

# GOLDEN STAR RESOURCES LTD.

## FORM 10-Q (Quarterly Report)

Filed 08/14/97 for the Period Ending 06/30/97

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

# GOLDEN STAR RESOURCES LTD

## FORM 10-Q (Quarterly Report)

Filed 8/14/1997 For Period Ending 6/30/1997

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

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

---

## FORM 10-Q

---

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

**For the Quarterly Period ended June 30, 1997**

or

Transition report pursuant to Section 13 or 15(d) of the Securities

Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 0-21708

## **GOLDEN STAR RESOURCES LTD.**

(Exact Name of Registrant as Specified in Its Charter)

Canada  
(State or other Jurisdiction of  
Incorporation or Organization)

98-0101955  
(I.R.S. Employer  
Identification No.)

1660 Lincoln Street,  
Suite 3000, Denver, Colorado  
(Address of Principal Executive Office)

80264  
(Zip Code)

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

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

---

Number of Common Shares outstanding as of August 8, 1997: 29,690,136.

# GOLDEN STAR RESOURCES LTD.

## INDEX

|   |    |
|---|----|
| Part I - Financial Information  |    |
| Item 1. Financial Statements.....   | 1  |
| Item 2. Management's Discussion and Analysis of Financial<br>Condition, Results of Operations and<br>Recent Developments..... | 12 |
| Part II - Other Information   |    |
| Item 1. Legal Proceedings .....   | 16 |
| Item 4. Submission of Matters to a Vote of the Security Holders..   | 16 |
| Item 6. Exhibits and Reports on Form 8-K.....   | 17 |
| Signatures.....   | 18 |

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**GOLDEN STAR RESOURCES LTD.  
CONSOLIDATED BALANCE SHEETS**

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

| ASSETS   | (Unaudited)            |                            |
|--|------------------------|----------------------------|
|  | As of June 30,<br>1997 | As of December 31,<br>1996 |
|  | -----                  | -----                      |
| CURRENT ASSETS   |                        |                            |
| Cash and short-term investments  | \$ 27,526              | \$ 15,663                  |
| Accounts receivable  | 3,697                  | 5,116                      |
| Inventories  | 601                    | 1,027                      |
| Other assets   | 391                    | 376                        |
|  | -----                  | -----                      |
| Total Current Assets   | 32,215                 | 22,182                     |
| RESTRICTED CASH  | \$ 1,443               | \$ 2,015                   |
| DEFERRED EXPLORATION   | 72,657                 | 64,721                     |
| INVESTMENT IN OMAI GOLD MINES LIMITED  | 2,532                  | 3,279                      |
| FIXED ASSETS   | 2,994                  | 3,666                      |
| OTHER ASSETS   | 148                    | 420                        |
|  | -----                  | -----                      |
| Total Assets   | \$ 111,989             | \$ 96,283                  |
|  | =====                  | =====                      |
| LIABILITIES  |                        |                            |
| CURRENT LIABILITIES  |                        |                            |
| Accounts payable and accrued liabilities   | \$ 4,947               | \$ 5,830                   |
| Accrued wages and payroll taxes  | 543                    | 1,065                      |
|  | -----                  | -----                      |
| Total Current Liabilities  | \$ 5,490               | 6,895                      |
| OTHER LIABILITIES  | 107                    | 92                         |
|  | -----                  | -----                      |
| Total Liabilities  | 5,597                  | 6,987                      |
|  | -----                  | -----                      |
| MINORITY INTEREST  | 9,881                  | 11,202                     |
|  | -----                  | -----                      |
| COMMITMENTS AND CONTINGENCIES (Note 8)   |                        |                            |
| SHAREHOLDERS' EQUITY   |                        |                            |
| SHARE CAPITAL  | 157,677                | 129,954                    |
| (Common shares, without par value, unlimited shares<br>authorized. Shares issued and outstanding: June 30, 1997 -<br>29,647,636; December 31, 1996 - 25,941,103) |                        |                            |
| DEFICIT  |                        |                            |
| Stock option loans   | (4,012)                | (4,012)                    |
|  | (57,154)               | (47,848)                   |
|  | -----                  | -----                      |
| Total Shareholders' Equity   | 96,511                 | 78,094                     |
|  | -----                  | -----                      |
| Total Liabilities and Shareholders' Equity   | \$ 111,989             | \$ 96,283                  |
|  | =====                  | =====                      |

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

**GOLDEN STAR RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Stated in thousands of United States Dollars except per share amounts)

(Unaudited)

|   | Three Months<br>Ended June 30 |            | Six Months<br>Ended June 30 |           |
|---|-------------------------------|------------|-----------------------------|-----------|
|   | 1997                          | 1996       | 1997                        | 1996      |
| REVENUE   |                               |            |                             |           |
| Precious metals sales                                       | \$ 38                         | \$ 331     | \$ 439                      | \$ 1,169  |
| Interest and other  | 338                           | 364        | 525                         | 576       |
|   | 376                           | 695        | 964                         | 1,745     |
| COSTS AND EXPENSES  |                               |            |                             |           |
| Cost of goods sold  | 112                           | 1,043      | 978                         | 2,223     |
| Depreciation  | 248                           | 288        | 560                         | 583       |
| General and administrative                                  | 2,255                         | 2,596      | 4,335                       | 4,509     |
| Exploration expense   | 339                           | 41         | 479                         | 111       |
| Recovery of abandonment loss                                | --                            | (936)      | --                          | (936)     |
| Abandonment and impairment of mineral properties            | 6,070                         | --         | 6,070                       | --        |
| Gain on sale of assets                                      | (1)                           | (58)       | (1)                         | (58)      |
| Interest and bank charges                                   | (2)                           | --         | 21                          | --        |
| Foreign exchange loss (gain)                                | (68)                          | --         | 23                          | 77        |
|   | 8,953                         | 2,974      | 12,465                      | 6,509     |
| PROFIT (LOSS) BEFORE THE UNDERNOTED                         | (8,577)                       | (2,279)    | (11,501)                    | (4,764)   |
| Gain on subsidiary's issuance of common stock               | --                            | --         | --                          | 2,001     |
| Omai Preferred Share Redemptions                            | 345                           | --         | 899                         | --        |
| Net profit (loss) before minority interest                  | (8,232)                       | (2,279)    | (10,602)                    | (2,763)   |
| Minority interest loss                                      | 756                           | 653        | 1,296                       | 1,102     |
| NET PROFIT (LOSS)   | \$(7,476)                     | \$ (1,626) | \$ (9,306)                  | \$(1,661) |
| NET PROFIT (LOSS) PER SHARE                                 | \$ (0.25)                     | \$ (0.06)  | \$ (0.32)                   | \$ (0.07) |
| Weighted Average Shares Outstanding<br>(Millions of shares) | 29.6                          | 25.6       | 28.8                        | 25.1      |

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

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

(Unaudited)

|   | Six Months Ended<br>June 30, 1997 | Six Months Ended<br>June 30, 1996 |
|---|-----------------------------------|-----------------------------------|
|   | -----                             | -----                             |
| <b>OPERATING ACTIVITIES:</b>  |                                   |                                   |
| Net loss  | \$ (9,306)                        | \$ (1,661)                        |
| Reconciliation of net loss to net cash used in operations:          |                                   |                                   |
| Depreciation  | 560                               | 583                               |
| Premium on Omai Preferred Share Redemptions                         | (899)                             | --                                |
| Recovery of abandonment loss  | --                                | (936)                             |
| Abandonment and write-down of mineral properties                    | 6,070                             | --                                |
| Gain on issuance of common stock by subsidiary                      | --                                | (2,001)                           |
| Minority interest   | (1,296)                           | (1,102)                           |
| Changes in non-cash operating working capital                       | 425                               | (1,488)                           |
|   | -----                             | -----                             |
| Net Cash Flows Used in Operating Activities                         | (4,446)                           | (6,605)                           |
|   | -----                             | -----                             |
| <b>INVESTING ACTIVITIES:</b>  |                                   |                                   |
| Expenditures on mineral properties, net of joint venture recoveries | (14,006)                          | (9,821)                           |
| Equipment purchases   | (20)                              | (1,192)                           |
| Proceeds from sale of equipment                                     | 132                               | --                                |
| Omai Preferred Share Redemptions                                    | 1,646                             | --                                |
| Other assets and investments  | 3                                 | 787                               |
|   | -----                             | -----                             |
| Net Cash Flows Used in Investing Activities                         | (12,245)                          | (10,226)                          |
|   | -----                             | -----                             |
| <b>FINANCING ACTIVITIES:</b>  |                                   |                                   |
| Restricted cash   | 572                               | --                                |
| Proceeds from issuance of subsidiary's stock                        | --                                | 10,261                            |
| Offering costs of subsidiary  | (25)                              | (126)                             |
| Increase in minority interest                                       | --                                | 327                               |
| Issuance of share capital   | 22,513                            | 12,886                            |
| Issuance of share capital under warrants                            | 5,429                             | 3,979                             |
| Issuance of share capital under options                             | 50                                | 5,451                             |
| Stock option loan receipts (additions)                              | --                                | (2,756)                           |
| Other   | 15                                | (3)                               |
|   | -----                             | -----                             |
| Net Cash Flows Provided by Financing Activities                     | 28,554                            | 30,019                            |
|   | -----                             | -----                             |
| Increase in cash  | 11,863                            | 13,188                            |
| Cash and short-term investments, beginning of period                | 15,663                            | 9,498                             |
|   | -----                             | -----                             |
| Cash and short-term investments, end of period                      | \$ 27,526                         | \$ 22,686                         |
|   | =====                             | =====                             |

