012 and 2011 are related to in-process inventory in the non-refractory plant during the first quarter 2012.

7. AVAILABLE FOR SALE INVESTMENTS

The following table presents changes in available for sale investments in the first nine months of 2012 and the full year 2011:

	As of September 30, 2012		As of December 31, 2011	
	Riverstone Fair Value	Shares	Riverstone Fair Value	Shares
Balance at beginning of period	$1,416	2,000,000	$928	1,300,000
Acquisitions	17,117	23,676,301	469	700,000
Dispositions	(445)	(638,700)	—	—
OCI - unrealized (loss)/gain	(271)	—	19	—
Balance at end of period	$17,817	25,037,601	$1,416	2,000,000

During the first quarter of 2012, we acquired Riverstone shares. The acquisition was accomplished through two transactions. The first was an exercise of the two million warrants at an exercise price Cdn$0.45 for cash consideration of Cdn$0.9 million. The fair value of the shares acquired was $1.3 million. The second transaction was the sale of the Company's Burkina Faso subsidiary to Riverstone. The sale generated $6.6 million of cash plus 21.7 million Riverstone shares. We recognized the shares at their fair value of $15.8 million on February 2, 2012, when the sale was finalized. It is possible that some of these investments could be sold in large blocks at a future date via a negotiated agreement and such agreements may include a discount from the quoted price. Subsequent to February 2, 2012, the quoted market price of Riverstone's common stock has decreased, such that for the period ended September 30, 2012, we recognized through Comprehensive Income a loss of $0.3 million related to our holdings.

8. PROPERTY, PLANT AND EQUIPMENT

	As of September 30, 2012			As of December 31, 2011		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Bogoso/Prestea	$182,842	$(112,135)	$70,707	$179,216	$(109,519)	$69,697
Bogoso refractory plant	195,152	(64,998)	130,154	186,607	(58,873)	127,734
Wassa/HBB	117,090	(62,051)	55,039	106,631	(52,430)	54,201
Corporate & other	1,346	(908)	438	1,378	(879)	499
Total	$496,430	$(240,092)	$256,338	$473,832	$(221,701)	$252,131

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

9. MINING PROPERTIES

	As of September 30, 2012			As of December 31, 2011		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Bogoso/Prestea	$126,469	$(63,836)	$62,633	$119,700	$(60,186)	$59,514
Bogoso refractory plant	70,318	(39,121)	31,197	70,090	(34,839)	35,251
Mampon	16,095	—	16,095	16,095	—	16,095
Wassa/HBB	336,804	(218,103)	118,701	314,801	(180,486)	134,315
Other	29,657	(5,787)	23,870	27,312	(2,330)	24,982
Total	$579,343	$(326,847)	$252,496	$547,998	$(277,841)	$270,157

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

10. ASSET RETIREMENT OBLIGATIONS

At the end of each period, Asset Retirement Obligations (“ARO”) are equal to the present value of all estimated future costs required to remediate any environmental disturbances that exist as of the end of the period, using discount rates applicable at

the time of initial recognition of each component of the liability. Included in this liability are the costs of closure, reclamation, demolition and stabilization of the mines, processing plants, infrastructure, tailings storage facilities, waste dumps and ongoing post-closure environmental monitoring and maintenance costs. While the majority of these costs will be incurred near the end of the mines' lives, it is expected that certain on-going reclamation costs will be incurred prior to mine closure. These costs are recorded against the asset retirement obligation liability as incurred. At September 30, 2012, and December 31, 2011, the total undiscounted amount of the estimated future cash needs was estimated to be $70.9 million and $76.2 million, respectively. Discount rates used to value the ARO range between 8% and 10%. The schedule of payments required to settle the December 31, 2011 ARO liability extends through 2029. The changes in the carrying amount of the ARO during the nine months ended September 30, 2012, and September 30, 2011, are as follows:

	For the nine months ended September 30,	
	2012	2011
Beginning balance	$33,880	$44,952
Accretion expense	2,111	5,300
Additions and changes in estimates	—	3,748
Cost of reclamation work performed	(5,389)	(20,244)
Balance at September 30	$30,602	$33,756
Current portion	$7,886	$11,445
Long term portion	$22,716	$22,311

