

GOLDEN STAR RESOURCES LTD.

FORM 10-Q (Quarterly Report)

Filed 08/08/06 for the Period Ending 06/30/06

Telephone	416 583 3800
CIK	0000903571
Symbol	GSS
SIC Code	1040 - Gold And Silver Ores
Industry	Gold & Silver
Sector	Basic Materials
Fiscal Year	12/31

GOLDEN STAR RESOURCES LTD

FORM 10-Q (Quarterly Report)

Filed 8/8/2006 For Period Ending 6/30/2006

Address	10901 WEST TOLLER DRIVE SUITE 300 LITTLETON, Colorado 80127
Telephone	303-830-9000
CIK	0000903571
Industry	Gold & Silver
Sector	Basic Materials
Fiscal Year	12/31

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2006

OR

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

Commission file number 1-12284

GOLDEN STAR RESOURCES LTD.

(Exact Name of Registrant as Specified in Its Charter)

Canada

(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

Common Shares

Name of each exchange on which registered

American Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Warrants Issued February 2003

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

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

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

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

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

TABLE OF CONTENTS

PART I

ITEM 1. FINANCIAL STATEMENTS

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

ITEM 4 CONTROLS AND PROCEDURES

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

ITEM 1A. RISK FACTORS

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

ITEM 5. OTHER INFORMATION

EPCM Services Agreement

Certification of Principal Executive Officer Pursuant to Section 302

Certification of Principal Financial Officer Pursuant to Section 302

Certification of Principal Executive Officer Pursuant to Section 906

Certification of Principal Financial Officer Pursuant to Section 906

REPORTING CURRENCY, FINANCIAL AND OTHER INFORMATION

All amounts in this report are expressed in United States (“US”) dollars, unless otherwise indicated. Canadian currency is denoted as “Cdn\$.” Euros are denoted as “€”.

Financial information is presented in accordance with accounting principles generally accepted in Canada (“Cdn GAAP” or “Canadian GAAP”). Differences between accounting principles generally accepted in the US (“US GAAP”) and those applied in Canada, as applicable to Golden Star Resources Ltd., are explained in Note 25 to the Consolidated Financial Statements.

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

NON-GAAP FINANCIAL MEASURES

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

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

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

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

These statements include comments regarding: the establishment and estimates of mineral reserves and resources, recovery rates, production, production commencement dates, production costs, cash operating costs, total cash costs, grade, processing capacity, potential mine life, feasibility studies, permitting and licensing, development costs, expenditures, exploration activities and expenditures, recovery of deferred stripping charges at the Bogoso and Prestea mining leases, equipment replacement, anticipated benefits from St. Jude Resources Ltd., our plan to complete feasibility studies on the Hwini-Butre and Benso concessions in 2006, development and mining of the new Pampe project, our expansion plans for Bogoso/Prestea, anticipated commissioning of the Bogoso Sulfide Expansion Project, related permitting and capital costs and anticipated production and other estimates at Bogoso/Prestea in 2006 and 2007, cash requirements and sources, production capacity, operating costs and gold recoveries and estimated capital spending in 2006.

Table of Contents

The following, are among the factors that could cause actual results to differ materially from the forward-looking statements:

- unexpected changes in business and economic conditions;
- significant increases or decreases in gold prices;
- changes in interest and currency exchange rates;
- timing and amount of gold production;
- failure to realize the anticipated benefits from the St. Jude Properties;
- failure to develop reserves on the St. Jude Properties;
- unanticipated grade changes;
- unanticipated recovery or production problems;
- effects of illegal miners on our properties;
- changes in mining and processing costs including changes to costs of raw materials, supplies, services and personnel;
- changes in material type that impacts mining and processing;
- availability of skilled personnel, materials, equipment, supplies, power and water;
- changes in project parameters;
- costs and timing of development of new reserves;
- results of current and future exploration activities;
- results of pending and future feasibility studies;
- joint venture relationships;
- political or economic instability, either globally or in the countries in which we operate;
- local and community impacts and issues;
- timing of receipt of, and maintenance of, government approvals and permits;
- accidents and labor disputes;
- environmental costs and risks;
- marine transit and other shipping risks, including delays and losses;
- competitive factors, including competition for property acquisitions; and
- availability of capital at reasonable rates or at all.

These factors are not intended to represent a complete list of the general or specific factors that could affect us. Your attention is drawn to other risk factors disclosed and discussed in Item 1A of our 2005 Form 10-K. We undertake no obligation to update forward-looking statements.

PART I

ITEM 1. FINANCIAL STATEMENTS

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

	As of June 30, 2006	As of December 31, 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 20,882	\$ 89,709
Short term investments (Note 2)	21,080	—
Accounts receivable	7,339	6,560
Inventories (Note 3)	35,801	23,181
Future tax assets	—	6,248
Fair value of derivatives (Note 13)	12	1,220
Deferred stripping (Note 11)	516	1,548
Deposits (Note 4)	9,637	5,185
Prepays and other	492	686
Total Current Assets	95,759	134,337
RESTRICTED CASH	5,093	5,442
LONG TERM INVESTMENTS (Note 5)	1,156	8,160
DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 7)	166,021	167,532
PROPERTY, PLANT AND EQUIPMENT (Note 8)	85,538	84,527
MINING PROPERTIES (Note 9)	128,024	118,088
CONSTRUCTION IN PROGRESS (Note 10)	115,257	36,707
FUTURE TAX ASSETS	4,456	8,223
OTHER ASSETS	1,358	1,587
Total Assets	\$ 602,662	\$ 564,603
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 41,560	\$ 26,144
Fair value of derivatives (Note 13)	2,928	4,709
Asset retirement obligations (Note 14)	2,735	3,107
Future tax liability	74	—
Current debt (Note 12)	4,666	6,855
Total Current Liabilities	51,963	40,815
LONG TERM DEBT (Note 12)	62,270	64,298
ASSET RETIREMENT OBLIGATIONS (Note 14)	9,618	8,286
FAIR VALUE OF DERIVATIVES (Note 13)	—	7,263
FUTURE TAX LIABILITY	42,263	45,072
Total liabilities	166,114	165,734
MINORITY INTERESTS	6,673	6,629
COMMITMENTS AND CONTINGENCIES (Note 15)	—	—
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 16)		
First preferred shares, without par value, unlimited shares authorized. No shares issued	—	—
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 207,773,758 at June 30, 2006; 205,954,582 at December 31, 2005	524,367	522,510
CONTRIBUTED SURPLUS	9,309	6,978
EQUITY COMPONENT OF CONVERTIBLE NOTES	2,857	2,857
DEFICIT	(106,658)	(140,105)
Total Shareholders' Equity	429,875	392,240
Total Liabilities and Shareholders' Equity	\$ 602,662	\$ 564,603

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

	Three months ended		Six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
REVENUE				
Gold sales	\$ 28,675	\$ 23,403	\$ 53,611	\$ 40,094
Royalty income	2,003	1,069	3,840	2,119
Interest and other	842	451	1,461	761
Total revenues	31,520	24,923	58,912	42,974
PRODUCTION EXPENSES				
Mining operations	21,088	19,890	44,551	31,966
Depreciation, depletion and amortization	5,248	3,741	10,825	5,913
Accretion of asset retirement obligation (Note 14)	186	181	354	368
Total mine operating costs	26,522	23,812	55,730	38,247
OPERATING EXPENSES				
Exploration expense	378	247	590	414
General and administrative expense	2,377	2,086	5,132	4,948
Corporate development expense	—	14	—	110
Total production and operating expenses	29,277	26,159	61,452	43,719
Operating income/(loss)	2,243	(1,236)	(2,540)	(745)
OTHER EXPENSES, (GAINS) AND LOSSES				
Derivative mark-to-market loss (Note 13)	2,058	647	10,728	1,927
Abandonment and impairment of mineral properties	—	—	—	1,083
Gain on sale of portion of investment in EURO (Note 6)	(20,940)	—	(20,940)	—
Gain on sale of investment in Moto (Note 5)	—	—	(30,294)	—
Loss on equity investments	—	70	—	110
Interest expense	490	773	961	852
Foreign exchange (gain)/loss	(2,336)	736	(3,457)	842
Income/(loss) before minority interest	22,971	(3,462)	40,462	(5,559)
Minority interest	(253)	(200)	(44)	(380)
Net income/(loss) before income tax	22,718	(3,662)	40,418	(5,939)
Provision for future income taxes (Note 19)	(8,294)	(33)	(6,971)	21
Net income/(loss)	\$ 14,424	\$ (3,695)	\$ 33,447	\$ (5,918)
Deficit, beginning of period	(121,082)	(128,797)	(140,105)	(126,574)
Deficit, end of period	\$(106,658)	\$(132,492)	\$(106,658)	\$(132,492)
Net income/(loss) per common share - basic (Note 20)	\$ 0.070	\$ (0.026)	\$ 0.161	\$ (0.042)
Net income/(loss) per common share - diluted (Note 20)	\$ 0.069	\$ (0.026)	\$ 0.160	\$ (0.042)
Weighted average shares outstanding (millions of shares)	207.1	142.4	207.2	142.4

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

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

	Three months ended		Six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
OPERATING ACTIVITIES:				
Net income/(loss)	\$ 14,424	\$ (3,695)	\$ 33,447	\$ (5,918)
Reconciliation of net income/(loss) to net cash provided by operating activities:				
Depreciation, depletion and amortization	5,243	3,741	10,836	5,913
Amortization of loan acquisition cost	79	75	144	75
Deferred stripping	516	33	1,032	117
Loss on equity investment	—	70	—	110
Gain on sale of investment in Moto and EURO	(20,940)	—	(51,234)	—
Non-cash employee compensation	164	234	1,061	802
Abandonment and impairment of mineral properties	—	—	—	1,083
Provision for future income taxes	8,294	34	7,280	(20)
Reclamation expenditures	(338)	(63)	(523)	(292)
Fair value of derivatives	(1,832)	647	5,871	1,927
Accretion of convertible debt	184	—	352	—
Accretion of asset retirement obligations	177	181	354	368
Minority interests	253	200	44	380
	6,224	1,457	8,664	4,545
Changes in assets and liabilities:				
Accounts receivable	(1,279)	(2,131)	(2,610)	(2,888)
Inventories	(9,463)	(7,410)	(12,620)	(5,659)
Deposits	(1,571)	(425)	(2,670)	(957)
Accounts payable and accrued liabilities	4,221	1,770	1,801	1,769
Other	319	7	194	92
Net cash used in operating activities	(1,549)	(6,732)	(7,241)	(3,098)
INVESTING ACTIVITIES:				
Expenditures on deferred exploration and development	(2,660)	(1,375)	(4,797)	(2,063)
Expenditures on mining properties	(4,758)	(8,158)	(7,762)	(14,520)
Expenditures on property, plant and equipment	(634)	(15,061)	(6,250)	(19,093)
Expenditures on mine construction in progress	(44,783)	4,568	(69,402)	(6,039)
Asset retirement obligation assets	—	757	—	1,057
Investment in short term investments	(21,080)	(20,050)	(21,080)	(3,650)
Decrease in restricted cash	165	—	349	—
Expenditure on purchase of Moto shares	—	—	(1,656)	—
Proceeds from sale of investment in Moto	—	—	38,952	—
Proceeds from sale of EURO shares	3,239	—	3,239	—
Change in payable on capital expenditures	(1,362)	—	4,075	—
Sale of property	—	—	—	1,000
Deposits	7,424	75	(1,782)	(2,254)
Other	(416)	(2,583)	(364)	(2,506)
Net cash used in investing activities	(63,597)	(41,827)	(66,478)	(48,068)
FINANCING ACTIVITIES:				
Issuance of share capital, net of issue costs	1,123	125	3,276	300
Debt repayments	(1,968)	(408)	(3,689)	(885)
Issuance of debt	—	48,345	5,453	55,504
Other	—	1,864	(150)	1,756
Net cash provided/(used) by financing activities	(845)	49,926	4,892	56,675
Increase/(decrease) in cash and cash equivalents	(65,991)	1,367	(68,827)	5,509
Cash and cash equivalents, beginning of period	86,873	17,019	89,709	12,877
Cash and cash equivalents end of period	\$ 20,882	\$ 18,386	\$ 20,882	\$ 18,386

(See Note 21 for supplemental cash flow information)

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

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

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

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

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

1. Description of Business

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

Bogoso/Prestea is owned by our 90% owned subsidiary Bogoso Gold Limited ("BGL") which was acquired in 1999. Bogoso/Prestea produced and sold approximately 132,000 ounces of gold during 2005.

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

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

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

Table of Contents

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

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

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

2. Short term investments

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

3. Inventories

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

4. Deposits

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

5. Long Term Investments

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

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

6. Investment in EURO

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

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

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

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

7. Deferred Exploration and Development Costs

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

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

8. Property, Plant and Equipment

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

9. Mining Properties

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

10. Mine Construction—in-Progress

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

11. Deferred Stripping

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

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

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

12. Debt

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

- (a) Bank debt – As a result of the sale of the EURO shares in June 2006 (see Note 6) Golden Star no longer consolidates the financial statements of EURO as of June 30, 2006. Therefore the EURO bank loan is not included within consolidated debt as of June 30, 2006.
- (b) Equipment financing credit facility – We have established an equipment financing facility between Caterpillar Financial Services Corporation, BGL and WGL, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit for a mixture of new and used mining equipment. This facility is reviewed annually. Amounts drawn under this facility are repayable over five years for new equipment and over two years for used equipment. The interest rate for each draw-down is fixed at the date of the draw-down using the Federal Reserve Bank 2-year or 5-year swap rate or LIBOR plus 2.38%. As of June 30, 2006, \$18.9 million was outstanding under this facility. The average interest rate on the outstanding loans is approximately 6.7%. We estimate the fair value of the equipment financing facility to be approximately \$16.2 million at June 30, 2006.
- (c) Convertible notes – We sold \$50 million of senior unsecured convertible notes to a private investment fund on April 15, 2005. These notes, maturing on April 15, 2009, were issued at par and bear interest at 6.85% with a conversion price of \$4.50 per common share. At the maturity date, we have the option, to repay the outstanding notes with i.) cash, ii.) by issuing common shares to the note holders or iii.) a combination of cash and common shares. For any notes repaid in common shares the number of shares will be determined by dividing the loan balance by an amount equal to 95% of the average price of the 20 trading day period ended five days before the notes are due. Due to the beneficial conversion feature, approximately \$47.1 million of the note balance was initially classified as a liability and \$2.9 million was classified as equity. Periodic accretion will increase the liability to the full \$50 million amount due (after adjustments, if any, for converted notes) by the end of the note term. The periodic accretion is included in interest expense. A total of \$4.0 million of interest on the convertible notes was capitalized as Bogoso sulfide expansion project costs. We estimate the fair value of the convertible notes to be essentially equal to their carrying value at June 30, 2006.

13. Derivatives

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

Table of Contents

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

14. Asset Retirement Obligations

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

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

Balance at December 31, 2005	\$ 11,393
Accretion expense	354
Cost of reclamation work performed	(523)
New AROs incurred during the period	1,129
Balance at June 30, 2006	\$ 12,353
Current portion	\$ 2,735
Long term portion	\$ 9,618

15. Commitments and Contingencies

Our commitments and contingencies include the following items:

- (a) **Environmental Regulations** – The Company’s mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. As such we cannot predict the full amount of our future expenditure to comply with these laws and regulations. We conduct our operations so as to protect the environment and believe our operations are in compliance with applicable laws and regulations in all material respects.
- (b) **Environmental Bonding in Ghana** – In 2005, pursuant to a reclamation bonding agreement between the Ghana Environmental Protection Agency (“EPA”) and WGL, we bonded \$3.0 million to cover future reclamation obligations at Wassa. To meet the bonding requirements we established a \$2.85 million letter of credit and deposited \$0.15 million of cash with the EPA. In addition, pursuant to a bonding agreement between the EPA and BGL we bonded \$9.5 million in early 2006 to cover our future obligations at Bogoso/Prestea. To meet these requirements we deposited \$0.9 million of cash with the EPA with the balance covered by a letter of credit.
- (c) **Cash Restricted for Environmental Rehabilitation Liabilities** – In 1999, we were required, according to the acquisition agreement with the sellers of BGL, to restrict \$6.0 million of cash to be used for the ongoing and final reclamation and closure costs at Bogoso. Between 1999 and 2001 we withdrew \$2.6 million of the restricted cash to cover our out-of-pocket cash reclamation costs. There have been no disbursements of the restricted cash since 2001. Now that BGL has met the EPA’s environmental bonding requirements, we will seek to amend the agreement with the original sellers of BGL and obtain their consent to allow us to withdraw the remaining restricted cash which now totals \$3.5 million.
- (d) **Royalties** –
 - (i) **Dunkwa Properties:** As part of the acquisition of the Dunkwa properties in August 2003, we agreed to pay the seller a net smelter return royalty on future gold production from the Mansiso and Asikuma properties. Per the acquisition agreement, there will be no royalty due on the first 200,000 ounces produced from Mampon which is located on the Asikuma property. The amount of the royalty is based on a sliding scale which ranges from 2% of net smelter return at gold prices at or below \$300 per ounce up to 3.5% for gold prices in excess of \$400 per ounce.
 - (ii) **Government of Ghana:** Under the laws of Ghana, a holder of a mining lease is required to pay an annual royalty of not less than 3% and not more than 6% of the total revenues earned from the lease area. The royalty is payable on a quarterly basis. We currently pay a 3% annual royalty on gold production from Bogoso/Prestea and Wassa.
 - (iii) **Benso:** Benso is subject a 1.5% net smelter return royalty and a \$1.00 per ounce gold production royalty. The smelter return royalty may be purchased for \$4.0 million (or \$6.0 million if a feasibility study indicates more than 3.5 million ounces of recoverable gold) and the gold production royalty may be purchased for \$0.5 million.

Table of Contents

- (iv) Prestea Underground – The Prestea Underground is subject to a 2.5% net profits interest on future income. Ownership of the 2.5% net profit interest is currently held by the bankruptcy trustee overseeing liquidation of Prestea Gold Resources Limited, our former joint venture partner in the Prestea Underground.
- (e) Afema Project – On March 29, 2005 we entered into an agreement with Societe d’Etat pour le Developpement Minier de la Cote d’Ivoire (“SO.DE.MI.”), the Cote d’Ivoire state mining and exploration company, to acquire their 90% interest in the Afema gold property in south–east Cote d’Ivoire. A \$0.1 million initial payment to SO.DE.MI. provided us the right to carry out a six month detailed technical due diligence program. On September 30, 2005 a six month extension to March 29, 2006 was granted by SO.DE.MI. to allow Golden Star to carry out further due diligence work and to analyze the large quantity of data collected during 2005. On March 14, 2006, we contacted SO.DE.MI. clarifying that (i) Golden Star will be indemnified in respect of the past environmental degradation at Afema, and (ii) that no other claims against the property exist. SO.DE.MI. is still considering its response to the latter question and hence the option remains unexercised pending their decision. In addition to the acquisition payments, we agreed to pay SO.DE.MI. a royalty on any future gold production from the Afema property. The royalty is indexed to the gold price and ranges from 2% of net smelter returns at gold prices below \$300 per ounce to 3.5% of net smelter returns for gold prices exceeding \$525 per ounce. If we proceed with the \$1.5 million payment to acquire full rights to the property, the purchase agreement requires us to spend an additional \$3.5 million on exploration work at Afema, subject to exploration success, over the following three and a half years.
- (f) We are engaged in routine litigation incidental to our business. No material legal proceedings, involving us or our business are pending, or, to our knowledge, contemplated, by any governmental authority. We are not aware of any material events of non-compliance with environmental laws and regulations.

16. Share Capital

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

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

17. Warrants

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

Table of Contents

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

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

18. Stock Based Compensation

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

In addition to options issued under the Plan, 2,533,176 options were issued to various employees of St. Jude in exchange for St. Jude options of which 864,000 remain unexercised as of June 30, 2006. All of the remaining unexercised options held by St. Jude employees are vested. All figures shown below include the options issued to St. Jude employees.

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

	<u>Six months ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Total cost during the period	\$1,045	\$802
Amount of related income tax benefit recognized to income	—	—

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

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

	<u>Six months ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
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

Table of Contents

range given below results from certain groups of employees exhibiting different post-vesting behaviors. The risk-free rate for periods within the contractual term of the option is based on the Canadian Chartered Bank Administered Interest rates in effect at the time of the grant.

A summary of option activity under the Plan as of June 30, 2006 and changes during the six months then ended is presented below:

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

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

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

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

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

Stock Bonus Plan – In December 1992, we established an Employees' Stock Bonus Plan (the "Bonus Plan") for any full-time or part-time employee (whether or not a director) of the Company or any of our subsidiaries who has rendered meritorious services which contributed to the success of the Company or any of its subsidiaries. The Bonus Plan provides that a specifically designated committee of the Board of Directors may grant bonus common shares on terms that it might determine, within the limitations of the Bonus Plan and subject to the rules of applicable regulatory authorities. The Bonus Plan, as amended, provides for the issuance of 900,000 common shares of bonus stock of which 495,162 common shares had been issued as of June 30, 2006.

Table of Contents

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

19. Income Taxes

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

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

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

20. Earnings per Common Share

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

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

21. Supplemental Cash Flow Information

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

22. Operations by Segment and Geographic Area

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

Table of Contents

As of and for the three months ended June 30,	Africa – Ghana			South America	Corporate	Total
	Bogoso/ Prestea	Wassa	Other			
2006						
Revenues	\$ 14,903	\$ 13,851	\$ 2	\$ 2,119	\$ 645	\$ 31,520
Net income/(loss)	2,039	(114)	(601)	(5,263)	18,363	14,424
Total assets	234,632	105,432	206,224	1,031	55,343	602,662
2005						
Revenues	\$ 14,233	\$ 9,190	\$ —	\$ 1,050	\$ 450	\$ 24,923
Net income/(loss)	1,769	(2,627)	—	469	(3,306)	(3,695)
Total assets	103,221	90,126	35,264	3,301	78,115	310,027
As of and for the six months ended June 30,	Africa – Ghana			South America	Corporate	Total
	Bogoso/ Prestea	Wassa	Other			
2006						
Revenues	\$ 26,457	\$ 27,279	\$ 17	\$ 3,984	\$ 1,175	\$ 58,912
Net income/(loss)	857	(2,251)	3,024	(8,335)	40,152	33,447
Total assets	234,632	105,432	206,224	1,031	55,343	602,662
2005						
Revenues	\$ 30,950	\$ 9,190	\$ —	\$ 2,119	\$ 715	\$ 42,974
Net income/(loss)	3,595	(2,676)	—	407	(7,244)	(5,918)
Total assets	103,221	90,126	35,264	3,301	78,115	310,027

23. Related Parties

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

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

24. Financial Instruments

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

25. Generally Accepted Accounting Principles in the United States

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

Table of Contents

(a) Consolidated Balance Sheets Under US GAAP

	June 30, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,882	\$ 89,709
Short term investments	21,080	—
Accounts receivable	7,339	6,560
Inventories	35,801	23,181
Future tax assets	—	6,248
Fair value of derivatives	12	1,220
Deposits	9,637	5,185
Other current assets	492	686
Total current assets	95,243	132,789
Restricted cash	5,093	3,865
Long term investments (Notes d1 and d2)	—	15,182
Deferred exploration and development costs (Notes d3 and d4)	—	—
Property, plant and equipment (Note d5)	84,824	83,813
Mine construction in progress	115,257	36,707
Mining properties (Notes d3, d4 and d5)	239,119	237,153
Deferred stripping (Note d6)	—	1,548
Loan acquisition costs	766	1,020
Future tax asset	4,456	8,223
Other assets	592	1,124
Total assets	\$ 545,350	\$ 522,443
LIABILITIES		
Current liabilities	\$ 51,962	\$ 40,815
Long term debt (Note 7)	64,253	66,632
Asset retirement obligations	9,618	8,286
Future tax liability	42,263	45,072
Fair value of long term derivatives	—	7,263
Total liabilities	168,096	168,068
Minority interest	2,070	1,964
Commitments and contingencies	—	—
SHAREHOLDERS' EQUITY		
Share capital (Note d8)	521,398	519,540
Contributed surplus	10,625	8,294
Accumulated comprehensive income and other (Note d2)	—	8,179
Deficit	(156,839)	(183,602)
Total shareholders' equity	375,184	352,411
Total liabilities and shareholders' equity	\$ 545,350	\$ 522,443

Table of Contents

(b) Consolidated Statements of Operations under US GAAP

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Net income under Cdn GAAP	\$14,424	\$(3,695)	\$33,447	\$ (5,918)
Deferred exploration expenditures expensed per US GAAP (Note d3)	(4,947)	999	(7,833)	(3,575)
Impact of start-up accounting	—	(1,072)	—	(5,725)
Depreciation and amortization differences – Wassa (Note d5)	262	—	1,737	—
Write-off of deferred exploration properties (Note d3)	—	—	—	1,083
Other (Notes d3 and d7)	509	180	505	220
Net income/(loss) under US GAAP before minority interest	10,248	(3,588)	27,856	(13,915)
Minority interest, as adjusted	(220)	54	(62)	56
Net income/(loss) under US GAAP	10,028	(3,534)	27,794	(13,859)
Other comprehensive income – gain on marketable securities (Note d2)	—	(156)	—	893
Comprehensive income/(loss)	\$10,028	\$(3,690)	\$27,794	\$(12,966)
Basic net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	\$ 0.048	\$(0.025)	\$ 0.134	\$ (0.097)
Diluted net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	\$ 0.047	\$(0.024)	\$ 0.133	\$ (0.090)

(c) Consolidated Statements of Cash Flows under US GAAP

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Cash provided by (used in):				
Operating activities	\$ (4,984)	\$ (4,243)	\$(13,407)	\$(11,284)
Investing activities	(60,072)	(44,146)	(60,312)	(39,712)
Financing activities	(845)	49,756	4,892	56,505
Increase/(Decrease) in cash and cash equivalents	(65,901)	1,367	(68,827)	5,509
Cash and cash equivalent beginning of period	86,783	17,019	89,709	12,877
Cash and cash equivalents end of period	\$ 20,822	\$ 18,386	\$ 20,822	\$ 18,386

(d) Notes:

- (1) Minority investments in entities whose major business is mineral exploration are deemed for US GAAP to be equivalent to exploration spending and are expensed as incurred.
- (2) Under US GAAP, investments in marketable equity securities are marked to fair value at the end of each period with gains and losses recognized in the statement of operations. Under Cdn GAAP gains and losses on marketable equity securities are noted in the foot notes and recognized in the statement of operations only when the investment is sold.
- (3) Under US GAAP, exploration, acquisition (except for Purchase Accounting costs) and general and administrative costs related to exploration projects are charged to expense as incurred. Under Cdn GAAP, exploration, acquisition and direct general and administrative costs related to exploration projects are capitalized. In each subsequent period, the exploration, engineering, financial and market information for each exploration project is reviewed by management to determine if any of the capitalized costs are impaired. If found impaired, the asset's cost basis is reduced in accordance with Cdn GAAP provisions.
- (4) Under US GAAP, the initial purchase cost of mining properties is capitalized. Pre-acquisition costs and subsequent development costs incurred, until such time as a final feasibility study is completed, are expensed in the period incurred. Under Cdn GAAP, the purchase costs of new mining properties as well as all development costs incurred after

acquisition are capitalized and subsequently reviewed each period for impairment. If found impaired, the asset's cost basis is reduced in accordance with Cdn GAAP provisions.

