GOLDEN STAR RESOURCES LTD
Form 10-Q/A
February 26, 2007

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

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

For the quarterly period ended March 31, 2006

OR

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

Title of Each Class	Name of each exchange on which registered
Common Shares	American Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:
Warrants Issued February 2003

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

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

Large accelerated filer: o Accelerated filer: þ Non-accelerated filer: o

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

Number of Common Shares outstanding as at May 9, 2006: 207,513,758

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Explanatory Note

This Form 10-Q/A is being filed to amend Golden Star Resources Ltd. s Quarterly Report on Form 10-Q, for the quarter ended March 31, 2006 in order to reflect the restatement of our financial statements for the quarter ended March 31, 2006 to change, in the US GAAP Reconciliation note, the way in which we have accounted for our warrants to purchase common shares which have an exercise price denominated in Canadian dollars. The restatement arose from management s determination on February 22, 2007 that such warrants denominated in Canadian dollars, which had been treated as equity instruments, should have been treated as derivative instruments under US GAAP. As such the fair value of such warrants is required to be treated as a liability, and we are required to mark to market those warrants on a current basis, with the resulting gains or losses being included in statement of operations under US GAAP.

Generally, no attempt has been made in this Form 10-Q/A to modify or update other disclosures presented in the original report on Form 10-Q except as otherwise required to reflect the effects of the restatement, including in footnote 24 and Item 4. This Form 10-Q/A does not reflect events occurring after the filing of the original Form 10-Q or modify or update those disclosures. Information not affected by the restatement is unchanged and reflects the disclosure made at the time of the original filing of the Form 10-Q with the Securities and Exchange Commission on May 11, 2006.

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ITEM 1 FINANCIAL STATEMENTS

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

	As of March 31, 2006	As of December 31, 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 86,873	$ 89,709
Accounts receivable	7,891	6,560
Inventories (Note 2)	26,338	23,181
Future tax assets (Note 18)	2,343	6,248
Fair value of derivatives (Note 12)	884	1,220
Deposits (Note 3)	15,490	5,185
Deferred Stripping (Note 9)	1,032	1,548
Prepaids and other	809	686
Total Current Assets	141,660	134,337
RESTRICTED CASH	5,258	5,442
LONG TERM INVESTMENTS (Note 4)	1,162	8,160
DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 5)	166,231	167,532
PROPERTY, PLANT AND EQUIPMENT (Note 6)	88,795	84,527
MINING PROPERTIES (Note 7)	121,864	118,088
CONSTRUCTION IN PROGRESS (Note 8)	61,770	36,707
LOAN ACQUISITION COSTS (Note 11)	955	1,020
FUTURE TAX ASSETS (Note 18)	13,451	8,223
OTHER ASSETS	504	567
Total Assets	$ 601,650	$ 564,603
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 9,209	$ 9,093
Other accrued liabilities	19,952	17,051
Fair value of derivatives (Note 12)	7,559	4,709
Asset retirement obligations (Note 13)	2,855	3,107
Current debt (Note 10)	7,585	6,855
Total Current Liabilities	47,160	40,815
LONG TERM DEBT (Note 10)	67,475	64,298
ASSET RETIREMENT OBLIGATIONS (Note 13)	9,271	8,286
FAIR VALUE OF DERIVATIVES (Note 12)	11,780	7,263

FUTURE TAX LIABILITY (Note 18)	45,379	45,072
Total liabilities	181,065	165,734
MINORITY INTERESTS	6,420	6,629
COMMITMENTS AND CONTINGENCIES (Note 14)		
SHAREHOLDERS EQUITY		
SHARE CAPITAL (Note 15)		
First preferred shares, without par value, unlimited shares authorized. No shares issued.		
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 207,265,758 at March 31, 2006; 205,954,582 at December 31, 2005	523,060	522,510
CONTRIBUTED SURPLUS	9,330	6,978
EQUITY COMPONENT OF CONVERTIBLE NOTES	2,857	2,857
DEFICIT	(121,082)	(140,105)
Total Shareholders Equity	414,165	392,240
Total Liabilities and Shareholders Equity	$ 601,650	$ 564,603

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

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

	Three months ended	
	March 31, 2006	March 31, 2005
REVENUE		
Gold sales	$ 24,936	$ 16,691
Royalty income	1,837	1,050
Interest and other	619	310
Total revenues	27,392	18,051
PRODUCTION EXPENSES		
Mining operations	23,463	12,076
Depreciation, depletion and amortization	5,577	2,172
Accretion of asset retirement obligation (Note 13)	168	187
Total mine operating costs	29,208	14,435
OTHER OPERATING EXPENSES		
Exploration expense	212	167
General and administrative expense	2,755	2,861
Corporate development expense		96
Loss on equity investments		40
Total production and operating expenses	32,175	17,599
Operating income/(loss)	(4,783)	452
OTHER EXPENSES, GAINS AND (LOSSES)		
Abandonment and impairment of mineral properties		(1,083)
Gain on sale of investment (Note 4)	30,294	
Derivative mark-to-market loss (Note 12)	(8,670)	(1,280)
Foreign exchange gain/(loss)	1,121	(107)
Interest expense	(471)	(79)
Income/(loss) before minority interest	17,491	(2,097)
Minority interest	209	(180)
Net income/(loss) before income tax	17,700	(2,277)
Income tax benefit (Note 18)	1,323	54
Net income/(loss)	$ 19,023	$ (2,223)

Deficit, beginning of period	(140,105)	(126,574)
Deficit, end of period	$(121,082)	$(128,797)
Net income/(loss) per common share basic (Note 19)	$ 0.092	$ (0.016)
Net income/(loss) per common share diluted (Note 19)	$ 0.091	$ (0.016)
Weighted average shares outstanding (millions of shares)	206.8	142.3

