

GOLDEN STAR RESOURCES LTD

Form 10-Q

August 05, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2003

OR

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

For the transition period from ____ to ____.

Commission file number 1-12284

GOLDEN STAR RESOURCES LTD.

(Exact name of registrant as specified in its charter)

Canada

(State or other jurisdiction of
incorporation or organization)

98-0101955

(I.R.S. Employer
Identification No.)

10579 Bradford Road, Suite 103

Littleton, Colorado

(Address of principal executive office)

80127-4247

(Zip Code)

(303) 830-9000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

Number of Common Shares outstanding as of July 31, 2003: 108,831,244

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REPORTING CURRENCY, FINANCIAL AND OTHER INFORMATION

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

Financial information is presented in accordance with accounting principles generally accepted in Canada (Cdn GAAP). Differences between accounting principles generally accepted in the United States (US GAAP) and those applied in Canada, as applicable to Golden Star, are explained in Note 17 to the Consolidated Financial Statements.

References to 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.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Form 10-Q contains forward-looking statements, within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, with respect to our financial condition, results of operations, business prospects, plans, objectives, goals, strategies, future events, capital expenditure, and exploration and development efforts. Words such as anticipates, expects, intends, plans, forecasts, budgets, believes, estimates, may, will, and similar expressions identify forward-looking statements. Although we believe that our plans, intentions and expectations reflected in these forward-looking statements are reasonable, we cannot be certain that these plans, intentions or expectations will be achieved. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained or incorporated by reference in this Form 10-Q. These statements include comments regarding: the establishment and estimates of mineral reserves and resources, production, production commencement dates, production costs, grade, processing capacity, potential mine life, feasibility studies, development costs, expenditures, exploration, the closing of certain transactions including acquisitions and offerings, our expansion plans for Bogoso/Prestea, including relocation of the Obotan processing facility, and the development of Wassa.

The following, in addition to the factors described in Risk Factors discussed in our Form 10-K for the fiscal year ended December 31, 2002, are among the factors that could cause actual results to differ materially from the forward-looking statements:

timing of and unexpected events during construction, expansion and start-up of projects;

unexpected changes in business, legal, regulatory and economic conditions;

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

delay or failure to receive board or government approvals;

timing and availability of external financing on acceptable terms;

technical permitting, mining and processing issues; and

fluctuations in gold prices and costs.

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GOLDEN STAR RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
(Stated in thousands of United States dollars except share amounts)
(Unaudited)

	<u>As at June 30, 2003</u>	<u>As at December 31, 2002</u>
ASSETS		
CURRENT ASSETS		
Cash and short-term investments	\$ 41,206	\$ 20,016
Marketable securities (Note 15)		906
Accounts receivable	657	1,977
Inventories (Note 3)	10,070	8,421
Due from sale of property (Note 16)	1,000	1,000
Other current assets (Net of accumulated amortization of \$96 and nil)	398	523
	<u>53,331</u>	<u>32,843</u>
Total Current Assets	53,331	32,843
RESTRICTED CASH (Note 10)	3,365	3,365
ACQUISITION, DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 5)	7,840	4,743
DUE FROM SALE OF PROPERTY (Note 16)	1,000	2,000
PROPERTY, PLANT & EQUIPMENT (Note 8)	11,247	9,100
MINING PROPERTIES (Note 9)	38,947	21,513
OTHER ASSETS	653	571
	<u>116,383</u>	<u>74,135</u>
Total Assets	\$ 116,383	\$ 74,135
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 2,528	\$ 4,109
Accrued liabilities	6,115	3,208
Current debt (Note 4)	796	3,563
	<u>9,439</u>	<u>10,880</u>
Total Current Liabilities	9,439	10,880
LONG TERM DEBT (Note 4)	1,530	1,727
ASSET RETIREMENT OBLIGATIONS (Notes 10 & 11)	7,339	7,246
	<u>18,308</u>	<u>19,853</u>
Total Liabilities	18,308	19,853
MINORITY INTEREST	5,847	4,898
COMMITMENTS AND CONTINGENCIES (Note 10)		
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)		
First Preferred Shares, without par value, unlimited shares authorized. No shares issued		

