GOLDEN STAR RESOURCES LTD.

FORM 10-Q
(Quarterly Report)

Filed 08/14/98 for the Period Ending 06/30/98

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 8/14/1998 For Period Ending 6/30/1998

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 June 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 August 14, 1998: 30,282,338.

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 and the recovery of reserves, capitalization and commercial viability and requirements for obtaining permits and licenses.

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)

ASSETS	(Unaudited) As of June 30, 1998	As of December 31, 1997
CURRENT ASSETS		
Cash and short-term investments	$ 11,053	$ 17,399
Accounts receivable	1,416	2,238
Inventories	256	356
Other assets	279	159
Total Current Assets	13,004	20,152
RESTRICTED CASH	$ -	$ 250
DEFERRED EXPLORATION	71,210	65,160
INVESTMENT IN OMAI GOLD MINES LIMITED	1,608	2,126
FIXED ASSETS	998	1,280
OTHER ASSETS	116	154
Total Assets	$ 86,936	$ 89,122
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,478	$ 2,825
Accrued wages and payroll taxes	291	900
Total Current Liabilities	$ 1,769	3,725
OTHER LIABILITIES	154	115
Total Liabilities	1,923	3,840
MINORITY INTEREST	6,177	5,725
COMMITMENTS AND CONTINGENCIES (Note 8)		
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: June 30, 1998 - 30,282,338; December 31, 1997 - 29,797,432)	159,129	158,001
Stock option loans	(4,012)	(4,012)
DEFICIT	(76,281)	(74,432)
Total Shareholders' Equity	78,836	79,557
Total Liabilities and Shareholders' Equity	$ 86,936	$ 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 June 30		Six Months Ended June 30	
	1998	1997	1998	1997
REVENUE				
Precious metals sales	$ -	$ 38	$ -	$ 439
Interest and other	156	338	417	525
	156	376	417	964
COSTS AND EXPENSES				
Cost of goods sold	-	112	-	978
Depreciation	61	248	120	560
General and administrative	1,927	2,255	3,456	4,335
Exploration expense	83	339	241	479
Abandonment and impairment of mineral properties	-	6,070	-	6,070
Gain on sale of assets	-	(1)	-	(1)
Interest and bank charges	4	(2)	15	21
Foreign exchange loss (gain)	22	(68)	(82)	23
	2,097	8,953	3,750	12,465
PROFIT (LOSS) BEFORE THE UNDERNOTED	(1,941)	(8,577)	(3,333)	(11,501)
Equity in earnings of Omai Gold Mines Limited	170	-	170	-
Omai Preferred Share Redemptions	268	345	829	899
Net profit (loss) before minority interest	(1,503)	(8,232)	(2,334)	(10,602)
Minority interest loss	260	756	469	1,296
NET PROFIT (LOSS)	$(1,243)	$(7,476)	$(1,865)	$ (9,306)
BASIC AND DILUTED NET PROFIT (LOSS) PER SHARE	$(0.04)	$(0.25)	$(0.06)	$(0.32)
Weighted Average Shares Outstanding (Millions of shares)	30.0	29.6	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)

	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
OPERATING ACTIVITIES:		
Net loss	$ (1,865)	$ (9,306)
Reconciliation of net loss to net cash used in operations:		
Depreciation	120	560
Premium on Omai Preferred Share Redemptions	(829)	(899)
Abandonment and write-down of mineral properties	-	6,070
Equity in earnings of OGML	(170)	-
Minority interest loss	469	(1,296)
Changes in non-cash operating working capital	(1,155)	425
Net Cash Used in Operating Activities	(3,430)	(4,446)
INVESTING ACTIVITIES:		
Expenditures on mineral properties, net of joint venture recoveries	(6,050)	(14,006)
Depreciation charged to projects	184	-
Equipment purchases	(22)	(20)
Proceeds from sale of equipment	-	132
Omai Preferred Share Redemptions	1,517	1,646
Other assets	38	3
Net Cash Used in Investing Activities	(4,333)	(12,245)
FINANCING ACTIVITIES:		
Restricted cash	250	572
Offering costs of subsidiary	-	(25)
Issuance of share capital	923	22,513
Issuance of share capital under warrants	-	5,429
Issuance of share capital under options	205	50
Other	39	15
Net Cash Provided by Financing Activities	1,417	28,554
Increase (Decrease) in cash	(6,346)	11,863
Cash and short-term investments, beginning of period	17,399	15,663
Cash and short-term investments, end of period	$11,053	$27,526

