

GOLDEN STAR RESOURCES LTD.

FORM 8-K (Current report filing)

Filed 03/06/02 for the Period Ending 10/25/01

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Symbol	GSS
SIC Code	1040 - Gold And Silver Ores
Industry	Gold & Silver
Sector	Basic Materials
Fiscal Year	12/31

GOLDEN STAR RESOURCES LTD

FORM 8-K (Unscheduled Material Events)

Filed 3/6/2002 For Period Ending 10/25/2001

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, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **October 25, 2001**

GOLDEN STAR RESOURCES LTD.
(Exact name of registrant as specified in its charter)

CANADA
(State or other jurisdiction
of incorporation)

1-12284
(Commission
File Number)

98-0101955
(IRS Employer
Identification No.)

10579 Bradford Road, Suite 103
Littleton, Colorado
(Address of principal executive offices)

80127-4247
(Zip Code)

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

No Change
(Former name or former address, if changed since last report)

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Item 5. Other Events

Acquisition of Additional Interest in the Bogoso Mine and Adjacent Properties. In early September 2001, we purchased the interest of our partner in Bogoso Gold Limited (“BGL”), Anvil Mining NL, which operates the Bogoso gold mine in Ghana, thereby increasing Golden Star’s holding in BGL from 70% to 90%. The remaining 10% interest is owned by the government of Ghana. We also acquired Anvil’s 22.2% interest in the approximate \$28 million of debt owed by BGL to Anvil and Golden Star and now own 100% of this debt. (\$ as used in this report refers to U.S. dollars) As consideration for the additional interest in BGL and the debt, Golden Star issued Anvil 3,000,000 of its common shares.

Also in September 2001, we acquired all of the rights, claims and obligations with respect to the Prestea property from Barnarto Exploration Limited. We issued 3,333,333 common shares and 1,333,333 warrants, exercisable at \$0.70 per share, and granted a production royalty in consideration for these rights. The Prestea property is located immediately south of the Bogoso property.

In May 2001, through BGL, we entered into a heads of agreement with Prestea Gold Resources Limited (“PGR”), whereby PGR, which is operating an underground mine at Prestea, surrendered its mining lease over the Prestea property. Golden Star and PGR subsequently made application to the government of Ghana and, on June 29, 2001, were granted two new mining leases, a surface mining lease to a depth of 200 vertical meters in favor of Golden Star and an underground mining lease below a depth of 200 vertical meters in favor of PGR. Under this agreement, we also paid \$2.1 million in cash to PGR as an option payment which gives us the right, but not the obligation, to make a further payment of \$1.9 million to PGR within 180 days after closing to acquire a 35% interest in PGR and the right to manage the underground mine. The acquisition of the right to mine the Prestea property permits us to continue to operate the Bogoso plant by supplying us with additional minable mineral resources. We commenced mining on the Prestea property in September, immediately upon obtaining the necessary mining and environmental permits, and are developing an exploitation plan for the property. A final, definitive agreement was entered into with PGR on November 16, 2001. We also continue to seek mining rights in other properties adjacent to the Bogoso/Prestea properties.

Acquisition of Wassa Property . In November 2001, we agreed in principle with Satellite Goldfields Limited and its senior secured creditors to purchase the Wassa gold mine. The broad terms of the agreement, which is subject to governmental and court approvals, are summarized as follows:

- (i) We have agreed to pay an initial consideration of \$4.0 million at closing;
- (ii) We have agreed to pay a deferred consideration of \$5.0 million linked to the redevelopment of Wassa using a Carbon In Leach (“CIL”) processing plant;

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- (iii) The initial consideration and the deferred consideration would be funded by a debt facility (the "Debt Facility") to be provided by Wassa's existing senior secured creditors. The Debt Facility would be repaid over a period of four years commencing one year after the completion of the transaction during which time Wassa would be redeveloped as a CIL operation; and
- (iv) We have also agreed to pay a royalty from future gold production from Wassa. The royalty will be paid quarterly and will be determined by multiplying the production from Wassa for each quarter by a royalty rate of \$7.00 per ounce produced. The royalty rate will increase by \$1.00 for each \$10.00 increase in the average market price for gold for each quarter above \$280 per ounce up to a cap of \$15.00 per ounce.

We expect to finalize the transaction documents and to consummate the acquisition of the Wassa property in late March, 2002. In addition to the governmental and court approvals referred to above, the acquisition is subject to (i) the execution of binding definitive documentation, and (ii) Golden Star completing its funding activities for the Bogoso gold mine, although this final condition may be waived by us.

The Wassa mine is located approximately 35 kilometers from the Bogoso facility and we expect to run it as a separate operation, although some cost savings arising from shared overhead costs can be expected.

Sale of Interest in Gross Rosebel Project. In October 2001, we reached agreement with Cambior Inc. to sell our 50% interest in the Gross Rosebel project in Suriname to Cambior. Cambior is the other principal in the project. The purchase consideration is an initial \$5 million payable at closing, plus three payments of \$1 million each to be paid no later than the second, third, and fourth anniversaries of closing. We will also be entitled to a price participation royalty, equal to the excess of the average market price for gold for each quarter above a hurdle gold price multiplied by 10% of the gold production for the quarter, less the 2% royalty payable in Suriname. For soft ores, the hurdle gold price will be \$300 per ounce. For hard ores, the hurdle gold price will be \$350 per ounce. The transaction is subject to various conditions, including government approvals. Based on progress to date in achieving such approvals, on January 10, 2002, Cambior advanced \$3 million against the initial \$5 million closing payment. We currently expect that all of the closing conditions will be satisfied and that the transaction will close in late March 2002, although unanticipated events could cause the closing to be postponed or the sale abandoned.

As a part of this transaction, we have also agreed to transfer to Cambior our interest in the Headley's Reef and Thunder Mountain properties, contiguous to the Gross Rosebel property and the our 30% interest in the Omai gold mine in Guyana. Consideration for the Headley's Reef and Thunder Mountain properties was nominal. The Omai interest was transferred in consideration of the assumption by Cambior of \$0.9 million of indebtedness of Golden Star to Omai Gold Mines Limited. Cambior concurrently agreed to transfer to Golden Star its 50%

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interests in the Yaou and Dorlin properties and its 100% interest in the Bois Canon property (all in French Guiana).

The sale of our interest in the Gross Rosebel project, together with our expected writeoff of our interest in the Paul Isnard project (described below) constitute the final significant steps in the transition that was begun in 1999 and that has shifted our focus from solely exploration on a global basis to production in west Africa. We retain interests in various exploration properties and in the future may make additional investments in exploration projects. However, we expect that our focus for the foreseeable future will be on the expansion of our mining operations in Ghana.

Private Placement . In January 2002, we completed a private placement of 11,516,000 units at a price of \$0.49 per unit for gross proceeds of \$5.6 million (\$5.3 million, net). Each unit consisted of one common share and one-half of a warrant. Each whole warrant entitles the holder to the right, for a period of two years, to acquire one further common share at an exercise price of \$0.70. Half of the proceeds from the private placement have been paid directly to Golden Star with the balance having been deposited in escrow. The escrowed funds will become available upon the last to occur of (i) the registration of the common shares underlying the units, (ii) the completion of the Cambior transaction, and (iii) the completion of the Company's acquisition of the Wassa property in Ghana, or earlier if one or more of the above conditions is waived by an investor. The Company expects that these conditions will be met within the next two months, although various factors could delay satisfaction of one or more of these conditions. As a part of the placement, we are required to file a registration statement relating to the common shares issued as a part of the units and issuable upon exercise of the warrants. We expect to use the proceeds from the Cambior transaction described above and the private placement, which will total approximately \$10.3 million, to contribute to our acquisition and development costs in Ghana.

Write-off of Paul Isnard Interest . On September 13, 2001, Guyanor Ressources S.A., our 73% owned subsidiary, announced the withdrawal of its joint venture partner Rio Tinto Mining and Exploration Limited ("Rio Tinto") from its agreement under which it could have earned a 70% interest in the Paul Isnard project by spending a total of \$9 million on exploration and development. Rio Tinto's decision was made following the completion of the first phase exploration program conducted from February to August 2001 at a cost of \$830,000, which failed to indicate the potential to meet Rio Tinto's resource target requirements. Although Guyanor will continue to hold the property and is in discussions with third parties with respect to its potential development, we have elected to write off our investment in the project for financial reporting purposes in the fourth quarter of 2001. The write-off will have a \$6.9 million negative impact on our results for the quarter and the year. As noted above, the write-off constitutes one of the final steps in our transition from an exploration company to a production company, in the course of which we have written off a total of \$55.6 million of acquisition costs and deferred expenditures on exploration properties. Our remaining exploration properties, following the sale of our interest in Gross Rosebel described above, will not have significant book value and their

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ongoing maintenance cost should be relatively modest. Accordingly, we do not expect that our exploration properties or activities related to them will have a significant impact on our asset value or results of operations in the foreseeable future.

Future Capital Requirements . We expect that the exploitation of the Prestea property and the Wassa mine will require substantial capital investment in 2002 and 2003. We anticipate that the development of these properties will require approximately \$27 million of capital investment allocated as follows:

Item	Amount
2002 capital budget for Bogoso/Prestea including:	
• Exploration and reserve drilling	
• Haulroad construction	
• Relocation and mitigation of infrastructure	\$10.7 million
Capital cost to bring Wassa to first gold production including:	
• Feasibility study	
• Holding costs	
• Construction of CIL plant	\$16.5 million

In addition to these costs, we will be obligated, beginning in 2003 to make payments on our notes financing the Wassa purchase. We also expect to be purchasing other properties and interests, which would increase our capital requirements. Other cash requirements include the maintenance of our remaining properties in South America and general and administrative costs.

To address these cash requirements, in addition to the cash flow from our operations at Bogoso/Prestea, we expect to rely on the following:

- \$5.3 million in net proceeds from our recently completed private placement
- \$5 million in proceeds due at closing from the sale of our Gross Rosebel interest
- \$6-10 million in project financing relating to the Bogoso/Prestea project
- \$10 million additional debt or equity financing

To date, one half of the private placement proceeds have been received and the balance is in escrow pending satisfaction of the conditions described above. We have received \$3 million of the initial \$5 million of proceeds due at closing from the sale of our Gross Rosebel interest and expect to receive the balance of such proceeds on closing of the sale. We are in discussions with respect to the Bogoso/Prestea project financing with commercial lenders with experience in African mining projects and expect to conclude a suitable arrangement in the first half of 2002. We have made some preliminary inquiries about the \$10 million additional financing but have not engaged in serious discussions with respect to any such financing. We also expect to rely to an increasing extent over time on revenue from operations to fund capital expense and debt repayment.

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Our ability to finance mining projects on commercially reasonable terms or at all is dependent on numerous factors, many of which are beyond our control. Various factors, such as gold prices, forecast and actual operating costs, the results of feasibility studies, political or economic change and the attractiveness of competing investment opportunities all affect the availability and terms of project finance. Without significant additional capital resources, we will be unable to pursue the development of our mining projects as planned and may have to delay, restrict or abandon projects.

The projects themselves may prove to be more costly than we currently anticipate them to be or may take longer to complete or result in less profitable operations than anticipated. Any of these events could impair cash flow from operations and, ultimately, our ability to repay existing debt or obtain new financing.

Item 7. Financial Statements and Exhibits

(c) Exhibits.

- 10.1 Mining Lease between the Government of the Republic of Ghana and Bogoso Gold Limited, dated June 29, 2001.
- 10.2 Agreement between Bogoso Gold Limited and Prestea Gold Resources Limited, dated November 16, 2001.
- 10.3 Letter Agreement between Cambior Inc. and Golden Star Resources Ltd. dated as of October 25, 2001 regarding Guiana Shield transactions.
- 10.4 Letter Agreement between Golden Star Resources Ltd., Satellite Goldfields Limited and Standard Bank London Limited, as representative of the senior secured lenders of Satellite Goldfields Limited, dated November 26, 2001, regarding sale of Wassa Mine.

SIGNATURE

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

Date: March 5, 2002

Golden Star Resources Ltd.

By /s/ ALLAN J. MARTER

Allan J. Marter
Chief Financial Officer

EXHIBIT INDEX

Exhibit	Description
10.1	Mining Lease between the Government of the Republic of Ghana and Bogoso Gold Limited, dated June 29, 2001.
10.2	Agreement between Bogoso Gold Limited and Prestea Gold Resources Limited, dated November 16, 2001.
10.3	Letter Agreement between Cambior Inc. and Golden Star Resources Ltd. dated as of October 25, 2001 regarding Guiana Shield transactions.
10.4	Letter Agreement between Golden Star Resources Ltd., Satellite Goldfields Limited and Standard Bank London Limited, as representative of the senior secured lenders of Satellite Goldfields Limited, dated November 26, 2001, regarding sale of Wassa Mine.

THIS MINING LEASE

is made the 29th day of June, 2001 between THE GOVERNMENT OF THE REPUBLIC OF GHANA (hereinafter called "the Government") acting by Dr. KWAKU AFRIYIE, the Minister of Lands, Forestry and Mines (hereinafter called "the Minister") of the one part and BOGOSO GOLD LIMITED having its registered office at NO. 32 AKOSOMBU ROAD, AIRPORT RESIDENTIAL AREA, P.O. BOX 16075, AIRPORT POST OFFICE, ACCRA, GHANA (hereinafter called "the Company") of the second part:

WHEREAS:

The Government is desirous of developing its mineral resources in such manner as will ensure that the maximum possible benefits accrue to the nation from the exploitation of minerals and has agreed to grant the Company a Mining Lease on the terms and conditions hereinafter following:

NOW THIS AGREEMENT WITNESSETH that:

1. GRANT OF MINING RIGHTS

(a) The Government hereby grants to the Company mining rights to ALL that piece of land described in the schedule hereto and more particularly delineated on the Plan attached and shown edged red (hereinafter called "the Lease Area") together with mines, beds, seams veins, channels and strata of gold and associated mineral substances lying and being within and under the surface to a 200 metre depth from surface which corresponds with a depth of 150.7 metre below the sea level using CENTRAL SHAFT PILLAR 1 with coordinates: X - 84378.45, Y - 148029.06, Z - 49.63 as bench mark, for a term of thirty (30) years from the date of this Agreement. Such term shall be renewable from time to time in accordance with the Minerals and Mining Law, 1986, PNDC. 153;

(b) The Government hereby grants to the Company the exclusive rights to work, develop and produce gold and associated mineral

substances in the Lease Area for the said term of thirty (30) years (including, the processing, storing and transportation of ore and materials together with the rights and powers reasonably incidental thereto) subject to the provisions of this Agreement;

(c) The Company shall not, however, conduct any operations in a sacred area and shall not, without the prior consent in writing of the Minister conduct any operations:

(i) within 50 yards of any building, installation, reservoir of dam, public road, railway or area appropriated for railway;

(ii) in an area occupied by a market, burial ground cemetery or Government office, or situated within a town or village or set apart for, used, appropriated or dedicated to a public purpose.

(d) The Company shall commence commercial production of gold within two (2) years from the date of this Mining Lease.

(e) The Company shall conduct its operations in a manner consistent with good commercial mining practices so as not to interfere unreasonably with vegetation in the Lease Area or with the customary rights and privileges of persons to farm, hunt and snare game, gather firewood for domestic purposes or to collect snails.

(f) The public shall be permitted at their sole risk to use without charge, any road constructed by the Company in the Lease Area, in a manner consistent with good mining practices, safety and security, provided that such use does not unreasonably interfere with the operations of the Company hereunder and provided also that such permission shall not extend to areas enclosed for mining operations.

(g) Nothing contained in this Agreement shall be deemed to confer any rights on the Company conflicting with provisions contained in the Minerals and Mining Law, 1986, P.N.D.C.L. 153 or to permit the

Company to dispense with the necessity of applying for and obtaining any permit or authorization which the Company may be required by law or regulation to obtain in respect of any work or activity proposed to be carried out hereunder.

2. GRANT OR RIGHTS TO THIRD PARTIES IN THE MINING AREA:

(a) Subject to satisfactory arrangements between the Government and the Company, the Government shall grant the first option to the Company to work minerals other than gold discovered in the Lease Area.

(b) Failing such satisfactory arrangements between the Government and the Company, the Government reserves the right to grant licenses to third parties to prospect for or to enter into agreements for the production of minerals other than gold in the Lease Area, provided that any such activity shall not unreasonably interfere with the rights granted to the Company hereunder.

3. POWER OF GOVERNMENT TO EXCLUDE PARTS OF THE MINING AREA:

(a) The Government may by reasonable notice in writing to the Company exclude from the Lease Area, at any time and from time to time, any part which may be required for any stated public purposes whatsoever, provided that:

(i) The parts so excluded shall not have a surface area in the aggregate greater than ten percent of the Lease Area.

(ii) Any parts of the Lease Area so excluded shall continue to form part of the Lease Area subject to this Agreement except that no mining operations shall be conducted on the parts so excluded.

(iii) No part of the Lease Area shall be so excluded in respect of which the Company shall have given prior notice specifying that such part is required for mining operations hereunder or

on which active operations have commenced or are in progress (such as digging, construction, installation or other works related to gold mining) but, in lieu thereof, a part equal in area to any such part shall be excluded for such public purposes; and

(iv) The Government shall not take to itself or grant to third parties the right to mine gold from any part so excluded.

(b) The company shall be relieved of all liabilities or obligations hereunder in respect of any part excluded under this paragraph except liabilities or obligations accrued prior to such exclusion.

4. WORK OBLIGATION:

The Company shall continuously operate in the Lease Area in accordance with good mining practices until such time as the reserves or deposits may be exhausted or the mine can no longer be economically worked or until this Agreement expires, whichever shall be sooner.

5. CONDUCT OF OPERATIONS:

(a) The Company shall conduct all of its operations hereunder with due diligence, efficiency, safety and economy, in accordance with good mining practices and in a proper and workmanlike manner, observing sound technical and engineering principles using appropriate modern and effective equipment, machinery, materials and methods, and pay particular regard to conservation of resources, reclamation of land and environmental protection generally.

(b) The Company shall mine and extract ore in accordance with paragraph 5(a) herein utilizing methods which include dredging, quarrying, pitting, trenching, stoping and shaft sinking in the Lease Area.

(c) The company shall maintain all equipment in good and safe condition, normal wear and tear excluded, and shall keep all

excavated areas, shafts, pits and trenches in good and safe condition and take all practical steps:-

(ii) to prevent damage to adjoining farms and villages;

(ii) to avoid damage to trees, crops, buildings structures and other property in the Lease Area; to the extent, however, that any such damage is necessary or unavoidable, the Company shall pay fair and reasonable compensation.

(d) The Company shall fence off effectually from the adjoining lands, all pits, shafts and other works made or used under the powers hereof.

(e) The company shall as far as is necessary or practicable provide and maintain in good repair and condition roads, gates, stiles and fences for the convenient occupation of the surface of the Lease Area.

(f) The Company shall provide and maintain proper and sufficient drains, culverts, arches and passageways for carrying off any waters which shall arise or be produced or interrupted by any of the works hereby authorized so that the drainage of the Lease Area may not be prevented or prejudiced.

6. NOTIFICATION OF DISCOVERY OF OTHER MINERALS:

(a) The Company shall report forthwith to the Minister, the Chief Executive of the Minerals Commission, the Chief Inspector of Mines and the Director of Geological Survey, the discover in the Lease Area of any other mineral deposits apart from gold and the Company shall be given the first option to prospect further and to work the said minerals, subject to satisfactory arrangements between the Government and the Company.

(b) Failing any such satisfactory arrangements the Company shall not produce any minerals from the Lease Area other than gold except where they are unavoidably linked with the production of gold.

7. SAMPLES:

- (a) The Company shall not during the currency of this agreement remove, dispose of or destroy, except in analyses, any cores or samples obtained from the Lease Area without the prior consent in writing of the Chief Inspector of Mines.
- (b) The Company shall provide the Director of Geological Survey with such samples from the Lease Area as he may from time to time reasonably request, and shall keep such samples as he may be directed to do so by the Chief Inspector of Mines.

8. HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION:

- (a) The Company shall comply with all such reasonable instructions as may from time to time be given by the Chief Inspector of Mines for securing the health and safety of persons engaged in or connected with the operations hereunder.
- (b) The Company shall adopt all necessary and practical precautionary measures to prevent undue pollution of rivers and other potable water and to ensure that such pollution does not cause harm or destruction to human or animal life or fresh water fish or vegetation.

9. POWER OF CHIEF INSPECTOR OF MINES TO EXECUTE CERTAIN WORKS:

If the Company shall at any time fail to comply with any provisions of this Agreement or applicable law and such failure is likely, in the opinion of the Chief Inspector of Mines, to:

- (i) endanger the health or safety of persons, or
- (ii) endanger the environment, or
- (iii) cause harm or destruction to potable water; or
- (iv) result in damage to mining equipment or other structures or installation;

the Chief Inspector of Mines, shall after giving the Company reasonable notice, execute any works which in his opinion are necessary and practicable in the circumstances and the costs and expenses of such works shall be borne by the Company.

10. LIABILITY FOR DAMAGE OR INJURY AND INDEMNITY:

(a) Nothing in this Agreement shall exempt the Company from liability for any damage, loss or injury caused to any person, property or interest as a result of the exercise by the Company of any rights or powers granted to it under this Agreement.

(b) The Company shall at all times indemnify the Government and its officers and agents against all claims and liabilities in respect of any loss suffered by or damage done to third parties arising out of the exercise by the Company of any rights or powers granted to it under this Agreement provided that the Company shall not so indemnify the Government, its officers and agents where the claim or liability arises out of the wrongful or negligent acts of the Government, its officers and agents.

11. EMPLOYMENT AND TRAINING:

(a) Citizens of Ghana shall be given preference for employment by the Company in all phases of its operations hereunder to the maximum possible extent, consistent with safety, efficiency and economy.

(b) Except with respect to unskilled personnel, the Company may employ non-Ghanaian personnel in the conduct of its operations provided that the number of such non-Ghanaian personnel employed shall not exceed the quota permitted by the Government.

(c) The Company shall provide appropriate programmes of instruction and theoretical and practical training to ensure the advancement,

development, improved skills and qualification of Ghanaian employees in all categories of employment.

12. PREFERENCE FOR GHANAIAN GOODS AND SERVICES

In the conduct of its operations and in the purchase, construction and installation of facilities, the Company shall give preference to:-

- (a) materials and products made in Ghana, if such materials and products are comparable or better in price, quality and delivery dates than materials and products from foreign sources;
- (b) service agencies located in Ghana owned by Ghanaian citizens or companies organized pursuant to Ghanaian law, including but not limited to, insurance agencies, bidding contractors, import brokers, dealers and agents if such agencies give or provide equal or better price and quality of service than competing foreign firms and can render services at such times as the Company may require.

13. AFFILIATED COMPANY TRANSACTIONS:

- (a) Any services including services in respect of the purchase and acquisition of materials outside Ghana provided by an affiliated company, shall be obtained only at a price which is fair and reasonable. The Company shall, at the request of the Minister, provide such justification of costs as may be required, duly supported by an Auditor's certificate if necessary.
- (b) Any other transactions between the Company and an affiliated company shall be on the basis of competitive international prices and upon such terms and conditions as would be fair and reasonable had such transactions taken place between unrelated parties.
- (c) The Company shall notify the Minister of any and all transactions between the Company and an affiliated company and shall supply such details relating to such transactions as the Minister may be notice reasonably require.

14. TECHNICAL RECORDS:

- (a) The Company shall maintain at its registered or mine offices complete records of pits and trenches (location, depths of overburden and gravel and assay value) in the Lease Area in such form as may from time to time be approved by the Chief Inspector of Mines, Chief Executive of the Minerals Commission and the Director of Geological Survey.
- (b) The Company shall maintain at the said offices copies of all reports including interpretations dealing with gold and other precious minerals prospects in the Lease Area in the course of its operations hereunder and copies of all tests and analyses, geological and geophysical maps, diagrams or charts relevant to its operations hereunder. These reports and records may be examined by persons in the service or acting on behalf of the Government and authorized in writing by the Minister.
- (c) The Company shall maintain at the said offices correct and intelligible plans and sections of all mines which plans and sections shall show the operations and workings which have been carried on as well as dykes, veins, faults and other disturbances which have been encountered in such workings and operations. All such plans and sections shall be made, amended and completed from actual surveys conducted for that purpose.
- (d) Upon expiration or termination of this Agreement or the surrender of any part of the Lease Area, such records and data as are required to be maintained pursuant to this paragraph which relate to the Lease Area, or such part of the Lease Area as may have been surrendered shall be delivered to the Chief Inspector of Mines, Chief Executive of the Minerals Commission and the Director of Geological Survey and shall become the property of the Government without charge.

15. PRODUCTION RECORDS:

The Company shall maintain at its registered or mine offices complete and accurate technical records of its operations and production in the Lease Area in such form as may from time to time be approved by the Chief Inspector of Mines.

16. FINANCIAL RECORDS:

(a) The Company shall maintain at its registered or mine offices detailed and complete accounts and systematic financial records of its operations as may be required by law. The books of account shall show all revenues received by the Company from all sources including its operations hereunder, as well as all its expenditure. The Company shall provide for a clear basis for understanding and relating the financial records and accounts to its operations.

(b) The Company's books of account shall be kept on the basis of generally accepted accounting principles.

(c) The Company shall keep separately records and financial statements in terms of Ghana currency and also in terms of U.S. Dollars or other international currency and may record in foreign currency such claims and liabilities as arise in such foreign currency.

(d) The Company's books of account shall be audited within six (6) months after the close of each Financial Year by a qualified Accountant and member of the Ghana Institute of Chartered Accountants. Such auditing shall not in any way imply acceptance of its results by the Government or preclude the Government from auditing such books of account. The Company shall deliver to the Minister without charge, copies of all or any part of such financial records as he may from time to time reasonably request.

17. REPORTS:

(a) The Company shall furnish a report each quarter, to the Minister, the Chief Inspector of Mines, the Chief Executive of the Minerals

Commission and Director of Geological Survey, in such forms as may from time to time be approved by the Minister, regarding the quantities of gold and other precious minerals won in that quarter, quantities sold, the revenue received and royalties payable for that quarter and such other information as may be required. Such reports shall be submitted not later than thirty (30) days after the end of each quarter.

(b) The Company shall furnish a report each half-year to the Minister, the Chief Inspector of Mines, the Chief Executive of the Minerals Commission and the Director of Geological Survey in such form as may from time to time be approved by the Minister summarising the results of its operations in the Lease Area during the half-year and records to be kept by the Company pursuant to paragraphs 14, 15 and 16 hereof. Each such report shall include a description of any geological or geophysical work carried out by the Company in that half-year and a plan upon a scale approved by the Chief Inspector of Mines showing dredging areas and mine workings. Such reports shall be submitted not later than forty (40) days after the half-year to which they relate.

(c) The Company shall furnish a report each Financial Year in such form as may from time to time be approved by the Minister to the Chief Inspector of Mines, the Chief Executive of the Minerals Commission and the Director of Geological Survey Department summarising the results of its operations in the Lease Area during that Financial Year and the records required to be kept by the Company pursuant to paragraphs 14, 15, and 16 hereof. Each such report shall include a description of the proposed operations for the following year with an estimate of the production and revenue to be obtained therefrom. Such reports shall be submitted not later than sixty (60) days after the end of each Financial Year.

(d) The Company shall furnish the Minister, the Chief Inspector of Mines, the Chief Executive of the Minerals Commission and the Director of Geological Survey not later than three (3) months after the expiration or termination of this Agreement, with a report giving an account of the geology of the Lease Area including the stratigraphic and structural conditions, together with a geological map on a scale prescribed in the Mining Regulations.

(e) The Company shall furnish the Minister and the Chief Executive of the Minerals Commission, with a report of the particulars of any proposed alteration to its regulations. The Company shall also furnish the Minister and the Chief Executive of the Minerals Commission with a report on the particulars of any fresh issues of shares of its capital stock or borrowings in excess of an amount equivalent to the Stated Capital of the Company. All such reports shall be in such form as the Minister may require and shall be submitted not less than twenty-one (21) days (or such lesser period as the Minister may agree) in advance of any proposed alteration, fresh issue or borrowing, as the case may be.

(f) The Company shall, not later than 180 days after the end of each Financial Year, furnish the Minister and the Chief Executive of the Minerals Commission with a copy each of its annual financial reports including a balance sheet, profit and loss account, and all notes pertaining thereto, duly certified by a qualified accountant who is a member of the Ghana Institute of Chartered Accountants. Such certificate shall not in any way imply acceptance of such reports by the Government or preclude the Government from auditing the Company's books of account.

(g) The Company shall furnish the Minister, the Chief Inspector of Mines, the Chief Executive of the Minerals Commission and the Director of Geological Survey with such other reports and

information concerning its operations as they may from time to time reasonably require.