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

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

	Three months ended	
	March 31, 2006	March 31, 2005
OPERATING ACTIVITIES:		
Net income/(loss)	$ 19,023	$ (2,223)
Reconciliation of net income/(loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	5,593	2,172
Amortization of loan acquition costs	65	
Deferred stripping	516	84
Loss on equity investment		40
Gain on sale of investment	(30,294)	
Non-cash employee compensation	897	568
Abandonment and impairment of mineral properties		1,083
Provision for future income taxes	(1,014)	(54)
Reclamation expenditures	(185)	(229)
Fair value of derivatives	7,703	1,280
Accretion of asset retirement obligations	168	187
Accretion of convertible debt	177	
Minority interests	(209)	180
	2,440	3,088
Changes in assets and liabilities:		
Accounts receivable	(1,331)	(757)
Inventories	(3,157)	1,751
Deposits	(1,099)	(532)
Accounts payable and accrued liabilities	(2,420)	(1)
Other	(125)	85
Net cash provided by/(used in) operating activities	(5,692)	3,634
INVESTING ACTIVITIES:		
Expenditures on deferred exploration and development	(2,137)	(688)
Expenditures on mining properties	(3,004)	(6,362)
Expenditures on property, plant and equipment	(6,884)	(4,032)
Expenditures on mine construction in progress	(24,619)	(10,607)
Asset retirement obligation assets		300
Redemption of short term investments		16,400
Restricted cash	184	
Expenditure on purchase of investment	(1,656)	
Proceeds from sale of investment	38,952	

Change in payable on capital expenditures	5,437	
Sale of property		1,000
Deposits	(9,206)	(2,329)
Other	52	77
Net cash used in investing activities	(2,881)	(6,241)
FINANCING ACTIVITIES:		
Issuance of share capital, net of issue costs (Note 15)	2,154	175
Debt repayments (Note 10)	(1,721)	(477)
Issuance of debt (Note 10)	5,453	7,159
Other	(149)	(108)
Net cash provided by financing activities	5,737	6,749
Increase/(decrease) in cash and cash equivalents	(2,836)	4,142
Cash and cash equivalents, beginning of period	89,709	12,877
Cash and cash equivalents end of period	$ 86,873	$ 17,019

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

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GOLDEN STAR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in tables are in thousands of US dollars unless noted otherwise)
(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 as amended for the year ended December 31, 2005, on file with Securities and Exchange Commission and with the Canadian securities commissions. Financial information is presented in accordance with accounting principles generally accepted in Canada.

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

In management s opinion, the unaudited consolidated financial statements for the three months ended March 31, 2006 and March 31, 2005 contained herein reflect all adjustments, consisting solely of normal recurring items, which are necessary for the fair presentation of financial position, results of operations and cash flows on a basis consistent with that of our prior audited consolidated financial statements.

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

1. Description of Business

Through our subsidiaries we own a controlling interest in four significant gold properties in southern Ghana in West Africa: the Bogoso/Prestea property, which is comprised of the adjoining Bogoso and Prestea surface mining leases (Bogoso/Prestea), the Prestea Underground property (Prestea Underground), the Wassa property (Wassa), and the Hwini-Butre and Benso concessions (St. Jude Properties). In addition to these gold properties we hold various other exploration rights and interests and are actively exploring in a variety of locations in West Africa and South America.

Bogoso/Prestea is owned by our 90% owned subsidiary Bogoso Gold Limited (BGL). BGL was acquired in 1999. Bogoso/Prestea produced and sold 131,898 ounces of gold during 2005.

Through another 90% owned subsidiary, Wexford Goldfields Limited (WGL), we own the Wassa gold mine located some 35 kilometers east of Bogoso/Prestea. Construction and commissioning of Wassa s new processing plant and open pit mine was completed at the end of March 2005 and the project was placed in service on April 1, 2005. Wassa produced and sold 24,205 ounces of gold in the quarter ending March 31, 2006 and 93,275 ounces since its April 2005 in-service date.

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

Through our 100% owned subsidiary, St. Jude Resources Ltd. (St. Jude), we own the St. Jude Properties in southwest Ghana. The St. Jude Properties cover an area of 201 square kilometers. Both concessions contain undeveloped zones of gold mineralization. These two concessions are located between 40 and 80 kilometers south of Wassa. The mineralized zones have been delineated through the efforts of the prior owner who conducted extensive exploration work from the mid-1990s to 2005.

We hold interests in several gold exploration projects in Ghana and elsewhere in West Africa including Sierra Leone, Ghana, Burkina Faso, Niger and Cote d Ivoire. We also hold and manage exploration properties in Suriname and French Guiana in South America. We hold indirect interests in gold exploration properties in Peru and Chile through a 17% shareholding investment in Goldmin Consolidated Holdings. We also own a 53% interest in EURO a French registered, publicly-traded royalty holding company (formerly known as Guyanor Ressources S.A.) which owns a royalty interest based on gold production at Cambior Inc. s Rosebel gold mine in Suriname.

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

2. Inventories

	As of March 31, 2006	As of December 31, 2005
Stockpiled ore	$ 6,992	$ 5,753
In-process	3,285	3,106
Materials and supplies	16,061	14,322
Total inventories	$26,338	$23,181

3. Deposits

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

4. Long Term Investments

We hold a 17% interest in Goldmin Consolidated Holdings, a privately held gold exploration company which operates in South America. In the year ended December 31, 2005 we accounted for our investment as an equity investment but during the quarter ended March 31, 2006 our investment was diluted to less than 20% and we now account for the investment on the cost basis at $1.2 million.

As of December 31, 2005 we held approximately 11% of the outstanding common shares of Moto Goldmines Limited (Moto), a gold exploration and development company publicly traded in Canada, with a focus on gold exploration and development in the Democratic Republic of Congo. In March 2006 we exercised our remaining one million warrants increasing our total ownership to six million common shares, and immediately afterward sold all six million common shares in a bought-deal transaction in Canada for Cdn$7.50 per share. The sale of the six million shares resulted in net proceeds to Golden Star of $39.0 million (Cdn$45.0 million) yielding a pre-tax capital gain of $30.3 million. A $4.9 million non-cash tax expense was recognized on the gain.