- (5) Under US GAAP new production facilities are placed in service once the facility has been constructed and fully tested to the point where it can be shown that it is capable of producing its intended product. Under Cdn GAAP new production facilities are placed in service when output reaches a significant portion of the facility's design capacity. As such, the new Wassa mine and processing operation was placed in service on January 1, 2005 for US GAAP purposes and was placed in service on April 1, 2005 for Cdn GAAP purposes. All operating expenses, including ARO accretion, depreciation, depletion and amortization and work in process inventory adjustments were recognized in the statement of operations for US GAAP during the first quarter of 2005 while such costs were capitalized net of revenues generated for Cdn GAAP.
- (6) In March 2005, the Emerging Issues Task Force of the Financial Accounting Standards Board issued statement 04-6 "Accounting for Stripping Costs Incurred During Production in the Mining Industry" ("EITF 04-6") which precludes deferral of stripping costs during a mine's production phase. EITF 04-6 requires that deferred stripping costs be considered a variable production cost. The new pronouncement is effective January 1, 2006 and transition provisions allow any remaining balances in deferred stripping asset accounts to be closed directly to retained earnings on January 1, 2006. In Canada the Emerging Issues Committee ("EIC") has issued EIC 160 "Stripping Costs Incurred in the Production Phase of the Mining Operation" which concludes that deferred stripping costs during the production phase of a mine's life should generally be considered a variable production cost and included in the cost of inventory unless it can be shown that the stripping costs represent a betterment to the mineral property.
- (7) 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.
- (8) 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.
- (9) In December 2004, the Financial Accounting Standards Board ("FASB") finalized SFAS No. 123R "Share-Based Payment, amending SFAS No. 123" ("SFAS 123R"), effective beginning our first quarter of fiscal 2006. SFAS 123R requires the Company to expense stock options based on grant date fair value in its financial statements. Further, the SFAS 123R requires additional accounting related to the income tax effects and additional disclosure regarding the cash flow effects resulting from share-based payment arrangements. In March 2005, the U.S. Securities and Exchange Commission (the "SEC") issued Staff

Table of Contents

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

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

The following discussion and analysis should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada (“Cdn GAAP”). For a reconciliation to accounting principles generally accepted in the United States (“US GAAP”), see Note 25 to the consolidated financial statements. This Management’s Discussion and Analysis of Financial Condition and Results of Operations includes information available to August 8, 2006.

OUR BUSINESS

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

Bogoso/Prestea is owned by our 90% owned subsidiary Bogoso Gold Limited (“BGL”) which was acquired in 1999. Bogoso/Prestea produced and sold approximately 132,000 ounces of gold during 2005.

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

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

Through our 100% owned subsidiary, St. Jude Resources Ltd. (“St. Jude”), we own the St. Jude Properties in southwest Ghana. The St. Jude Properties consist of the Hwini–Butre and Benso concessions which together cover an area of 201 square kilometers. Both concessions contain undeveloped zones of gold mineralization. The Hwini–Butre and Benso concessions are located approximately 80 and 40 kilometers south of Wassa, respectively. 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, Burkina Faso, Niger and Cote d’Ivoire. We also hold and manage exploration properties in Suriname and French Guiana in South America. We hold indirect interests in gold exploration properties in Peru and Chile through a 16% shareholding investment in Goldmin Consolidated Holdings. We also own a 43% interest in EURO Ressources S.A. (“EURO”), a French publicly–traded royalty holding company which owns a royalty interest based on gold production at Cambior Inc.’s Rosebel gold mine in Suriname.

Table of Contents

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

NON-GAAP FINANCIAL MEASURES

In this Form 10-Q, we use the terms “total operating cost per ounce,” “total cash cost per ounce” and “cash operating cost per ounce.”

Total operating cost per ounce is equal to “Total mine operating costs” for the period, as found on our consolidated statements of operations, divided by the ounces of gold sold in the period. Total mine operating costs include all mine-site operating costs, including the costs of mining, processing, maintenance, work-in-process inventory changes, mine-site overhead, production taxes and royalties, mine site depreciation, depletion, amortization, asset retirement obligations and by-product credits, but do not include exploration costs, corporate general and administrative expenses, impairment charges, corporate business development costs, gains and losses on asset sales, interest expense, mark-to-market gains and losses on derivatives, foreign currency gains and losses, gains and losses on investments and income tax.

Total cash cost per ounce for a period is equal to “Mining operations” costs for the period, as found on our consolidated statements of operations, divided by the number of ounces of gold sold during the period.

Cash operating cost per ounce for a period is equal to “total cash costs” for the period less production royalties and production taxes, divided by the number of ounces of gold sold during the period.

The calculations of total cash cost per ounce and cash operating cost per ounce are in compliance with an industry standard for such measures established in 1996 by the Gold Institute, a non-profit industry group.

The following table shows the derivation of these measures and a reconciliation of “total cash cost per ounce” and “cash operating cost per ounce.”

Derivation of Total Mine Operating Cost

	For the six months ended June 30, 2006		
	Wassa	Bogoso/Prestea	Combined
Mining operations	\$23,181	\$21,370	\$44,551
Mining related depreciation and amortization	5,775	5,030	10,805
Accretion of asset retirement obligations	102	251	354
Total mine operating costs	\$29,059	\$26,651	\$55,710
Ounces sold	46,019	44,128	90,147
Derivation of cost per ounce:			
Total operating costs – GAAP (\$/oz)	\$ 631	\$ 604	\$ 618
Less depreciation and amortization (\$/oz)	125	114	120
Less accretion of asset retirement obligations (\$/oz)	2	6	4
Total cash cost (\$/oz)	504	484	494
Less royalties and production taxes (\$/oz)	18	18	17
Cash operating cost per ounce (\$/oz)	486	466	477

Table of Contents

Derivation of Total Mine Operating Cost

	For the six months ended June 30, 2005		
	Wassa	Bogoso/Prestea	Combined
Mining operations	\$10,105	\$21,861	\$31,966
Mining related depreciation and amortization	1,699	4,214	5,913
Accretion of asset retirement obligations	95	273	368
Total mine operating costs	\$11,899	\$26,348	\$38,247
Ounces sold	20,739	72,364	93,103

Derivation of cost per ounce:

Total operating costs – GAAP (\$/oz)	\$ 574	\$ 364	\$ 411
Less depreciation and amortization (\$/oz)	82	58	64
Less accretion of asset retirement obligations (\$/oz)	5	4	4
Total cash cost (\$/oz)	487	302	343
Less royalties and production taxes (\$/oz)	15	13	13
Cash operating cost per ounce (\$/oz)	472	289	330

Derivation of Total Mine Operating Cost

	For the three months ended June 30, 2006		
	Wassa	Bogoso/Prestea	Combined
Mining operations	\$10,983	\$10,106	\$21,089
Mining related depreciation and amortization	2,650	2,578	5,228
Accretion of asset retirement obligations	54	132	186
Total mine operating costs	\$13,687	\$12,816	\$26,503
Ounces sold	21,814	23,393	45,207

Derivation of cost per ounce:

Total operating costs – GAAP (\$/oz)	\$ 627	\$ 548	\$ 586
Less depreciation and amortization (\$/oz)	121	110	116
Less accretion of asset retirement obligations (\$/oz)	2	6	4
Total cash cost (\$/oz)	504	432	466
Less royalties and production taxes (\$/oz)	17	19	18
Cash operating cost per ounce (\$/oz)	487	413	448

Derivation of Total Mine Operating Cost

	For the three months ended June 30, 2005		
	Wassa	Bogoso/Prestea	Combined
Mining operations	\$ 10,105	\$ 9,785	\$ 19,890
Mining related depreciation and amortization	1,699	2,042	3,741
Accretion of asset retirement obligations	95	86	181
Total mine operating costs	\$11,899	\$11,913	\$23,812
Ounces sold	20,739	33,199	53,938

Derivation of cost per ounce:

Total operating costs – GAAP (\$/oz)	\$ 574	\$ 359	\$ 441
Less depreciation and amortization (\$/oz)	82	62	69
Less accretion of asset retirement obligations (\$/oz)	5	3	3
Total cash cost (\$/oz)	487	294	369
Less royalties and production taxes (\$/oz)	15	13	14
Cash operating cost per ounce (\$/oz)	472	281	355

Table of Contents

Total cash cost per ounce and cash operating cost per ounce should be considered as non-GAAP financial measures as defined in SEC Regulation S-K Item 10 and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. There are material limitations associated with the use of such non-GAAP measures. Since these measures do not incorporate revenues, changes in working capital and non-operating cash costs, they are not necessarily indicative of operating profit or cash flow from operations as determined under GAAP. Changes in numerous factors including, but not limited to, mining rates, milling rates, gold grade, gold recovery, costs of labor, consumables and mine site general and administrative activities can cause these measures to increase or decrease. We believe that these measures are the same as, or similar to the measures of other gold mining companies, but may not be comparable to similarly titled measures in every instance.

Ownership – All figures and amounts in this Item 2 are shown on a 100% basis, which represents our current beneficial interest in gold production and revenues. Once all capital has been repaid, the Government of Ghana would receive 10% of the dividends distributed from the subsidiaries owning the Bogoso/Prestea and Wassa mines.

Restatement of Prior Periods – In early 2006, it was determined that hedge accounting had been improperly applied by our subsidiary, EURO for its cash-settled forward gold price agreements during the first three quarters of 2005. As a result, our Form 10-Qs for the first three quarters of 2005 have been amended to apply derivative accounting rather than hedge accounting to EURO's derivatives. In this Form 10-Q, comparative amounts from the quarter and six months ended June 30, 2005 reflect this restatement.

BUSINESS STRATEGY AND DEVELOPMENT

Since 1999, our business and development strategy has been focused primarily on the acquisition of producing and development stage gold properties in Ghana and on the exploration, development and operation of these properties. Since 1999, our exploration efforts have been focused on Ghana, other West African countries and South America.

In line with our business strategy, we acquired Bogoso in 1999 and have operated the Bogoso processing plant since that time. In 2001, we acquired Prestea and have been mining at Prestea since late 2001. In late 2002, we acquired Wassa and following completion of a feasibility study, constructed a new CIL processing plant at Wassa which began commercial operation in April 2005. We are currently constructing a new BIOX[®] processing plant at Bogoso designed to expand annual processing through-put at Bogoso/Prestea from approximately 1.5 million tonnes per annum to approximately 5.0 million tonnes per annum. Based on currently known reserves we expect a mine life of approximately seven years at Bogoso/Prestea. Achievement of this target is subject to numerous risks. See the discussion of Risk Factors in Item 1A of our 2005 Form 10-K.

In late 2005, we acquired the St. Jude Properties where we are carrying out geological and engineering studies to determine the economic feasibility of these undeveloped gold properties.

Our overall objective since 1999 has been to grow our business to become a mid-tier gold producer with annual production of approximately 500,000 ounces, a goal we anticipate reaching in 2007. We continue to evaluate potential acquisition and merger opportunities which could further increase our annual gold production, however we presently have no agreement or understanding with respect to any specific potential transaction.

SIGNIFICANT TRENDS AND EVENTS DURING THE FIRST SIX MONTHS OF 2006

Sale of Shares of Moto Goldmines Limited

In March 2006, we exercised our remaining one million Moto Goldmines Limited (“Moto”) warrants bringing our total ownership in Moto 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 \$38.9 million (Cdn\$45.0 million). The sale realized approximately \$30.3 million of pre–tax capital gain for Golden Star, which was recognized in income in the first quarter. A \$4.9 million non–cash tax expense was recognized on the gain.

Gold Prices

Gold prices have generally trended upward during the last five years, from a low of just under \$260 per ounce in early 2001 to a high of \$725 per ounce in May 2006. Much of the price increase during this period appears to be related to the fall in the value of the US dollar against other major foreign currencies, but in recent quarters prices appears to be responding to additional influences including an increased demand for gold as an investment and geo–political instability. Our realized gold price for shipments during the first six months of 2006 averaged \$594 per ounce, as compared to \$426 per ounce in the same period of 2005.

Bogoso Sulfide Expansion Project

Construction at the Bogoso Sulfide Expansion Project (“BSEP”) remains on budget and it is now expected that commissioning will commence in the latter part of the third quarter of 2006, which is earlier than our original estimates.

The BSEP is designed to significantly expand processing capacity at Bogoso/Prestea. Current production of 1.5 million tonnes per annum from the existing Carbon-in-leach (“CIL”) plant will be increased to a projected total capacity of approximately 5.0 million tonnes per annum from the combined oxide and sulfide plants. The new BIOX[®] plant will utilize the BIOX[®] bio-oxidation process marketed by a subsidiary of Gold Fields Limited. Gold Field’s BIOX[®] technology is currently being used in eleven gold processing plants operating or under-development worldwide. Upon completion, the Bogoso/Prestea sulfide plant will be the largest operating BIOX[®] plant in the world.

Progress on the BSEP includes the following:

- The gyratory crusher, associated conveyors, crushed ore stockpile and reclaim system are substantially complete and dry commissioning has commenced;
- The CIL tanks are substantially complete and ready for dry commissioning;
- The first three blowers to supply air to the BIOX[®] tanks have been delivered to the site and are in various stages of installation. The three remaining blowers are to be delivered progressively;
- The grinding and classification section is approaching completion and commissioning;
- The first bank of cooling towers has been built and are ready for commissioning. These cooling towers are required to maintain the BIOX[®] tanks within a specified temperature range for optimal operation;

Table of Contents

- The civil work for the flotation circuit has been completed and steel erection has commenced;
- The BIOX[®] tanks, neutralization tanks and associated thickeners are erected, and of the 62 kilometers of stainless steel welding required, approximately 92% is complete;
- The activity levels of the BIOX[®] bacteria has reached satisfactory levels and the quantity of material has been grown to 100 cubic meters. We have also drawn off and stored about 40 cubic meters of inoculate.
- Electrical and piping construction is underway, as is work on the elution circuit, gold room, laboratory and tailings storage facility; and
- Pre-stripping of the sulfide pits to create a stockpile of transition and sulfide ore for the BIOX[®] plant is progressing well. Approximately 800,000 tonnes of ore is expected to be in the stockpile by the end of September.

Pampe Ore Body

An environmental impact study for mining of the Pampe ore body has been submitted, and development is scheduled to commence in the fourth quarter once the environmental permit and mining license have been issued. The Pampe ore body will provide oxide ore feed to the existing Bogoso processing plant once mining is completed at the Plant-North pit at Prestea late in 2006.

Sale of EURO Shares and Change in EURO Accounting

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

During the second quarter of 2006 we sold 362,029 of our EURO shares in open market transactions realizing approximately \$0.7 million of cash. In addition, on June 19, 2006 we sold an additional four million EURO shares in a private transaction receiving \$2.5 million of cash. The purchasers of the four million shares have agreed to pay additional consideration to Golden Star if they sell the shares at a gain. Since our investment in EURO's shares was carried at zero value, a gain was recognized on sale of the shares in an amount essentially equal to the cash proceeds received.

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

Under the equity method accounting rules, Golden Star will recognize a share of EURO's future earnings/losses in proportion to Golden Star's ownership position at the end of each period (currently 43%). Golden Star has a zero carrying value for its investment in EURO, and future gains and losses will

Table of Contents

not be recognized until such time as EURO's future income offsets accumulated deficits.

The sale of EURO shares was in line with the goals and objectives originally envisaged in the 2004 EURO restructuring plan. The goal of the restructuring plan was to establish EURO as an independent and economically viable entity that would not be dependent on Golden Star for funding and that would concurrently bring value to Golden Star's investment.

Reduced Gold Derivatives

In June we reduced our call option position by buying back call options on 30,000 ounces of gold for a total cost of \$2.6 million. We also closed 17,000 contracts upon the regular scheduled month-end settlements, leaving 18,000 call options outstanding as of July 1, 2006. The remaining 18,000 call options are scheduled to expire at a rate of 2,000 ounce per month from July 2006 to March 2007. Each of the remaining outstanding call options has a \$525 strike price.

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

Ore processing at Bogoso/Prestea

As has been the case since mid-2004, Bogoso/Prestea continues to deal with ores that are not well suited for processing in the existing Bogoso processing plant. The Bogoso plant was originally configured to process oxide and other non-refractory ores. Since mid-2004, when oxide ores were depleted on the north end of the Prestea property, the Bogoso processing plant has sought to process ore from the Plant-North pit at Prestea which were thought to be relatively non-refractory. The Plant-North ores have proven more difficult to treat than anticipated, and recovery and plant through-put has been lower than expected as a result. We are now stockpiling certain of the more refractory Plant-North ores as feed for the new BIOX[®] processing plant scheduled for start-up late in the third quarter of 2006. Additional oxide and non-refractory ore from the sulfide pit pre-stripping will supplement feed to the existing Bogoso processing plant in the third quarter, and in late 2006 we expect to start mining oxide ores from the new Pampe project located 18 kilometers west of Bogoso to feed the existing Bogoso processing plant.

RESULTS OF OPERATIONS

Second quarter 2006 compared to Second Quarter 2005

Net income totaled \$14.4 million or \$0.070 per share during the second quarter of 2006, versus a net loss of \$(3.7) million or \$(0.026) per share during the second quarter of 2005. The major factor contributing to the earnings improvement in the second quarter of 2006 was a \$20.9 million pre-tax gain (consisting of a cash and an accounting gain as disclosed above) on the sale of EURO shares and the associated earnings impact of a change of accounting method to the equity method following the sale of the EURO shares. (see Trends and Events section above). Offsetting the gain on the sale of the EURO shares was a \$2.1 million loss on derivatives. Derivative mark-to-market losses totaled \$0.6 million in the second quarter of 2005.

While we sold 8,731 less ounces during the second quarter versus the same period of 2005, consolidated gold revenues were up \$5.3 million because of higher gold prices. We received an average of \$634 per ounce in the second quarter of 2006 versus \$429 per ounce in the second quarter of 2005.

Table of Contents

Bogoso's and Wassa's combined operations yielded a \$2.1 million operating margin ("Gold sales" revenues less "Total mine operating costs" – see Statement of Operations) in the second quarter of 2006 compared to an operating margin loss of \$(0.4) million in the second quarter of 2005. The major factor responsible for the improved operational results was higher gold prices, which more than offset higher operating costs.

Interest expense was lower than a year ago as more interest was capitalized into construction projects in the current quarter. A \$2.3 million foreign exchange gain also contributed to the improved results versus the second quarter of 2005.

SUMMARY OF FINANCIAL RESULTS	For the three months ended June 30,		For the six months ended June 30,	
	2006	2005	2006	2005
Gold sold (oz)	45,207	53,938	90,147	93,103
Average realized price (\$/oz)	634	429	594	426
Gold revenues (in \$ thousands)	28,675	23,403	53,611	40,094
Cash flow used in operations (in \$ thousands)	(1,549)	(6,732)	(7,241)	(3,098)
Net income/(loss) (in \$ thousands)	14,424	(3,695)	33,447	(5,918)
Net income/(loss) per share – basic (\$)	0.070	(0.026)	0.161	(0.042)

Six months ended June 30, 2006 compared to Six months ended June 30, 2005

Net income totaled \$33.4 million or \$0.161 per share in the six months ended June 30, 2006, versus a net loss of \$(5.9) million or \$(0.042) per share during the same period in 2005. The major factors contributing to the earnings improvement versus the first six months of 2005 include a \$30.3 million pre-tax gain on the sale of Moto shares in the first quarter and a \$20.9 million pre-tax gain from the sale of EURO shares and resultant change in accounting method in the second quarter (see Trends and Events above for additional information on the Moto and EURO share sales.) A \$4.3 million improvement in foreign exchange gains, mostly on cash balances in Canada, also contributed to the improved results.

Offsetting the gain on the sale of the Moto and EURO shares was a \$10.7 million loss on derivatives and \$2.1 million operating margin loss ("Gold sales" revenues less "Total mine operating costs") at the mines. The operating margin loss is mostly due to lower processing rates, grades and recovery at Bogoso/Prestea (see below for additional discussion). The \$10.7 million derivative loss in the first six months of 2006 consists of \$4.1 million cash payment to settle 30,000 calls, \$0.8 million payments to EURO's counter parties for expiring positions, a \$4.1 million unrealized loss on EURO's derivatives through June 19, 2006, a \$2.0 million unrealized loss on our Rand and Euro forward agreements and a \$0.2 million unrealized gain on the puts and calls. Derivative mark-to-market losses of \$1.9 million in the first six months of 2005 were mostly related to EURO's cash-settled forward gold price agreements.

Consolidated gold revenues for the first six months of 2006 were up \$13.5 million from the same period a year ago, but the operating margin was \$4.0 million lower. Higher gold prices (\$594 per ounce in the six months of 2006 versus \$426 per ounce in the same period of 2005) and higher gold output contributed to the increased revenues. Higher gold production at Wassa, as a result of a full six months of production, was offset by lower production at Bogoso.

The consolidated mine operating margins dropped in the first six months of 2006, due to lower gold output at Bogoso/Prestea and higher operating costs than in the first six months of 2005. Most of the increase in operating costs versus the same period of 2005 was due to the lack of Wassa operating cost during the first quarter of 2005 as the Wassa mine was not yet in service.

Bogoso/Prestea Operations

Three months ended June 30, 2006 — Bogoso/Prestea generated a \$1.9 million operating margin (“Gold sales” revenues less “Total mine operating costs”) during the second quarter of 2006 on sales of 23,393 ounces of gold, versus an operating margin of \$2.3 million on sales of 33,199 ounces in the second quarter of 2005. While second quarter 2006 gold sales were down 9,806 ounces versus the second quarter of 2005 due to a combination of lower plant through-put, lower ore grades and lower gold recovery, higher gold prices more than offset the lower output.

The lower plant through-put was mostly the result of harder ore, unscheduled plant maintenance and power outages. Gold recovery was adversely impacted by the ore being more refractory than expected and by the fact that deeper levels of the Plant-North pit have encountered varying rock types while a single rock type was mined and processed by the Bogoso plant during the first half of 2005. In addition, oxide ore, transition ores and other materials mined as part of the BSEP pre-stripping are being fed to the Bogoso plant.

The Bogoso processing plant processed an average of 4,065 tonnes per day during the second quarter of 2006 at an average grade of 3.57 grams per tonne, as compared to 4,157 tonnes per day at 4.54 grams per tonne in the same period in 2005. Gold recovery dropped to 55.3% from 59.3% in the second quarter of 2005.

BOGOSO/PRESTEA

OPERATING RESULTS	For the three months ended June 30,		For the six months ended June 30,	
	2006	2005	2006	2005
Ore mined (t)	342,560	508,685	724,319	908,829
Waste mined (t)	2,106,167	2,601,968	4,448,935	4,693,221
Ore processed (t)	369,943	378,259	705,523	769,553
Grade processed (g/t)	3.57	4.54	3.51	4.55
Recovery (%)	55.3	59.3	57.3	60.4
Gold sold (oz)	23,393	33,199	44,128	72,364
Cash operating cost (\$/oz)	413	282	466	289
Royalties (\$/oz)	19	13	18	13
Total cash cost (\$/oz)	432	295	484	302

Cash operating costs were \$413 per ounce versus \$282 per ounce in the second quarter of 2005. Lower gold output was the major factor contributing to the higher unit costs.

Six months ended June 30, 2006 — Bogoso/Prestea generated a \$(0.2) million operating margin loss (“Gold sales” revenues less “Total mine operating costs”) during the first six months of 2006 on sales of 44,128 ounces of gold, down from a \$4.7 million operating margin on sales of 72,346 ounces in the first six months of 2005. The major factor contributing to the loss was lower gold sales, down 28,236 ounces versus the same period of 2005, due to a combination of lower plant through-put, lower ore grades and lower gold recovery.

As with the second quarter, lower plant through-put was caused mostly by harder ore, unscheduled plant maintenance and power outages during the first six months. Gold recovery was adversely impacted by the more refractory nature of the ore.

The Bogoso processing plant processed an average of 3,898 tonnes per day in the first half of 2006 at an average grade of 3.51 grams per tonne, as compared to 4,251 tonnes per day at 4.55 grams per tonne in the same period in 2005. Gold recovery dropped to 57.3% from 60.4% in the first half of 2005. We

Table of Contents

expect gold production at Bogoso to increase marginally in the third quarter and to further increase in the fourth quarter as a result of the start up of the new BIOX[®] processing plant at Bogoso.

While mine site operating costs were only \$0.5 million higher than in the first six months of 2005, the drop in gold output increased cash operating unit costs to \$466 per ounce versus \$289 per ounce in the first half of 2005.

Wassa Operations

Three months ended June 30, 2006 — Wassa generated a \$0.2 million operating margin (“Gold sales” revenues less “Total mine operating costs”) in the three months ended June 30, 2006 on sales of 21,814 ounces of gold, compared to an operating margin loss of \$(2.7) million in the second quarter of 2005 on sales of 20,739 ounces. During the second quarter of 2006 the Wassa processing plant processed an average of 10,523 tonnes per day at an average grade of 0.84 grams per tonne with a gold recovery of 88.6%. This compares to 8,941 tonnes per day at an average grade of 1.08 grams per tonne with an 86.8% recovery in the same period of 2005. Cash operating costs averaged \$487 per ounce and total cash costs averaged \$504 per ounce versus \$472 and \$487 per ounce, respectively in the same period of 2005. Higher waste costs and higher mill through-put have contributed to increased operating costs. While cash operating costs at Wassa are essentially in line with or better than expectations, unit costs are higher than expected due to lower gold output.