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(UNAUDITED)

(All tabular amounts in thousands of United States Dollars)

These financial statements and notes thereto should be read in conjunction with the financial statements and related notes included in the annual report on Form 10-K for Golden Star Resources Ltd. (the "Company") for the fiscal year ended December 31, 1996 on file with the Securities and Exchange Commission in the United States and the provincial securities commissions in Canada (hereinafter referred to as "the Company's 1996 10-K"). All amounts are in United States dollars unless otherwise stated.

The unaudited financial statements as of June 30, 1997, and for the six months ended June 30, 1997 and 1996, reflect all adjustments, consisting solely of normal recurring items, which are necessary for a fair presentation of financial position, results of operations, and cash flows on a basis consistent with that of the prior audited consolidated financial statements.

**(1) INVENTORIES**

|                           | June 30, 1997 | December 31, 1996 |
|---------------------------|---------------|-------------------|
| Precious Metals Inventory | \$ 54         | \$ 384            |
| Materials and Supplies    | 547           | 643               |
|                           | -----         | -----             |
|                           | \$ 601        | \$1,027           |
|                           | =====         | =====             |

**(2) FIXED ASSETS**

|                          | June 30, 1997 | December 31, 1996 |
|--------------------------|---------------|-------------------|
| Building                 | \$ 1,727      | \$ 1,833          |
| Machinery & Equipment    | 4,670         | 4,676             |
|                          | -----         | -----             |
|                          | 6,397         | 6,509             |
| Accumulated Depreciation | (3,403)       | (2,843)           |
|                          | -----         | -----             |
|                          | \$ 2,994      | \$ 3,666          |
|                          | =====         | =====             |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

(UNAUDITED)

(All tabular amounts in thousands of United States Dollars)

**(3) DEFERRED EXPLORATION**

|   | Deferred<br>Exploration<br>Expenditures<br>as at<br>Dec. 31, 1996<br>===== | Capitalized<br>Exploration<br>Expenditures<br>===== | Capitalized<br>Acquisition<br>Expenditures<br>===== | Joint<br>Venture<br>Recoveries<br>===== | Property<br>Impairments<br>& Abandonments<br>===== | Deferred<br>Exploration<br>Expenditures<br>as at<br>June 30, 1997<br>===== |
|---|--|---|---|---|--|--|
| <b>GUYANA</b>   |  |   |   |   |  |  |
| Eagle Mountain  | \$ 111   | \$ 326  | \$ --   | \$ --                                   | \$ --  | \$ 437   |
| Quartz Hill   | 1,347  | --  | --  | --                                      | --   | 1,347  |
| Upper Potaro Diamond /<br>Amatuk Diamond              | 1,010  | 128   | 8   | --                                      | --   | 1,146  |
| Mazaruni / Upper<br>Mazaruni Diamond                  | 2,729  | 87  | (54)  | --                                      | (2,404)  | 358  |
| Wenamou Gold  | 512  | --  | --  | --                                      | --   | 512  |
| Five Stars Gold                                       | 5,767  | 531   | (108)   | --                                      | (2,348)  | 3,842  |
| Five Stars Diamond                                    | 1,097  | 257   | 48  | --                                      | --   | 1,402  |
| BHP Gold Projects                                     | 151  | 87  | --  | --                                      | --   | 238  |
| Guyana Diamond Permits                                | 27   | 197   | --  | (119)                                   | --   | 105  |
| Other   | 1,376  | (155)   | --  | --                                      | --   | 1,221  |
| Sub-total   | 14,127   | 1,458   | (106)   | (119)                                   | (4,752)  | 10,608   |
| <b>SURINAME</b>                                       |  |   |   |   |  |  |
| Benzdorp / Lawa                                       | 3,341  | 3   | --  | --                                      | --   | 3,344  |
| Gross Rosebel   | 9,494  | 5,156   | --  | (1,780)                                 | --   | 12,870   |
| Headley's Right of<br>Exploration                     | 311  | --  | --  | --                                      | --   | 311  |
| Thunder Mountain                                      | 453  | --  | --  | --                                      | --   | 453  |
| Saramacca   | 1,569  | 99  | 80  | (11)                                    | --   | 1,737  |
| Sara Kreek  | 155  | 278   | 75  | --                                      | --   | 508  |
| Tempati Reconnaissance                                | 161  | 59  | 75  | --                                      | --   | 295  |
| Tapanahony Reconnaissance                             | 86   | 38  | 75  | (1)                                     | --   | 198  |
| Kleine Saramacca                                      | 104  | --  | --  | --                                      | --   | 104  |
| Lawa Antino   | 764  | 1,094   | --  | --                                      | --   | 1,858  |
| Suriname Diamond Projects                             | 310  | 117   | --  | --                                      | --   | 427  |
| Ulemari Reconnaissance                                | 53   | 194   | --  | (19)                                    | --   | 228  |
| Other   | 252  | 152   | --  | --                                      | --   | 404  |
| Sub-total   | 17,053   | 7,190   | 305   | (1,811)                                 | --   | 22,737   |
| <b>FRENCH GUIANA<br/>(GUYANOR RESSOURCES S.A.)</b>    |  |   |   |   |  |  |
| Dorlin  | 628  | 1,070   | --  | (1,039)                                 | --   | 659  |
| St-Elie   | 1,973  | 1,218   | --  | (1,218)                                 | --   | 1,973  |
| Dieu-Merci  | 382  | 470   | --  | (470)                                   | --   | 382  |
| Yaou  | 7,087  | 876   | --  | (826)                                   | --   | 7,137  |
| Paul Isnard / Eau Blanche                             | 3,629  | 662   | --  | (662)                                   | --   | 3,629  |
| SOTRAPMAG   | 1,520  | 469   | 134   | --                                      | --   | 2,123  |
| Dachine   | 575  | 147   | 2   | (44)                                    | --   | 680  |
| Other   | 1,331  | (3)   | --  | --                                      | (913)  | 415  |
| Diamond Projects                                      | 204  | 8   | --  | --                                      | --   | 212  |
| Sub-total   | 17,329   | 4,917   | 136   | (4,259)                                 | (913)  | 17,210   |
| <b>AFRICA (PAN AFRICAN<br/>RESOURCES CORPORATION)</b> |  |   |   |   |  |  |
| Ivory Coast / Comoe                                   | 3,951  | 562   | --  | --                                      | --   | 4,513  |
| Mali / Dioulafoundou                                  | 2,763  | 146   | 12  | --                                      | --   | 2,921  |
| Mali / Melgue   | 56   | 58  | --  | --                                      | --   | 114  |
| Mali / Other  | 30   | 26  | --  | --                                      | --   | 56   |
| Eritrea / Galla Valley                                | 1,317  | 382   | --  | --                                      | --   | 1,699  |
| Eritrea / Other                                       | 55   | --  | --  | --                                      | --   | 55   |
| Kenya / Ndori   | 901  | 512   | --  | --                                      | --   | 1,413  |
| Burkina Faso  | --   | 13  | --  | --                                      | --   | 13   |
| Other   | 53   | (15)  | --  | --                                      | --   | 38   |
| Sub-total   | 9,126  | 1,684   | 12  | --                                      | --   | 10,822   |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

(UNAUDITED)

(All tabular amounts in thousands of United States Dollars)

|   | Deferred<br>Exploration<br>Expenditures<br>as at<br>Dec. 31, 1996<br>===== | Capitalized<br>Exploration<br>Expenditures<br>===== | Capitalized<br>Acquisition<br>Expenditures<br>===== | Joint<br>Venture<br>Recoveries<br>===== | Property<br>Impairments<br>& Abandonments<br>===== | Deferred<br>Exploration<br>Expenditures<br>as at<br>June 30, 1997<br>===== |
|---|--|---|---|---|--|--|
| LATIN AMERICA (SOUTHERN STAR<br>RESOURCES LTD.) |  |   |   |   |  |  |
| Brazil / Andorinhas                             | 3,547  | 2,709   | 533   | --                                      | --   | 6,789  |
| Brazil / Abacaxis                               | 1,375  | 616   | 7   | --                                      | --   | 1,998  |
| Brazil / Other                                  | 583  | 57  | --  | --                                      | --   | 640  |
| Bolivia / San Simon                             | 858  | 42  | --  | --                                      | --   | 900  |
| Bolivia / Sunsas                                | 221  | 237   | --  | --                                      | (405)  | 53   |
| Bolivia / Other                                 | 502  | 263   | 8   | --                                      | --   | 773  |
| Other   | --   | 3   | --  | --                                      | --   | 3  |
| Sub-total                                       | 7,086  | 3,927   | 548   | --                                      | (405)  | 11,156   |
| OTHER   | --   | 124   | --  | --                                      | --   | 124  |
| TOTAL   | \$64,721   | \$19,300  | \$895   | \$(6,189)                               | \$(6,070)  | \$72,657   |

The recoverability of amounts shown for deferred exploration is dependent upon the sale or discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof. The amounts deferred represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the properties.