18. INSPECTION:

(a) Any person or persons in the service of or acting on behalf of the Government and authorized in writing by the Minister shall be entitled at all reasonable times to enter into and upon any part of the Lease Area and the Company's registered office, for any of the following purposes:

- (i) to examine the mine workings, equipment, buildings, installation and any other structures used in the mining operation;
- (ii) to inspect the samples which the Company is required to keep in accordance with the provisions of this Agreement;
- (iii) to inspect and check the accuracy of the weights and measures and weighing and measuring devices, used or kept by the Company;
- (iv) to examine and make abstracts of the books and records kept by the Company pursuant to this Agreement;
- (v) to verify or ensure compliance by the Company with all applicable laws and regulations and with its obligations hereunder;
- (vi) to execute any works which the Chief Inspector of Mines may be entitled to execute in accordance with the provisions of the Mining Laws and Regulations of Ghana, or of this Agreement.

(b) The Company shall make reasonable arrangements to facilitate any such work or inspection, including making available employees of the Company to render assistance with respect to any such work or inspection. All such works and inspections shall be listed by the Company in the reports and furnished each half year.

19. CONFIDENTIAL TREATMENT:

The Government shall treat all information supplied by the Company hereunder as confidential for a period of five (5) years from the date of submission of such information or upon termination of this Agreement whichever is sooner and shall not reveal such information to third parties except with the written consent of the Company which consent shall not be unreasonably withheld. The Government and persons authorized by the Government may nevertheless use such information received from the Company for the purpose of preparing and publishing general reports on Minerals in Ghana and in connection with any dispute between the Government and the Company.

20. FINANCIAL OBLIGATIONS:

(a) Consideration Fees

The Company shall, in consideration of the grant of the Mining Lease pay to Government an amount of US\$30,000.00 (thirty thousand U.S. Dollars).

(b) Rent:

The Company shall pay rent (which shall be subject to review) at the rate of:

i.e. ((cents)5,000 per square kilometre).

(i) the said rent shall be paid half yearly in advance on or before the first day of January and on or before the first day of July in each year.

(ii) in the event of a surrender of any part of the Lease Area pursuant to paragraph 25 hereof, no rental payments shall be refunded in whole or in part of any area so surrendered for which yearly rental has been paid in advance or shall rental payments be refunded in the event of termination.

21. ROYALTIES:

(a) The Company shall pay to the Government royalty as prescribed by legislation.

(b) The Company shall pay royalty to the Government each quarter through the Commissioner of Internal Revenue based on the production for that quarter, within thirty (30) days from the end of the quarter.

Any necessary adjustments shall be made annually within sixty (60) days of the end of each Financial Year, except that any over-payment of royalty shall not be refunded by the Government but shall be credited against royalty due and payable in the next quarter.

(c) In the event of a dispute with respect to the amount of royalty payable hereunder, the Company shall first make payment of the lower of the disputed amounts and shall pay forthwith any further royalty which shall be agreed upon or determined to be payable by arbitration in accordance with paragraph 35 hereof. Such further royalty shall carry interest to be agreed upon or at the ruling prime rate in Ghana at the time of the award or agreement to take effect from the date on which such amount ought originally to have been paid.

(d) The Company shall also pay royalty on all timber felled by the Company in accordance with existing legislation.

22. LATE PAYMENTS:

(a) Anything herein contained to the contrary notwithstanding, the Company shall pay as penalty for any late payment of any amounts due to the Government hereunder, an additional amount calculated at the Bank of Ghana re-discount rate for every thirty-day period or part thereof for the period of the delay in paying the amounts, that is to say, the period between the actual payment date and the date on which each such payment should have been made.

(b) In the event the Company shall fail to make payment to the Government of any amount due hereunder, the Government without prejudice to any other rights and remedies to which it may be entitled, may, after giving 30 days notice in writing, enter into and upon the Lease Area and seize and distrain and sell as landlords may do for rent in arrears, all or any of the stocks of gold produced therefrom, and the plant and equipment, materials and supplies belonging to the Company which shall be thereon; and out of the monies obtained from the sale in respect of such distress may retain and pay all of the arrears of any amounts due hereunder and the costs and expenses incidental to any such distress and sale and deliver up the surplus (if any) to the Company.

23. TAXATION:

(a) The Company shall not be required to deduct or withhold any taxes from any payment made from its external account of which is authorized under the terms of the Minerals and Mining Law of:

- (i) any interest or other costs or fees paid in respect of any borrowing by or on behalf of the company in foreign currency for the project;
- (ii) any dividends paid to the shareholders.

(b) Save for the above, the Company shall pay tax in accordance with the laws of Ghana.

24. FOREIGN EXCHANGE:

All foreign exchange transactions shall be in accordance with the laws of Ghana.

25. SURRENDER:

(a) The Company may surrender at any time and from time to time, by giving not less than three months' notice to the Minister, all its rights hereunder in respect of any part of the Lease Area not larger

in the aggregate than 20% of the said Area. The Company may surrender a larger part of the Lease Area by giving not less than twelve (12) months' notice to the Minister. The Company shall be relieved of all obligations in respect of the part or parts of the Lease Area so surrendered except those obligations which accrued prior to the effective date of surrender.

(b) The Company shall leave the part of the Lease Area surrendered and everything thereon in a good and safe condition, provided, however that the Company shall have no such obligations for areas surrendered on which the company has not undertaken any works or which have not been affected by the operations of the Company. The Company shall take all reasonable measures, in accordance with good mining practices to leave the surface of such part of the Lease Area surrendered, in good and usable condition having regard to the ecology, drainage, reclamation and the protection of the environment. In the event that the Company fails to do so, the Minister shall make such part and everything thereon safe and in good, usable condition at the expense of the Company. The provisions of sub-paragraphs (a) and (c) of paragraph 29 hereof shall apply.

(c) The Company shall, on such terms and conditions as may be agreed upon between the Government and the Company, be entitled to such wayleaves, easements or other rights through or across the surrendered part or parts as may be necessary for its operations and such wayleaves shall not form part or be included in the calculation of the area of the retained part.

(d) The Government may require that there be reserved over any part surrendered such wayleaves, easements or other rights as will in its opinion be necessary or convenient to any part to whom the

Government may subsequently grant a prospecting license or mining lease.

26. EXTENSION:

If the Company, not less than six (6) months before the expiration of this Agreement, applies to the Minister for an extension of the term hereof and if the Company shall not be in default at that time in the performance of any of its obligations hereunder, the Company shall be entitled to an extension of the period of this Agreement upon such terms and conditions as the parties may then agree.

27. COMPANY'S RIGHT TO TERMINATE AGREEMENT:

The Company may, if in its opinion the mine can no longer be economically worked, terminate this Agreement by giving not less than nine (9) months' notice to the Government. Such termination shall be without prejudice to any obligation or liability incurred by the Company hereunder prior to the effective date of such termination.

28. GOVERNMENT'S RIGHT TO TERMINATE AGREEMENT:

(a) The Government may, subject to the provisions of this paragraph, terminate this Agreement if any of the following events occur:-

(i) the Company shall fail to make any of the payments provided for in this Agreement on the payment date;

(ii) the Company shall contravene or fail to comply with any other provisions of this Agreement; or

(iii) the Company shall become insolvent or bankrupt or enter into any agreement or composition with its creditors or take advantage of any law for the benefit of debtors or go into liquidation, whether compulsory or voluntary, except for the purposes of reconstruction or amalgamation; or

(iv) the Company makes a written statement to the Government on any material matter in connection with this Agreement or

with its operations which the Company knows to be false or makes recklessly without due regard as to whether it was true or false.

(b) If and whenever the Government decides there are grounds to terminate this Agreement pursuant to clauses (i) and (ii) of the preceding sub-paragraph, the Government shall give the Company notice specifying the particular contravention or failure and permit the Company to remedy same within three (3) months of such notice, or such longer period as the Minister may specify in such notice as being reasonable in the circumstances.

(c) If the Company shall fail to remedy any event specified in clauses (i) and (ii) of sub-paragraph (a) of this paragraph within the stated period, or an event specified in clauses (iii) and (iv) of the said sub-paragraph shall occur, the Government may by notice to the Company terminate this Agreement, provided that if the Company disputes whether there has been any contravention or failure to comply with the conditions hereof (including any dispute as to the calculation of payments by the Company to the Government hereunder), and the Company shall, within such period as aforesaid refer to dispute to arbitration in accordance with paragraph 35 hereof and, thereafter, diligently prosecute its claim thereunder, the Government shall not terminate this Agreement except as the same may be consistent with the terms of the arbitration award.

(d) No delay or omission or course of dealing by the Government shall impair any of its rights hereunder or be construed to be a waiver of any event specified in sub-paragraph (a) of this paragraph or an acquiescence therein.

(e) Upon termination of this Agreement, every right of the Company hereunder shall cease (save as otherwise specifically provided hereunder) but subject nevertheless and without prejudice to any

obligation or liability imposed or incurred under this Agreement prior to the effective date of termination and to such rights as the Government may have under the law.

29. ASSETS ON TERMINATION OR EXPIRATION:

- (a) Upon the termination or expiration of this Agreement, immovable assets of the Company in the Lease Area and all other appurtenances, pits, trenches and boreholes shall on the effective date of termination or expiration, become the property of the Government without charge.
- (b) All materials, supplies, vehicles and other movable assets of the Company in the Lease Area which are fully depreciated for tax purposes, shall become the property of the Government without charge on the effective date of termination or expiration. Any such property which is not then fully depreciated for tax purposes shall be offered for sale to the Government within sixty (60) days from the effective date of such termination or expiration at the depreciated cost. If the Government shall not accept such offer within sixty (60) days, the Company may sell, remove or otherwise dispose of all such property within a period of one hundred and eighty (180) days after the expiration of such offer. All such property not sold, removed or otherwise disposed of shall become the property of the Government without charge.
- (c) Notwithstanding the foregoing, the Minister, may by notice to the Company require the removal or destruction of any assets of the Company in the Leased Area, and if the Company does not remove or destroy such assets within a period of thirty (30) days from the date of the Minister's notice to that effect, the Minister shall cause such removal or destruction at the expense of the Company.
- (d) The Company shall take all reasonable measures to ensure that all of the assets to be offered for sale to the Government or

transferred to the Government in accordance with this paragraph shall be maintained in substantially the same condition in which they were at the date of the termination or the date on which the Company reasonably knew that such termination would occur and any such assets shall not be disposed of, dismantled or destroyed except as specifically provided for in this paragraph.

(e) Upon the termination or expiration of this Agreement, the Company shall leave the Lease Area and everything thereon in good condition, having regard to the ecology, drainage, reclamation, environmental protection, health and safety; provided however that the Company shall have no obligation in respect of areas where the Company has not undertaken any work or which have not been affected by the Company's operations. In this connection, unless the Chief Inspector of Mines otherwise directs, the Company shall, in accordance with good mining practices, fill up or fence and make safe all holes and excavations to the reasonable satisfaction of the Chief Inspector of Mines. In addition the Company shall take all reasonable measures to leave the surface of the Lease Area in usable condition and to restore all structures thereon not the property of the Company to their original condition. In the event that the Company fails to do so, the Minister shall restore and make safe the Lease Area and everything thereon at the expense of the Company.

(f) The Company shall have the right to enter upon the Lease Area for the aforesaid purposes, subject to the rights of surface owners or others, for a period of six (6) months from the effective date of the termination or such longer period as the Minister may decide.

30. FORCE MAJEURE:

(a) All obligations on the part of the Company to comply with any of the conditions herein (except the obligation to make payment of

monies due to the Government) shall be suspended during the period the Company is prevented by force majeure from fulfilling such obligations, the Company having taken all reasonable precautions, due care and reasonable alternative measures with the objective of avoiding such non-compliance and of carrying out its obligations hereunder. The Company shall take all reasonable steps to remove such causes of the inability to fulfill the terms and conditions hereof with the minimum of delay.

(b) For the purpose of this paragraph, force majeure includes Government restraints not arising from the non-compliance by the Company with the conditions therein, acts of God, war, strikes, insurrection, riots, earthquakes, storm, flood or other adverse weather conditions or any other event which the Company could not reasonably be expected to prevent or control, but shall not include any event caused by a failure to observe good mining practices or by the negligence of the Company or any of its employees or contractors.

(c) The Company shall notify the Minister within forty-eight (48) hours of any event of force majeure affecting its ability to fulfill the conditions hereof or of any events which may endanger the natural resources of Ghana and similarly notify the Government of the restoration of normal conditions within forty-eight hours of such restoration. This provision shall be in addition to any requirements contained in the Mining Regulations in force in Ghana.

(d) The terms of this Agreement shall be extended for a period of time equal to the period or periods during which the company was affected by conditions set forth in the sub-paragraph (a) and (b) of this paragraph or for such period as may be agreed by the parties.

31. POLITICAL ACTIVITY:

make a donation, gift or grant to any political party. The Company shall make it a condition of employment that no employee, other than a citizen of Ghana shall engage in political activity and shall not make donations, gifts or grants to any political party. In the event of any such employee acting in disregard to this condition, he shall be dismissed forthwith.

32. ADVERTISEMENTS, PROSPECTUSES, ETC:

Neither the Company nor any affiliated Company shall in any manner claim or suggest, whether expressly or by implication that the Government or any agency or official thereof, has expressed any opinion with respect to gold in the Lease Area and no statement to this effect shall be included in or endorsed on any prospectus notice, circular, advertisement, press release or similar document issued by the Company or any affiliated Company for the purpose of raising new capital.

33. CO-OPERATION OF THE PARTIES:

Each of the parties hereto undertake that it will from time to time do all such acts and make, enter into, execute, acknowledge and deliver at the request of the other party, such supplemental or additional instruments, documents, agreements, consents, information or otherwise as may be reasonably required for the purpose of implementing or further assuring the rights and obligations of the other party under this Agreement.

34. NOTICE:

Any application, notice, consent, approval, direction, instruction or waiver hereunder shall be in writing and shall be delivered by hand or by registered mail. Delivery by hand shall be deemed to be effective from the time of delivery and delivery by registered mail shall be deemed to be effective from such time as it would in the ordinary course of registered mail be delivered to the addressee.

35. ARBITRATION AND SETTLEMENT OF DISPUTES:

(a) Any dispute between the parties in respect of the interpretation or enforcement of the provisions of this document shall be settled in accordance with the procedures available in Ghana for the settlement of such dispute provided that at the instance of either of the parties any such dispute may be submitted for settlement by arbitration under the Arbitration Rule of the United Nations Commission on International Trade Law (the "UNCITRAL Rule").

(b) Any arbitration under the UNCITRAL Rules shall be by three (3) arbitrators unless the parties agree to a single arbitrator. The place of arbitration shall be Accra and the proceedings shall be in English unless the parties otherwise agree. Ghana Law shall be the law applicable to the proceedings.

(c) Nothing in clause 35(a) or 35(b) shall prevent either of the parties from requesting any judicial authority to order provisional measures prior to the initiation of arbitration proceedings or during the proceedings for the preservation of their respective rights.

(d) The parties acknowledge and that this Agreement was made on the basis of the laws and conditions prevailing at the date of the effective conclusions of the negotiation of this Agreement and accordingly, if thereafter, new laws and conditions come into existence which unfairly affect the interest of either party to this Agreement, then the party so unfairly affected shall be entitled to request a re-negotiation and the parties shall thereupon re-negotiate.

The parties hereby undertake and covenant with each other to make every effort to agree, co-operate, negotiate and to take such action as may be necessary to remove the causes of unfairness or disputes.

36. ASSIGNMENT AND TRANSFER OF RIGHTS:

(a) This Agreement shall not be assignable in whole or in part by the Company without the prior consent in writing of the Government.

(b) The Government may impose such conditions precedent to the giving of such consent as it may deem appropriate in the circumstances. No assignment, however, may relieve the Company of its obligations under this Agreement except to the extent that such obligations are actually assumed by the Assignee.

(c) During the term of this Agreement, no shares of the capital stock of the Company may be transferred except in accordance with the Minerals and Mining Law.

37. HEADINGS:

The headings given to paragraphs in this Agreement are for convenience only and shall not affect the construction or interpretation of this Agreement.

38. GOVERNING LAWS:

This Agreement shall be governed and construed in accordance with the Laws of Ghana.

THE SCHEDULE ABOVE REFERRED TO

OATH OF PROOF

I of ACCRA make oath and say that on the day of 2001 I was present and saw DR. KWAKU AFRIYIE, Minister of Lands, Forestry and Mines duly execute the Instrument now produced to me and marked "A" and that the said can read and write.

SWORN at Accra, this day of 2001

BEFORE ME

REGISTRAR OF LANDS

D E P O N E N T

This is the Instrument Marked "A" Referred to in the Oath of Sworn before me this day of 2001.

REGISTRAR OF LANDS

CERTIFICATE OF PROOF

On the day of 2001 at O'clock in the noon this Instrument was proved before me by the Oath of the within-named to have been duly executed by the within-named DR. KWAKU AFRIYIE for and on behalf of "the Government" of the Republic of Ghana for Lessor herein.

REGISTRAR OF LANDS

Dated this day of 2001

IN WITNESS OF WHICH the Parties have respectively executed the original and counterpart of this Agreement on the date first above written.

SIGNED BY THE GOVERNMENT OF THE]
REPUBLIC OF GHANA acting by]
DR. KWAKU AFRIYIE, the Minister of Lands,]
Forestry and Mines who by this execution] /s/ [ILLEGIBLE]
Warrants to the other party that he is duly] -----
Authorized and empowered to enter into this] MINISTER
Agreement in the presence of:] MINISTRY OF LANDS, FORESTRY
] & MINES

/s/ ERNESTINA TEXPETEY ESQ.

CHIEF DIRECTOR
MINISTRY OF LANDS,
FORESTRY & MINES

SIGNED BY THE WITHIN-NAMED]

BOGOSO GOLD LIMITED] acting by its Chief Executive/Managing Director]

who by this execution warrants to the other]
party that he is duly authorized and]
empowered to enter into this Agreement in] -----
the presence of:] MANAGING DIRECTOR

DIRECTOR/SECRETARY

GOVERNMENT OF THE REPUBLIC OF GHANA

AND

BOGOSO GOLD LIMITED

MINING LEASE

TERM: THIRTY (30) YEARS

COMMENCEMENT:

EXPIRY DATE:

FILE NO:

**SOLICITOR OF
THE SUPREME COURT
GHANA**

[BOGOSO SITE MAP]

**THIS IS THE PLAN REFERRED TO
IN THE ANNEXED MINING LEASE
DATED THIS 29TH DAY OF JUNE 2001**

/s/ [SIGNATURE ILLEGIBLE]

Minister

MINISTRY OF LANDS, FORESTRY & MINES

THE HON. MINISTER OF LANDS, FORESTRY & MINES

EXHIBIT 10.2

AGREEMENT

MADE BETWEEN

BOGOSO GOLD LIMITED

AND

PRESTEA GOLD RESOURCES LIMITED

DATED

NOVEMBER 16, 2001

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AGREEMENT made November 16, 2001 between Bogoso Gold Limited, a company incorporated under the laws of Ghana ("BGL"), and Prestea Gold Resources Limited, a company incorporated under the laws of Ghana ("PGR").

RECITALS

A. The parties entered into a Letter Agreement dated May 21, 2001 pursuant to which, among other things, it was agreed that PGR would surrender a mining lease held by it and the parties would procure the issue of two new mining leases covering the same area, of which one would permit underground mining and the other surface mining for gold and related minerals.

B. Subsequent to such date, PGR surrendered its existing lease, the Government of Ghana issued the BGL Lease and PGR Lease (as defined below) and GSR entered into and completed an agreement with Barnex Exploration Limited, all as provided for in the Letter Agreement.

C. BGL has paid to PGR \$500,000 in immediately available funds as the first installment of the First Option Payment (as defined below).

D. The parties are entering into this definitive agreement, as provided for in the Letter Agreement.

IN CONSIDERATION OF THE MUTUAL COVENANTS IN THIS AGREEMENT, THE PARTIES AGREE AS FOLLOWS:

SECTION 1

1. As used in this Agreement:

"APPLICABLE LAW" means all applicable laws of the Republic of Ghana, including, without limitation, the PNDCL 153;

"BARNEX" means Barnato Exploration Limited, a company incorporated under the laws of South Africa;

"BARNEX COMPANIES" means, collectively, Barnex, Barnex (Ghana) Limited and Barnex (Prestea) Limited;

"BARNEX RELEASE" means the Waiver and Release Agreement among the Government, Prestea Goldfields Limited, SGMC and the Barnex Companies, a copy of which has been delivered by BGL to PGR;

"BGL LEASE" means the mining lease dated June 29, 2001 issued by the Government to BGL pursuant to Section 45 of the PNDCL 153 whereby BGL has been granted exclusive mining rights over the Lease Area to mine for a period of 30 years for gold and associated mineral

substances lying and being under the surface to a vertical depth 150.37 metres below sea level (the "150 Metre Depth") as detailed on Schedule C and includes all necessary consents and ratifications to perfect BGL's title thereunder;

"BUSINESS DAY" means any day on which the banks are open for the transaction of business in Ghana;

"CLOSING" means the closing provided for in Section 5;

"CLOSING DATE" means the date by which the closing conditions specified in this Agreement shall have been satisfied so as to permit the Closing to occur (anticipated to be on or about November 30, 2001) and which shall, in any event, be not later than December 31, 2001 unless the parties otherwise agree;

"CLOSING DOCUMENT" means any document delivered at or subsequent to the Closing or as provided in, or pursuant to, this Agreement;

"COMMON FUND" means the fund so named constituted by PGR employee advances, whose proceeds have been used by PGR for working capital;

"DAY" means a calendar day;

"DECOMMISSIONING" means closure of the Plant in compliance with the requirements of Section 7.1(e);

"DOLLARS" or "\$" means the currency that is from time to time, legal tender for the payment of all private and public debts in the United States of America;

"FIRST OPTION PAYMENT" means the amount of \$2,100,000 to be paid by BGL to PGR, or as directed by PGR, in instalments of \$500,000 (which amount has already been paid) and \$1,600,000 on the Closing Date;

"GMWU" means the Ghana Mineworkers Union of the TUC (Ghana)

"GOVERNMENT" means the duly constituted government of the Republic of Ghana or any political subdivision thereof, whether Central, Regional, District or local, or any judicial body, agency or instrumentality of any such government or political subdivision (and is deemed to include, for the purposes of any required approvals to be obtained hereunder, the Bank of Ghana);

"GSR" means Golden Star Resources Ltd., which beneficially owns 90% of BGL;

"INFRASTRUCTURE MITIGATION PLAN" means an infrastructure mitigation plan, complying with the requirements of Schedule A, designed to set out the broad understanding of the parties as to how surface infrastructure to be impacted by the surface mining operations to be conducted by BGL under the BGL Lease will be mitigated to ensure that there is no significant adverse impact on the operations of PGR pursuant to their rights under the PGR Lease;

"JOINT OPERATING AGREEMENT " means the agreement to be entered into between BGL and PGR on the Closing Date, complying with the requirements of Schedule B;

"LEASE AREA" means the area of approximately 129.05 square kilometres, as more particularly described in Schedule C;

"LICENCE" means any licence, permit, approval, right, privilege, concession or franchise issued, granted, conferred or otherwise created by the Government;

"LOAN AGREEMENT" means a loan agreement substantially in the form attached as Schedule D;

"MINING LEASE", "MINERAL OPERATIONS", "MINING OPERATIONS", "MINERAL RIGHT" and "MINERALS" shall have the meanings given to such terms in PNDCL 153;

"MINISTER" means the Minister responsible for mines in the Republic of Ghana;

"MANAGEMENT AGREEMENT" means the agreement to be entered into between BGL and PGR on the Option Closing Date, substantially in the form attached as Schedule E;

"MINING COMMENCEMENT DATE" means the date as of which BGL commences mining operations on the BGL Lease in the area marked as "Plant Deposit" on Exhibit A in Schedule C;

"OPTION" means the option granted by PGR to BGL to acquire shares in PGR, as provided in Section 6;

"OPTION CLOSING DATE" means the date specified by BGL in a notice exercising the Option given in accordance with Section 6.1(b);

"OPTION EXERCISE DATE" means the date on which the Option is exercised;

"PERSON" shall be broadly interpreted and includes an individual, body corporate, partnership, joint venture, trust, association, unincorporated organization, the Government (including any agency, authority, tribunal or commission) or any other entity recognized by law;

"PNDCL 153" means the Minerals and Mining Law, 1986 (PNDCL 153) of Ghana, as amended;

"PGR LEASE" means the mining lease dated June 29, 2001 issued by the Government

to PGR pursuant to Section 45 of the PNDCL 153, whereby PGR has been granted mineral rights over the Lease Area for a period of 30 years for gold and other associated mineral substances lying and being under the 150 Metre Depth and includes all necessary consents and ratifications to perfect PGR's title thereunder;

"PGR RELEASE" means the Release Agreement among PGR and the Barnex Companies dated September 28, 2001, a copy of which has been provided to BGL;

"PLANT" means PGR's existing processing plant located on the Lease Area;

"PRESTEA ASSETS" means all assets owned by SGMC which are located on the property covered by the PGR Lease;

"PRESTEA MINING AREA " means the area shown on Exhibits A, B and C to Schedule C and marked as "Prestea Mining Area";

"SHAREHOLDERS' AGREEMENT" means the shareholders' agreement to be entered into on the Option Closing Date among BGL, GMWU, the Investors, the Trust and the Government in respect of their relations as shareholders of PGR and the operation of PGR's business, substantially in the form attached as Schedule G;

"SGMC" means The State Gold Mining Corporation Limited;

"TRUST" means the independent non-profit-making body to be established by BGL for the benefit of the residents of the Bogoso -- Prestea area whose income shall be applied (following repayment of the indebtedness to be incurred in favour of BGL) to undertake work programs directed to infrastructure and alternative employment and whose affairs shall be administered by a board consisting of one BGL representative, one GMWU representative, one Government representative and three community representatives acceptable to BGL.

SECTION 2

SCOPE AND UNDERSTANDINGS

2.1 In order to persuade BGL to enter into this Agreement, PGR has represented to BGL and GSR that, subject to:

- (a) being provided with funds to be used to repay advances made by its employees;
- (b) being provided with additional funds to be used to pay employee salary arrears for April and May 2001;
- (c) being provided with working capital;
- (d) restructuring its share ownership; and
- (e) rationalizing its management and work force, which PGR undertakes to use its best efforts to accomplish within five (5) months of the Closing Date.

it expects to be able to increase its production and reduce its cash costs so as to become profitable on a gross profit basis within six months of the last in time of such actions occurring or being taken.

2.2 Based on such representations:

- (a) the PGR Release and the Barnex Release were executed and delivered.
- (b) the parties are entering into this Agreement to provide for the basis on which, at a closing to be held on the Closing Date, BGL will make a further payment of \$1,600,000 to PGR, the Infrastructure Mitigation Plan will be adopted by BGL

and PGR, the Joint Operating Agreement shall be entered into and the Option shall become effective;

(c) subsequently, the parties will use their best commercial efforts to fulfil their respective obligations, so that BGL will be in a position to exercise the Option by the Option Exercise Date;

SECTION 3

BGL REPRESENTATIONS, WARRANTIES AND AGREEMENTS

BGL represents, warrants and agrees to and with PGR that:

(a) BGL is a company duly incorporated, organized, and validly existing in good standing under the laws of Ghana. No proceedings have been taken or authorized by BGL or, to the best of BGL's knowledge, by any other Person, with respect to the bankruptcy, insolvency, liquidation, dissolution or winding up of BGL.

(b) BGL has all necessary power and capacity to execute and deliver, and to observe and perform its covenants and obligations under, the Agreement and the documents to be delivered hereunder to which it is or will be a party ("BGL Documents"). BGL has taken all corporate action necessary to authorize the execution and delivery of, and the observance and performance of its covenants and obligations under, the Agreement and the BGL Documents.

(c) This Agreement has been, and each BGL Document will on Closing be, duly executed and delivered by BGL, and this Agreement constitutes, and each BGL Document will on Closing constitute, a valid and binding obligation of BGL enforceable against BGL in accordance with its terms.

(d) None of the execution and delivery of, or the observance and performance by BGL of, any covenant or obligation under, the Agreement and the BGL Documents contravenes or results in (with or without the giving of notice or lapse of time, or both) or will contravene or violate in any material respect or result in any material breach or default of, or acceleration of any obligation under:

(i) any Applicable Law;

(ii) the Regulations, directors' or shareholders' resolutions of BGL;

(iii) any agreement, lease, mortgage, security document, obligation or instrument to which BGL is a party or by which BGL or its assets is affected or bound.

(e) No consent, approval, authorization, registration or declaration of, or filing with, the Government is required by BGL in connection with (i) the Closing; (ii) the execution and delivery by BGL of this Agreement or any BGL Document, or (iii)

the observance and performance by BGL of its obligations under this Agreement or any BGL Documents.

