GOLDEN STAR RESOURCES LTD
Form 10-K/A
April 29, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K/A
Amendment No. 2

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

For the Fiscal Year ended December 31, 2004
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**

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 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form l0-K. o

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was approximately $609.4 million as of June 30, 2004, based on the closing price of the shares on the American Stock Exchange of $4.64 per share.

Number of Common Shares outstanding as at January 31, 2005: 142,346,703.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 2005 Annual Meeting of Shareholders are incorporated by reference to Part III of this Report on Form 10-K/A.

EXPLANATORY NOTE

This Amendment No. 2 to the Company s 2004 Annual Report on Form 10-K is solely for the purpose of including Management s Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm as required by Item 9A and as included in Item 8. These reports were initially omitted from Registrant s original 2004 Form 10-K filing, as amended (Original Report) as permitted by the Order under Section 36 of the Securities Exchange Act of 1934 Granting an Exemption from Specified Provisions of Exchange Act Rules 13a-1 and 15d-1 issued by the Securities and Exchange Commission (SEC) on November 30, 2004. Conforming changes have also been made to Item 9A and Exhibits 31.1 and 31.2 included in the Original Report. Exhibits 23.1 and 32.1 and 32.2 are being currently dated but are otherwise unchanged from those filed in the Original Report. No other changes to the Original Report have been made. This Amendment No. 2 does not reflect events occurring after the filing of the Original Report or modify or update the disclosures therein in any way other than as described above.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements of
Golden Star Resources Ltd.

MANAGEMENT S RESPONSIBILITY FOR FINANCIAL INFORMATION AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Shareholders of
Golden Star Resources Ltd.:

The consolidated financial statements and all information in the Annual Report are the responsibility of the Board of Directors and management. The consolidated financial statements have been prepared by management based on information available to February 2, 2005, and are in accordance with accounting principles generally accepted in Canada.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of management, including the Chief Executive Officer and Chief Financial Officer, in order to provide reasonable assurance that financial information is accurate and reliable, and that our assets are safeguarded. Limitations exist in all cost effective systems of internal controls. Our systems have been designed to provide reasonable but not absolute assurance that financial records are adequate to allow for the completion of reliable financial information and the safeguarding of our assets. In designing our system of internal controls we have used the framework established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). We believe that the systems are adequate to achieve the stated objectives.

Our system of internal control over financial reporting includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in Canada, and that receipts and expenditures are being made only in accordance with authorizations of management and our Board of Directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

The Audit Committee of the Board of Directors is comprised of three outside directors, operates in accordance with its charter and meets quarterly with management and the independent auditors to ensure that management is maintaining adequate internal controls and systems and to approve the annual and quarterly consolidated financial statements of the Company. The Committee also reviews the audit plan of the independent auditors and discusses the results of their audit and their report prior to submitting the consolidated financial statements to the Board of Directors for approval.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2004. Based upon its assessment, management concluded that, as of December 31, 2004, our internal control over financial reporting is effective based on the COSO criteria.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants, who were appointed by the shareholders. Such registered public accounting firm has issued an attestation report on management s assessment of our internal control over financial reporting and such report is included herein.

/s/ Peter J. Bradford	/s/ Allan J. Marter
Peter J. Bradford President and Chief Executive Officer	Allan J. Marter Senior Vice President and Chief Financial Officer

April 28, 2005 April 28, 2005

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited management s assessment, included in the accompanying REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING, that Golden Star Resources Ltd.(the Company) maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the company s internal control over financial reporting based on our audit.

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

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

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

In our opinion, management s assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2004 and 2003 and the consolidated statements of operations, changes in shareholders equity and cash flows for the each of the three years in the period ended December 31, 2004 and our report dated February 2, 2005 expressed an unqualified audit opinion.

/s/ PRICEWATERHOUSECOOPERS LLP
Chartered Accountants
Calgary, Alberta, Canada
April 28, 2005

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

	As of December 31, 2004	2003
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 1)	$ 51,727	$ 89,970
Accounts receivable	3,592	790
Inventories (Notes 1 and 3)	15,366	12,661
Due from sale of property (Note 4)	1,000	1,000
Tax asset (Note 17)	1,542	
Deposits (Note 5)	5,102	
Prepaids	517	514
Total Current Assets	78,846	104,935
RESTRICTED CASH (Note 14)	3,351	3,317
DUE FROM SALE OF PROPERTY (Note 4)		1,000
LONG TERM INVESTMENTS (Note 6)	5,528	888
DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 7)	7,452	9,108
PROPERTY, PLANT AND EQUIPMENT (Note 8)	28,653	18,202
MINING PROPERTIES (Note 9)	74,197	56,808
MINE CONSTRUCTION-IN-PROGRESS (Note 10)	51,159	27,376
DEFERRED STRIPPING (Notes 1 and 11)	1,357	
OTHER ASSETS	1,617	757
Total Assets	$ 252,160	$ 222,391
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 7,010	$ 3,800
Construction retention payable		1,350
Other accrued liabilities	9,203	2,859
Current debt (Note 12)	1,267	142
Total Current Liabilities	17,480	8,151
LONG TERM DEBT (Note 12)	1,707	657
ASSET RETIREMENT OBLIGATIONS (Note 13)	8,660	7,745
Total Liabilities	27,847	16,553
MINORITY INTEREST	6,353	7,476

