GOLDEN STAR RESOURCES LTD.

FORM 10-Q
(Quarterly Report)

Filed 11/17/98 for the Period Ending 09/30/98

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 11/16/1998 For Period Ending 9/30/1998

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

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period ended September 30, 1998

or

[ ] Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from __________ to __________.

Commission file number 0-21708

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.)
1660 Lincoln Street, Suite 3000, Denver, Colorado (Address of Principal Executive Office)	80264 (Zip Code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes X No

Number of Common Shares outstanding as of November 10, 1998: 30,292,249.

GOLDEN STAR RESOURCES LTD.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the company to be materially different from any future results, performance, or achievements express or implied by such forward- looking statements. Such factors include, among others, gold and diamond exploration and development costs and results, fluctuation of gold prices, foreign operations and foreign government regulation, competition, uninsured risks, the establishment, quantification and the recovery of reserves and mineralized inventories, capitalization and commercial viability and requirements for obtaining permits and licenses.

The mineralized inventories mentioned in this report do not qualify as reserves. They were prepared only to give an idea of the portion of the geological inventories that could be exploited economically utilizing open pit mining methods through the application of certain economical and technical parameters in a mathematical algorithm. This estimation of resource will not qualify as a reserve until a more comprehensive evaluation based upon unit cost, grade, recoveries and other material factors is concluded. Consequently, there can be no assurance that the mineralized inventories will ever become ore reserves.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	(Unaudited) As of September 30, 1998	As of December 31, 1997
ASSETS		
CURRENT ASSETS		
Cash and short-term investments	$ 7,688	$ 17,399
Accounts receivable	1,165	2,238
Inventories	278	356
Other assets	97	159
Total Current Assets	9,228	20,152
RESTRICTED CASH	-	250
DEFERRED EXPLORATION	72,635	65,160
INVESTMENT IN OMAI GOLD MINES LIMITED	1,409	2,126
FIXED ASSETS	837	1,280
OTHER ASSETS	297	154
Total Assets	$ 84,406	$ 89,122
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,785	$ 2,825
Accrued wages and payroll taxes	-	900
Total Current Liabilities	1,785	3,725
OTHER LIABILITIES	67	115
Total Liabilities	1,852	3,840
MINORITY INTEREST	5,859	5,725
COMMITMENTS AND CONTINGENCIES (Note 9)		
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: September 30, 1998 - 30,290,588; December 31, 1997 - 29,797,432)	159,140	158,001
Stock option loans	(4,012)	(4,012)
ACCUMULATED DEFICIT	(78,433)	(74,432)
Total Shareholders' Equity	76,695	79,557
Total Liabilities and Shareholders' Equity	$ 84,406	$ 89,122

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Stated in thousands of United States Dollars except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
REVENUE				
Precious metals sales	$ -	$ 4	$ -	$ 443
Interest and other	189	346	606	871
	189	350	606	1,314
COSTS AND EXPENSES				
Cost of goods sold	-	9	-	987
Depreciation	60	151	180	711
General and administrative	1,971	2,148	5,427	6,483
Exploration expense	26	275	267	754
Abandonment and impairment of mineral properties	199	3,503	199	9,573
Gain on sale of assets	-	(301)	-	(302)
Loss on impairment of assets	-	1,522	-	1,522
Interest and bank charges	111	(6)	126	15
Foreign exchange loss (gain)	140	27	58	50
	2,507	7,328	6,257	19,793
PROFIT (LOSS) BEFORE THE UNDERNOTED	(2,318)	(6,978)	(5,651)	(18,479)
Equity in earnings of Omai Gold Mines Limited	(170)	-	-	-
Premium on Omai Preferred Class Share Redemptions	34	151	863	1,050
Net profit (loss) before minority interest	(2,454)	(6,827)	(4,788)	(17,429)
Minority interest share of loss	318	1,707	787	3,003
NET PROFIT (LOSS)	$(2,136)	$(5,120)	$(4,001)	$(14,426)
BASIC AND DILUTED NET PROFIT (LOSS) PER SHARE	$(0.07)	$(0.17)	$(0.13)	$(0.50)
Weighted Average Shares Outstanding (Millions of shares)	30.0	29.7	30.0	28.8

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

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

(Unaudited)