SECTION 4

PGR REPRESENTATIONS, WARRANTIES AND AGREEMENTS

PGR represents, warrants and covenants to and with BGL that:

- (a) the first instalment of the First Option Payment was used solely for the purposes of satisfying employee salary arrears.
- (b) PGR is a company duly incorporated, organized, and validly existing in good standing under the laws of Ghana. No proceedings have been taken or authorized by PGR or, to the best of PGR's knowledge, by any other Person, with respect to the bankruptcy, insolvency, liquidation, dissolution or winding up of PGR.
- (c) PGR has all necessary power and capacity to execute and deliver, and to observe and perform its covenants and obligations under, the Agreement and the documents to be delivered hereunder ("PGR Documents"). PGR has taken all corporate action necessary to authorize the execution and delivery of, and the observance and performance of its covenants and obligations under, the Agreement and the PGR Documents.
- (d) This Agreement has been, and each PGR Document delivered on the Closing Date and the Option Closing Date will be, duly executed and delivered by PGR, and this Agreement constitutes, and each PGR Document will on Closing constitute, a valid and binding obligation of PGR enforceable against PGR in accordance with its terms.
- (e) None of the execution and delivery of, or the observance and performance by PGR of, any covenant or obligation under, the Agreement and the PGR Documents contravenes or results in (with or without the giving of notice or lapse of time, or both) or will contravene or violate in any material respect or result in any material breach or default of, or acceleration of any obligation under:
 - (i) any Applicable Law;
 - (ii) the Regulations, directors' or shareholders' resolutions of PGR;
 - (iii) any agreement, lease, mortgage, security document, obligation or instrument to which PGR is a party or by which PGR or its assets is affected or bound.

(f) No consent, approval, authorization, registration or declaration of, or filing with, the Government is required by PGR in connection with (i) the Closing; (ii) the execution and delivery by PGR of this Agreement or any PGR Document, or (iii) the observance and performance by PGR of its obligations under this Agreement or any PGR Documents.

(g) PGR has all necessary power and authority to own or lease its assets and to carry on all activities as it presently carries on. PGR possesses all licences, permits and authorizations material to the conduct of all activities as it presently carries on.

(h) The authorized capital of PGR consists of one billion common shares, of which 200,000 common shares have been validly issued and are outstanding as fully paid and non-assessable shares, of which 200,000 shares have been issued to GMWU;

(i) No person, other than BGL, has any oral or written agreement, option, warrant, right, privilege or any other right capable of becoming any of the foregoing (whether legal, equitable, contractual or otherwise), for the purchase, subscription or issuance of any unissued securities of the Company.

(j) PGR has conducted and is conducting its activities in compliance with all Applicable Laws, and not in breach of any Applicable Laws except for breaches which in the aggregate are not material to PGR.

(k) Except for the matters in respect of which the Barnex Release and PGR Release were delivered, there is no claim, demand, suit, action, cause of action, dispute, proceeding, litigation, investigation, grievance, arbitration, governmental proceeding or other proceeding including appeals and applications for review, in progress against, by or relating to PGR nor are any of the same pending or threatened. PGR is not aware of any state of facts which would provide a valid basis for any of the foregoing.

(l) PGR has not given nor agreed to give, and is not a party to or bound by, any guarantee of indebtedness or other obligations of third parties nor any other commitment by which PGR is, or is contingently, responsible for such indebtedness or other obligations.

(m) PGR shall use the proceeds from the second instalment of the First Option Payment to repay the advances made to the Common Fund and to acquire the working capital items set out in Schedule G.

SECTION 5

CLOSING

At a closing to be held at the offices of BGL in Accra, Ghana commencing at 2:00 PM on the Closing Date:

- (a) PGR shall have established the Restricted Account, the signatories of which will be two signatories nominated by PGR and one signatory nominated by BGL. BGL shall have the right at its sole discretion to only sign off on disbursements from the Restricted Account when it has been satisfied that the disbursements from the Restricted Account are being made for the purpose intended as set out in Section 4(m);
- (b) BGL shall pay \$1,600,000 to PGR in immediately available funds to be deposited into a restricted account (the "Restricted Account") as the second installment of the First Option Payment;
- (c) each party shall confirm to the other that the Infrastructure Mitigation Plan to be initialled for identification is in form acceptable to each of them and will remain in force unless and until amended by further agreement;
- (d) the Joint Operating Agreement will be executed and delivered by the parties;
- (e) PGR will acknowledge to BGL that the First Option Payment has been paid in full;
- (f) each of the conditions precedent for BGL's benefit set out in Section 9 shall be satisfied or waived; and
- (g) such other actions shall be taken and documents delivered as the parties may agree to be necessary or desirable.

SECTION 6

OPTION

6.1 GRANT OF OPTION

PGR hereby irrevocably grants to BGL the option ("Option") to purchase shares of PGR ("Optioned Shares") constituting 35% of PGR's issued share capital at the date of issue (after giving effect to the exercise of the Option), on the following terms and conditions:

- (a) the date ("Option Exercise Date") by which the Option must be exercised, failing which it will lapse and terminate, is the date which is the latest to occur of (1) the 180th day after the Closing Date, (2) the date as of which the Plant shall have been demolished and the Mining Commencement Date have occurred, and (3) the first anniversary of the Closing Date if the requirement of subclause (2) shall not have been satisfied by the date specified in such subclause; provided that PGR shall be entitled to give notice to BGL at any time following the Closing Date that the Plant is available for Decommissioning, in which event the Option Exercise Date shall be the later to occur of (1) the 180th day after the Closing Date and (2) the 90th day after receipt of such notice.

- (b) the Option shall be exercised by written notice ("Exercise Notice") to be given not later than 5:00 PM on the Option Exercise Date specifying a closing date ("Option Closing Date") which shall be not more than 10 days after the date of the Exercise Notice;
- (c) following the delivery of an Exercise Notice, BGL shall be irrevocably bound to complete its purchase of the Optioned Shares, subject only to compliance by PGR with its obligations and the performance by GMWU (as described below), the Trust (as described below) and the Government of their respective obligations;
- (d) for greater certainty, in the event that BGL fails to exercise its Option prior to the Option Exercise Date, BGL's right to a shareholding in, and management contract with, PGR shall lapse and PGR shall be entitled to grant similar rights to other investors;
- (e) the purchase price shall of the Optioned Shares shall be \$4,000,000, being the aggregate of the First Option Payment and a further payment ("Second Option Payment") of \$1,900,000, which shall be payable in immediately available funds to PGR on the Option Closing Date;
- (f) the purchase price shall be credited to PGR's shareholders' capital account, as to \$1,750,000 to the credit of BGL, as to \$1,750,000 to the credit of the GMWU and, as to the balance of \$500,000, to the credit of the Trust;
- (g) the amounts so credited to the GMWU and the Trust shall constitute advances made by BGL to PGR on their behalf, repayable preferentially out of dividends to GMWU and the Trust in accordance with the Loan Agreement to be entered into by each of them with BGL on the Option Closing Date;
- (h) the proceeds of the Second Option Payment (following the satisfaction of all salary arrears and Common Fund claims) will be used by PGR solely for the purpose of paying terminal benefits to PGR's workforce, whose employment will be terminated effective no later than the Option Closing Date, it being understood and agreed that they will then be selectively rehired to constitute an optimal workforce whose make-up will be determined by PGR in consultation with BGL;
- (i) in the event the parties determine that the rationalization of PGR's workforce prior to the Option Closing Date is desirable having regard to the best interests of the parties, the workforce and the community as a whole, BGL may, in accordance with an agreement to be entered into with PGR as to the number of severances and the amount of benefits, advance by way of loan prior to the Option Date on account of the Second Option Payment an amount not exceeding \$1,900,000 to fund the rationalization costs, such loan to be secured by a first charge of the PGR Lease, to be non-interest bearing until the 180th day after the Second Closing Date and thereafter to bear interest at LIBOR plus 3% unless and until the later of repayment on the Option Closing Date or repayment on the first anniversary of the Closing Date;

(j) following the Option Exercise Date, selected individual Ghanaian investors of high repute (the "Investors") acceptable to PGR and the Shareholders will be offered up to 10% of PGR's shares for an aggregate subscription price of \$500,000, provided that the Investors undertake to become a party to the Shareholders Agreement; any of such shares not so subscribed for within three months of the Option Exercise Date will be subscribed and paid for at the same price per share equally by BGL and GMWU on the Option Closing Date; provided that, in the event that either of BGL or GMWU does not subscribe for any of the shares offered to it, the other party may subscribe and pay for all the shares not subscribed for by the Investors;

(k) prior to the Option Exercise Date, PGR shall establish the Trust and, commencing on the Option Closing Date, BGL shall hold 10% of the PGR shares for the benefit of the Trust; it being agreed that BGL shall irrevocably be entitled to exercise all voting rights with respect to such PGR shares; and

(l) the shareholdings of PGR following the Option Closing Date shall, assuming the participation of the Investors, be:

BGL	-	35%
GMWU	-	35%
BGL in Trust	-	10%
Investors	-	10%
Government	-	10%

6.2 OPTION CLOSING

On the Option Closing Date a closing shall occur at the offices of BGL at Accra, Ghana commencing at 2:00 PM at which:

(a) BGL shall make the Second Option Payment in immediately available funds;

(b) the Investors and/or BGL/GMWU shall pay an aggregate of \$500,000 as the subscription price for shares constituting 10% of PGR's share capital;

(c) certificates shall be issued to BGL, GMWU, the Trust, the Investors and the Government (collectively, the "Shareholders") for the number of shares to be issued to them in accordance with the foregoing provisions of this Section 6;

(d) the Shareholders shall enter into the Shareholders' Agreement;

(e) the Shareholders shall appoint a board of directors of PGR complying with the requirements of the Shareholders' Agreement;

(f) the newly appointed directors shall meet for the purposes of appointing officers, authorizing the execution of all required agreements and dealing with all such other business as may be required such that PGR shall comply in all respects with the requirement of the Shareholders' Agreement;

(g) each of the conditions precedent for BGL's benefit set out in Section 9 shall be satisfied or waived, except to the extent they were satisfied or waived on the Closing Date; and

(h) all such other documents shall be executed and delivered and actions taken as may be required to give effect to the foregoing provisions of this Section 6.

SECTION 7

COMPANY MANAGEMENT

7.1 INFRASTRUCTURE MITIGATION PLAN

The parties recognize the importance of, and need for, the adoption and implementation of an Infrastructure Mitigation Plan ("Plan") designed to minimize the impact of surface mining operations to be conducted by BGL under the BGL Lease. In that regard:

(a) on an interim basis, the parties have adopted the Plan attached as Schedule A;

(b) PGR hereby grants BGL the right to acquire for \$1.00 such of the Prestea Assets that BGL is required to replace or relocate as a result of the implementation of the Plan; provided that (i) such replaced or relocated assets shall become the property of PGR, and (ii) BGL may acquire title to such replaced or relocated assets by paying to PGR an amount not in excess of the consideration paid by PGR to SGMC to acquire them plus reasonable expenses incurred in the acquisition;

(c) PGR agrees to transfer to BGL, for nominal consideration, such of the Prestea Assets as are agreed between the parties to be necessary for BGL's own operations by a transfer agreement in form and substance satisfactory to the parties;

(d) BGL shall be entitled to realize whatever value possible, directly or indirectly, from the Prestea Assets acquired by it in accordance with clause (b) to defray its costs and expenses incurred in executing the Plan;

(e) with regard to the Plant, BGL will be obligated to make available to PGR, so as to permit surface mining operations, alternative processing facilities ("Alternative Facilities") and will use its best commercial endeavours to provide such Alternative Facilities prior to Decommissioning. The Alternative Facilities will consist of, at BGL's option but subject to PGR's approval, not to be unreasonably withheld, either the relocation of the Plant or the acquisition and upgrading, with the use of existing plant equipment, of the processing plant currently used by Prestea Sankofa Gold Limited, subject to its being available for this purpose. In this regard:

(i) Decommissioning shall occur on a date to be agreed on between the parties but, in any event, shall not be more than two days after ore has ceased to be delivered to the Plant;

(ii) immediately following Decommissioning, BGL will have the right to secure the Plant. PGR employees will be granted access, on a 24-hour basis, for seven consecutive days immediately thereafter in order to effect a clean-up of the Plant and its inventories. During this period, PGR employees shall have the right to process any gold-bearing material in order to produce a smelted product ("Gold Dore"). Only Gold Dore and left-over reagents, inclusive of loaded carbon, will remain the property of PGR and may be removed during the aforementioned seven-day period. After such seven-day clean-up period, any remaining materials will become the property of BGL; and

(iii) BGL shall have the right to monitor all clean-up operations conducted by PGR after Decommissioning. Physical clean-up may be conducted on all machinery and structures within the Plant boundary, provided such cleaning actions are non-destructive, and provided no dismantling or disassembly of any equipment takes place. No cleaning may take place which, in BGL's opinion, will physically alter, degrade or render unserviceable any civil or mechanical structure;

(f) the Alternative Facilities shall be constructed with due regard to the metallurgical flowsheet, capacity and performance of the Plant and their designed overall unit cost per tonne shall not be more than and, recovery shall not be less than, those of the Plant;

(g) the Alternative Facilities shall, until the Mining Commencement Date, be and remain the property of BGL and shall be made available to PGR for so long as it needs them without charge; provided that

(i) PGR shall be responsible for maintaining the Alternative Facilities in good repair and operating condition, and (ii) shall not be entitled to modify them without BGL's prior consent, not to be unreasonably withheld;

(h) On the Mining Commencement Date, BGL shall transfer the Alternative Facilities to PGR for a purchase price equal to the difference between (i) the cost of the Alternative Facilities, and (ii) the price paid by PGR or BGL to SGMC for the Plant. The purchase consideration shall be a non-interest bearing demand loan note re-payable on December 31, 2999 secured by a fixed charge over the Alternative Facilities.

(i) for the duration of the period when neither the Plant nor the Alternative Facilities is available for processing ore, BGL will treat ore mined by PGR on a toll processing basis under the terms and conditions set out in Schedule I; and

(j) the parties may agree to continue such toll processing arrangement in lieu of BGL making the Alternative Facilities available.

7.2 JOINT OPERATING AGREEMENT

The parties recognize the need for an agreement ("Joint Operating Agreement") which shall set out the protocols and procedures to be observed by BGL and PGR in the day-to-day operations of their surface and underground mining operations on the Lease Area. In that regard:

(a) the provisions of the Joint Operating Agreement shall include, but not be limited to, safety, communication between the parties, access, disturbances, mitigation of disturbances, air and water ingress to the underground mine from the surface excavations, blasting operations, notification of blasting operations, survey and notification of underground openings, community relations, confidentiality, statements to the media, joint emergency response, security operations,

(b) the contents of Schedule B, the Joint Operating Agreement, shall form the basis for the parties' discussions and negotiations as to its terms; and

(c) the parties shall prosecute such discussions and negotiations, so that the terms of the Joint Operating Agreement shall have been settled not later than the Second Closing Date.

7.3 MANAGEMENT AGREEMENT

It is further agreed that, so long as BGL is the holder of at least 30% of PGR's outstanding shares, it will be entitled to provide PGR with management services under a management agreement ("Management Agreement"). In that regard:

(a) under the Management Agreement, BGL shall be responsible for the day-to-day management, conduct and control of the operations of PGR, subject to approved work plans and budgets and the direction of the board of directors of PGR; BGL shall have the exclusive right and obligation to execute and carry out all approved work plans and budgets; BGL shall keep adequate records of accounts and operations and will keep the board of directors of PGR advised of all operations by submitting to them monthly progress reports and quarterly financial reports containing technical, financial, commercial and legal information concerning the project; BGL shall ensure that operations are conducted in accordance with (i) the terms and conditions of any applicable mining title and any legislative and regulatory requirements applicable to BGL and its business, and (ii) good mining industry practices, including such requirements as may be applicable to safety, community relations and environmental rehabilitation; and

(b) the Management Agreement shall be in substantially the form attached as Schedule E.

7.4 WORKFORCE

In connection with PGR's workforce, it is agreed that joint consultation and agreement will be required as to:

(a) the timing, extent and implementation of any rationalization, severance or redundancy of the PGR workforce as well as the calculation of the severance benefits; and

(b) the optimal workforce that will be required following the rationalization, the employees to be reemployed and the remuneration benefits of their new engagement, it being understood and agreed that, in the first instance past employees of PGR will be given first preference for any new engagements provided that they have the requisite qualifications, skills, and experience.

7.5 SHAREHOLDERS' AGREEMENT

It is agreed that the relations between the Shareholders as shareholders of PGR and the management of PGR with effect from the Option Closing Date will be governed by the Shareholders' Agreement. BGL will, at the appropriate time having regard to the Option Exercise Date, prepare a draft Shareholders' Agreement which shall form the basis for the required discussions and negotiations, such that the Shareholders' Agreement can be executed on the Option Closing Date.

SECTION 8

OTHER AGREEMENTS

8.1 CONDUCT OF BUSINESS

From the date hereof until the Option Closing Date, PGR shall conduct its operations (including its mining operations) within the Lease Area in the ordinary course of business and, without the prior written consent of BGL, shall not (i) waive, or agree to waive, any right it may have in the Lease Area or the PGR Lease, (ii) sell, dispose of or otherwise transfer any rights it may have in the Lease Area or the PGR Lease (iii) incur liabilities or make expenditures, other than in the ordinary course of business, in an amount individually or in the aggregate in excess of \$10,000, (iv) make, or agree to make, any loan or advance to its shareholder, or any of its officers, directors, employees, consultants, agents or other representatives, or make any other loan or advance of any type whatsoever otherwise than in the ordinary course of business, (v) grant any person a security interest in, suffered the incurrence of any lien upon, or otherwise encumber, the Lease Area or the PGR Lease, or (vi) incur or guarantee any indebtedness for borrowed money or the like and shall notify BGL within three business days after it has knowledge of any actions or proceedings of any type whatsoever that, from the date hereof, are threatened or commenced against PGR or in respect of the Lease Area or the PGR Lease.

8.2 DUE DILIGENCE

Prior to the Option Exercise Date, BGL shall be entitled, through its employees and authorized representatives, to continue its investigation of the Lease Area (including any technical information relating to the Lease Area) and the other assets, properties, business and operations of PGR and to continue its examination of the books, records and financial condition of PGR,

and for this purpose shall have the right to enter the Lease Area. Any such investigation and examination shall be conducted at reasonable times and under reasonable circumstances and PGR and its directors, officers and employees shall cooperate fully therein.

8.3 BUESICHEM

From the date hereof until the Closing Date, BGL shall, subject to any required governmental approvals, have the sole and exclusive working right at its sole cost and risk to enter on and conduct mining operations, on that portion of the Property that is known in Ghana as the Buesichem area (the "Buesichem Area"), the boundaries of which are delineated in red on the plan of the Property attached hereto as Exhibit B to Schedule C, as BGL in its sole and absolute discretion may decide. BGL shall have quiet and exclusive possession of the Buesichem Area from the date of this Agreement until the Closing Date, with, subject to any required governmental approvals, full power and authority to BGL, its servants, agents, workers or contractors, to carry on mining operations in such manner as BGL in its sole and absolute discretion may determine, including the right to erect, bring and install within the Buesichem Area all buildings, plant, machinery, equipment, tools, appliances or supplies as BGL shall deem necessary and proper to prepare the Buesichem Area for mining immediately after the Closing, and the right to remove from the Buesichem Area reasonable quantities of rocks, ores and minerals and to transport them for the purposes of sampling, metallurgical testing and assaying. All mining operations conducted by BGL shall be in accordance with good exploration, development and mining practices recognized in Ghana, and in compliance with the terms of the PGR Lease or any successor or other mineral right then in effect and all applicable laws. In the event that this agreement is terminated for any reason whatsoever prior to the Closing Date, BGL's liability to rehabilitate the Buesichem Area shall be limited to its own activity and any undertakings made in the application for the required governmental approvals. In the event that the termination was for any reason other than a default or breach of the agreement by BGL, then BGL shall make no payment to PGR in respect of any gold mined from the Buesichem area prior to the Closing Date.

8.4 SIGNPOSTING

PGR shall put up signposts (to be provided by BGL) within the Prestea Mining Area, to put on notice any third party, that, as provided for by PNDCL 153, farming and building are not permitted within the Prestea Mining Area, other than with the permission of the lease holder. PGR shall regularly consult with BGL on the actions to be taken within the Prestea Mining Area, including the number and nature of the signposts that are customarily required in Ghana to prevent squatters and other third parties from invading the Prestea Mining Area.

PGR shall, at the Closing Date, provide BGL with the details of any farming, building or small scale mining on the Prestea Mining Area, that has been authorized by PGR during the period from January 1, 1999 through the Closing Date. From the Closing Date, PGR shall not authorize any further farming, building or small-scale mining on the Prestea Mining Area, other than as provided for in the Joint Operating Agreement.

8.5 SHAREHOLDER APPROVAL

PGR shall submit this Agreement and the transactions contemplated hereby to its shareholders on terms whereby the board of directors shall recommend to the shareholders that this Agreement and the transactions contemplated hereby be approved, pursuant to the laws of Ghana. Notice of the approval of the PGR shareholders contemplated in this clause shall be communicated to BGL in writing. PGR shall provide to BGL written evidence of shareholder approval substantially in the form attached as Schedule K.

8.6 NO SOLICITING

PGR shall not, nor shall it permit, any of its subsidiaries or any officer, director, employee or any investment banker, attorney, accountant or other agent retained by PGR or any of its subsidiaries to, initiate or solicit, directly or indirectly, inquiries or the making of any proposal with respect to, or engage in negotiations concerning, provide any confidential information or data to, or have any discussions with, any person relating to, any acquisition, business combination or purchase of all or any significant portion of the assets (including the PGR Lease and the Property) of, or any equity interest in, PGR or its subsidiaries, or otherwise facilitate any effort or attempt to do or seek any of the foregoing. PGR shall notify BGL immediately if any such inquiries or proposals are received by, any such information is requested from, or any such negotiations or discussions are initiated or continued with, PGR.

8.7 COVENANTS

After the Closing Date and until the Option Closing Date, PGR shall not, without the prior written consent of BGL:

- (a) accept any investment in any form whatsoever (including in the form of stock purchases or loans) by its then employees, directly or indirectly, in PGR or in the underground mining operations conducted within the Property;
- (b) issue any securities;
- (c) sell, transfer, convey or assign any assets having a value of more than \$5,000 on an individual basis or \$25,000 in the aggregate;
- (d) incur any debts outside of the ordinary course of business or in excess of \$25,000;
- (e) give, or become a party to or bound by, any guarantee of indebtedness or other obligations of third parties or any other commitment by which PGR may become responsible for such indebtedness or other obligations;
- (f) enter into any new contracts, agreements, leases, obligations, or commitments which are not terminable on 30 days notice without penalty.

8.8 REORGANIZATION

PGR shall use its best commercial efforts to restructure its shareholder holdings so that BGL will be able to exercise the Option, in accordance with its terms, not later than the Option Exercise Date.

8.9 SCOPING STUDY

Subject to the Option being exercised in accordance with its terms, PGR shall prepare and complete the Scoping Study using the \$500,000 of funding provided by the investment by the Investors and/or BGL/GMWU from the subscription for the 10% of the BGL equity, to compile, under BGL's supervision, all the past underground mining records and plans with respect to the Property as the first phase prior to a decision to commence a more detailed feasibility study to assess the longer term potential for a new underground mining development within the Property.

8.10 PUBLIC RELATIONS

BGL and PGR shall jointly cooperate with Barnex and GMWU to communicate with and sensitize the local leaders and opinion makers to the benefits to the local community of the transactions contemplated hereby. BGL and PGR shall jointly issue a written release to the local press explaining the benefits to the local community at Prestea of the transactions contemplated hereby.

8.11 PGR BOARD REPRESENTATIVE

For the duration of the period commencing with the Closing Date and ending on the Option Closing Date, BGL shall be entitled to nominate one member of PGR's board of directors.

8.12 RIGHT OF SET-OFF

(a) BGL shall have the right to deduct from any monies payable to PGR pursuant to Section 5 (b) and Section 6.2 (a) and (b) the sum of any amounts owing to BGL and its affiliates by PGR at the respective payment dates (unless and to the extent that the parties have agreed to rescheduled payment dates).

(b) BGL may deliver to PGR at the Closing Date up to \$500,000 of working capital and spare parts items from the list itemized in Schedule J. The value of the working capital and spare parts delivered shall be deducted from the monies payable to PGR on the Closing Date pursuant to Section 5 (b).

SECTION 9

CONDITIONS PRECEDENT

9.1 CONDITIONS PRECEDENT TO BGL'S OBLIGATIONS AT CLOSING

BGL's obligation to enter into and complete the Closing and, to the extent applicable, complete its exercise of the Option on the Option Closing Date shall be subject, at its option, to the

fulfillment of the following conditions (any of which may be waived in whole or in part by BGL):

- (a) all permits and approvals (including, without limitation, the approval of the Government, the approval of the shareholders of PGR and any applicable regulatory and stock exchange approvals), required for the Closing (which term shall be deemed to mean and refer to the closing provided for on the Closing Date or the closing provided for on the Option Closing Date as the context requires) shall have been obtained;
- (b) PGR shall have set up the Restricted Account as contemplated in Section 5(a);
- (c) the representations and warranties of PGR contained in this Agreement being true and correct on the Closing Date (which term shall be deemed to mean and refer to the Closing Date or the Option Closing Date as the context requires);
- (d) there being no material change in the business, affairs or financial condition of PGR between the date of this Agreement and the Closing Date; the understanding of the parties of the total liabilities and obligations of PGR as at the date of signing of this Agreement being appended as Schedule F;
- (e) receipt of a legal opinion from Ghanaian counsel to PGR dated the Closing Date, together with any required confirmations by the Government substantially in the form attached as Schedule J;
- (f) all consents, permits and approvals from parties to any contracts or other agreements with PGR that may be required in connection with the performance by PGR of its obligations under this Agreement as at the Closing Date shall have been obtained;
- (g) as at the Closing Date, no action, suit, or proceeding involving PGR shall have been instituted before any court or governmental or regulatory body, or instituted or threatened by any governmental or regulatory body, to restrain, modify or prevent the carrying out of the transactions contemplated hereby, or to seek damages or a discovery order in connection with such transactions, or that has or may have a materially adverse effect on the assets, prospects or financial position of PGR;
- (h) all of the covenants and obligations that PGR is required to perform or to comply with pursuant to this Agreement at or prior to the Closing Date (considered collectively) and each of these covenants (considered individually), shall have been performed or complied with in any and all respects;
- (i) BGL and its advisors shall have been provided full access to PGR's accounting and other records, and its personnel, for the purpose of completing a due diligence review of PGR's financial situation at the Closing Date.

(j) the PGR directors and shareholders shall undertake, prior to the Option Exercise Date, in accordance with Section 134 of the Companies Code, to remove its present auditors and to appoint PricewaterhouseCoopers, or such other international firm of accountants agreed in writing by the parties, as auditors to PGR in their place, unless BGL determines, acting reasonably, that PGR's present auditors are recognized internationally as having equivalent stature to PricewaterhouseCoopers;

(k) the Government shall have transferred the Prestea Assets for nominal consideration to PGR;

(l) PGR shall have executed and delivered the transfers and other documents required to comply with the requirements of clauses (b) and (c) of Section 7.1;

(m) the Government shall have agreed, in form and substance satisfactory to BGL in its sole and absolute discretion, to indemnify PGR and its shareholders from and against any and all liabilities and obligations incurred on or before the Closing Date with respect to the Lease Area and any and all pre-existing liabilities and obligations at the Closing Date, other than operating losses;

(n) the Government shall have agreed, in form and substance satisfactory to BGL in its sole and absolute discretion, to indemnify PGR and its shareholders for a period of five years from the Closing Date from and against any and all liabilities with respect to the Lease Area that may not currently comply with BGL's and GSR's internal standards or to the relevant Ghanaian laws and regulations, it being agreed that, during such period, PGR will endeavour through a process of continuous improvement to achieve conformance to the relevant standards, laws and regulations;

(o) The Government shall have granted an Environmental Permit to BGL approving the commencement of mining activities from the area known generally as Buesichem, or waived in writing, in form and substance satisfactory to BGL in its sole and absolute discretion, the application of any and all environmental assessment requirements of any applicable environmental law of Ghana.

(p) the Volta River Authority shall confirm the existence of a pending lawsuit against PGR but shall not have instituted any new lawsuit for the recovery of outstanding electricity charges and will have agreed in writing, in form and substance satisfactory to BGL in its sole and absolute discretion, to relocate at BGL's cost the power lines located on a portion of the Lease Area known as the "Plant/North deposit" to a location acceptable to BGL in its sole and entire discretion;

(q) The Electricity Company of Ghana, the Volta River Authority and/or the Government shall have agreed, in form and substance satisfactory to BGL in its sole and absolute discretion, to make the power supply of any mine located within the Lease Area independent from the power supply of the town of Prestea;

(r) PGR shall have perfected, to the satisfaction of BGL at its sole and absolute discretion, all matters with respect to its formation; annual returns, reports and filings to Government; audited financial statements; and shareholder structure; and

(s) BGL and PGR shall have entered into a non-competition agreement pursuant to which PGR shall agree not to compete with BGL with respect to the acquisition, directly or indirectly, of any interest in Prestea Sankofa, or in that certain mining lease granted on May 12, 1994, by the Government to Prestea Sankofa or any other rights of Prestea Sankofa with respect to the Property.