COMMITMENTS AND CONTINGENCIES (Note 14)

SHAREHOLDERS EQUITY		
SHARE CAPITAL		
First Preferred Shares, without par value, unlimited shares authorized. No shares issued		
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 142,244,112 at December 31, 2004; 132,924,278 at December 31, 2003	342,494	326,623
CONTRIBUTED SURPLUS	2,040	955
DEFICIT	(126,574)	(129,216)
Total Shareholders Equity	217,960	198,362
Total Liabilities and Shareholders Equity	$ 252,160	$ 222,391

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

By: /s/ David K. Fagin Director   By: /s/ Peter J. Bradford Director

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

	For the years ended December 31, 2004	2003	2002
REVENUE			
Gold sales	$ 60,690	$ 63,512	$ 38,091
Royalty income	3,049		
Interest and other	1,290	858	711
	65,029	64,370	38,802
EXPENSES			
Mining operations	39,095	32,125	26,747
Depreciation, depletion and amortization	8,096	4,993	2,459
Accretion of asset retirement amortization	645	578	
Total production costs	47,836	37,696	29,206
Exploration expense (Note 1)	895	594	485
General and administrative expense	6,811	5,153	3,886
Corporate development expense	4,504	10	
Option expense (Note 16)	1,386	403	
Loss on equity investment	331		
Abandonment and impairment of mineral properties	470	175	
Loss on sale of assets			(425)
Interest	139	42	265
Foreign exchange (gain)/loss	280	(2,331)	(139)
Total expenses	62,652	41,742	33,278
INCOME BEFORE THE UNDERNOTED	2,377	22,628	5,524
Gain on sale of marketable securities		1,905	
Omai preferred share redemption premium			170
Income before minority interest	2,377	24,533	5,694
Minority interest	(1,277)	(2,577)	(838)
NET INCOME BEFORE TAX	1,100	21,956	4,856
Income tax recovery (Note 17)	1,542		
NET INCOME	$ 2,642	$ 21,956	$ 4,856
NET INCOME PER COMMON SHARE BASIC (Note 18)	$ 0.019	$ 0.198	$ 0.067
NET INCOME PER COMMON SHARE DILUTED (Note 18)	$ 0.018	$ 0.186	$ 0.063
WEIGHTED AVERAGE SHARES OUTSTANDING (millions of shares)	138.3	111.0	72.4

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

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GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
(Stated in thousands of United States dollars except share amounts)

	Number of Common Shares	Share Capital	Contributed Surplus	Warrants	Equity Component of Convertible Debentures	Deficit
Balance at December 31, 2001	49,259,548	$ 167,929	$	$ 410	$ 545	$ (156,511)
Shares issued	31,506,000	27,507				
Issue costs		(2,558)				
Shares issued under options	547,916	520				
Shares issued under warrants	2,535,960	1,778				
Stock bonus	107,000	78				
Debenture conversions	2,994,278	2,903			(545)	
Warrants issued				1,817		
Warrants exercised		397		(397)		
Warrants issued to acquire property				255		
Other	450,000	400				
Net income						4,856
Balance at December 31, 2002	87,400,702	198,954		2,085		(151,655)
Shares issued	33,030,000	107,598				
Issue costs		(6,455)				
Warrants issued				1,780		
Warrants exercised		1,504		(1,504)		
Option issued net of forfeitures		(955)	955			
Shares issued under options	1,518,420	2,858				
Shares issued under warrants	8,167,956	8,595				
Stock bonus	57,200	118				
Shares issued to acquire property	2,750,000	12,045				
Cumulative effect of change in accounting method						483
Net income						21,956
Balance at December 31, 2003	132,924,278	324,262	955	2,361		(129,216)
Warrants exercised		755		(755)		
Option issued net of forfeitures			1,218			
Shares issued under options	767,180	1,239	(133)			
Shares issued under warrants	8,494,609	14,332				
Shares issued to acquire property	58,045	300				
Net income						2,642

Balance at December 31, 2004	142,244,112	$ 340,888	$ 2,040	$ 1,606	$	$ (126,574)

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

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

	For the years ended December 31, 2004	2003	2002
OPERATING ACTIVITIES:			
Net income	$ 2,642	$ 21,956	$ 4,856
Reconciliation of net income to net cash used in operating activities:			
Depreciation, depletion and amortization	8,096	4,993	2,459
Deferred stripping	(1,357)		
Loss on equity investment	331		
Convertible debentures accretion			46
Premium on Omai preferred share redemption			(170)
Non-cash employee compensation	1,386	1,085	78
Abandonment and impairment of mineral properties	470	175	
Tax asset	(1,542)		
Gain on sale of assets			(425)
Reclamation expenditures	(730)	(841)	(465)
Asset retirement obligation	645	578	
Minority interest	1,277	2,577	838
	11,218	30,523	7,217
Changes in assets and liabilities:			
Accounts receivable	(2,802)	1,187	(746)
Inventories	(2,705)	(4,240)	(424)
Accounts payable and accrued liabilities	8,204	690	45
Marketable securities		906	(906)
Other	(5)	10	(293)
Net Cash Provided by Operating Activities	13,910	29,076	4,893
INVESTING ACTIVITIES:			
Expenditures on deferred exploration and development	(5,260)	(4,539)	(208)
Expenditures on mining properties	(19,302)	(31,142)	(12,075)
Expenditures on property, plant and equipment	(12,286)	(10,691)	(3,430)
Expenditures on mine construction-in-progress	(23,783)	(22,833)	
Omai preferred share redemption			310
Asset retirement obligation assets	1,000	1,192	
Sale of property	1,000	1,000	5,425
Deposits	(5,102)		
Investments	(4,971)	(888)	
Other	(894)	(139)	(392)
Net Cash Used in Investing Activities	(69,598)	(68,040)	(10,370)
FINANCING ACTIVITIES:			