WASSA

OPERATING RESULTS	For the three months ended June 30,		For the six months ended June 30,	
	2006	2005	2006	2005 ⁽¹⁾
Ore mined (t)	607,755	688,243	1,276,496	688,243
Waste mined (t)	3,179,024	1,985,833	6,628,379	1,985,833
Ore and heap leach materials processed (t)	957,642	813,624	1,934,972	813,624
Grade processed (g/t)	0.84	1.08	0.83	1.08
Recovery (%)	88.6	86.8	88.1	86.8
Gold sold (oz)	21,814	20,739	46,019	20,739
Cash operating cost (\$/oz)	487	472	486	472
Royalties (\$/oz)	17	15	18	15
Total cash cost (\$/oz)	504	487	504	487

(1) The Wassa mine commenced commercial production in April 2005.

While we have been successful in bringing Wassa plant through-put rates up to design level on a consistent basis, ore grades and gold recovery rates are still sub-optimal. Recent analysis indicates that excess ore dilution is adversely impacting pit ore grades. In response to the dilution, we are now reviewing blasting techniques and are also working to better define the ore zones by expanding ore zone definition drilling. It is expected that changes in blasting procedures and more detailed definition drilling should contribute to improving pit grades and higher gold output going forward.

In late June 2006 Wassa began mining the new SAK ore body located approximately 3.5 kilometers south of Wassa processing plant. The SAK ore body contains 2.0 million tonnes of gold ore at an average grade of 1.59 grams per tonne which is higher than the average 1.34 grams per tonne grade of the Wassa pits. It is expected that the SAK pit will provide approximately 100,000 tonnes per month of the higher grade ore to the Wassa plant over its 12 to 18 month life.

Six months ended June 30, 2006 – Wassa generated a \$(1.8) million operating margin loss (“Gold sales” revenues less “Total mine operating costs”) in the six months ended June 30, 2006 on sales of 46,019 ounces

Table of Contents

of gold. The Wassa processing plant processed an average of 10,690 tonnes per day at an average grade of 0.83 grams per tonne with a gold recovery of 88.1%. Cash operating costs averaged \$486 per ounce and total cash costs averaged \$504 per ounce. The six month results are not comparable to the first six months of 2005 since Wassa was not placed in-service until April 1, 2005.

DEVELOPMENT PROJECTS

Bogoso Sulfide Expansion Project

Approximately 75% of the remaining ore reserves at Bogoso/Prestea are refractory and cannot be efficiently processed at our existing processing plant. In 2005 a decision was made to construct a new 3.5 million tonne per annum processing facility at Bogoso alongside the existing Bogoso processing plant. The new plant, which is currently under construction, will utilize the proprietary BIOX[®] bio-oxidation technology to treat the refractory sulfide ore. When completed late in the third quarter of 2006, the new sulfide processing plant and the existing Bogoso processing plant are together expected to process a combined 5.0 million tonnes per year.

The existing Bogoso processing plant will retain its current configuration and will continue to process non-refractory ores during the construction phase of the new BIOX[®] plant. After the new BIOX[®] processing plant comes on line, it is anticipated that the existing Bogoso processing plant will process mostly oxide ores and the new BIOX[®] processing plant will process mostly refractory sulfide ores and mixed oxide-refractory ores. The two plants sitting side-by-side are expected to provide operational efficiencies since they will share common management, labor, reagent inventories, warehouse parts and maintenance efforts. And with the two plants and their differing technologies, we expect to be able to process all of the ore types known to exist in the Bogoso/Prestea area.

The design and construction of the expansion project is being managed by GRD Minproc in accordance with an engineering, procurement and construction management contract.

Pre-stripping of the first two sulfide pits has commenced using mining equipment acquired in 2005 and 2006. Pre-stripping consists of 0.2 million tonnes of ore and 4.3 million tonnes of waste at June 30, 2006. The existing Bogoso processing plant will continue to process non-refractory ores from the Plant-North pit at Prestea until completion of mining in the fourth quarter of 2006. Thereafter we plan to feed the existing Bogoso processing plant with oxide ores from Pampe, Mampon and areas on the south end of the Prestea property.

We estimate that the total capital cost of the new sulfide plant project, including the expansion of the mining fleet, to be approximately \$125 million, and expect construction to be completed by late 2006. We expect to spend an additional \$25 million on pre-stripping, mining equipment and inventory build up. At June 30, 2006 approximately \$115.2 million of the total project costs had been incurred.

In 2007, following completion and start up of the BIOX[®] processing plant, we expect combined gold production from the two Bogoso processing plants to total approximately 370,000 ounces at an average cash operating cost of \$330 per ounce. Based on our metallurgical test work, gold recoveries from the BIOX[®] process are expected to average 86% and vary between 78% for near surface material and 88% for deeper, more refractory sulfides.

EXPLORATION PROJECTS

We have budgeted \$16.5 million for exploration in 2006, focusing our efforts on core assets in Ghana, including the Prestea Underground and the St. Jude Properties at Hwini-Butre and Benso. Actual spending on exploration, including both capitalized and expense items totals \$8.0 million through June 30, 2006. Of the total, \$2.2 million has been spent at the St. Jude properties in Ghana, \$1.5 million at the

Table of Contents

Prestea Underground, \$2.4 million at other development properties in Ghana, \$0.4 million in South America, and \$1.5 million in West Africa.

Key areas where we have been active during 2006 include:

- Mineralized areas around the operating mines;
- Prestea Underground, where we have intensified exploration to allow feasibility (upper levels) and scoping studies (deep levels) to be completed this year;
- Prestea South – Bondaye area, where we plan to resume drilling of the known oxide targets to allow feasibility and permitting to be progressed in 2006; and
- Hwini–Butre and Benso, where intensive drilling programs are currently being carried out to allow feasibility and permitting to be progressed in 2006.

We have initiated an extensive drilling program at Prestea Underground which will continue during most of 2006. We currently have two drills exploring the West Reef between the 17 and 24 levels which accomplished 6,873 meters of drilling during the first six months. It is our intention to complete an initial feasibility study by the end of 2006 which will evaluate the economic potential of restarting production from the upper levels of the Prestea Underground mine. Once drilling at West Reef is completed in the third quarter, we expect to start testing of the down dip plunge extensions of the Main Reef below the 30 level. We believe that this area has the potential to provide the best economic opportunities for significant new discoveries in the Prestea Underground.

Recent exploration results for the Hwini-Butre and Benso projects have indicated three possible new zones of gold mineralization on the Benso concession and have extended the known mineralization along-strike and down dip at the Father Brown and Adoikrom deposits on the Hwini-Butre concession.

Work at Hwini-Butre and Benso has included both diamond core drilling and RC drilling at the main prospects and RAB drilling along extensions of the mineralized structures. In addition, data from geochemical surveys carried out previously have been reviewed and the geochemical coverage has been extended to new areas believed to have geological potential for repetitions of the known mineralized structures.

Drilling to collect metallurgical and geotechnical samples has been completed. To date we have completed in excess of 6,400 meters of deep augur, 14,300 meters of rotary air blast (RAB) drilling and 7,000 meters of reverse circulation (RC) and diamond drilling.

We are assessing development scenarios for Hwini-Butre and Benso and expect to complete a feasibility study by late 2006. The most likely development scenario continues to be the mining and haulage of the high grade Hwini-Butre and Benso ore to Wassa.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2006 our cash, cash equivalents and short term investments totaled \$42.0 million, down from \$89.7 million at December 31, 2005. While operating activities consumed \$7.2 million and investing activities used a net \$66.5 million of cash during the first six months, sale of the Moto shares contributed \$39.0 million of cash and sale of EURO shares contributed an additional \$3.2 million. Lower

Table of Contents

gold output and the use of cash to increase operating inventories were major factors contributing to the operational consumption of cash during the first half of 2006.

Option exercises provided \$3.3 million of cash and new equipment loans provided \$5.5 million of cash. Loan repayments consumed \$3.7 million including \$1.3 for EURO's bank loans and \$2.4 million for equipment financing loans.

Of the \$96.8 million spent on new capital projects during the first six months, approximately \$76.2 million of the total was spent on the Bogoso sulfide expansion project and associated pre-stripping and \$13.5 million was spent on other plant and equipment needs and on mine property projects mostly at Bogoso/Prestea and at Wassa. A total of \$7.1 million was spent on capital exploration projects.

Liquidity Outlook

Capital expenditures plans for 2006 include the following projects:

Capital Spending	Amount (millions)	
	Budget for 2006	Actual for six months of 2006
Development		
Bogoso Sulfide Expansion Project ¹	\$ 89.0	57.2
Bogoso/Prestea pre-stripping, mining equipment and inventory build-up	25.0	19.0
Pampe	4.0	0.6
Mampon	1.2	0.3
St. Jude properties	1.0	0.1
Sustaining Capital		
Bogoso/Prestea	7.0	5.7
Prestea Underground care and maintenance	4.8	2.9
Wassa	6.2	3.9
Exploration		
Bogoso/Prestea	1.7	0.1
Prestea Underground	3.3	1.5
Wassa	0.9	0.8
St. Jude properties	4.6	3.7
Other	6.3	1.0
Total	\$ 155.0	\$ 96.8

1. These figures exclude approximately \$2.2 million of capitalized interest.

At current gold prices we expect both Bogoso/Prestea and Wassa to generate positive operating cash flows during the remainder of the year. Further, we expect that this source of funding, along with the \$42.0 million of cash on hand and short term investments as of June 30, 2006 coupled with the funding from the equipment financing facility will be sufficient to meet all of our growth needs during 2006. We are also finalizing term sheet negotiations for the \$30 million revolving credit facility that we expect to finalize during the third quarter.

LOOKING AHEAD

Our main objectives for the remainder of 2006 include:

- completion of mining and commencement of reclamation at the Prestea Plant-North pit in late 2006;

Table of Contents

- permitting and commencement of oxide mining from Pampe on the Akropong trend west of Bogoso, to provide oxide ore to the Bogoso plant following exhaustion of the Prestea Plant–North ores;
- commencement of sulfide mining at Bogoso, which is now underway;
- completion of construction and commissioning of the Bogoso Sulfide Expansion Project by the end of 2006;
- achievement of improved production rates and costs at Wassa;
- commencement of mining of the higher grade deposit at Wassa in the second half of 2006, which is now underway;
- a continued high level of exploration effort;
- continued evaluation of the Prestea Underground potential and progress of feasibility studies;
- assimilation and further exploration of the St. Jude Properties and progress of feasibility studies; and
- continuation of efforts to identify and pursue acquisition and growth opportunities in Ghana and elsewhere.

Until we are able to (i) assess the impact of the higher grade SAK ore at Wassa, and (ii) finalize the exact timing for the commencement of commercial production from the Bogoso Sulfide Expansion Project we are unable to update our production forecast for 2006. These factors are also expected to impact cash operating costs per ounce, but the higher than expected costs year-to-date are likely to make it difficult to achieve our previously announced guidance for the full year.

As more fully disclosed in the Risk Factors Item 1A in our 2005 Form 10–K, numerous factors could cause our estimates and expectations to be wrong or could lead to changes in our plans. Under any of these circumstances, the above estimates could change materially.

RELATED PARTY TRANSACTIONS

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

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

OFF BALANCE SHEET ARRANGEMENTS

We have no off balance sheet arrangements.

OUTSTANDING SHARE DATA

This ITEM 2 includes information available to August 8, 2006. As of August 8, 2006 we had outstanding 207,845,758 common shares, options to acquire 6,112,451 common shares, warrants to acquire 11,688,334 common shares and convertible notes which are convertible into 11,111,111 common shares.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk includes, but is not limited to, the following risks: changes in interest rates on our investment portfolio and debt, changes in foreign currency exchange rates, commodity price fluctuations and equity price risk.

Interest Rate Risk

We invest excess cash in high quality short term debt instruments. The rates received on such investments may fluctuate with changes in economic conditions. As a result, our investment income may fall short of expectations during periods of lower interest rates. We estimate that, given the cash balances expected during 2006, a 1% change in interest rates would result in a \$0.1 to \$0.3 million change in annual interest income.

As of June 30, 2006 we had only fixed rate debt and thus do not have material exposure to interest rate changes. We have not entered into any agreements to hedge against unfavorable changes in interest rates, but may in the future actively manage our exposure to interest rate risk.

Foreign Currency Exchange Rate Risk

While our major operating units transact most of their business in US dollars, many purchases of labor, operating supplies and capital assets are denominated in Euros, British pounds, Australian dollars, South African Rand and Ghanaian Cedis. As a result, currency exchange fluctuations may impact the costs incurred at our operations. Gold is sold throughout the world based principally on the US dollar price, but portions of our operating expenses and some of our capital purchases are incurred in currencies other than the US dollar. The appreciation of non-US dollar currencies against the US dollar increases production costs and the cost of capital assets in US dollar terms at mines located outside the US, which can adversely impact our net income and cash flows. Conversely, a depreciation of non-US dollar currencies usually decreases production costs and capital asset purchases in US dollar terms.

The value of cash and cash equivalent investments denominated in foreign currencies also fluctuates with changes in currency exchange rates. Appreciation of non-US dollar currencies results in a foreign currency gain on such investments and a decrease in non-US dollar currencies results in a loss.

While in the past we have not utilized market risk sensitive instruments to manage our exposure to foreign currency exchange rates, during 2005 we entered into forward purchase contracts for the South African Rand and the Euro to hedge expected future purchases of capital assets in South Africa and Europe associated mostly with the Bogoso Sulfide Expansion Project. We also hold portions of our cash reserves in non-US dollar currencies.

Commodity Price Risk

Gold is our primary product and, as a result, changes in the price of gold could significantly affect our results of operations and cash flows. According to current estimates, a \$10 per ounce change in our average realized price of gold for 2006 would result in a \$2.5 to \$3 million change in 2006's expected pre-tax earnings and cash flows.

During 2005, to reduce the risk of unfavorable gold price fluctuations on our operating cash flows during the construction period of the Bogoso Sulfide Expansion Project, we purchased puts to lock in minimum gold prices for portions of our expected gold sales in 2006 and early 2007. As of June 30, 2006 we have 150,000 put options remaining which establish an average minimum price of \$405 per ounce on 150,000 ounces of expected gold production spread monthly through 2006 and the first quarter of 2007.

We also sold calls during 2005 to offset a portion of the costs of purchasing the puts. At June 30, we had 18,000 call options remaining which expire at the rate of 2,000 ounces/month in 2006 and in the first quarter of 2007, each carrying a strike price of \$525 per ounce.

Equity Price Risk

We have in the past and may in the future seek to acquire additional funding by sale of common shares. Movements in the price of our common shares have been volatile in the past and may also be volatile in the future. As a result, there is a risk that we may not be able to sell new common shares at an acceptable price should the need for new equity funding arise.

ITEM 4 CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

The principal executive officer and principal financial officer have evaluated the effectiveness 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, as amended) as of June 30, 2006. Based on the evaluation, the principal executive officer and the principal financial officer concluded that the disclosure controls and procedures in place are effective to ensure that information required to be disclosed by Golden Star, including consolidated subsidiaries, in reports that Golden Star files or submits under the Exchange Act, is recorded, processed, summarized and reported on a timely basis in accordance with applicable time periods specified by the Securities and Exchange Commission rules and forms. There has been no change in our internal control over financial reporting during the quarter ended June 30, 2006, that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting other than disclosed in item (b) below.

(b) Change in Internal Control Over Financial Reporting

As discussed in the notes to the fiscal 2005 consolidated financial statements, it was determined that as of December 31, 2005 management did not maintain effective controls over the presentation and documentation of certain derivatives. Specifically, Golden Star did not prepare and maintain sufficient documentation to support the designation and effectiveness of hedges of certain gold future contracts entered into by its subsidiary, EURO Ressources S.A., during 2005. Because of the existence of the deficiency in question at year-end, management concluded that our internal control over financial reporting was ineffective as of December 31, 2005.

During the six months ended June 30, 2006, management has undertaken remedial action to address the above described material weakness by revising its accounting procedures to record the derivative

Table of Contents

transaction in accordance with Canadian and United States Generally Accepted Accounting Principles (GAAP). The Company no longer applies hedge accounting to its derivatives.

Management believes it has completed these remediation efforts; however, management has not engaged its audit firm to perform a stand alone engagement to determine if the material weakness continues to exist.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is contained in Note 15 to the Consolidated Financial Statements contained in the Report .

ITEM 1A. RISK FACTORS

The risk factors for the quarter ended June 30, 2006 are substantially the same as those disclosed and discussed in Item 1A of our 2005 Form 10–K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The 2006 Annual General and Special Meeting of Common Shareholders was held on May 26, 2006 where three matters were voted upon with the following results:

1. The following directors were elected to serve until the date of the 2007 annual meeting:

Director	Number of Common shares Voted	
	Affirmative	Withheld
James E. Askew	136,662,741	1,545,420
Peter J. Bradford	135,685,944	2,522,217
David K. Fagin	136,796,501	1,411,660
Ian MacGregor	136,285,478	1,922,683
Michael P. Martineau	136,749,225	1,458,936
Michael Terrell	135,951,500	2,256,661

2. The resolution to appoint PricewaterhouseCoopers LLP as the auditors of the company and to authorize the Board of Directors to fix the auditors remuneration:

For: 137,847,246 Withheld: 557,915

3. The ordinary resolution approving and confirming amendments to By-Law Number One changing the provisions regarding setting a record date for shareholder meeting to conform to the current provisions of the Canada Business Corporations Act:

For: 71,723,859 Withheld: 620,621

ITEM 5. OTHER INFORMATION

None

Table of Contents

EXHIBITS

- 10.1 EPCM Services Agreement, dated April 6, 2006 between Bogoso Gold Limited, GRD Minproc (Pty) Limited and GRD Minproc Limited.
- 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)

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 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: August 8, 2006

INDEX TO EXHIBITS

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EPCM SERVICES AGREEMENT

BETWEEN

BOGOSO GOLD LIMITED

AND

GRD MINPROC (PTY) LIMITED

AND

GRD MINPROC LIMITED

06 April 2006

TABLE OF CONTENTS

	Page No.
Formal Instrument of Agreement	5
General Conditions	9
Particular Conditions	11
A. References From Clauses in the General Conditions	12
B. Deleted Clauses	14
C. Additional Clauses	14
45. Definitions and Interpretation	15
45.1 Definitions (replacing Clause 1)	15
45.2 Interpretation (replacing Clause 2)	22
45.3 Ambiguous and Inconsistent Terms	23
45.4 Matters of Clarification (General)	24
45.5 Best Endeavours	24
46. Appointment, Obligations, Warranties, and Covenants of the Consultant (replacing Clauses 3, 4 and 5 (i), 5(ii)(a) and 5(ii)(b))	25
46.1 Appointment of Consultant	25
46.2 Standard of Care	25
46.3 Warranties and Covenants	25
46.4 Delivery of Services	26
46.5 Design Obligations	28
46.6 Management of Project Contractors	29
46.7 Labour, Environmental, Indigenous, OHS and Quality Assurance Plans	31
46.8 Local Content	32
46.9 Monthly Reporting	33
46.10 Records Open for Inspection and Audit	34
47. Obligations of the Client	34
47.1 Failure to fulfil Obligations (replacing Clauses 7 and 8)	34
47.2 Responsibilities (amending Clause 9)	35
47.3 Client provided Personnel, Equipment, Facilities and Services	35
48. Site	35
48.1 Access	35
48.2 Induction Training	35
48.3 Safety Requirements	36
48.4 Access for the Client, the Client's Representative and others and Site Condition	37
48.5 Access by Project Contractors	38
48.6 Operation of Existing Plant	38
48.7 Things of Value or Interest	39
49. Personnel (Replacing Clauses 11, 12, 13 and 15)	39
49.1 General	39
49.2 Key Personnel	40
49.3 Non-Solicitation	42
49.4 Consultant's Code of Conduct	42
49.5 Privacy	42
50. Administration (Amending Clause 14)	43
50.1 The Client's Representative	43

50.2	Delegation of the Client’s Representative’s Power	43
50.3	Compliance with Directions	44
50.4	Consultant’s Representative	45
50.5	Delegation of Consultant’s Representative’s Power	45
50.6	Consultant’s Acknowledgment	45
50.7	Project Control Group	46
50.8	Project Management Plan	46
51.	Liability (Replacing Clauses 16 And 18)	47
51.1	Liability of Consultant	47
51.2	Liability of Client	47
51.3	Maximum Liability	47
51.4	Excluded Losses	50
51.5	Exclusive Remedies	50
51.6	Re-performance of non-complying Services and Indemnity	50
51.7	Indemnity and Proportionality	51
52.	Insurance (Replacing Clauses 19 and 20)	52
52.1	Client’s Insurances Required	52
52.2	General Provisions regarding the Client’s Insurance	53
52.3	Consultant’s Insurances Required	53
52.4	Project Contractor Insurance	54
52.5	Requirements for Insurance	54
52.6	Proof of insurance	54
52.7	Payment of Excesses	54
53.	Time (Replacing Clause 25)	54
53.1	Instruction to Accelerate	54

	<u>Page No.</u>	
53.2	Acceleration	55
54.	Variation to the Scope of Works (Replacing Clauses 23 and 24)	55
54.1	Works Variation	55
54.2	Parties to Discuss	55
54.3	Client to Determine	55
54.4	Time	56
54.5	Clarity	56
55.	Variation to the Scope of Services (Replacing Clauses 23 and 24)	56
55.1	Services Variation	56
55.2	Value	56
55.3	Time	56
55.4	Clarity	56
55.5	Variations — General	57
56.	Separable Portions	57
56.1	Agreement on Separable Portions	57
56.2	Changes relating to Separable Portions	57
56.3	Interpretation of Terms	57
56.4	Consequences of Separable Portion	57
57.	Suspension of Services (Replacing Clauses 26, 27 and 28)	58
57.1	Suspension by Client or Consultant	58
57.2	Recommencement of Services	58
57.3	Suspension Costs	58
58.	Force Majeure (Replacing Clauses 26, 27 and 28)	59
58.1	Force Majeure occurrence	59
58.2	Cessation	59
58.3	Termination resulting from Force Majeure delays	59
59.	Completion of the Project	60
59.1	Practical Completion	60
59.2	Final Completion	61
60.	Defects Liability	62
60.1	Consultant to Rectify Defects in the Services	62
60.2	Cost of Rectification of Defects	63
60.3	Failure to Rectify	63
61.	Termination of Services (Replacing Clauses 26, 27 and 28)	63
61.1	Termination by the Client	63
61.2	Actions by Consultant on Termination	63
61.3	Payment to Consultant	64
61.4	Sole Entitlement	64
62.	Invoicing and Payment (Replacing Clauses 30, 31 and 34)	64
62.1	Client's Payment Obligations	64
62.2	Electronic Funds Transfer	65
62.3	Time for and format of Payment Claims	65
62.4	Consultant Warranty	65
62.5	Payment	66
62.6	Payment Adjustment Statement	66

62.7	Conditions Precedent to Entitlement to Payment	67
62.8	Final Payment Claim	67
62.9	Interest on Overdue Payments	68
62.10	Set off	69
62.11	Client's Payment of Subcontractors	69
62.12	Property and Liens	69
62.13	Taxes	70
62.14	Disbursements	70
62.15	Rates	70
63.	Default by a Party	70
63.1	Default by Consultant	70
63.2	Default by Client	72
64.	Insolvency	73
65.	Intellectual Property	75
65.1	Client to Procure	75
66.	Assignment (Replacing Clause 38)	75
66.1	Assignment by Consultant	75
66.2	Assignment by Client to Affiliates and Third Parties	76
66.3	Assignment by Client to Financing Entities	76
66.4	Cooperation with Financing Entities and Insurers	76
67.	Confidentiality (Replacing Clause 42)	77
67.1	Keep Confidential	77

	<u>Page No.</u>	
67.2	Extension of Obligations	77
67.3	Continuation of Obligations	77
68.	Settlement of Disputes (Replacing Clauses 43.8 and 44)	77
68.1	Failure of Mediation	77
68.2	Matters Precedent to Litigation	78
68.3	Dispute Resolution not to delay Performance	78
69.	Security	78
69.1	Consultant Security	78
69.2	Client Security	78
69.3	Interest on Security	79
69.4	Security not on Trust	80
69.5	Release of Security	80
69.6	Dealing with Security	80
70.	Guarantee and Indemnity	81
70.1	Consideration	81
70.2	Guarantee	81
70.3	Continuing Security	81
70.4	Matters Not Affecting Guarantor's Liability	81
70.5	Payment Later Avoided	82
70.6	Indemnity on Disclaimer	82
70.7	Guarantor Not to Prove in Liquidation or Bankruptcy	82
70.8	Guarantor Not to Claim Benefits or Enforce Rights	82
70.9	Costs and Expenses	82
70.10	Guarantee to Continue on Assignment of Rights	83
70.11	Limit of Guarantor's Liability	83
71.	General	83
71.1	Legal costs	83
71.2	Waiver and exercise of rights	83
71.3	Severance	83
71.4	After hours communications	84
71.5	Process service	84
71.6	Entire understanding	84
71.7	Nature of the Relationship	84
71.8	Third Party Rights	85
71.9	Effective Date (replacing Clause 21)	85
71.10	Jurisdiction	85
Appendix A	— Scope of Services	87
Appendix B	— Personnel, Equipment, Facilities and Services of Others to be Provided by the Client	94
Appendix C	— Remuneration and Payment	96
Appendix D	— Scope of Works	110
Appendix E	— Insurances	113
Appendix F	— Key Personnel	115
Appendix G	— Material Project Contractor	118
Appendix H	— Client Deliverables (Including Client Approvals)	120
Appendix I	— Project Budget	122

Appendix J — Project Schedule 124

Appendix K — Code of Conduct 126

Appendix L — Not Used 132

Appendix M — Approved Performance Bond 133

Appendix N — Deed of Release 136

FORMAL INSTRUMENT OF AGREEMENT

THIS AGREEMENT made the 06th day of April 2006

AMONG :

BOGOSO GOLD LIMITED of Level 2, No. 1 Milne Close, P.O. Box 16075, Airport Post Office, Accra, Ghana (“ **Client** ”)

AND :

GRD MINPROC (PTY) LIMITED , Registration No. 2002/021267/07, of Unit 1, Highbury House, Hampton Office Park North, 20 Georgian Crescent, Bryanston, South Africa (“ **Consultant** ”)

AND :

GRD MINPROC LIMITED , ABN 52 008 992 694 of Level 8, 140 St. Georges Terrace, Perth, Western Australia, 6000 (“ **Guarantor** ”)

RECITALS :

- A. The Client desires to build the Project, which when designed, constructed and commissioned, shall meet the following requirements:
- (a) the Project shall be a sulphide ore treatment plant;
 - (b) the Project shall be capable of processing 3.5 million tonnes of sulphide ore per annum;
 - (c) except for routine, predictive or preventative maintenance, the Project shall be capable of continuous operation 24 hours per day, 365 days per year;
 - (d) except for components that routinely require replacement or repair due to normal operating conditions, the Project shall have a life expectancy commensurate with the life of the Bogoso mine; and
 - (e) the Project or its various components (as the case may be) shall be capable of operating continuously at the level, rate or capacity specified in the Performance Warranties in Appendix L.
- B. The Client has requested that the Consultant performs the Services on the terms and conditions of the Agreement.
- C. The Consultant has agreed to perform the Services on the terms and conditions of the Agreement.