9.2 CONDITIONS PRECEDENT TO PGR'S OBLIGATIONS AT CLOSING

PGR's obligation to enter into and complete the Closing and, to the extent applicable, complete its exercise of the Option on the Option Closing Date shall be subject, at its option, to the fulfillment of the following conditions (any of which may be waived in whole or in part by PGR):

(a) All permits and approvals (including, without limitation, the approval of the Government, the approval of the shareholders of PGR and any applicable regulatory and stock exchange approvals), required for the Closing (which term shall be deemed to mean and refer to the closing provided for on the Closing Date or the closing provided for on the Option Closing Date as the context requires) shall have been obtained.

(b) The representations and warranties of BGL contained in this Agreement being true and correct on the Closing Date (which term shall be deemed to mean and refer to the Closing Date or the Option Closing Date as the context requires); and

(c) All of the covenants and obligations that PGR is required to perform or to comply with pursuant to this Agreement at or prior to the Closing Date (considered collectively) and each of these covenants (considered individually), shall have been performed or complied with in any and all respects.

SECTION 10

GENERAL

10.1 PUBLIC ANNOUNCEMENTS

Except as and to the extent required by applicable law or stock exchange rules and regulations, without the prior written consent of the other party, neither party will, and each will direct its representatives not to make, directly or indirectly, any public comment, statement or communication with respect to, or otherwise to disclose or to permit the disclosure of the existence of any discussions regarding, a possible transaction between the parties or any of the terms, conditions or other aspects of the transactions provided for in this Agreement. If a party is

required by applicable law or stock exchange rules and regulations to make any such disclosure, it must provide the other party the content of the proposed disclosure, the reasons that such disclosure is required by law, and the time and place that the disclosure will be made as well as a reasonable opportunity to comment on such disclosure. It is however understood and agreed by the parties that, notwithstanding anything to the contrary herein, this transaction will be material to GSR and therefore in accordance with its stock exchange rules and regulations will have to be released. GSR will allow BGL and PGR a reasonable amount of time to review and comment on the content of the release.

10.2 ASSIGNMENT

BGL may assign in whole or in part its rights and obligations under this Agreement to any of its affiliates that are ultimately controlled by GSR. In such event, BGL will remain liable for all its obligations under this Agreement after such assignment as if such assignment had not taken place. Except as provided herein, neither BGL nor PGR may assign any of their rights or obligations hereunder without the prior written consent of the other party, which consent may not be unreasonably withheld.

10.3 APPROVALS

PGR shall use its reasonable commercial efforts to (i) assist BGL in obtaining the approval of any third party to any of the transactions contemplated in this agreement, and the consent of the Government to this Agreement, and (ii) cause the conditions in Section 9 to be satisfied on or before the Closing Date and the Option Closing Date, respectively.

10.4 PROGRESS UPDATES

The parties shall at all times keep each other informed of all its efforts in the implementation of its obligations hereunder.

10.5 TERMINATION

This Agreement may be terminated by notice given at or prior to the Closing Date:

- (a) by either party if the other has committed a material breach of any provision of this Agreement and such breach has not been waived;
- (b) by BGL if any of the conditions precedent to its obligation to complete the Closing has not been satisfied as of the Closing Date or if satisfaction of such condition is or becomes impossible and BGL has not waived such condition on or before the Closing Date;
- (c) by mutual consent;
- (d) by either party, if the other, or its controlling shareholder, becomes insolvent, bankrupted, files a petition seeking to take advantage of any other law relating to

bankruptcy, insolvency, reorganization, or winding-up, makes a general assignment for the benefits of its creditors, or admits in writing its inability to pay its debts as they become due;

(e) by either party, if the Closing has not occurred (other than through the failure of the party seeking to terminate to comply fully with its obligations) on or before the Closing Date; and

(f) by BGL in the event that the written approvals by PGR's directors and shareholders, in the form provided for in Schedule K, shall not have been provided to BGL by 5:00 PM on the fifth business day following the date of the execution of this Agreement.

10.6 REMEDIES

Each party's right of termination is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies. If this Agreement is terminated, all further obligations and liabilities of the parties under this Agreement will terminate, save and except as may be otherwise specified in this Agreement; provided, however, that if this Agreement is terminated by a party because of a breach of the Agreement by the other party or because one or more of the conditions to the terminating party's obligations under this Agreement is not satisfied as a result of the other party's failure to comply with this obligations under this Agreement, the terminating party's right to pursue all legal remedies will survive such termination unimpaired.

10.7 COSTS

Each party will be responsible for and bear all of its own costs and expenses (including, without limitation, any broker's or finder's fees and the expenses of its representatives) incurred at any time in connection with pursuing, negotiating and consummating the transactions contemplated hereby. Each party will indemnify, defend and hold harmless the other against the claims of any brokers or finders claiming by, through or under the indemnifying party.

10.8 PGR INDEMNITY

PGR hereby agrees to indemnify, save and hold harmless BGL, its employees, agents, representatives and shareholders, from and against any and all losses, costs, damages, claims and expenses of any kind, including, without limitation, attorneys' fees and expenses, relating to or arising out of any failure by it to perform its obligations hereunder. This provision shall survive any termination of this Agreement.

10.9 NOTICES

All notices and communications which may be or are required to be given by either party to the other shall be in writing and hand-delivered, sent by fax or sent by internationally recognized air-courier (such as Federal Express or DHL) to the parties, at their following respective addresses, and shall be effective upon receipt:

(a) If to Bogoso Gold Limited:

32 Akosombo Road,
Airport Residential Area,
PO Box 16075, Airport,
Accra
GHANA
Fax. +233 21 777700
Attention: Managing Director

With a copy to:
Golden Star Resources Ltd.
10579 Bradford Road, Suite 103
Littleton, Colorado 80127-4247
USA
Fax. (303) 830-9094

Attention: President

(b) If to Prestea Gold Resources Limited:

PO Box 701,
Accra

GHANA

Fax: 021 665563
Attention: Chairman

10.10 GOVERNING LAW

The formation, interpretation, and performance of this Agreement shall be governed by the laws of the Republic of Ghana.

Any terms or agreements herein which by their nature may or must be performed or occur after termination of this Agreement shall survive such termination.

10.11 DISPUTE RESOLUTION

Any dispute, controversy or claim arising under or in connection with this Agreement, and which cannot be resolved within 60 days of good faith negotiations between the parties, shall be settled by arbitration in accordance with this Section.

Matters subject to arbitration shall be settled by arbitration in accordance with the rules and regulations of the London Court of International Arbitration in effect on the date of this Agreement, which are hereby incorporated by reference into this clause. The place of arbitration

shall be London, England, or such other location agreed upon by the parties. The language of the arbitration shall be English. The arbitration shall be the sole and exclusive forum for resolution of the dispute or controversy and the award shall be final and binding. Any court having jurisdiction may enter judgement thereon.

A party may demand arbitration by delivering a written notice thereof to the other party setting forth a complete, concise statement of the issue (s) in dispute, the amount involved and the remedy requested. The arbitrators shall render a written decision within six months after having been appointed.

Notwithstanding anything herein, the arbitral panel shall have the power to decide any dispute ex aequo et bono, with the objective of deciding such matters fully in accordance with the intent of the parties as indicated by this Agreement. The arbitrator(s) shall have the right to award or include in their award any relief which they deem proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from date due), specific performance, injunctive relief and legal fees and costs in accordance with this Section; provided, however, that the arbitrator(s) shall not have the authority to award exemplary, punitive, consequential or special damages, and each party shall be limited to the recovery of any actual damages sustained by it.

The number of arbitrators shall be three. One arbitrator shall be nominated by each of the parties and shall then agree on the appointment of a third arbitrator, who shall be disinterested in the dispute and shall have no connection with any party. All of the arbitrators shall be persons having experience in the minerals industry. Unless the three arbitrators have been appointed within 30 days after the date on which either party requests the settlement of any dispute by arbitration pursuant to this Section, the London Court of International Arbitration shall appoint the three arbitrators referred to above. The appointing authority may appoint from among nationals of any country, whether or not a Party is a national of that country.

10.12 ENTIRE AGREEMENT

This sets forth the entire agreement between the parties and supersedes all prior understandings and communications between the parties or any of them, oral or written. This Agreement shall inure to the benefit of and be binding on the parties and their respective heirs, executors, administrators, successors and permitted assigns. The parties shall, without further consideration, from time to time execute and deliver further instruments and assurances as may be reasonably required to carry out the terms and intent of this Agreement.

10.13 INVALIDITY

In case any one or more of the provisions of this Agreement or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement and other application thereof will not in any way be affected or impaired thereby.

10.14 COUNTERPARTS

This Agreement may be executed in separate counterparts, each of which shall be deemed to be an original but all of which, taken together, shall constitute one and the same instruments.

10.15 NO THIRD PARTY BENEFITS

Nothing contained in this Agreement shall confer any rights upon any person who, or entity which, is not a party or assignee of a party to this Agreement.

In witness whereof the parties have executed this Agreement as of the date first above written

BOGOSO GOLD LIMITED

By:

Name: Peter Bradford Title: Chairman

By:

Name: Richard Gray Title: Managing Director

PRESTEA GOLD RESOURCES LIMITED

By:

Name: Robert Cole Title: Chairman

By:

Name: Jerome Essilfie Title: Mine Manager

SCHEDULE A

INFRASTRUCTURE MITIGATION PLAN -- INTERIM AGREEMENT

The following list identifies all infrastructure belonging to, used by or to be acquired by PGR within the initial areas to be subject to surface mining south of the Ankobra river. These areas include the proposed excavation area and a surface mining buffer zone (the "Buffer Zone"). For the avoidance of doubt there is no infrastructure belonging to, used by or to be acquired by PGR north of the Ankobra River.

Generally, most infrastructure within the area to actually be excavated would need to be relocated, although it may be possible to mine around some installations, ie dewatering and ventilation raises.

Generally, most infrastructure within the Buffer Zone would be safe to remain in place, but this has been considered on a case by case basis. It is proposed that the majority of mine infrastructure within the Buffer Zone not be relocated except for buildings for which the main purpose is for accommodation or recreation. It is proposed that the majority of non-mine infrastructure within the Buffer Zone be relocated. A significant exception would be the VRA substation.

PLANT NORTH AREA

ITEM	INFRASTRUCTURE	USE	ZONE	MITIGATION
1.	Ankobra Shaft	Downcast & future dewatering from L6	-	Not affected by open pits
2.	North Shaft	Downcast & future fill reclaim from L2-11	*	<ul style="list-style-type: none"> - Current pit design leaves shaft intact. Geotechnical confirmation required. - Ventilation regime unaffected through use of appropriate barricades - Drainage into u/g to be controlled through seals below open pit workings and a sump on Level 6
3.	Power Compressor House	Two compressors, need replacement	*	Relocation agreed -- new site identified] and new structure designed and costed. Outstanding issue is sizing of water cooling tanks, and adequate power supply.
4.	Sankofa Plant-site	Active	[]	Not affected by open pits
5.	Sankofa Tailings Dam	Active containment dam	[]	Not affected by open pits
6.	Prestea Tailings Dam	Active valley fill	[]	Not affected by open pits. PGR to acquire pumps to enable PGR tails to be pumped to an approved tailings

				storage.
7.	Apantoo Shaft.	Not in use -- caved in	*/-	Not material to u/g operation. Will be mined out by open pit.
8.	Plant Mill	Active	*	Investigate further
9.	Prestea Shaft.	Not in use -- caved in	-	Not material to u/g operation. Currently falls outside of the pit perimeter
10.	Workshops & Stores	Active	*	Relocation agreed -- suitable site identified at Central Shaft, but still discussion regarding dimensions.
11.	Slime Sub Station	Active -Main PGR substation	[]	Not affected by open pits
12.	Club House (Senior Staff)	Active	-	Relocation agreed -- potential site identified.
13.	Transport Yard	Vehicle compound and maintenance	*	Relocation agreed
14.	Ropeway Hauling System	Active	*-	Replace following final decision on PGR process plant
15.	Security Barracks	Occupied	[]	Not affected by open pits
16.	Mine Office	Active	-	Not affected by open pits
17.	Provision Stores	Active	[]	Not affected by open pits
18.	Cold Store	Active	[]	Not affected by open pits
19.	Central Shaft	Men & material, 2 compartment, 30ktpm	-	Not affected by open pits
20.	"Job 600" Sub Station	Power to township & Bondaye	-	Not affected by open pits
21.	Residential Areas for PGR	Occupied	*-[]	Some buildings may need relocation, others unaffected by the open pits.
22.	Magazine	Active (below ground)	[]	Not affected by open pits
23.	Magazine area substation	Active	[]	Not affected by open pits
24.	Main Bore Hole Pump House	Process & potable water (3 pumps)	*/-	Not affected by open pits

BETA BOUNDARY AREA

ITEM	INFRASTRUCTURE	USE	ZONE	MITIGATION
25.	South Waste Shaft	Upcast (Main)	[]	Not affected by open pits
26.	Alpha Shaft	Downcast & future ore transport	-	Not affected by open pits
27.	Jnr Staff Residential Area	Occupied	[]	Not affected by open pits
28.	Anfarga township	Occupied	[]	Not affected by open pits
29.	Nakaba Township	Occupied	-	Investigate further
30.	Gamma Shaft	Not in use, future ore transport	*	Investigate further
31.	Beta Shaft	Not in use, collapsed	*	Investigate further
32.	International	Active	-	Investigate further

33.	Wooden bungalows	Occupied	-	Provide alternative bungalows
34.	Boundary Shaft	Downcast	*	Investigate further
35.	Domestic Pump Houses	Township water from river and sumps	-	Replace for goodwill
36.	Junior Staff Quarters (Abrow Gari)	Occupied	[]	Not affected by open pits
37.	Ekotokroo Shaft	Upcast (Main)	-	Investigate further
38.	Magazine	Active, below ground	[]	Not affected by open pits
39.	Main Shaft	Men & material, 2 compartment, capacity?	[]	Not affected by open pits
40.	Main Shaft Substation & Stores	Active	[]	Not affected by open pits
41.	Bondaye Residential Areas	Occupied	[]	Not affected by open pits
42.	New Boundary Shaft (Prestea)	Not in use	[]	Not affected by open pits
43.	Tuapim Shaft	Not in use, future ore transport	[]	Not affected by open pits
44.	A.D.C.@ Central Shaft	Downcast (Main)	[]	Not affected by open pits
45.	Bondaye North Shaft	Downcast	-	Not affected by open pits
46.	"A" Compound'	Occupied	[]	Not affected by open pits

NOTES:

"Downcast" means downcast ventilation,
 "Upcast" means upcast ventilation.

* Inside Pit
 - Inside Buffer Area
 [] Outside Buffer Area

NON-MINE INFRASTRUCTURE

The following list identifies the non-mine infrastructure that may be impacted by surface mining activities and sets out BGL's proposed mitigation action. PGR hereby confirms its agreement with the proposed mitigation measures, and its irrevocable undertaking to (i) support such measures, and (ii) to assist BGL to negotiate the mitigation measures with the relevant authorities and companies and to implement such measures.:

ITEM	INFRASTRUCTURE	OWNER	ZONE	POSSIBLE MITIGATION
1.	VRA High Tension Lines	VRA	*-[]	Relocate
2.	Railway Lines	Ghana Railways	*-[]	Check future use
3.	V.R.A Substation	VRA	[]	Not affected by open pits but add flyrock protection
4.	Performance Laboratories	Private company	*/-	Relocate
5.	Filling Station (Shell)	Private company	-	Relocate
6.	Police Station	Ghana police	-/[]	Not affected by open pits but check

7.	Post Office	Ghana Post	-/[]	Not affected by open pits but check
8.	Hospital	Government	[]	Not affected by open pits
9.	Fire Services	National Fire Service	[]	Not affected by open pits
10.	Labour Office	Dept of Labour	-/[]	Not affected by open pits but check
11.	Residential Areas for Hospital	Government	-/[]	Investigate
12.	Residential Area for Bank Staffs	Private company	[]	Not affected by open pits
13.	Court and Nurses quarters	Government	-/[]	Investigate
14.	Anfarga township	Public	[]	Not affected by open pits
15.	Nakaba Township	Public	-/[]	Investigate

In addition to the specific infrastructure items detailed above, the various roads and services (power, water, sewage, telephone etc) within the surface mining envelope may be affected to various degrees and may need relocation or replacement.

SCHEDULE B

JOINT OPERATING AGREEMENT

1. PARTIES

- Bogoso Gold Limited
- Prestea Gold Resources Limited

2. DEFINITION AND INTERPRETATION

"AFFILIATE" means any legal entity, wherever incorporated or constituted, which directly or indirectly controls, is controlled by, or is under common control with a Party and, for this purpose, "control" means the ownership of or right to exercise control of more than fifty percent (50%) of the voting rights at a general meeting of shareholders or other equivalent constitutional meeting and, through such ownership or right, to elect at least a majority of the Board or other persons with substantially equivalent power to manage and direct the affairs of such legal entity.

"AGREEMENT" means this joint operating agreement and all schedules and instruments in amendment or confirmation of it; "hereof", "hereto", and "hereunder" and similar expressions mean and refer to this Agreement and not to any particular Article, Section, Subsection or other subdivision; "Article", "Section", "Subsection" or other subdivision of this Agreement followed by a number means and refers to the specified Article, Section, Subsection or other subdivision of this Agreement.

"BGL" means Bogoso Gold Limited, registration no. 29,939, a company incorporated according to the laws of the Republic of Ghana.

"BGL LEASE" means the lease dated June 29, 2001 whereby BGL was granted mineral rights in the Lease Area for gold and other associated mineral substances lying and being under the surface to a vertical depth of 150 metres below sea level.

"BUSINESS DAY" means any day other than a Saturday, Sunday or official public holiday in the city of Accra, Ghana or in the city of Denver, U.S.A.

"CHIEF INSPECTOR OF MINES" means the chief inspector of mines appointed from time to time by the Minister in accordance with the Minerals and Mining Law, 1986, as amended.

"Control" means (i) in relation to a Person that is a corporation or company, the ownership, directly or indirectly, together with Associates and Affiliates, of Voting Securities of such Person carrying more than 50% of the voting rights attaching to all Voting Securities of the corporation or company and which are sufficient, if exercised, to elect a majority of its board of directors; (ii) in relation to a Person that is a partnership, limited partnership, business trust or other similar entity, the ownership, directly or indirectly, together with Associates and Affiliates, of Voting Securities entitling such holders to exercise control and direction over the activities of such entity; and (iii) in relation to a Person that is a family trust or other similar entity, trusteeships or ownership, directly or indirectly, of legal or beneficial interests entitling the holders thereof to exercise control and direction over the activities of such Person "Controls" and "Controlled" shall have similar meanings.

"DOLLARS" OR "\$" means the currency which is, from time to time, legal tender for the payment of all private and public debts in the United States of America.

"EFFECTIVE DATE" means _____ 2001.

"FINANCIAL YEAR" means a period of twelve (12) months ending on December 31 or such other date as may be determined by the Parties from time to time.

"FORCE MAJEURE" means any cause, whether foreseeable or unforeseeable, beyond a party's reasonable control, including, without limitation, labour disputes (however arising and whether or not employee demands are reasonable or within the power of such party to grant); acts of God; laws, regulations, orders, proclamations, instructions or requests of any government or governmental entity; judgments or orders of any court; inability to obtain on reasonably acceptable terms any public or private license, permit or other authorization; curtailment or suspension of activities to remedy or avoid an actual or alleged, present or prospective violation of federal, state or local environmental standards; acts of war or conditions arising out of or attributable to war, whether declared or undeclared; riot, civil strife, insurrection or rebellion; fire, explosion, earthquake, storm, flood, sinkholes, drought or other adverse weather condition; delay or failure by suppliers or transporters of materials, parts, supplies, services or equipment; contractor' or subcontractors' shortage of, or inability to obtain, labour, transportation, materials, machinery, equipment, supplies, utilities or services; accidents; breakdown of equipment, machinery or facilities; or any other cause whether similar or dissimilar to the foregoing.

"GOVERNMENT" means the duly constituted government of the Republic of Ghana or any political subdivision thereof, as recognized from time to time by the United States of America, whether federal, state, local or foreign, or any judicial body, agency or instrumentality of any such government or political subdivision.

"GMWU" means Ghana Mineworkers Union of the TUC (Ghana).

"LEASE AREA" means the area described in Schedule A with respect to which PGR has an underground mining lease and BGL has a surface mining lease as provided in the PGR Lease and the BGL Lease, respectively.

"MANAGEMENT AGREEMENT" means the management agreement between BGL and PGR dated _____, 2001.

"MANAGEMENT COMMITTEE" means the management committee as described in Section 4.

"PARTIES" means, collectively, BGL and PGR and "Party" means any one of them.

"PERSON" means an individual, partnership, corporation, trust, unincorporated association, joint venture, governmental entity or other entity or other entity, and pronouns have a similarly extended meaning.

"PGR" means Prestea Gold Resources Limited a company incorporated according to the laws of the Republic of Ghana.

"PGR LEASE" means the lease dated June 29, 2001 whereby PGR was granted mineral rights in the Lease Area for gold and other associated mineral substances lying and being under the surface below a vertical depth of 150 metres below sea level.

"SHAREHOLDERS AGREEMENT" means the shareholders agreement relating to PGR between BGL, GMWU, the Investors, BGL on behalf of the Trust and Government dated _____, 2001.

"THIS AGREEMENT" means this agreement together with the schedules and annexures hereto.

INTERPRETATION

- Any reference in this Agreement to gender shall include all genders, and words importing the singular number only shall include the plural and vice versa.

- The division of this Agreement into Articles, Sections, Subsections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or interpretation of this Agreement.

- Any Article, Section, Subsection or other subdivision of this Agreement or any other provision of this Agreement which is, or becomes, illegal, invalid or unenforceable shall be severed from this Agreement and be ineffective only to the extent of such illegality, invalidity or unenforceability and shall not affect or impair the remaining provisions hereof.

- This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.

- This Agreement may only be amended, modified or supplemented by a written agreement signed by all of the Parties.

- No waiver of any of the provisions of this Agreement by any Party shall be deemed to constitute a waiver of such provision by any other Party or a waiver by such Party of any other provision, (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing duly executed by the Party to be bound thereby.

- Where the word "including" or "includes" is used in this Agreement it means "including (or includes) and without limitation".

- Any references herein to any law, by-law, rule, regulation, order or act of any government, governmental body or other regulatory body shall be construed as a reference thereto as enacted at the date hereof as such law, by-law, rule, regulation, order or act may be amended, re-enacted or superseded from time to time.

- In this Agreement, unless the context otherwise requires, any reference to a transfer of securities, Shares or Voting Securities of a Person shall include any agreement, arrangement or understanding by which legal title to or beneficial ownership of such securities passes from one Person to another Person, or to the same Person in a different legal capacity, whether or not for value, and a transfer shall include any sale, assignment, gift, exchange or conversion of such securities, or the granting of any security interest, lien, pledge, mortgage, hypothecation or charge in or to such securities.

3. SCOPE OF AGREEMENT

- This Agreement sets out the protocols and procedures to be observed by BGL and PGR in the day-to-day operations of the surface and underground mining operations on the Lease Area. The Agreement shall include, but not be limited to, safety, communication between the parties, access, disturbances, mitigation of disturbances, air and water ingress to the underground mine from the surface excavations, blasting operations, notification of blasting operations, survey and notification of underground openings, community relations, confidentiality, statements to the media, joint emergency response, security operations, etc.

- The Agreement does not constitute a commercial arrangement between the Parties and only deals with how the Parties will cooperate to ensure that their individual operations and activities on the Lease Area will have minimal impact on the operations and activities of the other Party.

4. CONSULTATION AND COOPERATION

- The Parties will form a Management Committee.

- The Management Committee shall be comprised of an equal number of members, but no more than ten (10), from BGL and PGR.

- The Chairmanship of the Management Committee shall alternate between BGL and PGR. BGL shall chair the first meeting, then PGR shall chair the second meeting and so on.

- The Management Committee shall meet as often as required but at least monthly.

- The Management Committee will consider and decide on issues that affect the operations and activities of both BGL and PGR.

- Issues will be decided by mutual agreement between the parties.

- Undecided or unresolved issues will be deferred for further investigation by the Parties and consideration by the Management Committee.

- Any unresolved issue or disputed issue will be resolved by arbitration as set out in Clause 8.

- Minutes of all meetings of the Management Committee shall be recorded and then approved by the Parties at the next meeting of the Management Committee.

5. MINING PLANS

- The Parties shall provide documented mining plans and schedules for each Financial Year to the other Party no later than 30 days prior to the commencement of the Financial Year.

- The Parties shall provide a detailed mining plan and schedule to the other Party for each Month no later than seven days prior to the commencement of each Month.

- No Party shall not deviate from any published mining plan or schedule without first having given the other Party ten days notice of its intentions to do so.

- No Party shall conduct any mining operations or activities within 20 metres of the 150 Metre Depth without first having presented a Feasibility Study on the activity to the other Party and the Chief Inspector of Mines, and received their written Agreement to do so.

6. SYSTEMS AND PROCEDURES

- The Parties shall establish systems and procedures to control their operations and activities.
- The systems and procedures shall deal with blast times, blast monitoring, sharing of survey information, surface mining near voids, storm water control, dewatering, surface access and control, development of infrastructure by the Parties, on the Lease Area, authorisations to third parties to work or develop infrastructure on the Lease Area.

7. DEFAULT

- A Party shall be in default under this Agreement if, at any time (a) such Party is in breach of any of its material obligations under this Agreement and which continues for seven (7) days after notice by the other Party specifying such breach; (b) bankruptcy, insolvency, etc.

8. DISPUTE RESOLUTION

- Any dispute, controversy or claim arising under or in connection with this Agreement, and which cannot be resolved within sixty (60) days of attempted negotiations between the Parties, shall be settled by arbitration in accordance with this section.
- Matters subject to arbitration shall be settled by arbitration in accordance with the rules and regulations of the London Court of International Arbitration in effect on the date of this agreement.
- The place of arbitration shall be London England or such other place as the parties may agree.
- The language of the arbitration shall be English.
- The arbitration shall be the sole and exclusive forum for resolution of the dispute or controversy and the award shall be final and binding.
- A Party may demand arbitration by delivering a written notice thereof to the other Party setting forth a complete, concise statement of the issue(s) in dispute, the amount involved and the remedy requested.
- The arbitrators shall render a written decision within six months after having been appointed.
- Notwithstanding anything herein, the arbitral panel shall have the power to decide any dispute ex aequo et bono, with the objective of deciding such matters fully in accordance with the intent of the Parties as indicated by this Agreement.

- The arbitrators shall have the right to award or include in their award any relief which they deem proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from date due), specific performance, injunctive relief and legal fees and costs in accordance with this section.
- The arbitrators shall not have the authority to award exemplary, punitive, consequential or special damages and each Party shall be limited to the recovery of any actual damages sustained by it.
- The number of arbitrators shall be three. One arbitrator shall be nominated by each of the Parties and shall then agree on the appointment of a third arbitrator, who shall be disinterested in the dispute and shall have no connection with any party.
- All arbitrators shall be persons having relevant experience in the minerals industry.
- Unless the three arbitrators have been appointed within thirty (30) days after the date on which either Party requests the settlement of any dispute by arbitration pursuant to this Section, the London court of International Arbitration shall appoint the three arbitrators referred to above. The appointing authority may appoint from among nationals of any country, whether or not a Party is a national of that country.

9. GENERAL

- The interpretation and performance of the Agreement shall be governed by the laws of the Republic of Ghana.
- The Party's obligations will be suspended for the duration of a Force Majeure event.
- The Parties will be obligated to treat in confidence information about the other's business, assets and affairs disclosed to them for the purposes of the Agreement, and typical remedies will be included for breach.
- All Notices shall be in writing and may be given by being delivered or sent by facsimile or mail to the authorized address of the Parties.

10. SHAREHOLDER WARRANTIES

- Each of the Parties represents and warrants to each other that it has the capacity to enter into and perform this agreement and all the obligations contemplated herein and that all corporate and other actions required to authorize it to enter into and perform this Agreement have been properly taken.
- that all of the foregoing representations and warranties will continue to be true and correct during the continuance of the Agreement.

SCHEDULE C

LEASE AREA

EXHIBIT A: PRESTEA MAP (Plant/North to Beta/Boundary)

EXHIBIT B: PRESTEA MAP (Buesichem Area)

EXHIBIT C: PRESTEA LEASE AREA (Area is the same for both the PGR Lease and the BGL Lease)

EXHIBIT D: VERTICAL SECTION SHOWING THE 150 METRE DEPTH

SCHEDULE D

PROFORMA LOAN AGREEMENTS WITH EACH OF GMWU AND THE TRUST

[LETTERHEAD OF BOGOSO GOLD LIMITED]

-, 2001
GMWU/the Trust

Dear Sirs:

Loan Agreement

This letter (the "Loan Agreement") sets out the terms of a US\$- loan (the "Loan") by Bogoso Gold Limited ("BGL") to - (the "Recipient") for the purpose of funding its shareholder capital contribution to Prestea Gold Resources Limited ("PGR"). The terms of the Loan are as follows:

1. The Loan will be disbursed at the Closing of a transaction between PGR and BGL pursuant to an Agreement dated November __, 2001 whereby BGL is exercising its option to purchase shares in PGR subject to the satisfaction of certain conditions precedent for its benefit.
2. The Loan will mature on _____, 20__.
3. The Loan will bear interest at such rate not in excess of ____% as BGL shall specify from time to time by notice to the Recipient.
4. The Loan will be repaid preferentially from the first dividends, or any other proceeds whatsoever, paid to the Recipient by PGR as a distribution or return of capital on the shares held by the Recipient, including the Recipient's share of the proceeds from the winding up or sale of PGR, but will otherwise be non-recourse to the Recipient.
5. While the Loan is outstanding, the Recipient shall not sell, assign, promise, mortgage or in anyway encumber its shareholding in PGR.