Issuance of share capital, net of issue costs	15,270	113,408	29,095
Debt repayment	(153)	(5,289)	(6,502)
Increase in debt	2,328	799	2,384
Other			7
Net Cash Provided by Financing Activities	17,445	108,918	24,984
Increase/(decrease) in cash and cash equivalents	(38,243)	69,954	19,507
Cash and cash equivalents, beginning of period	89,970	20,016	509
Cash and cash equivalents end of period	$ 51,727	$ 89,970	$ 20,016

See Note 19 for supplemental cash flow information. Cash and cash equivalents at December 31, 2004 consisted of $2.8 million in money market funds, $38.9 million of short-term (less than 90 days) investments and $10.0 million of cash in checking accounts.

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

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

1. Summary of Significant Accounting Policies

Basis of Consolidation and the Preparation of Financial Statements

These consolidated financial statements are prepared and reported in United States (US) dollars and in accordance with generally accepted accounting principles in Canada, (Canadian GAAP) which differ in some respects from GAAP in the United States (US GAAP). These differences are quantified and explained in Note 22. The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries and joint ventures. All material inter-company balances and transactions have been eliminated.

Fiscal Year

Our fiscal year runs from January 1 to December 31.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits and highly liquid short term investments. We consider all highly liquid marketable securities with maturities of less than 91 days at date of purchase to be cash equivalents. Our cash equivalents consist mostly of US and Canadian government treasury bills, agency notes, auction rate certificates and money market funds.

Inventories

Inventories classifications include stockpiled ore , in-process inventory , finished goods inventory and materials and supplies . All of our inventories are recorded at the lower of cost or market, including direct production costs and attributable overhead and depreciation.

Stockpiled ore represents coarse ore that has been extracted from the mine and is ready for further processing. Stockpile ore is measured by estimating the number of tonnes (via truck counts or by physical surveys) added or removed from the stockpile, the number of contained ounces (based on assay data) and the estimated gold recovery percentage. Stockpiled ore value is based on the costs incurred (including depreciation and amortization) in bringing the ore to the stockpile. Costs are added to the stockpiled ore based on current mining costs per tonne and are removed at the average cost per recoverable ounce of gold in the stockpile.

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

Finished goods inventory is composed of saleable gold in the form of doré bars that have been poured but not yet delivered to the buyer. The bars are valued at the lower of total cost or market value. Included in the total costs are the direct costs of the mining and processing operations as well as direct overheads, amortization and depreciation.

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

Reserve Quantities Used in Units-of-Production Amortization

Gold ounces contained in ore stockpiles recognized in inventory balances on the balance sheet are excluded from total reserves when determining units-of-production amortization of mining property, asset retirement assets and other assets.

Marketable Securities

Short term investments in publicly traded marketable securities are recorded at the lower of cost or quoted market prices, with unrealized losses included in income. The market value is based on the closing price at the end of the period, as reported on recognized securities exchanges.

Exploration Costs

Exploration costs related to specific, identifiable properties, including the cost of acquisition, exploration and development, are capitalized until viability of the exploration property is determined. Exploration costs not directly related to an identifiable property are expensed as incurred.

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

If an exploration property is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the year of abandonment or determination of value. Any subsequent costs incurred for that property are expensed as incurred.

The accumulated costs of mineral properties are reclassed as mine property and depleted on a units-of-production basis at such time as production commences.

Impairment of Long-Lived Assets

We review and evaluate our long-lived assets for impairment at least annually and also when events or changes in circumstances indicate the related carrying amounts may not be recoverable. Asset impairment is considered to exist if the total estimated future cash flows, on an undiscounted basis, are less than the carrying amount of the asset. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on estimated quantities of recoverable minerals, expected gold and other commodity prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed engineering life-of-mine plans.

The significant assumptions used in determining the future cash flows for each operating unit at December 31, 2004, apart from production cost and capitalized expenditure assumptions unique to each operation, included a long-term gold price of $400 per ounce. In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups. With the exception of other mine-related exploration potential and exploration potential in areas outside of the immediate mine-site, all assets at a particular operation are considered together for purposes of estimating future cash flows. In the case of mineral interests associated with other mine-related exploration potential and exploration potential in areas outside of the immediate mine-site, cash flows and fair values are individually evaluated based primarily on recent exploration results.

Various factors could impact our ability to achieve forecasted production schedules from proven and probable reserves. Additionally, commodity prices, capital expenditure requirements and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically.