During the quarter ended June 30, 1997, the Company relinquished five prospecting licenses in the Upper Mazaruni and Five Stars areas in Guyana and, as a consequence, recognized property abandonment losses of \$4.8 million during the period.

Also during the second quarter of 1997, Guyanor recorded a property write-down charge of \$0.9 million for the Regina Est property. Funds for an exploration program have not been budgeted for the Regina Est project and Guyanor anticipates relinquishing the property in the second half of 1997.

In addition, the Company recorded a property write-down charge of \$0.4 million for the Sunsas property area in Bolivia during the quarter ended June 30, 1997. The Company intends to relinquish certain portions of the Sunsas property area in the third quarter of 1997.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

(UNAUDITED)

(All tabular amounts in thousands of United States Dollars)

**(4) INVESTMENT IN OMAI GOLD MINES LIMITED**

Details regarding the Company's investment in the common and preferred share equity of Omai Gold Mines Ltd. and its share of equity losses not recorded for the year ended December 31, 1996 and the six months ended June 30, 1997 are as follows:

|  | Common Shares | Preferred Shares |
|--|---------------|------------------|
|  | -----         | -----            |
| December 31, 1996                          | --            | \$ 3,279         |
| Less: Preferred Share Redemption           | --            | (1,014)          |
| Add: Premium on Preferred Share Redemption | \$ --         | 554              |
|  | -----         | -----            |
| March 31, 1997                             | \$ --         | \$ 2,819         |
|  | -----         | -----            |
| Less: Preferred Share Redemption           | --            | (632)            |
| Add: Premium on Preferred Share Redemption | --            | 345              |
|  | -----         | -----            |
| June 30, 1997                              | \$ --         | \$ 2,532         |
|  | =====         | =====            |

The Company's share of Accumulated Losses at:

|                   |           |
|-------------------|-----------|
| December 31, 1996 | \$(2,713) |
|                   | =====     |
| June 30, 1997     | \$(1,143) |
|                   | =====     |

The Company recorded proceeds of \$1.6 million from redemption of preferred shares during the six months ended June 30, 1997.

**(5) CHANGES TO SHARE CAPITAL**

During the six months ended June 30, 1997, 8,333 common shares were issued by the Company pursuant to exercised options previously granted under the Company's Employees' Stock Option Plan. During the six months ended June 30, 1997, 673,200 shares were issued for the exercise of all of the Company's outstanding Cdn\$11.00 common share purchase warrants, providing proceeds of \$5.4 million.

On May 5, 1997, the Company sold through a prospectus offering 3,025,000 common shares at \$7.50 per share for total proceeds of \$22.7 million. The shares were issued under the Company's shelf prospectus in the United States and Canada.

In August 1997, the Company filed a shelf Registration Statement with the U.S. Securities and Exchange Commission (the "SEC") and short form prospectuses with Canadian provincial securities commissions. (See Note 9.)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

(UNAUDITED)

(All tabular amounts in thousands of United States Dollars)

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

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

- (a) For United States GAAP ("U.S. GAAP"), exploration and general and administrative costs related to projects are normally charged to expense as incurred. As such, the majority of costs charged to abandonment and impairment of mineral properties under Canadian GAAP would have been charged to earnings in prior periods under U.S. GAAP. Property acquisition costs are capitalized for both Canadian and U.S. GAAP.
- (b) For periods prior to May 15, 1992 (the "Amalgamation"), the Company's reporting currency was the Canadian dollar. Subsequent to the Company's Amalgamation and relocation of its corporate headquarters to the United States, the reporting currency was changed to the U.S. dollar. As such, for the financial statements for periods prior to May 15, 1992, the Company's financial statements were translated into U.S. dollars using a translation of convenience. U.S. GAAP requires translation in accordance with the current rate method.
- (c) Under U.S. GAAP, the investment in Omai Gold Mines Limited would have been written off in prior years and, therefore, the entire Omai Preferred Share Redemption would have been included in income. Under Canadian GAAP, a portion of the Omai Preferred Share Redemption is included in income with the remainder reducing the carrying value of the Company's preferred stock investment.
- (d) U.S. GAAP requires that compensation expense be recorded for the excess of the quoted market price over the option price granted to employees and directors under stock option plans. Under Canadian GAAP, no compensation expense is recorded for such awards.
- (e) Canadian GAAP allows classification of investments which are capable of reasonably prompt liquidation as current assets. As such, all of the Company's investments are included under the caption "short-term investments" on the balance sheet under current assets. U.S. GAAP requires classification as current or long term assets based upon the anticipated maturity date of such instruments.
- (f) The gains on subsidiary's issuance of common stock recorded under Canadian GAAP in respect of the Guyanor public offerings in 1995 and 1996 and the PARC private placements in 1995 and 1996 are not appropriate under U.S. GAAP.
- (g) The Company eliminated its accumulated deficit through the Amalgamation (defined as a quasi-reorganization under U.S. GAAP) effective May 15, 1992. Under U.S. GAAP, the cumulative deficit was greater than the deficit under Canadian GAAP due to the write-off of certain deferred exploration costs described in (a) above.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

(UNAUDITED)

(All tabular amounts in thousands of United States Dollars)

(h) Under U.S. GAAP, cash (and cash equivalents) includes bank deposits, money market instruments, and commercial paper with original maturities of three months or less. Canadian GAAP permits the inclusion of temporary investments with maturities greater than 90 days in cash.

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

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

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

|   | For the six months ended |               |
|---|--------------------------|---------------|
|   | June 30, 1997            | June 30, 1996 |
|   | -----                    | -----         |
| Net loss under Canadian GAAP  | \$ (9,306)               | \$ (1,661)    |
| Net effect of the deferred exploration expenditures<br>on loss for the period (a) | (7,125)                  | (7,790)       |
| Effect of recording compensation expense under stock<br>option plans (d)          | (42)                     | (68)          |
| Record loss for severance accruals (j)  | (1,115)                  | --            |
| Reversal of the gain on subsidiary's issuance of<br>common stock (f)              | --                       | (2,001)       |
| Effect of Omai preferred share redemption (c)                                     | 747                      | --            |
|   | -----                    | -----         |
| Loss under U.S. GAAP before minority interest                                     | (16,841)                 | (11,520)      |
| Adjustment to minority interest   | 978                      | 796           |
|   | -----                    | -----         |
| Loss under U.S. GAAP  | \$ (15,863)              | \$ (10,724)   |
|   | =====                    | =====         |
| Loss per share under U.S. GAAP  | \$ (0.55)                | \$ (0.43)     |
|   | =====                    | =====         |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)**

(UNAUDITED)

(All tabular amounts in thousands of United States Dollars)

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

**BALANCE SHEET**

|   | As of June 30, 1997 |                  | As of December 31, 1996 |                  |
|---|---------------------|------------------|-------------------------|------------------|
|   | Canadian GAAP       | U.S. GAAP        | Canadian GAAP           | U.S. GAAP        |
| Cash (h)  | \$ 25,527           | 24,525           | \$ 9,664                | \$ 9,664         |
| Short term investments (e)                        | 1,999               | 1,002            | 5,999                   | 2,500            |
| Other current assets                              | 4,689               | 4,689            | 6,519                   | 6,519            |
| Restricted cash                                   | 1,443               | 1,443            | 2,015                   | 2,015            |
| Deferred exploration (a)                          | 72,657              | 19,422           | 64,721                  | 18,611           |
| Investment in Omai Gold Mines Limited (c)         | 2,532               | --               | 3,279                   | --               |
| Long-term investments (e)                         | --                  | 1,999            | --                      | 3,499            |
| Other assets                                      | 3,142               | 3,142            | 4,086                   | 4,087            |
| <b>Total Assets</b>                               | <b>\$ 111,989</b>   | <b>\$ 56,222</b> | <b>\$ 96,283</b>        | <b>\$ 46,895</b> |
| Liabilities                                       | 5,597               | 5,597            | 6,987                   | 5,872            |
| Minority interest (a)                             | 9,881               | 8,765            | 11,202                  | 11,064           |
| Share capital, net of stock option loans (g)      | 153,665             | 150,833          | 125,942                 | 123,068          |
| Cumulative translation adjustments (b)            | --                  | 1,595            | --                      | 1,595            |
| Deficit (a)(c)(d)(f)                              | (57,154)            | (110,568)        | (47,848)                | (94,704)         |
| <b>Total Liabilities and Shareholders' Equity</b> | <b>\$ 111,989</b>   | <b>\$ 56,222</b> | <b>\$ 96,283</b>        | <b>\$ 46,895</b> |