	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1997
OPERATING ACTIVITIES:		
Net loss	$(4,001)	$(14,426)
Reconciliation of net loss to net cash used in operations:		
Depreciation	180	711
Premium on Omai Preferred Share Redemptions	(863)	(1,050)
Gain on sale of assets	-	(302)
Loss on impairment of assets	-	1,522
Abandonment and write-down of mineral properties	199	9,573
Minority interest loss	(787)	(3,003)
Changes in non-cash operating working capital	(727)	(796)
Net Cash Used in Operating Activities	(5,999)	(7,771)
INVESTING ACTIVITIES:		
Expenditures on mineral properties, net of joint venture recoveries	(7,674)	(18,426)
Depreciation charged to projects	280	264
Equipment purchases	(49)	(327)
Proceeds from sale of equipment	32	486
Omai Preferred Share Redemptions	1,580	1,922
Other assets	(149)	51
Net Cash Used in Investing Activities	(5,980)	(16,030)
FINANCING ACTIVITIES:		
Restricted cash	250	1,250
Proceeds from issuance of subsidiary's stock	-	29
Offering costs of subsidiary	6	(25)
Issuance of share capital	1,139	22,513
Issuance of share capital under warrants	-	5,429
Issuance of share capital under options	-	140
Increase (Decrease) in minority interest	921	45
Stock option loan receipts (additions)	-	1
Other	(48)	6
Net Cash Provided by Financing Activities	2,268	29,388
Increase (Decrease) in cash	(9,711)	5,587
Cash and short-term investments, beginning of period	17,399	15,663
Cash and short-term investments, end of period	$ 7,688	$ 21,250

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(All tabular amounts in thousands of United States Dollars)

These financial statements and notes thereto should be read in conjunction with the financial statements and related notes included in the annual report on Form 10-K for Golden Star Resources Ltd. (the "Company") for the fiscal year ended December 31, 1997, on file with the Securities and Exchange Commission and the Ontario Securities Commission (hereinafter referred to as "the Company's 1997 10-K"). All amounts are in United States dollars unless otherwise stated.

The unaudited financial statements as of September 30, 1998, and for the nine months ended September 30, 1998 and 1997, reflect all adjustments, consisting solely of normal recurring items, which are necessary for a fair presentation of financial position, results of operations, and cash flows on a basis consistent with that of the prior audited consolidated financial statements.

(1) LIQUIDITY

During 1998, the Company has substantially curtailed its exploration activities and general and administrative expenses in the field and at the corporate headquarters in an effort to conserve cash resources. Capital is allocated to projects which offer the greatest potential to generate additional reserves and resources. Most of the exploration and development expenditures for the Company and its subsidiaries represent discretionary spending and can be adjusted to reflect, among other things, results of exploration and development activities and the Company's capital resources.

In order to prepare for the possibility that the current depressed market for gold prices and gold shares may continue into 1999, the Company plans a further reduction in activity and general and administrative expenses. The Company anticipates that additional capital will be required in 1999 in order to fund operations and exploration activities. Sources for such capital may include, among other things, the establishment of joint ventures, sale of property interests or assets and issuance of debt or equity securities.

The level of exploration activity over this period is dependent on the Company's ability to raise capital. Without additional capital during this period, the Company's exploration activities and expenditures will be significantly reduced from previous levels. Whether and to what extent alternative financing options are pursued by the Company or its subsidiaries will depend on a number of factors including, among others, the successful acquisition of additional properties or projects, the price of gold and management's assessment of the capital markets. No assurance can be given that the Company will be able to access such financing on terms which are favorable to the Company.

(2) INVENTORIES

	September 30, 1998	December 31, 1997
Gold Inventory	$ -	$ 53
Materials and Supplies	278	303
	$278	$356

(3) FIXED ASSETS

	September 30, 1998	December 31, 1997
Machinery & Equipment	$ 3,254	$ 3,239
Accumulated Depreciation	(2,417)	(1,959)
	$ 837	$ 1,280

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(All tabular amounts in thousands of United States Dollars)

