

GOLDEN STAR RESOURCES LTD.

FORM 10-Q (Quarterly Report)

Filed 05/15/97 for the Period Ending 03/31/97

| | |
|-------------|-----------------------------|
| 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 5/15/1997 For Period Ending 3/31/1997

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

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

For the Quarterly Period ended March 31, 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.

(Registrant's telephone number, including area code)

Canada
(State or other Jurisdiction of
Incorporation or Organization)

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

One Norwest Center
1700 Lincoln Street
Suite 1950
Denver, Colorado
(Address of Principal Executive Office)

80203
(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 May 9, 1997: 29,647,636

GOLDEN STAR RESOURCES LTD.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

| | (Unaudited) As of March 31, 1997 | As of December 31, 1996 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------|
| | ----- | ----- |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and short-term investments | \$ 11,930 | \$ 15,663 |
| Accounts receivable | 5,651 | 5,116 |
| Inventories | 874 | 1,027 |
| Other assets | 516 | 376 |
| | ----- | ----- |
| Total Current Assets | 18,971 | 22,182 |
| RESTRICTED CASH | 1,950 | 2,015 |
| DEFERRED EXPLORATION | 71,308 | 64,721 |
| INVESTMENT IN OMAI GOLD MINES LIMITED | 2,819 | 3,279 |
| FIXED ASSETS | 3,428 | 3,666 |
| OTHER ASSETS | 516 | 420 |
| | ----- | ----- |
| Total Assets | \$ 98,992 | \$ 96,283 |
| | ===== | ===== |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 5,478 | \$ 5,830 |
| Accrued wages and payroll taxes | 1,025 | 1,065 |
| | ----- | ----- |
| Total Current Liabilities | 6,503 | 6,895 |
| OTHER LIABILITIES | 98 | 92 |
| | ----- | ----- |
| Total Liabilities | 6,601 | 6,987 |
| | ----- | ----- |
| MINORITY INTEREST | 10,648 | 11,202 |
| | ----- | ----- |
| COMMITMENTS AND CONTINGENCIES | | |
| SHAREHOLDERS' EQUITY | | |
| SHARE CAPITAL | 135,433 | 129,954 |
| (Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: March 31, 1997 - 26,622,636; December 31, 1996 - 25,941,103) | | |
| Stock option loans | (4,012) | (4,012) |
| DEFICIT | (49,678) | (47,848) |
| | ----- | ----- |
| Total Shareholders' Equity | 81,743 | 78,094 |
| | ----- | ----- |
| Total Liabilities and Shareholders' Equity | \$ 98,992 | \$ 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 share amounts)

(Unaudited)

| | Three Months Ended March 31, 1997 | Three Months Ended March 31, 1996 |
|-------------------------------------------------------------|--------------------------------------|--------------------------------------|
| | ----- | ----- |
| REVENUE | | |
| Precious metals sales | \$ 401 | \$ 838 |
| Interest and other | 187 | 212 |
| | ----- | ----- |
| | 588 | 1,050 |
| | ----- | ----- |
| COSTS AND EXPENSES | | |
| Cost of goods sold | 866 | 1,180 |
| Depreciation | 312 | 295 |
| General and administrative | 2,080 | 1,970 |
| Exploration expense | 140 | 13 |
| Interest expense | 23 | -- |
| Foreign exchange loss | 91 | 77 |
| | ----- | ----- |
| | 3,512 | 3,535 |
| | ----- | ----- |
| PROFIT (LOSS) BEFORE THE UNDERNOTED | (2,924) | (2,485) |
| Gain on subsidiary's issuance of common stock | -- | 2,001 |
| Omai preferred share redemptions surplus | 554 | -- |
| | ----- | ----- |
| Net profit (loss) before minority interest | (2,370) | (484) |
| Minority interest loss | 540 | 449 |
| | ----- | ----- |
| NET PROFIT (LOSS) | \$ (1,830) | \$ (35) |
| | ===== | ===== |
| NET PROFIT (LOSS) PER SHARE | \$ (0.07) | \$ (0.001) |
| | ===== | ===== |
| WEIGHTED AVERAGE SHARES OUTSTANDING (millions of shares) | 26.5 | 24.5 |
| | ===== | ===== |

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 except share amounts)