**STATEMENTS OF CASH FLOWS**

| NET CASH PROVIDED BY (USED IN):        | OPERATING ACTIVITIES |            | INVESTING ACTIVITIES |           | FINANCING ACTIVITIES |           |
|--|----------------------|------------|----------------------|-----------|----------------------|-----------|
|  | Canadian GAAP        | U.S. GAAP  | Canadian GAAP        | U.S. GAAP | Canadian GAAP        | U.S. GAAP |
| For the six months ended June 30, 1997 | (\$4,446)            | (\$16,038) | (\$12,245)           | \$2,303   | \$28,554             | \$28,596  |
| For the six months ended June 30, 1996 | (\$6,605)            | (\$14,489) | (\$10,226)           | \$1,290   | \$30,019             | \$30,019  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(UNAUDITED)

(All tabular amounts in thousands of United States Dollars)

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

There were no significant non-cash transactions impacting the statement of cash flows for the six months ended June 30, 1997. Non-cash items in financing activities were \$2.8 million for the six months ended June 30, 1996.

### (7) TRANSACTIONS WITH SUBSIDIARIES

In May 1997, PARC entered into a demand revolving line of credit with the Company, whereby the Company would loan PARC up to \$2.0 million. On June 27, 1997, the principal and interest on outstanding advances due from PARC totaling \$2,018,591 were converted into 7,333,328 common shares of PARC at a conversion price of Cdn\$0.38 per share. As a result, the Company's interest in PARC was increased to 63.89%.

### (8) COMMITMENTS AND CONTINGENCIES

On June 5, 1997, PARC's performance bond requirements under its Exploration License Agreement with the Government of Eritrea were reduced to \$0.7 million. As a result, the bank guarantee and restricted cash collateral supporting the performance bond were reduced by \$0.6 million.

### (9) SUBSEQUENT EVENTS

On August 8, 1997, the Company filed with the SEC a shelf registration statement on Form S-3 (the "Registration Statement"), with respect to the proposed issuance by the Company from time to time of up to \$47,687,500 of its common shares, preferred shares, convertible debt securities and/or warrants. The Registration Statement also includes \$52,312,500 in securities previously registered by the Company pursuant to a Registration Statement declared effective by the SEC on November 8, 1996.

On August 13, 1997, the Company filed with nine Canadian provincial securities commissions a short-form shelf prospectus, with respect to the proposed issuance by the Company from time to time of up to 12 million common shares and/or 12 million common share purchase warrants and a short-form shelf prospectus with respect to the proposed issuance from time to time of up to \$100 million of convertible debt securities. The Canadian prospectuses relate to the same securities being registered with the SEC.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND RECENT DEVELOPMENTS**

The following discussion should be read in conjunction with the accompanying consolidated financial statements and related notes. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). For U.S. GAAP reconciliation see attached financial statement Note 6.

### **CAUTIONARY STATEMENT FOR THE PURPOSES OF THE REFORM ACT**

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

### **RESULTS OF OPERATIONS**

#### **Six Months Ended June 30, 1997 Compared to the Six Months Ended June 30, 1996**

During the second quarter of 1997, the Company recognized a net loss of \$7.5 million or \$0.25 per share as compared to a net loss of \$1.6 million or \$0.06 per share for the second quarter of 1996. During the second quarter of 1997, the Company recorded property abandonment charges and write downs of \$6.1 million, including \$4.8 million due to relinquishment of five prospecting licenses in Guyana, \$0.4 million for write down of capitalized assets for the Sunsas property area in Bolivia, and \$0.9 million for write down of deferred exploration for the Regina Est property area in French Guiana. There were no property abandonment or write down charges during the second quarter of 1996. In addition, during the second quarter of 1996, the Company recorded recovery of abandonment losses totaling \$0.9 million related to the Company's interests in Venezuela.

For the six months ended June 30, 1997, the Company recognized a net loss of \$9.3 million or \$0.32 per share, compared to a loss of \$1.7 million or \$0.07 per share for the similar period in 1996. The increased loss in the 1997 period is primarily attributable to increased property write-downs in 1997 (\$6.1 million) and gains recorded in 1996 which did not recur in 1997 (\$0.9 million for recovery of abandonment losses and \$2.0 million for gains on sale of subsidiary shares). These increased losses were offset by reduced production losses at SOTRAPMAG in 1997 as compared to 1996 (\$0.5 million) and redemptions of Omai Gold Mines Ltd. preferred shares in 1997 which did not occur in 1996 (\$0.9 million).

During the first quarter of 1997, the Company, through Guyanor Ressources S.A. ("Guyanor"), began implementation of a program to discontinue the alluvial operations conducted at Societe de Travaux Publics et de Mines Auriferes en Guyane, a subsidiary of Guyanor Ressources S.A. ("SOTRAPMAG"). Mining operations were suspended on April 17, 1997 after receipt of regulatory approvals for SOTRAPMAG's closure plan. Alluvial gold production continued to the date of closure, with operating losses of \$0.5 million incurred during the period from January 1 to April 17, 1997. All accruals for future obligations are included in current liabilities and no significant adjustments were made to accruals for obligations associated with the shut-down during the first six months of 1997. Closure procedures, including land rehabilitation and company-provided outplacement services, were conducted during the quarter and are expected to continue at a reduced level during the third quarter of 1997. During the

second quarter of 1997, SOTRAPMAG initiated a plan to sell certain equipment and machinery from the mine site. Sales of \$0.1 million were completed as of June 30, 1997 and additional sales are anticipated during the third quarter of 1997.

Total revenues of \$0.4 million during the second quarter of 1997 (as compared to \$0.7 million for the second quarter of 1996) decreased due to the suspension of gold production at SOTRAPMAG, with second quarter 1997 interest and other income consistent with the 1996 period.

General and administrative expenditures of \$2.3 million (as compared to \$2.6 million in the second quarter of 1996) reflected the Company's efforts to reduce overhead costs while maintaining continued support of the portfolio of exploration projects in South America and Africa. Depreciation expense decreased as a result of the shut down of the SOTRAPMAG mine in April 1997.

Omai Gold Mines Limited ("OGML"), in which the Company maintains a 30% common share equity interest, reported net income of \$1.3 million for the second quarter of 1997 and \$5.5 million for the six months ended June 30, 1997, compared to a net loss of \$0.3 million in the second quarter of 1996 and a net loss of \$1.8 million for the six months ended June 30, 1996. During the six months ended June 30, 1997, OGML produced 174,770 ounces of gold, compared to 85,192 ounces during the first six months of 1996. Production during the first six months of 1996 was adversely impacted by the tailings dam failure in August 1995, with production resuming in February 1996 and returning to full capacity in June 1996. The Company recorded Class "I" preferred share redemptions from OGML of \$1.6 million for the six months ended June 30, 1997. There were no redemptions of Class "I" preferred shares during the six months ended June 30, 1996.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of June 30, 1997, the Company held cash and short term investments of \$27.5 million (\$22.7 million as of June 30, 1996) and working capital of \$26.7 million (\$25.9 million as of June 30, 1996). The increase in cash resources and working capital resulted from proceeds from the issuance of Guyanor shares in conjunction with the listing of the Nouveau Marche in the fourth quarter of 1996 (\$8.9 million), proceeds from the exercises of the Company's Cdn\$11.00 warrants in the first quarter of 1997 (\$5.4 million) and proceeds from the Company's common share offering in May 1997 (\$22.7 million), offset by expenditures on the Company's exploration activities during the second half of 1996 and the first six months of 1997.

Cash used in investing activities of \$12.2 million for the six months ended June 30, 1997 (as compared to \$10.2 million for the six months ended June 30, 1996) increased primarily due to increased expenditures on exploration projects, primarily the Gross Rosebel project in Suriname (\$3.4 million net of joint venture recoveries) and the Andorinhas project in Brazil (\$3.2 million).