(4) DEFERRED EXPLORATION

	Deferred Exploration Expenditures as at Dec. 31, 1997	Capitalized Exploration Expenditures	Capitalized Acquisition Expenditures	Joint Venture Recoveries	Property Impairments & Abandonments	Deferred Exploration Expenditures as at September 30, 1998
GUYANA						
Eagle Mountain	$ 1,136	$ 216	$ -	$ -	$ -	$ 1,352
Quartz Hill	1,347	-	-	-	-	1,347
Five Stars Gold	3,684	361	-	-	-	4,045
Five Stars Diamond	2,360	188	-	-	-	2,548
BHP Gold Projects	333	-	-	(65)	-	268
Guyana Diamond Permits	109	-	-	-	-	109
Other	97	263	-	-	-	360
Sub-total	9,066	1,028	-	(65)	-	10,029
SURINAME						
Benzdorp / Lawa	3,344	8	-	-	-	3,352
Gross Rosebel	13,892	587	-	(278)	-	14,201
Headley's Right of Exploration	311	2	-	-	-	313
Thunder Mountain	453	2	-	-	-	455
Saramacca	1,862	373	-	(263)	-	1,972
Sara Kreek	581	6	-	-	-	587
Tempati Reconnaissance	344	18	-	(16)	-	346
Tapanahony Reconnaissance	251	7	-	(25)	-	233
Kleine Saramacca	107	-	-	-	-	107
Lawa Antino	2,096	76	-	(56)	-	2,116
Ulemari Reconnaissance	291	(54)	-	-	-	237
Other	(17)	191	-	-	-	174
Sub-total	23,515	1,216	-	(638)	-	24,093
FRENCH GUIANA (Guyanor Ressources S.A.)						
Dorlin	1,330	938	-	(468)	-	1,800
St-Elie	1,973	484	-	(253)	-	2,204
Dieu-Merci	382	480	-	(109)	-	753
Yaou	7,130	286	-	(143)	-	7,273
Paul Isnard / Eau Blanche	3,629	933	-	(285)	-	4,277
SOTRAPMAG	1,987	(22)	-	-	-	1,965
Dachine	1,234	190	-	-	-	1,424
Other	81	(5)	-	-	-	76
Sub-total	17,746	3,284	-	(1,258)	-	19,772
AFRICA (PAN AFRICAN RESOURCES CORPORATION)						
Ivory Coast / Comoe	2,092	1,748	-	-	-	3,840
Kenya / Ndori	1,677	829	-	-	-	2,506
Burkina Faso	8	18	-	-	(26)	-
Sub-total	3,777	2,595	-	-	(26)	6,346
LATIN AMERICA (SOUTHERN STAR RESOUCES LTD.)						
Brazil / Andorinhas	8,490	620	200	-	-	9,310
Brazil / Abacaxis	2,096	168	-	-	-	2,264
Brazil / Other	189	404	-	-	-	593
Bolivia / San Simon	173	-	-	-	(173)	-
Sub-total	10,948	1,192	200	-	(173)	12,167
OTHER	108	120	-	-	-	228
TOTAL	$65,160	$9,435	$200	$(1,961)	$(199)	$72,635

The recoverability of amounts shown for deferred exploration is dependent upon the sale or discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof. The

amounts deferred represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the properties.

It has come to the Company's attention that the extension of its mineral rights to the Eagle Mountain project may not have conformed in all material respects with the terms of the Mining Act of Guyana. As a result, the Government of Guyana recently issued a new prospecting license to the Company to cure any default relating to the previous extension. As of September 30, 1998, the Company had incurred $1.3 million of costs on the Eagle Mountain project.

On July 30, 1998, the Company announced that a preliminary agreement was reached on the material terms for the exploration and development of the Company's Eagle Mountain property. Under the terms of the agreement, Omai Gold Mines Limited ("OGML") in which Cambior Inc., the Company and the Government of Guyana hold 65%, 30% and 5% equity interests, respectively, can acquire a 100% interest in Eagle Mountain by (i) paying the Company $80,000: and (ii) advancing the Company $3.1 million, as a non-interest bearing loan to be repaid through the normal redemption of Class I Preference shares owed to the Company. After closing, OGML will fund 100% of exploration and feasibility costs associated with future programs at Eagle Mountain through completion of a final feasibility study. Additionally, if exploration is successful in defining a mining resource resulting in a positive feasibility study and mine development, OGML will pay a 1.5% net smelter royalty to the Company upon achievement of commercial production. OGML will also pay to the Company an amount equal to $1.0 million at the end of each year of commercial production for a period of five years. The closing of the acquisition is subject to the fulfillment of certain conditions, including the approval by the Government of Guyana of the transfer of the Eagle Mountain title to OGML.

On July 24, 1998, the Company announced an agreement had been reached with North Exploration (Overseas) Pty Limited ("North") for the exploration and development of the Company's Tanda property, located in central eastern Cote d'Ivoire. Under the terms of the agreement, North may earn a 60% participating interest in the Tanda property by spending a minimum of $400,000 on exploration during the first 12 months of the joint venture and a minimum of $3.0 million over a total of 36 months. North also has the option of earning an additional 10% interest, for a total of 70%, by fully funding feasibility work and providing or arranging, on a best efforts basis, project financing for any eventual development. North will act as manager and operator of the joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(All tabular amounts in thousands of United States Dollars)

(5) INVESTMENT IN OMAI GOLD MINES LIMITED

Details regarding the Company's investment in the common and preferred share equity of Omai Gold Mines Ltd. and its share of equity losses not recorded for the year ended December 31, 1997 and the nine months ended September 30, 1998, are as follows:

	Common Shares	Preferred Shares
December 31, 1997	$ -	$ 2,126
Less: Preferred Share Redemption	-	(1,580)
Add: Premium on Preferred Share Redemption	$ -	863
September 30, 1998	$ -	$ 1,409

The Company's share of Accumulated Losses at:

December 31, 1997	$(1,507)
September 30, 1998	$ (264)

The Company recorded proceeds of $1.6 million from redemption of preferred shares during the nine months ended September 30, 1998. During the third quarter of 1998, the Company's share of accumulated losses exceeded the amount of recognized equity income. Accordingly, the Company recognized $0.2 million of equity loss, which equals the previously recorded equity income.