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 June 30, 1998, and for the six months ended June 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) INVENTORIES

	June 30, 1998	December 31, 1997
Gold Inventory	$ -	$ 53
Materials and Supplies	256	303
	$ 256	$ 356

(2) FIXED ASSETS

	June 30, 1998	December 31, 1997
Machinery & Equipment	$3,261	$3,239
Accumulated Depreciation	(2,263)	(1,959)
	$ 998	$1,280

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

(3) 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 June 30, 1998
GUYANA						
Eagle Mountain	$ 1,136	$ 178	$ -	$ -	$ -	$ 1,314
Quartz Hill	1,347	-	-	-	-	1,347
Five Stars Gold	3,684	264	-	-	-	3,948
Five Stars Diamond	2,360	211	-	-	-	2,571
BHP Gold Projects	333	-	-	(65)	-	268
Guyana Diamond Permits	109	-	-	-	-	109
Other	97	11	-	-	-	12
Sub-total	9,066	664	-	(65)	-	9,665
SURINAME						
Benzdorp/Lawa	3,344	-	-	-	-	3,344
Gross Rosebel	13,892	359	-	(94)	-	14,157
Headley's Right of Exploration	311	-	-	-	-	311
Thunder Mountain	453	-	-	-	-	453
Saramacca	1,862	357	-	(267)	-	1,952
Sara Kreek	581	3	-	-	-	584
Tempati Reconnaissance	344	14	-	(17)	-	341
Tapanahony Reconnaissance	251	4	-	(25)	-	230
Kleine Saramacca	107	-	-	-	-	107
Lawa Antino	2,096	16	-	-	-	2,112
Ulemari Reconnaissance	291	2	-	(59)	-	234
Other	(17)	105	-	-	-	88
Sub-total	23,515	860	-	(462)	-	23,913
FRENCH GUIANA (Guyanor Ressources S.A.)						
Dorlin	1,330	699	-	(350)	-	1,679
St-Elie	1,973	155	-	(74)	-	2,054
Dieu-Merci	382	339	-	(254)	-	467
Yaou	7,130	200	-	(100)	-	7,230
Paul Isnard/Eau Blanche	3,629	412	-	17	-	4,058
SOTRAPMAG	1,987	-	-	-	-	1,987
Dachine	1,234	124	-	-	-	1,358
Other	81	-	-	-	-	81
Sub-total	17,746	1,929	-	(761)	-	18,914
AFRICA (PAN AFRICAN RESOURCES CORPORATION)						
Ivory Coast/Comoe	2,092	1,574	-	-	-	3,666
Kenya/Ndori	1,677	821	-	-	-	2,498
Burkina Faso	8	-	-	-	-	8
Sub-total	3,777	2,395	-	-	-	6,172
LATIN AMERICA (SOUTHERN STAR RESOURCES LTD.)						
Brazil/Andorinhas	8,490	656	200	-	-	9,346
Brazil/Abacaxis	2,096	88	-	-	-	2,184
Brazil/Other	189	393	-	-	-	582
Bolivia/San Simon	173	-	-	-	-	173
Sub-total	10,948	1,137	200	-	-	12,285
OTHER	108	153	-	-	-	261
TOTAL	$65,160	$7,138	200	$(1,288)	$ -	$71,210

(All tabular amounts in thousands of United States Dollars)

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.

On May 27, 1998, Golden Star 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 Developement S.A.S. ("LaSource"), approximately 87% of the Paul Isnard/Eau Blanche project, with LaSource holding the remaining 13% interest in Paul Isnard/Eau Blanche. During July 1998, Guyanor obtained the consent of LaSource and all amounts owing Guyanor by Asarco were fully paid.