IT IS AGREED:

1. In the Agreement, unless the context indicates otherwise, words and expressions shall have the meanings assigned to them in the Particular Conditions and the General Conditions.
2. The Agreement is comprised of this Formal Instrument of Agreement together with the following documents which, unless otherwise stated, are attached to this Formal Instrument of Agreement, namely:
 - (a) The Particular Conditions;
 - (b) The General Conditions; and
 - (c) The Appendices, namely:
 - (i) Scope of Services;
 - (ii) Personnel, Equipment, Facilities & Services of Others to be provided by the Client;
 - (iii) Remuneration and Payment;
 - (iv) Scope of Works;
 - (v) Insurances;
 - (vi) Key Personnel;
 - (vii) Material Project Contractor;
 - (viii) Client Deliverables (including Client Approvals);
 - (ix) Project Budget;
 - (x) Project Schedule;
 - (xi) Code of Conduct;
 - (xii) Performance Warranties.
 - (xiii) Approved Performance Bond; and
 - (xiv) Deed of Release.
3. In the event of any ambiguity or discrepancy between anything contained in or between any documents forming part of the Agreement, the terms of this Formal Instrument of Agreement shall prevail to the extent of the inconsistency and the remaining documents shall, for the purposes of construction and interpretation of the Agreement, be construed in

descending order of precedence having regard to the order in which the documents are set out in Clause 2 of this Formal Instrument of Agreement.

4. In consideration of the payments to be made by the Client to the Consultant pursuant to the Agreement, the Consultant agrees to perform the Services in accordance with the provisions of the Agreement.
5. The Client agrees to pay the Consultant, in consideration for the performance of the Services, such amounts as may become payable under the provisions of the Agreement and to reimburse all expenses incurred in the performance of the Services at the times and in the manner provided by the Agreement.
6. The Agreement may be executed in any number of counterparts. Each counterpart is an original but the counterparts together are one and the same agreement. The Agreement is binding on the parties on the exchange of counterparts. A copy of a counterpart sent by facsimile machine or by electronic mail:
 - (a) shall be treated as an original counterpart;
 - (b) is sufficient evidence of the execution of the original; and
 - (c) may be produced in evidence for all purposes in place of the original.

GENERAL CONDITIONS

The General Conditions shall be the International Federation of Consulting Consultants (FIDIC) Client / Consultant Model Services Agreement, third edition (1998) as amended by the Particular Conditions of Agreement.

PARTICULAR CONDITIONS OF CONTRACT

A. REFERENCES FROM CLAUSES IN THE GENERAL CONDITIONS

1. Clause 14: Representatives:
Client: Mark Collopy
Consultant: John Hawxby
2. Clause 17: Duration of liability
52 weeks from the end of the Term or 52 weeks from the Date of Practical Completion of the Project, whichever is the earliest.
3. Clause 22: Date of Commencement: 21 February 2005
Date for Practical Completion:
Oxide Plant: 17 March 2006
Sulphide Plant: 30 June 2006.
4. Clause 32: Currency of Payments to Consultant: Rand.
5. Clause 36: Language(s) of the Agreement: English
Ruling Language: English
Law to which Agreement is subject: England
6. Clause 37: Principal place of business: South Africa.
7. Clause 41: Unless advised otherwise in writing, the Client's particulars for services or delivery of notices under the Agreement are not set out in Appendix A, but rather are:
Name: **BOGOSO GOLD LIMITED**
Attention: Mark Collopy
Address: Level 2, No. 1 Milne Close
P.O. Box 16075
Airport Post Office
Accra, Ghana

Facsimile No.: (23) (32) 177-7700
Electronic Mail Address: mcollopy@gsrgh.com
Attention: General Manager Projects

with a copy to:

Name: **GOLDEN STAR RESOURCES LTD.**
Attention: Peter Bradford
Address: 10901 W. Toller Drive, Suite 300
Littleton, CO 80127
USA

Facsimile No.: (303) 830-9094
Electronic Mail Address: pbradford@gsr.com
Attention: President and CEO

Unless advised otherwise in writing, the Consultant's particulars for delivery of notices under the Agreement are not set out in Appendix A, but rather are:

Name: **GRD MINPROC (PTY) LIMITED**
Attention: John Hawxby
Address: Unit 1, Highbury House, Hampton Office
Park North
20 Georgian Crescent, Bryanston 2021
South Africa

Facsimile No.: (27) (11) 514-0006
Electronic Mail Address: john.hawxby@minproc.co.za

Unless advised otherwise, in writing, the Guarantor's particulars for service or delivery of notices under the Agreement are not set out in Appendix A, but rather are:

Name: **GRD MINPROC LIMITED**
Attention: Ben Zikmundovsky
Address: Unit 1, Highbury House, Hampton Office
Park North
20 Georgian Crescent, Bryanston 2021
South Africa

Facsimile No.: (27) (11) 514-0006
Electronic Mail Address: ben.zikmundovsky@minproc.co.za

Notices issued by the Client shall be titled "Notice to Consultant — BSEP EPCM Contract" or "Notice to Client — BOGOSO SULPHIDE EXPANSION PROJECT EPCM Contract", as the case may be, and such notices shall be sequentially numbered and shall be preceded by the year of issue, for example, "yyyy mm dd NT: Bogoso Gold Limited 001" or "yyyy mm dd NT: Consultant 001".

References to "telex" are to be replaced with "facsimile".

B. DELETED CLAUSES

The Following Clauses are deleted from the General Conditions and replaced by the stated Additional Clauses specified below in Section C:

Clause deleted from General Conditions	Clause replaced by Additional Clause in Section C
1	45.1
2	45.2
3	46
4	46
5(i), 5(ii)(a) and 5(ii)(b)	46
7 and 8	47.2
11, 12, 13 and 15	49
16 and 18	51
19 and 20	52
21	71.9
23 and 24	54 and 55
25	53
26, 27 and 28	57, 58 and 61
30, 31 and 34	61 and 62
38	66
42	67
43.8 and 44	68

C. ADDITIONAL CLAUSES

Context and interpretation

These Additional Clauses shall be read and interpreted in conjunction with the General Conditions and all the terms and expressions defined herein shall bear the same meanings assigned thereto in the General Conditions unless expressly stated or the context indicates otherwise.

45. DEFINITIONS AND INTERPRETATION

45.1 Definitions (replacing Clause 1)

“**Agreed Compensation**” means interest at an annual rate of 9% for any amount unpaid by the Client calculated from the date such amount was due to have been paid until is paid.

“**Agreement**” has the meaning given in Clause 2 of the Formal Instrument of Agreement.

“**Authorities**” means all governmental, semi-governmental, local and other authorities that exercise jurisdiction over the Services or the Project.

“**Business Day**” means a day other than a Saturday, Sunday or bank or public holiday in Ghana or South Africa.

“**Claim**” includes any action, suit, claim, demand or proceeding of any nature.

“**Client Approval**” means any licence, permit, consent, approval, determination or permission, the obtaining of which is specifically agreed by the parties to be part of the Client’s responsibility in Appendix H.

“**Client Deliverables**” means any thing, document and action specifically identified in the Agreement as being required to be delivered or procured by the Client or a third party on behalf of the Client to the Consultant, including without limiting the foregoing those things, documents and actions listed in Appendix H.

“**Client’s Representative**” means the representative of the Client appointed by the Client pursuant to Clause 14.

“**Client Standards and Procedures**” means the standards and procedures prescribed from time to time by the Client with respect to the Project or any part of it.

“**Code of Conduct**” means the Consultant’s code of conduct to apply to the Consultant’s Personnel and subcontractors whilst in Ghana and on Site, set out in Appendix K, as amended from time to time.

“**Consultant Approval**” means any licence, permit, consent, approval, determination or permission that may be required in respect of the Project, except Client Approvals.

“**Consultant’s Representative**” means the representative of the Consultant appointed by the Consultant pursuant to Clause 14.

“**Date for Practical Completion**” means the date stated in the Particular Conditions pursuant to Clause 22, as amended or varied in accordance with the Agreement.

“**Date of Commencement**” means the date stated in the Particular Conditions pursuant to Clause 22.

“Date of Final Completion” means the date on which the Project reaches Final Completion in accordance with the Agreement.

“Date of Practical Completion” means, in relation to the Project, a Separable Portion or a part of the Works, the date on which the Project or the Separable Portion or the part of the Works, respectively, reaches Practical Completion in accordance with the Agreement.

“Defective EPCM Services” means:

- (a) a failure to perform any part of the Services in accordance with, and to the standard required by, the Agreement including the standards set out in Appendices A or K; or
- (b) an omission of Services,

but does not include defects or omissions arising out of or in connection with:

- (c) any negligent act or omission by a third party, including a Project Contractor, that does not arise as a result of an act or omission by the Consultant;
- (d) any negligent act or omission by the Client, including a breach of statute or breach of duty by the Client;
- (e) fair wear and tear;
- (f) the Client maintaining or operating the Plant or any equipment outside the manufacturers’ or vendors’ recommendations, warranty provisions or operating manual procedures or outside the design criteria or the operating procedures established by the Consultant in consultation with the Client for the plant and equipment;
- (g) any material modifications made to the Plant or equipment by the Client without the Consultant’s consent, other than for environmental, safety or health reasons; and
- (h) any work or services the same as or similar to the Services or concerning the same subject matter as the Services which were performed by the Client or on behalf of the Client by persons other than the Consultant that were not required to be supervised by the Consultant.

“Defects Notification Period” means the period of 52 weeks from the end of the Term or 52 weeks from the Date of Practical Completion of the Project, whichever is the earliest.

“Defective Rectification Work” has the meaning given to that term in Clause 60.1.

“Design” means any design work (including engineering and drafting work) undertaken by the Consultant in the performance of the Services.

“Disbursements” means only those direct expenses and costs incurred with respect to the Project, paid or payable in cash, and of the type normally charged by the Consultant as a disbursement on other projects similar to the Project, including:

- (a) reasonable living expenses of the Consultant’s Personnel in Ghana;
- (b) Project related vehicle rental and insurance expenses;
- (c) Project related travel for the Consultant’s Personnel;
- (d) expenses of insurances purchased specifically for the Project as directed by the Client hereunder;
- (e) mobilisation and de-mobilisation medical expenses for the Consultant’s Personnel going to Site;
- (f) Project related meals involving the Client or any Project Contractor, if approved in advance by the Client;
- (g) international telephone costs, courier, shipping charges, special postage;
- (h) where not supplied by the Client, Site office costs, including stationery, photocopies, office consumables, network and e-mail facilities, communications, medical first aid kits and medical consumables; and
- (i) where not supplied by Client, Site office furniture and equipment, subject to Clause 6;
- (j) Johannesburg office support, including stationery, photocopies, office consumables, network and e-mail facilities;

but excluding:

- (k) costs pertaining to Project Contractors or other contractors, which shall be direct costs of the Client;
- (l) personal protective equipment;
- (m) accommodation on Site, unless accommodation is not made available by the Client;
- (n) expenses for equipment, machinery, tools and other assets that the Client would reasonably expect consultants to have on hand and part of its tools of trade (but excluding those assets purchased with particular specification for the purpose of the Project, which shall be Client property pursuant to Clause 6);
- (o) materials that are purchased for use in South Africa without specific reference to any particular project, such as paper, pens and other supplies.

“Documentation” includes software (including source code and object code versions) manuals, diagrams, graphs, charts, projections, specifications, estimates, records, concepts, documents, accounts, plans, formulae, designs, methods, techniques, processes, supplier lists, price lists, customer lists, market research information, correspondence, letters and papers of every description including all copies of or extracts from the same.

“Dry Commissioning” means those checks and tests to be performed up to Practical Completion in accordance with Appendix A.

“Execution Date” means 06 April 2006.

“Existing Plant” means the existing plant, equipment and infrastructure on Site as of the Date of Commencement.

“Final Completion” means (as the case may be) that stage in the execution of the Services where:

- (a) the Defects Notification Period has expired and the Consultant has made good all Defective EPCM Services that have been advised by the Client to the Consultant prior to the expiry of the Defects Notification Period; or
- (b) the Further Defects Liability Period has expired and the Consultant has made good all Defective Rectification Work prior to the expiry of the Further Defects Liability Period.

“Financing Entity” means any financial institution or other person providing any debt or equity financing for the Client in respect of the Project, including by provision of a letter or letters of credit or other guarantees or insurance in support of those things and including the holders of, and the agent or trustee representing the holders of, such instruments.

“Force Majeure Event” is any event or circumstance (or combination of events and circumstances) which occurs in Ghana and:

- (a) is beyond the control of the party affected by that event or circumstance or both;
- (b) causes delay in, or prevention of, the performance by the affected party of any of its obligations under the Agreement; and
- (c) cannot be prevented, overcome or remedied by the exercise by the affected party of a standard of care and diligence consistent with that of a prudent and competent mining company (in the case of the Client) or construction manager (in the case of the Consultant),

including, without limiting the foregoing, a strike or industrial dispute which affects the performance of the Works under the Agreement and wet or otherwise inclement weather that makes the conduct of the Works under the Agreement unsafe or impractical.

“Further Defects Liability Period” means 52 weeks.

“Gold Fields” means Gold Fields of South Africa or its subsidiaries regarding the provision of technology relating to the BIOX[®] process.

“Government” means, in respect of each place in which the Services are rendered, any federal, state, provincial, regional or local government and all government, semi-government, local and other agencies, authorities, departments or instrumentalities of any of them or corporations established by statute.

“Independent Engineer” means Merit Engineers Pty Ltd (ACN 087 781 262), a company incorporated in Australia.

“Intellectual Property Rights” means all industrial and intellectual property rights, whether registered or unregistered, including, but not limited to, inventions, discoveries, innovations, technical information, technical data, prototypes, manufacturing processes, improvements, patent rights, circuitry, drawings, plans, specifications, trade mark rights, trade names, design rights, copyright (including moral rights), and other monopoly rights, samples and know-how.

“Interconnection Procedures” means the procedures for interconnecting the Existing Plant with the Oxide Plant and the Sulphide Plant, as determined pursuant to Clause 46.5(b).

“Key Personnel” means those personnel identified in Appendix F.

“Law” means any legally binding law, legislation, statute, act, rule, order or regulation which is enacted, issued or promulgated by any Government.

“Legislative Requirement” means a requirement imposed by Law and includes, without limitation:

- (a) a requirement to obtain an approval (other than a Client Approval), either expressly, or by implication through the imposition of a criminal offence for a failure to do so;
- (b) a requirement to give a notice to any Government, or to report something to any Government;
- (c) a requirement to pay a fee, charge or penalty imposed by legislation; and
- (d) a requirement to do, not to do, or comply with a matter or thing, either expressly, or by implication through the imposition of a criminal offence for a failure to do so.

“Material Project Contractor” means those contractors listed in Appendix G.

“Ore Commissioning” means those checks and tests (with the use of process materials) to be performed by the Client after Practical Completion in accordance with Appendix A.

“Oxide Plant” means those areas in Appendix D numbered 00, 01, 04, 05, 06, 19 (to the extent required to operate the Oxide Plant) and 22 (to the extent required to operate the Obotan Mill as an oxide mill).

“Payment Claim” has the meaning given to that term in Clause 62.3.

“Personnel” includes a person’s officers, directors, employees, contract employees, agents, sub-contractors and invitees.

“Plant” means the Oxide Plant and the Sulphide Plant or either one of them, as the context may suggest, to be constructed as part of the Project, as further described in the Scope of Works.

“Practical Completion” means that stage in the execution of the Services where the Oxide Plant or Sulphide Plant, as the case may be, has been engineered, procured and constructed and is ready to accept the safe introduction of ore, except for minor omissions, minor defects and outstanding Services that do not prevent the safe introduction of water or ore, as listed in the punch list agreed between the Client and the Consultant pursuant to Clause 59.1(b), provided that:

- (a) if ore is introduced to any Separable Portion or other part of the Plant at the instruction of the Client, then that Separable Portion or part is deemed to have achieved Practical Completion for purposes of computing the Defects Notification Period;
- (b) non-critical secondary equipment and structures (such as administration buildings and the like) need not be complete to achieve Practical Completion; and
- (c) if Practical Completion in respect of the whole or any Separable Portion or other part of the Plant would be achieved but for failure of the Client to meet its obligations pursuant to the Agreement or the failure of any third party (provided such failure was not the result of Defective EPCM Services), then Practical Completion will be deemed to have been achieved for the purposes of computing the Defects Notification Period.

“Pre-commissioning” means those pre-operational checks and tests (without the use of process materials) to be performed by the Consultant in accordance with Appendix A.

“Privacy Law” means any Law that relates to the protection of personal or other information pertaining to Personnel.

“Project” means the Bogoso Sulphide Expansion Project, situated approximately 10km south of the town of Bogoso in the Western Region of Ghana, as described in the Scope of Works in respect of which the Client has engaged the Consultant to provide the Services.

“Project Budget” means the Project budget in Appendix I.

“Project Contract” means a contract entered into with a Project Contractor for purposes of the Project.

“Project Contractor” means any consultants, contractors, vendors and suppliers engaged by the Client at the recommendation of the Consultant to carry out any part of the Project and includes any Material Project Contractor.

“Project Control Group” has the meaning given to that term in Clause 50.7.

“Project Management Plan” means the Project management plan to be prepared by the Consultant in accordance with Clause 50.8.

“Project Material” means all Documentation which is:

- (a) prepared, or required to be prepared, by or on behalf of the Consultant under the Agreement;
- (b) delivered, or required to be delivered, by or on behalf of the Consultant to the Client under the Agreement; or
- (c) incorporated into any Documentation described in (a) or (b) above.

“Project Schedule” means the schedule of various dates as required to be updated hereunder and the first of which is set out in Appendix J.

“Protected Right” means any patent, right, registered design, trademark or name, copyright or any other lawfully protected right of any person.

“Quality Assurance Program” means the program specified in Clause 46.7.

“Rectification Work” has the meaning given to that term in Clause 60.1.

“Scope of Services” means the scope of services specified in Appendix A, as amended or varied in accordance with the Agreement.

“Scope of Works” means the scope of works specified in Appendix D, as amended or varied in accordance with the Agreement.

“Separable Portion” means any one of the discrete components of the Plant described in the Scope of Works or agreed pursuant to Clause 56.1.

“Services” means the services which the Consultant is required to perform under the Agreement and as further described in the Scope of Services.

“Services Costs” has the meaning given to that term in Clause 62.1.

“Services Variation” means any variation in the Services under Clause 55.

“Site” means the location at which the Project is to be constructed, as described in the Scope of Works.

“Sulphide Plant” means those areas in Appendix D numbered 10, 11, 12, 13, 14, 15, 16, 17, 18, 19 (to the extent that this area does not form part of the Oxide Plant), 21, 22 (to the extent that this area does not form part of the Oxide Plant) and 23.

“Taxes” means any taxes, charges, levies, assessments or other similar costs of any kind, excluding income, profit, revenue, royalty and other taxes payable in respect of operations (which taxes shall for the purposes of the Agreement be **“Excluded Taxes”**), but including goods and services taxes, value added taxes, withholding taxes, stamp duties and customs duties.

“Term” means the period commencing with the Date of Commencement and ending on the Date of Final Completion or, if the Agreement is terminated prior to the Project reaching Final Completion, on the date of such termination.

“Total Cost Forecast” means the sum of the Project Budget set out in Appendix I and the indicative Services Costs set out in Part C of Appendix C.

“Works” means the works to be constructed and the temporary works to be carried out in executing the Project as described in the Scope of Works.

“Works Variation” means any change described in the Scope of Works pursuant to Clause 54.

45.2 Interpretation (replacing Clause 2)

In the Agreement, unless contrary intention appears:

- (a) a reference to:
 - (i) clauses, schedules and appendices are references to clauses of and schedules and appendices to the Agreement;
 - (ii) a person includes a natural person, firm, joint venture partnership, unincorporated association, corporation and government or statutory body or authority or other body corporate;
 - (iii) a party includes the party’s successors and permitted assigns;
 - (iv) a document or agreement, including the Agreement, includes a reference to that document or agreement as novated, altered, supplemented or replaced from time to time;
 - (v) writing includes a reference to printing, typing and each other method of producing words in a visible form;
 - (vi) any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation issued under that legislation or legislative provision;

- (vii) a month or year means calendar month or calendar year whether or not beginning on the first day of any month or year;
- (viii) “US\$”, “USD”, “USD\$”, “\$US”, “dollar” or “\$” is a reference to United States currency;
- (ix) “R”, “ZAR” and “Rand” is a reference to South African currency;
- (x) a specific time for the performance of an obligation is a reference to that time in the country, state, or territory or other place where that obligation is to be performed; and
- (xi) a thing (including a right or obligation) includes a part of that thing;
- (b) headings are for ease of reference only and do not affect the meaning of the Agreement;
- (c) the singular includes the plural and vice versa and words importing a gender include other genders;
- (d) the expression “including” is not a word of limitation;
- (e) other grammatical forms of defined words or expressions have corresponding meanings;
- (f) if the date on or by which any act must or may be done under the Agreement is not a Business Day, the act must or may be done on or by the next Business Day;
- (g) where time is to be calculated by reference to a day or event, that day or the day of that event is excluded;
- (h) no provision of the Agreement will be construed adversely to a party solely on the ground that the party was responsible for the preparation of the Agreement or provision;
- (i) except where otherwise provided, measurements and quantities shall be in metric units; and
- (j) the words “clause 27.1(ii)” and “clause 5(i)” for purposes of Clause 40(i) shall be read as meaning “Clause 61” and “Clause 46.2,” respectively, while the words “anything of value” shall be read as meaning anything of material value and shall specifically exclude meals, entertainment and promotional items valued at less than US\$200.00.

45.3 Ambiguous and Inconsistent Terms

- (a) Subject to Clause 3 of the Formal Instrument of Agreement, if the Client’s Representative reasonably considers, or the Consultant notifies the Client’s Representative in writing, that there is a conflict, ambiguity, inconsistency or

discrepancy in or between any of the terms of the Agreement, the Independent Engineer shall direct the interpretation which the parties shall follow. Any interpretation of the Independent Engineer made under this clause 45.3(a) shall, except in the case of obvious error or fraud, be final and binding on the parties.

- (b) The Independent Engineer, in giving a direction in accordance with Clause 45.3(a), is not required to determine whether or not there is an ambiguity or inconsistency.
- (c) The Consultant shall bear the costs of compliance with a direction under clause 45.3(a) unless the ambiguity or inconsistency could not have been reasonably identified by a competent person experienced in projects of a similar character, size and complexity to the Project. If a direction is given in respect of an ambiguity or inconsistency that could not have been reasonably identified by a competent person experienced in projects of a similar character, size and complexity to the Project and the direction requires the Consultant to perform any additional Services, the direction will be deemed to be a Services Variation for the purposes of Clause 55.

45.4 Matters of Clarification (General)

- (a) Where in the Scope of Services:
 - (i) an obligation or action is prescribed or required to be taken, the Consultant shall fulfil that obligation or take that action, unless it is expressly stated that the Client must take that action;
 - (ii) a precondition is prescribed in relation to any right or benefit that the Consultant might become entitled to enjoy, then the Consultant will only be entitled to the right or benefit if the precondition is satisfied; or
 - (iii) a right or benefit is given to the Client, the Client may enjoy that right or benefit even though the right or benefit is not prescribed by the General Conditions or the Particular Conditions.
- (b) Except where expressly provided to the contrary in the Agreement, no approval, consent, review, consultation, monitoring, audit or comment made, undertaken or given by or on behalf of the Client shall lessen or otherwise affect the Consultant's obligations under the Agreement or constitute a Services Variation or Works Variation.

45.5 Best Endeavours

- (a) Subject to Clause 45.5(b), where the Agreement requires that the Consultant use "best endeavours" in the performance of any its obligations under the Agreement, the Consultant shall, in the performance of the applicable obligation adopt, use or apply the work practices and methodologies that reflect prudent practicable standards as would be employed by reputable international professional engineering, procurement and construction management contractors that are then in current use.

- (b) Unless the context otherwise requires in the Agreement, the term “best endeavours” shall only bear the meaning given to that term in Clause 45.5(a).

46. APPOINTMENT, OBLIGATIONS, WARRANTIES, AND COVENANTS OF THE CONSULTANT (REPLACING CLAUSES 3, 4 and 5(I), 5(II)(A) AND 5 (II)(B))

46.1 Appointment of Consultant

The Client appoints the Consultant as an independent contractor of the Client to render the Services in accordance with the Agreement, which appointment is hereby accepted by Consultant.

46.2 Standard of Care

- (a) The Consultant shall perform the Services with the professional skill, care and diligence that would be expected of an international professional engineering, procurement and construction management contractor experienced in projects of a similar nature to the Project and in the performance of services the same as or similar to the Services.
- (b) The Consultant must ensure that any subcontractor appointed by it to perform part of the Services performs that part of the Services with the professional skill, care and diligence expected of a professional consultant experienced in projects of a similar nature to the Project and in the performance of services of similar nature to the part of the Services subcontracted to that subcontractor.