If the foregoing correctly sets forth our agreement with respect to the subject matter hereof, please so indicate by executing and returning to the undersigned an executed copy of this Loan Agreement.

SCHEDULE E

MANAGEMENT AGREEMENT

THIS MANAGEMENT SERVICES AGREEMENT made effective as of the ____ day of _____ 200_ between BOGOSO GOLD LIMITED, a company incorporated under the laws of Ghana and having its registered office in Accra, Ghana (hereinafter called "BGL") and PRESTEA GOLD RESOURCES LIMITED, a company incorporated under the laws of Ghana and having its registered office in Accra, Ghana (hereinafter called "PGR").

WHEREAS:

A. BGL is a shareholder of PGR which has interests in a mine and mineral properties located in Ghana, Africa.

B. PGR desires BGL to provide the management services and to formalize an agreement in writing with BGL with respect to such management services.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements contained in this agreement, BGL and PGR agree as follows:

1. DESCRIPTION OF MANAGEMENT SERVICES

During the term of this agreement, BGL shall furnish to PGR the following services as required and requested by PGR:

- (a) general executive services, including without limitation periodic advice and consultation to the Board of Directors and management of PGR concerning general management of the affairs of PGR;
- (b) business planning and development services, including without limitation, assistance in the economic and technical evaluation, acquisition and disposition of assets;
- (c) cash management and investment services including without limitation opening and operating appropriate accounts with banks, brokers and others providing financial and investment services;
- (d) other assistance with accounting and financial services, including without limitation general accounting assistance, aid in preparation of financial statements in accordance with Canadian generally accepted accounting principles, aid in preparation of financial reports, coordination of external audits, performance of internal audits, advising on the application of Canadian generally accepted accounting principles and financial accounting standards and financial planning and budgeting;
- (e) corporate secretary services including without limitation assistance with and the maintenance of corporate records and minutes of meetings and assistance in convening meetings of directors and shareholders;

- (f) governmental relations services including without limitation assisting in the representation of PGR to governmental and other regulatory agencies;
- (g) risk management services including without limitation risk assessment, evaluation of insurance coverage, negotiation with insurance brokers, carriers and underwriters and the processing and administration of insurance claims and including loss prevention services, health and safety advisory services and property risk management and also foreign currency hedging and commodity hedging including the sale of gold and other precious metals and gold and other precious metals derivative products in international markets including negotiating and concluding forward contracts, deferred delivery contracts and option contracts in respect of gold and other precious metals;
- (h) legal and tax services including without limitation regular and periodic advice and consultation with respect to legal and corporate income tax matters related to PGR and the preparation and filing of, and assistance with respect to, federal, provincial, state and local income, property, excise and other tax returns and reports to governmental agencies and regulatory bodies, and negotiation and review of contracts, leases and other legal documents, the management of defense and prosecution of litigation and other legal services furnished by independent counsel and the making of recommendations with respect thereto (it being understood and agreed that the fees and expenses of independent counsel shall remain the expenses of PGR);
- (i) technical geological support services including without limitation research, development and evaluation services pertaining to equipment, processes and techniques related to mining, extractive metallurgy, minerals exploration and evaluation, environmental services (including such services as are necessary or desirable to assist PGR in complying with all environmental laws and regulations applicable to mining related matters), and related health and safety matters, and also including contract negotiation and engineering, technical and financial control for engineering, design, construction and operating contracts;
- (j) human resource and staffing services including without limitation advisory and administration services relating to employee hiring, employee relations, compensation programs, employee benefit programs and personnel and industrial relations matters;
- (k) overseas procurement and logistical services including negotiation of contracts for the acquisition of equipment, supplies and services, the administration of commercial agreements including shipping, invoicing and settlements; and
- (l) such other services as may be required by PGR and which BGL is able and willing to provide including without limitation general administrative services and facilities for telecommunications, transportation coordination, data processing and records management.

2. RECORDS AND COMPENSATION

(a) **DETERMINATION OF COSTS.** Subject to subsection 2(f), BGL shall keep or cause to be kept complete and accurate records in accordance with Canadian generally accepted accounting principles of all costs and expenses incurred by BGL in the performance of BGL's obligations under this agreement. All such records shall be kept so as to be readily susceptible to standard auditing tests. Costs and expenses shall include without limitation all direct costs and expenses incurred by BGL in the performance of such obligations and fully allocated indirect costs and expenses, including salaries and benefits of BGL personnel providing services to BGL under this agreement, based on such reasonable policies and procedures for allocation as may be agreed on by BGL and PGR, provided that salaries and benefits of BGL personnel providing services to PGR under this agreement, other than management services referred to in subsection 2(f), shall be allocated in accordance with subsection 5(b) hereof. Without limiting the generality of the foregoing, it is acknowledged that costs shall include travel and transportation and telecommunication expenses to and from or within Canada, the United States and Ghana, third party services referred to in section 5 herein and, with respect to employees of BGL assigned to work in Ghana, the cost of all benefits paid for or to such employees including overseas allowances and premiums, home leave and vacation allowances, housing, cost of living and environmental allowances, insurance and other expenses incurred by BGL in relation to such employees.

(b) **ACCESS TO RECORDS.** PGR or its duly authorized representative shall have the right, at its expense, during reasonable business hours during the term of this agreement and for one year thereafter to inspect the records and accounts of BGL pertaining hereto and make such audit thereof as PGR may deem necessary. BGL and PGR may from time to time agree upon accounting procedures to eliminate unnecessary detailing of indirect and overhead costs and other matters. BGL shall have the right, at its expense, to free access during PGR's normal business hours to inspect the records and information of PGR for the purpose of calculating the compensation payable to BGL pursuant to this agreement.

(c) **PERMANENTLY ASSIGNED PERSONNEL.** BGL employees who are permanently assigned to work on a full-time basis for and under the direction and control of PGR shall be transferred to PGR's payroll and become employees of PGR if their employment by PGR is permitted under applicable law. PGR and BGL shall cooperate to effect any such permitted transfers.

(d) **REIMBURSEMENT OF COSTS.** Subject as hereinafter provided in subsections 2(e) and (f) in respect of certain costs and certain personnel, PGR agrees to reimburse BGL for all of the costs not otherwise reimbursed or compensated hereunder which BGL incurs in the performance of this agreement.

(e) **PART-TIME ASSIGNMENT TO PGR.** For the services of BGL employees other than management personnel referred to in subsection 2(f) that (i) work part-time on projects or assignments for PGR, or (ii) are assigned full-time on projects or assignments for PGR that are not intended to be permanent assignments, PGR shall pay BGL an amount equal

to 150% of the allocated Salary Costs incurred by BGL in respect of providing the services of such employees. In addition, BGL will be entitled to reimbursement of costs, not being Salary Costs, to which it may be entitled pursuant to subsections 2(a) and 2(d).

(f) **SERVICES BY BGL MANAGEMENT PERSONNEL.** BGL and PGR acknowledge that it will not be practicable for the BGL management personnel who will provide periodic advice and consultation and other general executive services, to maintain detailed records of the amount of time they devote to PGR's affairs relative to BGL's affairs. Accordingly, it is agreed that BGL shall not be obliged to maintain records in respect to such personnel with respect to the amount of time they devote to PGR's affairs relative to BGL's affairs. For the services of said personnel and expenses related to such services, PGR shall pay BGL a fixed management cost/fee of U.S.\$15,000 per month during the term of this agreement.

(g) **SERVICE FEE ON PURCHASES.** In respect of procurement and logistical services including negotiation of contracts for the purchase of equipment, goods, supplies and services (collectively "purchase contracts") made by BGL on behalf of PGR, at PGR's request, and the administration of such purchase contracts, PGR shall pay BGL a one-time fee in respect of each such purchase contract, such fee to be calculated as follows: at each calendar year end, if the aggregate purchase price paid for purchase contracts entered into in such calendar year is equal to or less than U.S.\$3,000,000, BGL shall receive a fee equal to 5% of such aggregate purchase price and, if the aggregate purchase price paid for purchase contracts entered into in such calendar year is greater than U.S.\$3,000,000, BGL shall receive a fee equal to 5% of U.S.\$3,000,000 and 3% of the aggregate purchase price paid for purchase contracts entered into in such calendar year in excess of U.S.\$3,000,000. For purposes of this subsection, "purchase price paid for purchase contracts" means the aggregate price or the value of the consideration payable by the purchaser of the equipment, goods, supplies or services, as the case may be, pursuant to the purchase contract.

(h) **CONTRACT GUARANTEES.** If BGL, at PGR's request, provides or has provided at any time, a financial guarantee in favor of a third party in respect of the payment by PGR of any financial obligation under any contract with a third party, BGL shall be entitled to charge a fee for each year or any portion thereof (on a pro rata basis) that the guarantee remains in effect calculated at the rate of 3% per annum on the aggregate maximum amount of the financial obligation in each year. For the purposes of this provision a year means each consecutive 12-month period during which a financial obligation is guaranteed commencing on the day that BGL's guarantee becomes effective.

(i) **ANNUAL REVIEW.** The provisions of subsections 2(e), (f), (g) and (h), including as to determinations of compensation criteria and categories and amounts payable thereunder, shall be subject to review and renegotiation each year in connection with the preparation of the annual budgets of the parties and the revision agreed upon between the parties shall be effective as of the 1st day of January of such year. The purpose of the revision of this agreement is to ensure that the amounts payable hereunder are neither insufficient or excessive, as the case may be, for either PGR or BGL.

(j) BGL will act in good faith in the determination of the costs and fees charged to PGR under this agreement and shall, among other things, ensure that there is no duplication of such costs and fees.

3. INVOICES AND PAYMENTS

BGL shall submit a detailed invoice each month for costs to be reimbursed and fees and other compensation to which it is entitled in accordance with the preceding provisions of this agreement. Each invoice shall describe in reasonable detail the costs for which reimbursement is sought and the fees or other compensation for which payment is sought, all of which shall be expressed in United States dollars. Payment shall be made by PGR within 30 days after receipt of the invoice in United States dollars at BGL's offices at Bogoso, Accra or at such other place as BGL shall designate by notice to PGR. To the extent it is necessary to secure the consent of any government or governmental agency to any payment to BGL by PGR in United States dollars, PGR agrees to use reasonable efforts to secure such consent but in the event the making of any payment due to BGL in United States dollars is not possible or consent cannot be obtained on a timely basis then BGL at its option may (i) agree to extend the time for payment while reserving its rights under the following subclause (ii), or (ii) take payment in another currency selected by PGR. Upon request of PGR, BGL will prepare and submit an estimate of the costs and/or fees or other compensation of any assistance requested by PGR pursuant to this agreement prior to the rendering thereof.

4. TAXES ON THIS AGREEMENT

PGR shall withhold and pay all registration fees, remittance fees, stamp taxes and similar taxes and charges, if any, in Ghana that are assessed upon this agreement or upon payments made hereunder provided however that PGR shall not be liable for taxes in the nature of income taxes upon the income of BGL in relation to the payment of compensation to BGL in excess of BGL's costs under this agreement.

5. PERSONNEL MATTERS

(a) **QUALIFIED PERSONNEL.** The general executive services described in subsection 1(a) include providing personnel with suitable qualifications and experience. Subject to subsection 2(d), all such executives provided under this agreement will remain employees of BGL and will be eligible to participate in all benefit and bonus plans and programs of BGL. The salaries and other compensation payable for the services of such personnel and contractors will, subject to section 6, be paid by BGL, which will be reimbursed by PGR in accordance with the provisions of sections 2 and 3.

(b) **NON-EXCLUSIVE SERVICES.** PGR acknowledges that BGL is not required to devote its personnel and resources exclusively to or for the benefit of PGR and that there can be no assurance that the services to be provided by BGL will be available at all times and it is acknowledged that as a result of services to be performed for BGL, the personnel of PGR

(who are also employees of BGL) will generally be available to devote only a portion of their time to the business of PGR.

(c) SPECIALISTS. If BGL needs to send a specialist (hereafter a "Specialist") or a team of Specialists (hereafter a "Team") to PGR's premises and mines owned by PGR the following provisions shall apply regardless of whether each such Specialist is a BGL employee or a third party contractor:

(d) The Specialist or the Team shall use his or its own equipment and/or materials or such equipment and/or materials that shall have been supplied by or through BGL, except for any such equipment and/or materials made available to them by PGR for this purpose, as described hereafter.

(e) It is specifically agreed that BGL will retain, under all circumstances, the total control and the absolute right of instruction with respect to all work done by the Specialist or the Team. In this capacity, BGL shall be solely responsible for defining the Specialist's or the Team's tasks and for making all necessary decisions in this regard.

(f) BGL shall keep PGR fully informed of the work progress and program of the Specialist or the Team. PGR, for its part, shall have the right to inform a BGL representative (hereinafter the "Representative"), in writing, of any concerns or observations it may have in this regard from time to time, provided that it shall be understood that BGL will have the sole discretion to deal with any such concerns or observations as it sees fit.

(g) BGL shall give written notice to PGR of the name of the Representative. The Representative will be granted authority to make any decisions with respect to the work progress and program of the Specialist or the Team. The Specialist or the Team shall be, at all times, under the hierarchical and disciplinary control of BGL, as represented on-site by the Representative. PGR shall not, at any time, communicate with the Specialist or the Team directly with respect to any conduct or situation which may possibly give rise to disciplinary action except in cases of emergency or for security reasons.

(h) BGL shall undertake all necessary measures to ensure that the Specialist and Team observes all of PGR's policies with respect to work hours, internal policies and procedures, as well as health and safety measures. PGR shall inform the Representative of any observations on its part of non-compliance with these policies or discrepancies in the enforcement of these policies.

(i) PGR shall provide the Specialist or the Team with access to offices, a secretary, a fax, a telephone, and company vehicle.

(j) It is expressly agreed that, subject to any requirements for PGR to directly pay a third party contractor in accordance with section 6, the Specialist or the Team will remain on BGL's payroll or be otherwise directly compensated by BGL, as the case may be, and PGR will reimburse BGL wages and compensation paid to the Specialist or the Team according to sections 2 and 3.

6. THIRD PARTY SERVICES

If requested by PGR, BGL may, but will not be obligated to, contract for and pay for services, which in BGL's reasonable judgment are customarily and more effectively performed by third parties, such as law firms, engineering firms, consultants, and independent accountants. BGL may, but need not, contract for such services on behalf of PGR as agent for PGR and the costs of such services may be charged directly to and in such case shall be paid by PGR. BGL will retain total control and absolute right of instruction over such third parties in connection with services contracted for the purposes of this agreement regardless of the manner in which their services are contracted. Notwithstanding the foregoing, nothing herein shall preclude PGR from directly retaining outside third party contractors for such purposes as PGR deems appropriate. Nothing herein shall oblige BGL to provide any financial or other guarantees in favor of third parties in respect of any obligations of PGR to third parties.

7. TERM OF THE AGREEMENT

Subject to section 2 i), this agreement shall be for a term of five years commencing _____, and ending _____, provided that this agreement may be earlier terminated by either party upon giving written notice of termination to the other party not less than 180 days prior to the termination date designated in such notice. If such notice is given this agreement shall terminate on the termination date so designated.

8. AUTHORIZATION

PGR represents that PGR's Board of Directors has approved the terms of this agreement.

9. LOSSES AND LIABILITIES

Except as herein otherwise provided, neither party (the "first party") shall be liable to the other party (the "second party") for any losses or liabilities sustained or incurred by the second party, except such losses and liabilities as may result from the first party's gross negligence or willful misconduct or from the willful and intentional breach by the first party of one or more of the provisions of this agreement, and then only to the extent that such losses and liabilities are not covered by the second party's insurance.

Under no circumstances shall either party be liable to the other for indirect or consequential damages. Under no circumstance shall BGL be responsible for any damages, loss, costs or expenses suffered, incurred or sustained by PGR in respect of financial contracts including without limitation contracts with respect to the purchase and/or sale of foreign currency whether losses are the result of exchange rate fluctuations or otherwise, entered into in good faith by BGL on behalf of PGR or otherwise for the purposes of this agreement.

Notwithstanding subsection 9(a) but subject to subsection 9(b), PGR hereby indemnifies and agrees to hold BGL harmless from and against any and all claims, demands, suits, actions, losses, damages and liability of whatsoever nature arising directly or indirectly out of the performance

or purported performance of services or other obligations under this agreement by BGL or its employees, agents or contractors, except only as and to the extent the same arise directly from the gross negligence or willful misconduct of or the willful and intentional breach of this agreement by BGL or its employees or agents. PGR will indemnify BGL as aforesaid in respect of claims by and liability to anyone sustained by BGL by reason of anyone relying on information furnished by or purporting to be furnished by PGR to BGL for the purposes of this agreement. PGR will also bear all risk and will indemnify BGL as aforesaid in respect of claims by and liability to anyone sustained by BGL by reason of BGL, its employees or agents acting or admitting to act on instructions and authorization of PGR or accepted by BGL in good faith as being made with the authority of PGR.

10. FORCE MAJEURE

If BGL is unable, wholly or in part, by reason of any occurrence beyond the reasonable control of BGL, to carry out any obligation under this agreement, the performance of such obligation, to the extent and during the time that it is so affected, shall be suspended. BGL shall notify PGR promptly of such circumstances and exercise due diligence in attempting to perform its obligations. Fees under this agreement shall be reduced proportionally to reflect the non-performance of those services suspended under this provision. BGL shall use its best efforts to reinstate the services suspended under this provision as soon as practicable and to mitigate the adverse effects on PGR of such suspension.

11. CONFIDENTIALITY

BGL shall not, without the prior written consent of PGR, disclose to any third party any information about PGR acquired or developed pursuant to the performance of this agreement, except as provided in subsection 11(b).

The consent required by subsection 11(a) shall not apply to the following disclosure, provided that in cases (ii) and (iii) below that BGL shall use its reasonable best efforts to preserve the confidentiality of such information against further disclosures:

- (a) information disclosed as required by law or the regulations of any stock exchange on which any shares of BGL are listed or as may be required by the regulations or policies of any securities commission or other securities regulatory agency, governmental agency or other authority of competent jurisdiction and the requirements of any court (and BGL shall notify PGR of any such disclosure); or
- (b) information disclosed as necessary for debt or equity financing purposes; or
- (c) information disclosed that BGL acting reasonably deems to be necessary to be disclosed for the proper performance of its obligations under this agreement including without limitation disclosure of information to consultants and other third parties engaged by or assisting BGL in accordance with the terms of this agreement in order to carry out the purposes of this agreement.

12. COMPLIANCE WITH LAW

BGL shall comply, and use its best efforts to ensure compliance by all of its employees, agents and contractors, with all applicable laws, statutes, rules, regulations, orders, and permit and license terms and conditions of all federal, state or provincial, and local governments and governmental agencies, and all applicable orders of courts and administrative tribunals of competent jurisdiction, affecting BGL or the business and operations of PGR managed by BGL.

13. POWER OF PGR

Nothing herein shall affect the overall powers and duties of the Board of Directors and management of PGR to manage the affairs of PGR.

14. ASSIGNMENT

This agreement shall not be assigned in whole or in part by either party without the prior written consent of the other party; provided that this section shall not preclude or restrict BGL from engaging such contractors (subject to the applicable provisions of this agreement) as it deems necessary or prudent to perform in whole or in part any of the services required to be provided by BGL under this agreement.

15. NOTICES

All notices and other communications required or permitted to be given under this agreement shall be in writing and shall be deemed given when actually delivered to an officer of the addressee party; or five days after being deposited in the official mail system of the country of the party giving such notice or other communication, postage pre-paid for air mail delivery, addressed to the addressee party as provided below; or when given by facsimile transmission to the addressee party facsimile number given below and written confirmation of satisfactorily completed transmission is received. The addresses of the parties for purposes of this section 15 are as follows, and either party may change its address or facsimile number by notice given to the other party pursuant to this section 15:

BGL:

Bogoso Gold Limited
32 Akosombo Road,
Airport Residential Area,
PO Box 16075, Airport,
Accra
GHANA
Fax. +233 21 777700
Attention: Managing Director

PGR:

Prestea Gold Resources Limited
PO Box 701,
Accra
GHANA
Fax: 021 665563
Attention: Chairman

16. WAIVER

Any delay or omission or failure to exercise any right or remedy provided in this agreement shall not constitute a waiver of any provision of this agreement and shall not limit any party's right thereafter to enforce any provision or exercise any right.

17. GOVERNING LAW

This agreement shall be deemed to have been made in and shall be governed by and construed in accordance with the laws of Ghana.

18. ASSURANCES

Each of the parties hereto shall sign all documents and do all such things as may be reasonably necessary or desirable to give full effect to this agreement.

19. COUNTERPARTS

This agreement may be executed in two counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date first above written.

BOGOSO GOLD LIMITED

By: _____
Richard Gray
Managing Director

PRESTEA GOLD RESOURCES LIMITED

By: _____
Robert Cole
Chairman

Witness

Witness

SCHEDULE F

PGR LIABILITIES

PGR has delivered to BGL a list of liabilities as at 30 September, 2001 aggregating \$5,976,845.70. It will be obligated to deliver on the Closing Date a revised list showing changes, additions and deletions as of the Closing Date.

SCHEDULE G

SHAREHOLDERS AGREEMENT

1. PARTIES

- Bogoso Gold Limited

- **GMWU**

- Government of Ghana

- Investors

- Prestea Gold Resources Limited

- Trust

2. DEFINITION AND INTERPRETATION

"AFFILIATE" means any legal entity, wherever incorporated or constituted, which directly or indirectly controls, is controlled by, or is under common control with a Shareholder and, for this purpose, "control" means the ownership of or right to exercise control of more than fifty percent (50%) of the voting rights at a general meeting of shareholders or other equivalent constitutional meeting and, through such ownership or right, to elect at least a majority of the Board or other persons with substantially equivalent power to manage and direct the affairs of such legal entity.

"AGREEMENT" means this shareholders' agreement and all schedules and instruments in amendment or confirmation of it; "hereof", "hereto", and "hereunder" and similar expressions mean and refer to this Agreement and not to any particular Article, Section, Subsection or other subdivision; "Article", "Section", "Subsection" or other subdivision of this Agreement followed by a number means and refers to the specified Article, Section, Subsection or other subdivision of this Agreement.

"BGL" means Bogoso Gold Limited, registration no. 29,939, a company incorporated according to the laws of the Republic of Ghana.

"BOARD" means the board of directors of the Company constituted in accordance with the provisions of this Agreement and "DIRECTOR" means any member thereof who has been elected or appointed to the Board in accordance with the provisions of this Agreement.

"BUSINESS DAY" means any day other than a Saturday, Sunday or official public holiday in the city of Accra, Ghana.

"CODE" means the Companies Code 1963 (Act 179).

"COMPANY" means Prestea Gold Resources Limited.

"CONTROL" means (i) in relation to a Person that is a corporation or company, the ownership, directly or indirectly, together with Associates and Affiliates, of Voting Securities of such Person carrying more than 50% of the voting rights attaching to all Voting Securities of the corporation

or company and which are sufficient, if exercised, to elect a majority of its board of directors; (ii) in relation to a Person that is a partnership, limited partnership, business trust or other similar entity, the ownership, directly or indirectly, together with Associates and Affiliates, of Voting Securities entitling such holders to exercise control and direction over the activities of such entity; and (iii) in relation to a Person that is a family trust or other similar entity, trusteeships or ownership, directly or indirectly, of legal or beneficial interests entitling the holders thereof to exercise control and direction over the activities of such Person "Controls" and "Controlled" shall have similar meanings.

"DOLLARS" OR "\$" means the currency which is, from time to time, legal tender for the payment of all private and public debts in the United States of America.

"EFFECTIVE DATE" means _____ 200__.

"FINANCIAL YEAR" means a period of twelve (12) months ending on December 31 or such other date as may be determined by the Board from time to time.

"FISCAL YEAR" means the fiscal period of the Company, which initially shall be the calendar year, as such Fiscal Year may from time to time be changed in accordance with the provisions this Agreement.

"FORCE MAJEURE" means any cause, whether foreseeable or unforeseeable, beyond a party's reasonable control, including, without limitation, labour disputes (however arising and whether or not employee demands are reasonable or within the power of such party to grant); acts of God; laws, regulations, orders, proclamations, instructions or requests of any government or governmental entity; judgments or orders of any court; inability to obtain on reasonably acceptable terms any public or private license, permit or other authorization; curtailment or suspension of activities to remedy or avoid an actual or alleged, present or prospective violation of federal, state or local environmental standards; acts of war or conditions arising out of or attributable to war, whether declared or undeclared; riot, civil strife, insurrection or rebellion; fire, explosion, earthquake, storm, flood, sinkholes, drought or other adverse weather condition; delay or failure by suppliers or transporters of materials, parts, supplies, services or equipment; contractor' or subcontractors' shortage of, or inability to obtain, labour, transportation, materials, machinery, equipment, supplies, utilities or services; accidents; breakdown of equipment, machinery or facilities; or any other cause whether similar or dissimilar to the foregoing.

"GOVERNMENT" means the duly constituted government of the Republic of Ghana or any political subdivision thereof, whether federal, state, local or foreign, or any judicial body, agency or instrumentality of any such government or political subdivision.

"GMWU" means the Ghana Mineworkers Union of TUC (Ghana).

"LEASE AREA" means the area described in Schedule A to the Mining Lease.

"MANAGER" means BGL in its capacity as the manager under the Management Agreement.

"MANAGEMENT AGREEMENT" means the management agreement between BGL and the Company dated _____, 200__.

"REGULATIONS" means the Regulations of the Company in force at the date hereof, as such Regulations may from time to time be amended in accordance with the provisions of this Agreement.

"MINING LEASE" means the lease dated June 29, 2001 whereby the Company was granted mineral rights in the Lease Area for gold and other associated mineral substances lying and being under the surface below a vertical depth of 150 metres below sea level.

"PARTIES" means, collectively, the Company and the Shareholders and "Party" means any one of them.

"PERSON" means an individual, partnership, corporation, trust, unincorporated association, joint venture, governmental entity or other entity or other entity, and pronouns have a similarly extended meaning.

"SHAREHOLDERS" means, collectively, BGL, GMWU, the Investors, BGL on behalf of the Trust, Government and any other Person to whom Shares are transferred in accordance with the provisions of this Agreement.

"SHARES" means the shares in the capital of the Company, as presently constituted.

"TRUST" means the independent non-profit making body established by Deed of Trust dated _____, 200__ that shall be the beneficiary of 10% of the shares of PGR.

"THIS AGREEMENT" means this agreement together with the schedules and annexures hereto.

INTERPRETATION

- Any reference in this Agreement to gender shall include all genders, and words importing the singular number only shall include the plural and vice versa.
- The division of this Agreement into Articles, Sections, Subsections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or interpretation of this Agreement.
- Any Article, Section, Subsection or other subdivision of this Agreement or any other provision of this Agreement which is, or becomes, illegal, invalid or unenforceable shall be severed from this Agreement and be ineffective only to the extent of such illegality, invalidity or unenforceability and shall not affect or impair the remaining provisions hereof.
- This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties.
- This Agreement may only be amended, modified or supplemented by a written agreement signed by all of the Parties.

- No waiver of any of the provisions of this Agreement by any Party shall be deemed to constitute a waiver of such provision by any other Party or a waiver by such Party of any other provision, (whether or not similar), nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing duly executed by the Party to be bound thereby.

- Where the word "including" or "includes" is used in this Agreement it means "including (or includes) and without limitation".

- Any references herein to any law, by-law, rule, regulation, order or act of any government, governmental body or other regulatory body shall be construed as a reference thereto as enacted at the date hereof as such law, by-law, rule, regulation, order of or act may be amended, re-enacted or superseded from time to time.

- In this Agreement, unless the context otherwise requires, any reference to a transfer of securities, Shares or Voting Securities of a Person shall include any agreement, arrangement or understanding by which legal title to or beneficial ownership of such securities passes from one Person to another Person, or to the same Person in a different legal capacity, whether or not for value, and a transfer shall include any sale, assignment, gift, exchange or conversion of such securities, or the granting of any security interest, lien, pledge, mortgage, hypothecation or charge in or to such securities.

3. SHAREHOLDERS' RELATIONSHIP

Effective the date hereof the Shares of the Company are held as follows:

- BGL - Shares
- GMWU - Shares
- BGL in Trust - Shares
- Investors - Shares
- Government - Shares

- Effective the date of this Agreement the relationships among the Shareholders shall be governed by the provisions of this Agreement and by the Memorandum and Articles, it being understood and agreed that, in the event of any inconsistency between the two, the provisions of this Agreement shall prevail.

- This Agreement represents the entire Agreement between the Shareholders relating to the subject matter hereof and supercedes all prior agreements and arrangements between the Shareholders or any of them and their predecessors.