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

Property, Plant, Equipment and Mine Development

Property, plant and equipment assets, including, machinery, processing equipment, mining equipment, mine site facilities, vehicles and expenditures that extend the life of such assets are recorded at cost, including direct acquisition costs. Depreciation for such assets is computed using the straight-line method at rates calculated to depreciate the cost of the assets, less their anticipated residual values, if any, over their estimated useful lives.

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

Deferred Stripping

In open pit mines with multi-year lives and highly variable waste-to-ore stripping ratios over a pit s life, we defer and subsequently recover waste removal costs in a manner that effectively allocates an equal share of the waste mining costs to each tonne of ore extracted. This practice is typically referred to as deferred stripping accounting and is widely used in the mining industry. Application of deferred stripping accounting results in a smoothing of the cost of waste-rock removal over the life of the pit rather than expensing the actual waste removal costs as incurred in each period. The full amount of the waste removal costs in the pit will not be expensed until the end of the pit life. When properly executed, a deferred waste stripping program will result in the deferred asset being fully amortized to zero balance when the last tonne of ore is removed from the pit.

Capitalized amounts are calculated each period by determining the tonnes of waste moved in excess of the life-of-pit average stripping ratio and valuing them at the average mining cost per tonne during the period. Costs are recovered in periods when the actual tonnes of waste moved are less than what would have been moved at the average stripping rate. The estimates required to be made in establishing and operating a deferred stripping program include the amount and location of ores reserves to be recovered and the amount of waste rock to be removed. Such estimates are subject to several uncertainties mainly related to the limited access to a buried ore body. Factors including fluctuating metal prices, unexpected changes in operating costs, discovery of additional reserves or discovery that certain areas of the mine thought to be ore bearing are not and unexpected changes in the geologic environment at depth can all impact the estimates used in a deferred stripping program. At least annually an engineering study evaluates the remaining ore and waste tonnages in the pit using the most recent information available and adjustments to the capitalization and recovery rates are made to insure that the capitalized costs will be appropriately expensed over the remaining ore reserve tonnes in the pit.

There are mixed accounting practices in this area and some mining companies expense waste removal costs as incurred, which may result in reporting greater volatility in period to period results of operations than would be expected from a company that employs a deferred stripping policy. Mining companies also use differing mechanisms for determining the amount and cost of the waste tonnages capitalized and amounts recovered.

Capitalized waste-rock removal costs are shown on our consolidated balance sheet in a line titled Deferred Stripping . The cost impact is included in the statement of operations in the line titled Mining operations .

In early March 2005 an Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board reached a consensus on EITF issue 04-06 Accounting for Stripping Costs in the Mining Industry . The consensus was that deferred stripping costs should no longer be capitalized but rather should be considered a variable production cost. Transition provisions provide that deferred stripping will no longer be appropriate for fiscal years beginning after December 15, 2005. The EITF s consensus will considered for ratification by the FASB Board March 30, 2005.

Environmental Rehabilitation and Closure

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

Foreign Currencies and Foreign Currency Translation

Our functional currency is the US dollar. Transaction amounts denominated in foreign currencies are translated to US dollars at exchange rates prevailing at the date of the transaction. The carrying value of monetary assets and liabilities is translated at the rate of exchange prevailing at the balance sheet date. Non-monetary assets are translated at the rates of exchange prevailing when the assets were acquired or the liabilities assumed. Revenue and expense items are translated at the average rate of exchange during the period. Translation gains or losses are included in net earnings for the period.

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

Income and Mining Taxes

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

Net Income per Share

Basic income per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The calculation of diluted net income per common share uses the treasury stock method to compute the dilutive effects of stock options and warrants.

Revenue Recognition

Revenue from the sale of gold is recognized when title and the risk of ownership pass to the buyer. Title and risk of ownership pass to the buyer when doré is delivered into the buyer s custody. Our gold is sold to a South African gold refinery and revenue is recognized when title is transferred to the customer at the refinery. The sales price is based on the London P.M. fix on the day of delivery.

Credits from by-products are credited against operating costs and not included in revenues. By-product costs have been *de minimis* to date at our existing properties.

Stock Based Compensation

In accordance with the requirements of CICA Handbook Section 3870, Stock Based Compensation and other Stock-based Payments we use the fair value method to expense the fair value of options granted to employees and directors. The fair value of options granted is established at the date of the grant, using the Black-Scholes option-pricing model. Compensation expense for options with immediate vesting is recognized in the period of the grant. Compensation expense for options with graded vesting is recognized on a straight line basis over the vesting periods.

Reclassifications

For comparative purposes, certain prior year amounts have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

In November 2003, the CICA amended CICA 3870 - Stock-based Compensation and Other Stock-based Payments to require recognition at the date of grant, of expense for stock option grants after December 31, 2003 in an amount equal to the fair value of the option. We opted for an early adoption of this new guidance and began expensing stock options during 2003. The impact of this election resulted in recognition of approximately $1.0 million of stock option expense in 2003 and approximately $1.4 million in 2004.

In December 2001, the CICA issued Accounting Guideline 13 (AcG-13), Hedging Relationships . The guideline establishes requirements for the identification, documentation and effectiveness of hedging relationships, which would have been effective for fiscal years beginning on or before July 1, 2003. Since we had no hedging instruments there was no impact on our financial results from the adoption of the guidance.