11. DEBT

	As of September 30, 2012	As of December 31, 2011
Current debt:		
Equipment financing credit facility	$7,448	$7,036
Capital lease	—	224
4% Convertible debentures	43,822	121,199
Total current debt	$51,270	$128,459
Long term debt:		
Equipment financing credit facility	$12,723	$10,759
5% Convertible debentures	103,919	—
Total long term debt	$116,642	$10,759

Schedule of payments on outstanding debt as of September 30, 2012:

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Debt	Three Months 2012	2013	2014	2015	2016	2017	Maturity
Equipment financing loans							
principal	$2,160	$6,774	$4,732	$3,798	$2,208	$499	2012 to 2017
interest	330	1,003	604	322	120	9	
4% Convertible debentures							
principal	44,360	—	—	—	—	—	November 30, 2012
interest	890	—	—	—	—	—	
5% Convertible debentures							
principal	—	—	—	—	—	77,490	June 1, 2017
interest	1,937	3,875	3,875	3,875	3,875	1,937	
Total	$49,677	$11,652	$9,211	$7,995	$6,203	$79,935	

EQUIPMENT FINANCING CREDIT FACILITY

GSBPL and GSWL maintain a $40.0 million equipment financing facility with Caterpillar Financial Services Corporation, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit for new and used mining equipment. Amounts drawn under this facility are repayable over five years for new equipment and over two years for used equipment. The interest rate for each draw-down is fixed at the date of the draw-down using the Federal Reserve Bank 2-year or 5-year swap rate or London Interbank Offered Rate (“LIBOR”) plus 2.38%. At September 30, 2012, approximately $19.0 million was available to draw down, compared to $22.2 million at December 31, 2011. The average interest rate on the outstanding loans was approximately 6.7% at September 30, 2012, down marginally from 6.8% at December 31, 2011. Each outstanding equipment loan is secured by the title of the specific equipment purchased with the loan until the loan has been repaid in full.

CAPITAL LEASE

In February 2010, GSBPL accepted delivery of a nominal 20 megawatt power plant. Upon acceptance, a $4.9 million liability was recognized which, at the time, was equal to the present value of future lease payments. The life of the lease was two years from the plant's February 2010 in-service date. We were required to pay the owner/operator a minimum of $0.3 million per month on the lease, of which $0.23 million was allocated to principal and interest on the recognized liability and the remainder of the monthly payments were charged as operating costs. In February 2012, we made the final lease payment and assumed ownership of the power plant.

CONVERTIBLE DEBENTURES

As of September 30, 2012, we have two series of convertible debentures outstanding. The first series are 4% Convertible Senior Unsecured Debentures due November 30, 2012, (the "4% Debentures") in the amount of $44.4 million and the second series are 5% Convertible Debentures due June 1, 2017, (the "5% Debentures") in the amount of $77.5 million.

Both the 4% and 5% Debentures are accounted for at fair value and marked to market each reporting period and the corresponding gain/loss on fair value is recorded in the Statement of Operations.

4% Debentures - The 4% Debentures were issued in November 2007 in the amount of $125.0 million. On May 31, 2012, we exchanged $74.5 million of these debentures with private holders for $77.5 million of 5% Debentures. See details of this transaction in the "5% Debentures" section below. The remaining 4% Debentures are, subject to certain limitations, convertible into common shares at a conversion rate of 200 shares per $1,000 principal amount (equal to a conversion price of $5.00 per share) subject to adjustment under certain circumstances. The 4% Debentures are not redeemable at our option.

On September 14, 2012, we redeemed $6.1 million of the remaining 4% Debentures by way of a privately negotiated transaction. After purchasing and canceling the $6.1 million of the 4% Debentures, $44.4 million principal amount remains outstanding at September 30, 2012. The remaining outstanding 4% Debentures, plus the final payment of accumulated interest, are expected to be settled in cash on November 30, 2012.