- The Shareholders hereby agree that: (a) they will so act as Shareholders; and (b) they will cause their nominees who are Directors to so act as Directors, as to give effect to the provisions of this Agreement.

- The Trust acknowledges to the other Parties that it has entered into an instrument whereby BGL is irrevocably and unconditionally authorized to vote the Shares beneficially owned by the Trust on all matters on which such shares may be voted.

- This Agreement shall continue in effect so long as there is more than one Shareholder or until the parties agree otherwise in writing.

- During the continuance of this Agreement, none of the Shareholders shall deal with any Shares or any interest therein or transfer or agree to transfer any Shares now or hereafter held

by such Shareholder except in accordance with this Agreement. A purported transfer of any Shares in violation of this Agreement shall not be valid and the Company shall not register, nor permit any transfer agent to register, any such Shares on the securities register of the Company, nor shall any voting rights attaching to or relating to such Shares be exercised, nor shall any purported exercise of such voting rights be valid or effective, nor shall any dividend or distribution be paid or made on such Shares. Each Shareholder who purports to make a transfer of any Shares in violation of this Agreement agrees to donate and hereby donates to the Company all dividends and distributions paid or made on such Shares during the period of such prohibited transfer. The provisions of the immediately preceding sentence are in addition to, and not in lieu of, any other remedies to enforce the provisions of this Agreement.

4. BUSINESS OF THE COMPANY

The business of the Company shall be the operation of an underground mine in accordance with the provisions of the Mining Lease, the Joint Operating Agreement, and Business Plans adopted by the Board from time to time on the recommendations of the Manager.

5. SHARE CAPITAL

CASH CALLS

- Future exploration, development and mining costs for the Company will be funded from cash flow from operations.
- The Parties, other than the Government, may have to contribute additional funds in the form of shareholders loans or additional share subscriptions to the Company or suffer dilution.
- In the event that the rationalizing of the Company's assets and reducing its inventory (by consignment stock agreements) does not provide sufficient working capital: the Shareholders, other than the Government, will support the Company, by undertaking to provide additional funds in proportion to their respective shareholdings at the time the new funds are deemed required by the Board.
- On the basis of an adopted budget, the Company will submit to each Shareholder, other than the Government, prior to the last day of each month, a billing for estimated cash requirements for the next month.
- Within 15 days of receipt of each billing, each Shareholder will be required to advance to the Company its proportionate share, based on its then shareholding, of the estimated amount.

NON-PAYMENT OF CASH CALLS

- The additional working capital is to be provided as shareholder loans will bear interest at LIBOR plus 2%.
- In the event that one or more Shareholders are unable to fund their portion of a cash call made by the Company pursuant to an adopted budget, then the remaining parties may advance the defaulting Shareholders portion.
- The advance made by a non-defaulting Shareholder on behalf of the defaulting party will be treated as a demand note and will bear interest at LIBOR plus 3%.

- The defaulting Shareholder will have sixty (60) days after written notice of default is given to (a) cure the default and either participate in the cash call or reimburse the demand loan made by the non-defaulting Shareholder, or
- (b) dilute as provided below.

DILUTION

- Upon failure to cure the default, the defaulting Shareholder's shareholding will be diluted on a straight line basis in accordance with the standard industry practice as outlined in Rocky Mountain Mineral Law Foundation's Form 5A.

FUNDING BY THIRD PARTY LOANS

- In the event of funding requirements which cannot be funded by cashflow, BGL shall be permitted to arrange debt financing from third parties.
- The Board and Shareholders of the Company shall provide all the necessary approvals required for the establishment of third party loans, including but not limited to the provision of any security over the mining title and assets of the Company and commitment to gold refining, sales and hedging undertakings.

6. BOARD OF DIRECTORS

- The business of the Company shall be conducted by the Board in the best interests of the Company on sound commercial profit-making principles and in accordance with the guidelines, principles and standards agreed and adopted by the Shareholders from time to time, so as to generate the maximum achievable maintainable profits available for distribution to Shareholders.
- The Board will consist of seven directors and seven alternates, of whom three directors and three alternates will be nominated by BGL, two directors and two alternates by GMWU, and one director and one alternate by each of the Investors and the Government of Ghana.
- Directors' fees commensurate with the custom and practice of Ghana will be paid to any Directors that are not full time employees of the Company, BGL or its affiliates.
- Any reasonable expenses incurred by the Directors in performing their responsibilities and attending meetings will be paid by or reimbursed by the Company, upon presentation of appropriate documentation.

BOARD MEETINGS AND VOTING

- Meetings will be held in Ghana.
- The Chairman will be appointed by BGL and will have a casting vote in the event of a tie on any resolution.
- Directors may be represented by alternates or substitutes to the extent allowed by Ghana law.
- A quorum will be four directors (including those represented by alternates or substitutes) of whom at least one is a BGL nominee and one is a GMWU nominee. If at any meeting a quorum shall not be present by reason only of the fact that the nominees are absent, then, the meeting shall stand adjourned to the same day and time three weeks later and at that meeting the quorum requirements shall be any two directors.

DECISIONS OF DIRECTORS

- A decision of the Board must be approved either by a resolution passed by the affirmative vote of not less than that number of directors present and constituting a quorum at a meeting of directors duly called or by an instrument signed by all the directors.
- The Board has the authority to deal with everything except items specifically required by Ghanaian law to be dealt with by the Shareholders and except any decision to suspend, significantly curtail or cease operations.
- No resolution will be effective unless it has been passed by the affirmative vote of at least one nominee of BGL and one nominee of GMWU.

PROCEEDINGS AND MINUTES OF BOARD

- The Secretary of the Company shall keep minutes of each meeting and shall provide a copy of such minutes in draft form to each Director and alternate or substitute in attendance as soon as practicable but in any event no later than fourteen (14) days after each meeting.
- Following receipt of draft minutes of any meeting, Directors and alternates or substitutes who were in attendance shall provide to the Secretary within a further period of ten (10) days a copy of the draft marked to show suggested additions, revisions and deletions to the draft minutes. The Secretary shall then circulate a revised draft reflecting such suggestions. A Director or substitute in attendance who fails to provide a draft showing suggested additions, revisions and deletions within such a time period shall be deemed to have approved the minutes in the form circulated by the Secretary. At the next following Board meeting the draft minutes shall be discussed by the Board in light of all suggested additions, revisions and deletions following which the Secretary shall prepare and circulate revised minutes reflecting the results of the Board Discussion.
- Within ten (10) days following such Board meeting the Secretary shall provide a copy of the final text of such minutes to each director and alternate and substitute. If no further comments are received by the expiry of a further period of ten (10) days the minutes as so provided by the secretary shall be deemed to have been approved by the Board and shall be signed. If further comments are received prior to the expiry of such a period, the minutes shall be discussed and finalized by Majority Decision at the next Board meeting, following which they shall again be circulated and finalized in accordance with the procedures set out in the immediately preceding sentence. Pending finalization the Company shall be entitled, unless the Board by Majority Decision in any specific case resolves otherwise, to conduct its business on the assumption that Board decisions included in draft minutes provided to each Director and alternate by the Secretary have been made as set out in the draft minutes.

BOARD COMMITTEES

- The Board will have such committees as is determined by Board resolution.

7. SHAREHOLDERS AND VOTING

- Shareholders meetings shall be held annually for the purposes of appointing the Board and transacting the other business; and at such other times as may be required to transact any other business.

- A quorum for a meeting of Shareholders shall be at least two individuals present in person and holding or representing by valid proxy not less than 25% of the outstanding Shares.
- All matters requiring shareholder approval shall be approved by a majority of the votes cast at a meeting or by a written resolution signed by Shareholders holding 50% of the Shares, subject to any higher percentage required by the Code for specific items.
- Any decision to suspend, significantly curtail or cease operations will require the affirmative vote of holders of not less than 70% of the Shares.

8. MANAGEMENT

- The Company will have a Chairman who will be the nominee of BGL.
- The Company will have a Managing Director and a Secretary who will each have such duties and responsibilities as are determined by the Board.
- Day to day management shall be performed by the Manager, who, as long as BGL owns at least 30% of the Shares, will be BGL, in accordance with the Management Agreement.

9. FINANCIAL

- The Company shall maintain proper company and accounting records and shall cause monthly and annual financial statements to be prepared in accordance with generally accepted accounting principles.
- PricewaterhouseCoopers, or such other internationally recognized firm of accountants agreed in writing between the Parties, shall be auditors of the Company.
- Budgets shall be approved annually based on draft budgets presented by the Managing Director.
- Prior to the commencement of each Financial Year, the Company will send to the Directors draft Budgets for each category of activity to be undertaken by the Company in such Financial Year.
- The draft budget will be circulated to the Board for consideration, to be approved annually no later than 30 days after the commencement of each year.

10. RESTRICTION ON TRANSFER

- No Share transfers will permitted except as provided in this Agreement.
- Neither the GMWU nor the Trust may transfer any of their respective Shares so long as either of them is indebted to BGL in respect of any portion of the subscription price.
- BGL will be entitled to transfer its Shares to any Affiliate or third party who agrees to be bound by the terms of this Agreement.
- The Investors will be permitted to transfer Shares amongst themselves or to Affiliates who agree to be bound by the terms of this Agreement.
- No Shareholder will be entitled to pledge its Shares unless the pledgee agrees to be bound by the terms of this Agreement.

- Subject to the foregoing, a Shareholder wishing and entitled transfer any of its Shares must first offer its Shares to the other Shareholders (except the Government), on a pro rata basis, at the same price and on the same terms on which they would sell them to a third party.

- If Shareholders holding in the aggregate of not less than -% of the outstanding Shares wish to sell all of their shares to a third party, the remaining Shareholders (except the Government) may be required by such selling Shareholders to sell their shares to such third party on the same terms and conditions under which that party is purchasing the Shares from the selling Shareholders.

11. DEFAULT

- A Shareholder shall be in default under this agreement if, at any time (a) such Shareholder is in breach of any of its material obligations under this Agreement and which continues for seven (7) days after notice by the Company specifying such breach given to all Shareholders; (b) bankruptcy, insolvency

- Non defaulting Shareholders may acquire the defaulting Shareholder's shares for their fair market value.

12. DISPUTE RESOLUTION

- Any dispute, controversy or claim arising under or in connection with this Agreement, and which cannot be resolved within sixty (60) days of attempted negotiations between the Parties, shall be settled by arbitration in accordance with this section.

- Matters subject to arbitration shall be settled by arbitration in accordance with the rules and regulations of the London Court of International Arbitration in effect on the date of this agreement.

- The place of arbitration shall be London England.

- The language of the arbitration shall be English.

- The arbitration shall be the sole and exclusive forum for resolution of the dispute or controversy and the award shall be final and binding.

- A Party may demand arbitration by delivering a written notice thereof to the other Party setting forth a complete, concise statement of the issue(s) in dispute, the amount involved and the remedy requested.

- The arbitrators shall render a written decision within six months after having been appointed.

- Notwithstanding anything herein, the arbitral panel shall have the power to decide any dispute ex aequo et bono, with the objective of deciding such matters fully in accordance with the intent of the Parties as indicated by this Agreement.

- The arbitrator(s) shall have the right to award or include in their award any relief which they deem proper in the circumstances, including, without limitation, money damages (with interest on unpaid amounts from date due), specific performance, injunctive relief and legal fees and costs in accordance with this section.

- The arbitrator(s) shall not have the authority to award exemplary, punitive, consequential or special damages and each Party shall be limited to the recovery of any actual damages sustained by it.

- The number of arbitrators shall be three. One arbitrator shall be nominated by each of the Parties and shall then agree on the appointment of a third arbitrator, who shall be disinterested in the dispute and shall have no connection with any party.
- All arbitrators shall be persons having experience in the minerals industry
- Unless the three arbitrators have been appointed within thirty (30) days after the date on which either Party requests the settlement of any dispute by arbitration pursuant to this Section, the London court of International Arbitration shall appoint the three arbitrators referred to above. The appointing authority may appoint from among nationals of any country, whether or not a Party is a national of that country.

13. GENERAL

- The interpretation and performance of the Agreement shall be governed by the laws of the Republic of Ghana.
- The Party's obligations will be suspended for the duration of a Force Majeure event.
- Confidentiality and non-disclosure obligations.
- All Notices shall be in writing and may be given by being delivered or sent by facsimile or mail to the authorized address of the Shareholder and the Company.

14. SHAREHOLDER WARRANTIES

- Each of the Shareholders represents and warrants to each other Shareholder that it has the capacity to enter into and perform this agreement and all the obligations contemplated herein and that all corporate and other actions required to authorize it to enter into and perform this Agreement have been properly taken
- that such Shareholder owns beneficially and of record the number of Shares which are expressed to be owned by such Shareholder in the Agreement, that such Shares are not subject to any mortgage, lien, charge, pledge, encumbrance, security interest or adverse claim and that no Person has any rights to become a holder or possessor of any of such Shares or of the certificates representing the same;
- if such Shareholder is an individual, that such Shareholder has the capacity to enter into and give full effect to this Agreement;
- if such Shareholder is a corporation, that it is duly incorporated and validly existing under the laws of its jurisdiction of incorporation and that it has the corporate power and capacity to own its assets and to enter into and perform its obligations under this Agreement;
- if such Shareholder is a trust, partnership or joint venture, that it is duly constituted under the laws which govern it and that it has the power to own its assets and to enter into and perform its obligations under this Agreement;
- that this Agreement has been duly authorized and duly executed and delivered by such Shareholder and constitutes a valid and binding obligation enforceable in accordance with its terms, subject to the usual exceptions as to bankruptcy and the availability of equitable remedies;
- that the execution, delivery and performance of this Agreement does not and will not contravene the provisions of its articles, by-laws, constituting documents or other

organizational documents or the documents by which it was created or established or the provisions of any indenture, agreement or other instrument to which such Shareholder is a party or by which such Shareholder may be bound;

- that all of the foregoing representations and warranties will continue to be true and correct during the continuance of the Agreement.

SCHEDULE H

DETAILED LIST AND COSTING OF WORKING CAPITAL AND SPARE PARTS REQUIREMENTS FOR PGR

BGL has received the list contained in PGR's letter dated 27th October, 2001 detailing requirements for \$500,000.

SCHEDULE I

TOLL PROCESSING AGREEMENT

1. BGL OBLIGATIONS

- to purchase 100% of ore produced by PGR from the PGR Lease Area during the term of the Agreement, which shall be crushed to a closed size set of 10.16 cm. (4 inches) containing more than 3 g/t of gold per ton measured over a period of 24 hours and delivered at a rate greater than 100 tonnes per day for the duration of a 7-day measurement period ("PGR Ore");
- to take delivery of PGR Ore at PGR's Central Shaft headgear bin, title and risk therefore passing to BGL at the point where the PGR Ore discharges from the conveyor known as CV 4 and enters into the cylindrical ropeway bin;
- to intermingle PGR Ore with its own ore and process it in such manner as BGL deems appropriate;
- to provide, maintain, calibrate and operate tonnage measurement and sampling facilities satisfactory to PGR acting reasonably and to maintain and operate such cylindrical ropeway bin and loading facilities as BGL may require;
- to permit PGR and its duly authorized technical representatives unrestricted access to measurement and sampling facilities;
- to perform gold assay either at BGL's facilities or at an independent facility selected by BGL;
- to permit PGR to check at its expense all assayed samples; and
- to pay PGR, as provided under "Payment", for all ounces of fine gold hoisted in PGR Ore.

2. PGR OBLIGATIONS

- to provide 100% of PGR Ore for purchase and treatment by BGL during the term of the Agreement;
- to maintain and operate all ore handling facilities from underground up to and including CV 4;
- to provide BGL's employees and representatives with unrestricted access to the weighing, loading and sampling facilities to carry out their operational, supervisory, maintenance, calibration and security duties; and
- to pay all taxes and royalties on the gold produced from PGR Ore.

3. MEASUREMENT AND ASSAY

- Moisture sampling to determine percentage of dry solids shall be conducted on a shift basis, and total tonnage hoisted shall be adjusted to dry tonnage prior to calculating gold hoisted.
- Dry tonnes hoisted per shift shall be computed against the weighted average of gold grade for the relevant shifts to determine the cumulative ounces of gold hoisted over a seven (7) day period.
- Each sample shall be split into three (3) identical portions of which: the first portion shall be submitted to the BGL laboratory, or an independent laboratory of BGL's choice, for gold analysis; the second portion shall be made available to PGR; and the third portion shall remain in safekeeping for use in disputes.
- Sample analysis shall make use of the Catalyst Cyanide Assaying technique wherein large samples are bottle rolled in Leach WELL catalyst for one hour.
- This laboratory technique is specified in order to eliminate the effects of "free gold scatter and to reduce assay time, thereby allowing faster determination of the PGR Ore grade.
- LeachWELL(TM) 60X shall be used as the catalyst; industry approved procedures shall be employed.
- PGR or BGL may at any time submit a written request to review the assay methodology, which may then be amended accordingly by agreement between the parties.

4. PAYMENT

- Payment for the PGR Ore hoisted in each seven-day period ending at 8:00 AM Monday (the "Measurement Period") shall be made by 5:00 PM on the following Monday.

- Payment shall be calculated as follows:

$$\text{PAYMENT} = \frac{\text{DMT} \times \text{WAG} \times \text{MRF}}{31.1035} * \left[\text{LGF} - \frac{\text{UOC} \times 31.1035}{\text{WAG}} \right]$$

- Where:

(i) PAYMENT is the amount calculated in United States dollars to be paid to PGR on the Monday following each Measurement Period. Payment shall be made in a combination of Ghanaian Cedi and United States dollars, in accordance with the provisions of the Foreign Exchange Retention Agreement entered into between BGL and the Government of Ghana.

(ii) DMT is the number of dry metric tonnes of PGR Ore hoisted during the Measurement Period.

- (iii) WAG is the weighted average grade in grams per tonne of the PGR Ore hoisted during the Measurement Period.
- (iv) MRF is the metallurgical recovery percentage factor for the PGR Ore, which is agreed to be 81%. PGR or BGL may at any time submit a written request to review the MRF, which may then be amended accordingly by agreement between the parties.
- (v) 31.1035 is the number of grams in each troy ounce.
- (vi) LGF is the London PM Gold Fix by the LME in United States dollars per troy ounce of gold on the Wednesday immediately following the Measurement Period.
- (vii) UOC is the Unit Operating Cost, which is estimated to be \$17.80 per tonne of PGR Ore, based on the PGR published production and cost figures for the period January 2000 to August 2001 and subject to final agreement between the parties. The UOC will be subject to a rise and fall formula based on the input cost of key variables to be agreed between the parties.

- For the duration of any period (other than a force majeure period which would have affected the PGR plant) during which BGL is unable to transport or treat PGR Ore, BGL shall be obligated to purchase all PGR Ore produced by PGR and make payments to PGR as if such PGR Ore had been transported and treated by BGL in accordance with the provisions of the Agreement. For greater certainty, BGL shall be responsible for all additional costs incurred during such period.

5. EXCLUSIONS

- BGL shall not be obligated to treat or pay for PGR Ore hoisted, which otherwise complies with the requirements for PGR Ore as defined above but whose weighted average assay return is less than 3 g/t for a seven-day period.
- Where the weighted average assay return for any 24-hour period is less than 3 g/t, BGL may, having taken reasonable steps to inform PGR thereof, stockpile all PGR Ore at an area close to Central Shaft designated by PGR, until such time as the weighted average assay return is once again more than 3 g/t.
- Title and risk of PGR Ore so stockpiled shall return to PGR. In the event that BGL subsequently agrees to accept such stockpiled ore, title and risk shall be assumed by BGL once the ore has been reloaded;
- All costs incurred in stockpiling such ore as well as any rehandling, will be for PGR's account and may be offset by BGL from any future payments due to PGR.
- BGL shall not be obligated to, pay for or treat PGR Ore hoisted, whose total metric tonnage is less than 700 tonnes for a seven-day period.

6. DISPUTES

- In the event that the independent laboratory assays for a 24-hour period differ by more than 10% from those of the BGL laboratories, either party will have the right to declare a dispute.
- In the event that a continuous difference between the two laboratories is observed of greater than 5% over a seven-day period, either party will have the right to declare a dispute.
- In the event of a dispute being declared, the third "dispute sample" shall be submitted to a mutually acceptable third laboratory for independent analysis. The assay return from this analysis shall be accepted by both parties without reservation or right of appeal.
- The party declaring the dispute shall pay for the third party assay costs.
- Payment of the disputed amount shall be made based on BGL's calculation and any over or under payment will be deducted or added to the first payment to be made to PGR after the dispute has been resolved.

7. TERM AND TERMINATION

- The agreement will come into effect within 24 hours of the Decommissioning and shall remain in effect unless and until terminated as provided below.
- The Alternative Facility has been provided in accordance with a time schedule to be agreed and subject to acceptance of the Alternative Facility by PGR, which shall not unreasonably be withheld.
- The date of Decommissioning shall be agreed and confirmed by both parties, on not less than 60 days' prior notice. In the event of Decommissioning occurring without a 60-day agreed notification period, the agreement shall commence within 60 days of Decommissioning.
- PGR may suspend treatment of PGR Ore by giving BGL not less than thirty (30) days' written notice thereof.
- In the event PGR is unable to give the required notice, it will reimburse BGL for all reasonable costs incurred to demobilise the weighing, sampling and transportation arrangements.
- For the period of the suspension, PGR will reimburse BGL for all reasonable costs, including, but not limited to, security, transportation standby, care and maintenance, etc.
- PGR may terminate the agreement at any time by giving 30 days' written notice to BGL, whereupon BGL shall be released (1) from all future obligations to purchase or treat PGR Ore and (2) from any obligation to provide an Alternative Facility as defined in the agreement to which this is a Schedule.
- BGL may terminate the agreement at any time by giving 30 days' written notice to PGR, which shall specify that an the Alternative Facility as defined in the agreement is now available, whereupon the agreement shall terminate on the date specified in such notice,

subject only to the acceptance of the Alternative Facility by PGR, which shall not unreasonably be withheld.

- In the event PGR fails to supply PGR Ore or to comply with the requirements of the definition set out above under "BGL Obligations" averaged over a three-month period, BGL shall be entitled to terminate the agreement and be released from its obligations.

- Either party may terminate the agreement upon the bankruptcy or insolvency of the other.

8. OTHER

- Interpretation and performance shall be governed by Ghana law.

- The parties' obligations will be suspended for the duration of a force majeure event.

- Notices will be given in the manner provided for in the Agreement to which this is a schedule.

SCHEDULE J

FORM OF PGR COUNSEL OPINION

November ____, 2001

Bogoso Gold Limited
32 Akosombo Road,
Airport Residential Area,
PO Box 16075, Airport,
Accra
GHANA

Dear Sirs,

AGREEMENT DATED NOVEMBER - , 2001 BETWEEN BOGOSO GOLD LIMITED AND

PRESTEA GOLD RESOURCES LIMITED

We are a firm of legal practitioners duly qualified, licensed and of good standing under the laws of the Republic of Ghana.

We have acted as legal advisors to Prestea Gold Resources Limited (the "Company") in connection with the above-referred Agreement (the "Agreement") and the transactions provided for therein ("Transactions"), including the grant by the Company to Bogoso Gold Limited ("BGL") of an option (the "Option") to acquire shares in the Company:

We have reviewed:

1. the Agreement;
2. the Resolutions of the shareholders of the Company dated November -, 2001 approving the Agreement and the Transactions;
3. the Regulations and minute books of the Company;
4. the approval letter issued by the Ministry of Mines of the Republic of Ghana dated _____, 2001;
5. the approval letters issued by the _____ dated _____, 2001;
6. the mining lease (the "Mining Lease") dated June 29, 2001 between the Government and the Company; and
7. [OTHER DOCUMENTS]

We have considered all such questions of law, examined all such other agreements, documents and instruments, as we have considered necessary for the purpose of rendering the opinions set forth herein. With respect to the various questions of fact material to our opinion, we have relied on the various representations contained in such agreements, documents and instruments.

Capitalized terms and expressions used in this opinion letter have the meanings ascribed to them in the Agreement.

In our examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents. In addition we have assumed: (i) the genuineness of all signatures, (ii) the due authorization, execution and delivery of all documents by the parties thereto other than BGL; and (iii) the due authority of all persons executing such documents.

Based on the foregoing we are of the opinion that:

1. The Company has been duly incorporated, is validly existing under the laws of the Republic of Ghana, is in good standing and is duly qualified to do business in the Republic of Ghana.
2. The Company's authorized capital stock consists of - equity shares of which - have been issued as fully paid and non-assessable shares, made up of - Class "A" shares (the "Class `A' Shares") and - Class "B" shares (the "Class `B' Shares"). There is no material difference between the rights, privileges and restrictions attached to the Class "A" Shares and the Class "B" shares except that only the Government may hold Class "B" Shares and is entitled at all times to hold 10% of the issued and outstanding shares in the capital of the Company for no consideration.
3. The Government is the registered owner of - fully paid and non-assessable Class "B" Shares, representing 10% of the issued and outstanding shares in the capital of BGL.
4. The Ghana Mineworkers Union ("GMWU) is the registered owner of - fully paid and non-assessable Class "A" Shares, representing - % of the issued and outstanding shares in the capital of the Company.
5. All governmental and regulatory consents and approvals required from the Republic of Ghana, the Government or any ministry or other department of the Government (including without limitation the Bank of Ghana and the Ministry of Mines of the Republic of Ghana) required in connection with (i) the Agreement; and (ii) the Transactions, including the Option, have been obtained.
6. The Company has the corporate power and authority to execute and deliver the Agreement and each PGR Document to be delivered on the Closing Date and the Option Closing

Date and to perform its obligations under, and to carry out and consummate all transactions and actions provided for, or contemplated by, the Agreement. All corporate action required on the part of the directors and shareholders of the Company in connection with the Agreement and the Transactions has been taken, and none of the foregoing conflicts with the Regulations of the Company or any other agreement to which it is a party or by which any of its properties or assets is bound.

7. The Agreement is, and each PGR Document delivered or to be delivered on the Closing Date and the Option Closing Date, respectively, will be, the valid and binding obligation of the company enforceable in accordance with its terms.

8. The only registrations and filings in public offices or registries required in connection with the Agreement and the Transactions and their implementation are:

(i) - - -

9. No stamp duty or other taxes or duties are payable in respect of the Agreement or the Transactions except on _____.

10. The Mining Lease grants the Company the exclusive right to work, develop and produce gold in the 95 square kilometer area identified in the Mining Leases (the "Mining Lease Area") including the processing, storing and transportation of ore and materials.

11. The Mining Lease is valid for a period of thirty (30) years and may be extended for a further period subject to the Company giving the Government not less than six (6) months notice of its intention to do so before the expiration of the applicable term.

12. To the best of our knowledge, after reasonable inquiry, the Mining Lease is not subject to any mortgage, charge, encumbrance or other security interest.

13. To the best of our knowledge, after reasonable inquiry, there are no actions, suits, claims or proceedings legal or administrative with respect to the Mining Lease Area in excess of US\$5,000 individually, or US\$50,000 in the aggregate.

Our opinion expressed in paragraph 13 above is qualified to the extent that:

(a) the enforceability of any provision of any _____ may be limited by bankruptcy, insolvency or similar laws of general application affecting the rights of creditors and secured parties generally;

(b) a particular court may refuse to grant certain equitable remedies including specific performance with respect to the provisions of any _____.

Our opinion is limited solely to the laws of the Republic of Ghana in effect on the date hereof and no opinion is expressed herein as to any matters governed by the laws of any other jurisdiction.

This opinion is furnished to you solely in connection with the Agreement and the Transactions and may not be relied upon or described or quoted by any other person, firm or entity other than the addressees without, in each instance, our prior written consent.

Yours sincerely,

SCHEDULE K

PGR SHAREHOLDER APPROVAL

Resolution of the shareholders of PRESTEA GOLD RESOURCES LIMITED (the "Company") passed on November ____, 2001 pursuant to section 174 (1) of the Companies Code.

WHEREAS:

A. The Honourable Minister for Lands, Forestry and Mines by letter (ref: DB-44/124/07) dated March 29, 2001 to the Company, Bogoso Gold Limited ("BGL"), and Prestea Sankofa Gold Limited instructed the same to enter into tripartite negotiations according to terms of reference communicated to the Mediator, John Bentum-Williams by letter (ref: DB-44/124/07) dated March 29, 2001;

B. The Company and BGL entered into a Letter Agreement dated May 21, 2001, which contemplates the entering into of a definitive agreement between them.