(6) PURCHASE OF PARC MINORITY INTEREST

On April 21, 1998, The Company completed a Plan of Arrangement that resulted in the purchase of all of the outstanding shares held by minority shareholders of PARC. As a result, the Company issued 388,574 of its common shares with a market value of $0.9 million to the minority shareholders of Pan African Resources Corporation ("PARC"). As a result of this transaction, the Company allocated goodwill of approximately $1.8 million to the Comoe and Ndori properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(All tabular amounts in thousands of United States Dollars)

The following is the pro-forma income and loss for the nine months ended September 30, 1998 and 1997, showing the results of operations had the transaction been completed on January 1, 1997:

	For the Nine Months Ended September 30, 1998	For the Nine Months Ended September 30, 1997
Revenue	$ 606	$ 1,314
Net Profit (Loss)	$(4,092)	$(15,651)
Net Profit (Loss) per Share	$ (0.13)	$ (0.54)

(7) CHANGES TO SHARE CAPITAL

During the nine months ended September 30, 1998, 73,460 shares were issued for options previously granted under the Company's Stock Option Plan and 31,122 shares were issued under the Company's Employees' Stock Bonus Plan.

On April 21, 1998, 388,574 shares were issued to the shareholders of PARC under a Plan of Arrangement that resulted in the acquisition of the outstanding common shares of PARC not already owned by the Company. (See Note 6.)

(8) GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES

The financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada which differ in certain respects from those principles that the Company would have followed had its financial statements been prepared in accordance with GAAP in the United States. Differences which materially affect these consolidated financial statements are:

(a) For United States GAAP ("U.S. GAAP"), exploration and general and administrative costs related to projects are normally charged to expense as incurred. As such, the majority of costs charged to abandonment and impairment of mineral properties under Canadian GAAP would have been charged to earnings in prior periods under U.S. GAAP. Property acquisition costs are capitalized for both Canadian and U.S. GAAP.

(b) For periods prior to May 15, 1992 (the "Amalgamation"), the Company's reporting currency was the Canadian dollar. Subsequent to the Company's Amalgamation and relocation of its corporate headquarters to the United States, the reporting currency was changed to the U.S. dollar. As such, for the financial statements for periods prior to May 15, 1992, the Company's financial statements were translated into U.S. dollars using a translation of convenience. U.S. GAAP requires translation in accordance with the current rate method.

(c) Under U.S. GAAP, the investment in Omai Gold Mines Limited would have been written off in prior years and, therefore, the entire Omai Preferred Share Redemption would have been included in income. Under Canadian GAAP, a portion of the Omai Preferred Share Redemption is included in income with the remainder reducing the carrying value of the Company's preferred stock investment.

(d) U.S. GAAP requires that compensation expense be recorded for the excess of the quoted market price over the option price granted to employees and directors under stock option plans. Under Canadian GAAP, no compensation expense is recorded for such awards.

(e) Canadian GAAP allows classification of investments which are capable of reasonably prompt liquidation as current assets. As such, all of the Company's investments are included under the caption "short-term investments" on the balance sheet under current assets. U.S. GAAP requires classification as current or long term assets based upon the anticipated maturity date of such instruments. Under U.S. GAAP, cash (and cash equivalents) includes bank deposits, money market instruments, and commercial paper with original maturities of three months or less. Canadian GAAP permits the inclusion of temporary investments with maturities greater than 90 days in cash.

(f) The Company eliminated its accumulated deficit through the Amalgamation (defined as a quasi-reorganization under U.S. GAAP) effective May 15, 1992. Under U.S. GAAP, the cumulative deficit was greater than the deficit under Canadian GAAP due to the write-off of certain deferred exploration costs described in (a) above.

(g) Under U.S. GAAP, available-for-sale securities are recorded at fair value and unrealized gains and losses are recorded as a separate component of shareholders' equity. Fair value is determined by quoted market prices.
(The Company has available-for-sale securities as of June 31, 1998.)