Upon the occurrence of certain change in control transactions, the holders of the 4% Debentures may require us to purchase these 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 4% Debentures

and receive a number of additional common shares, determined as set forth in the Indenture.
The 4% Debentures are direct senior unsecured indebtedness of Golden Star Resources Ltd., ranking equally and ratably with all our other senior unsecured indebtedness, and senior to all our subordinated indebtedness. None of our subsidiaries has guaranteed the 4% Debentures, and they do not limit the amount of debt that we or our subsidiaries may incur.
The fair value of the 4% Debentures are based on recent observable trading of the debentures. At September 30, 2012, the fair value of the 4% Debentures was $43.8 million and the face value of the debentures was $44.4 million.
5% Debentures - The 5% Debentures were issued on May 31, 2012, in the amount of $77.5 million, in exchange for $74.5 million of the principal outstanding under our 4% Debentures in privately negotiated transactions with certain holders of the 4% Debentures exempt from the registration requirements of the U.S. Securities Act of 1933, as amended.
The 5% Debentures are governed by the terms of an indenture dated May 31, 2012, by and between the Company and The Bank of New York Mellon, as Indenture Trustee.
Interest on the 5% Debentures is payable semi-annually in arrears on May 31 and November 30 of each year, beginning November 30, 2012, and continuing until maturity on June 1, 2017. The 5% Debentures are, subject to certain limitations, convertible into common shares at a conversion rate of 606.0606 common shares per $1,000 principal amount of the 5% Debentures (equal to an initial conversion price of $1.65 per share), or approximately 25% above the closing price of the Company's common shares on the NYSE MKT on May 17, 2012, the last full trading day prior to entry into the purchase agreement. The 5% Debentures are not redeemable at our option, except in the event of certain change in control transactions where 90% or more of the outstanding 5% Debentures have accepted a mandatory offer from us to purchase them.
On maturity, we may, at our option, satisfy our repayment obligation by paying the principal amount of the 5% Debentures in cash or, subject to certain limitations, by issuing that number of our common shares obtained by dividing the principal amount of the 5% Debentures outstanding by 95% of the weighted average trading price of our common shares on the NYSE MKT for the 20 consecutive trading days ending five trading days preceding the maturity date (the "Current Market Price"). If we elect to repay the principal amount of the 5% Debentures at maturity by issuing common shares, and we are limited under the terms of the indenture from issuing a number of common shares sufficient to fully repay the 5% Debentures outstanding at maturity, we are required to pay the balance owing in cash, based on the difference between the principal amount of the 5% Debentures outstanding and the value of the common shares (based on the Current Market Price) delivered in repayment of the 5% Debentures.
The 5% Debentures are direct senior unsecured indebtedness of the Company, ranking equally and ratably with all other senior unsecured indebtedness, and senior to all subordinated indebtedness of the Company. None of our subsidiaries has guaranteed the 5% Debentures, and the 5% Debentures do not limit the amount of debt that the Company or our subsidiaries may incur.
The 5% Debentures were initially recorded at the fair value of $74.2 million on their May 31, 2012, issue date, and a loss of $0.6 million on the extinguishment of the 4% Debentures was incurred. The fair value of the 4% Debentures exchanged for 5% Debentures was $73.6 million at the time of the extinguishment.
Financing charges of $2.1 million related to the 5% Debentures are included in interest expense in the Statement of Operations for the nine ended September 30, 2012.
The fair value of the 5% Debentures is based on discounted cash flows for the debt component and a Black-Scholes model for the equity component. Inputs used to determine these values were: discount rate 8.5%, risk free interest rate of 0.63%, volatility of 40% and a remaining life of 4.67 years. The fair value of the 5% Debentures is $103.9 million and the face value of the 5% Debentures is $77.5 million at September 30, 2012.

REVOLVING CREDIT FACILITY
The loan agreement for our $31.5 million revolving credit facility provided that the facility would end on September 30, 2012. The loan agreement further specified that our ability to draw on the facility would expire on April 1, 2012, if there was no outstanding balance as of that date. Since there was no outstanding balance at April 1, 2012, the facility expired on April 1, 2012.