(Unaudited)

| | Three Months Ended March 31, 1997 | Three Months Ended March 31, 1996 |
|---------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| OPERATING ACTIVITIES: | | |
| Net profit (loss) | \$ (1,830) | \$ (35) |
| Reconciliation of net income to net cash used in operations: | | |
| Depreciation | 312 | 295 |
| Premium on Omai Preferred Share Redemptions | (554) | -- |
| Gain on issuance of common stock by subsidiary | -- | (2,001) |
| Minority interest loss | (540) | (449) |
| Changes in non-cash operating working capital | (914) | (191) |
| Net Cash Used in Operating Activities | (3,526) | (2,381) |
| INVESTING ACTIVITIES: | | |
| Expenditures on mineral properties, net of joint venture recoveries | (6,587) | (3,583) |
| Equipment purchases | (74) | (758) |
| Omai Preferred Share Redemption | 1,014 | -- |
| Other assets and investments | -- | 7 |
| Net Cash Used in Investing Activities | (5,647) | (4,334) |
| FINANCING ACTIVITIES: | | |
| Restricted cash | 65 | -- |
| Proceeds from issuance of subsidiary's stock | -- | 9,021 |
| Offering costs of subsidiary | (14) | (126) |
| Increase in minority interest | -- | 147 |
| Issuance of share capital and warrants, net | 5,429 | 12,897 |
| Issuance of share capital under options | 50 | 2,287 |
| Stock option loan additions | -- | (1,472) |
| Other | (90) | -- |
| Net Cash Provided by Financing Activities | 5,440 | 22,754 |
| Increase (decrease) in cash | (3,733) | 16,039 |
| Cash and short-term investments, beginning of period | 15,663 | 9,498 |
| Cash and short-term investments, end of period | \$ 11,930 | \$ 25,537 |

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 the accompanying notes 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 and with the Ontario Securities Commission (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 March 31, 1997, and for the three months ended March 31, 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.

On April 22, 1997, the Company filed on Form 10-Q/A an amendment to its first quarter 1996 results, reflecting a reduction in the gain recorded on the sale of the common shares of the Company's subsidiary, Pan African Resources Corporation. The reduction in the gain was also reflected in the financial results reported in the Company's filing on Form 10-K for the year ended December 31, 1996. All historical and comparative amounts shown in these financial statements reflect the amounts reported on the March 31, 1996 Form 10-Q/A and the December 31, 1996 Form 10-K.

(1) INVENTORIES

| | March 31, 1997 | December 31, 1996 |
|------------------------|----------------|-------------------|
| Gold Inventory | \$ 297 | \$ 384 |
| Materials and Supplies | 577 | 643 |
| | ----- | ----- |
| | \$ 874 | \$ 1,027 |
| | ===== | ===== |

(2) FIXED ASSETS

| | March 31, 1997 | December 31, 1996 |
|--------------------------|----------------|-------------------|
| Building | \$ 1,833 | \$ 1,833 |
| Machinery & Equipment | 4,750 | 4,676 |
| | ----- | ----- |
| | 6,583 | 6,509 |
| Accumulated Depreciation | (3,155) | (2,843) |
| | ----- | ----- |
| | \$ 3,428 | \$ 3,666 |
| | ===== | ===== |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(All tabular amounts in thousands of United States Dollars)