C. As contemplated by the Letter Agreement, BGL's 90% shareholder, Golden Star Resources Ltd, entered into an agreement with Barnato Exploration Limited dated June 21, 2001, which was subsequently completed on October 2, 2001, whereby for valuable consideration which has been delivered, Barnex abandoned its claims and rights to what is known as the Prestea Property in Ghana;

D. The Company surrendered its mining lease dated November 1, 2000 to the Government of Ghana ("Government") in return for a new mining lease over the Prestea Property below a depth of 150.37 metres below sea level granted on June 29, 2001;

E. BGL was granted a mining lease over the Prestea Property to a depth of 150.37 metres below sea level on June 29, 2001; and

F. BGL and PGR entered into an Agreement, dated November _____, 2001 (the "Agreement"), complying with the terms of the Letter Agreement

BE IT RESOLVED THAT:

1. The Agreement be and is hereby approved, ratified and confirmed, subject only to the obtaining of the necessary consents and approvals, including but not limited to, the approval of Government.
2. Without limiting the generality of the foregoing, the following specific provisions of this Agreement are hereby approved, ratified and confirmed:

- (i) The adequacy of payment of US\$4.0 million (of which US\$0.5 million has already paid) as consideration for the property and rights conveyed and granted by PGR;
- (ii) The formation of the Trust by BGL and issuance of a 10% shareholding in the Company to the Trust, as contemplated in the Agreement;
- (iii) The offering of 10% shareholding in the Company to individual Ghanaian Investors for US\$0.5 million, which if not subscribed to will be made available to Ghana Mine Workers Union and BGL in equal proportions unless one of the parties does not take up their subscription in which case the other party can take up the whole subscription; and
- (iv) The appointment of PricewaterhouseCoopers as the Auditors of the Company on or before the Option Exercise Date.

3. The officers of the Company be and each of them hereby is, authorised, empowered and directed, in the name of and on behalf of the Company or otherwise, to do and perform (or cause to be done or performed) all acts and things and to execute, deliver and file, or cause to be executed, delivered and filed, any such agreements, documents, payments, applications, instruments, certificates, and undertakings (with such changes or modifications as they may deem advisable or appropriate), and to take such other and further actions, in the name and on behalf of the Company, as they may deem to be proper, necessary, desirable or appropriate to carry out and effectuate the purpose and intent of the foregoing resolutions, to comply/ with the requirements of the agreements approved by the foregoing resolutions, and the authority for the taking of such actions and the making, execution, delivery or filing of such agreements, documents, payments, applications, instruments or certificates shall be conclusively evidenced thereby, and that all acts and things previously done and performed (or caused to be done or performed) in the name of and on behalf of the Company or otherwise prior to the date of these resolutions in connection with the transactions contemplated by the foregoing resolution.

These resolutions may be executed by the Shareholders in as many counterparts as may be necessary, each of which so signed (including those transmitted by electronic facsimile) shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument and notwithstanding the date of execution shall be deemed to bear the date first above written.

Signed: _____

Signed: _____

GHANA MINEWORKERS UNION of the TUC (Ghana)

EXHIBIT 10.3

STRICTLY CONFIDENTIAL

Longueuil, October 25, 2001

GOLDEN STAR RESOURCES LTD.

10579 Bradford Road
Suite 103
Littleton, Colorado 80127
USA

Attention: Mr. Peter Bradford, President and Chief Executive Officer

RE: GUIANA SHIELD TRANSACTIONS

Dear Sirs:

Further to our previous discussions in respect of the mining assets, properties and projects being the subject matter of this letter, Cambior Inc. ("CBJ") is pleased to submit the following proposal for your consideration.

1. OFFER

1.1 CBJ hereby offers (the "OFFER") to enter into, execute and deliver all agreements, deeds of conveyance, transfer forms and any other documents or instruments (collectively, the "TRANSACTION DOCUMENTS") necessary to give effect to the transactions and business arrangements hereinafter described with Golden Star Resources Ltd. ("GOLDEN STAR"):

(a) the purchase by CBJ and/or one or more of its Affiliates (collectively "CAMBIOR") of (i) Golden Star's right, title and interest in and to that certain mineral property located in Suriname and known as Gross Rosebel together with all buildings, fixtures, equipment, machinery, material and other assets located thereon or relating thereto including, without limiting the generality of the foregoing, Golden Star's rights in that certain lease for the office premises described in section 12.6 hereinafter (collectively, the "GROSS ROSEBEL PROJECT"), (ii) its rights under that certain mineral agreement (the "MINERAL AGREEMENT") dated April 7, 1994 with the Republic of Suriname ("SURINAME") and Grasshopper Aluminum Company N.V. ("GRASSALCO") and (iii) its rights under any and all approvals, authorizations, licenses and permits

relating to the Gross Rosebel Project (Golden Star's rights under

(i), (ii) and (iii) above being collectively referred to as the "GROSS ROSEBEL INTEREST"), on the terms and subject to the conditions set forth in article 2 hereof (the "GROSS ROSEBEL TRANSACTION");

(b) the purchase by Cambior of Golden Star's right, title and interest being a 100% interest, in and to those certain mineral exploration properties located in Suriname and known as Headley's Reef and Thunder Mountain together with any related assets (the "HEADLEY - THUNDER MOUNTAIN PROPERTIES"), on the terms and subject to the conditions set forth in article 3 hereof (the "HEADLEY - THUNDER MOUNTAIN TRANSACTION");

(c) the purchase by Cambior of (i) all common shares of OMAI Gold Mines Limited ("OGML") held by Golden Star, and (ii) all Class I Preference Shares of OGML held by Golden Star, on the terms and subject to the conditions set forth in article 4 hereof (the "OMAI TRANSACTION"); and

(d) the sale by Cambior of (i) all of its shares of Societe Miniere Yaou Dorlin S.A.S. ("SMYD"), and (ii) all of its right, title and interest, being a 100% interest, in and to that certain exploration permit known as Bois Canon and located in French Guiana, on the terms and subject to the conditions set forth in article 5 hereof (the "FRENCH GUIANA TRANSACTION").

1.2 The Gross Rosebel Transaction, the Headley - Thunder Mountain Transaction, the OMAI Transaction and the French Guiana Transaction are hereinafter collectively referred to as the "TRANSACTIONS". The Parties hereby undertake to co-operate with a view to completing all Transactions simultaneously. However, notwithstanding any other provision set forth herein, nothing shall prevent the Parties from completing the Gross Rosebel Transaction at Closing (as determined in section 8.1 below) and completing any of the other Transactions at a later date agreed upon by both Parties in writing.

1.3 The Offer is made, and the Transactions shall be completed, in accordance with the provisions and subject to the terms and conditions set forth in this letter (the "LETTER AGREEMENT"). Cambior and Golden Star are hereinafter collectively referred to as the "PARTIES and, individually, a "PARTY".

1.4 In this Letter Agreement, "AFFILIATE" means as to any person, any other person which, directly or indirectly, controls, is controlled by, or is under common control with, such person. For the purposes of this section 1.4, "CONTROL" means:

(a) when applied to the relationship between a person and a body corporate, the beneficial ownership by such person at the relevant time of shares of such body corporate carrying more than 50% of the voting rights exercisable in all circumstances at meetings of shareholders of such body corporate; and

(b) when applied to the relationship between a person and a partnership or joint venture, the beneficial ownership by such person at the relevant time of 50% of the ownership interests of the partnership or joint venture;

and the words "CONTROLLED BY", "CONTROLLING" and similar words have corresponding meanings; provided that a person (the "FIRST-MENTIONED PERSON") who controls a body corporate, partnership or joint venture (the "SECOND-MENTIONED PERSON") shall be deemed to control: (i) a body corporate, partnership or a joint venture (the "THIRD-MENTIONED PERSON") which is controlled by the second-mentioned Person, (ii) a body corporate, partnership or joint venture which is controlled by the third-mentioned Person and (iii) so on. In this section 1.4, "PERSON" means an individual, a partnership, a body corporate, a governmental body, a trustee, any unincorporated organization and the heirs, executors, administrators or other legal representatives of an individual and words importing "PERSON" have similar meaning.

2. GROSS ROSEBEL TRANSACTION

2.1 At Closing (as defined in section 2.2 below), Cambior shall purchase the Gross Rosebel Interest, and Golden Star shall sell the Gross Rosebel Interest, for a consideration (the "PURCHASE PRICE") in an amount equal to the sum of "A" + "B" + "C" + "D" where:

"A" = U.S. \$5,000,000

"B" = U.S. \$1,000,000

"C" = U.S. \$1,000,000

"D" = U.S. \$1,000,000.

Golden Star shall satisfy its obligation under this section 2.1 by:

(a) as from the date of acceptance of the Offer, co-operating with Cambior, to the extent requested by Cambior and using its reasonable best efforts, to establish and incorporate the Operating Company (as such term is defined in the Mineral Agreement and hereinafter referred to as "OPCO"), the outstanding shares of which will be held as to 50% by Golden Star (the "Golden Star Shares") and as to 50% by Cambior; Cambior shall pay all of Opco's establishment and incorporation costs provided that Golden Star shall promptly repay to Cambior 50% of such costs if the Gross Rosebel Transaction is not completed and this Letter Agreement is terminated;

(b) executing, acknowledging and delivering a good and sufficient deed of conveyance providing for the sale, conveyance and transfer of all the Golden Star Shares in favour of Cambior, such deed of conveyance to be in form and substance acceptable to Cambior and suitable for transfer and registration under applicable law;

(c) executing, acknowledging and delivering a good and sufficient deed of conveyance providing for the conveyance and transfer of the Gross Rosebel Project in favour of Opco, such deed of conveyance to be in form and substance acceptable to Cambior and suitable for transfer and registration under applicable law;

(d) making all necessary arrangements to see that Golden Star's employees assigned to the Gross Rosebel Project become Opco's employees;

(e) making all necessary arrangements, including, without limitation, amending the Mineral Agreement, to ensure that Opco replaces Golden Star as a party to the Mineral Agreement; and

(f) signing all such other documents and performing all such other acts as may be necessary or desirable to give full force and effect to the Gross Rosebel Transaction.

The Gross Rosebel Project shall be conveyed and transferred to Opco free and clear of any and all Liens. As used in this Letter Agreement, "LIENS" means any hypothec, mortgage, deed of trust, pledge, security interest, encumbrance, charge of any kind or any other preferential arrangement in the nature of an encumbrance or security interest, including, without limitation, any agreement to give any of the foregoing, any conditional sale or title retention agreement and any lease in the nature thereof.

2.2 The consideration payable pursuant to "A" in section 2.1 above shall be paid by Cambior to Golden Star at the time of closing of the Transactions, as contemplated under section 8.1 hereof (the "CLOSING").

2.3 The consideration payable pursuant to "B" in section 2.1 above shall be paid by Cambior to Golden Star on the earlier of (i) the decision by the board of directors of CBJ to proceed with the development of the Gross Rosebel Project, and (ii) the second anniversary of Closing.

2.4 The consideration payable pursuant to "C" in section 2.1 above shall be paid by Cambior to Golden Star on the earlier of (i) the commencement of commercial production from the Gross Rosebel Project, and (ii) the third anniversary of Closing.

In this Letter Agreement, "COMMENCEMENT OF COMMERCIAL PRODUCTION" means the first day of the first period of 30 consecutive days (excluding days, if any, where mining operations are legally required to be suspended) during which mining operations have been conducted on any parcel of land covered by the Gross Rosebel Project for the purpose of earning revenue, on a reasonably regular basis and whereby saleable products are being produced at a rate of 60% or more of the production rate specified in the most recent feasibility study completed in respect of the Gross Rosebel Project by the processing facilities constructed on or used for the benefit of the Gross Rosebel Project, provided that no period of time during which products produced from any parcel of land covered by the Gross Rosebel Project are processed for testing purposes shall be taken into account in determining the date of commencement of commercial production. In this section 2.4, "PRODUCTS" means all ores, minerals, metals and concentrates and any other mineral resources produced from any of the lands covered by the Gross Rosebel Project.

2.5 The consideration payable pursuant to "D" in section 2.1 above shall be paid by Cambior to Golden Star on the earlier of (i) the first anniversary of commencement of commercial production, and (ii) the fourth anniversary of Closing.

2.6 In addition to receiving the Purchase Price, Golden Star shall be entitled to participate in revenues derived from the Gross Rosebel Project after the commencement of commercial

production thereof (the "PARTICIPATION RIGHT") in such amount, if any, as shall be calculated for any given calendar quarter in accordance with the following formula:

$$\$PR = [(0.2 \times I) \times Qs \times (MP - US \$300)] + [(0.2 \times I) \times Qh \times (MP - US \$350)]$$

where:

$\$PR$ = the amount in U.S. dollar payable to Golden Star in respect of the given quarter pursuant to the Participation Right;

$$I = 0.5 - (0.5 \times GI)$$

where:

GI = the interest (expressed in percentage), if any, in the Gross Rosebel Project which is acquired by Grassalco or any other governmental body of Suriname as per the terms of the Mineral Agreement;

Qs = the quantity of gold, in fine troy ounces, produced from the soft rock (laterite, saprolite and transition materials) portion of the Gross Rosebel Project during the given quarter, less the royalty payable to Suriname or Grassalco;

Qh = the quantity of gold, in fine troy ounces, produced from the hard rock (primary, unweathered material) portion of the Gross Rosebel Project during the given quarter, less the royalty payable to Suriname or Grassalco; and

MP = the market price of gold during the given quarter, being the simple average of the market prices for one (1) fine troy ounce of gold, in U.S. dollars (London Bullion Market, P.M. fix), for all of the trading days during the given quarter.

The amount payable to Golden Star pursuant to the Participation Right shall be paid within 30 days of the end of each calendar quarter. The Participation Right shall be uncapped by either market price or gold production. The Parties hereby agree and covenant to use their reasonable best efforts to see that any and all payments made, if any, under the Participation Right shall be deductible by Cambior or Opco, as applicable, against applicable Suriname taxes.

Notwithstanding any other provision hereof, the Participation Right shall expire, and no further payments shall be required in respect thereof when the cumulative number of ounces of gold produced from the Gross Rosebel Project (" Qs " plus " Qh " in the above formula) as and from the date of commencement of commercial production, whether or not any Participation Right payment shall actually have been required hereunder, shall total 7,000,000 ounces.

2.7 The Parties hereby agree and covenant to terminate, with effect as at the time of Closing, that certain agreement entered into between CBJ and Golden Star as of June 7, 1994 in

respect of the Gross Rosebel Project, together with any and all ancillary agreements between them relating to the subject matter and transactions set forth in said June 7, 1994 agreement, it being acknowledged that neither Party (including any Affiliate thereof) will owe any amount, charge, obligation or liability whatsoever to the other Party by reason of such termination.

2.8 As and from the time of Closing, Cambior shall assume all costs, obligations and liabilities of Golden Star in respect of the Gross Rosebel Project. Without limiting the generality of the foregoing, Opco shall assume all costs, obligations and liabilities in respect of all employees of Golden Star, save and except for Mr. Peter Donald, working at or for the Gross Rosebel Project in respect of services rendered subsequent to the Closing, and excluding salaries in respect of services rendered prior to Closing. All said employees' existing entitlements shall become Opco's responsibility as and from the time of Closing. In this respect, a condition of the Offer will be that:

(a) no material change shall occur or shall have occurred in the composition of the workforce or agreements and other arrangements relating thereto during the Interim Period (as defined in section 6.1 hereof);

(b) Golden Star shall be in substantial compliance at the time of Closing with all laws and regulations relating to employee health and safety, withholdings from employee salaries and other like laws and regulations;

(c) save for any accumulated vacation leave entitlement owing to such employees which shall be assumed by Opco, all pension plans and other like plans providing benefits for such employees shall be fully funded and current in meeting their obligations to such employees as at the time of Closing; Golden Star hereby agrees and covenants to assist Cambior or Opco, as applicable, in respect of the transfer to any of them, of such pension or benefits plans at Closing; if any of such plans cannot be transferred to Cambior or Opco, Golden Star shall ensure that said plans be terminated (or arrangements otherwise made to ultimately achieve the same result) and employees be adequately compensated; in any event, Golden Star shall be liable for all pension or other benefit owed up to Closing and shall indemnify and hold Cambior and Opco harmless should any claim be made by any such employee arising from the termination of any of the aforesaid plans; and

(d) no severance or other like payments to such employees shall be triggered by the Gross Rosebel Transaction at the time of Closing or otherwise.

2.9 The payment by Cambior of the partial consideration included in the Purchase Price and identified as "B", "C" and "D" in section 2.1, as well as any payment, if applicable, of the Participation Right, will be secured by a charge against Cambior's right, title and interest in and to the Gross Rosebel Interest purchased hereunder, and such charge shall rank pari passu with any future charge, if any, securing any future debt facility for the development of the Gross Rosebel Project. However, the Parties hereby acknowledge and agree that CBJ's right, title and interest in and to the Gross Rosebel Project as of the date hereof, is

currently charged in favor of its financial creditors pursuant to a deed of hypothec and shall not be further encumbered under the Gross Rosebel Transaction.

- 2.10 A condition of the Offer will be that (i) the net working capital attributable to the Gross Rosebel Interest as at the time of Closing is equal to U.S. \$0.00 and entails no adjustment whatsoever to the Purchase Price, and (ii) the monthly expenditures for the Gross Rosebel Project during the Interim Period (as defined in section 6.1 below) shall be substantially equivalent to the average monthly expenditures incurred to date in 2001.
- 2.11 At any time subsequent to the Closing, should Cambior elect to abandon or relinquish, in any manner and for any reason whatsoever, its right, title and interest in and to the Gross Rosebel Project ("CAMBIOR'S INTEREST"), it shall notify Golden Star in writing of such election and Golden Star shall then have 30 days to elect to acquire Cambior's Interest on an "as is, where is" basis for a consideration of US \$1.00 payable in cash. In case Golden Star elects to acquire Cambior's Interest, the Parties shall then use their reasonable best efforts to complete such transaction promptly and Cambior's obligations hereunder and under any of the Transaction Documents, including, without limiting the generality of the foregoing, its obligations under sections 2.1 and 2.6, shall cease immediately thereupon. If Golden Star elects not to acquire Cambior's Interest, Cambior shall have no obligation whatsoever to pay any Participation Right or any outstanding portion of the Purchase Price, as and from the date upon which Cambior notifies Golden Star.
- 2.12 At any time subsequent to the Closing, should Cambior lose title or ownership to the Gross Rosebel Project as a result of any action from any governmental body of Suriname, Cambior shall allow Golden Star to participate in any subsequent discussions and negotiations with Suriname with a view to reaching a settlement or obtaining a financial compensation. The Parties hereby agree and covenant that Cambior's obligation to pay any unpaid partial consideration included in the Purchase Price and identified as "B", "C" or "D" in section 2.1 above as well as the Participation Right, if applicable, shall be suspended for so long as the aforesaid discussions and negotiations with Suriname are ongoing. In the case Cambior obtains a financial compensation from Suriname, the Parties shall then negotiate in good faith to determine which portion, if any, of said compensation shall be remitted to Golden Star to pay, in whole or in part, any unpaid partial consideration of the Purchase Price, and to make for the loss of anticipated revenues under the Participation Right, provided that nothing herein shall be construed as requiring Cambior to make any such remittance. For greater certainty, if no compensation is received by Cambior from Suriname, Cambior shall have no obligation whatsoever to pay any Participation Right or any outstanding portion of the Purchase Price, as and from the date upon which Cambior is so advised by Suriname.
- 2.13 If, at any time subsequent to the Closing, Suriname, through Grassalco or any other governmental body, elects to acquire an interest in the Gross Rosebel Project in accordance with the terms of the Mineral Agreement, or in accordance with any terms which Cambior elects in its sole discretion to agree, then:

(a) Cambior shall remit to Golden Star, within 30 days of the completion of such acquisition by Suriname, 50% of the proceeds received from Suriname for said acquisition, by certified cheque, wire transfer or other form of same day funds; for greater certainty, in the event that Cambior agrees to a portion of the payment of such acquisition by Suriname being deferred, Golden Star shall receive 50% of the deferred proceeds within 30 days of the deferred payment date or dates; and

(b) the Purchase Price and, if applicable, the Participation Right shall

be reduced on a pro-rata basis to reflect Cambior's reduced ownership of the Gross Rosebel Project (e.g. if Suriname acquires a 20% interest in the Gross Rosebel Project, the Purchase Price shall be reduced by 20% and the Participation Right to be payable in any quarter, if applicable, shall be 80% of the amount identified as "\$PR" in section 2.6 above.

2.14 In respect of the Gross Rosebel Transaction, Golden Star hereby represents and warrants to Cambior as follows:

- (a) it has, and Cambior shall acquire at Closing, a good and marketable right, title and interest in and to the Gross Rosebel Interest, free and clear of all Liens; and, save with Cambior's knowledge and save for Cambior's possession and control thereof, it has exclusive possession and control over the Gross Rosebel Project;
- (b) it has not, save with Cambior's knowledge, received notice of default under the Mineral Agreement or otherwise;
- (c) save with Cambior's knowledge, it has not performed any act to alienate or encumber the Gross Rosebel Interest since the acquisition thereof by it; nor has it omitted to perform, to the best of its knowledge, any act that would be required to be performed by it to keep the Gross Rosebel Interest in good standing;
- (d) to the best of its knowledge, there is no claim, suit, action, litigation, arbitration or governmental proceeding in progress, pending or threatened against or relating to, or which prevents or which seeks to prevent the completion of the Gross Rosebel Transaction; and
- (e) the provisions of subsection 2.8 (b) shall be true and correct at the latest upon Closing.

2.15 All representations and warranties set forth in section 2.14 shall be in full force and effect as and from the date of acceptance of the Offer and shall survive and remain true and correct up until the time of Closing and for a period of one year thereafter.

3. HEADLEY - THUNDER MOUNTAIN TRANSACTION

3.1 At Closing, Cambior shall purchase the Headley - Thunder Mountain Properties and Golden Star shall sell same, free and clear of any and all Liens, for a cash consideration of US \$1.00 payable to Golden Star at Closing.

3.2 Golden Star shall satisfy its obligation under section 3.1 above by executing, acknowledging and delivering to Cambior a good and sufficient deed of conveyance in form and substance acceptable to Cambior and suitable for transfer and registration under all applicable laws, and by signing all such documents and performing all such other acts as may be necessary or desirable to give effect to such deed of conveyance.

3.3 The Parties hereby agree and covenant to terminate, with effect as at the time of Closing, all of the existing agreements between them with respect to the Headley - Thunder Mountain Properties, it being acknowledged that neither Party (including any Affiliate thereof) will owe no cost, charge, obligation or liability whatsoever to the other Party by reason of such termination.

3.4 Golden Star hereby represents and warrants to Cambior, which representations and warranties shall be true and correct up until the time of Closing and a one-year period thereafter, that:

(a) there is no employee assigned to or working on the Headley - Thunder Mountain Properties; and

(b) it has incurred no cost, obligation or liability to any person in respect of prior activities conducted by it or caused by it to be conducted, in respect of the Headley - Thunder Mountain Properties.

3.5 At any time subsequent to the Closing, should Cambior elect to dispose of, abandon or relinquish the Headley - Thunder Mountain Properties, it shall notify Golden Star in writing of such election and Golden Star shall then have 30 days to elect to acquire the Headley - Thunder Mountain Properties on an "as is, where is" basis for a consideration of US \$1.00 payable in cash. In case Golden Star elects to acquire the Headley - Thunder Mountain Properties, the Parties shall then use their reasonable best efforts to complete such transaction promptly and Cambior's obligations in respect of the Headley - Thunder Mountains Properties hereunder and under any of the Transaction Documents, including, without limitation, its obligations set forth in section 3.7 below, shall cease immediately thereupon.

3.6 The deed of conveyance giving effect to the Headley - Thunder Mountain Transaction shall include, inter alia, representations and warranties customarily made by a seller to a purchaser in transactions similar in nature to the Headley - Thunder Mountain Transaction.

3.7 If, at any time subsequent to the Closing, Cambior brings any portion of the Headley - Thunder Mountain Properties into commercial production, it shall pay to Golden Star, in cash:

(a) US \$500,000 upon the first anniversary of the date of commencement of commercial production; and

(b) US \$500,000 upon the second anniversary of the date of commencement of commercial production.

For greater clarity, nothing in this Letter Agreement shall be construed neither as imposing upon Cambior an obligation to bring a mine into commercial production anywhere on the Headley - Thunder Mountain Properties, nor as a commitment or undertaking on Cambior's part to bring any such mine into commercial production. For further certainty, no amount shall be due and payable to Golden Star (i) for so long as there is no commercial production from the Headley - Thunder Mountain Properties, and
(ii) in the event that Cambior dispose of, abandon or relinquish the Headley - Thunder Mountain Properties without any commercial production having been commenced thereon prior to such disposal, abandonment or relinquishing, provided that Golden Star had the opportunity to exercise its right of first refusal as per the provisions of section 3.5 above and had elected not to, or had failed to exercise same.

4. OMAI TRANSACTION

4.1 At Closing, Cambior shall purchase, and Golden Star shall sell:

(a) 3,000 fully paid and non-assessable Common Shares of OGML, being all of the OGML Common Shares presently held by Golden Star and representing 30% of the total Common Shares outstanding; and

(b) all (100%) of the fully paid and non-assessable Class 1 Preference Shares of OGML presently held by Golden Star, representing 100% of the currently issued and outstanding Class 1 Preference Shares of OGML;

in consideration of the assumption by Cambior of (i) that certain non-interest bearing loan in the principal amount of US \$3,169,230 made to Golden Star by OGML as of December 23, 1998, and (ii) all liabilities associated with OGML including the Omai mine site reclamation and closure obligations.

The Parties hereby acknowledge that, as of September 30, 2001, the outstanding amount owed by Golden Star to OGML under the loan referred to in (i) hereinabove, is US \$903,965.

Cambior's assumption as set forth in (ii) hereinabove, shall be in the form of an assumption, waiver and release instrument satisfactory to Golden Star, acting reasonably, and to be executed at Closing by Cambior, OGML, the Co-operative Republic of Guyana and the Guyana Geology and Mines Commission.

4.2 All shares of OGML to be conveyed and transferred to Cambior pursuant to the OMAI Transaction shall be free and clear of any and all Liens.

4.3 Golden Star shall satisfy its obligation under section 4.1 above by executing, acknowledging and delivering to Cambior a good and sufficient conveyance in form and substance acceptable to Cambior and suitable for transfer and registration under all applicable laws of Guyana, and by signing all such documents and performing all such other acts as may be necessary or desirable to give effect to such conveyance and transfer.

4.4 The Parties hereby agree and covenant to make the necessary arrangements, with effect as at the time of Closing, so that:

(a) OGML's Articles of Association and Memorandum of Association is modified to reflect that Golden Star is no longer a shareholder thereof; and

(b) the Mineral Agreement dated and effective as of August 16, 1991 between the Co-operative Republic of Guyana, the Guyana Geology and Mines Commission, OGML, CBJ and Golden Star, is modified to provide that Golden Star is no longer a party thereto;

it being acknowledged that neither Party (including any Affiliate thereof) will owe any amount, charge, obligation or liability whatsoever to the other Party by reason of such modifications.

4.5 For greater certainty, Cambior shall be entitled, subsequent to the Closing, to dispose of its shareholdings in OGML in its sole discretion without incurring any cost, charge, obligation or liability to Golden Star whatsoever.

4.6 In connection with the OMAI transaction, Golden Star hereby agrees and covenants to terminate, effective as and from the time of Closing, all of Cambior's obligations, liabilities and undertakings as regards future payments and royalties to Golden Star pursuant to the December 23, 1998 Purchase Agreement in respect of the Eagle Mountain mineral property located in Guyana, and to discharge and forever releases Cambior in respect thereof.

4.7 The deed or deeds of conveyance giving effect to the OMAI Transaction shall include representations and warranties of Golden Star to the same effect as those provided under section 2.14, mutatis mutandis, and shall survive the acceptance of the Offer in accordance with the provisions set forth in section 2.15.

5. FRENCH GUIANA TRANSACTION

5.1 At Closing, Golden Star shall purchase, and Cambior shall sell:

(a) all of the shares of SMYD directly and indirectly held by Cambior (the "SMYD Shares"); and

(b) all of Cambior's right, title and interest in and to the Bois Canon exploration permit located in French Guiana;

for a cash consideration of U.S. \$1.00 payable to Cambior at Closing.

5.2 All SMYD Shares and the Bois Canon permit to be conveyed and transferred to Golden Star pursuant to the French Guiana Transaction shall be free and clear of any and all Liens.

5.3 Cambior shall satisfy its obligation under section 5.1 above by executing, acknowledging and delivering to Golden Star a good and sufficient conveyance in form and substance

acceptable to Golden Star and suitable for transfer and registration under all applicable laws of French Guiana, and by signing all such other documents and performing all such other acts as may be necessary or desirable to give effect to such conveyance and transfer.

5.4 The Parties hereby agree and covenant to terminate, with effect as at the time of Closing, all of the existing agreements between them with respect to SMYD and all permits covering that certain mineral properties collectively known as Yaou and Dorlin and located in French Guiana, it being acknowledged that neither Party (including any Affiliate thereof) will owe any amount, charge, obligation or liability whatsoever to the other Party by reason of such termination.

5.5 A condition of the Offer will be that the net working capital attributable to SMYD as at the time of Closing is equal to US \$0.00 and entails no adjustment whatsoever to the Purchase Price.

5.6 For greater certainty, Golden Star shall be entitled, subsequent to the Closing, to dispose of SMYD or of any of its rights under the Bois Canon permit, in its sole discretion without incurring any obligation or liability to Cambior whatsoever.