12. INCOME TAXES

The provision for income taxes includes the following components:

	For the three months ended September 30, 2012	2011	For the nine months ended September 30, 2012	2011
Current expense:				
Canada	$—	$—	$—	$—
Foreign	—	(788)	—	(2,472)
Deferred tax expense:				
Canada	—	—	—	—
Foreign	(4,002)	(2,833)	(19,464)	(9,255)
Total expense	$(4,002)	$(3,621)	$(19,464)	$(11,727)

The deferred tax expense is related to the change in the temporary difference between book and tax basis at GSWL. In the first quarter of 2012, Ghana implemented a new tax law that raised the statutory rate from 25% to 35%. This increase had a $9.6 million impact on the first quarter 2012 deferred tax expense relating to the temporary difference at GSWL arising from prior periods. The tax expense related to the activity of the first nine months of 2012 is $9.9 million. The historical tax losses in Canada are sufficient to offset the taxable gain on the sale of our Burkina Faso subsidiary to Riverstone. No tax expense has been recorded related to this transaction.

The current tax expense in 2011 is related to a temporary tax levy on certain Ghanaian industries, including; mining, brewing, banking, communications and insurance. The levy was set at 5% of “profits before tax” as disclosed on the statements of operations. The levy expired at the end of 2011.

13. COMMITMENTS AND CONTINGENCIES

Our commitments and contingencies include the following items:

ENVIRONMENTAL BONDING IN GHANA

The Ghana Environmental Protection Agency ("EPA") requires environmental compliance bonds that provide assurance for environmental remediation at our Bogoso/Prestea and Wassa mining operations. In July 2011, we increased a letter of credit for Wassa/HBB's environmental bonding from $2.85 million to $7.8 million. This brought the total bonded amount, including $0.15 million of cash, from $3.0 million to $7.95 million. In early 2012, the Ghana Environmental Protection Agency raised Wassa/HBB's reclamation bonding requirement to approximately $10.6 million, reflecting increases in on-going mining disturbances. In July 2012, we increased our cash deposit by $0.9 million and our existing letter of credit by $1.7 million to meet the $2.65 million bonding increase.

We have also bonded $9.0 million to cover rehabilitation and closure obligations at Bogoso/Prestea. These bonding requirements have been met by an $8.1 million letter of credit from a commercial bank and a $0.9 million cash deposit held by a Ghanaian bank on behalf of the EPA. The cash deposits are recorded as Restricted Cash on our Consolidated Balance Sheets.

In the fourth quarter of 2011, Bogoso/Prestea submitted a draft Environmental Management Plan (“EMP”) to the EPA that included an updated estimate of the reclamation and closure costs. This EMP included a more current estimate of the reclamation and closure costs for Bogoso/Prestea and could result in a need for additional bonding later in 2012.

In recent years, the bonds were provided by the same bank that provided our revolving credit facility. The credit facility expired on April 1, 2012, and the bonds expired on April 30, 2012. The environmental bonds were replaced with new bonds provided by a Ghanaian bank on May 1, 2012, on terms similar to the prior bonds. The Ghanaian bank provided an $8.1 million bond to GSBPL and a $9.6 million bond to GSWL. The new bonds are guaranteed by Golden Star Resources Ltd.

GOVERNMENT OF GHANA'S RIGHTS TO INCREASE ITS PARTICIPATION

Under Act 703, the Government of Ghana has the right to acquire a special share in our Ghanaian 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 special share carries no voting rights and does not participate in dividends, profits or assets. If the Government of Ghana acquires a special share, it may require us to redeem the special share at any time for no consideration or for consideration determined by us. To date, the Government of Ghana has not sought to exercise any of these rights at our properties.

ROYALTIES

Dunkwa Properties

As part of the acquisition of the Dunkwa properties in 2003, we agreed to pay the seller a net smelter return royalty on future gold production from the Mansiso and Asikuma properties. As per the acquisition agreement, there will be no royalty due on the first 200,000 ounces produced from Mampon which is located on the Asikuma property. The amount of the royalty is based on a sliding scale which ranges from 2% of net smelter return at gold prices at or below $300 per ounce and progressively increases to 3.5% for gold prices in excess of $400 per ounce. Since this property is currently undeveloped, we are not required to pay a royalty on this property.