5. Deferred Exploration and Development Costs

Consolidated property expenditures on our exploration projects for the three months ended March 31, 2006 were as follows:

	Deferred Exploration & Development Costs as of 12/31/05	Capitalized Exploration Expenditures	Acquistion Costs	Transfer to mining properties	Deferred Exploration & Development Costs as of 3/31/06
AFRICAN PROJECTS					
Akropong trend and other Ghana	$ 5,237	$ 178	$	$(3,438)	$ 1,977
Prestea property Ghana	2,074	25			2,099
Hwini-Butre and Benso Ghana	135,832	604	952		137,388
Mano River Sierra Leone	1,285				1,285
Afema Ivory Coast	1,028	93			1,121

Goulagou Burkina Faso	18,247		124		18,371
Other Africa	1,460		10		1,470
SOUTH AMERICAN PROJECTS					
Saramacca Suriname	731	26			757
Bon Espoir French Guiana	1,382	125			1,507
Paul Isnard French Guiana	256				256
TOTAL	$167,532	$1,051	$1,086	$(3,438)	$166,231

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6. Property, Plant and Equipment

	As of March 31, 2006			As of December 31, 2005		
	Property, Plant and Equipment at Cost	Accumulated Depreciation	Property, Plant and Equipment, Net Book Value	Property, Plant and Equipment at Cost	Accumulated Depreciation	Property, Plant and Equipment, Net Book Value
Bogoso/Prestea	$ 44,911	$ 9,359	$35,552	$40,802	$ 8,240	$32,562
Prestea Underground	2,847		2,847	2,748		2,748
Wassa	53,498	3,593	49,905	50,701	1,985	48,716
EURO Ressources	10		10	1,456	1,449	7
Corporate & Other	613	132	481	611	117	494
TOTAL	$101,879	$13,084	$88,795	$96,318	$11,791	$84,527

7. Mining Properties

	As of March 31, 2006			As of December 31, 2005		
	Mining Properties at Cost	Accumulated Amortization	Mining Properties, Net Book Value	Mining Properties at Cost	Accumulated Amortization	Mining Properties, Net Book Value
Bogoso/Prestea	$ 47,951	$30,126	$ 17,825	$ 46,970	$28,792	$ 18,178
Prestea Underground	23,348		23,348	21,612		21,612
Bogoso Sulfide	13,065		13,065	13,065		13,065
Mampon	15,467		15,467	15,062		15,062
Wassa	51,188	6,621	44,567	50,810	5,104	45,706
Other	7,592		7,592	4,465		4,465
TOTAL	$158,611	$36,747	$121,864	$151,984	$33,896	$118,088

8. Mine Construction-in-Progress

At March 31, 2006 and at December 31, 2005, mine construction-in-progress represents costs incurred for the Bogoso sulfide expansion project since the beginning of 2005. Included in the total are costs of development drilling, plant equipment purchases, materials and construction costs, including payments to the construction contractors.

9. Deferred Stripping

In recent years, mining at the Plant-North pit at Prestea has trended toward a deeper pit with longer life and higher and more variable stripping ratios than in the past. Stripping ratios at the Plant-North pit increased from 2.3 to 1 in 2002, to 3.4 to 1 in 2003 and to 5.1 to 1 in 2004. In response to the changing stripping rate we initiated a deferred waste stripping policy at the Plant-North pit during 2004.

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

The capitalized component of waste rock removal costs is shown on our consolidated balance sheets in the line item titled Deferred Stripping. The cost impact is included in the Statements of Operations in the line item titled Mining operations. In periods when the strip ratio exceeds the pit average, the costs of the excess stripping are excluded from our cost per ounce calculations. In periods when the strip ratio is less than the pit average, capitalized waste costs are added back to operating costs and included in cost per ounce calculations.

Based on actual results from 2004 and our January 1, 2005 mine plan, we expected to move 3.7 million tonnes of ore and 18.0 million tonnes of waste during the overall life of the Plant-North pit and thus the expected strip ratio was 4.8 to 1.

In January 2006, we completed a new mine plan which extended the life of Plant-North Pit to late in 2006. The new plan also added significant amounts of unanticipated waste tonnage, and projections of the life-of-mine strip ratio indicated that $3.4 million of deferred stripping costs accrued as of December 31, 2005 would not be recovered and was consequently written off in December 2005. During the quarter ended March 31, 2006, $0.5 million of deferred stripping costs were recovered and we expect the remaining deferred stripping cost will be recovered by the third quarter of 2006.

10. Debt

	As of March 31, 2006	As of December 31, 2005
Current debt:		
Bank loan at EURO Ressources (Note a)	$ 2,667	$ 2,667
CAT equipment financing loans (Note b)	4,918	4,188
Total current debt	$ 7,585	$ 6,855
Long term debt:		
Bank loan at EURO Ressources (Note a)	$ 4,333	$ 5,000
CAT equipment financing loans (Note b)	15,300	11,632
Convertible notes (Note c)	47,842	47,666
Total long term debt	$67,475	$64,298

(a) Bank debt In January 2005, EURO Ressources S.A. (EURO) drew down $6.0 million under a credit facility from a bank and paid the funds to Golden Star as the first installment on its purchase of the Rosebel royalty. The loan is repayable in nine equal payments of $666,667

beginning July 29, 2005. Accrued interest is added to each quarterly payment. The interest rate for each period is set at LIBOR plus 2.5% and EURO may choose a 1, 2 or 3 month interest period. The loan is collateralized by the assets of EURO, including the Rosebel royalty. The lender has no recourse to Golden Star. The fair value of the outstanding balance of this debt at March 31, 2006 is essentially equal to its carrying value.

In September 2005 EURO borrowed an additional $3.0 million from the same commercial bank and forwarded the proceeds to Golden Star. The interest rate on this debt is set at LIBOR plus 2.5% and EURO may choose a 1, 2 or 3 month interest period. The $3.0 million is to be repaid

by five quarterly payments of $0.6 million each, commencing October 31, 2007. The fair value of the outstanding balance of this debt at March 31, 2006 is essentially equal to its carrying value.