Cash provided by financing activities of \$28.6 million for the six months ended June 30, 1997 decreased by \$1.4 million as compared to \$30.0 million for the six months ended June 30, 1996. The decrease results from offerings by the Company's subsidiaries in the first six months of 1996 which did not recur in 1997. Share capital increased by \$28.0 million for the six months ended June 30, 1997 compared with \$22.3 million during the six months ended June 30, 1996, reflecting proceeds from warrant exercises and the May 1997 common stock offering.

In response to continuing weak gold prices, which could impact the Company's ability to raise capital through the equity markets, management implemented a program in July to conserve cash by reducing

administrative expenses and exploration spending. The Company's exploration efforts will focus on advanced stage projects and the higher priority earlier stage projects. Management has assessed and prioritized exploration projects in order to ensure continued progress on the most promising projects in the Company's portfolio over a prolonged period of time should the currently weak gold environment persist. The objective of the revised budgets is to fund those programs that the Company believes offer the greatest potential for meaningful results and that will generate new resources and reserves. As of June 30, 1997, the Company had approximately \$29 million in cash and restricted cash. The Company's consolidated exploration spending for the second half of 1997 is budgeted to be \$20.9 million, with recoveries from joint venture partners of \$7.8 million, resulting in net exploration expenditures totaling \$13.1 million. The Company expects that its existing cash resources will be sufficient to fund these expenditures.

The Company's primary efforts for the remainder of 1997 are planned to focus on six projects: Andorinhas in Brazil, Yaou, Dorlin, St-Elie and Paul Isnard in French Guiana, and Eagle Mountain in Guyana. Construction of the Gross Rosebel Project in Suriname has been deferred pending receipt of necessary government approvals, resolution of certain issues related to development and improved gold prices. Work will continue on an update of the feasibility study which is expected to be completed in the second half of 1997. Work is also expected to continue on gold anomalies established through our joint ventures with BHP in Suriname and Guyana, as well as programs recently initiated on the Dachine diamond project in French Guiana and the Five Stars diamond projects in north western Guyana. Most other earlier state projects have been put on care and maintenance while awaiting improved conditions, while seeking joint venture partners where appropriate. Certain early state projects have been assessed and those which do not warrant further work abandoned (see Results of Operations).

#### **Africa (Pan African Resources Corporation)**

Total exploration and acquisition expenditures in Africa for the second quarter of 1997 amounted to \$0.8 million (compared to \$1.5 million during the second quarter of 1996) and \$1.7 million for the first six months of 1997 (compared to \$2.7 million for the first six months of 1996). Expenditures in 1997 primarily reflect exploration activities in the Ivory Coast, Kenya and Eritrea. General and administrative expenditures for the second quarter of 1997 totaled \$0.2 million (compared to \$0.4 million for the second quarter of 1996) and \$0.3 million for the first six months of 1997 (compared to \$0.7 million for the six month period ended June 30, 1996). PARC recorded exploration expense of \$0.3 million and \$0.4 million during the second quarter and six months ended June 30, 1997, respectively, representing preliminary project reconnaissance and additional expenditures for projects previously written down.

In May 1997, PARC entered into a demand revolving line of credit with the Company, whereby the Company would loan PARC up to \$2.0 million. On June 27, 1997, the principal and interest on outstanding advances due from PARC totaling \$2,018,591 were converted into 7,333,328 common shares of PARC at a conversion price of Cdn\$0.38 per share. As a result, the Company's interest in PARC as of June 30, 1997 was increased to 63.89%.

On June 5, 1997, PARC's performance bond requirements under its Exploration License Agreement with the Government of Eritrea were reduced from \$1.3 million to \$0.7 million. As a result, the bank guarantee and restricted cash collateral supporting the performance bond were reduced by \$0.6 million.

#### **French Guiana (Guyanor Ressources S.A.)**

Total exploration expenditures by Guyanor for the second quarter of 1997 amounted to \$3.0 million, offset by joint venture recoveries of \$2.5 million as compared to \$2.4 million in expenditures and \$2.2 million in joint venture recoveries in 1996. Total exploration expenditures and joint venture recoveries for Guyanor for the six months ended June 30, 1997 were \$5.1 million and \$4.3 million, respectively (compared to \$3.5 million in expenditures and \$3.3 million in joint venture recoveries for the first six

months of 1996). Activities in French Guiana focused primarily on further work at the St-Elie/Dieu-Merci, Paul-Isnard/Eau Blanche and Yaou/Dorlin properties. General and administrative expenditures for Guyanor which were not reimbursed by joint venture partners amounted to \$0.4 million and \$0.9 million for the quarter and six months ended June 30, 1997, respectively (compared to \$0.6 million and \$1.1 million for the three and six months ended June 30, 1996, respectively). During the second quarter of 1997, Guyanor recorded property write-downs of \$0.9 million for the Regina Est property. Funds for an exploration program have not been budgeted for the Regina Est project and Guyanor anticipates relinquishing the property in the second half of 1997. Guyanor anticipates it will begin to contribute its 50% share of expenditures at Yaou / Dorlin in the second half of 1997.

The Company owned approximately 68% of the outstanding shares of Guyanor as of June 30, 1997.

### **Guyana**

Exploration and acquisition expenditures in the second quarter of 1997 in Guyana amounted to \$0.8 million (compared to \$1.1 million during the second quarter of 1996) and \$1.4 million for the six months ended June 30, 1997 (compared to \$2.2 million for the first six months of 1996). Joint venture recoveries from the Company's BHP projects totaled \$0.1 million for the six months ended June 30, 1997. Activities in Guyana focused primarily on the Five Stars gold and diamond reconnaissance areas and the Eagle Mountain project. During the quarter ended June 30, 1997, the Company relinquished five prospecting licenses in the Upper Mazaruni and Five Stars areas in Guyana and, as a consequence, recognized property abandonment losses of \$4.8 million during the period.

### **Suriname**

Exploration expenditures in Suriname during the second quarter and six months ended June 30, 1997 focused principally on the Gross Rosebel gold project in joint venture with Cambior Inc. ("Cambior"). Total spending in Suriname in the second quarter of 1997 of \$3.6 million was offset by recoveries from joint venture partners of \$0.7 million (compared to \$3.1 million in expenditures and \$1.1 million in recoveries for the second quarter of 1996), as Cambior has met its earn-in requirements at Gross Rosebel and all expenditures are shared equally on the Gross Rosebel project. Exploration expenditures of \$7.5 million for the first six months of 1997 (compared to \$5.1 million for the six months ended June 30, 1996) were offset by \$1.8 million in joint venture recoveries (compared to \$2.4 million in recoveries for the first six months of 1996).

### **Southern Star Resources Ltd.**

Exploration expenditures by Southern Star for the second quarter of 1997 of \$2.5 million (\$1.4 million for the second quarter of 1996) and \$4.5 million for the first six months of 1997 (compared to \$1.9 for the first six months of 1996). Exploration work focused primarily on the Andorinhas and Abacaxis properties in Brazil and the San Simon project in Bolivia.

During the quarter ended June 30, 1997, the Company recorded a property write-down charge of \$0.4 million for the Sunsas property area in Bolivia. The Company intends to relinquish certain portions of the Sunsas property area and close its office in Santa Cruz in the third quarter of 1997.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

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

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

At the Annual General Meeting of the Shareholders of the Company held on June 10, 1997, shareholders were asked to (i) re-elect the nine directors, including Messrs. Fagin, Fennell, Gousseland, Lefebvre, Mazankowski, Mercier, Minto (Dr. Robert Minto was previously appointed to the Board on September 1, 1996 upon the resignation of Bernard G. Poznanski from the Board), Morton and Stark, (ii) approve the appointment of auditors for 1997, and (iii) approve the Company's 1997 Stock Option Plan.

As a result of recent changes in U.S. securities laws, the Board decided to adopt a new stock option plan, (the "1997 Stock Option Plan"). Under the new plan, the Employees Stock Option Plan (the "Employees' Plan") and the Non-discretionary Director Stock Option Plan (the "Directors' Plan") were combined into one plan. Upon approval of the 1997 Stock Option Plan, the Employees' Plan and Directors' Plan were both terminated and outstanding options granted thereunder were assumed under the 1997 Stock Option Plan.

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

|                         | Number of Shares |          |
|-------------------------|------------------|----------|
|                         | For              | Withheld |
| David K. Fagin          | 20,488,647       | 15,697   |
| David A. Fennell        | 20,488,647       | 15,697   |
| Pierre Gousseland       | 20,488,647       | 15,697   |
| Jean-Pierre Lefebvre(1) | 20,488,647       | 15,697   |
| Donald Mazankowski      | 20,488,647       | 15,697   |
| Ernest Mercier          | 20,488,647       | 15,697   |
| Robert Minto            | 20,488,647       | 15,697   |
| Roger D. Morton         | 20,488,647       | 15,697   |
| Richard A. Stark        | 20,488,647       | 15,697   |

(1) On July 1, 1997, Jean-Pierre Lefebvre resigned as a director of the Company.