AcG 15 Consolidations of variable interest entities

In November 2004, the CICA issued Accounting Guideline Consolidation of Variable Interest Entities (AcG-15) to provide guidance for determining when an enterprise includes assets, liabilities and results of activities of variable interest entities in its consolidated financial statements. Variable interest entities are those in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. We do not anticipate any material impact on our consolidated financial statements or financial results from the adoption of AcG-15.

For a discussion of recent accounting pronouncements under US GAAP, see Note 22 to the Consolidated Financial Statements.

2. Financial Instruments

(a) Fair Value - Our financial instruments are comprised of cash, short-term investments, accounts receivable, restricted cash, accounts payable, accrued liabilities, accrued wages, payroll taxes and debt. The fair value of cash and short-term investments, accounts receivable, accounts payable, accrued liabilities and accrued wages, payroll taxes and 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.

(b) Commodity Instruments In the past we have purchased put option contracts (puts). Puts provide the right, but not the obligation, to sell a specified number of ounces of gold at a specified price on a specified future transaction date. Put options thereby provide a floor price for a portion of future production but they do not limit the upside potential of higher gold prices in excess of the specified price. If we opt to forego exercising a put option, the put expires on its specified transaction date. We have not entered into a hedging program nor do we currently otherwise manage exposure to commodity price risk.

3. Inventories

	As of December 31,	
	2004	**2003**
Stockpiled ore	$ 3,659	$ 4,167
In-process	2,858	2,821
Materials and supplies	8,849	5,673
Total	$ 15,366	$ 12,661

There were approximately 15,400 and 28,000 recoverable ounces of gold in ore stockpile inventories at December 31, 2004 and 2003, respectively. These ounces contained in our ore stockpile inventories are included in ore reserves. The stockpile inventories are for the most part short-term surge piles which will be processed in the next 12 months or less.

4. Guiana Shield transactions

In 2001 we sold our 50% interest in the Rosebel exploration property in South America to Cambior Inc. In addition to a $5.0 million payment received at closing in 2002 and a future royalty (or participation right) based on future Rosebel production, the terms of the sale agreement provided that Cambior would make three deferred payments of $1.0 million each and also pays a royalty on future gold production. The first of the deferred payments was received in the first quarter of 2003. The second deferred payment was made in the first quarter of 2004, and the third and final payment is expected in the first quarter of 2005.

We began receiving royalty payments in early 2004 from Cambior Inc. related to the participation right. Royalty income totaled $3.0 million during 2004. On December 31, 2004 we sold the Rosebel partition right to our 53% owned subsidiary Guyanor Ressources SA for $12.0 million, of which $6.0 million was paid on January 8, 2005 and the balance is due to Golden Star prior to June 30, 2005. There was no gain recognition on the sale. Additionally, Golden Star will receive up to $2.50 per ounce of Rosebel production for all production in excess of 2 million ounces but less than 4 million ounces and up to $5.00 per ounce when production exceeds 4 million ounces up to 7 million ounces.

5. Deposits

Represents cash advances for equipment and materials purchases at WGL and BGL.

6. Long Term Investments

Represents a $1.4 million investment in Goldmin Holdings, a private exploration firm with a focus on South American projects and a $4.1 million investment in the common shares of Moto Gold Mines Limited (Moto), a publicly traded gold exploration and development firm.

We invested an additional $0.8 million in Goldmin Holdings during 2004 bringing our ownership to 30.5%. We carry this investment as an equity investment and recognized $0.3 million of equity losses in 2004.

During 2004 when we acquired a 9.5% equity interest in Moto for $4.1 million. In addition to the common shares, we received warrants, which if exercised will raise our interest to 13.3%. This investment is carried as a long-term investment. The fair value of our investment in Moto remained at $4.1 million as of December 31, 2004.

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7. Deferred Exploration and Development Costs

The consolidated property expenditures on our exploration projects for the year ended December 31, 2004 were as follows:

	Deferred Exploration & Development Costs as of 12/31/03	Capitalized Exploration Expenditures	Acquisitions	Impairment Write-offs	Reclassified to Mining Property	Deferred Exploration & Development Costs as of 12/31/04
GHANA:						
Bogoso Sulfide Project	$ 5,930	$	$	$	$ (5,930)	$
Akropong Trend & Other Ghana	2,037	406				2,443
Prestea Property Projects		2,537		(470)		2,067
Beta Boundary	814				(814)	
MALI:						
Mininko	130	903				1,033
SIERRA LEONE						
Mano River		758				758
FRENCH GUIANA:						
Bon Espoir			501			501
Paul Isnard			256			256
SURINAME:						
Saramacca	197	197				394
TOTAL	$ 9,108	$ 4,801	$ 757	$ (470)	$ (6,744)	$ 7,452

The Bogoso Sulfide Project and the Beta Boundary Project (now referred to as the Bondaye Project) were reclassified as Mining Properties during 2004.