(b) Equipment financing credit facility We have established a $25 million equipment financing facility between Caterpillar Financial Services Corporation, BGL and WGL, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit for a mixture of new and used mining equipment. This facility is reviewed annually. Amounts drawn under this facility are repayable over five years for new equipment and over two years for used equipment. The interest rate for

each draw-down is fixed at the date of the draw-down using the Federal Reserve Bank 2-year or 5-year swap rate plus 2.38% or a floating interest rate of LIBOR plus 2.38%. As of March 31, 2006, $20.2 million was outstanding under this facility. The average interest rate on the outstanding loans is approximately 6.2%. We estimate the fair value of the Caterpillar debt to be approximately $18.5 million at March 31, 2006.

(c) Convertible notes — We sold $50 million of senior unsecured convertible notes to a private investment fund on April 15, 2005. These notes, maturing on April 15, 2009, were issued at par and bear interest at 6.85% with a conversion price of $4.50 per common share. At the maturity

date, we have the option, at our discretion and assuming the market price of our common shares exceeds $4.50 per share, to pay the outstanding notes with cash or by issuing common shares to the note holders. If the notes are paid in common shares the number of shares will be determined by dividing the loan balance by an amount equal to 95% of the average price of the 20 trading day period ended five days before the notes are due. Due to the beneficial conversion feature, approximately $47.1 million of the note balance was initially classified as a liability and $2.9 million was classified as equity. Periodic accretion will increase the liability to the full $50 million amount due (after adjustments for converted notes) by the end of the

note term. The periodic accretion is classified as interest expense. A total of $2.9 million of interest on the convertible notes was capitalized as Bogoso sulfide expansion project costs. We estimate the fair value of the convertible debentures to be essentially equal to its carrying value at March 31, 2006.

11. Loan Acquisition Costs

In the second quarter of 2005 approximately $0.9 million of loan acquisition fees were incurred in obtaining the $50 million convertible notes. This amount was capitalized and is being amortized to interest expense over the term of the notes based on the effective interest rate method. In addition, we recorded loan acquisition costs at EURO related to its January 2005 and September 2005 borrowings. As with the convertible notes, the balance is being amortized to interest expense over the term of the loan. We did not incur any additional loan acquisition costs during the quarter ending March 31, 2006.

12. Derivatives

EURO In January 2005, EURO, a majority owned subsidiary, entered into a series of contracts that qualify as derivatives as part of a $6.0 million loan agreement (see note 10a). EURO s derivatives are tied to a future stream of gold royalty payments EURO expects to receive from a Canadian mining company that purchased a mining property interest from Golden Star in 2002. Golden Star originally owned the royalty but sold the royalty to EURO in 2004. The derivative provides that (a) when the average gold price for a quarter exceeds $421 per ounce, EURO will pay to the counter party cash equal to the difference between the quarter s average gold price per ounce and $421 per ounce, times 5,700 ounces, and (b) when the average quarterly gold price is below $421 per ounce, EURO will receive a cash payment from the counterparty equal to the difference between $421 per ounce and the average gold price per ounce times 5,700 ounces. The $421 per ounce figure was the spot gold price on the date EURO entered into the derivative. The derivative agreement established 10 tranches of 5,700 ounces each which settle quarterly over ten quarters beginning in the first quarter of 2005.

In September 2005, EURO entered into a second set of derivative contracts related to a $3.0 million debt facility. These contracts are spread over ten quarters beginning in the last quarter of 2007 and have a fixed price of $458.50 per ounce which was approximately $18 per ounce over the spot price on the date of the agreement. The quarterly cash payments are determined exactly as with the first derivative describe above except $458.50 per ounce is the reference price for calculating the quarterly payments.

During 2005, we recorded a realized derivative loss of $0.5 million for the cash settlement of the first four quarterly tranches and we recorded $9.6 million of unrealized, non-cash mark-to-market losses as of December 31, 2005. At March 31, 2006 we recorded an additional $5.3 million mark-to-market loss for the first quarter of 2006.

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

We purchased an additional 90,000 put options in the third quarter of 2005 locking in a $400 per ounce floor for each of the 90,000 ounces. Continuing increases in the gold prices during the first quarter of 2006 resulted in a nil value for the puts at March 31, 2006. This was $0.1 million less than the value at December 31, 2005 and approximately $1.0 million less than the initial purchase cost. We have 150,000 ounces of put options with an average strike price of $406 per ounce remaining at March 31, 2006.

To acquire the put options in the third quarter of 2005, we sold 90,000 ounces of call options with a strike price of $525 per ounce. The revenues from the sale of the call options exactly offset the cost of the put options bought in the same quarter. Increasing gold prices in the first quarter of 2006 added $2.2 million to the settlement costs of the calls and accordingly we recorded a $2.2 million mark-to-market loss on the calls. In addition a 5,000 ounce tranche was exercised in March 2006 requiring a $0.2 million payment to the counterparty. The payment is included in derivative loss in the Statement of Operations. We have 60,000 ounces of call options with an average strike price of $525 per ounce remaining at March 31, 2006.

Foreign Currency Forward Positions To help control the potential adverse impact of fluctuations in foreign currency exchange rates on the cost of equipment and materials we expect to purchase during the 2006 construction phase of the Bogoso sulfide expansion project, we entered into Rand and Euro forward contracts. These contracts, established without cost, had a positive fair value of $1.0 million at December 31, 2005 and $0.9 million at March 31, 2006. The $0.1 million loss was recognized in our statement of operations at March 31, 2006.