Votes cast for the appointment of Coopers & Lybrand as auditors for 1997:

| For        | Against | Withheld |
|------------|---------|----------|
| ---        | -----   | -----    |
| 20,483,659 | -0-     | 14,273   |

(iii) Votes cast for the 1997 Stock Option Plan:

| For       | Against   | Withheld |
|-----------|-----------|----------|
| ---       | -----     | -----    |
| 8,698,051 | 3,913,735 | -0-      |

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit 10 1997 Stock Option Plan

### Exhibit 27 Financial Data Schedule

(b) The Company filed with the Securities and Exchange Commission ("SEC") on May 8, 1997, a Form 8-K, dated April 24, 1997, concerning the sale of 3.025 million Common Shares of the Company at US\$7.50 per Common Share.

**SIGNATURE**

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

**Golden Star Resources Ltd.**

*By: /s/ David A. Fennell*

-----  
*David A. Fennell  
President and Chief Executive  
Officer*

*By: /s/ Gordon J. Bell*

-----  
*Gordon J. Bell  
Vice President and Chief Financial  
Officer*

*Date: August 14, 1997*

EXHIBIT INDEX

| EXHIBIT<br>NUMBER<br>----- | DESCRIPTION<br>-----    |
|----------------------------|-------------------------|
| 10                         | 1997 Stock Option Plan  |
| 27                         | Financial Data Schedule |

## EXHIBIT 10

### GOLDEN STAR RESOURCES LTD.

#### 1997 STOCK OPTION PLAN

##### 1. PURPOSE

1.1 The purpose of the 1997 Stock Option Plan (the "Plan") is to advance the interests of Golden Star Resources Ltd. (the "Corporation") by encouraging equity participation in the Corporation by selected key employees, consultants and directors of the Corporation or subsidiaries of the Corporation through the acquisition of common shares without par value ("Shares") in the Corporation. Any reference herein to the Corporation or any subsidiary of the Corporation shall be deemed to refer to any predecessor or successor corporation thereto.

It is the further purpose of this Plan to permit the granting of awards that will constitute performance-based compensation for certain executive officers, as described in section 162(m) of the United States Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder.

As of the effective date of the Plan, the 1992 Employees' Stock Option Plan and the 1992 Non-Discretionary Directors' Stock Option Plan (collectively, the "1992 Plans") will be terminated subject to the assumption under the Plan of outstanding options granted under the 1992 Plans.

##### 2. ADMINISTRATION OF THE PLAN

2.1 The Plan will be administered by a specifically designated independent committee ("Independent Committee") of the Board of Directors of the Corporation (the "Board of Directors"), except that with respect to options granted to non-employee directors of the Corporation, the Board of Directors shall serve as the Committee, and, where applicable, any reference herein to the Independent Committee shall be deemed to refer to the Board of Directors. The Independent Committee shall consist of such two or more directors of the Corporation as the Board of Directors may designate from time to time, all of whom shall be and remain directors of the Corporation. To the extent necessary to comply with Code section 162(m) or Rule 16b-3 under the Securities Exchange Act of 1934 (the "Exchange Act"), as amended ("Rule 16b-3"), each member of the Independent Committee shall be intended to be an "outside director" within the meaning of Code section 162(m) or a "non-employee director" within the meaning of Rule 16b-3. The Independent Committee is authorized to interpret and to implement the Plan and all Plan agreements and may from time to time amend or rescind rules and regulations required for carrying out the Plan. The Independent Committee shall have the authority to exercise all of the powers granted to it under the Plan, to make any determination necessary or advisable in administering the Plan and to correct any defect, supply any omission and reconcile any inconsistency in the Plan. Any such interpretation or construction of any provision of the Plan shall be final and conclusive. Notwithstanding the foregoing, the Board of Directors may resolve to administer the Plan with respect to all of the Plan or certain participants and/or awards made or to be made under the Plan. To the extent that the Board of Directors determines to administer the Plan, all references herein to the Independent Committee shall be deemed to refer to the Board of Directors.

All administrative costs of the Plan shall be paid by the Corporation. No member of the Independent Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted under it.

### 3. PARTICIPATION

3.1 Options may be granted under the Plan to persons who are directors or key employees (including officers, whether or not directors, and part-time employees) of, or independent consultants to, the Corporation or any of its subsidiaries who, by the nature of their positions or jobs, are in the opinion of the Independent Committee in a position to contribute to the success of the Corporation or any of its subsidiaries or who, by virtue of their length of service to the Corporation or to any of its subsidiaries are, in the opinion of the Independent Committee, worthy of special recognition.

Designation of a participant in any year shall not require the designation of such person to receive an option in any other year. The Independent Committee shall consider such factors as it deems pertinent in selecting participants and in determining the amount and terms of their respective options.

Options shall also be granted to non-employee directors of the Corporation in accordance with Section 11 of the Plan.

3.2 Subject to applicable regulatory approval, options may also be granted under the Plan in exchange for outstanding options granted by the Corporation, whether such outstanding options are granted under the Plan, under any other stock option plan of the Corporation or under any stock option agreement with the Corporation. Options granted under the 1992 Plans which are outstanding upon the effectiveness of the Plan will be assumed and will be deemed to be governed by the Plan as of such date.

3.3 Options may also be granted under the Plan in substitution for outstanding options of another corporation in connection with a plan of arrangement, amalgamation, merger, consolidation, acquisition of property or shares, or other reorganization between or involving such other corporation and the Corporation or any of its subsidiaries.

### 4. NUMBER OF SHARES RESERVED UNDER THE PLAN

4.1 The number of Shares reserved for issuance under the Plan is limited as follows:

(a) the maximum number of Shares issuable pursuant to the exercise of options granted under the Plan shall be 5,600,000 (including such number of Shares issuable upon exercise of options granted under the 1992 Plans as of the effective date of the Plan) provided, however, if, after the effective date of the Plan, any Shares covered by an option granted under the Plan, or to which such an option relates, are forfeited, or if an option has expired, terminated or been canceled for any reason whatsoever (other than by reason of exercise), then the Shares covered by such option shall again be, or shall become, Shares with respect to which options may be granted hereunder;

(b) the number of Shares that may be reserved from time to time under the Plan for issuance to Insiders (as defined below) of the Corporation shall be limited to that number which is

equal to the difference between (i) 10% of the outstanding number of Shares from time to time, and (ii) the number of Shares that are reserved for issuance to Insiders pursuant to stock options granted under other stock option plans or arrangements of the Corporation;

(c) the total number of Shares issuable within any one-year period to all Insiders of the Corporation pursuant to the exercise of vested options granted under the Plan or pursuant to any other share compensation arrangements of the Corporation shall not exceed 10% of the Outstanding Issue;

(d) the total number of Shares reserved for issuance to any one optionee pursuant to options granted under the Plan or other stock option plans or arrangements of the Corporation shall not exceed 5% of the outstanding number of Shares from time to time; and

(e) the total number of Shares issuable within any one-year period to an Insider and, if applicable, such Insider's "associates" (as defined under the Securities Act (Ontario) pursuant to the exercise of vested options granted under the Plan or any other share compensation arrangements of the Corporation shall not exceed 5% of the Outstanding Issue.

"Insiders" has the meaning set forth in the Toronto Stock Exchange's policy issued March 22, 1994 entitled "Employee Stock Option and Stock Purchase Plans, Options for Services and Related Matters." "Outstanding Issue", for the purposes of the Plan, is determined on the basis of the number of Shares that are outstanding immediately prior to the Shares issuance in question, excluding Shares issued pursuant to the Plan or the Corporation's other share compensation arrangements over the preceding one-year period. The maximum number of Shares set forth in Section 4.1(a) shall be appropriately adjusted in the event of any subdivision or consolidation of the Shares or in the discretion of the Independent Committee, to reflect any other corporate event or change in the Shares.

## 5. NUMBER OF OPTIONED SHARES PER OPTIONEE

5.1 Subject to Section 4.1 hereof, the maximum number of Shares subject to options granted to any one participant under the Plan in any one calendar year shall not exceed 400,000 (subject to adjustment in the event of any subdivision or consolidation of the Shares). Subject to these limitations and Section 11, however, the determination regarding the number of optioned Shares that may be granted to each optionee pursuant to an option will be made by the Independent Committee and will take into consideration the optionee's present and potential contribution to the success of the Corporation.