It has recently 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. The Company is investigating this matter with the assistance of local counsel. The Government of Guyana recently indicated its willingness to issue a new prospecting license to Golden Star to cure any default relating to the previous extension. However, there can be no assurance that such title will be granted. As of June 30, 1998, the Company had incurred $1.3 million of costs of the Eagle Mountain project.

(4) 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 six months ended June 30, 1998, are as follows:

	Common Shares	Preferred Shares
December 31, 1997	$ -	$ 2,126
Less: Preferred Share Redemption	-	(1,517)
Add: Premium on Preferred Share Redemption	-	829
Add: Equity Earning on Common Investment	$ 170	$ -
June 30, 1998	$ 170	$ 1,438

The Company's share of Accumulated Losses at:	
December 31, 1997	$(1,507)
June 30, 1998	$ -

The Company recorded proceeds of $1.5 million from redemption of preferred shares during the six months ended June 30, 1998. During the second quarter of 1998, the Company's share of accumulated income exceeded the amount of unrecognized equity losses. Accordingly, the Company recognized $170,000 of equity income.

(5) 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 PARC. As a result of this transaction, the Company allocated goodwill of approximately $1.8 million to the Comoe and Ndori Properties.

(All tabular amounts in thousands of United States Dollars)

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

	For the Six Months Ended June 30, 1998	For the Six Months Ended June 30, 1997
Revenue	$ 586	$ 96
Net Profit (Loss)	$(1,940)	$(9,532)
Net Profit (Loss) per share	$ (0.06)	$ (0.33)

(6) CHANGES TO SHARE CAPITAL

During the six months ended June 30, 1998, 73,460 shares were issued for options previously granted under the Company's Stock Option Plan and 22,872 shares were issued under the Company's Employees' Stock Bonus Plan.

On April 21, 1998, 388,574 shares were issued to the shareholders of Pan African Resources Corporation under a Plan of Arrangement that resulted in the acquisition of the outstanding common shares of PARC not already owned by Golden Star. (See Note 5.)

(7) 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.

(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 six months ended June 30, 1998	June 30, 1997
Net loss under Canadian GAAP	$(1,865)	$(9,306)
Net effect of the deferred exploration expenditures on loss for the period (a)	(5,850)	(7,125)
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)	688	747
Loss under U.S. GAAP before minority interest	(7,027)	(16,841)
Adjustment to minority interest	361	978
Loss under U.S. GAAP	$(6,666)	$(15,863)
Basic and diluted loss per share under U.S. GAAP	$ (0.22)	$ (0.55)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(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 June 30, 1998		As of December 31, 1997	
	Canadian GAAP	U.S. GAAP	Canadian GAAP	U.S. GAAP
Cash (e)	$ 11,053	$ 3,622	$ 12,458	$ 12,458
Short-term investments (e)	-	2,001	4,941	1,999
Other current assets	1,951	1,951	2,753	2,753
Restricted cash	-	-	250	250
Deferred exploration (a)	71,210	20,437	65,160	20,239
Investment in Omai Gold Mines Limited (c)	1,608	170	2,126	-
Long-term investments (e)	-	5,431	-	2,942
Other assets	1,114	1,114	1,434	1,435
Total Assets	$ 86,936	$ 34,726	$ 89,122	$ 42,076
Liabilities	1,923	1,922	3,840	3,840
Minority interest (a)	6,177	7,055	5,725	7,076
Share capital, net of stock option loans (f)	155,117	152,328	153,989	151,200
Cumulative translation adjustments (b)	-	1,595	-	1,595
Deficit (a) (c) (d) (e)	(76,281)	(128,174)	(74,432)	(121,635)
Total Liabilities and Shareholders' Equity	$ 86,936	$ 34,726	$ 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 six months ended June 30, 1998	($3,430)	($7,534)	($4,333)	($2,680)	$ 1,417	$ 1,378
For the six months ended June 30, 1997	($4,446)	($16,038)	($12,245)	$2,303	$28,554	$28,596

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 six months ended June 30, 1998. Non-cash items in financing activities were $0.9 million for the six months ended June 30, 1997.