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The following table summarizes our derivative contracts at March 31, 2006:

At March 31, 2006	Amount Outstanding/ Average Price 2006	2007	Thereafter	Total / Average
Cash-settled Forward Price Contracts (EURO Ressources)				
Ounces (thousands)	22.8	17.1	51.3	91.2
Average price per ounce ($)	421	430	459	443
Gold Put Options (Golden Star)				
Ounces (thousands)	112.5	37.5		150
Average price per ounce ($)	407	405		406
Gold Call Options (Golden Star)				
Ounces (thousands)	45	15		60
Average price per ounce ($)	525	525		525
Foreign Exchange Forward Contracts (Golden Star)				
South African Rand (millions)	67.3			67.3
Average Rate (ZAR/$)	6.8			6.8
Euros (EUR millions)	1.0			1.0
Average Rate (EUR /$)	0.80			0.80

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

Fair Value of Derivatives	March 31, 2006	December 31, 2005	(Expense)/ Gain
Cash-settled forward gold price agreements	$(14,859)	$ (9,560)	$(5,299)
Puts	6	74	(69)
Calls	(4,441)	(2,250)	(2,190)
Rand forward purchases	878	1,146	(268)

Euros forward purchases	(39)	(162)	123
Unrealized loss	$(18,455)	$(10,752)	$(7,703)
Realized losses:			
Cash-settled forward gold price agreements			(757)
Calls			(210)
Total gains/(losses)			$(8,670)

13. Asset Retirement Obligations

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

The changes in the carrying amount of the ARO during the first quarter of 2006 were as follows:

Balance at December 31, 2005	$11,393
Accretion expense	168
Cost of reclamation work performed	(185)
New AROs incurred during the period	750
Balance at March 31, 2006	$12,126
Current portion	$ 2,855
Long term portion	$ 9,271

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14. Commitments and Contingencies

Our commitments and contingencies include the following items:

(a) Environmental Regulations The Company s mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive as such we cannot predict the full amount of our future expenditure to comply with these laws and regulations. We conduct our operations so as to protect the environment and believe our operations are in compliance with applicable laws and regulations in all material respects.

(b) Environmental Bonding in Ghana In 2005, pursuant to a reclamation bonding agreement between the Ghana Environmental Protection Agency (EPA) and WGL, we bonded $3.0 million to cover future reclamation obligations at Wassa. To meet the bonding requirements we established a $2.85 million letter of credit and deposited $0.15 million of cash with the EPA. In addition, pursuant to a bonding agreement between the EPA and BGL we bonded $9.5 million in early 2006 to cover our future obligations at Bogoso/Prestea. To meet these requirements we deposited $0.9 million of cash with the EPA with the balance covered by a letter of credit.

(c) Cash Restricted for Environmental Rehabilitation Liabilities In 1999, we were required, according to the acquisition agreement with the sellers of BGL, to restrict $6.0 million of cash to be used for the ongoing and final reclamation and closure costs at Bogoso. Between 1999 and 2001 we withdrew $2.6 million of the restricted cash to cover our out-of-pocket cash reclamation costs. There have been no disbursements of the restricted cash since 2001. Now that BGL has met the EPA s environmental bonding requirements, we will seek to amend the agreement with the original sellers of BGL and obtain their consent to allow us to withdraw the remaining $3.4 million of restricted cash.

(d) Royalties -

(i) Dunkwa Properties: As part of the acquisition of the Dunkwa properties in August 2003, we agreed to pay the seller a net smelter return royalty on future gold production from the Mansiso and Asikuma properties. Per the acquisition agreement, there will be no royalty due on the first 200,000 ounces produced from Mampon which is located on the Asikuma property. The amount of the royalty is based on a sliding scale which ranges from 2% of net smelter return at gold prices at or below $300 per ounce up to 3.5% for gold prices in excess of $400 per ounce.

(ii) Government of Ghana: Under the laws of Ghana, a holder of a mining lease is required to pay an annual royalty of not less than 3% and not more than 6% of the total revenues earned from the lease area. The royalty is payable on a quarterly basis. We currently pay a 3% annual royalty on gold production from Bogoso/Prestea and Wassa production.

(iii) Benso: Benso is subject a 1.5% smelter return royalty and a $1.00 per ounce gold production royalty. The smelter return royalty may be purchased for $4.0 million (or $6.0 million if a feasibility study indicates more than 3.5 million ounces of recoverable gold) and the gold production royalty may be purchased for $0.5 million.

(iv) Prestea Underground The Prestea Underground is subject to a 2.5% net profits interest on future income. Ownership of the 2.5% net profit interest is currently held by the bankruptcy trustee overseeing liquidation of Prestea Gold Resources, our former joint venture partner in the Prestea Underground.

(e) Afema Project On March 29, 2005 we entered into an agreement with Societe d Etat pour le Developpement Minier de la Cote d Ivoire (SO.DE.MI.), the Cote d Ivoire state mining and exploration company, to acquire their 90% interest in the Afema gold property in south-east Cote d Ivoire. A $0.1 million initial payment to SO.DE.MI. provided us the right to carry out a six month detailed technical due diligence program which was essentially completed by September of 2005. We now have the right to acquire 100% of SO.DE.MI. s rights in the Afema

property for an additional $1.5 million. A six month extension to March 2006 was subsequently granted by SO.DE.MI. to allow Golden Star to carry out further due diligence work and to analyze the large quantity of data collected during 2005 before exercising our

right to acquire. Prior to the expiry of the option, we contacted SO.DE.MI. indicating our desire to exercise the option subject to SO.DE.MI. clarifying that (i) Golden Star will be indemnified in respect of the past environmental degradation at Afema, and (ii) that no other claims against the property exist. In addition to the acquisition payments, we agreed to pay SO.DE.MI. a royalty on any future gold production from the Afema property. The royalty is indexed to the gold price and ranges from 2% of net smelter returns at gold prices below $300 per ounce to 3.5% of net smelter returns for gold prices exceeding $525 per ounce. If we proceed with the $1.5 million payment to acquire full rights to the property, the purchase agreement requires us to spend an additional $3.5 million on exploration work at Afema, subject to exploration success, over the following three and a half years.

(f) We are engaged in routine litigation incidental to our business. No material legal proceedings, involving us or our business are pending, or, to our knowledge, contemplated, by any governmental authority. We are not aware of any material events of non-compliance with environmental laws and regulations.

15. Share Capital

Changes in share capital during the three months ended March 31, 2006 were:

	Shares	Amount
Balance as of December 31,2 005	205,954,582	$522,510
Common shares issued:		
Option exercises	1,307,176	3,259
Reclassification of warrants to capital surplus		(2,575)
Bonus shares and other	4,000	(134)
Balance as of March 31, 2006	207,265,758	$523,060

16. Warrants

The following warrants were outstanding as of March 31, 2006:

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

The 8.4 million warrants expiring February 14, 2007 are traded on the Toronto Stock Exchange under the symbol GSC.WT.A. No warrants were exercised during the quarters ended March 31, 2005 and 2006.