(h) Under U.S. GAAP, accrued severance and social charges of $1.1 million resulting from suspension of alluvial mining operations at SOTRAPMAG would not have been recorded as of December 31, 1996, as the requirements for accrual under U.S. GAAP were not satisfied. Under U.S. GAAP, such accruals were recorded in the first quarter of 1997.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(All tabular amounts in thousands of United States Dollars)

Had the Company followed U.S. GAAP, certain items on the statements of operations and balance sheets would have been reported as follows:

	For the nine months ended September 30, 1998	For the nine months ended September 30, 1997
Net loss under Canadian GAAP	$ (4,001)	$(14,426)
Net effect of the deferred exploration expenditures on loss for the period (a)	(7,275)	(8,253)
Effect of recording compensation expense under stock option plans (d)	-	(42)
Record loss for severance accruals (h)	-	(1,115)
Effect of Omai preferred share redemption (c)	717	871
Loss under U.S. GAAP before minority interest	(10,559)	(22,965)
Adjustment to minority interest	588	500
Loss under U.S. GAAP	$ (9,971)	$(22,465)
Basic and diluted loss per share under U.S. GAAP	$ (0.33)	$ (0.78)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
(All tabular amounts in thousands of United States Dollars)

The effect of the differences in accounting under Canadian GAAP and U.S. GAAP on the balance sheets and statements of cash flows are as follows:

BALANCE SHEET

	As of September 30, 1998		As of December 31, 1997	
	Canadian GAAP	U.S. GAAP	Canadian GAAP	U.S. GAAP
Cash (e)	$ 7,688	$ 702	$ 12,458	$ 12,458
Short-term investments (e)	-	3,156	4,941	1,999
Other current assets	1,540	1,540	2,753	2,753
Restricted cash	-	-	250	250
Deferred exploration (a)	72,635	20,437	65,160	20,239
Investment in Omai Gold Mines Limited (c)	1,409	-	2,126	-
Long-term investments (e)	-	3,830	-	2,942
Other assets	1,134	1,134	1,434	1,435
Total Assets	$ 84,406	$ 30,801	$ 89,122	$ 42,076
Liabilities	1,852	1,852	3,840	3,840
Minority interest (a)	5,859	6,986	5,725	7,076
Share capital, net of stock option loans (f)	155,128	152,338	153,989	151,200
Cumulative translation adjustments (b)	-	1,595	-	1,595
Deficit (a) (c) (d) (e)	(78,433)	(131,970)	(74,432)	(121,635)
Total Liabilities and Shareholders' Equity	$ 84,406	$ 30,801	$ 89,122	$ 42,076

STATEMENTS OF CASH FLOWS

Net cash provided by (used in):	Operating Activities		Investing Activities		Financing Activities	
	Canadian GAAP	U.S. GAAP	Canadian GAAP	U.S. GAAP	Canadian GAAP	U.S. GAAP
For the nine months ended September 30, 1998	($5,999)	($11,941)	($ 5,980)	($ 967)	$ 2,268	$ 2,309
For the nine months ended September 30, 1997	($7,771)	($23,722)	($16,030)	($ 240)	$29,388	$29,433

The statements of cash flows reflect the impact of the previously discussed adjustments (a) (c) (d) (f).

There were no significant non-cash transactions impacting the statement of cash flows for the nine months ended September 30, 1998. Non-cash items in financing activities were $0.3 million for the nine months ended September 30, 1997.

(9) SUBSEQUENT EVENTS

On October 30, 1998, the Company announced that David A. Fennell resigned from his position as President and Chief Executive Officer of the Company. He also resigned as President of the Board of Directors and director of Guyanor Ressources S.A., the Company's 71% owned subsidiary. Under a Separation Agreement and Release which became irrevocable on November 7, 1998, the Company paid to Mr. Fennell $597,000, (the equivalent of two years of salary). Under the agreement, the Company is obligated to reimburse Mr. Fennell for up to $81,200 of expenses.

Mr. Pierre Gousseland, currently Chairman of the Company, has been appointed Acting Chief Executive Officer on an interim basis. The Board of Directors of the Company is currently conducting a search for a new President and Chief Executive Officer.

A new geologic model and estimation of the mineralized inventories at St-Elie has been completed. The new estimate is less than 50% of the February estimate, however, the reduction in mineralized inventories at St-Elie does not affect proven and probable mining reserves. Furthermore, the February estimate for St- Elie accounts for only approximately 10% of the Company's (1.0 of 10.4 million tonnes) and Guyanor's (1.4 of 14.6 million tonnes) total open pit mineralized inventory tonnage and approximately 3% and 6% of total geologic inventory tonnage for the Company (2.3 of 82 million tonnes) and Guyanor (3.3 of 55.8 million tonnes), respectively. The February estimates and the lower new estimates for St-Elie are not material in relation to the Company's and Guyanor's total open pit and geologic mineralized inventories and, as a result, estimates of mineralized inventories at St-Elie will no longer be reported unless material.

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

OPERATIONS AND RECENT DEVELOPMENTS

The following discussion should be read in conjunction with the accompanying consolidated financial statements and related notes. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). For U.S. GAAP reconciliation see attached financial statement Note 7.