## 6. PRICE

6.1 The exercise price per optioned Share shall be determined by the Independent Committee at the time the option is granted, but such price shall not be less than the fair market value per Share on the date of grant. For the purposes of the Plan, "fair market value" per Share shall mean the closing price of the Shares on the stock exchange or other market on which the Shares principally traded on the day immediately preceding the date of grant.

## 7. EXERCISE OF OPTIONS

7.1 The period during which an option may be exercised (the "Option Period") shall be determined by the Independent Committee at the time the option is granted and may be up to 10 years from the date the option is granted, except as the same may be reduced pursuant to the provisions of Sections 8 and 9 hereof and except as provided in Section 11 hereof.

7.2 In order to ensure that the Corporation will receive the benefits contemplated in exchange for the options granted hereunder, no option shall be exercisable until it has vested. Subject to Section 11.1 hereof, the vesting schedule for each option shall be specified in an option agreement as provided for in Section 12 hereof; provided, however, that the Independent Committee shall have the right with respect to any one or more optionees to accelerate the time at which an option may be exercised. Notwithstanding the foregoing provisions of this Section 7.2, if there is a Change of Control, as defined below, then all options outstanding shall become immediately exercisable.

For purposes of this Plan, a "Change of Control" shall mean the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the assets of the Corporation to any "person" or "group" (as such terms are used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), (ii) any person or group, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the voting stock of the Corporation, including by way of merger, consolidation or otherwise or (iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election by such Board of Directors whose nomination for election by the shareholders of the Corporation was approved by a vote of a majority of the directors of the Corporation, then still in office, who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors, then in office.

7.3 Options shall be exercisable, either all or in part, at any time after vesting. If less than all of the Shares included in the vested portion of any option are purchased, the remainder may be purchased, subject to the option's terms, at any subsequent time prior to the expiration of the Option Period.

7.4 Except as set forth in Sections 8 and 9 hereof, no option may be exercised unless the optionee is at the time of such exercise an employee or director of, or consultant to, the Corporation or any of its subsidiaries and shall have continuously served in any one or more of such capacities since the grant of the option. Absence on leave, with the approval of the Independent Committee, shall not be considered an interruption of service for any purpose of the Plan.

7.5 The exercise of any option will be contingent upon receipt by the Corporation of payment for the full purchase price of the Shares being purchased in cash by way of certified cheque or bank draft or by way of proceeds of any loan made by the Corporation to the optionee pursuant to Section 10 hereof. No optionee or his or her legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Shares subject to an option under the Plan, unless and until certificates for such Shares are issued to him, her or them under the terms of the Plan.

7.6 No option granted under the Plan shall be an "incentive stock option" within the meaning of Code section 422.

## 8. TERMINATION OF EMPLOYMENT

8.1 Except as provided in Section 11 hereof, if an optionee ceases to be employed by, or provide services to, the Corporation or any of its subsidiaries for any reason (other than death), or shall receive notice from the Corporation or any of its subsidiaries of the termination of his or her employment or services (such optionee being referred to in this Section 8.1 as a "Former Optionee"), the Former Optionee may only exercise each option held, to the extent that it has vested and not been exercised before such termination, until the earlier of:

(a) the date which is 30 days after the Former Optionee ceased to be employed by, or provide services to, the Corporation or any of its subsidiaries; and

(b) the expiry of the Option Period for the option (the "Option Expiry Date");

provided, however, that:

(c) if the Former Optionee continues to be a director of the Corporation or any of its subsidiaries after such termination of employment, each option held will continue to be exercisable until the earlier of:

(i) the date which is 12 months after the Former Optionee ceases to be such a director for any reason (other than death), and

(ii) the Option Expiry Date, and

(d) each option held may continue to be exercisable for such longer period than that provided for in this Section 8.1 if and as may be determined by the Independent Committee and any such determination by the Independent Committee may be made retroactively effective in order to reinstate the effectiveness of an option held by a Former Optionee that is otherwise rendered unexercisable pursuant to the other provisions of this

Section 8.1; provided, however, that any such determination by the Independent Committee shall be subject to the following:

(i) such determination shall be made within three months after the date that the Former Optionee ceased to be employed by, or provide services to, the Corporation or any of its subsidiaries;

(ii) such determination shall be subject to applicable regulatory approvals; and

(iii) such longer exercise period determined by the Independent Committee for any option shall not extend beyond the Option Expiry Date for such option.

## 9. DEATH OF OPTIONEE

9.1 In the event of the death of an optionee while in service or in the post-termination period described in Section 8, each option theretofore granted to him or her shall be exercisable until the earlier of:

(a) the expiry of the period within which the option may be exercised after such death, which period may be up to one year after such death and is to be specified in his or her option agreement, and

(b) the Option Expiry Date;

provided, however, that the option is only exercisable in such event:

(c) by the person or persons to whom the optionee's rights under the option shall pass by the optionee's will or by the laws of descent and distribution, and

(d) to the extent that the option has vested and not been exercised prior to the Optionee's death.

## 10. LOANS TO EMPLOYEES

10.1 An interest free loan will be made available to optionees who are employees of the Corporation or any of its subsidiaries at the time the loan is made, the proceeds of which loan may only be used directly for the exercise of options granted under the Plan to the optionee. The optionee shall pledge the subject shares as security for timely repayment of the loan and the Corporation's sole recourse for repayment and recovery of the loan shall be against the pledged shares. Until the loan is repaid, the pledged shares will be held by a trustee designated by the Corporation. The term of the loan shall be five years from the date of the loan, provided that the due date for the loan shall not in any event extend beyond that date which is ten years from the date of grant of the particular option, and, provided further, that the loan shall be repaid within 30 days of the earlier of the date upon which the optionee ceases to be an employee of the Corporation or any of its subsidiaries for any reason (other than death), or the date upon which the optionee receives notice from the Corporation or any of its subsidiaries of the termination of his or her employment. If the option has not been exercised by the optionee prior to his or her death, the loan provisions shall not be available for the exercise of the option pursuant to Section 9 hereof after his or her death.

### 11. AUTOMATIC GRANTS TO NON-EMPLOYEE DIRECTORS

11.1 Each person who becomes a non-employee director of the Corporation will automatically be granted, as of the date such person first becomes a non-employee director, an option to purchase 40,000 Shares, provided that, within the one year prior to the date he or she became a non-employee director, he or she had not been granted any other stock option by the Corporation (or an affiliate). On each anniversary a person became a non-employee director of the Corporation if he or she continues to be a non-employee director of the Corporation, he or she will automatically be granted, as of the anniversary date, an option to purchase 10,000 Shares. For purposes of this Section 11, a non-employee director is any person who is a member of the Board of Directors and who is not an employee or consultant of the Corporation or any of its

subsidiaries. All options granted under this Section 11.1 shall be exercisable for a period of 10 years from the date the option is granted (except as provided in Section 11.3) and shall vest immediately upon grant.

11.2 Notwithstanding the provisions for automatic grants of options set forth in section 11.1 hereof, if any particular automatic grant of an option would violate the requirements of Section 4.1 or 5.1 hereof, then the grant of such option shall be postponed until such time as when the option may be granted without any violation of Section 4.1 or 5.1 hereof.

11.3 With respect to options granted under this Section 11, if an optionee shall cease to be a director of the Corporation for any reason (other than death), he or she may exercise each option held, to the extent that it has vested and not been exercised, until the earlier of:

- (a) the date which is 12 months after the optionee ceases to be a director; and
- (b) the expiry of the Option Period for the option (the "Option Expiry Date").

12. OPTION AGREEMENT

12.1 Upon the grant of an option to an optionee, the Corporation and the optionee shall enter into an option agreement setting out the number of optioned Shares granted to the optionee and incorporating the terms and conditions of the Plan and any other requirements of regulatory bodies having jurisdiction over the securities of the Corporation and such other terms and conditions as the Independent Committee may determine are necessary or appropriate, subject to the Plan's terms.

13. ADJUSTMENT IN SHARES SUBJECT TO THE PLAN

13.1 The option exercise price and the number of Shares to be purchased by an optionee upon the exercise of an option will be adjusted, with respect to the then unexercised portion thereof, by the Independent Committee from time to time (on the basis of such advice as the Independent Committee considers appropriate, including, if considered appropriate by the Independent Committee, a certificate of auditors of the Corporation) in the event and in accordance with the provisions and rules set out in this Section 13. Any dispute that arises at any time with respect to any adjustment pursuant to such provisions and rules will be conclusively determined by the Independent Committee, and any such determination will be binding on the Corporation, the optionee and all other affected parties.