17. Stock Based Compensation

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.

In addition to options issued under the GSR Plan, there were 2,533,176 options issued to various employees of St. Jude of which 1,332,000 remain unexercised as of March 31, 2006. All of the remaining unexercised shares issued to St. Jude employees are rested. All figures shown below include the options issued to St. Jude employees.

Amounts recognized in the statements of operations with respect to our stock option plan are as follows:

	Three Months ended March 31,	
	2006	2005
Total cost of share-based payment plan during the quarter	$ 882	$ 558
Amount of related income tax benefit recognized to income		

We granted 746,000 and 514,000 options during the quarters ended March 31, 2006 and March 31, 2005, respectively. The Company recognized $0.9 million and $0.6 million of non-cash compensation expense in the quarters ended March 31, 2006 and 2005, respectively.
The fair value of options granted during the first quarters of 2006 and 2005 were estimated at the grant dates using the Black-Scholes option-pricing model based on the assumptions noted in the following table:

	Three months ended March 31,	
	2006	2005
Expected volatility	62.5% to 96.1%	34.9%
Risk-free interest rate	2.44% to 2.78%	3.15% to 3.52%
Expected lives	3.5 to 5 years	3.5 to 5 years
Dividend yield	0%	0%

Expected volatilities are based on the historical volatility of Golden Star s shares. Golden Star uses historical data to estimate share option exercise and employee departure behavior used in the Black-Scholes model; groups of employees that have similar historical behavior are considered separately for valuation purposes. The expected term of the options granted is derived from the output of the option pricing model and represents the period of time that the option granted are expected to be outstanding; the range given below results from certain groups of employees exhibiting different post-vesting behaviors. The risk-free rate for periods within the contractual term of the option is based on the Chartered Bank Administered Interest rates in effect at the time of the grant.
A summary of option activity under the Plan as of March 31, 2006 and changes during the quarter the ended is presented below:

	Options	Weighted-Average Excerise price	Weighted-Average Remaining Contractual Term	Aggregate intrinsic value
	(000)	(Cdn$)	(Years)	($000)
Outstanding as of December 31, 2005	7,390	2.75		
Granted	746	3.94		
Exercised	(1,307)	1.90		
Forfeited	(120)	7.08		
Outstanding as of March 31, 2006	6,709	2.97	5.8	4,534
Excerisable at March 31, 2006	5,598	2.51	4.3	4,534

The weighted-average grant date fair value of share options granted during the quarters ended March 31, 2006 and March 31, 2005 was Cdn$2.50 and Cdn$1.58, respectively. The intrinsic value of options exercised during the quarters ended March 31, 2006 and 2005 was $1.7 million and $0.1 million, respectively.

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A summary of the status of Golden Star s non-vested options as March 31, 2006 and changes during the quarter ended March 31, 2006, is presented below:

	Number of options (000)	Weighted-Average grant date fair value (Cdn$)
Nonvested at January 1, 2006	1,062	1.64
Granted	746	1.84
Vested	(629)	1.49
Forfeited	(68)	2.12
Nonvested at March 31, 2006	1,111	1.89

As of March 31, 2006 there was a total unrecognized compensation cost of $2.4 million related to non-vested share-based compensation arrangement granted under the GSR Plan. That cost is expected to be recognized over a weighted-average period of 2.8 years. The total fair value of shares vested during the quarters ended March 31, 2006 and March 2005 was Cdn$1.0 million and Cdn$0.4 million, respectively.

Stock Bonus Plan In December 1992, we established an Employees Stock Bonus Plan (the Bonus Plan) for any full-time or part-time employee (whether or not a director) of the Company or any of our subsidiaries who has rendered meritorious services which contributed to the success of the Company or any of its subsidiaries. The Bonus Plan provides that a specifically designated committee of the Board of Directors may grant bonus common shares on terms that it might determine, within the limitations of the Bonus Plan and subject to the rules of applicable regulatory authorities. The Bonus Plan, as amended, provided for the issuance of 900,000 common shares of bonus stock of which 499,162 common shares have been issued as of March 31, 2006.

During the quarters ended March 31, 2006 and 2005 we issued 4,000 and 45,342 common shares, respectively, to employees under the Bonus Plan.

18. Income Taxes

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

	Three months ended March 31,	
	2006	2005
Current		
Canada	$ 4,926	$
Foreign		
Future		
Canada		
Foreign	(6,249)	(54)
Total	$ (1,323)	$ (54)

The current tax expense recorded for the quarter ended March 31, 2006 is for the gain on sale of the Moto shares. The future tax benefit recorded in the quarter ended March 31, 2006 relates primarily to the EURO derivative loss and the decrease in the Ghanaian tax rate. Golden Star records a valuation allowance against any portion of its remaining future income tax assets that it believes will, more likely than not, fail to be realized.

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19. Earnings per Common Share

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

	Three months ended March 31, 2006	2005
Net income/(loss)	$19,023	$(2,223)
Shares (in millions)		
Weighted average number of common shares	206.8	142.3
Impact of Dilutive Securities:		
Options	2.3	1.9
Warrants		0.2
Weighted average number of dilutive common shares	209.1	144.4
Basic Income/(Loss) per Common Share	$ 0.092	$(0.016)
Diluted Income/(Loss) per Common Share	$ 0.091	$(0.016)

20. Supplemental Cash Flow Information

There was no cash paid for income taxes during the quarters ended March 31, 2006 and 2005. Cash paid for interest was $0.5 million and $0.1 million for March 31, 2006 and 2005, respectively. A total of $12,000 and nil of depreciation was included in general and administrative costs or was capitalized into projects for the quarters ended March 31, 2006 and 2005 respectively.

21. Operations by Segment and Geographic Area

The following segment and geographic data includes revenues based on product shipment origin and long-lived assets based on physical location. The corporate entity is incorporated in Canada and domiciled in the United States.