CAUTIONARY STATEMENT FOR THE PURPOSES OF THE REFORM ACT

The following contains certain forward-looking statements within the meaning of the Reform Act. Actual results, performance or achievements of the Company could differ materially from those projected in the forward-looking statements due to a number of factors, including those set forth under "Risk Factors" in the Company's Annual Report on Form 10-K. Readers are cautioned not to put undue reliance on forward-looking statements. The Company disclaims any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise.

RESULTS OF OPERATIONS

Nine Months Ended September 30, 1998 Compared to the Nine Months Ended September 30, 1997

During the third quarter of 1998, the Company recognized a net loss of $2.1 million or $0.07 per share as compared to a net loss of $5.1 million or $0.17 per share for the third quarter of 1997. During the third quarter of 1998, the Company recorded $0.2 million in property abandonment charges and write-downs compared to $3.5 million for the similar period in 1997.

For the nine months ended September 30, 1998, the Company recognized a net loss of $4.0 million or $0.13 per share, compared to a loss of $14.4 million or $0.50 per share for the similar period in 1997. The decreased loss in the 1998 period is primarily attributable to a decrease of $9.4 million in property write-downs in 1998, no production losses at SOTRAPMAG in 1998 as compared to 1997 ($0.5 million), and a reduction in general and administrative expenditures in 1998 of $1.1 million.

Total revenues of $0.2 million during the third quarter of 1998 (as compared to $0.4 million for the third quarter of 1997) decreased due to lower interest income from lower available cash balances.

General and administrative expenditures decreased to $2.0 million during the third quarter of 1998 as compared to $2.1 million during the third quarter of 1997. For the nine months ended September 30, 1998, general and administrative expenditures decreased to $5.4 million as compared to $6.5 million for the similar period last year. These decreases were due to the Company's ongoing cost reduction efforts. Depreciation expense for the third quarter and nine months ended September 30, 1998, decreased as a result of the decrease in the depreciable asset base due to the write-down of equipment at SOTRAPMAG in 1997.

Omai Gold Mines Limited ("OGML"), in which the Company maintains a 30% common share equity interest, reported net loss of $1.3 million for the third quarter of 1998 and $4.6 million for the nine months ended September 30, 1998, compared to a net loss of $0.4 million in the third quarter of 1997 and a net income of $5.2 million for the nine months ended September 30, 1997. During the third quarter of 1998, the Company's share of accumulated losses exceeded the amount of recognized equity income. Accordingly, the Company recognized a $0.2 million loss on its equity investment in OGML. During the nine months ended September 30, 1998, OGML produced 238,421 ounces of gold, compared to 255,430 ounces during the first nine months of 1997. The Company recorded Class "I" preferred share redemptions from OGML of $0.9 million for the nine months ended September 30, 1998, as compared to $1.1 million in the same period in 1997.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 1998, the Company held cash and short term investments of $7.7 million ($17.4 million as of December 31, 1997) and working capital of $7.4 million ($16.5 million as of December 31, 1997). The decrease in cash resources and working capital resulted from the expenditures on the Company's exploration activities during the first nine months of 1998.

Under the terms of an agreement reached between OGML, the Company and Cambior Inc. for exploration and development of the Eagle Mountain property in Guyana, the Company expects to receive in the fourth quarter, an additional $80,000 cash payment and an advance of the remaining $3.1 million of Class I Preferred Shares of OGML.

Cash used in investing activities of $6.0 million for the nine months ended September 30, 1998 (as compared to $16.0 million for the nine months ended September 30, 1997) decreased primarily due to the reduction in expenditures on exploration projects.

Cash provided by financing activities of $2.3 million for the nine months ended September 30, 1998 decreased by $27.1 million as compared to $29.4 million for the nine months ended September 30, 1997. The decrease results from offerings by the Company in the first nine months of 1997 which did not recur in 1998. Share capital increased by $1.1 million for the nine months ended September 30, 1998, compared with $28.1 million during the nine months ended September 30, 1997, reflecting proceeds from warrant exercises and the May 1997 common stock offering which did not recur in 1998.

During 1998, the Company has substantially curtailed its exploration activities and general and administrative expenses in the field and at the corporate headquarters in an effort to conserve cash resources. Capital is allocated to projects which offer the greatest potential to generate additional reserves and resources. Most of the exploration and development expenditures for the Company and its subsidiaries represent discretionary spending and can be adjusted to reflect, among other things, results of exploration and development activities and the Company's capital resources.

In order to prepare for the possibility that the current depressed market for gold prices and gold shares may continue into 1999, the Company plans a further reduction in activity and general and administrative expenses. The Company anticipates that additional capital will be required in 1999 in order to fund operations and exploration activities. Sources for such capital may include, among other things, the establishment of joint ventures, sale of property interests or assets and issuance of debt or equity securities.