Government of Ghana

The Ghana Government receives a royalty equal to 5% of mineral revenues.

Hwini-Butre

As part of the agreement for the purchase of the Hwini-Butre properties, Golden Star agreed to pay B.D. Goldfields Ltd, Hwini-Butre's former owner, an additional $1.0 million in cash if at least one million ounces of gold are produced and recovered in the first five years of production from the area covered by the Hwini-Butre prospecting license. Gold production was initiated at Hwini-Butre in May 2009. It is not possible at this time to know if future exploration work will increase Hwini-Butre's reserves sufficiently to yield production of one million ounces prior to May 2014, and as such, no amounts have been accrued in the financial statements.

EXPLORATION AGREEMENTS

Obuom

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

LEGAL PROCEEDINGS

None.

14. SHARE CAPITAL

Changes in share capital during the nine months ended September 30, 2012, are as follows:

	Shares	Amount
Balance at December 31, 2011	258,669,487	$693,899
Common shares issued:		
Option exercises	138,334	234
Deferred share units exercised	29,010	39
Unclaimed shares forfeited	(50,869)	—
Bonus shares and other	165,009	308
Balance at September 30, 2012	258,950,971	$694,480

We held no treasury shares as of December 31, 2011, or at September 30, 2012.

15. COST OF SALES

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Mining operations costs	$98,686	$87,387	$298,420	$258,487
Operations costs to metal inventory	(4,322)	1,310	(15,602)	851
Mining related depreciation and amortization	25,832	15,504	69,985	52,023
Accretion of asset retirement obligations	703	2,184	2,111	5,300
Total cost of sales	$120,899	$106,385	$354,914	$316,661

16. STOCK BASED COMPENSATION

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Total stock compensation expense	$1,033	$564	$4,737	$2,784

STOCK OPTIONS

We have one stock option plan, the Third Amended and Restated 1997 Stock Option Plan (the “Plan”) approved by shareholders in May 2010, under which options are granted at the discretion of the Board of Directors. Options granted are non-assignable and are exercisable for a period of ten years or such other period as is stipulated in a stock option agreement between Golden Star and the optionee. Under the Plan, we may grant options to employees, consultants and directors of the Company or its subsidiaries for up to 25,000,000 shares, of which 4,939,646 are available for grant as of September 30, 2012. The exercise price of each option is not less than the closing price of our shares on the Toronto Stock Exchange on the day prior to the date of grant. Options typically vest over periods ranging from immediately to four years from the date of grant. Vesting periods are determined at the discretion of the Board of Directors.

We granted 5,054,000 and 1,988,000 options during the first nine months of 2012 and 2011 respectively. We do not receive a tax deduction for the issuance of options. As a result, we do not recognize any income tax benefit related to the stock compensation expense.

The fair value of our option grants are estimated at the grant dates using the Black-Scholes option-pricing model. Fair values of options granted in the first nine months of 2012 and 2011 were based on the assumptions noted in the following table:

	For the nine months ended September 30,	
	2012	2011
Expected volatility	57.11 to 87.50%	66.33 to 69.79%
Risk-free interest rate	0.36 to 1.91%	1.58 to 2.26%
Expected lives	2.77 to 8.06	5.63 to 8.47
Dividend yield	0%	0%

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

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A summary of option activity under the Plan during the nine months ended September 30, 2012:

	Options (‘000)	Weighted–Average Exercise price (Cdn$)	Weighted–Average Remaining Contractual Term (Years)	Aggregate intrinsic value Cdn($000)
Outstanding as of December 31, 2011	8,539	3.18	7.0	95
Granted	5,054	1.97	5.9	—
Exercised	(138)	1.36	2.6	101
Forfeited, canceled and expired	(963)	2.89	6.6	—
Outstanding as of September 30, 2012	12,492	2.73	6.4	767
Exercisable as of September 30, 2012	8,057	3.00	5.9	527

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 710,854 common shares have been issued as of September 30, 2012. In the first quarter of 2012, 165,009 shares were issued in 2012 under the Stock Bonus Plan at a value of $0.3 million. No shares were issued in 2011.