(8) SUBSEQUENT EVENTS

On July 30, 1998, Golden Star announced that an agreement was reached on the material terms for the exploration and development of Golden Star's Eagle Mountain property. Under the terms of the agreement, Omai Gold Mines Limited ("OGML"), in which Cambior Inc., Golden Star and the Government of Guyana hold 65%, 30% and 5% equity interests, respectively, can earn a 100% interest in Eagle Mountain by (i) paying Golden Star $80,000 upon closing contingent on approval of the OGML Board of Directors and acceptance by the government of Guyana of the transfer of Eagle Mountain to OGML and conversion of the exploration permit to a mining lease; (ii) advancing Golden Star $3.7 million, as a non-interest bearing loan to be repaid through the normal redemption of Class I Preference shares owed to Golden Star; and (iii) funding 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 Golden Star upon achievement of commercial production. OGML will also pay to Golden Star an amount equal to $1.0 million at the end of each year of commercial production for a period of five years.

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.

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 lessor degree, geologic inventories. A new estimate was prepared using more appropriate parameters which take into consideration the overall confidence of the geologic model and grade estimations given the wide spaced drilling information for the project. The revised estimates are being independently reviewed by SRK Consulting, an international consulting firm. The restatement reduces 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.

The restatement more appropriately reflects the current level of information for the Montagne d'Or project and does not reduce the Company's enthusiasm for the project. As a result of the restatement, a full review of the Company's technical management structure, policies and procedures for mineralized inventory and reserve estimation is underway. Appropriate action will be taken following completion of the review.

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 6.

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

Six Months Ended June 30, 1998 Compared to the Six Months Ended June 30, 1997

During the second quarter of 1998, the Company recognized a net loss of $1.2 million or $0.04 per share as compared to a net loss of $7.5 million or $0.25 per share for the second quarter of 1997. During the second quarter of 1998, the Company recorded no property abandonment charges and write-downs compared to $6.1 million for the similar period in 1997.

For the six months ended June 30, 1998, the Company recognized a net loss of $1.9 million or $0.06 per share, compared to a loss of $9.3 million or $0.32 per share for the similar period in 1997. The decreased loss in the 1998 period is primarily attributable to decreased property write-downs in 1998 ($6.1 million) and 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 $0.9 million.

Total revenues of $0.2 million during the second quarter of 1998 (as compared to $0.4 million for the second quarter of 1997) decreased due to the suspension of gold production at SOTRAPMAG as well as lower interest income due to reduced cash balances.

General and administrative expenditures decreased to $1.9 million during the second quarter of 1998 as compared to $2.2 million during the second quarter of 1997. For the six months ended June 30, 1998, general and administrative expenditures decreased to $3.5 million as compared to $4.3 million for the similar period last year. These decreases were due to the Company's ongoing cost reduction efforts. Depreciation expense for the second quarter and six months ended June 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 income of $2.0 million for the second quarter of 1998 and $5.9 million for the six months ended June 30, 1998, compared to a net income of $1.3 million in the second quarter of 1997 and a net income of $5.5 million for the six months ended June 30, 1997. During the second quarter of 1998, the Company's share of accumulated income exceeded the amount of unrecognized equity losses. Accordingly, the Company recognized $170,000 of equity income. During the six months ended June 30, 1998, OGML produced 163,363 ounces of gold, compared to 174,770 ounces during the first six months of 1997. The Company recorded Class "I" preferred share redemptions from OGML of $1.5 million for the six months ended June 30, 1998, as compared to $1.6 million in the same period in 1997.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 1998, the Company held cash and short term investments of $11.1 million ($27.5 million as of June 30, 1997) and working capital of $11.2 million ($26.7 million as of June 30, 1997). The decrease in cash resources and working capital resulted from the expenditures on the Company's exploration activities during the second half of 1997 and the first six months of 1998.

Cash used in investing activities of $4.3 million for the six months ended June 30, 1998 (as compared to $12.2 million for the six months ended June 30, 1997) decreased primarily due to the reduction in expenditures on exploration projects.

Cash provided by financing activities of $1.4 million for the six months ended June 30, 1998 decreased by $27.2 million as compared to $28.6 million for the six months ended June 30, 1997. The decrease results from offerings by the Company in the first six months of 1997 which did not recur in 1998. Share capital increased by $1.1 million for the six months ended June 30, 1998, compared with $28.0 million during the six months ended June 30, 1997, reflecting proceeds from warrant exercises and the May 1997 common stock offering which did not recur in 1998.