46.3 Warranties and Covenants

The Consultant warrants and covenants to the Client that:

- (a) it and its Personnel have the particular skill, experience and ability necessary to perform the Services and will continue to have them during the Term;
- (b) it has examined:
 - (i) the Scope of Services and the Scope of Work;
 - (ii) local conditions at the Site and all applicable Laws;
 - (iii) the Project Schedule; and
 - (iv) all other information or documents relating to the Project provided to the Consultant,

and is satisfied with the sufficiency thereof for the purpose of complying with its obligations under the Agreement (without the Consultant giving or making any warranty or representation as to the adequacy of the BIOX[®] process or the material characteristics provided by the Client to the Consultant);

- (c) it is duly incorporated and validly existing under the law of its place of incorporation and it has full legal capacity and power:
 - (i) to own its property and assets and to carry on its business; and
 - (ii) to enter into the Agreement and to perform its obligations under the Agreement;and it has taken all corporate action that is necessary to authorise its entry into the Agreement and to perform its obligations under the Agreement;
- (d) there is, in the reasonable opinion of the Consultant, no litigation, arbitration, mediation, conciliation or administrative proceedings taking place, pending or threatened against it which (if adversely decided) could have a material adverse effect on the Consultant's or the Guarantor's business, assets or financial condition or its or the Guarantor's ability to perform its obligations under the Agreement;
- (e) it has not impugned the reputation of the Client to date, nor will it during the Term or at any time thereafter, nor will it knowingly do or permit anything which might damage the name or reputation of the Client or reasonably invite adverse public criticism or result in the Client being the subject of any official investigation; and
- (f) as of the Execution Date, it has no conflict of interest in performing the Services for the Client and it will ensure that none exist during the Term.

The Consultant acknowledges that the Client has executed the Agreement in reliance on the warranties contained in this Clause 46.3. The warranties contained in this Clause 46.3 will be treated as if made continuously by the Consultant during the Term.

46.4 Delivery of Services

- (a) The Consultant shall:
 - (i) promptly perform the Services in accordance with the requirements of the Agreement;
 - (ii) at all times use its best endeavours to ensure that the Project:
 - (A) proceeds at a rate of progress such that each event stated in the Project Schedule will be completed in accordance with the corresponding completion or milestone date; and
 - (B) is completed within the Total Cost Forecast;
 - (iii) recommend and seek the Client's approval to undertake all studies, reviews, investigations and other processes necessary to enable it to perform the Services as efficiently and cost-effectively as practicable; and

- (iv) regularly consult with the Client's Representative throughout the performance of the Services (including requesting instructions from the Client's Representative and seeking comments on, or review or approval, of any documentation).
- (b) Subject to Clause 49.2 and 50.2, the Consultant may enter into subcontracts for the vicarious performance of its obligations under the Agreement, but the Consultant shall not subcontract the whole of the Services. The Consultant shall obtain the written approval (which shall not be unreasonably withheld) of the Client's Representative before appointing a subcontractor to perform any part of its obligations under the Agreement. The Consultant shall manage the performance of each subcontractor to ensure the quality and timeliness of its performance meet the requirements of the Agreement. The Consultant's obligations under the Agreement are not lessened or otherwise affected by subcontracting the performance of those obligations.
- (c) Where the Client has a right to and terminates the Agreement, upon the request of the Client, the Consultant shall:
 - (i) assign the benefit of any subcontracts referred to in Clause 46.4(b); or
 - (ii) if the benefit of any subcontract cannot be assigned, hold the subcontract, guarantee or warranty in trust for the Client or the Client's nominee (as the case may be).
- (d) Despite Clause 46.4(b), the Consultant is solely responsible for the performance of the Services. Except to the extent specified in this Clause 46.4(d), this obligation is not affected by any approval or decision given by the Client or any Authority. Where the Client's Representative gives the Consultant a direction which is not consistent with or would be contrary to the standard of care described in Clause 46.2, the Consultant will be excused from all liability in respect of following such instruction if at any time within three (3) Business Days from the date the instruction is given, the Consultant gives the Client's Representative notice of the inconsistency and sets out in that notice a non-exhaustive summary of expected adverse consequences on the Project of complying with such instruction. Nothing in the preceding sentence will prejudice the Client's rights under the Agreement to dispute any notice given by the Consultant under this Clause 46.4(d).
- (e) The Consultant acknowledges that, other than as expressly provided elsewhere in the Agreement, it is the Consultant's responsibility to make all enquiries, obtain all information and make all judgements that are relevant to and necessary for the performance of the Services. The Consultant shall not delay the progress of the Services or any part of the Services by reason of the Consultant awaiting information from the Client or the Client's Representative:
 - (i) unless the Agreement expressly provides otherwise;

- (ii) unless the Client's Representative otherwise directs the Consultant; or
- (iii) except to the extent that the Consultant cannot reasonably proceed with the Services without the information.

46.5 Design Obligations

- (a) The Consultant shall:
 - (i) develop and complete the Design, in accordance with the requirements of the Agreement, including preparing all necessary documents, information, drawings and plans sufficient for the procurement, installation, construction, commissioning and completion of the Project;
 - (ii) ensure to the maximum extent reasonably possible that the Design:
 - (A) meets the Client's requirements for the Project as set out in the Scope of Services or the Scope of Works;
 - (B) is free from defects in design and accurate and complete in all respects;
 - (C) will minimize the repair and maintenance costs of the Project and will maximize the life of the Project;
 - (D) will comply with all applicable Laws;
 - (E) will enable approvals, certificates and permits to be quickly and easily obtained from any Authority; and
 - (F) is otherwise suitable in all respects for the intended purposes of the Project as specified in the Scope of Services or Scope of Work so that, when constructed, the Project will be fit for its intended purpose as specified in the Scope of Services or Scope of Work; and
 - (iii) allow a maximum of 10 days for review by the Client's Representative of all Design Documentation, prior to the issue of such documentation to subcontractors or Project Contractors. In the event that the Client's Representative has not completed his review within 10 days, the Consultant may proceed to issue such documentation to subcontractors or Project Contractors.
- (b) The Consultant shall (if applicable), on or about 31 March 2006, submit to the Client's Representative for approval Interconnection Procedures for connecting the Oxide Plant and the Sulphide Plant to the existing infrastructure on Site which shall:
 - (i) meet the requirements of the Scope of Services;

- (ii) be in a format approved by the Client's Representative (which approval shall not be unreasonably withheld).
- (c) Neither the Client nor the Client's Representative undertakes any responsibility or duty of care to the Consultant to review any Design Documentation for errors, omissions or compliance with the Agreement. No review of, comments upon, rejection of, or failure to review or comment upon or reject, any such documentation will:
 - (i) relieve the Consultant from, or alter or affect, the Consultant's liabilities or responsibilities whether arising out of or in connection with the Agreement or otherwise according to Law; or
 - (ii) prejudice the Client's rights against the Consultant whether arising out of or in connection with the Agreement or otherwise according to Law.
- (d) The Consultant acknowledges that the Client has not given any warranty or guarantee or made any representation about the adequacy or suitability of the Scope of Services or the Scope of Works or the level of completeness of the design of the Project in the Scope of Services or the Scope of Works.

46.6 Management of Project Contractors

- (a) In performing the Services, the Consultant shall manage all Project Contractors and exercise all powers, duties and discretion conferred upon the Client, as representative for Client, in a manner that is consistent with the Client's contractual obligations and in the Client's best interests.
- (b) The Consultant shall:
 - (i) identify the scope of each Project Contract and the sequence of all Project Contracts (in consultation with the Client's Representative) and make recommendations to the Client's Representative regarding the:
 - (A) pre-purchase of long-lead time items of machinery, materials and supplies;
 - (B) availability of materials and labour; and
 - (C) the tender list for each Project Contract;
 - (ii) prepare the tender documentation (including finalising the specifications and drawings) for each Project Contract (using the Project-developed conditions of tender and contract prepared by the Client) and ensure that they comply with the Client's requirements (including, in particular, those set out (if any) in the Scope of Works);
 - (iii) submit draft tender documentation to the Client's Representative for review in a manner and at a rate which will give the Client's

Representative a reasonable opportunity (but in any event no more than ten (10) days) to review that tender documentation before it is issued to tenderers and, if any tender documentation is rejected by the Client's Representative within such period, submit amended tender documentation to the Client's Representative, in which case the time period in this Clause 46.6(b)(iii) will reapply;

- (iv) finalise each tender list in consultation with the Client's Representative in accordance with the relevant procedure in the Project Management Plan so that it only includes tenderers approved by the Client's Representative;
 - (v) prepare sufficient copies of the finalised tender documentation for each Project Contract for tendering; and
 - (vi) issue the tender documentation in accordance with this Clause 46.6(b) to all approved tenderers.
- (c) The Consultant shall:
- (i) keep the Client's Representative informed of any pre-tender meetings;
 - (ii) provide to the Client's Representative copies of all correspondence from and to tenderers for the Project Contracts; and
 - (iii) have a representative in attendance at the opening of all tenders for the Project Contracts.
- (d) The Consultant shall:
- (i) analyse all tenders submitted by tenderers for the Project Contracts;
 - (ii) prepare a report recommending to the Client the most suitable tenderer for each Project Contract;
 - (iii) recommend, if necessary, that negotiations be entered into with any preferred tenderer; and
 - (iv) provide to the Client for its consideration the actual tender prices for all Project Contracts and how they compare with the cost estimates (if any) for the Project Contracts in the Total Cost Forecast or in any other budget or program prepared by the Consultant containing cost estimates of the Project Contractors.
- (e) The Consultant covenants to the Client that neither the Consultant (nor any affiliated bodies corporate, as defined by the applicable Law in South Africa and Ghana, of the Consultant) will tender for any of the Project Contracts unless the Consultant has obtained the prior written approval of the Client.

- (f) The Consultant shall provide all superintendence, co-ordination and construction management with respect to Project Contractors, including:
 - (i) administering and making recommendations to the Client in relation to all changes, extensions of time and all other matters pertaining to Project Contracts;
 - (ii) providing all relevant information to the Client's Representative, as and when required, and in any event in sufficient time to enable the Client to carry out its contract administration functions (if any) under the various Project Contracts;
 - (iii) monitoring the performance of the Project Contractors under the Project Contracts with the aim of rectifying all faults, omissions or other defects prior to the date of practical completion or during the defect liability periods (as the case may be) in the respective Project Contracts; and
 - (iv) if requested by the Client, acting as the Client's Representative in relation to the Project Contracts;with the objective of facilitating each Project Contract being:
 - (v) completed by the completion date for it in the Project Schedule; and
 - (vi) within its planned cost (if any, as stated in the Total Cost Forecast or in any other budget or program prepared by the Consultant containing cost estimates of the Project Contracts).
- (g) The Consultant shall procure all Works and services in accordance with the Client's internal process for obtaining financial authority to place orders and contracts. Requisitions for the placing of orders for supply or installation of equipment shall include the terms and conditions of the Project Contracts, the purchase order letter (if any) and any other documentation advised by the Client's Representative.
- (h) In the event that a party to a Project Contract invokes any dispute resolution provisions or notifies the Consultant of an intention to commence any dispute resolution proceedings, the Consultant shall immediately notify the Client. In the event of any such notification to the Client the Consultant shall advise the Client of the facts and circumstances of the dispute known to the Consultant and endeavour as far as reasonably possible to participate in and achieve on behalf of the Client a prompt settlement or other resolution of the dispute subject to the directions of the Client.

46.7 Labour, Environmental, Indigenous, OHS and Quality Assurance Plans

- (a) The Consultant shall:

- (i) subsequent to the Date of Commencement, establish (in consultation with the Client's Representative) the Quality Assurance Plan for the performance of the Services and such plan shall be:
 - (A) appropriate to the materials, fabrication, components, construction and Site maintenance activities; and
 - (B) comply with ISO 9000 (2000) or any amended or substituted requirements which the Client's Representative may, acting reasonably, direct in writing;
- (ii) give the Client's Representative access to the Consultant's and each subcontractor's quality systems to enable monitoring and quality auditing; and
- (iii) comply, and ensure its subcontractors comply, with the Quality Assurance Plan.
- (b) The Consultant shall, if directed by the Client's Representative, prepare and submit to the Client's Representative for approval an occupational health and safety plan and, if approved, comply, and ensure that its subcontractors comply, with any such plan.
- (c) The Consultant shall, upon instruction by the Client, comply and shall ensure that its subcontractors comply with any documented policy and procedures on health and safety, environmental matters, community matters and industrial relations matters that are in use by the Client at the Site.

46.8 Local Content

- (a) The Consultant shall, in the performance of its obligations under the Agreement, as far as it is reasonable and economically practicable:
 - (i) use labour available within the Bogoso/Prestea catchment area;
 - (ii) engage professional services available in the Bogoso/Prestea catchment area; and
 - (iii) give manufacturers, suppliers and subcontractors available in the Bogoso / Prestea catchment area:
 - (A) a fair and reasonable opportunity to tender or quote for subcontracts for works, materials, plant, equipment and supplies; and
 - (B) proper consideration and, where possible, preference to those manufacturers, suppliers and subcontractors.

- (b) If the Consultant is not able to use labour, professional services, manufacturers, suppliers or subcontractors available in the Bogoso / Prestea catchment area, the Consultant shall give consideration to and, where possible, preference to labour, professional services, manufacturers, suppliers and subcontractors within Ghana.
- (c) Unless the Client agrees otherwise, the Consultant shall use its best endeavours to ensure that in every subcontract it enters into for labour, professional services, workers, materials, plant, equipment or supplies for the performance of the Services, the other party covenants to be bound by the terms of this Clause 46.8 in the same way as the Consultant and that it will report to the Consultant on its implementation of Clause 46.8(a) and Clause 46.8(b).
- (d) The requirements of this Clause 46.8 do not affect or limit the Consultant's obligations under the Agreement.

46.9 Monthly Reporting

The Consultant shall, by the fourth working day of each month, give a written report (in a form approved by the Client's Representative) to the Client's Representative setting out:

- (a) if applicable, details of the progress of tendering for the vendor packages and the construction packages;
- (b) the progress of the Project against the Project Schedule and the effect on the Project Schedule of any change to the Project, including a curve showing cumulative actual and forecasted cashflow (including costs for any changes to Project) against time;
- (c) details of any activities which are behind the progress anticipated in the Project Schedule, any foreseen delays to future activities on the Project Schedule and the likely effect on the Project Schedule of any actual or foreseen delay;
- (d) current claims for changes, variations and extensions of time by Project Contractors in relation to the Works or Project, including details of dates submitted, dates approved and any other details the Client's Representative requires;
- (e) the status of all activities on which work is being undertaken;
- (f) industrial relations issues affecting (or which may affect) the performance of the Project;
- (g) strategies implemented or proposed to overcome problems, including corrective action statements for catching up lost time or avoiding potential delays;
- (h) a statement of progress claims made under Project Contracts during the period of the statement containing full and true particulars of all such claims;

- (i) the total amount of costs payable to Project Contractors under their contracts awarded to date; and
- (j) any other matter reasonably required by the Client's Representative.

46.10 Records Open for Inspection and Audit

- (a) The Consultant shall keep and maintain:
 - (i) the records identified in the Project Management Plan; and
 - (ii) all other Project Material relating to the Project, at the Consultant's address as set out in the Agreement under Clause 41.
- (b) The Consultant must ensure that all Project Material relating to the Project, and the quality system and the records and Project Material referred to in Clause 46.10(a) are available to the Client (or persons nominated by the Client) at all reasonable times for examination, audit, inspection, transcription and (in respect of records only) copying.
- (c) If the Agreement is terminated, the Consultant shall give the Client any records and Project Material referred to in Clause 46.10(a) which are necessary for the orderly continuance of the Project by another person.

47. OBLIGATIONS OF THE CLIENT

47.1 Failure to fulfil Obligations (replacing Clauses 7 and 8)

In no event shall the Client or the Client's Representative be considered to have delayed the Project or a Separable Portion where — with respect to -:

- (a) the Client Approvals, such approvals have been obtained within ten Business Days of a request from the Consultant to obtain same;
- (b) the execution of Project Contracts with Project Contractors, such contracts have been prepared and presented to the Consultant for execution by the Project Contractors within ten Business Days of a request from the Consultant to prepare same (or, where prepared by a Project Contractor, approved by the Client with or without reasonable modifications within 7 Business Days of a request from the Consultant to do so), provided such request is made following a recommendation of the Consultant supported by appropriate information; and
- (c) any approval or information requested by the Consultant, the approval or information is provided within ten Business Days of a request being made by the Consultant (provided any such request is supported by appropriate information).

Where the Consultant considers that circumstances require a response before the expiry of such time periods, that opinion shall be indicated in the request to the Client with

appropriate reasons therefore. In such event, the Client shall respond within a shorter time period, provided such opinion is reasonably founded.

47.2 Responsibilities (amending Clause 9)

- (a) In addition to the obligations stated in Clause 9, the Client will obtain the Client Approvals.
- (b) Clause 9 is amended by deleting “shall do all in his power” and substituting “shall use reasonable efforts, where requested by the Consultant.”
- (c) If the Consultant requests the Client to approve or decide any matter or thing in connection with the performance of the Services by the Consultant, the Client shall within a reasonable period of time after the request, notify the Consultant of its approval or decision (as the case may be).

For the avoidance of doubt in this Clause 47.2(c):

- (i) a reasonable period of time shall be determined in the context of the matter or thing in respect of which the Client’s approval or decision is sought;
- (ii) an approval or decision includes a refusal to approve or decide (as the case may be).

47.3 Client provided Personnel, Equipment, Facilities and Services

- (a) Subject to Clause 47.3(b), the Client shall provide the Personnel, equipment, facilities and services described in Appendix B for use by the Consultant in performing the Services.
- (b) Where Appendix B states that the Consultant must pay for the use of specific equipment, facilities or services, the Consultant shall do so.
- (c) The Consultant shall comply with the Client’s Representative’s directions when using the equipment, facilities and services referred to in Clause 47.3(a).

48. SITE

48.1 Access

The Consultant shall have non-exclusive continuous access to the Site sufficient to enable it to carry out its obligations under the Agreement.

48.2 Induction Training

The Consultant:

- (a) shall ensure that all of its Personnel undergo induction training required for the Site in accordance with the Client’s requirements; and

- (b) acknowledges that it:
 - (i) has made a sufficient allowance in the Services Costs for, and assumes the risk of any delays arising out of or in connection with, the induction training required under Clause 48.2(a), provided that any required induction training is provided within a reasonable time after request by the Consultant; and
 - (ii) will not be entitled to make any Claim (insofar as is permitted by Law) arising out of or in connection with that induction training.

48.3 Safety Requirements

- (a) The Consultant shall:
 - (i) ensure that the Consultant Personnel, and shall use its best endeavours to ensure that the Project Contractor Personnel, while upon the Site comply:
 - (A) with all obligations of the Consultant under the Agreement;
 - (B) all applicable Laws; and
 - (C) with any Site safety regulations issued from time to time to the Consultant by the Client's Representative, in relation to safety on the Site
 - (ii) maintain appropriate safety precautions and programs so as to prevent injury to persons or damage to property on, about or adjacent to the Site;
 - (iii) use its best endeavours to ensure that the Project is performed in a safe manner, including:
 - (A) erecting and maintaining, as required by existing conditions and the progress of the performance of the Project, all safeguards necessary for safety and protection (including barriers, fences and railings); and
 - (B) posting danger signs and other warnings against hazards (including all such signs and other warnings required by Law) and notifying the Client and other users of any dangerous or hazardous conditions arising out of the performance of the Project;
 - (iv) have appropriate first aid facilities available on the Site at all times; and
 - (v) not leave any work or partly completed work in an unsafe condition or in a condition which might cause damage to other work, plant, machinery or equipment, and continue such work until it is in a safe condition.

- (b) Despite any other provision of the Agreement to the contrary, if the Client determines, pursuant to its obligations under Law and to prevent risk of injury or property damage, that it is necessary for it or any third party to take urgent action to remedy any safety or operational risk at the Site or any part of the Site that is under the control of the Consultant, then:
 - (i) the Client may take any action it considers appropriate to remedy the safety or operational risk; and
 - (ii) the Consultant shall indemnify the Client against any damage, cost, loss or liability the Client suffers or incurs in respect of remedying the urgent safety or operational risk if, and only to the extent, the urgent safety and operational risk was caused or contributed by a breach by the Consultant of its obligations arising out of or in relation to the Agreement.
- (c) If any of the Consultant's Personnel damage property, the Consultant must promptly make good the damage and pay any compensation which the Law requires the Consultant to pay.
- (d) The Client shall ensure that all contracts with subcontractors and Project Contractors contain obligations identical to the obligations contained in clauses 48.3(b) and 48.3(c).

48.4 Access for the Client, the Client's Representative and others and Site Condition

- (a) The Consultant shall ensure that:
 - (i) the Client, the Client's Representative and any other person authorised by the Client or the Client's Representative (including Project Contractors); and
 - (ii) any person authorised by Law to have access to the Site for the purpose of exercising a function or discharging a responsibility which that person has under Law,have safe access to any part of the Site that is under the control of the Consultant at all times during the performance of the Services at the Site, provided that those persons agree to observe the Consultant's reasonable safety requirements.
- (b) The Consultant shall:
 - (i) provide the Client and the Client's Representative, at all reasonable times, with access to all workshops and places at the Site
 - (ii) use reasonable endeavours to ensure that the Project Contractors provide, and the Consultant will arrange for, the Client and the Client's Representative, at all reasonable times, to have access to all workshops and places at the Site or elsewhere, where work is being prepared or from

where materials, manufactured articles or machinery are being obtained for the Project.

- (c) The Consultant shall:
 - (i) subject to Clause 48.4(a), control access to any part of the Site that is under the control of the Consultant; and
 - (ii) ensure that any part of the Site that is under the control of the Consultant is kept in a clean and tidy condition.

48.5 Access by Project Contractors

- (a) The Consultant acknowledges that Project Contractors may be present on the Site during the performance of the Services. The Consultant shall, and shall use its best endeavours to ensure that all Project Contractors:
 - (i) co-operate with all other Project Contractors;
 - (ii) co-ordinate their work with the other Project Contractors' work to minimise any delays;
 - (iii) not obstruct, delay or interfere with or damage other Project Contractors' work;
 - (iv) comply with all directions from the Client's Representative regarding other Project Contractors and their work; and
 - (v) allow any other Project Contractors engaged by the Client to use the amenities, facilities and services which are available for use on the Site.
 - (vi) any delay or disruption caused by other Project Contractors will not affect or limit the Consultant's obligations or liabilities under the Agreement.

48.6 Operation of Existing Plant

- (a) The Consultant acknowledges that the following requirements are essential to the Client:
 - (i) that any interruption to the operation of the Existing Plant caused by the interconnection of the Project to the Existing Plant is minimised;
 - (ii) that (other than as contemplated in Clause 48.6(a)(i) the Existing Plant and its continued operation are not affected in any way by the Project; and
 - (iii) without limiting Clause 48.6(a)(i) or Clause 48.6(a)(ii), that the Project will fully, effectively and efficiently interface with the Existing Plant.

- (b) The Consultant shall:
 - (i) use its best endeavours to perform the Services in a manner so as to ensure that the requirements stipulated in Clause 48.6(a) are met;
 - (ii) use its best endeavours to ensure that the Project Contractors comply with the requirements of the Interconnection Procedures when carrying out the interconnection works to the Existing Plant;
 - (iii) at all times comply with the requirements of the Client Standards and Procedures; and
 - (iv) without limiting Clause 48.6(b)(i), design the Project and perform the Services so that all aspects of the Project fully, effectively and efficiently interface with the Existing Plant.

48.7 Things of Value or Interest

- (a) Anything of value or interest (including fossils, artefacts and objects of antiquity or of archaeological or anthropological interest) found on the Site:
 - (i) shall be brought immediately to the attention of the Client's Representative; and
 - (ii) will, as between the parties, be the property of the Client.
- (b) The Consultant shall, and shall ensure its subcontractors, carry out the Client's Representative's directions in relation to any object referred to in Clause 48.7(a).
- (c) The Consultant acknowledges that it has no right or interest in any object referred to in Clause 48.7(a).

49. PERSONNEL (REPLACING CLAUSES 11, 12, 13 AND 15)

49.1 General

- (a) The Consultant shall:
 - (i) provide experienced and skilled Personnel to perform the Services in accordance with its obligations under the Agreement; and
 - (ii) ensure that the Services are performed under the supervision of appropriately qualified and experienced Personnel.
- (b) Upon request, the Consultant shall provide resumes for any of the Consultant's Personnel or any Project Contractor Personnel.
- (c) The Client may, in its absolute discretion, direct the Consultant to remove from the Site, or from any activity connected with performance of the Services, any of its

Personnel engaged or employed in connection with the performance of the Services for any of the following reasons:

- (i) breach of the Code of Conduct;
- (ii) breach of Law;
- (iii) gross insubordination or wilful misconduct;
- (iv) negligence or incompetence.

The Consultant shall comply with a direction made under this Clause 49.1(c) within the time specified by the Client.