The level of exploration activity over this period is dependent on the Company's ability to raise capital. Without additional capital during this period, the Company's exploration activities and expenditures will be significantly reduced from previous levels. Whether and to what extent alternative financing options are pursued by the Company or its subsidiaries will depend on a number of factors including, among others, the successful acquisition of additional properties or projects, the price of gold and management's assessment of the capital markets. No assurance can be given that the Company will be able to access such financing on terms which are favorable to the Company.

Africa (Pan African Resources Corporation)

Total exploration and acquisition expenditures in Africa for the third quarter of 1998 amounted to $0.2 million (compared to $0.7 million during the third quarter of 1997) and $2.6 million for the first nine months of 1998 (compared to $2.4 million for the first nine months of 1997). Expenditures in 1998 primarily reflect exploration activities in the Ivory Coast and Kenya and the allocation of excess purchase price over the value of the assets acquired to these properties as a result of the Plan of Arrangement between the Company and PARC. General and administrative expenditures for the third quarter of 1998 totaled $0.1 million (compared to $0.2 million for the third quarter of 1997) and $0.3 million for the first nine months of 1998 (compared to $0.5 million for the nine month period ended September 30, 1997).

French Guiana (Guyanor Ressources S.A.)

Total exploration expenditures by Guyanor for the third quarter of 1998 amounted to $1.4 million, offset by joint venture recoveries of $0.5 million as compared to $2.9 million in expenditures and $2.3 million in joint venture recoveries in 1997. Total exploration expenditures and joint venture recoveries for Guyanor for the nine months ended September 30, 1998 were $3.3 million and $1.3 million, respectively (compared to $8.0 million in expenditures and $6.6 million in joint venture recoveries for the first nine months of 1997). Activities in French Guiana focused primarily on further work at the St-Elie/Dieu-Merci, Paul Isnard/Eau Blanche and Yaou/Dorlin properties. General and administrative expenditures for Guyanor which were not reimbursed by joint venture partners amounted to $0.8 million and $1.9 million for the quarter and nine months ended September 30, 1998, respectively (compared to $0.5 million and $1.4 million for the three and nine months ended September 30, 1997, respectively).

On August 14, 1998, the Company and Guyanor announced a restatement of mineralized inventory estimates for the Paul Isnard Project in French Guiana. An internal review of the estimates of mineralized inventory published in February 1998 identified several inappropriate parameters which led to an over-estimation of open pit mineralized inventory and, to a much lesser degree, geologic inventories. A new estimate was prepared using more appropriate parameters taking into consideration the overall confidence of the geologic model and grade estimations given the wide spaced drilling information for the project. The revised estimates were independently reviewed and confirmed by SRK Consulting, an international consulting firm. The restatement reduced open pit mineralized inventories at the Montagne d'Or deposit at Paul Isnard from 16.3 million tonnes grading 2.5 g Au/t to 4.6 million tonnes grading 2.6 g Au/t. Geologic mineralized inventories were modified from 28.6 million tonnes grading 2.0 g Au/t to 34.7 million tonnes grading 1.4 g Au/t.

On May 27, 1998, the Company and Guyanor announced the resolution of the budget deadlock with ASARCO Incorporated ("Asarco") regarding the spending levels and work programs at the Paul Isnard/Eau Blanche and St-Elie/Dieu-Merci gold projects. Under the termination and settlement agreement reached between Guyanor and Asarco and subject to certain conditions, Asarco was required to pay Guyanor amounts totaling approximately $1.0 million. Upon settlement, Asarco relinquished all rights and obligations under the joint venture agreements. Accordingly, Guyanor now holds a 100% interest in the St-Elie/Dieu-Merci projects, and subject to the consent of LaSource Developpement S.A.S. ("LaSource"), approximately 89% of the Paul Isnard/Eau Blanche project, with LaSource holding the remaining 11% interest in Paul Isnard/Eau Blanche. During July 1998, all amounts owing Guyanor by Asarco were fully paid.

The Company owned approximately 71% of the outstanding shares of Guyanor as of September 30, 1998.

Guyana

Exploration and acquisition expenditures in the third quarter of 1998 in Guyana amounted to $0.3 million (compared to $1.1 million during the third quarter of 1997) and $1.0 million for the nine months ended September 30, 1998 (compared to $2.4 million for the first nine months of 1997). Joint venture recoveries from the Company's BHP Minerals International Inc. ("BHP") projects totaled $0.1 million for the nine months ended September 30, 1998. Activities in Guyana focused primarily on the Makapa Hills and Eagle Mountain projects.