	Africa - Ghana					
As of and for the three months ended March 31	Bogoso/ Prestea	Wassa	Other	South America	Corporate	Total
2006						
Revenues	$ 11,554	$ 13,428	$ 15	$ 1,865	$ 530	$ 27,392
Net Income/(Loss)	(1,182)	(2,137)	3,623	(3,072)	21,791	19,023
Total Assets	174,045	105,130	207,263	12,464	102,748	601,650
2005						
Revenues	$ 16,717	$	$	$ 1,072	$ 262	$ 18,051
Net Income/(Loss)	1,826	(49)		(62)	(3,938)	(2,223)
Total Assets	94,974	78,845	32,040	2,560	50,735	259,154

22. Related Parties

During the first quarter of 2006 we obtained legal services from a legal firm to which our Chairman is counsel. Total value of all services purchased from this law firm during the first quarter was $0.4 million. Our Chairman did not personally perform any legal services for us during the first quarter nor did he benefit directly or indirectly from payments for the services performed by the firm.

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

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23. Financial Instruments

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

24. Generally Accepted Accounting Principles in the United States

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

(a) Consolidated Balance Sheets Under US GAAP	March 31, 2006	December 31, 2005
	(Restated-Note d13)	(Restated-Note d13)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 86,873	$ 89,709
Accounts receivable	7,891	6,560
Inventories	26,338	23,181
Future tax assets	2,343	6,248
Fair value of derivatives	884	1,220
Deposits	15,490	5,185
Other current assets	809	686
Total current assets	140,628	132,789
Restricted cash	5,258	3,865
Long term investments (Notes d1 and d2)		15,182
Deferred exploration and development costs (Notes d3 and d4)		
Property, plant and equipment (Note d5)	88,081	83,813
Mine construction in progress	61,770	36,707
Mining properties (Notes d3, d4 and d5)	238,038	237,153
Deferred stripping (Note d6)		1,548
Loan acquisition costs	955	1,020
Future tax asset	13,451	8,223
Other assets	509	2,144
Total assets	$ 548,690	$ 522,443
LIABILITIES		
Current liabilities	$ 47,159	$ 40,815
Long term debt (Note d8)	69,635	66,632
Asset retirement obligations	9,271	8,286
Future tax liability	45,380	45,072
Fair value of long term derivatives (Note d7)	20,979	15,842
Total liabilities	192,424	176,647

Minority interest	1,596	1,964
Commitments and contingencies		
SHAREHOLDERS EQUITY		
Share capital (Note d9)	524,246	523,696
Contributed surplus (Note d10)	6,771	4,419
Accumulated comprehensive income and other (Note d2)	1,316	9,495
Deficit	(177,663)	(193,778)
Total shareholders equity	354,670	343,832
Total liabilities and shareholders equity	$ 548,690	$ 522,443

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(b) Consolidated Statements of Operations under US GAAP	Three months ended March 31, 2006	Three months ended March 31, 2005
	(Restated-Note d13)	(Restated-Note d13)
Net income under Cdn GAAP	$19,023	$ (2,223)
Deferred exploration expenditures expensed per US GAAP (Note d3)	(2,886)	(4,574)
Depreciation and amortization differences Wassa (Note d5)	1,475	(4,654)
Write-off of deferred exploration properties (Note d3)		1,083
Derivative gain/(loss) on non-US$ warrants (Note d11)	(621)	5,430
Other (Notes d3 and d7)	(4)	40
Net income/(loss) under US GAAP before minority interest	16,987	(4,898)
Minority interest, as adjusted	158	2
Net Income/(loss) under US GAAP	17,145	(4,896)
Other comprehensive income gain on marketable securities (Note d2)		1,049
Comprehensive income/(loss)	$17,145	$ (3,847)
Basic net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	$ 0.083	$ (0.034)
Diluted net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	$ 0.082	$ (0.034)

(c) Consolidated Statements of Cash Flows under US GAAP	Three months ended March 31, 2006	Three months ended March 31, 2005
Cash provided by (used in):		
Operating Activities	$ (8,423)	$ (7,041)
Investing activities	(240)	4,434
Financing activities	5,737	6,749
Increase/(Decrease) in cash and cash equivalents	(2,926)	4,142
Cash and cash equivalent beginning of period	89,709	12,877
Cash and cash equivalents end of period	$86,873	$17,019

(d) Notes:

(1) Minority investments in entities whose major business is mineral exploration are deemed for US GAAP to be equivalent to exploration spending and are expensed as incurred.

(2) Under US GAAP, investments in marketable equity securities are marked to fair value at the end of each period with gains and losses recognized in the statement of operations. Under Cdn GAAP gains and losses on marketable equity securities are noted in the foot notes and recognized in the statement of operations only when the investment is sold.

(3) Under US GAAP, exploration, acquisition and general and administrative costs related to exploration projects are charged to expense as incurred. Under Cdn GAAP, exploration, acquisition and direct general and administrative costs related to exploration projects are capitalized. In each subsequent period, the exploration, engineering, financial and market information for each exploration project is reviewed by management to determine if any of the capitalized costs are impaired. If found impaired, the asset s cost basis is reduced in accordance with Cdn GAAP provisions.

(4) Under US GAAP, the initial purchase cost of mining properties is capitalized. Pre-acquisition costs and subsequent development costs incurred, until such time as a final feasibility study is completed, are expensed in the period incurred. Under Cdn GAAP, the purchase costs of new mining properties as well as all development costs incurred after acquisition are capitalized and subsequently reviewed each period for impairment. If found impaired, the asset s cost basis is reduced in accordance with Cdn GAAP provisions.

(5) Under US GAAP new production facilities are placed in service once the facility has been constructed and fully tested to the point where it can be shown that it is capable of producing its intended product. Under Cdn GAAP new production facilities are placed in service when output reaches a significant portion of the facility s design capacity. As such, the new Wassa mine and processing operation was placed in service on January 1, 2005 for US GAAP purposes and was

placed in service on April 1, 2005 for Cdn GAAP purposes. All operating expenses, including ARO accretion, depreciation, depletion and amortization and work in process inventory adjustments were recognized in the statement of operations for US GAAP during the first quarter of 2005 while such costs were capitalized net of revenues generated for Cdn GAAP.