Consolidated property expenditures for exploration projects for the year ended December 31, 2003 were as follows:

	Deferred Exploration & Development Costs as of 12/31/02	Capitalized Exploration Expenditures	Acquisitions	Impairment Write-offs	Deferred Exploration & Development Costs as of 12/31/03

GHANA:					
Obuom	$ 269	$ 9	$	$	$ 278
Bogoso Sulfide Project	3,621	119	2,190		5,930
Akropong Trend & Other Ghana	787	972			1,759
Beta Boundary		814			814
Other Bogoso Area Properties		109		(109)	
MALI:					
Mininko		130			130
FRENCH GUIANA:					
Yaou	33			(33)	
Dorlin	33			(33)	
SURINAME:					
Saramacca		197			197
TOTAL	$ 4,743	$ 2,350	$ 2,190	$ (175)	$ 9,108

8. Property, Plant and Equipment

	As of December 31, 2004			As of December 31, 2003		
	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	$ 27,722	$ 5,057	$ 22,665	$ 15,765	$ 4,143	$ 11,622
Prestea Underground	238		238	227		227
Guyanor	1,969	1,951	18	1,985	1,952	33
Wassa	5,460		5,460	6,259		6,259
Corporate & other	1,060	788	272	782	721	61
Total	$ 36,449	$ 7,796	$ 28,653	$ 25,018	$ 6,816	$ 18,202

9. Mining Properties

	As of December 31, 2004			As of December 31, 2003		
	Mine Property at Cost	Accumulated Amortization	Mine Property, Net Book Value	Mine Property at Cost	Accumulated Amortization	Mine Property, Net Book Value
Bogoso/Prestea	$ 43,420	$ 23,113	$ 20,307	$ 41,885	$ 16,856	$ 25,029
Prestea Underground	12,984		12,984	8,560		8,560
Wassa	9,653		9,653	9,778		9,778
Bogoso Sulfide	13,065		13,065			
Mampon	13,676		13,676	13,441		13,441
Beta Boundary	4,512		4,512			
Total	$ 97,310	$ 23,113	$ 74,197	$ 73,664	$ 16,856	$ 56,808

Some prior period numbers have been adjusted to conform to the 2004 presentation.

In June 2004 due to financial difficulties experienced by our joint venture partner, the portion of the Prestea Underground owned by our joint venture partner reverted to our ownership per the terms of the original joint venture agreement. As a result, a $2.4 million minority interest recorded when the partnership was originally organized was reversed and a $2.4 million reduction was recorded in the carrying value of the Prestea Underground Mining Property assets.

The Bogoso Sulfide project, and the Beta Boundary project at Prestea, which is expected to feed the proposed Bondaye processing plant, were deemed sufficiently advanced by early 2004 for reclassification as Mining Properties rather than as exploration properties. Reclassification was based upon having defined proven and probable reserves at both projects, completion of a feasibility study for the Bogoso Sulfide project showing it to be economically viable, and advanced engineering and design work on the Bondaye/Beta Boundary project which is now awaiting environmental permits. The Mining Properties costs associated with these two projects will be amortized over production ounces when gold production begins.

10. Mine Construction-in-Progress

Mine construction in progress represents costs incurred at the Wassa project subsequent to acquisition. The balance includes feasibility study costs, equipment purchases and construction costs, including interim payments to the construction contractor and development costs.

11. Deferred Stripping

We initiated a deferred waste stripping policy at the Plant-North pit at Prestea in the third quarter of 2004. In the past, most of our pits have been relatively shallow and short-lived because the Bogoso processing plant could effectively process only near-surface ores that had been naturally oxidized by relatively shallow ground water. With recent plant modifications we are now able to process certain deeper ores from Prestea. As a result we anticipate deeper pits with longer lives than in the past. Adoption of this policy resulted in deferral of $1.4 million of Plant-North waste stripping costs during the second half of 2004. There were no recoveries of stripping costs during 2004. We expect that the entire $1.4 million of deferred stripping costs will be recovered during 2005. The value of capitalized waste costs is included in the Mining Properties balance on our consolidated balance sheets. The cost impact is included in the statement of operations in the line titled Mining operations .

12. Debt

		As of December 31, 2004	As of December 31, 2003
Current debt:			
Equipment financing loans	Bogoso (Note a)	$ 1,130	$
Equipment financing loans	Wassa (Note b)	137	142
Total current debt		$ 1,267	$ 142
Long term debt:			
Equipment financing loans	Bogoso (Note a)	1,198	
Equipment financing loans	Wassa (Note b)	$ 509	$ 657
Total long term debt		$ 1,707	$ 657

(a) In June 2004 an equipment financing credit facility of up to $25 million was established between Caterpillar Financial Services Corporation and BGL and WGL, subsidiaries of Golden Star, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit for a mixture of new and used mining equipment and is available until April 2005. Amounts drawn under this facility are repayable over five years for new equipment and over two years for used equipment. The interest rate is fixed using the Federal Reserve Bank 2-year or 5-year swap rate plus 2.28% or we can opt for a floating interest rate of LIBOR plus 2.28%. As of December 31, 2004, $2.3 million had been drawn to purchase used equipment and is repayable in 24 equal monthly installments beginning December 2004 with an interest rate of 6.01%.

(b) Caterpillar Financial Services Corporation - A $0.8 million installment loan was used to purchase mobile equipment at Wassa and is repayable in 60 equal monthly installments from December 2003 with an interest rate of 6.25%.