Deferred Share Units

Our DSU Plan provides for the issue of Deferred Share Units (“DSUs”), each representing the right to receive one share of Golden Star common stock upon redemption. DSUs may be redeemed only upon termination of the holder's services to the Company, and may be subject to vesting provisions. DSU awards are granted at the sole discretion of the Company's compensation committee. The DSU Plan allows directors, at their option, to receive all or any portion of their retainer by accepting DSUs in lieu of cash.

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

During the first nine months of 2012, we granted 296,381 DSUs to directors of the Company in payment of fees earned in 2012. These units were immediately vested and a compensation expense of $0.4 million was recognized for these grants. As of September 30, 2012, there was nil unrecognized compensation expense related to DSUs granted under the Company's DSU plan. There were 289,518 DSUs outstanding at September 30, 2012.

Stock Appreciation Rights

During the nine months ended September 30, 2012, the Company granted 1,543,043 stock appreciation rights (SARs) that vest after a period of three years. These awards will be settled in cash equal to the Company’s stock price less the strike price on the vesting date. Since these awards are settled in cash, the Company marks-to-market the associated expense for each award at the end of each reporting period. The Company accounts for these as liability awards and marks-to-market the fair value of the award until final settlement.

As of September 30, 2012, there was approximately $1.5 million of total unrecognized compensation cost related to unvested SARs. The Company recognized approximately $0.3 million of compensation expense related to these cash based awards for the nine months ended September 30, 2012.

17. EARNINGS PER COMMON SHARE

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Net loss attributable to Golden Star shareholders	$(30,207)	$(10,196)	$(18,610)	$(9,316)
Weighted average number of shares (millions)	258.9	258.6	258.8	258.6
Dilutive securities:				
Options	—	—	—	—
Deferred stock units	—	—	—	—
Convertible debentures	—	—	—	—
Weighted average number of diluted shares (millions)	258.9	258.6	258.8	258.6
Net loss per share attributable to Golden Star shareholders:				
Basic	$(0.12)	$(0.04)	$(0.07)	$(0.04)
Diluted	$(0.12)	$(0.04)	$(0.07)	$(0.04)

Options to purchase 12.5 million and 7.8 million shares of common stock were outstanding at September 30, 2012, and 2011, respectively, but were not included in the computation of diluted weighted average common shares because their effect would not be dilutive. Deferred Stock Units totaling 0.4 million and zero shares of common stock were outstanding at September 30, 2012 and 2011, respectively, but were not included in the computation of diluted weighted average common shares because their effect would not be dilutive. In addition, we had 39.3 million and 25.0 million shares of common stock potentially outstanding at September 30, 2012 and 2011, respectively, related to the convertible debentures that were not dilutive.

18. OPERATIONS BY SEGMENT AND GEOGRAPHIC AREA

As of and for the three months ended September 30	Africa Bogoso/ Prestea	Wassa/ HBB	Other	South America	Corporate	Total
2012						
Revenues	$65,775	$67,722	$—	$—	$—	$133,497
Net income/(loss) attributable to Golden Star	(1,750)	7,406	(481)	(119)	(35,263)	(30,207)
Income tax expense	—	(4,002)	—	—	—	(4,002)
Capital expenditures	5,790	13,285	—	—	—	19,075
Total assets	427,482	221,915	2,386	168	97,402	749,353
2011						
Revenues	$68,693	$57,187	$—	$—	$—	$125,880
Net income/(loss) attributable to Golden Star	2,881	8,174	(1,039)	(92)	(20,120)	(10,196)
Income tax expense	—	(3,621)	—	—	—	(3,621)
Capital expenditures	9,027	11,638	146	—	—	20,811
Total assets	371,787	253,685	2,532	228	83,560	711,792