49.2 Key Personnel

- (a) No personnel listed in Appendix F will be replaced or released from involvement in the Project by the Consultant without the prior written approval of the Client, in its absolute discretion. If any of the personnel described in Appendix F leave the employ of the Consultant or are unable to perform their allocated duties for any period (whether as a result of death, illness or injury or the application of Clause 49.1(c)), the Consultant will promptly replace such personnel with substitutes of like skill and experience who are approved by the Client, which approval will not be unreasonably withheld.
- (b) The Consultant acknowledges and agrees that:
 - (i) the Key Personnel are critical for the management, supervision and performance of the Services;
 - (ii) subject to Clause 49.2(e), it will pay to the Client liquidated damages at the relevant rate and up to the maximum amount, both as stated in Appendix F, for every day for which a member of the Key Personnel is removed from or not available for the Services, but for which they are required to be so available, until the earliest of:
 - (A) the day that the member of the Key Personnel is again made available;
 - (B) the date that the member of the Key Personnel is replaced with a substitute person approved by the Client's Representative;
 - (C) the date that the Agreement is terminated; and
 - (D) the Date of Final Completion;

unless such removal is due to resignation, serious illness, injury or death of the Key Personnel or is otherwise approved by the Client's Representative under Clause 49.2(a) or directed by the Client under Clause 49.1(c);

- (iii) the parties have agreed to specify rates of liquidated damages to be payable to avoid the difficulty of proving the precise loss suffered by the Client if the Consultant fails to comply with its obligations in respect of Key Personnel and agree that the rates of liquidated damages in Appendix F represent a reasonable, fair and accurate estimate of the loss that will be suffered by the Client arising out of the loss of continuity and resulting inefficiencies should a member of the Key Personnel be removed from the performance of the Services;
 - (iv) the specified rates of liquidated damages are separate and cumulative for each member of the Key Personnel; and
 - (v) if the Client's entitlement to, and the Consultant's liability for, liquidated damages under Clause 49.2(b)(ii) is or becomes void, voidable or unenforceable for any reason or there is no amount specified in Appendix F, then the Client will be entitled to recover from the Consultant, and the Consultant will indemnify the Client against, the costs, losses, damages and liabilities incurred or suffered by the Client arising out of or in connection with the Consultant's failure to provide the Key Personnel in accordance with the Agreement.
- (c) If any person listed in Appendix F as Key Personnel desires to be released from the Project for reasons other than those referred to in Clause 49.2(a), the Consultant's Representative must give the Client's Representative notice in writing setting out:
- (i) the name of the person;
 - (ii) the part of the Services performed by that person and the extent to which those Services have been performed;
 - (iii) a summary of the reasons why that person desires to be released from the Project;
 - (iv) a statement of the impact upon the performance of the Services or the Project (including its progress) should the person be released;
 - (v) the name of the proposed replacement together with a statement of that person's experience and qualifications.
- Any notice given under this Clause 49.2(c) must be countersigned by the person who desires to be released.
- (d) Except where any person listed in Appendix F as Key Personnel desires to be released from the Project due to serious misconduct by the Client or any of its Personnel in which case the request will be allowed, the Client's Representative may refuse any request made under Clause 49.2(c) if the Client's Representative considers (acting reasonably) that the release of the relevant person would have an adverse impact upon the performance of the Services or the Project (including delay the progress of the Services or Project) or result in an increase in the

Services Costs. The Consultant acknowledges and agrees that in considering any request made under Clause 49.2(c) the Client's Representative may meet with the person named in the request in the absence of the Consultant and may, without the prior consent of the Consultant, offer that person any lawful benefit as an enticement to withdraw the request without any decision being made by the Client's Representative in respect of the request.

- (e) If any person listed in Appendix F as Key Personnel is released from the Project in accordance with Clause 49.2(d) the Consultant will have no liability to the Client under Clause 49.2(b).

49.3 Non-Solicitation

The parties covenants that, during the Term and for a period of 6 months following end of the Term, neither party will, either directly or through its subsidiaries and associated entities, offer employment by way of contract or staff position to any Personnel employed by the other. Each party further covenants that, should it breach the provisions of this Clause 49.3 resulting in such offer being taken up, it will pay to the other party an amount being six times the monthly salary or equivalent monthly payment otherwise payable by the injured party in respect of each such person the subject of such breach.

49.4 Consultant's Code of Conduct

The Consultant shall:

- (a) comply and ensure that all Consultant Personnel comply with the Code of Conduct;
- (b) use reasonable endeavours to ensure that the Project Contractor Personnel comply with the Code of Conduct; and
- (c) if the Consultant desires to amend the Code of Conduct, obtain the Client's Representative's approval before making any amendment.

49.5 Privacy

- (a) The Consultant and the Client warrant that they will comply applicable Privacy Law in relation to the collection, use or disclosure of information pertaining to Personal.
- (b) The Consultant and the Client agree to:
 - (i) observe applicable Privacy Law for all such information collected or dealt with by the Consultant or the Client (as the case may be) under the Agreement;
 - (ii) take reasonable measures to ensure that such information is protected against:

- (A) misuse or loss; and
- (B) unauthorised access, modification and disclosure, and that only authorised personnel have access to such information;
- (iii) ensure all personnel involved in collecting or dealing with such information are adequately trained as to the requirements of the Privacy Law and the Agreement;
- (iv) give the other party reasonable assistance for it to resolve any inquiry or complaint relating to such information;
- (v) promptly follow any reasonable direction of the other party regarding such information and compliance with the Privacy Law;
- (vi) promptly inform the other party of any breach of this Clause 49.5.

50. ADMINISTRATION (AMENDING CLAUSE 14)

50.1 The Client's Representative

- (a) The Client's Representative will give directions and carry out all of the other functions of the Client's Representative under the Agreement as the agent of the Client (and not as an independent certifier, assessor or valuer).
- (b) The Consultant shall comply with any direction by the Client's Representative given or purported to be given under a provision of the Agreement.
- (c) Except where the Agreement otherwise provides or in relation to any safety related issue, the Client's Representative may only give a direction in writing.
- (d) The Client may replace the Client's Representative by written notice to the Consultant at any time.
- (e) Except where expressly specified otherwise in the Agreement, the Client shall ensure at all times that in the exercise of the function of the Client's Representative under the Agreement, the Client's Representative act reasonably.
- (f) No comment, review, representation or approval by the Client or the Client's Representative in respect of the Consultant's obligations under the Agreement (including comments on, or review or approval of, any Project Material) will lessen or otherwise affect the Consultant's obligations under the Agreement.

50.2 Delegation of the Client's Representative's Power

- (a) The Client's Representative may appoint delegates to exercise any of the Client's Representative's functions under the Agreement and may terminate such appointments.

- (b) The Client shall promptly inform the Consultant in writing of:
 - (i) any replacement of the Client's Representative; and
 - (ii) any delegation by the Client's Representative of the Client's Representative's function under the Agreement to a nominee, the extent and the scope of that delegation, and any termination of appointment of delegates.

50.3 Compliance with Directions

- (a) If the Consultant fails or refuses to comply with a direction by the Client's Representative given in accordance with the Agreement, the Client may notify the Consultant in writing of:
 - (i) the Consultant's failure or refusal to comply with a direction of the Client's Representative; and
 - (ii) except in the case of an emergency or extraordinary circumstances, a reasonable period of time (but not more than 14 days) for the Consultant to rectify the failure or refusal.
- (b) If the Consultant does not rectify the failure or refusal within the specified time, then the Client may:
 - (i) subject to Clause 50.3(c), withhold further payment to the Consultant until the Consultant complies with the direction or the work the subject of the direction is carried out under Clause 50.3(a); and
 - (ii) carry out, or have a third party carry out, the work the subject of the direction, in which case the cost incurred by the Client will be a debt due and payable from the Consultant to the Client.
- (c) The amount that the Client is entitled to withhold under Clause 50.3(b)(i) shall:
 - (i) be 50% of a Payment Claim if at the time of the Consultant's failure or refusal referred to in Clause 50.3(b), the Payment Claim that has been submitted to the Client but not yet paid claims payment of an amount equal to or less than USD 100,000; or
 - (ii) be 10% of a Payment Claim if at the time of the Consultant's failure or refusal referred to in Clause 50.3(b), the Payment Claim that has been submitted to the Client but not yet paid claims payment of an amount that exceeds USD 100,000.

50.4 Consultant's Representative

- (a) The Consultant's Representative will give directions and carry out all of the other functions of the Consultant's Representative under the Agreement as the agent of the Consultant.
- (b) The Consultant may replace the Consultant's Representative by written notice to the Client at any time, provided that any replacement is consented to in writing by the Owner.
- (c) The Consultant warrants that the Consultant's Representative and any delegate appointed under Clause 50.5 at all times has or will have authority to act on behalf of the Consultant in respect of the Agreement.

50.5 Delegation of Consultant's Representative's Power

- (a) The Consultant's Representative may appoint delegates to exercise any of the Consultant's Representative's functions under the Agreement and may terminate such appointments.
- (b) The Consultant shall promptly inform the Client in writing of:
 - (i) any replacement of the Consultant's Representative; and
 - (ii) any delegation by the Consultant's Representative of the Consultant's Representative's functions under the Agreement to a nominee, the extent and the scope of that delegation, and any termination of appointment of delegates.
- (c) The Consultant's Representative or the Consultant's Representative's delegate shall be available at all times at the Site when the Consultant is performing the Services on the Site.

50.6 Consultant's Acknowledgment

The Consultant acknowledges that:

- (a) any notice, consent, approval or other communication given or signed by the Consultant's Representative or any Consultant's Representative's delegate will bind the Consultant;
- (b) matters within the Consultant's Representative's knowledge will be deemed to be within the knowledge of the Consultant; and
- (c) any directions given by the Client's Representative or by a delegate appointed under Clause 50.2 on behalf of the Client's Representative to any Key Personnel will be deemed to have been given to the Consultant.

50.7 Project Control Group

- (a) The Project Control Group is:
 - (i) the Client's Representative; and
 - (ii) the Consultant's Representative.
- (b) The Client's Representative or the Consultant's Representative may invite any other person, whom either person reasonably requires, to attend the Project Control Group meetings.
- (c) The Project Control Group shall meet:
 - (i) on a monthly basis; and
 - (ii) at other times which the Client's Representative directs the Consultant.
- (d) The Consultant shall:
 - (i) take minutes of all meetings held by the Project Control Group; and
 - (ii) provide a copy of those minutes to the Client's Representative.
- (e) In respect of minutes provided pursuant to Clause 50.7(d)(ii), the Client's Representative shall:
 - (i) if the Client's Representative disagrees with the minutes, discuss and amend the minutes to reflect the agreed position or failing agreement, amend the minutes to reflect the position of the Client's Representative but shall record in the text the position of the Consultant's Representative; and
 - (ii) give to the Project Control Group members a copy of the agreed amended minutes at which point the amended minutes will (except for any parts of the text of the amended minutes that are not agreed) be deemed to be the official record of the relevant meeting.

50.8 Project Management Plan

- (a) Within 30 days of the Execution Date, the Consultant shall submit to the Client's Representative for approval a draft Project Management Plan, which shall clearly set out:
 - (i) the Consultant's:
 - (A) administration policies;
 - (B) organisational structure; and
 - (C) implementation and control procedures;

- (ii) occupational health and safety procedures for the performance of the Project;
 - (iii) Site accident notification procedures;
 - (iv) Site safety and security procedures (including fire prevention procedures and the like);
 - (v) procedures for establishing and using Site amenities,
 - (vi) where required to do so under the Agreement, procedures for obtaining all approvals required from Authorities or by Law for the construction, use, operation and maintenance of the Project;
 - (vii) any matter or subject which the Consultant has, in the Consultant's proposal, represented will form part of, or be incorporated in, the Project Management Plan; and
 - (viii) any other matters reasonably required by the Client to be included in the Project Management Plan.
- (b) The Client's Representative may direct the Consultant to modify the draft Project Management Plan as the Client's Representative considers appropriate before giving any approval, in which case the Consultant shall resubmit a modified draft of the Project Management Plan within seven days of the direction for approval by the Client's Representative.
- (c) The Consultant shall comply with the Project Management Plan approved by the Client's Representative when performing the Services.

51. LIABILITY (REPLACING CLAUSES 16 AND 18)

51.1 Liability of Consultant

The Consultant shall be liable to the Client should it breach the Agreement.

51.2 Liability of Client

The Client shall be liable to the Consultant should it breach the Agreement.

51.3 Maximum Liability

- (a) For the purposes of this Clause 51.3:
- (i) “ **Loss** ” means any cost, damage, expense or other liability;
 - (ii) “ **Potentially Recoverable Amount** ” means the total amount that would have been recovered under any policy of insurance that is required to be maintained under the Agreement by the Consultant, but for any acts or omissions of the Consultant in relation to the applicable policy including a

failure to effect or maintain a policy or a failure to diligently pursue a claim for indemnity under any policy;

- (iii) “ **Event** ” means the event or occurrence which gives rise to or which is the cause of or contributes to the Loss;
 - (iv) “ **Insurance Proceeds** ” means any amount received by the Consultant from an insurer under any policy of insurance that is required to be maintained under the Agreement by the Consultant (whether in single or multiple amounts) in respect of an Event or Loss;
 - (v) “ **Payable Amount** ” means the Insurance Proceeds in respect of an Event or Loss or the Potentially Recoverable Amount in respect of an Event or Loss; and
 - (vi) “ **Total Amount of the Services Costs** ” means the greater of:
 - (A) the total amount of the indicative Services Costs set out Part C of Appendix C; and
 - (B) the actual amount of the Services Costs paid to the Consultant.
- (b) Subject to Clauses 51.3(c) and despite any other provision of the Agreement to the contrary, the Consultant’s liability to the Client for any Loss caused by, arising out of or in connection with the Consultant’s obligations under the Agreement, including:
- (i) any breach of the Agreement by the Consultant;
 - (ii) any negligent act or omission of the Consultant or its Personnel in the course of performing the Consultant’s obligations under the Agreement;
 - (iii) any breach of or non — compliance with any Law by the Consultant or its Personnel in the course of performing the Consultant’s obligations under the Agreement,
- is limited in the aggregate to the following;
- (iv) where the Event or Loss is an insured risk under a policy required to be maintained by the Consultant in accordance with the Agreement, to the greater of the total amount paid under that policy in respect of the Event or Loss or the Potentially Recoverable Amount in respect of the Event or Loss;
 - (v) where the Event or Loss is an uninsured risk under a policy required to be maintained by the Consultant in accordance with the Agreement and the Payable Amount is less than 10% of the Total Amount of the Services Costs, to the greater of:

- (A) the Payable Amount; and
 - (B) the amount obtained by deducting the Payable Amount from 10% of the Total Amount of the Services Costs;
- (vi) where neither the Event or Loss are insured risks under any policy required to be maintained by the Consultant in accordance with the Agreement, to 10% of the Total Amount of the Services Costs.

For the avoidance of doubt the Client and the Consultant acknowledge and agree that:

- (i) for the purposes of Clause 51.3(b)(iv) the total amount payable in respect of an Event or Loss under:
 - (A) the insurance referred to in Clause 52.3(b) shall be USD 7 million;
 - (B) the insurance referred to in Clause 52.3(e) shall be USD 3.5 million;
 - (ii) where an Event or Loss is an insured risk under a policy required to be maintained by the Consultant in accordance with the Agreement the Consultant shall pay to the Client, the amount of the applicable excess or deductible together with the Insurance Proceeds;
 - (iii) where an Event or Loss is an insured risk under a policy required to be maintained by the Consultant in accordance with the Agreement, the Consultant shall have no liability to pay any amount to the Client in respect of that Event or Loss until the relevant insurer pays an amount under the applicable policy to the Consultant in respect of that Event or Loss, except:
 - (A) where it is agreed otherwise by the Client and the Consultant; or
 - (B) where the relevant insurer has not paid any amount because of an act or omission of the Consultant;
 - (iv) until the liability of the Consultant to the Client arising out of or in connection with an event or Loss has been satisfied, any Insurance Proceeds shall be remitted to the Client without any deduction or set off whatsoever; and
 - (v) until the Consultant remits any Insurance Proceeds to the Client in accordance with paragraph (iv) immediately above, the Consultant holds those Insurance Proceeds on trust for the Client.
- (c) The limitation in Clause 51.3(b) does not apply to the liability of the Consultant referred to in Clause 51.3(b) where that liability arises by reason of any wilful default, reckless or fraudulent conduct of the Consultant or any of its Personnel.

- (d) Except in respect of claims for payment made by way of Payment Claims under Clause 62 and despite any other provision of the Agreement to the contrary, the Client's liability to the Consultant in respect of any Claim or Loss is limited in aggregate to 10% of the Total Amount of the Services Costs.

51.4 Excluded Losses

Despite anything in the Agreement expressed or implied to the contrary, to the extent permitted by law, neither party to the Agreement will be liable to the other for loss of actual or anticipated profit or revenue, loss of use, loss of income or rent, loss of business, loss of production, loss of contract, loss of anticipated savings or business, loss of financial opportunity, financing and holding costs, business interruption, delay costs, loss by reason of shutdown or increased expense of operation, loss or corruption of data, loss of goodwill, denial of use of any plant, port or facility, economic loss or any consequential, special, contingent, penal or indirect loss, damage or expense, whether arising out of a breach of the Agreement, in contract, in tort (including negligence), under statute or otherwise at law or in equity.

51.5 Exclusive Remedies

To the extent permitted by law, the Client's and Consultant's remedies expressly stated in the Agreement are their sole and exclusive remedies in respect of their respective liabilities arising out of or in connection with the Agreement (including indemnities and warranties) or the Project, in tort (including negligence), under statute or otherwise at law or in equity.

51.6 Re-performance of non-complying Services and Indemnity

- (a) If, at any time during the performance of the Services up to and including the Date of Practical Completion, the Client's Representative considers any part of the Services not to be in accordance with the Agreement, or that any defect, deficiency or non-conformance exists in respect of the Services, the Client's Representative may direct the Consultant to re-perform that part of the Services or rectify that defect, deficiency or non-conformance and may specify the time within which this must occur.
- (b) Subject to Clause 51.6(a), the Consultant shall correct or re-perform any Services which do not comply with the requirements of the Agreement or rectify any defect or deficiency in the Services so as to ensure compliance with the requirements of the Agreement.
- (c) The Consultant acknowledges that it is not entitled to be reimbursed (under the Agreement or otherwise) for any costs incurred by performing its obligations under this Clause 51.6.
- (d) The Client may have the correction or re-performance of the non-compliant Services, or rectification of any defect, deficiency or non-conformance in respect of the Services carried out by others at the Consultant's cost if:

- (i) the Client has directed the Consultant to correct, re-perform or rectify those matters in accordance with Clause 51.6(a) within a reasonable period of time (being not less than seven days) as stated in that direction; and
- (ii) the Consultant has failed to correct, re-perform or rectify those matters within that period.
- (e) The Client's costs under Clause 51.6(d) will be a debt due and payable by the Consultant to the Client.
- (f) The Consultant's compliance with any direction given by the Client's Representative under Clause 51.6(a) will:
 - (i) not be an admission of liability by the Consultant;
 - (ii) not prejudice the right of the Consultant to dispute whether any defect, deficiency or non-conformance exists in respect of the Services the subject of the direction.
- (g) If the Consultant:
 - (i) complies with a direction given under Clause 51.6(a) and subsequently disputes whether any defect, deficiency or non-conformance exists in respect of the Services the subject of the direction; and
 - (ii) it is agreed between the parties or is determined by a Court or other person whose decision is binding on the parties that no defect, deficiency or nonconformance exists in respect of the Services the subject of the direction,
then the Consultant shall be entitled to be paid in respect of the services or work performed by it in complying with the direction in an amount agreed between the parties or failing agreement, the services or work shall be considered a Services Variation for the purposes of Clause 55.(d)(ii) and the amount payable to the Consultant in respect of the services and work shall be determined in accordance with that Clause.
- (h) The Consultant acknowledges and agrees that, except for legal costs and disbursements incurred and paid by it with respect to a dispute arising under this Clause 51.6, it is not entitled to make any Claim against the Client for compensation in connection with a direction given under this Clause 51.6 whether under the Agreement or otherwise except as provided in this Clause 51.6.

51.7 Indemnity and Proportionality

- (a) Subject to Clause 51.7(b), the Consultant shall indemnify the Client against any cost, damage, expense or loss which the Client suffers or incurs in respect of:
 - (i) loss of, or damage to, any real or personal property; or

- (ii) the personal injury to, or disease or illness (including mental illness) affecting, or death of, any person, arising out of or in connection with:
 - (iii) any negligent act or omission of the Consultant or its Personnel;
 - (iv) any breach by the Consultant of the Agreement; and
 - (v) the breach of, or failure to comply with, any Law by the Consultant or its Personnel.
- (b) For the purposes of Clause 51.7(a), a reference to the Client includes its directors, officers, employees, direct contract employees and affiliates and the Client will be deemed to be acting as agent or trustee on behalf of or for the benefit of all persons who are or might be its directors, officers, employees, direct contract employees or affiliates, from time to time as well as on its behalf.
- (c) The Consultant's liability under this Clause 51.7 will be reduced proportionately to the extent that the cost, damage, expense or loss was contributed to or caused by the Client, its employees, direct contract employees, agents or affiliates.

52. INSURANCE (REPLACING CLAUSES 19 AND 20)

52.1 Client's Insurances Required

The Client will maintain or effect and maintain the following insurances for the Term and any extension of it in the joint names of itself, the Consultant, the Project Contractors and any lower tier subcontractors, including respective directors, officers, employees and agents ("Insured").

- (a) Under a Contractors' All-Risk Insurance Policy, for physical loss of or damage to the Plant or any works, temporary works and materials or components incorporated or to be incorporated in respect thereof whilst on or adjacent to the Site, including inland transit in respect of loss, destruction or damage to the property. The policy will be for an amount and with an excess as specified in Appendix E.
- (b) Under a Marine/Storage/Handling/Insurance Policy, cover for all materials or components that will be used for incorporation into the Works or temporary works against the risks of loss, damage or destruction whilst transported from suppliers' premises until they are delivered and unpacked at the Site including loading or unloading to the Site.
- (c) Under a Third Party Liability Policy, cover for general third party liability for an amount and with an excess of not less than the amount specified in Appendix E. Such insurance policy will cover liability for physical loss or damage to property (other than the Works and temporary works) and injury or death to persons (not being a person who is insured under a policy of workers' compensation or otherwise protected under an applicable government-controlled workers

compensation fund) arising from or in connection with the execution of the Works, whilst on or adjacent to the Site.

52.2 General Provisions regarding the Client's Insurance

The Client will provide to the Consultant:

- (a) A copy of a certificate evidencing the Client's insurance policies mentioned in Clause 52.1, excluding references to premiums and other costs payable by the Client upon request by the Consultant. If copies of such certificates have not been provided to the Consultant at the Execution Date, the Consultant may suspend the Services until such time as they are provided.
- (b) A copy of any material variations to or cancellation of the Client's insurance if likely to affect the Consultant, the Project Contractors or the subcontractors.

52.3 Consultant's Insurances Required

The Consultant shall maintain or effect and maintain the following insurances for the Term and any extension of it:

- (a) Workers' Compensation and any other insurance or government-controlled fund required by any applicable Law;
- (b) Third party liability insurance covering the Consultant's own premises with a limit of liability of US\$7 million for any one occurrence;
- (c) Motor vehicle liability insurance in respect of the Consultant's mechanically propelled vehicles used by the Consultant in connection with the performance of the Services under the Agreement;
- (d) Motor vehicle third party liability insurance if required by any applicable Law;
- (e) Professional indemnity insurance for an amount of not less than US\$3.5 million for any one claim or in the aggregate for the duration of the Agreement;
- (f) Property insurance covering Consultant's constructional plant (if any), equipment, buildings and other property not for incorporation in the Works used by the Consultant in connection with the performance of the Services;
- (g) any additional insurance required by applicable Law; and
- (h) such other insurance, if available and as the Client may, at its own cost, require from time to time.

52.4 Project Contractor Insurance

The Consultant shall ensure that all Project Contractors obtain and maintain, where applicable, the insurances noted in Clauses 52.3(a), 52.3(c), 52.3(d), 52.3(e) and 52.3(f), as well as all additional insurances that may be required by the Client from time to time.

52.5 Requirements for Insurance

All insurances required under the Agreement will be:

- (a) underwritten by reputable insurers; and
- (b) maintained at least for the Term;

and comply with applicable Law.

52.6 Proof of insurance

If requested by the Client, the Consultant will produce certificates of currency of the insurances effected and maintained by the Consultant in accordance with this Clause 52.

52.7 Payment of Excesses

Any excesses payable under Clause 52.3, excluding those relating to motor vehicles, shall be paid by the Consultant.

53. TIME (REPLACING CLAUSE 25)

53.1 Instruction to Accelerate

If the Client's Representative (acting reasonably) considers that any actual or anticipated delay has or will arise in relation to:

- (a) achieving the Date for Practical Completion;
- (b) performance of any part of part of the Services described in the Project Schedule by the corresponding dates (if any) listed in the Project Schedule;
- (c) the performance of the Services generally,

the Client's Representative may:

- (d) instruct the Consultant to accelerate the performance of the Services or any part of the Services by taking those measures which are necessary to overcome or minimize the extent and effects of some or all of the delay; and
- (e) give such an instruction whether or not the cause of delay is due to any act or omission of the Consultant.

53.2 Acceleration

If the Client's Representative gives an instruction to the Consultant under Clause 53.1 the Consultant shall as instructed accelerate the performance of the Services or any specified part of the Services (as the case may be) to overcome or minimize the extent and effect of some or all of the delay and the Consultant will be entitled to be paid in accordance with Clause 62.1.

The Consultant acknowledges and agrees that it will not be entitled to make any Claim against the Client, arising out of, or in connection with, the cause of delay and any associated instruction to accelerate other than for the amount which is payable by the Client under this Clause 53.2 and Clause 62.1.

54. VARIATION TO THE SCOPE OF WORKS (REPLACING CLAUSES 23 AND 24)

54.1 Works Variation

A Works Variation may be:

- (a) directed by the Client in writing; or
- (b) approved by the Client after being recommended by the Consultant.

54.2 Parties to Discuss

If the Works Variation directed or approved pursuant to Clause 54.1 will, in the reasonable opinion of the Consultant, result in:

- (a) a change in the Total Cost Forecast; or
- (b) a delay in the Date for Practical Completion;

then the Consultant shall promptly provide an estimate including time and costs associated with the Works Variation and the Client's Representative and the Consultant's Representative (or their delegates) will discuss the effect of the proposed Works Variation.

54.3 Client to Determine

If the Client proceeds with a proposed Works Variation and the Works Variation directly causes a material change in the Services, it will direct a Services Variation in accordance with Clause 55.

For the purposes of this Clause 54.3 a material change in the Services will occur where the value of any additional Services to be performed by the Consultant as a direct result of a Works Variation is equal to or exceeds USD 250.

54.4 Time

Subject to Clause 53, the Consultant will be entitled to an adjustment to the Project Schedule and Date for Practical Completion for a period equal to the estimated delay in achieving Practical Completion resulting from the Works Variation.

54.5 Clarity

Nothing in this Clause 54 shall lessen or otherwise affect the Consultant's obligations under the Agreement.

55. VARIATION TO THE SCOPE OF SERVICES (REPLACING CLAUSES 23 AND 24)

55.1 Services Variation

A Services Variation may be:

- (a) directed by the Client in writing; or
- (b) approved by the Client after being recommended by the Consultant.

Services Variations may include additions to, or omissions from, the Scope of Services. If the Services Variation requires the omission of any Services, the Client may have the omitted Services carried out by others. If the Consultant receives a direction in accordance with Clause 55.1, it shall perform its obligations under the Agreement in accordance with the varied Scope of Services.