(6) In March 2005, the Emerging Issues Task Force of the Financial Accounting Standards Board issued statement 04-6 Accounting for Stripping Costs Incurred During Production in the Mining Industry (EITF 04-6) which precludes deferral of stripping costs during a mine s production phase. EITF 04-6 requires that deferred stripping costs be considered a variable production cost. The new pronouncement is effective January 1, 2006 and transition provisions allow any remaining balances in deferred stripping asset accounts to be closed directly to retained earnings on January 1, 2006. In Canada the Emerging Issues Committee (EIC) has issued EIC 160 Stripping Costs Incurred in the Production Phase of the Mining Operation which concludes that deferred stripping costs during the production phase of a mine s life should generally be considered a variable production cost and included in the cost of inventory unless it can be shown the stripping costs represent a betterment to the mineral property.

(7) Under US GAAP the fair value of warrants denominated in currencies other than US$ is treated as a derivative liability. Under Cdn GAAP the fair value of all warrants are treated as a component of shareholders equity.

(8) For US GAAP purposes, 100% of the $50.0 million of convertible notes issued in the second quarter of 2005 was classified as a liability. Under Cdn GAAP, the fair value of the conversion feature is classified as equity and the balance is classified as a liability. Under Cdn GAAP, the liability portion is accreted each period in amounts which will increase the liability to its full amount as of the maturity date and the accretion is recorded as interest expense.

(9) Numerous transactions since the Company s organization in 1992 have contributed to the difference in share capital versus the Cdn GAAP balance, including: (i) under US GAAP, compensation expense was recorded for the difference between quoted market prices and the strike price of options granted to employees and directors under stock option plans while under Cdn GAAP, recognition of compensation expense was not required; (ii) in May 1992 our accumulated deficit was eliminated through an amalgamation (defined as a quasi-reorganization under US GAAP); under US GAAP the cumulative deficit was greater than the deficit under Cdn GAAP due to the past write-offs of certain deferred exploration costs; and (iii) gains recognized in Cdn GAAP upon issuances of subsidiaries shares are not allowed under US GAAP; (iv) when warrants denominated in currencies other than US$ are exercised the difference between the fair value and the strike price of the warrant is recorded as share capital for US GAAP purposes, but under Cdn GAAP only the strike price is recorded as share capital on exercise.

(10) Under Cdn GAAP the issuance-date fair value of all warrants issued and outstanding are recorded as contributed surplus. Under US GAAP contributed surplus excludes the fair value of warrants denominated in currencies other than US$. The fair value of warrants denominated in currencies other than US$ is recorded in derivative liability.

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

(12) In December 2004, the FASB finalized SFAS No. 123R Share-Based Payment, amending SFAS No. 123, effective beginning our first quarter of fiscal 2006. SFAS 123R requires the Company to expense stock

options based on grant date fair value in its financial statements. Further, the SFAS 123R requires additional accounting related to the income tax effects and additional disclosure regarding the cash flow effects resulting from share-based payment arrangements. In March 2005, the U.S. Securities and Exchange Commission (the SEC) issued Staff Accounting Bulletin (SAB) No. 107, which expresses views of the SEC staff regarding the interaction between SFAS 123R and certain SEC rules and regulations, and provides the staff s views regarding the valuation of share-based payment arrangements for public companies. We adopted the optional provisions of FAS 123 in 2003 and have expensed share based payments since that time. We have expanded share-based payment disclosures as required by of SFAS No. 123R at March 31, 2006.

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

	For the three months ended			
	March 31, 2006		**March 31, 2005**	
Statement of Operations	**Originally stated**	**Restated**	**Originally stated**	**Restated**
Derivative loss USD Warrants		(621)		5,430
Net Income/(Loss) under US GAAP before minority interest	17,608	16,987	(10,328)	(4,898)
Net Income/(Loss) under US GAAP	17,766	17,145	(10,326)	(4,896)
Comprehensive income/(loss)	17,766	17,145	(9,277)	(3,847)
Basic net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	$ 0.086	$ 0.083	$ (0.073)	$ (0.034)
Diluted net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	$ 0.085	$ 0.082	$ (0.073)	$ (0.034)

	March 31, 2006		**December 31, 2005**	
Balance Sheet	**Originally stated**	**Restated**	**Originally stated**	**Restated**
Fair value of long term derivatives	11,780	20,979	7,263	15,842
Total liabilities	183,225	192,424	168,068	176,647
Share Capital	520,090	524,246	519,540	523,696
Contributed Surplus	9,330	6,771	8,294	4,419
Deficit	(166,867)	(177,663)	(183,602)	(193,778)
Total shareholders equity	363,869	354,670	352,411	343,832

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ITEM 4. CONTROLS AND PROCEDURES

It was determined that as of March 31, 2006 management did not maintain effective controls over the presentation and documentation of certain derivatives. Specifically, Golden Star did not properly account in its US GAAP footnote (note 24) for warrants denominated in currencies other than US dollars. Warrants denominated in currencies other than US dollars were treated as a component of shareholders equity. Proper accounting would have treated them as a derivative instrument which would have been marked to fair value at the end of each period. This control deficiency resulted in the requirement for the restatement of our US GAAP footnote financial statements for the quarter ended March 31, 2006. Because of the existence of the deficiency in question at March 31, 2006, management concluded that Golden Star s internal control over financial reporting was ineffective as of that date.

(a) Disclosure Controls and Procedures

As of March 31, 2006, an evaluation was carried out under the supervision and with the participation of the Company s management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of Golden Star s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on the evaluation and as a result of the material weakness discussed above, management has concluded that as of March 31, 2006 our disclosure controls and procedures were not effective.

(b) Changes in Internal Control over Financial Reporting

Changes to our internal control over financial reporting to address the material weakness described above were implemented subsequent to the quarter ended September 30, 2006. There was no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2006 that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

ITEM 6. EXHIBITS,

31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certificate of Principal Executive Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

32.2 Certificate of Principal Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-Q/A to be signed on its behalf by the undersigned, thereunto duly authorized.

GOLDEN STAR RESOURCES LTD.
Registrant

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

Date: February 26, 2007

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EXHIBITS

31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certificate of Principal Executive Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

32.2 Certificate of Principal Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)