Golden Star continues to closely monitor exploration progress at each of its prioritized projects to ensure work programs and capital are allocated to those projects that offer the greatest potential to generate additional reserves and resources. Comprehensive cost reduction efforts continue at all operating divisions and at the corporate headquarters to conserve cash resources. Most of the exploration and development spending for the Company and its subsidiaries represent discretionary spending and can be adjusted to reflect, among other things, results of exploration and development activities, the successful acquisition of additional properties or projects, the price of gold and Management's assessment of capital markets.

The Company anticipates that its current cash balances, together with proceeds from the redemption of preferred shares of OGML, proceeds from the exercise of options and warrants, financing provided by joint venture partners, the sale of property interests or assets and the sale of common shares and/or debt securities will be sufficient to fund anticipated operating and exploration expenditures for 1998. Whether, and to what extent, such alternative financing options are pursued by the Company or its subsidiaries in 1998 will depend on a number of factors including, among others, results of exploration and development activities, the successful acquisition of additional properties or projects, the price of gold and Management's assessment of the capital markets.

Africa (Pan African Resources Corporation)

Total exploration and acquisition expenditures in Africa for the second quarter of 1998 amounted to $2.1 million (compared to $0.8 million during the second quarter of 1997) and $2.4 million for the first six months of 1998 (compared to $1.7 million for the first six months of 1997). Expenditures in 1998 primarily reflect exploration activities in the Ivory Coast and Kenya and the allocation of goodwill to these properties as a result of the Plan of Arrangement between the Company and PARC. General and administrative expenditures for the second quarter of 1998 totaled $0.1 million (compared to $0.2 million for the second quarter of 1997) and $0.3 million for the first six months of 1998 (compared to $0.3 million for the six month period ended June 30, 1997).

French Guiana (Guyanor Ressources S.A.)

Total exploration expenditures by Guyanor for the second quarter of 1998 amounted to $0.9 million, offset by joint venture recoveries of $0.1 million as compared to $3.0 million in expenditures and $2.5 million in joint venture recoveries in 1997. Total exploration expenditures and joint venture recoveries for Guyanor for the six months ended June 30, 1998 were $2.0 million and $0.8 million, respectively (compared to $5.1 million in expenditures and $4.3 million in joint venture recoveries for the first six 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 $0.6 million and $1.1 million for the quarter and six months ended June 30, 1998, respectively (compared to $0.4 million and $0.9 million for the three and six months ended June 30, 1997, respectively). During the second quarter of 1998, Guyanor recorded no property write-downs as compared to property write-downs of $0.9 million for the Regina Est property in the second quarter of 1997.

On May 27, 1998, Golden Star 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 Developement S.A.S. ("LaSource"), approximately 87% of the Paul Isnard/Eau Blanche project, with LaSource holding the remaining 13% interest in Paul Isnard/Eau Blanche. During July 1998, Guyanor obtained the consent of LaSource and all amounts owing Guyanor by Asarco were fully paid.

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

Guyana

Exploration and acquisition expenditures in the second quarter of 1998 in Guyana amounted to $0.1 million (compared to $0.8 million during the second quarter of 1997) and $0.7 million for the six months ended June 30, 1998 (compared to $1.4 million for the first six months of 1997). Joint venture recoveries from the Company's BHP Minerals International Inc. ("BHP") projects totaled $0.1 million for the six months ended June 30, 1998. Activities in Guyana focused primarily on the Makapa Hills and Eagle Mountain projects.

It has recently 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. The Company is investigating this matter with the assistance of local counsel. The Government of Guyana recently indicated its willingness to issue a new prospecting license to Golden Star to cure any default relating to the previous extension. However, there can be no assurance that such title will be granted. As of June 30 1998, the Company had incurred $1.3 million of costs on the Eagle Mountain project.