Suriname

Exploration expenditures in Suriname during the third quarter and nine months ended September 30, 1998 focused principally on the Saramacca gold project in joint venture with BHP and additional feasibility study work on Gross Rosebel. Total spending in Suriname in the third quarter of 1998 of $0.4 million was offset by recoveries from joint venture partners of $0.2 million (compared to $3.1 million in expenditures and $2.4 million in recoveries for the third quarter of 1997). Exploration expenditures of $1.2 million for the first nine months of 1998 (compared to $10.6 million for the nine months ended September 30, 1997) were offset by $0.6 million in joint venture recoveries (compared to $4.2 million in recoveries for the first nine months of 1997). The reduction is primarily a result of the placement of the Gross Rosebel project on care and maintenance pending improved gold prices and resolution of certain development issues.

Southern Star Resources Ltd.

Exploration expenditures by Southern Star for the third quarter of 1998 were $0.1 million ($1.5 million for the third quarter of 1997) and $1.2 million for the first nine months of 1998 (compared to $6.0 million for the first nine months of 1997). Exploration work focused primarily on the Abacaxis project in Brazil.

The Company recorded property write-down charges of $0.2 million for the San Simon property in Bolivia during the quarter and nine months ended September 30, 1998, as compared with write-downs of $1.2 million during the similar period of 1997.

Year 2000 Compliance

The Company recognizes the importance of ensuring that its business operations are not disrupted as a result of Year 2000 problems. The Company has prepared a three step plan to identify and resolve Year 2000 issues. First, the Company is compiling an inventory of its Information Technology ("IT") systems, and non-IT systems (which are those which typically include "embedded" technology such as microprocessors or chips) and performing a survey of the state of Year 2000 readiness of third party suppliers and vendors. Second, the Company is prioritizing the IT and non-IT systems and vendor responses. Third, the Company has prepared a Year 2000 testing plan to assess the ability of IT and non-IT systems to handle the Year 2000. Those systems that not Year 2000 compliant are being modified or replaced to ensure that they are Year 2000 compliant. These steps are in various stages of completion. The Company anticipates that all steps will be completed by June 30, 1999. The Company estimates the internal and external cost of Year 2000 compliance to be approximately $0.1 million.

The Company believes that the greatest risk presented by the Year 2000 problem is from third parties, such as suppliers and financial institutions who may not have adequately addressed the problem. A failure of any such third party's computer or other applicable systems in sufficient magnitude could materially and adversely impact the Company. The Company is not presently able to quantify this risk but believes that it is minimal based upon the survey responses received to date from third party suppliers and vendors.

The Company is undertaking a contingency planning effort to identify alternatives that could be used to mitigate the effects of Year 2000 related failures. The Company keeps printed back-up of all material transactions which could facilitate the continuation of business operations and remediation of data loss in the event of a system failure.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are currently no material pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of its properties or those of any of its subsidiaries is subject. The Company and its subsidiaries are, however, engaged in routine litigation incidental to their business. No material legal proceedings involving the Company are pending, or, to the knowledge of the Company, contemplated, by any governmental authority. The Company is not aware of any material events of noncompliance with environmental laws and regulations. The exact nature of environmental control problems, if any, which the Company may encounter in the future cannot be predicted, primarily because of the changing character of environmental regulations that may be enacted within foreign jurisdictions.

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

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit 27 Financial Data Schedule

(b) The Company filed with the Securities and Exchange Commission on August 17, 1998, a Form 8-K concerning the completion by the Company and its approximately 71% owned public French subsidiary, Guyanor Ressources S.A., of an internal review of the mineralized inventory estimates for the Paul Isnard project in French Guiana, which were made public in February 1998. The review identified inappropriate parameters used in the mineralized inventory calculations which led to an overestimation of open pit mineralized inventories and, to a much lesser degree, geologic inventories.

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Golden Star Resources Ltd.

By: /s/ Pierre Gousseland

Pierre Gousseland
President and Chief Executive Officer

By: /s/ Gordon J. Bell

Gordon J. Bell
Vice President and Chief Financial Officer

Date: November 16, 1998

ARTICLE 5

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1998
PERIOD START	JAN 01 1998
PERIOD END	SEP 30 1998
CASH	7,688
SECURITIES	0
RECEIVABLES	1,165
ALLOWANCES	0
INVENTORY	278
CURRENT ASSETS	9,228
PP&E	3,254
DEPRECIATION	(2,417)
TOTAL ASSETS	84,406
CURRENT LIABILITIES	1,785
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	159,140
OTHER SE	(4,012)
TOTAL LIABILITY AND EQUITY	84,406
SALES	0
TOTAL REVENUES	606
CGS	0
TOTAL COSTS	6,257
OTHER EXPENSES	(1,650)
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	(4,001)
INCOME TAX	0
INCOME CONTINUING	(4,001)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(4,001)
EPS PRIMARY	(0.13)
EPS DILUTED	(0.13)

End of Filing