13. Asset Retirement Obligations

Effective January 1, 2003, we changed our accounting policy for asset retirement obligations to comply with CICA Handbook Section 3110, Asset Retirement Obligations. This change was made on a retroactive basis. Upon the adoption of this new standard, we recognized a $0.5 million reduction in the carrying value of liabilities related to future reclamation and other asset retirement obligations. The cumulative effect of the adoption of this new standard totaled $0.5 million and was recorded as a reduction in the deficit account in shareholders equity.

Our Asset Retirement Obligations (ARO) recognize the present value of the ultimate closure cost associated with reclamation, demolition and stabilization of our mining 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.

The changes in the carrying amount of the ARO during 2004 were as follows:

Asset Retirement Obligations	Year ended December 31, 2004	
Balance at beginning of the year	$	7,745
Accretion expense		645
Reclamation work performed		(730)
New AROs incurred during the period		1,000
Balance at December 31, 2004	$	8,660

14. Commitments and Contingencies

(a) Environmental Regulations and Asset Retirement Obligations - We are not aware of any events of material non-compliance with environmental laws and regulations in our operations which could have a material adverse effect on our operations or financial condition. The exact nature of environmental control problems, if any, which we may encounter in the future cannot be predicted, primarily because of the changing character of environmental requirements that may be enacted within various jurisdictions. Asset retirement obligations, which include environmental rehabilitation liabilities for reclamation and for closure costs, were $6.0 million at Bogoso/Prestea at December 31, 2004, up from $5.2 million at December 31, 2003. Asset retirement obligations at Wassa totaled $2.7 million at December 31, 2004, up from $2.5 million at the end of 2003.

(b) Cash Restricted for Environmental Rehabilitation Liabilities - In 1999, we were required, according to the acquisition agreement with the sellers of BGL, to restrict $6.0 million of cash to be used for the ongoing and final reclamation and closure costs at Bogoso. The withdrawal of these funds must be agreed to by the sellers, who are ultimately responsible for the reclamation in the event of our non-performance. There have been no agreements for disbursements since 2001. We are seeking to obtain an amendment to the agreement that would remove the restriction and in its place establish a reclamation bond to meet Ghana s Environmental Protection Agency reclamation bonding requirements as discussed below. At December 31, 2004, approximately $3.4 million of restricted cash was held as a cash provision against future reclamation commitments at Bogoso.

(c) Corporate Office Building Lease Effective January 1, 2004, we entered into a five year office building lease for our corporate headquarters in Littleton, Colorado. The annual initial lease rate was $19.00 per rentable square foot, which escalates to $21.00 per rentable square foot in the last year of the lease.

(d) Environmental Bonding in Ghana - During 2004 the Ghana Environmental Protection Agency requested that we provide cash collateralized environmental reclamation bonds for both Bogoso/Prestea and Wassa. While the Environmental Protection Agency has not specified the exact amount of the required bonds, we expect, based on our cost estimates for required future reclamation spending, that the bonds will be approximately $9.0 million for Bogoso/Prestea and approximately $3.9 million for Wassa. We plan to fund these obligations with a combination of cash on hand and letters of credit.

(e) 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, excluding any royalty 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 of or below $300 per ounce up to 3.5% for gold prices in excess of $400 per ounce.

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

(f) Wassa Construction Contract - We entered into a contract with Metallurgical Design and Management (Pty) Ltd. (MDM), a South African company, in July 2003, for the construction of the CIL processing plant facility and other associated processing facilities at Wassa. By the end of 2004 substantially all construction work had been completed at Wassa, except for the completion of the power line, and the contract with MDM was terminated and no further payments are due them.

(g) Mano River Joint Venture - We entered into a joint venture agreement in late 2003 to invest up to $6 million over four years in the Mano River project in Sierra Leone via an earn-in agreement with a junior exploration company which holds a group of gold exploration properties in Sierra Leone. The initial $6 million, if fully funded (we can terminate the agreement after spending $1.0 million) would yield a 51% interest in the joint venture. Further provisions of the joint venture agreement provide the opportunity to acquire up to 85% of the joint venture by continued long term funding. The joint venture agreement is subject to completion of documentation. Spending during 2003 was nil. Spending in 2004 totaled $0.8 million leaving $0.2 million left on our minimum commitment to the project.

(h) Mininko Joint Venture - In late 2003 we entered into a joint venture agreement, agreeing to fund exploration work on the Mininko gold property in Mali. Funding of $2.6 million would earn a 51% interest in the joint venture. We can terminate the joint venture after spending $0.4 million of which $0.1 million was spent in 2003. Spending during 2004 totaled $0.9 million. The joint venture agreement provides that we can earn up to an 82.5% interest by continued funding of exploration and development, if warranted.

15. Warrants

At December 31, 2004, there were two series of warrants outstanding to purchase a total of 8.8 million common shares. Of the total, 8.4 million were issued during 2003 and 0.4 million were issued during 2002 as follows:

Type:	Date issued	Warrants outstanding	Exercise price	Term	Expiration date
Broker warrants	July 24, 2002	385,000	Cdn$2.28	2 years(1)	July 24, 2005
Equity offering	February 14, 2003	8,448,334	Cdn$4.60	4 years	February 14, 2007
Total		8,833,334			

(1) The July 24, 2002 broker warrants are exercisable during a two-year period ending July 24, 2005.