- (a) In the event that a dividend is declared upon the Shares payable in Shares (other than in lieu of dividends paid in the ordinary course), the number of Shares then subject to any option shall be adjusted by adding to each such Share the number of Shares which would be distributable thereon if such Share had been outstanding on the date fixed for determining shareholders entitled to receive such stock dividend.
- (b) In the event that the outstanding Shares are changed into or exchanged for a different number or kind of Shares or other securities of the Corporation or of another corporation, whether through an arrangement, amalgamation or other similar procedure or otherwise, or a share recapitalization, subdivision or consolidation, then there shall be substituted for each Share subject to any option the number and kind of Shares or other

securities of the Corporation or another corporation into which each outstanding Share shall be so changed or for which each such Share shall be exchanged.

(c) In the event that there is any change, other than as specified above in this Section 13, in the number or kind of outstanding Shares or of any securities into which such Shares shall have been changed or for which they shall have been exchanged, then, if the Independent Committee, in its sole discretion, determines that such change equitably requires an adjustment to be made in the number or kind of Shares, such adjustment shall be made by the Independent Committee and be effective and binding for all purposes.

(d) In the event that the Corporation distributes by way of a

dividend, or otherwise, to all or substantially all holders of Shares, property, evidences of indebtedness or shares or other securities of the Corporation (other than Shares) or rights, options or warrants to acquire Shares or securities convertible into or exchangeable for Shares or other securities or property of the Corporation, other than as a dividend in the ordinary course, then, if the Independent Committee, in its sole discretion, determines that such action equitably requires an adjustment in the option exercise price or number of Shares subject to any option, or both, such adjustment shall be made by the Independent Committee and shall be effective and binding for all purposes.

13.2 In the case of any such substitution or adjustment as provided for in this Section 13, the exercise price in respect of each option for each Share covered thereby prior to such substitution or adjustment will be proportionately and appropriately varied, such variation shall generally require that the number of Shares or securities covered by the option after the relevant event multiplied by the varied option exercise price be equal to the number of Shares covered by the option prior to the relevant event multiplied by the original option exercise price.

13.3 No adjustment or substitution provided for in this Section 13 shall require the Corporation to issue a fractional share in respect of any option. Fractional shares shall be eliminated.

13.4 The grant of an option shall not affect in any way the right or power of the Corporation to effect adjustments, reclassifications, reorganizations, arrangements or changes of its capital or business structure, or to amalgamate, merge, consolidate, dissolve or liquidate, or to sell or transfer all or any part of its business or assets.

14. TRANSFERABILITY

14.1 All benefits, rights and options accruing to any optionee in accordance with the terms and conditions of the Plan shall not be assignable other than as specifically provided in Section 9 in the event of the death of the optionee. During the lifetime of an optionee, all benefits, rights and options shall not be transferable and may only be exercised by the optionee.

15. EMPLOYMENT

15.1 Nothing contained in the Plan shall confer upon any optionee any right with respect to employment or continuance of employment with, or the provision of services to, the Corporation or any of its subsidiaries, or interfere in any way with the right of the Corporation or any of its subsidiaries to terminate the optionee's employment or services at any time. Participation in the Plan by an optionee is voluntary.

## 16. RECORD KEEPING

16.1 The Corporation shall maintain a register in which shall be recorded:

- (a) the name and address of each optionee; and
- (b) the number of Shares subject to an option granted to an optionee and the number of Shares subject to the option remaining outstanding.

## 17. SECURITIES REGULATION AND TAX WITHHOLDING

- 17.1 Where the Independent Committee determines it is necessary or desirable to effect exemption from registration or distribution of the Shares under securities laws applicable to the securities of the Corporation, an optionee shall be required, upon the acquisition of any Shares pursuant to the Plan, to acquire the Shares with investment intent (i.e., for investment purposes) and not with a view to their distribution, and to present to the Independent Committee an undertaking to that effect in a form acceptable to the Independent Committee. The Board of Directors and the Independent Committee may take such other action or require such other action or agreement by such optionee as may from time to time be necessary to comply with applicable securities laws. This provision shall in no way obligate the Corporation to undertake the registration or qualification of any options or the Shares under any securities laws applicable to the securities of the Corporation.
- 17.2 The Board of Directors and the Corporation may take all such measures as they deem appropriate to ensure that the Corporation's obligations under the withholding provisions under income and tax laws applicable to the Corporation and other provisions of applicable laws are satisfied with respect to the issuance of Shares pursuant to the Plan or the grant or exercise of options under the Plan.
- 17.3 Issuance, transfer or delivery of certificates for Shares purchased pursuant to the Plan may be delayed, at the discretion of the Independent Committee, until the Independent Committee is satisfied that the applicable requirement of securities and income tax laws have been met.

## 18. AMENDMENT AND TERMINATION

- 18.1 The Board of Directors reserves the right to amend or to terminate the Plan at any time if and when it is advisable in the absolute discretion of the Board of Directors; provided, however, that no such amendment or termination shall adversely affect any outstanding options granted under the Plan without the consent of the optionee. Furthermore, to the extent any amendment would require shareholder approval under Code section 162(m), such amendment shall be effective upon the required approval of the shareholders of the Corporation. Any amendment to the Plan shall also be subject to any necessary approvals of any stock exchange or regulatory body having jurisdiction over the securities of the Corporation and, where applicable, shareholders approval.
- 18.2 Subject to regulatory approval, where applicable, the Independent Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any option theretofore granted, prospectively or retroactively; provided, however, that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination

that would impair the rights of any optionee or any holder or beneficiary of any option theretofore granted shall not to that extent be effective without the consent of the affected optionee, holder or beneficiary.

## 19. NO REPRESENTATION OR WARRANTY

19.1 The Corporation makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

## 20. NECESSARY APPROVALS

20.1 The obligation of the Corporation to issue and to deliver any Shares in accordance with the Plan is subject to any necessary or desirable approval of any regulatory authority having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any optionee for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any option exercise price paid to the Corporation shall be returned to the optionee.

## 21. GENERAL PROVISIONS

21.1 Nothing contained in the Plan shall prevent the Corporation or any subsidiary thereof from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options (subject to shareholder approval if such approval is required), and such arrangements may be either generally applicable or applicable only in specific cases.

21.2 The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan and any option agreement shall be determined in accordance with the laws of the State of New York.

21.3 If any provision of the Plan or any option is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or option, or would disqualify the Plan or any option under any law deemed applicable by the Independent Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Independent Committee, materially altering the intent of the Plan or the option, such provision shall be stricken as to such jurisdiction, person or option and the remainder of the Plan and any such option shall remain in full force and effect.

21.4 Neither the Plan nor any option shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Corporation or any subsidiary thereof and an optionee or any other person.

21.5 Headings are given to the Sections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

## 22. TERM OF THE PLAN

22.1 The Plan shall be effective as of the date of its approval by the shareholders of the Corporation, subject to receipt of all necessary regulatory approvals.

22.2 No option shall be granted under the Plan after June 10, 2007. Unless otherwise expressly provided in the Plan or in an applicable option agreement, any option granted hereunder may, and the authority of the Board of Directors or the Independent Committee to amend, alter, adjust, suspend, discontinue, or terminate any such option or to waive any conditions or rights under any such option shall, continue after June 10, 2007.

## ARTICLE 5

MULTIPLIER: 1,000

|                            |             |
|----------------------------|-------------|
| PERIOD TYPE                | 6 MOS       |
| FISCAL YEAR END            | DEC 31 1997 |
| PERIOD START               | JAN 01 1997 |
| PERIOD END                 | JUN 30 1997 |
| CASH                       | 27,526      |
| SECURITIES                 | 0           |
| RECEIVABLES                | 3,697       |
| ALLOWANCES                 | 0           |
| INVENTORY                  | 601         |
| CURRENT ASSETS             | 32,215      |
| PP&E                       | 6,397       |
| DEPRECIATION               | 3,403       |
| TOTAL ASSETS               | 111,989     |
| CURRENT LIABILITIES        | 5,490       |
| BONDS                      | 0           |
| PREFERRED MANDATORY        | 0           |
| PREFERRED                  | 0           |
| COMMON                     | 157,677     |
| OTHER SE                   | (4,012)     |
| TOTAL LIABILITY AND EQUITY | 111,989     |
| SALES                      | 439         |
| TOTAL REVENUES             | 964         |
| CGS                        | 978         |
| TOTAL COSTS                | 12,465      |
| OTHER EXPENSES             | (899)       |
| LOSS PROVISION             | 0           |
| INTEREST EXPENSE           | 0           |
| INCOME PRETAX              | (9,306)     |
| INCOME TAX                 | 0           |
| INCOME CONTINUING          | (9,306)     |
| DISCONTINUED               | 0           |
| EXTRAORDINARY              | 0           |
| CHANGES                    | 0           |
| NET INCOME                 | (9,306)     |
| EPS PRIMARY                | (0.32)      |
| EPS DILUTED                | 0           |

---

**End of Filing**

Powered By **EDGAR**  
Online

© 2005 | EDGAR Online, Inc.