5.7 On or prior to the Closing, Cambior shall see that SMYD shall have no employee and no liabilities to third parties arising by, through or under Cambior. All amounts due by Affiliates to SMYD or owed by SMYD to Affiliates, as applicable, shall have been paid up in full.

5.8 The deed or deeds of conveyance giving effect to the French Guiana Transaction shall include representations and warranties of Cambior to the same effect as those provided by Golden Star under section 2.14, *mutatis mutandis*, and shall survive the acceptance of the Offer in accordance with the provisions set forth in section 2.15.

5.9 Golden Star hereby acknowledges that, save for one SMYD Share that is held directly by CBJ, all other SMYD Shares are held by CBJ-CBX (French Guiana) Inc. (hereinafter "Subco"), a wholly-owned subsidiary of CBJ. The Parties hereby agree to examine the opportunity of causing the French Guiana Transaction to materialize, if deemed more practical and advantageous to both Parties, through the sale, conveyance and transfer of all shares of Subco to Golden Star (provided that the single SMYD Share held by CBJ be transferred to Subco prior to Closing or transferred at Closing to Golden Star).

6. INTERIM PERIOD

6.1 From the date of acceptance of the Offer up to the earlier of (i) the date of Closing as provided under section 8.1, and (ii) the date upon which a Party notifies the other Party in writing, of its intention not to complete the Transactions as a result of the non-fulfillment by the other Party of any of the conditions set forth in article 7 (the "INTERIM PERIOD"), Golden Star hereby irrevocably and unconditionally undertakes to refrain from, without Cambior's prior written consent thereto:

(a) entering into any agreement, arrangement or proposal of any nature whatsoever relating to its interest in the Gross Rosebel Project, the Headley - Thunder Mountain Properties or the OGML shares held by it; and

(b) negotiating and, if applicable, concluding any agreement or arrangement with any third party other than Cambior in connection with its interest in the Gross Rosebel Project, the Headley - Thunder Mountain Properties or the OGML shares held by it, and accepting any third-party offer in that respect, whether solicited or not.

6.2 During the Interim Period, Cambior hereby irrevocably and unconditionally undertakes to refrain from, without Golden Star's prior written consent thereto:

(a) entering into any agreement, arrangement or proposal of any nature whatsoever relating to its equity interest in SMYD or to the Bois Canon permit; and

(b) negotiating and, if applicable, concluding any agreement or arrangement with any third party other than Golden Star in connection with its equity interest in SMYD or with the Bois Canon permit, and accepting any third-party offer in that respect, whether solicited or not.

7. CONDITIONS PRECEDENT TO CLOSING

7.1 The Offer and Cambior's obligation to complete the Transactions are subject to the fulfillment of each of the following conditions:

(a) Golden Star shall have complied with its obligations hereunder, including its undertaking set forth in sections 2.8 and 6.1 above;

(b) the satisfactory negotiation, execution and delivery of the Transaction Documents and of any other acknowledgement, certificate, form, legal opinion, receipt or other document deemed necessary or useful by Cambior, acting reasonably, to give full force and effect to the Transactions;

(c) there shall not have occurred, during the Interim Period, a material adverse change in the title or general condition of the Gross Rosebel Project, in the legal or regulatory environment relating to the Gross Rosebel Transaction, or in conditions relating to the conduct of business by foreign private parties in Suriname;

(d) CBJ shall have delivered to Golden Star a certified copy of resolutions of its board of directors approving and authorizing the entering into of the Transactions; for greater certainty, Golden Star hereby acknowledges that CBJ's board of directors may or may not, in its sole discretion, grant such approval and authorization;

(e) Cambior shall have obtained from the relevant governmental and regulatory authorities of Suriname, in satisfactory form, all approvals, consents, confirmations, documents or authorizations necessary to complete the Gross Rosebel Transaction including, without limitation, those regarding:

(i) the incorporation of Opco;

(ii) the conveyance and transfer of the Gross Rosebel Project to Opco;

(iii) the replacement of Golden Star by Opco as a party to the Mineral Agreement, and as a party to or the beneficiary of any and all deeds, permits or licenses attaching to the Gross Rosebel Project;

(iv) the replacement of Golden Star by Cambior as a party to any and all agreements, deeds, permits or licenses to which Golden star is a party or the beneficiary in respect of the Headley - Thunder Mountain Properties; and

(v) satisfactory business conditions requested to ensure the feasibility of the Gross Rosebel Project including, without limiting the generality of the foregoing, adequate supply of hydro-electricity power;

(f) Cambior shall have received, as a result of the completion of an issue of its securities, net proceeds of not less than U.S. \$5,000,000; and

(g) Cambior shall have obtained the written consent of its financial creditors to the Transactions.

7.2 Golden Star's obligation to complete the Transactions is subject to the fulfillment of each of the following conditions:

(a) Cambior shall have complied with its obligations hereunder, including its undertaking set forth in sections 5.7 and 6.2 above;

(b) the satisfactory negotiation, execution and delivery of the Transaction Documents and of any other acknowledgement, certificate, form, legal opinion, receipt or other document deemed necessary or useful by Golden Star, acting reasonably, to give full force and effect to the Transactions; and

(c) Golden Star shall have delivered to Cambior, within three (3) business days of the date of its acceptance of the Offer, a certified copy of resolutions of its board of directors approving and authorizing the entering into of the Transaction; for greater certainty, Cambior hereby acknowledges that Golden Star's board of directors may or may not, in its sole discretion, grant such approval and authorization.

7.3 The conditions set forth in section 7.1 are stipulated in Cambior's favor and may be waived in Cambior's sole discretion. If any of the conditions set forth in section 7.1 above remains unfulfilled at the end of the Interim Period, the Offer shall be deemed never to have been made and Cambior shall be entitled to decline to complete the Transactions without any cost, charge, liability or obligation whatsoever to Golden Star.

7.4 The conditions set forth in section 7.2 are stipulated in Golden Star's favor and may be waived in Golden Star's sole discretion. If any of the conditions set forth in section 7.2 above remains unfulfilled at the end of the Interim Period, Golden Star shall be entitled to decline to complete the Transactions without any cost, charge, liability or obligation whatsoever to Cambior.

7.5 Each Party's obligation to complete the Transactions is also subject to:

(a) receipt of all necessary governmental and regulatory approvals (i) in Suriname as regards the Gross Rosebel Purchase and the Headley - Thunder Mountain Transaction, (ii) in Guyana as regards the OMAI Transaction, and (iii) in French Guiana as regards the French Guiana Transaction; and

(b) receipt from the Minister responsible for the mining sector in Suriname of a letter indicating the Minister's willingness to accept the recommendations of the Task Force relating to the development of the Gross Rosebel Project.

7.6 If either of the conditions set forth in section 7.5 remains unfulfilled at the end of the Interim Period, each Party shall be entitled to decline to complete the Transactions without any liability or obligation whatsoever to the other Party.

8. CLOSING

8.1 The Closing shall be held on a date to be mutually agreed upon by the Parties but not later than November 30, 2001, at the offices of McCarthy Tetrault LLP, Barristers & Solicitors, in the City of Montreal, Province of Quebec at 10:00 a.m. Montreal time or at such other time and place as may be agreed by the Parties.

In the event that the Transactions are not completed prior to November 30, 2001, and the Parties agree to extend the Interim Period and select a later date for Closing, then:

(a) Cambior shall, from December 1, 2001 through to Closing, (i) be responsible for and fund all expenses for the Gross Rosebel Project, and (ii) advance or shall make arrangements for a loan to be provided to Golden Star in the sum of U.S. \$3,000,000 to be telegraphically transferred to and credited to Golden Star's nominated bank account on or before November 30, 2001. Such loan shall be non-interest bearing and will be fully refunded at Closing from the proceeds of the Gross Rosebel Transaction or, as applicable, at the end of the extended Interim Period if the Closing will have not occurred. In the latter event, 50% of the Gross Rosebel Project expenses that were fully funded by Cambior during the extension of the Interim Period, shall be repaid by Golden Star to Cambior. The aforesaid loan shall be secured by a first ranking charge on the Gross Rosebel Interest in favour of Cambior; and

(b) Golden Star shall, from December 1, 2001 through to Closing, be responsible for and fund all expenses for the Yaou and Dorlin properties (as referred to in section 5.4 above) as well as the Bois Canon permit. If the Closing will have not occurred at the end of the extended Interim Period, 50% of the aforesaid expenses for Yaou, Dorlin and Bois Canon that were fully funded by Golden Star during the extension of the Interim Period, shall be repaid by Cambior to Golden Star.

For greater certainty, nothing herein shall be construed as imposing upon a Party the obligation to extend the Interim Period.

8.2 At Closing, the completion of the Transactions shall be evidenced by the execution or delivery of the Transaction Documents which shall be in form and substance satisfactory to each Party and its counsel, acting reasonably.

8.3 Drafts of the Transaction Documents shall be prepared by counsel to Cambior, save and except for drafts of conveyance instruments, certificates, receipts and other ancillary documents used in jurisdictions other than Canada or any Province thereof which can be more easily prepared by local counsel to any of the Parties.

8.4 For greater certainty, the Transaction Documents shall include, wherever deemed necessary by the Parties and their respective counsel, acting reasonably:

(a) the representations and warranties set forth and referred to herein; and

(b) customary reciprocal representations and warranties of the Parties regarding their due organization, their authority to enter into the Transactions, the binding nature of any of the Transaction Documents upon each of them, them not breaching or violating any law applicable to it or its articles or any other agreement to which it is a Party by entering into the Transactions, etc.

9. EXPENSES

9.1 Each Party hereby agrees to pay its own and all its representatives' fees and expenses incurred in connection with the preparation, negotiation, execution and delivery of this Letter Agreement and any other agreements or documents, including, without limitation, the Transaction Documents, required to consummate the Transactions.

10. CONFIDENTIALITY AND PUBLICITY

10.1 The terms and conditions of this Letter Agreement together with any other information concerning the Transactions as well as all negotiations in respect of the Transaction Documents' drafting and execution, which may be disclosed by a Party, its directors, officers, employees, managers, consultants, agents or Affiliates (collectively, a "DISCLOSING PARTY") and received by the other Party, its directors, officers, employees, managers, consultants, agents or Affiliates (collectively, a "RECIPIENT"), shall be kept strictly confidential. Such obligation shall not apply to any such information which:

- (a) is or becomes known to the public generally through no wrongful act of a Recipient, its directors, officers, employees, managers, agents or Affiliates;
- (b) is received by a Recipient from a third party who is not, to the best of a Recipient's knowledge, under an obligation of confidentiality to the Disclosing Party;
- (c) is approved for release by written authorization of the Disclosing Party;
- (d) was in a Recipient's possession prior to the time of disclosure hereunder; or
- (e) is required to be disclosed by applicable law or order of a court of competent jurisdiction or a recognized stock exchange or government department or agency,

provided that the Party making the disclosure hereunder, give reasonable prior notice of such disclosure to the other Party.

- 10.2 Subject to applicable law, the provisions set forth in this section 10.1 shall be binding and shall take effect from the date of acceptance of the Offer by Golden Star and shall be terminated and cease to have any further force or effect at the later of (i) one (1) year following the termination of the Letter Agreement as per section 6.1 in limine, if applicable and (ii) one (1) year following the Closing.
- 10.3 Public announcements or reports (including press releases) by a Party of any information relating to this Letter Agreement, the Transactions and the Transaction Documents (whether given to a stock exchange or otherwise) shall be made on the basis of agreed texts approved in good faith in advance of issuance by the other Party, such approval not to be unreasonably withheld. For greater certainty, nothing herein shall prevent a Party from complying with the timely disclosure obligations required by applicable law. Each Party (the "REPORTING PARTY") accordingly agrees with the other Party that it will, in advance of reporting to a stock exchange or otherwise, advise the other Party of the text of the proposed report and provide the other Party with the opportunity to make, acting reasonably, comment upon and changes to the form and content thereof before the same is issued. Such comments or changes, as the case may be, shall be communicated to the Reporting Party within a reasonable time having due regard to the urgency of the announcement but, in any event, not later than 24 hours after its communication to the other Party.

11. GOVERNING LAW AND ARBITRATION

- 11.1 This Letter Agreement is, and the Transaction Documents shall be, made under and shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. However, the Parties hereby acknowledge that the validity, nature and effect of the various conveyances and transfers contemplated as per the Transactions may be governed by the applicable laws and regulations of Suriname, Guyana and French Guiana, to the extent that such laws and regulations apply to such conveyances and transfers.
- 11.2 Any and all differences, disputes, claims or controversies arising out of or in any way connected with this Letter Agreement, the Transactions or any of the Transaction Documents including their negotiation, execution, delivery, enforceability, performance, breach, discharge, interpretation and construction, existence, or validity and any damages resulting therefrom or the rights, privileges, duties and obligations of the Parties under or in relation to this Letter Agreement or any of the Transaction Documents (including any dispute as to whether an issue is arbitrable) shall be referred to arbitration in accordance with the procedures set out in Schedule "A" attached hereto.

12. GENERAL PROVISIONS

- 12.1 This Letter Agreement shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the Parties. Neither Party shall assign its rights or delegate its obligations hereunder voluntarily or by operation of law, without the prior written consent of the other Party.
- 12.2 No modification or amendment to this Letter Agreement shall be valid unless made in writing and duly executed by the Parties.
- 12.3 This Letter Agreement contains the entire understanding of the Parties and supersedes all prior agreements and understandings between the Parties relating to the subject matter hereof.
- 12.4 If any term, part or provision of this Letter Agreement is declared unenforceable, illegal, or in conflict with any laws to which this Letter Agreement and the Transactions are subject, such term, part or provision shall be considered severed from this Letter Agreement, the remaining portions thereof shall not be affected and this Letter Agreement shall be construed and enforced as if it did not contain that term, part or provision.
- 12.5 The Parties hereby agree and covenant that none of the Transactions shall be subject to or restricted by, in any manner whatsoever, provisions regarding the establishment of areas of interest.
- 12.6 Golden Star shall be entitled, for a period of up to five years after the date of Closing, to occupy an agreed portion of the office premises located at Heerenstraat 8, P.O. Box 2973, in Paramaribo, Suriname, in return for the payment to Cambior or Opco, as applicable, of a pro-rata portion of the office rental plus a reasonable allowance thereof for the provisions of utilities, communications, and minor receptionist and secretarial assistance.

13. ACCEPTANCE OF THE OFFER

- 13.1 Golden Star may accept the Offer at any time prior to its expiry by delivering a duly executed copy hereof by return facsimile, original to be couriered to CBJ's offices, at the following addresses:

Cambior Inc.
1111, rue Saint-Charles ouest
Tour est, bureau 750
Longueuil, Quebec J4K 5G4
Telecopier: (450) 677-3382

Attention: President and Chief Executive Officer

- 13.2 The Offer expires at 5:00 p.m., Montreal local time, on October 26, 2001, unless extended or withdrawn in writing by CBJ prior to its acceptance.
- 13.3 This Offer, when accepted, shall be binding upon the Parties subject to its terms and conditions, as of the time of its acceptance by Golden Star. Three (3) business days following its acceptance, Golden Star shall provide CJB with a certified copy of resolutions of its board of directors approving and authorizing the acceptance of the Offer and the entering into of the Transactions.

Yours truly,

CAMBIOR INC.

Per: /s/ LOUIS P. GIGNAC

Duly Authorized Officer

AGREED AND ACCEPTED AS OF THIS 25th DAY OF OCTOBER 2001.

GOLDEN STAR RESOURCES LTD.

Per: /s/ PETER BRADFORD

Duly Authorized Officer

SCHEDULE "A"

DISPUTE RESOLUTION PRINCIPLES

The provisions of this Schedule "A" (the "RULES") shall apply to all disputes arising in connection with the Letter Agreement or any of the Transaction Documents (hereinafter collectively referred to as the "AGREEMENT").

(1) JURISDICTION AND SCOPE

(a) The Arbitral Tribunal (as defined below) appointed under these Rules will apply the rules and procedures of the Arbitration Act (Ontario) to any Arbitration conducted hereunder except to the extent they are modified, restricted or supplemented by the express provisions of these Rules.

(b) Each Party will have the right to refer any dispute arising in connection with the Agreement to Arbitration in accordance with these Rules.

(c) Each Party acknowledges that it will not apply to the courts of Ontario or any other jurisdiction to attempt to enjoin, delay, impede or otherwise interfere with or limit the scope of the Arbitration or the powers of the Arbitral Tribunal; provided, however, that the foregoing will not prevent either Party from applying to the courts of Ontario for a determination with respect to any matter or challenge provided for in the Arbitration Act (Ontario).

(d) Each Party further acknowledges that the award of the Arbitral Tribunal will be final and conclusive and there will be no appeal therefrom whatsoever to any court, tribunal or other authority.

(e) The Arbitral Tribunal has the jurisdiction to deal with all matters relating to a dispute including, without limitation, the jurisdiction:

(i) to determine any question of law, including equity;

(ii) to determine any question of fact, including questions of good faith, dishonesty or fraud;

(iii) to determine any question as to the Arbitral Tribunal's jurisdiction;

(iv) to order any Party to furnish further details, whether factual or legal, of that Party's case;

(v) to proceed with the Arbitration notwithstanding the failure or refusal of any Party to comply with these Rules or with the Arbitral Tribunal's orders or directions or to attend any meeting or hearing, but only after giving that Party written notice that the Arbitral Tribunal intends to do so;

- (vi) to receive and take into account such written or oral evidence tendered by the Parties as the Arbitral Tribunal determines is relevant, whether or not admissible in law;
- (vii) to make one or more interim awards including, without limitation, orders to secure any amount relating to the dispute;
- (viii) to order the Parties to produce to the Arbitral Tribunal and to each other for inspection, and to supply copies of, any documents or classes of documents in their possession, power or control that the Arbitral Tribunal determines to be relevant; and
- (ix) to express awards in any currency.

(2) PLACE OF ARBITRATION

The Arbitration will be conducted in the City of Toronto in the Province of Ontario at the location determined from time to time by the Arbitral Tribunal pursuant to Section 3(d) of these Rules.

(3) APPOINTMENT OF ARBITRAL TRIBUNAL

(a) As used in these Rules, the term "Arbitral Tribunal" means the Sole Arbitrator appointed pursuant to Section 3(b) of these Rules or the Arbitral Tribunal appointed pursuant to Section 3(c) of these Rules, as the case may be.

(b) The Arbitration will be commenced by delivery of a written complaint (the "COMPLAINT") by a Party (the "APPLICANT") to the other Party (the "RESPONDENT"). The Complaint must describe the nature of the dispute. The Applicant and the Respondent may agree in writing upon the appointment of a single Arbitrator who will determine the dispute acting alone (the "SOLE ARBITRATOR") or upon the appointment of a three-member Arbitral Tribunal. If within 15 days after the delivery of the Complaint, the Applicant and the Respondent do not reach agreement on the appointment of the Sole Arbitrator, then each of the Applicant and the Respondent may appoint an Arbitrator and provide the other Party with written notice of such appointment within 5 days following the above 15-day period. If one Party does not provide such written notice within that 5-day period, then the arbitrator who has been appointed by the other Party will be the Sole Arbitrator and will constitute the Arbitral Tribunal.

(c) If the Applicant and the Respondent each appoint an Arbitrator pursuant to Section 3(b) of these Rules, then, within 15 days after the appointment of such Arbitrators, the Arbitrators so appointed will agree on the appointment of an additional Arbitrator as chair (the "CHAIR") and give notice to the Applicant and the Respondent of such appointment, failing which the Chair may be appointed by a Judge of the Ontario Superior Court of Justice on the application of either the Applicant or the Respondent, on notice to the other. Upon the giving of notice by

the Arbitrators of the appointment of the Chair, or the appointment by a Judge of the Chair, as the case may be, the Chair and the other Arbitrators previously appointed will constitute the Arbitral Tribunal.

(d) Any decision of the Arbitral Tribunal (including, without limitation, its final award) made with respect to a dispute or with respect to any aspect of, or any matter related to, the Arbitration (including, without limitation, the procedures of the Arbitration) will be made by either the Sole Arbitrator or by a majority of the Arbitral Tribunal, as the case may be. All decisions of the Arbitral Tribunal with respect to a dispute, except procedural decisions, will be rendered in writing and contain a recital of the facts upon which the decision is made and the reasons therefor.

(4) PLEADINGS

(a) Within 15 days after the constitution of the Arbitral Tribunal, the Applicant must deliver to the Respondent and the Arbitral Tribunal a written statement (the "CLAIM") concerning the dispute setting forth, with particularity, its position with respect to the dispute and the material facts upon which it intends to rely.

(b) If the Applicant fails to deliver a Claim within the time limit referred to in Section 4(a) above, the Arbitral Tribunal may terminate the proceedings.

(c) Within 15 days after the delivery of the Claim, the Respondent may deliver to the Applicant and the Arbitral Tribunal a written response (the "DEFENCE") setting forth, with particularity, its position on the dispute and the material facts upon which it intends to rely and may also deliver to the Applicant and the Arbitral Tribunal a counterclaim (the "COUNTERCLAIM") setting forth, with particularity, any additional dispute for the Arbitral Tribunal to decide.

(d) If the Respondent fails to deliver a Defence or Counterclaim within the time limit referred to in Section 4(c) above, the Arbitral Tribunal will continue the proceedings without treating such failure in itself as an admission of the Applicant's allegations.

(e) Within 10 days after delivery of the Defence, the Applicant may deliver to the Respondent and the Arbitral Tribunal a written reply (the "REPLY") to the Defence setting forth, with particularity, its response, if any, to the Defence. If the Applicant fails to deliver a Reply within such 10 day period, the Arbitral Tribunal will continue the proceedings without treating such failure in itself as an admission of the Respondent's allegations in the Defence.

(f) Within 10 days after the delivery of a Counterclaim, the Applicant may deliver to the Respondent and the Arbitral Tribunal a defence to such Counterclaim (the "COUNTERCLAIM DEFENCE"). If the Applicant fails to deliver a Counterclaim Defence within such 10 day period, the Arbitral Tribunal will continue the

proceedings without treating such failure in itself as an admission of the Respondent's allegations set forth in the Counterclaim.

(g) Within 10 days after the delivery of a Counterclaim Defence, the Respondent may deliver to the Applicant and the Arbitral Tribunal a Reply to such Counterclaim Defence. If the Respondent fails to deliver a Reply within such 10 day period, the Arbitral Tribunal will continue the proceedings without treating such failure in itself as an admission by the Respondent of the Applicant's allegations set forth in the Counterclaim Defence.

(5) MEETINGS

(a) The Chair will determine the time, date and location of meetings for the Arbitration and will give all the Parties 10 days' prior written notice of such meetings.

(b) A Party may hire a recognized court reporter recognized in Ontario to attend meetings before the Arbitral Tribunal, to record all proceedings thereat and to produce transcripts thereof, at such Party's expense.

(c) The Parties may be represented or assisted by any person during the Arbitration. Where a Party is represented by another person, such Party will provide notice in writing of such representation to the other Party and to the Arbitral Tribunal at least five days prior to the Arbitration proceeding at which that person is first to appear.

(d) The first Arbitration meeting must be held within 30 days after the expiry of the pleadings procedure set forth in Section 4 of these Rules. The award of the Arbitral Tribunal must be made within 60 days after the first Arbitration meeting.

(6) DISCLOSURE/CONFIDENTIALITY

(a) All proceedings and the making of the award will be in private and the Parties will ensure that the conduct of the Arbitration and the terms of the award will, subject to registration of the award in any court, be kept confidential, unless the Parties otherwise agree; provided, however, that such obligation to maintain confidentiality will not prohibit any Party from complying with all applicable laws and regulations.

(b) All information disclosed, including all statements made and documents produced, in the course of the Arbitration will be held in confidence and no Party will rely on, or introduce as evidence in any subsequent proceeding, any admission, view, suggestion, notice, response, discussion or position of either the Applicant or the Respondent or any acceptance of a settlement proposal or recommendation for settlement made during the course of the Arbitration, except (i) as required by any applicable law or regulation or (ii) to the extent that disclosure is reasonably necessary for the establishment or protection of a Party's

legal rights against a third Party or to enforce the award of the Arbitral Tribunal or to otherwise protect a Party's rights under these Rules.

(7) MISCELLANEOUS

(a) The Parties may modify any period of time provided for in these Rules by mutual agreement.

(b) The language of the Arbitration will be English.

(c) Nothing contained in these Rules prohibits a Party hereto from making an offer of settlement relating to a dispute during the course of an Arbitration.

(d) Unless otherwise directed by the Arbitral Tribunal, all costs of the Arbitral Tribunal, except for the costs set out in Section 5(b), will be paid equally by the Applicant and the Respondent and each will otherwise be responsible for its own costs and expenses incurred by it in connection with any Arbitration. In the case of a disagreement between the Parties as to the allocation of the costs of the Arbitration, including the professional fees of the Arbitral Tribunal and the administrative costs associated with the Arbitration, the Arbitral Tribunal may invite submissions as to costs and may consider, among other things, all offers of settlement, if any, made by a Party to the other Party prior to or during the course of an Arbitration.

(e) All references to "DAYS" in these Rules are references to calendar days.

EXHIBIT 10.4

26th November 2001

Mr. Peter Bradford
Golden Star Resources Ltd.
Suite 103
10579 Bradford Road
Littleton, Colorado 80127-4274
U.S.A.

Mr. Michael Cooke
Standard Bank London Limited
Cannon Bridge House
25 Dowgate Hill
London EC4R 2SB

Dear Sirs

PROPOSED SALE OF CERTAIN ASSETS AND THE BUSINESS COMPRISING THE WASSA MINE, SOUTH WEST GHANA

We refer to our recent negotiations concerning the proposed sale by Satellite Goldfields Limited ("Satellite") to Golden Star Resources Ltd ("Golden Star") of certain of its assets and the business comprising the Wassa Gold Mine, South West Ghana ("the Sale"). Attached to this letter is a copy of the draft Heads of Agreement which we have each negotiated and agreed setting out the terms of the Sale.

We confirm that in order for the Sale to proceed on the terms set out in the Heads of Agreement, we require the consent of CDC Group plc ("CDC"). We have been advised by CDC that such consent will not be provided at this time. Accordingly we are not able to execute the Heads of Agreement.

The purpose of this letter is to record the intent of Satellite's secured lenders (other than CDC)(the "Senior Lenders") represented by the Standard Bank London Limited (as Senior Facility Agent) (the "Agent") and Golden Star to proceed with the Sale to Golden Star on similar terms to those set out in the Heads of Agreement.

By signing this letter, the Agent:

1. confirms that, if necessary, to enable a sale of the assets of Satellite as contemplated by the terms of the Heads of Agreement to be effected, it is prepared to enforce the various security interests (the "Security") held by the Law Debenture Trust Corporation p.l.c. on behalf of all Satellite's secured creditors. It is the intention of the Senior Lenders to pursue such a sale with Golden Star on similar terms and, subject to any necessary court, regulatory approval or other required conditions, to commence negotiations with Golden Star to complete a sale of such assets on such similar terms;
2. agrees, on behalf of the Senior Lenders (with the intention of being legally bound) to adhere to the provisions of clauses 8, 9 and 10 of the Heads of Agreement as if it were the "Seller" as defined therein; provided that Golden Star acknowledges that the Agent and the Senior Lenders may make any disclosures (a) of information necessary to complete the Sale, including any disclosures to any of Wexford Goldfields Limited, any agent or trustee acting on behalf of the Senior Lenders, any receiver of Satellite or (b) to any court proceedings in connection with Satellite, in each case for purposes of negotiating, documenting or otherwise completing the Sale.

Golden Star by its signature to this letter agrees that it will continue to negotiate with each of Satellite and the Agent with a view to effecting a sale of the assets of Satellite on the terms and conditions set out in this letter. Golden Star acknowledges, however, that any enforcement of the Security (and the ability to complete a sale of the assets of Satellite) is subject to, inter alia, the discretion of the Ghanaian courts, Ghanaian law generally and the terms of the Security.

We also agree that from the date of receipt of your signed acknowledgement of the terms of this letter Satellite shall grant to Golden Star each of the rights set out in Clause 8 and Schedule 3 of the draft Heads of Agreement ("the Rights"). The Rights are granted to Golden Star on the basis that they shall terminate upon either (a) the entry into of formal sale documentation or (b) 28 February 2002, which ever shall occur earlier. Additionally each of the terms set out in Clauses 7 and 9 through 13 shall apply, as necessarily adjusted, as terms of this letter as if set out and repeated in full in this letter.

The terms of this letter are not intended by any party to be legally binding and remain subject to the agreement of, and entry into, of the final sale documentation save and except for the terms of Clauses 8 through 13 of the draft Heads of Agreement as repeated herein and the adherence of the Agent and the Senior Lenders to clauses 8, 9, and 10 of the Heads of Agreement as set out above.

Please confirm your acceptance of the terms of this letter by signing the duplicate copy enclosed in the space provided and returning it to us.

Yours sincerely

/s/ HUGH McCULLOUGH

*Hugh McCullough
For and on behalf of Satellite Gold Limited*

Accepted
Golden Star Resources Ltd

/s/ PETER BRADFORD

*By Peter Bradford
Name: President & CEO*

*/s/ M.R. COOKE
Standard Bank London Limited*

By: M.R. Cooke - Assistant General Manager

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