The Client shall, and shall cause the Client's Representative to, exercise the powers of the Client under this Clause 55.1 reasonably, professionally, in good faith and not for any improper or punitive purpose.

55.2 Value

The services to be performed by the Consultant as a result of a Services Variation will be, subject to Clauses 51.6 and 60. Subject to Clauses 51.6 and 60, the Client will pay the Consultant for Services Variations in accordance with Clause 55.5.

55.3 Time

Subject to Clause 53, the Consultant will be entitled to an adjustment to the Project Schedule and Date for Practical Completion for a period equal to the estimated delay in achieving Practical Completion resulting from the Services Variation.

55.4 Clarity

Nothing in this Clause 55 shall lessen or otherwise affect the Consultant's obligations under the Agreement.

55.5 Variations — General

- (a) If the Consultant receives a direction in accordance with Clause 55.1, it shall perform its obligations under the Agreement in accordance with varied Scope of Services.
- (b) For any additional Services it is required to perform pursuant to Clause 55.1, the Consultant's only entitlement to compensation will be for an increase in Services Costs as is calculated and paid in accordance with Clause 62.1.

56. SEPARABLE PORTIONS

56.1 Agreement on Separable Portions

In addition to the Separable Portions described in the Agreement, if any, the Client and the Consultant may agree:

- (a) that any part of the Works shall be a Separable Portion; and
- (b) on the respective Dates for Practical Completion for the new Separable Portion and the resultant Separable Portion.

It is agreed that the Oxide Plant and Sulphide Plant are Separable Portions as of the Date of Commencement.

56.2 Changes relating to Separable Portions

The Client and the Consultant may agree that any part of the Works or the Plant shall become included within a Separable Portion or shall be removed from a Separable Portion and be included as part of another Separable Portion.

56.3 Interpretation of Terms

The interpretations of the terms "Date for Practical Completion", "Date of Practical Completion" and "Practical Completion" apply separately to each Separable Portion and, in relation to each Separable Portion, references in the Agreement to "the Work" and "the Plant" mean so much thereof as is comprised in the relevant Separable Portion.

56.4 Consequences of Separable Portion

The Client will:

- (a) direct a Works Variation in accordance with Clause 54 as a result of any creation (other than those Separable Portions identified in Clause 56.1) of or change in relation to a Separable Portion if that creation or change increases the Works; and
- (b) if, as a consequence of such Works Variation, there is a material modification to the Scope of Services, direct a Services Variation in accordance with Clause 55.

For the purposes of this Clause 56.4 a material change in the Scope Services will occur where the value of any additional Services to be performed by the Consultant as a direct result of a Works Variation is equal to or exceeds USD 250.

57. SUSPENSION OF SERVICES (REPLACING CLAUSES 26, 27 AND 28)

57.1 Suspension by Client or Consultant

The whole or any part of the Services may be suspended:

- (a) by the Client, for such time and in such manner and for such reason as the Client may consider necessary and suspension will be effected by written notice to the Consultant; or
- (b) by the Consultant for reasons of safety or, subject to the Consultant having given notice in accordance with Clause 63.2, where the Client has failed to pay the Consultant in accordance with Clause 62 of the Agreement.

57.2 Recommencement of Services

If the Services are suspended in accordance with Clause 57.1 or any other reason, the Client may, as soon as it is reasonable, direct the Consultant to recommence the whole or the relevant part of the Services and the Consultant will comply with such direction as soon as practicable provided that if the suspension is due to the Client's failure to pay the Consultant such direction to recommence may only be given after the Client has paid the Consultant in accordance with Clause 62.

57.3 Suspension Costs

- (a) Subject to Clause 57.3(e), any reasonable cost or expense (including to the extent not covered by the Services Costs, any reasonable demobilization and remobilization costs) incurred by the Consultant by reason of the suspension will be borne and paid for by the Client, provided, however, that should any Consultant Personnel be redeployed by the Consultant to other projects, then the Client shall not be obligated to pay to the Consultant the costs associated with such personnel and, in any event, the Client shall only be responsible for the cost of any such personnel for a period not exceeding 30 days.
- (b) Subject to Clause 53, the parties acknowledge that any such suspension will result in a Works Variation, Services Variation and extension to the Date for Practical Completion.
- (c) The Consultant will mitigate the effect of suspension as soon as possible after the Services are suspended in accordance with Clause 57.1.
- (d) If the suspension continues for more than 30 calendar days it shall be considered a Force Majeure event and Clause 58.3(a) shall apply as if the figure "120" had been replaced with "30".

- (e) The Client will not be liable to pay to the Consultant any Services Costs or any other cost or expense incurred or paid by it in connection with a suspension of the Services where that suspension was caused by any act or omission of the Consultant or its Personnel.

58. FORCE MAJEURE (REPLACING CLAUSES 26, 27 AND 28)

58.1 Force Majeure occurrence

- (a) The Consultant or the Client (as the case may be) shall give prompt notice of a Force Majeure Event to the other including reasonable details of:
 - (i) the Force Majeure Event;
 - (ii) the effect of the Force Majeure Event on the performance of the Services; and
 - (iii) the likely duration of the delay in performance of the Services and the likely delay in the Date for Practical Completion.
- (b) The parties will use reasonable endeavours to remove or relieve any Force Majeure Event and to minimise the delay caused by any such event.

58.2 Cessation

After Force Majeure Event has ceased, the Client may:

- (a) direct a Works Variation in accordance with Clause 54 as a result of the Force Majeure Event; and
- (b) direct a Services Variation accordance with Clause 55 as a result of the Force Majeure Event.

58.3 Termination resulting from Force Majeure delays

- (a) If a Force Majeure Event delays the Project for more than 120 days, either party may terminate the Agreement by giving 14 days notice to the other party.
- (b) If the Agreement is terminated under this Clause 58.3, the Client will pay to the Consultant:
 - (i) all the Services Costs due and unpaid at the date of termination; and
 - (ii) reasonable costs incurred in demobilising all of the Consultant's Personnel and equipment to their place or origin in South Africa or Australia (as the case may be) and in terminating any contract with a subcontractor or other agreement, arrangement or commitment undertaken by the Consultant for the purpose of providing the Services.

- (c) The Consultant acknowledges and agrees that it is not entitled to make any Claim (whether under the Agreement or otherwise) against the Client for compensation in connection with the termination of the Agreement under this Clause 58.3 except as otherwise provided in this Clause 58.3.

59. COMPLETION OF THE PROJECT

59.1 Practical Completion

- (a) Once the Project (or Separable Works) has in the opinion of the Consultant reached Practical Completion following the completion of Dry Commissioning in accordance with the standards set during Pre-Commissioning, the Consultant will in writing request the Client to issue a certificate stating that the Project (or a Separable Portion) has reached Practical Completion (“**Certificate of Practical Completion**”).
- (b) Within 7 days of the receipt of the request pursuant to Clause 59.1(a), the Client’s Representative and the Consultant’s Representative will meet, inspect the Plant and agree to a punch-list of any minor omissions, defects and outstanding Services which do not prevent the safe introduction of water or ore to the Plant (or a Separable Portion).
- (c) Within 14 days of the receipt of the request pursuant to Clause 59.1(a), the Client will issue to the Consultant the Certificate of Practical Completion along with the punch-list agreed pursuant to Clause 59.1(b) or give to the Consultant in writing reasons for not issuing the Certificate of Practical Completion, including particulars of any omissions or defects in the Services or Works or outstanding Services or Works required to be remedied or completed for the Project (or a Separable Portion) to achieve Practical Completion.
- (d) If the Client does not issue the Certificate of Practical Completion or does not provide written reasons for not providing the Certificate of Practical Completion within the 14 days required pursuant to Clause 59.1(c) then the Project (or a Separable Portion) is deemed to have reached Practical Completion on the date of the Consultant’s written request under Clause 59.1(a).
- (e) Notwithstanding any other provision of this Clause 59.1, if Practical Completion would have been achieved but for:
 - (i) failure of the Client to meet its obligations pursuant to the Agreement; or
 - (ii) any defect in or failure of the Biox[®] process as provided by Goldfields,the Project or a Separable Portion (as the case may be) will be deemed to have reached Practical Completion on the date of the Consultant’s written request under Clause 59.1(a).

- (f) The Client will allow the Consultant access to the Site and reasonable time to rectify omissions or defects in the Services or to complete outstanding parts of the Services as required pursuant to this Clause 59.1.
- (g) The Client shall not use any part or all of the Works (other than as a temporary measure which is either specified in the Agreement or agreed by both parties) for commercial purposes, unless and until the Client has issued a Certificate of Practical Completion for that part or all of the Works. However, if the Client does use any part or all of the Works for commercial purposes before the Certificate of Practical Completion is issued, any part which is used shall be deemed to have reached Practical Completion on the date on which it was used by the Client.
- (h) If the Consultant incurs cost or expenses as a result of the Client using a part of the Works, other than such as is specified in the Agreement or agreed by the Consultant, the Client shall reimburse the cost and expenses of the Consultant resulting from such use.

59.2 Final Completion

- (a) When the Project has in the opinion of the Consultant reached Final Completion, the Consultant will in writing request the Client to issue a certificate stating that the Project has reached Final Completion (“ **Certificate of Final Completion** ”).
- (b) Within 14 days of the receipt of the request pursuant to Clause 59.2(a), the Client will issue to the Consultant the Certificate of Final Completion or give to the Consultant written reasons for not issuing the Certificate of Final Completion, including particulars of any defects or omissions in the Services or the Works required to be completed for the Project to reach Final Completion.
- (c) If the Client does not issue the Certificate of Final Completion or provide written reasons for not providing the Certificate of Final Completion within the 14 days required pursuant to Clause 59.2(b) then the Project is deemed to have reached Final Completion on the date of the Consultant’s written request under Clause 59.2(a).
- (d) Notwithstanding the other provisions of this Clause 59.2, if at any time the Client wishes to issue a Certificate of Final Completion, notwithstanding any omissions or defects in the Services, the Client may nevertheless at its absolute discretion issue a Certificate of Final Completion and the Project will be deemed to have reached Final Completion on the date of issue of such a Certificate of Final Completion or such earlier date nominated by the Client.
- (e) Notwithstanding any other paragraph of this Clause 59.2, if Final Completion would be achieved but for failure of the Client to meet its obligations pursuant to the Agreement, the Project will be deemed to have reached Final Completion on the date of the Consultant’s written request under Clause 59.2(a).

- (f) The Client will allow the Consultant access to the Site and reasonable time to rectify omissions or defects in the Services or to complete outstanding parts of the Services as required pursuant to this Clause 59.2.

60. DEFECTS LIABILITY

60.1 Consultant to Rectify Defects in the Services

- (a) Subject to Clauses 60.1(b) and 60.1(d), the Consultant shall:
 - (i) rectify any Defective EPCM Services; and,
 - (ii) where any defects or omissions in the Works have been caused or contributed to by any Defective EPCM Services, arrange for the relevant Project Contractors to rectify any defects or omissions in the Works,
(“ Rectification Work ”).
- (b) Subject to Clause 60.1(d), the Consultant shall not be required to perform the Rectification Work (including rectification of any hidden defects or omissions in the Works) if notice containing details of the Rectification Work is not given by the Client to the Consultant prior to the expiry of the Defects Notification Period.
- (c) For the avoidance of doubt, the Defects Notification Period of a Separable Portion or part of the Works which has reach or deemed to have reached Practical Completion pursuant to Clause 59.1 will commence on the date that Practical Completion was reached or deemed to have reached Practical Completion pursuant to Clause 59.1.
- (d) Where the Consultant has performed any Rectification Work, there shall be a separate Further Defects Liability Period in respect of each item of Rectification Work. The separate Further Defects Liability Period shall commence on the date that the Consultant completes or causes the completion of the relevant Rectification Work. The Consultant shall:
 - (i) insofar as the Rectification Work consists of Defective EPCM Services, rectify any defects or omissions in the Rectification Work; or
 - (ii) where any defects or omissions in the Rectification Work performed by Project Contractors have been caused or contributed to by any Defective EPCM Services, arrange for the relevant Project Contractors to rectify any defects or omissions in the Rectification Work,

(“ Defective Rectification Work ”)

provided that notice containing details of the Defective Rectification Work is given by the Client to the Consultant prior to the expiry of the Further Defects Liability Period.

60.2 Cost of Rectification of Defects

The Consultant shall bear the cost of performance of Rectification Work and the Defective Rectification Work which cost shall be limited to the limits of liability in clause 51. The Consultant is not liable for:

- (a) the cost of any Project Contractor's work; or
- (b) aspects of Plant design that are attributable to intellectual property conferred by Gold Fields.

60.3 Failure to Rectify

Where the Consultant is given notice under Clause 60.1(a) or Clause 60.1(d) and fails to perform the Rectification Work or the Defective Rectification Work (as the case may be), the Client may have the Rectification Work or Defective Rectification Work carried out by others and the Client's costs incurred under this Clause 60.3 shall be a debt due and payable by the Consultant to the Client.

61. TERMINATION OF SERVICES (REPLACING CLAUSES 26, 27 AND 28)

61.1 Termination by the Client

- (a) In addition to any other rights of termination contained in the Agreement, the Client may (acting reasonably) at any time terminate the Agreement by giving notice to the Consultant to that effect. The Client shall, and shall cause the Client's Representative to, exercise the powers of the Client under this Clause 61.1 reasonably, professionally, in good faith and not for any improper or punitive purpose.
- (b) Termination of the Agreement pursuant to this Clause 61.1 will become effective immediately after the notice has been served on the Consultant.

61.2 Actions by Consultant on Termination

In the event of termination of the Agreement, whether under Clause 61.1 or otherwise, the Consultant will immediately after receipt of the notice of termination:

- (a) stop performance of the Services and, if required by the Client, the Works;
- (b) not place any further orders nor enter into any further contracts in respect of the Services and, if required by the Client, the Works;
- (c) take all reasonable steps to protect the Works and other property in the possession of the Consultant in which the Client has or may acquire an interest;
- (d) remove from the Site all the Consultant's Personnel, plant, machinery, vehicles and equipment and other things brought on to the Site by or on behalf of the Consultant or the Consultant's Personnel, unless otherwise agreed with the Client;

- (e) take any other action relating to the Services and the Works which the Client may reasonably require;
- (f) hand over all Documentation; and
- (g) do all things reasonably possible to reduce expenses or costs to the Client consequent upon such termination.

61.3 Payment to Consultant

In the event of termination of the Agreement pursuant to Clause 61.1, the Client will pay to the Consultant:

- (a) all the Services Costs due and unpaid at the date of termination; and
- (b) reasonable costs incurred in demobilising all of the Consultant’s Personnel and equipment to their place of origin in South Africa or Australia (as the case may be) and in terminating any contract with any subcontractor or other agreement, arrangement or commitment undertaken by the Consultant for the specific purpose of providing the Services.

If the Agreement is terminated under Clause 61.1 each party retains any rights it has against the other party in respect of any past breach.

61.4 Sole Entitlement

Where the Agreement is terminated in accordance with Clause 61.1, the Consultant acknowledges and agrees that it is not entitled to any other compensation or to make any other Claim against the Client, except as provided in Clause 61.3.

62. INVOICING AND PAYMENT (REPLACING CLAUSES 30, 31 AND 34)

62.1 Client’s Payment Obligations

- (a) Except where expressly specified otherwise in the Agreement, as total compensation for its performance of the Services, the Client shall pay the Consultant the aggregate of the following amounts:
 - (i) the Disbursements;
 - (ii) for each hour spent by any of its officers, directors, employees and contract employees engaged in the performance of the Services in the positions specified in Part A of Appendix C, the corresponding hourly rate for each position as specified in Part A in Appendix C, (“ **Services Costs** ”).
- (b) The Consultant will not be entitled to be paid, and must not charge for, any Services Costs incurred due to the failure of the Consultant to:

- (i) exercise reasonable care and diligence in the performance of the Services;
- (ii) perform the Services in a reasonably expeditious and cost effective manner.
- (c) The estimated total Services Costs as at the Execution Date is the amount specified in Part C of Appendix C.
- (d) Subject to Clause 62.9 and any other right to set off which the Client may have, the Client must pay the Consultant the Services Costs in accordance with the Agreement.

62.2 Electronic Funds Transfer

The Client will make payment to the Consultant by electronic funds transfer into the Consultant's bank account.

62.3 Time for and format of Payment Claims

- (a) Subject to Clause 62.7, the Consultant shall give the Client's Representative a claim for payment on account of the Services Costs and any other amounts payable by the Client to the Consultant under the Agreement (" **Payment Claim** ") by both electronic mail and in tangible form by the fourth Business Day of each month with a copy by electronic mail to the Client's Treasurer.
- (b) The Payment Claim shall be in the format approved in writing by the Client's Representative which shall as a minimum:
 - (i) set out the amount of the Services Costs and the other amounts that the Consultant asserts are payable to the Consultant in accordance with the Agreement;
 - (ii) detail the relevant period of the Term for the Payment Claim;
 - (iii) describe in detail the part of the Services performed during the relevant period for the Payment Claim;
 - (iv) set out amounts paid previously under the Agreement;
 - (v) provide an individual reference number for the Client to quote with remittance of payment; and
 - (vi) include any other information directed by the Client's Representative.

62.4 Consultant Warranty

By making a Payment Claim, the Consultant warrants to the Client that:

- (a) the Consultant has completed the Services which are the subject of the Payment Claim;

- (b) there are no defects known to the Consultant in the Services which are the subject of the Payment Claim at the time the Payment Claim was submitted;
- (c) any remuneration and other amounts payable by the Consultant to any of its Personnel by Law or under an industrial instrument in respect of the Services have been paid;
- (d) its subcontractors have been paid all amounts due and payable to them for services performed or material supplied by them in respect of the Services which was the subject of the Payment Claim;
- (e) the Consultant has, unless there are lawful or reasonable grounds for not so doing, complied with all of the obligations imposed on the Consultant by any subcontract in relation to the Services; and
- (f) subject to any Claims that may have arisen within the 14-day period prior to the Payment Claim, the Consultant is not aware of any Claim against the Client which is not identified in the Payment Claim or in an earlier Payment Claim or notice of which has not been previously given to the Client.

62.5 Payment

- (a) Within 14 days of receipt of the Payment Claim, the Client shall pay to the Consultant or the Consultant shall pay to the Client, as the case may be, the full amount shown in the Payment Claim.
- (b) A payment made pursuant to the Agreement:
 - (i) of prejudice the right of either party to dispute whether the paid amount is the amount properly due and payable;
 - (ii) will not be evidence of the value of the Services;
 - (iii) will not be evidence that the Services have been performed satisfactorily; and
 - (iv) will not be an admission of liability on the part of the Client.

62.6 Payment Adjustment Statement

- (a) Within fourteen (14) days of receipt of a Payment Claim under Clause 62.3, the Client's Representative may give the Consultant on behalf of the Client a payment adjustment statement in respect of the Payment Claim or any previous Payment Claim which states:
 - (i) the value of the Services performed by the Consultant in accordance with the Agreement as at the date of the Payment Claim;
 - (ii) the amount already paid to the Consultant;

- (iii) the amount the Client is entitled to retain, deduct, withhold or set off under the Agreement as well as a summary of the reasons for the retention, deduction, withholding or setting off;
- (iv) notification of any additional information required by the Client's Representative; and
- (b) On receipt of the Payment Adjustment Statement, the Consultant must issue a credit note to the Client and shall incorporate the adjustment on the next Payment Claim.
- (c) If the Consultant fails to make a Payment Claim in accordance with the Agreement, the Client's Representative may nevertheless issue a payment statement under this Clause 62.6.
- (d) The Client shall, and shall cause the Client's Representative to, exercise the powers of the Client under this Clause 62.6 reasonably, professionally, in good faith and not for any improper or punitive purpose.

62.7 Conditions Precedent to Entitlement to Payment

If, at the time that the Consultant submits a Payment Claim under Clause 62.3, the Consultant has not:

- (a) provided security or the amount (if any) required under Clause 69;
- (b) effected the insurance required by Clause 52 and (if requested) provided evidence of this to the Client's Representative;
- (c) paid all subcontractors as warranted under Clause 62.4(d); and
- (d) in the case of a Final Payment Claim, submitted a duly executed Deed of Release as required under Clause 62.8(a)(ii);

then:

- (e) the Consultant will not be entitled to payment of;
- (f) the Client's Representative will not be obliged to include in any payment statement under Clause 62.6; and
- (g) the Client will not be liable to pay,
any amount included in the Payment Claim.

62.8 Final Payment Claim

- (a) Within two months after the expiry of the later of the Defects Notification Period or the Further Defects Liability Period, the Consultant shall deliver to the Client's Representative:

- (i) a final payment claim under Clause 66.3 entitled 'Final Payment Claim'; and
 - (ii) a duly executed deed of release in the form of the deed of release in Appendix N.
- (b) The Consultant shall include in the Final Payment Claim:
- (i) a complete statement of accounts, including any changes to the Scope of Services;
 - (ii) all money that the Consultant considers to be due from the Client arising out of or in connection with the Services or any alleged breach of contract;
 - (iii) confirmation that all documentation, approvals of all Authorities and deliverables as required by the Agreement have been lodged with the Client's Representative; and
 - (iv) a certificate stating that all wages and other charges have been paid and that no monies are due or owing by the Consultant to any of its Personnel other than any Personnel disclosed in the certificate.
- (c) The Consultant shall provide with the Deed of Release (as required by Clause 62.8(a)) details of how the amount claimed ("Amount Claimed") is calculated including:
- (i) separate identification of each claim and the amount of each claim which is part of the Amount Claimed;
 - (ii) which clause, if any, of the Agreement the Consultant relies upon to support an entitlement to each claim;
 - (iii) if based on breach of contract, what obligation, if any, of the Agreement the Client has breached and which the Consultant relies upon to support an entitlement to each claim; and
 - (iv) a description of the other acts, defaults and omissions that the Consultant relies upon to support any entitlement to a claim.
- (d) After expiration of the two month period in Clause 62.8(a), any Claim which the Consultant could have made against the Client but which has not been made in the Final Payment Claim, whether or not a Final Payment Claim is delivered, is barred.

62.9 Interest on Overdue Payments

If any money due to either party remains unpaid after the date on which the money should have been paid, then the party responsible for the payment must, following a written request by the other party for payment of interest, pay to the other party Agreed

Compensation on the unpaid amount from, but not including the date on which the money was due.

62.10 Set off

The Client may set off or deduct from any payments due to the Consultant:

- (a) any debt or other moneys due from the Consultant to the Client; and/or
- (b) any money or any claim to money that the Client may have against the Consultant (including liquidated damages), which are due or which will become due under the Agreement.

62.11 Client's Payment of Subcontractors

- (a) If the Consultant owes any subcontractor of the Consultant money in connection with the Services, and
 - (i) that money has been outstanding under the relevant subcontract for more than 14 days; and
 - (ii) the Consultant cannot satisfy the Client's Representative that there is a valid reason (which shall include a genuine dispute between the Consultant and a subcontractor of the Consultant) for that outstanding money not having been paid, the Client may pay the subcontractor the outstanding amount, and:
 - (iii) call upon the security for the outstanding amount in accordance with Clause 691 (without limiting the unconditional nature of the security); or
 - (iv) the outstanding amount so paid will be a debt due and immediately payable from the Consultant to the Client.
- (b) No debt by the Client will be taken to have accrued in favour of the Consultant in respect of any payment by the Client of an outstanding amount in accordance with Clause 62.11(a).
- (c) The Client is entitled to withhold from any payment which would otherwise be due to the Consultant under the Agreement any amount owing to a subcontractor by the Consultant under Clause 62.11(a).

62.12 Property and Liens

The Consultant must not (insofar as is permitted by Law) assert any right to a lien over the Site or Project (or part thereof) or take any steps whatsoever to lodge or register a lien over the Site or Project (or part thereof) under, or in pursuance of, any relevant Law.

62.13 Taxes

- (a) The Consultant is and remains liable for payment of any Taxes connected to the Services. If any Tax is imposed, the Consultant shall pay the full amount to the relevant Authority or person and indemnifies the Client against any failure to do so. If any exemptions, reductions, allowances, rebates or other privileges in relation to Taxes (other than Taxes imposed on the Consultant's income or non-Project operations of the Consultant) may be available to the Consultant or the Client, the Consultant shall adjust any payments due to reflect any such savings or refunds (including interest awarded) to the maximum allowable extent.
- (b) Except for Excluded Taxes, it is agreed that:
 - (i) the Services Costs excludes the Taxes prevailing at the date of the Agreement;
 - (ii) the Services Costs will be increased by the amount of the Taxes;
 - (iii) the Consultant will be entitled to include in any Payment Claim (as defined in Clause 62.3) the amount of any Taxes paid by the Consultant in the period to which the Payment Claim relates.
- (c) Except for Excluded Taxes, if any rate of Tax is increased or decreased or a new Tax is introduced or an existing Tax is abolished or any change in interpretation or application of any Tax occurs in the course of performance of the Agreement, an adjustment will be made to the Services Costs to reflect any such change regardless of whether this results in the Services Costs increasing or decreasing.
- (d) When the Client has approved (whether under this Clause 62 or otherwise) payment to the Consultant and part or all of that payment consists of Taxes, the Client may withhold and deduct from that payment those Taxes if the Client is required to withhold or deduct those Taxes by any Authority.

62.14 Disbursements

The Consultant shall only be entitled to recover Disbursements as disbursements, unless the Client agrees to other specific disbursements.

62.15 Rates

The rates itemized in Part A of Appendix C are fixed for the Term.