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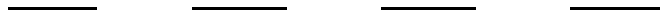
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 107,755,744 at June 30, 2003; 87,400,702 at December 31, 2002	234,953	201,039
DEFICIT	(142,725)	(151,655)
	<u> </u>	<u> </u>
Total Shareholders' Equity	92,228	49,384
	<u> </u>	<u> </u>
Total Liabilities and Shareholders' Equity	\$ 116,383	\$ 74,135
	<u> </u>	<u> </u>

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

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

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
REVENUE				
Gold sales	\$ 12,508	\$ 9,511	\$ 27,525	\$ 18,675
Interest and other	185	188	309	356
	<u>12,693</u>	<u>9,699</u>	<u>27,834</u>	<u>19,031</u>
EXPENSES				
Mining operations	7,750	6,078	16,093	12,211
Depreciation and depletion (Notes 8 and 9)	1,159	604	2,053	1,256
Accretion of asset retirement obligations (Note 11)	91		199	
Exploration expense	165	63	233	101
General and administrative	1,270	1,059	2,299	1,980
Interest expense	3	135	27	243
Foreign exchange gain	(283)	(66)	(561)	(89)
	<u>10,155</u>	<u>7,873</u>	<u>20,343</u>	<u>15,702</u>
INCOME BEFORE THE UNDERNOTED	2,538	1,826	7,491	3,329
Gain on sale of marketable securities (Note 15)	1,905		1,905	
Omai preferred share redemption premium				169
Income before minority interest	4,443	1,826	9,396	3,498
Minority interest	(342)	(269)	(949)	(487)
NET INCOME	4,101	1,557	8,447	3,011
DEFICIT, BEGINNING OF PERIOD	(146,826)	(155,057)	(151,655)	(156,511)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING METHOD (Note 11)			483	
ADJUSTED DEFICIT, BEGINNING OF PERIOD	(146,826)	(155,057)	(151,172)	(156,511)
DEFICIT, END OF PERIOD	\$ (142,725)	\$ (153,500)	\$ (142,725)	\$ (153,500)
NET INCOME PER COMMON SHARE				
BASIC				
(Note 13)	\$ 0.038	\$ 0.024	\$ 0.083	\$ 0.047
NET INCOME PER COMMON SHARE				
DILUTED				
(Note 13)	\$ 0.036	\$ 0.022	\$ 0.078	\$ 0.044
WEIGHTED AVERAGE SHARES OUTSTANDING (millions)	107.6	64.9	102.3	63.6