Suriname

Exploration expenditures in Suriname during the second quarter and six months ended June 30, 1998 focused principally on the Saramacca gold project in joint venture with BHP. Total spending in Suriname in the second quarter of 1998 of $0.4 million was offset by recoveries from joint venture partners of $0.1 million (compared to $3.6 million in expenditures and $0.7 million in recoveries for the second quarter of 1997. Exploration expenditures of $0.9 million for the first six months of 1998 (compared to $7.5 million for the six months ended June 30, 1997) were offset by $0.5 million in joint venture recoveries (compared to $1.8 million in recoveries for the first six 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 second quarter of 1998 were $0.8 million ($2.5 million for the second quarter of 1997) and $1.3 million for the first six months of 1998 (compared to $4.5 for the first six months of 1997). Exploration work focused primarily on the Andorinhas project in Brazil.

The Company recorded no property write-downs during the quarter and six months ended June 30, 1998, compared with a write-down of $0.4 million during the similar period of 1997.

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

At the Annual General Meeting of the Shareholders of the Company held on June 16, 1998, shareholders were asked to (i) elect ten directors, Messrs. David K. Fagin, David A. Fennell, Pierre Gousseland, Philip Martin, Donald Mazankowski, Ernest Mercier, Robert Minto, Roger Morton, Richard Stark and Robert Stone and
(ii) approve the appointment of auditors for 1998.

(i) Votes cast in the election of directors were as follows:

	Number of Shares	
	For	Withheld
David K. Fagin	22,612,850	36,710
David A. Fennell	22,612,850	36,710
Pierre Gousseland	22,612,850	36,710
Philip Martin	22,612,850	36,710
Donald Mazankowski	22,612,850	36,710
Ernest Mercier	22,612,850	36,710
Robert Minto	22,612,850	36,710
Roger D. Morton	22,612,850	36,710
Richard A. Stark	22,612,850	36,710
Robert Stone	22,612,850	36,710

(ii) Votes cast for the appointment of PricewaterhouseCoopers as auditors for 1998:

For	Against	Withheld
22,546,622	-0-	64,795

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 ("SEC") on May 7, 1998, a Form 8-K, dated May 6, 1998, concerning the acquisition of all the issued and outstanding common shares of Pan African Resources Corporation ("PARC") that were not already held by the Company pursuant to a share exchange agreement among PARC and its shareholders.

The Company filed with the SEC on May 29, 1998, a Form 8-K dated May 27, 1998, concerning the terms and impact of the withdrawal of ASARCO Incorporated from its joint venture agreements with Guyanor Ressources S.A., a 69% subsidiary of the Company, on the St-Elie and Paul-Isnard projects in French Guiana.

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/ David A. Fennell

David A. Fennell
President and Chief Executive Officer

By: /s/ Gordon J. Bell

Gordon J. Bell
Vice President and Chief Financial Officer

Date: August 14, 1998

ARTICLE 5

MULTIPLIER: 1000

PERIOD TYPE	6 MOS	3 MOS
FISCAL YEAR END	DEC 31 1998	DEC 31 1998
PERIOD START	JAN 01 1998	JAN 01 1998
PERIOD END	JUN 30 1998	MAR 31 1998
CASH	11,053	12,983
SECURITIES	0	0
RECEIVABLES	1,416	3,059
ALLOWANCES	0	0
INVENTORY	256	356
CURRENT ASSETS	13,053	16,843
PP&E	3,260	3,246
DEPRECIATION	(2,262)	(2,083)
TOTAL ASSETS	86,936	87,055
CURRENT LIABILITIES	1,476	2,421
BONDS	0	0
PREFERRED MANDATORY	0	0
PREFERRED	0	0
COMMON	159,129	158,121
OTHER SE	(4,012)	(4,012)
TOTAL LIABILITY AND EQUITY	86,936	87,055
SALES	0	0
TOTAL REVENUES	428	261
CGS	0	0
TOTAL COSTS	3,745	1,653
OTHER EXPENSES	(829)	(554)
LOSS PROVISION	0	0
INTEREST EXPENSE	15	11
INCOME PRETAX	(1,849)	(622)
INCOME TAX	0	0
INCOME CONTINUING	(1,849)	(622)
DISCONTINUED	0	0
EXTRAORDINARY	0	0
CHANGES	0	0
NET INCOME	(1,849)	(622)
EPS PRIMARY	.06	.03
EPS DILUTED	.06	.03

End of Filing