63. DEFAULT BY A PARTY

63.1 Default by Consultant

- (a) If the Client considers that the Consultant:
 - (i) is in breach of or in default under the Agreement; or

- (ii) has breached a warranty which it has given to the Client under the Agreement;
- the Client may give the Consultant a notice:
- (iii) specifying the alleged breach of or default under the Agreement;
 - (iv) specifying the time and date by which the Consultant shall rectify the breach or default (or overcome their effects); and
 - (v) requiring the Consultant to show cause in writing why the Client should not exercise its rights under Clause 63.1(d).
- (b) If the Client gives the Consultant a notice referred to Clause 63.1(a), the Consultant shall:
- (i) comply with the notice;
 - (ii) give the Client a program to rectify the relevant default or remedy the breach (or overcome their effects) in accordance with the terms of the Client's notice.
- (c) If the Consultant fails to rectify a default or remedy a breach (or overcome their effects) in accordance with the terms of a notice referred to in Clause 63.1(a):
- (i) the Client may take any action it considers appropriate to:
 - (A) rectify that default; or
 - (B) remedy that breach; and
 - (ii) the Consultant shall indemnify the Client against any damage, cost, loss or liability it suffers or incurs in respect of that default or breach, except to the extent such damage, cost, loss or liability arises from the negligence of the Client.
- (d) If the Consultant is in breach of any material obligation under the Agreement, the Client may, by written notice to the Consultant after it has previously given the Consultant a notice under Clause 63.1(a) and the Consultant has not complied with that notice, with immediate effect:
- (i) suspend payment to the Consultant under the Agreement; or
 - (ii) terminate the Agreement.
- (e) Subject to Clause 50.3(c), if the Consultant is in breach of any obligation under the Agreement that is not a material obligation, the Client may, by written notice to the Consultant after it has previously given the Consultant a notice under Clause 63.1(a) and the Consultant has not complied with that notice, deduct or

withhold from any Payment Claim that the Client has at that time approved for payment an amount, not exceeding 10% of the relevant Payment Claim, whether for damages or otherwise which, in the Owner's reasonable estimate, is due or will become due under the Agreement.

- (f) Subject to the Client's accrued and other rights under the Agreement or Law, in the event of termination of the Agreement pursuant to Clause 63.1(d), the Client will pay to the Consultant:
 - (i) all the Services Costs due and unpaid at the date of termination; and
 - (ii) reasonable costs incurred in demobilising all of the Consultant's Personnel and equipment to their place of origin in South Africa or Australia (as the case may be) and in terminating any contract with any subcontractor or other agreement, arrangement or commitment undertaken by the Consultant for the specific purpose of providing the Services.
- (g) Except as provided in Clause 63.1(f), the Consultant acknowledges and agrees that where the Agreement is terminated in accordance with this Clause 63.1, the Consultant is not entitled to make any Claim against the Owner in respect of the termination including for any loss, cost, damage, expense or other liability.

63.2 Default by Client

- (a) If the Client:
 - (i) breach of any material obligation under the Agreement,
 - (ii) fails to pay the Consultant as required under the Agreement, or
 - (iii) fails to pay Project Contractors as required under the Project Contracts,then the Consultant may by notice specify the default and state its intention to exercise any one of the remedies under Clause 63.2(b)(i) or Clause 63.2(b)(ii).
- (b) If the Client fails to remedy such default within 14 days of receiving the notice from the Consultant, the Consultant may (without prejudice to any other rights or remedies it has under the Agreement) upon notice to the Client exercise all or any of the following remedies:
 - (i) suspend performance of the Services until the default has been remedied; or
 - (ii) in the case of Clause 63.2(a)(i) or Clause 63.2(a)(ii), by way of a 30 Business Day notice terminate the Agreement.
- (c) Subject to the Client's accrued and other rights under the Agreement or Law, in the event of termination of the Agreement pursuant to Clause 63.2(b)(ii), the Client will pay to the Consultant:

- (i) all the Services Costs due and unpaid at the date of termination; and
- (ii) reasonable costs incurred in demobilising all of the Consultant's Personnel and equipment to their place of origin in South Africa or Australia (as the case may be) and in terminating any contract with any subcontractor or other agreement, arrangement or commitment undertaken by the Consultant for the specific purpose of providing the Services.

64. INSOLVENCY

- (a) If in relation to a party (" **Insolvent Party** "):
 - (i) notice is given of a meeting of creditors with a view to the party entering a deed of company arrangement;
 - (ii) a controller or administrator is appointed;
 - (iii) the party enters a deed of company arrangement with creditors;
 - (iv) an application is made to a court for the winding up of the party and not stayed within 21 days;
 - (v) a winding up order is made in respect of the party;
 - (vi) the party resolves by special resolution that it be wound up voluntarily (other than for a members' voluntary winding-up);
 - (vii) a mortgagee of any property of the party takes possession of that property;
 - (viii) a receiver or a receiver and manager of any property of the party is appointed; or
 - (ix) the party takes or suffers in any place, any step or action analogous to any of those mentioned in subparagraphs (i) to (viii),then the other party may (without prejudice to any other rights or remedies it has under the Agreement):
 - (x) terminate the Agreement by way of a 3 Business Day notice to the Insolvent Party, its manager, receiver, trustee, liquidator, administrator or any other person in whom the affairs of the Insolvent Party may have become vested; or
 - (xi) give to the manager, receiver, trustee, liquidator, administrator or other person in whom the Insolvent Party's affairs have vested, the option of continuing to carry out the Agreement subject to the provision of a guarantee satisfactory to the other party for the due and proper performance of the unexpired portion of the Agreement. The option in this

clause is exercisable within 14 days of its receipt. If such option is not so exercised, it lapses, unless extended by the other party.

- (b) In the event of termination of the Agreement pursuant to Clause 64(a)(x) by the Consultant, the Client will:
- (i) to the extent (if any) permitted by Law; and
 - (ii) subject to the rights and powers of any of the persons described in Clauses 64(a)(ii), 64(a)(iii), 64(a)(vii) and 64(a)(viii); and
 - (iii) subject to the rights and powers (whether under any instrument or otherwise) of the persons who appointed of any of the persons described in Clauses 64(a)(ii), 64(a)(iii), 64(a)(vii) and 64(a)(viii),
- pay to the Consultant:
- (iv) all the Services Costs due and unpaid at the date of termination; and
 - (v) all reasonable costs incurred in demobilising all of the Contractor's Personnel and equipment to their point of origin in either South Africa or Australia (as the case may be) and in terminating any contract with any subcontractor of the Consultant or other contract or agreement entered into by the Consultant for the specific purpose of performing the Services.
- (c) In the event of termination of the Agreement pursuant to Clause 64(a)(x) by the Client, the Consultant will:
- (i) to the extent (if any) permitted by Law; and
 - (ii) subject to the rights and powers of any of the persons described in Clauses 64(a)(ii), 64(a)(iii), 64(a)(vii) and 64(a)(viii); and
 - (iii) subject to the rights and powers (whether under any instrument or otherwise) of the persons who appointed of any of the persons described in Clauses 64(a)(ii), 64(a)(iii), 64(a)(vii) and 64(a)(viii),
- pay to the Client:
- (iv) all moneys which the Client may be entitled to from the Consultant under or in accordance with the Agreement as at the date of termination; and
 - (v) all moneys paid to others in accordance with an express provision of the Agreement prior to or on the date of termination.

65. INTELLECTUAL PROPERTY

65.1 Client to Procure

- (a) Except as otherwise provided in the Agreement, the Client will procure all third party Intellectual Property Rights necessary for the lawful completion and operation of the Project.
- (b) Subject to Clause 65.1(c), and to the extent permitted by Law, the ownership of any Protected Right, any new invention or any improvement to an existing patent made or developed by the Consultant (or by those for whom it is responsible) during the Agreement and for the purposes of the Agreement shall be the property of the Client (“ **New IP** ”). The Client gives the Consultant a royalty-free, irrevocable and non-exclusive licence to use the New IP and any improvements thereto, subject to Law and any prior third party rights restricting such licence.
- (c) The Consultant remains the owner of any Protected Right used in the performance of the Services, which are in existence at the Date of Commencement or come into existence after the Date of Commencement and are created for a purpose other than the Services (“ **Background IP** ”). The Consultant shall own the Protected Rights in any improvements to the Background IP. The Consultant gives the Client a royalty-free, irrevocable and non-exclusive licence to use the Background IP and any improvements thereto for any purpose connected with the Project including repair, maintenance or expansion of the Project.

66. ASSIGNMENT (REPLACING CLAUSE 38)

66.1 Assignment by Consultant

The Consultant may, with the prior written approval of the Client not to be unreasonably withheld (which approval may be subject to the Consultant first demonstrating to the Client that all of the Consultant’s Key Personnel as identified in Appendix F will transfer to the assignee and after the assignment continue to perform the Services in their same positions and with their same authorities as they had prior to the assignment), assign all or part of its right, title, and interest in the Agreement to any parent, subsidiary or affiliated company of the Consultant, provided that:

- (a) the Consultant shall then remain jointly and severally liable with the assignee for all obligations and liabilities of the Consultant under the Agreement;
- (b) the Client may at its sole option have recourse against either or both the assignee and the Consultant for any and all obligations or liabilities of the Consultant; and
- (c) there is no adverse affect on the validity or enforceability of the guarantee and indemnity referred to in Clause 70 or any Security previously delivered by or on behalf of the Consultant to the Client under Clause 69, and that both the guarantee and indemnity in Clause 70 and all security under Clause 69 remain valid and enforceable by the Client in accordance with the provisions of the Agreement.

66.2 Assignment by Client to Affiliates and Third Parties

- (a) The Client may, with the prior written approval of the Consultant not to be unreasonably withheld, assign all or part of its right, title, and interest in the Agreement to any parent, subsidiary or affiliated company, partnership or joint venture of the Client, provided that all outstanding amounts properly due and owing to the Consultant at that time have been paid and that such parent, subsidiary or affiliated company, partnership or joint venture of the Client reasonably demonstrates that it is able to meet the payment obligations of the Client under the Agreement.
- (b) The Client may assign all or part of its right, title, and interest in the Agreement to any other third party with the prior written approval of the Consultant, which consent will not be withheld provided that all outstanding amounts properly due and owing to the Consultant at that time have been paid and that such third party reasonably demonstrates that it is able to meet the payment obligations of the Client under the Agreement.

66.3 Assignment by Client to Financing Entities

Without the prior consent of the Consultant, the Client may assign all or part of its right, title, and interest in the Agreement to any Financing Entity. The Consultant shall execute and deliver to the Client a consent to and acknowledgement of assignment on reasonable terms as may be required by the Financing Entities, to be effective only when all outstanding amounts properly due and owing to the Consultant at that time have been paid. Any Financing Entity may, in connection with any default under any financing document related to the Project, assign any rights assigned to it under this Clause 66.3 to any third party provided that all outstanding amounts properly due and owing to the Consultant at that time have been paid and that such third party reasonably demonstrates that it is able to meet the payment obligations of the Client under the Agreement. The Consultant agrees that, upon receipt of written notice of such assignment, it shall, if requested by a Financing Entity, deliver all Project Material required to be delivered to the Client under the Agreement to the Financing Entity or its assignee at such address as Financing Entity shall specify to the Consultant in writing.

66.4 Cooperation with Financing Entities and Insurers

- (a) The Consultant acknowledges and agrees that any Financing Entity and any and all insurers, and their respective representatives, have the right to review, inspect, audit and monitor the performance of the Services and the Works, the Site, any item of equipment (including equipment under fabrication), materials, supplies, tools, other items, design, engineering, service, or workmanship to be provided under the Agreement, and to observe all tests and all other aspects of the Project. The Consultant shall allow all of them reasonable access during normal working hours to its offices, the Site, the Works (including equipment under fabrication) and the Project, as reasonably requested by any of the Client, a Financing Entity and insurers. The Consultant shall incorporate such rights of review, inspection, audit and monitoring in all subcontracts.

- (b) The Consultant shall, if it proposes any Project Contract, include provisions in the Project Contract that allow representatives of the Financing Entity and insurers to inspect, review and monitor the progress of the Project and conformance with the requirements of the Agreement.

67. CONFIDENTIALITY (REPLACING CLAUSE 42)

67.1 Keep Confidential

All information exchanged between the parties under or in relation to the Agreement is confidential to them and may not be disclosed to any person except:

- (a) if required by Law or the rules of a relevant stock exchange;
- (b) to employees, Project Contractors or consultants for the purposes of tendering for or entering into a contract with Project Contractors or consultants;
- (c) with the consent of the party who supplied the information and the consent of the Client, which may not be unreasonably withheld;
- (d) if the information is in the public domain at the Date of Commencement, or comes into the public domain after the Date of Commencement other than as a result of a breach of the Agreement;
- (e) if the information is already known or in the possession of the recipient without restrictions relating to disclosure before the date of receipt; or
- (f) if the information is obtained from a source other than the party who supplied the information, provided that the source was not subject to any prohibition against disclosure.

67.2 Extension of Obligations

The parties will ensure that the provisions of this clause are extended to their employees, agents or contractors.

67.3 Continuation of Obligations

The obligations imposed in this Clause 67 continued for a period of four years after the Date of Final Completion.

68. SETTLEMENT OF DISPUTES (REPLACING CLAUSES 43.8 AND 44)

68.1 Failure of Mediation

If the parties fail to reach agreement within 28 days of the Mediator being appointed, or such other period as the parties may agree, then both parties shall be entitled to take any action necessary to have the dispute determined by litigation.

68.2 Matters Precedent to Litigation

Each party expressly agrees not to commence any action in any court in relation to a dispute (other than where a party seeks urgent injunctive or declaratory relief) unless and until all of the provisions of Clause 43 and Clause 68.1 have been met.

68.3 Dispute Resolution not to delay Performance

Despite the existence of a dispute between the parties:

- (a) the Consultant shall proceed without delay to continue to perform the Services; and
- (b) both parties must perform their other obligations under the Agreement.

69. SECURITY

69.1 Consultant Security

- (a) Within seven days after the date of execution of the Agreement, the Consultant shall deliver to the Client:
 - (i) two performance bonds in the form in Appendix M in favour of the Client; or
 - (ii) in any other form agreed in writing by the Client's Representative.
- (b) The security shall be:
 - (i) collectively for ten percent of the total Services Costs identified in Appendix C with each performance bond being for five percent of the total Services Costs identified in Appendix C;
 - (ii) in a form and in terms approved by the Client if not in the form in Appendix M; and
 - (iii) issued by a bank, insurance company or other financial institution in South Africa approved by the Client.
- (c) Any security provided by the Consultant under this Clause 69.1 shall be available to the Client and any security that does not consist of money may be converted into money whenever the Client is entitled to the payment of moneys by the Consultant under or in accordance with the Agreement, or, whenever the Client is entitled to reimbursement of any monies paid to others under or in accordance with the Agreement, in all such cases as if the security were a sum of money due to the Client by the Consultant.

69.2 Client Security

- (a) Within seven days after the date of execution of the Agreement, the Client shall deliver to the Consultant:

- (i) two performance bonds in the form in Appendix M in favour of the Consultant; or
 - (ii) in any other form agreed in writing by the Consultant's Representative.
- (b) The security shall be:
- (i) collectively for ten percent of the total Services Costs identified in Appendix C with each performance bond being for five percent of the total Services Costs identified in Appendix C;
 - (ii) in a form and in terms approved by the Consultant if not in the form in Appendix M; and
 - (iii) issued by a bank, insurance company or other financial institution in South Africa approved by the Consultant.
- (c) Any security provided by the Client under this Clause 69.2 shall be available to the Consultant and any security that does not consist of money may be converted into money whenever:
- (i) the Client does not pay any amount due to the Consultant under Clause 62.5 within the period specified in Clause 62.5; and
 - (ii) within 14 days after the Consultant gives a notice to the Client under Clause 63.2(a) the amount remains unpaid.

69.3 Interest on Security

- (a) A party is not obliged to pay the other party interest on:
- (i) any security; or
 - (ii) subject to the Clause 69.3(b), the proceeds of any security if it is converted into cash.
- (b) If a party makes a call upon any security held by that party under this Clause 69.3 (“**calling party**”) and obtains cash as a consequence, the calling party will, following a written request by the other party for payment of interest, pay simple interest, at the rate of Agreed Compensation, on the amount of any cash obtained in excess of the sum to which the calling party is entitled at the time of such call.
- (c) The sum attracting interest will be further reduced by any unsatisfied amounts which subsequently become payable under the Agreement by the Consultant to the Client or by the Client to the Consultant (as the case may be) at the time such amounts become payable.

69.4 Security not on Trust

Neither the Client or the Consultant hold any security or the proceeds or money referred to in Clause 69.3 on trust for each other.

69.5 Release of Security

The Client and the Consultant shall each release:

- (a) one of the performance bonds (or one half of the other form of security) provided in accordance with Clause 69.1 or Clause 69.2 (as the case may be) within 21 days of the Date of Practical Completion of the Sulphide Plant; and
- (b) the other performance bond (or the other half of the other form of security) provided in accordance with Clause 69.1 or Clause 69.2 (as the case may be) within 21 days of the later of:
 - (i) the expiry of the Defects Notification Period or any Further Defects Liability Period; and
 - (ii) the Client or the Consultant (as the case may be) having complied with all its obligations under the Agreement.
- (c) If prior to the date to be determined in accordance with Clause 69.5(b) (“**release date**”) any security delivered to the Client by the Consultant under Clause 69.1 expires, the Consultant shall provide further security which:
 - (i) is a performance bond in the form of Appendix M in favour of the Client or is otherwise in a form agreed in writing by the Client’s Representative;
 - (ii) is for two and a half percent of the total Services Costs;
 - (iii) does not expire for three years from the date it is delivered to the Client.

Any further security delivered under this Clause 69.5(c) by the Consultant to the Client shall be released by the Client on the release date.

69.6 Dealing with Security

Each party shall not, and warrants that it will not, take any steps to:

- (a) injunct or otherwise restrain the issuer of a security referred to in Clause 69.1 and Clause 69.2 from making a payment under it; or
- (b) restrain, hinder or in any way obstruct the other party from, when so entitled, calling on or otherwise exercising its rights under a security.

70. GUARANTEE AND INDEMNITY

70.1 Consideration

- (a) The Guarantor has requested the Client to enter into the Agreement with the Consultant and the Client does so in consideration of this guarantee and indemnity.
- (b) The Guarantor acknowledges that it has been given a copy of the Agreement and has and full opportunity to consider its provisions before entering into this guarantee and indemnity.

70.2 Guarantee

The Guarantor guarantees to the Client prompt performance of all of the obligations of the Consultant contained or implied in the Agreement. If the obligation is to pay money, the Client may immediately recover the money from the Guarantor as a liquidated debt without first commencing proceedings or enforcing any other right against the Consultant or any other person.

70.3 Continuing Security

This guarantee and indemnity is a continuing security, and is not discharged or prejudicially affected by any settlement of accounts, but remains in full force until a final release is given by the Client.

70.4 Matters Not Affecting Guarantor's Liability

The Guarantor's liability under Clauses 70.2 is not affected by:

- (a) the granting of time, forbearance or other concession by the Client to the Consultant or the Guarantor;
- (b) any delay or failure by the Client to take action against the Consultant or the Guarantor;
- (c) an absolute or partial release of the Consultant or the Guarantor or a compromise with the Consultant or any Guarantor;
- (d) a variation, novation, renewal or assignment of the Agreement by the Client whether or not this increases the liability of the Consultant or the liability of the Guarantor under the Agreement;
- (e) the termination of the Agreement;
- (f) the fact that the Agreement is wholly or partially void, voidable or unenforceable;
- (g) the non-execution of the Agreement by one or more of the persons named as the Guarantor or the unenforceability of the guarantee or indemnity against one or more of the Guarantors; or

- (h) the exercise or purported exercise by the Client of its rights under the Agreement.

70.5 Payment Later Avoided

The Guarantor's liability is not discharged by a payment to the Client which is later avoided by law. If that happens, the Client, the Consultant and the Guarantor will be restored to their respective rights and obligations as if the payment had not been made.

70.6 Indemnity on Disclaimer

If a liquidator or trustee in bankruptcy disclaims the Agreement, the Guarantor indemnifies the Client against any resulting loss.

70.7 Guarantor Not to Prove in Liquidation or Bankruptcy

Until the Client has received all money payable to it by the Consultant:

- (a) the Guarantor must not prove or claim in any liquidation, bankruptcy, composition, arrangement or assignment for the benefit of creditors of the Consultant; and
- (b) the Guarantor must hold any claim it has and any dividend it receives on trust for the Client.

70.8 Guarantor Not to Claim Benefits or Enforce Rights

Until the Guarantor's liability under the Agreement is discharged the Guarantor may not, without the consent of the Client:

- (a) claim the benefit or seek the transfer (in whole or in part) of any other guarantee, indemnity or security held or taken by the Client;
- (b) make a claim or enforce a right against the Consultant or any other guarantor or against the estate or any of the property of any of them, except for the benefit of the Client;
- (c) raise a set-off or counterclaim available to it or the Consultant against the Client in reduction of its liability under this guarantee and indemnity.

70.9 Costs and Expenses

- (a) The Guarantor agrees to pay or reimburse the Client on demand for:
 - (i) its costs, charges and expenses of making, enforcing and doing anything in connection with this guarantee and indemnity, including all costs actually payable by the Client to its legal representatives (whether under a costs agreement or otherwise); and
 - (ii) all Taxes which are payable in connection with this guarantee and indemnity or any payment, receipt or other transaction contemplated by it.

- (b) Money paid to the Client by the Guarantor must be applied first against payment of costs, charges and expenses under this Clause 70.9 (a) and then against other obligations under this guarantee and indemnity.

70.10 Guarantee to Continue on Assignment of Rights

If the Client assigns its rights under the Agreement in accordance with Clause 66, the benefit of the guarantee and indemnity in this Clause 70 extends to the assignee and continues concurrently for the benefit of the Client regardless of the assignment unless the Client releases the Guarantor in writing.

70.11 Limit of Guarantor's Liability

Despite any other provision of this Clause 70 to the contrary, the Client and the Guarantor acknowledge and agree that the Guarantor's liability to the Client under this Clause (whether for payment of money or otherwise) shall not exceed the liability of the Consultant to the Client under the Agreement.

71. GENERAL

71.1 Legal costs

Except as expressly stated otherwise in the Agreement, each party will pay its own legal and other costs and expenses of negotiating, preparing, executing and performing its obligations under the Agreement.

71.2 Waiver and exercise of rights

- (a) A single or partial exercise or waiver by a party of a right relating to the Agreement does not prevent any other exercise of that right or the exercise of any other right.
- (b) The non-exercise of, or a delay in exercising, any power or right of a party does not operate as a waiver of that power or right, nor does any single exercise of a power or right preclude any other or further exercise of it or the exercise of any other power or right by that party or Consultant.
- (c) A power or right of a party may only be waived in writing by the party.
- (d) The Agreement may only be varied, or its provisions waived, in writing by the Client and the Consultant.

71.3 Severance

Each provision of the Agreement will be deemed to be separate and severable from the others of them. If any provisions of the Agreement are determined to be invalid or unenforceable in any jurisdiction, such determination and the consequential severance (if any) will not invalidate the rest of the Agreement, which will remain in full force and

effect as if such provision had not been made a part thereof, nor will it affect the validity or enforceability of such provision in any other jurisdiction.

71.4 After hours communications

If a communication is given:

- (a) after 5.00 pm in the place of receipt; or
- (b) on a day which is not a Business Day in the place of receipt,

it is taken as having been given on the next Business Day.

71.5 Process service

Any process or other document relating to litigation, administrative or arbitral proceedings relating to this document may be served by any method contemplated by Clause 41 or in accordance with any applicable Law.

71.6 Entire understanding

- (a) The Agreement contains the entire understanding between the parties as to the subject matter of the Agreement.
- (b) All previous negotiations, understandings, representations, warranties, memoranda or commitments concerning the subject matter of the Agreement are merged in and superseded by the Agreement and are of no effect. No party is liable to any other party in respect of those matters.
- (c) No oral explanation or explanation by e-mail or information provided by any party to another:
 - (i) affects the meaning or interpretation of the Agreement; or
 - (ii) constitutes any collateral agreement, warranty or understanding between any of the parties.

71.7 Nature of the Relationship

- (a) Nothing in the Agreement constitutes a joint venture, agency, partnership or other fiduciary relationship between the Client and the Consultant.
- (b) The Consultant acknowledges that it has no authority to bind the Client.
- (c) At all times when performing its obligations under the Agreement, the Consultant is deemed to be an independent contractor and not an employee or agent of the Client.
- (d) The Consultant must not act outside the scope of the authority conferred on it under the Agreement.

71.8 Third Party Rights

The Agreement shall be binding on and enure to the benefit of the lawful successors of each party and every other person having rights under it by virtue of the *Agreements (Rights of Third Parties) Act 1999*. Except as provided in this Clause 71.8, nothing in the Agreement confers any rights on any person under the *Agreements (Rights of Third Parties) Act 1999*. The exceptions provided for in this Clause 71.8 are each indemnified person named in Clause 51.7 of the Agreement, who may respectively enforce the rights in his, her or its favour set out in such provision, subject to and in accordance with the *Agreements (Rights of Third Parties) Act 1999* and any express limits of liability set out in the Agreement.

71.9 Effective Date (replacing Clause 21)

The Agreement shall be effective as of 21 February 2005.

71.10 Jurisdiction

The parties irrevocably submit to the exclusive jurisdiction of the Courts exercising jurisdiction in England, and any court that may hear appeals from any of those courts, for any proceeding in connection with the Agreement, subject only to the right to enforce a judgment in any court in any other jurisdiction.

EXHIBIT 31.1

CERTIFICATION

I, Peter J. Bradford, certify that:

1. I have reviewed this report on Form 10-Q of Golden Star Resources Ltd. (“Registrant”);
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the periods covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting.
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of Registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: August 8, 2006

/s/ Peter J. Bradford

Peter J. Bradford
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Allan J. Marter, certify that:

1. I have reviewed this report on Form 10-Q of Golden Star Resources Ltd. (“Registrant”);
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting.
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of Registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: August 8, 2006

/s/ Allan J. Marter

Allan J. Marter

Senior Vice President and Chief Financial Officer

EXHIBIT 32.1

**Certification of Principal Executive Officer
Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)**

I, Peter J. Bradford, President and Chief Executive Officer of Golden Star Resources Ltd., certify, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended June 30, 2006 of Golden Star Resources Ltd. that:

- (1) The Quarterly Report on Form 10-Q fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained and incorporated by reference in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Golden Star Resources Ltd.

/s/ Peter J. Bradford

Peter J. Bradford
President and Chief Executive Officer

Date: August 8, 2006

EXHIBIT 32.2

**Certification of Principal Financial Officer
Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)**

I, Allan J. Marter, Senior Vice President and Chief Financial Officer of Golden Star Resources Ltd., certify, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended June 30, 2006 of Golden Star Resources Ltd. that:

- (1) The Quarterly Report on Form 10-Q fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained and incorporated by reference in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Golden Star Resources Ltd.

/s/ Allan J. Marter

Allan J. Marter
Senior Vice President and Chief Financial Officer
August 8, 2006