During 2004, 8.5 million warrants were exercised resulting in cash proceeds of $14.3 million to Golden Star.

The warrants issued in conjunction with the February 14, 2003 equity offering are traded on the Toronto Stock Exchange under the symbol GSC.WT.A. There is no public market for the broker warrants.

16. Stock Based Compensation

(a) Stock Options - We have one stock option plan, the 1997 Stock Option Plan, as amended (the GSR 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.

The following tables summarize information about options under the GSR Plan:

	2004		2003		2002	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
GSR Plan	**(000s)**	**(Cdn$)**	**(000s)**	**(Cdn$)**	**(000s)**	**(Cdn$)**
Outstanding at beginning of year	5,241	2.41	4,489	1.36	4,595	1.42
Granted	855	6.95	2,354	3.99	640	1.17
Exercised	(767)	2.12	(1,518)	1.73	(548)	1.49
Forfeited	(58)	4.31	(84)	2.92	(198)	1.76
Outstanding at end of year	5,271	3.17	5,241	2.41	4,489	1.36
Options vested and exercisable at year-end	4,140	2.54	3,803	1.81	4,006	1.40
Weighted-average fair value of options granted during the year		2.45		1.25		0.86

	Options Outstanding			Options Exercisable	
	Number Outstanding at December 31, 2004	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at December 31, 2004	Weighted-Average Exercise Price
GSR Plan Range of Exercise Prices (Cdn$)	**(000s)**	**(years)**	**(Cdn$)**	**(000s)**	**(Cdn$)**
1.00 to 2.50	2,869	5.6	1.39	2,794	1.36
2.51 to 4.00	1,162	8.2	3.46	757	3.38
4.01 to 7.00	1,026	9.3	6.65	482	6.63
7.01 to 10.00	214	8.9	8.83	107	8.83
All options	5,271	7.1	3.17	4,140	2.54

Options granted during 2004:

Date Granted	Number of Options (000s)	Strike Price (Cdn$)	Fair Value per option (Cdn$)	Total Fair Value (000s of Cdn$)	Option Life

May 14, 2004	855	6.95	2.45	2,094	10 years
Total	855	6.95	2.45	2,094	10 years

Options granted during 2003:

Date Granted	**Number of Options (000s)**	**Strike Price (Cdn$)**	**Fair Value per option (Cdn$)**	**Total Fair Value (000s of Cdn$)**	**Option Life**
January 30, 2003	1,134	3.14	0.96	1,093	10 years
March 21, 2003	225	2.39	0.90	203	10 years
July 30, 2003	556	4.00	1.17	648	10 years
September 18, 2003	225	5.25	1.94	436	10 years
October 30, 2003	32	7.45	2.21	71	10 years

Date Granted	Number of Options (000s)	Strike Price (Cdn$)	Fair Value per option (Cdn$)	Total Fair Value (000s of Cdn$)	Option Life
December 18, 2003	182	9.07	2.67	486	10 years
Total	2,354	3.99	1.25	2,937	10 years

The fair value of options granted during 2004, 2003 and 2002 were estimated at the grant dates using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2004	2003	2002
Expected volatility	36%	34%	89% to 102%
Risk-free interest rate	3.72% - 4.06%	3.01% - 4.46%	3.68% - 4.47%
Expected lives	3.5 to 5 years	3.5 to 5 years	5 years
Dividend yield	0%	0%	0%

In November 2003 the Accounting Standards Board of the Canadian Institute of Certified Accountants amended CICA Handbook CICA 3870, Stock-based Compensation and other Stock-based Payments to require expensing of all stock based compensation awards for fiscal years beginning on or after January 1, 2004. In light of this development we adopted the new provision of CICA 3870 in 2003. As a result, we recognized stock based compensation expense of approximately $1.4 million and $1.0 million in 2004 and 2003 respectively for stock options granted during 2004 and 2003. During 2003 approximately $0.5 million of the total option expense was included in mining operations expense.

Prior to 2003 we did not recognize compensation costs related to stock options granted. Had compensation costs been recognized for options vesting in 2002, our net income and earnings per share would have been reduced to the pro forma amounts shown below:

		2004	2003	2002
Net income	As reported	$ 2,642	$ 21,956	$ 4,856
	Pro forma	$ 2,633	$ 21,882	$ 4,339
Net income per share	As reported	$ 0.019	$ 0.198	$ 0.067
	Pro forma	$ 0.019	$ 0.197	$ 0.060

(b) 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, provided for the issuance of 900,000 common shares of bonus stock of which 445,820 common shares have been issued as of December 31, 2004.

During 2004, 2003 and 2002 a total of nil, 57,200 and 107,000 common shares respectively were issued to employees pursuant to the Bonus Plan. We recognized compensation expense related to bonuses under the Bonus Plan during 2004, 2003 and 2002 of nil, $117,800 and $78,000.

17. Income Taxes

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

Our future tax assets and liabilities at December 31, 2004 and 2003 include the following components:

(in thousands)	**2004**	**2003**
Future tax assets:		
Offering costs	$ 2,218	$ 2,835
Loss carryovers	59,795	62,745
Mine property costs	18,132	16,366
Valuation allowance	(64,399)	(66,222)
Future tax assets	$ 15,746	$ 15,724
Future tax liabilities:		