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

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

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
OPERATING ACTIVITIES:				
Net income	\$ 4,101	\$ 1,557	\$ 8,447	\$ 3,011
Reconciliation of net income to net cash used in operating activities:				
Depreciation, depletion and amortization	1,159	604	2,053	1,256
Convertible debenture accretion		18		46
Premium on Omai preferred share redemption				(169)
Reclamation expenditures	(220)	(221)	(390)	(286)
Asset retirement obligation accretion	397		913	
Non-cash employee compensation			118	77
Minority interest	342	269	949	487
	<u>5,779</u>	<u>2,227</u>	<u>12,090</u>	<u>4,422</u>
Changes in current assets and liabilities:				
Accounts receivable	1,049	49	1,320	(178)
Inventories	(1,174)	(358)	(1,649)	(213)
Accounts payable and accrued liabilities	(698)	57	(1,605)	(2,123)
Sale of marketable securities	906		906	
Other	(2)	(103)	29	(52)
	<u>5,860</u>	<u>1,872</u>	<u>11,091</u>	<u>1,856</u>
Net cash provided by operating activities	<u>5,860</u>	<u>1,872</u>	<u>11,091</u>	<u>1,856</u>
INVESTING ACTIVITIES:				
Expenditures on exploration properties (Note 5)	(533)	(7)	(3,097)	(46)
Expenditures on mining properties	(12,864)	(4,108)	(16,012)	(5,221)
Expenditures on property, plant and equipment	(944)	(591)	(2,542)	(616)
Omai preferred share redemption				310
Sale of property (Note 16)		2,000	1,000	5,000
Other	(75)	100	(82)	142
	<u>(14,416)</u>	<u>(2,606)</u>	<u>(20,733)</u>	<u>(431)</u>
Net cash used in investing activities	<u>(14,416)</u>	<u>(2,606)</u>	<u>(20,733)</u>	<u>(431)</u>
FINANCING ACTIVITIES:				
Issuance of share capital, net of issue costs (Note 6)	299	1,962	33,796	7,333
Release of restriction of equity proceeds		2,580		
Debt repayment (Note 4)	(331)	(15)	(3,004)	(3,487)
Increase in debt	20	392	40	800
Other		11		21
	<u>(12)</u>	<u>4,930</u>	<u>30,832</u>	<u>4,667</u>
Net cash provided by/(used in) financing activities	<u>(12)</u>	<u>4,930</u>	<u>30,832</u>	<u>4,667</u>
Increase/(decrease) in cash and short-term investments	(8,568)	4,196	21,190	6,092
Cash and short-term investments, beginning of period	49,774	2,405	20,016	509
	<u>\$ 41,206</u>	<u>\$ 6,601</u>	<u>\$ 41,206</u>	<u>\$ 6,601</u>
Cash and short-term investments, end of period	<u>\$ 41,206</u>	<u>\$ 6,601</u>	<u>\$ 41,206</u>	<u>\$ 6,601</u>

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GOLDEN STAR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (All tabular amounts in thousands of United States 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, 2002, on file with the Securities and Exchange Commission and with the Canadian securities commissions (referred to as the 2002 Form 10-K). Financial information is presented in accordance with accounting principles generally accepted in Canada (Cdn GAAP).

The unaudited consolidated financial statements for the three months and six months ended June 30, 2003 and June 30, 2002 contained herein reflect all adjustments, consisting solely of normal recurring items, which are necessary for a fair presentation of financial position, results of operations, and cash flows, on a basis consistent with that of our prior audited consolidated financial statements, except for the change in accounting policy described in note 11 with respect to accounting for asset retirement obligations.

1. Operations

We are an international gold mining and exploration company producing gold in Ghana in West Africa. Our gold properties in Ghana are held via controlled subsidiaries, including Bogoso Gold Limited (BGL) and Wexford Goldfields Limited (WGL) in both of which we have a 90% beneficial shareholding. The remaining 10% shareholding in both subsidiaries is owned by the Government of Ghana.

BGL owns 100% of the Bogoso property (Bogoso), 100% of the Prestea property (Prestea), and as at June 30, 2003, approximately 59% of the Prestea underground property (Prestea Underground). Bogoso and Prestea are adjoining properties and now function as a single operation referred to as Bogoso/Prestea.

The Prestea Underground, acquired in 2002, is located under our Prestea property and consists of a currently inactive, underground gold mine and associated support facilities, which ceased operating in mid-2001. BGL owns its interest in the Prestea Underground by way of a joint venture in which BGL is the manager. Studies are now underway, under our direction, to determine if the Prestea Underground can be profitably reactivated under our management.

WGL owns 100% of the Wassa property (Wassa) and associated mining rights, located approximately 35 kilometers east of Bogoso/Prestea. A feasibility study to determine the economic viability of this property was completed in July 2003, and we are now proceeding to fast-track the development process with initial gold production anticipated in the first quarter of 2004.

We hold active gold exploration properties in Ghana, Suriname, and French Guiana. The French Guiana properties are mainly held through our 73%-owned subsidiary, Guyanor Ressources S.A. (Guyanor).

2. Supplemental Cash Flow Information

The following is a summary of non-cash transactions:

	Three months ended June 30,		Six months ended June 30,	
	2003	2002	2003	2002
Equity component of convertible debentures	\$	\$ (213)	\$	\$ (386)
Shares issued upon conversion of convertible debentures		949		2,163
Conversion				