As of and for the nine months ended September 30	Africa Bogoso/ Prestea	Wassa/ HBB	Other	South America	Corporate	Total
2012						
Revenues	$205,933	$194,897	$—	$—	$—	$400,830
Net income/(loss) attributable to Golden Star	10,412	13,911	(2,196)	(400)	(40,337)	(18,610)
Income tax expense	—	(19,464)	—	—	—	(19,464)
Capital expenditures	26,495	32,060	—	—	3	58,558
Total assets	427,482	221,915	2,386	168	97,402	749,353
2011						
Revenues	$162,790	$189,403	$—	$—	$—	$352,193
Net income/(loss) attributable to Golden Star	(12,889)	27,189	(2,419)	(356)	(20,841)	(9,316)
Income tax expense	—	(11,727)	—	—	—	(11,727)
Capital expenditures	29,877	28,407	421	—	—	58,705
Total assets	371,787	253,685	2,532	228	83,560	711,792

19. RELATED PARTIES

During the first nine months of 2012, we obtained legal services from a firm to which one of our board members is of counsel. The cost of services from this firm during the first nine months of 2012 and 2011 was $0.6 million and $0.3 million, respectively. Our board member did not personally provide any legal services to the Company during these periods nor did he benefit directly or indirectly from payments for the services performed by the firm.

20. SUPPLEMENTAL CASH FLOW INFORMATION

In the first nine months of 2012, $0.2 million was paid for taxes. Cash paid for taxes during the first nine months of 2011 was $2.5 million. Cash paid for interest was $5.7 million in the first nine months of 2012 and $3.4 million in the first nine months of 2011.

Changes in working capital for the three and nine months are as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Decrease/(increase) in accounts receivable	$2,928	$(1,886)	$1,964	$(4,690)
(Increase)/decrease in inventories	(3,269)	1,177	(13,773)	756
(Increase)/decrease in deposits	(2,479)	147	(3,193)	(553)
(Decrease)/increase in accounts payable and accrued liabilities	(2,702)	4,265	(8,230)	(14,534)
Other	(8)	565	(877)	(1,524)
Total Changes in working capital	$(5,530)	$4,268	$(24,109)	$(20,545)

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

The following discussion and analysis should be read in conjunction with our Form 10-K for the period ended December 31, 2011, and with the accompanying unaudited consolidated financial statements and related notes for the period ended September 30, 2012. This Management’s Discussion and Analysis of Financial Condition and Results of Operations includes information available to November 7, 2012. All amounts shown are in thousands of dollars unless noted otherwise. All currency amounts are stated in U.S. dollars unless noted otherwise.

OVERVIEW OF GOLDEN STAR

We are a Canadian federally-incorporated, international gold mining and exploration company producing gold in Ghana, West Africa. We also conduct gold exploration in other countries in West Africa and in South America. Golden Star Resources Ltd. was established under the Canada Business Corporations Act on May 15, 1992. Our principal office is located at 10901 West Toller Drive, Suite 300, Littleton, Colorado 80127, and our registered and records offices are located at 333 Bay Street, Bay Adelaide Centre, Box 20, Toronto, Ontario M5H2T6.

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

- Through a 90% owned subsidiary, Golden Star (Bogoso/Prestea) Limited (“GSBPL”), we own and operate the Bogoso/Prestea gold mining and processing operations (“Bogoso/Prestea”) located near the town of Bogoso, Ghana. GSBPL operates a gold ore processing facility at Bogoso/Prestea with a capacity of up to 3.5 million tonnes of ore per annum, which uses bio-oxidation technology to treat refractory ore (“Bogoso refractory plant”). In addition, GSBPL has a carbon-in-leach (“CIL”) processing facility located adjacent to the refractory plant, which is suitable for treating non-refractory gold ores (“Bogoso non-refractory plant”) at a rate up to 1.5 million tonnes per annum. Bogoso/Prestea produced and sold 140,504 ounces of gold in 2011 and 125,201 ounces of gold in the nine months ending September 30, 2012.
- Through another 90% owned subsidiary, Golden Star (Wassa) Limited (“GSWL”), we own and operate the Wassa open-pit gold mine and CIL processing plant (“Wassa”), located approximately 35 kilometers east of Bogoso/Prestea. The design capacity of the CIL processing plant at Wassa (“Wassa processing plant”) is nominally 3.0 million tonnes per annum but varies depending on the ratio of hard to soft ore. GSWL also owns the Hwini-Butre and Benso concessions (“HBB”) in southwest Ghana. Ore from the HBB mines is sent to Wassa for processing. The Hwini-Butre and Benso concessions are located approximately 80 kilometers and 50 kilometers, respectively, south of Wassa along the Company's dedicated haul road. Wassa/HBB produced and sold 160,616 ounces of gold in 2011 and 118,533 ounces of gold in the nine months ending September 30, 2012.

We also hold interests in several gold exploration projects in Ghana and other parts of West Africa, and in South America we hold and manage exploration properties in Brazil.

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

NON-GAAP FINANCIAL MEASURES

In this Form 10-Q, we use the terms “total cash cost per ounce”, “cash operating cost per ounce” and "cash generated before working capital changes".

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

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

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of ounces of gold sold during the period.

	For the three months ended September 30, 2012		
	Wassa	Bogoso/Prestea	Combined
Operating costs	$34,574	$ 57,431	$92,005
Royalties	3,390	3,292	6,682
Costs to metals inventory	(1,432)	(2,890)	(4,322)
Mining related depreciation and amortization	17,576	8,255	25,831
Accretion of asset retirement obligations	324	379	703
Cost of sales – GAAP	54,432	66,467	120,899
Less royalties	(3,390)	(3,292)	(6,682)
Less betterment stripping costs	—	(8,406)	(8,406)
Less operations-related foreign exchange losses	332	542	874
Less mining related depreciation and amortization	(17,576)	(8,253)	(25,829)
Less accretion of asset retirement obligations	(324)	(381)	(705)
Cash operating cost	$33,474	$ 46,677	$80,151
Plus royalties	3,390	3,292	6,682
Total cash cost	$36,864	$ 49,969	$86,833
Ounces sold	40,982	39,844	80,826
Cost per ounce measures ($/oz):			
Cash operating cost per ounce	$817	$ 1,171	$992
Total cash cost per ounce	$900	$ 1,254	$1,074

	For the three months ended September 30, 2011		
	Wassa	Bogoso/Prestea	Combined
Operating costs	$31,967	$ 49,021	$80,988
Royalties	2,881	3,664	6,545
Costs from metals inventory	16	1,278	1,294
Mining related depreciation and amortization	7,754	7,759	15,513
Accretion of asset retirement obligations	291	1,754	2,045
Cost of sales – GAAP	42,909	63,476	106,385
Less royalties	(2,881)	(3,664)	(6,545)
Less betterment stripping costs	(281)	(434)	(715)
Less operations-related foreign exchange losses	121	124	245
Less mining related depreciation and amortization	(7,754)	(7,759)	(15,513)
Less accretion of asset retirement obligations	(291)	(1,754)	(2,045)
Cash operating cost	$31,823	$ 49,989	$81,812
Plus royalties	2,881	3,664	6,545
Total cash cost	$34,704	$ 53,653	$88,357
Ounces sold	33,485	40,376	73,861
Cost per ounce measures ($/oz):			
Cash operating cost per ounce	$950	$ 1,238	$1,108
Total cash cost per ounce	$1,036	$ 1,329	$1,196

	For the nine months ended September 30, 2012		
	Wassa	Bogoso/Prestea	Combined
Operating costs	$109,838	$ 168,514	$278,352
Royalties	9,764	10,304	20,068
Costs to metals inventory	(6,305)	(9,297)	(15,602)
Mining related depreciation and amortization	45,493	24,492	69,985
Accretion of asset retirement obligations	969	1,142	2,111
Cost of sales – GAAP	159,759	195,155	354,914
Less royalties	(9,764)	(10,304)	(20,068)
Less betterment stripping costs	—	(18,770)	(18,770)
Less operations-related foreign exchange losses	812	705	1,517
Less mining related depreciation and amortization	(45,493)	(24,492)	(69,985)
Less accretion of asset retirement obligations	(969)		