(3) DEFERRED EXPLORATION

| | Deferred Exploration Expenditures as at Dec 31, 1996 | Capitalized Exploration Expenditures | Capitalized Acquisition Expenditures | Joint Venture Recoveries | Property Abandonments | Deferred Exploration Expenditures as at March 31, 1997 |
|-------------------------------------------------------|------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------|--------------------------|--------------------------------------------------------------------|
| GUYANA | | | | | | |
| Eagle Mountain | \$ 111 | 127 | -- | -- | -- | 238 |
| Quartz Hill | 1,347 | -- | -- | -- | -- | 1,347 |
| Upper Potaro Diamond/ Amatuk Diamond | 1,010 | 61 | 8 | -- | -- | 1,079 |
| Mazaruni/Upper Mazaruni Diamond | 2,729 | 61 | -- | -- | -- | 2,790 |
| Wenamou Gold | 512 | -- | -- | -- | -- | 512 |
| Five Stars Gold | 5,767 | 171 | -- | -- | -- | 5,938 |
| Five Stars Diamond | 1,097 | 92 | 24 | -- | -- | 1,213 |
| BHP Gold Projects | 151 | 41 | -- | -- | -- | 192 |
| Guyana Diamond Permits | 27 | -- | -- | -- | -- | 29 |
| Other | 1,376 | (9) | -- | -- | -- | 1,367 |
| Sub-total | 14,127 | 546 | 32 | -- | -- | 14,705 |
| SURINAME | | | | | | |
| Benzdorp/Lawa | 3,341 | 3 | -- | -- | -- | 3,344 |
| Gross Rosebel | 9,494 | 2,781 | -- | (1,058) | -- | 11,217 |
| Headley's Right of Exploration | 311 | -- | -- | -- | -- | 311 |
| Thunder Mountain | 453 | -- | -- | -- | -- | 453 |
| Saramacca | 1,569 | 42 | -- | (11) | -- | 1,600 |
| Sara Kreek | 155 | 104 | 15 | -- | -- | 274 |
| Tempati Reconnaissance | 161 | 24 | 75 | -- | -- | 260 |
| Tapanahony Reconnaissance | 86 | 13 | -- | (2) | -- | 97 |
| Kleine Saramacca | 104 | -- | -- | -- | -- | 104 |
| Lawa Antino | 764 | 678 | -- | -- | -- | 1,442 |
| Suriname Diamond Projects | 310 | 56 | -- | -- | -- | 366 |
| Ulemari Reconnaissance | 53 | 136 | -- | (19) | -- | 170 |
| Other Exploration | 20 | (5) | -- | -- | -- | 15 |
| Other | 232 | (34) | -- | -- | -- | 198 |
| Sub-total | 17,053 | 3,798 | 90 | (1,090) | -- | 19,851 |
| FRENCH GUIANA (GUYANOR RESSOURCES S.A.) | | | | | | |
| Dorlin | 628 | 440 | -- | (440) | -- | 628 |
| St--Elie | 1,973 | 514 | -- | (514) | -- | 1,973 |
| Dieu--Merci | 382 | 133 | -- | (133) | -- | 382 |
| Yaou | 7,087 | 436 | -- | (436) | -- | 7,087 |
| Paul Isnard/Eau Blanche | 3,629 | 193 | -- | (193) | -- | 3,629 |
| SOTRAPMAG | 1,520 | 201 | -- | -- | -- | 1,721 |
| Dachine | 575 | 97 | -- | (44) | -- | 628 |
| Other | 1,331 | 6 | -- | -- | -- | 1,337 |
| Diamond Projects | 204 | 1 | -- | -- | -- | 205 |
| Sub-total | 17,329 | 2,021 | -- | (1,760) | -- | 17,590 |
| AFRICA (PAN AFRICAN RESOURCES CORPORATION) | | | | | | |
| Ivory Coast/Comoe | 3,951 | 212 | -- | -- | -- | 4,163 |
| Mali/Dioulafoundou | 2,763 | 55 | 12 | -- | -- | 2,830 |
| Mali/Melgue | 56 | 39 | -- | -- | -- | 95 |
| Mali/Other | 30 | 17 | -- | -- | -- | 47 |
| Eritrea/Galla Valley | 1,317 | 191 | -- | -- | -- | 1,508 |
| Eritrea/Other | 55 | -- | -- | -- | -- | 55 |
| Kenya/Ndori | 901 | 290 | -- | -- | -- | 1,191 |
| Other | 53 | 101 | -- | -- | -- | 154 |
| Sub-total | 9,126 | 905 | 12 | -- | -- | 10,043 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(All tabular amounts in thousands of United States Dollars)

| | Deferred Exploration Expenditures as at Dec 31, 1996 | Capitalized Exploration Expenditures | Capitalized Acquisition Expenditures | Joint Venture Recoveries | Property Abandonments | Deferred Exploration Expenditures as at March 31, 1997 |
|-------------------------------------------------|------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------|--------------------------|--------------------------------------------------------------------|
| LATIN AMERICA (SOUTHERN STAR RESOURCES LTD.) | | | | | | |
| Brazil/Andorinhas | 3,547 | 1,388 | -- | -- | -- | 4,935 |
| Brazil/Abacaxis | 1,375 | 322 | 7 | -- | -- | 1,704 |
| Brazil/Other | 583 | 5 | -- | -- | -- | 588 |
| Bolivia/San Simon | 858 | 36 | -- | -- | -- | 894 |
| Bolivia/Sunsas | 221 | 127 | -- | -- | -- | 348 |
| Bolivia/Other | 502 | 141 | 2 | -- | -- | 645 |
| Sub-total | 7,086 | 2,019 | 9 | -- | -- | 9,114 |
| OTHER | -- | 5 | -- | -- | -- | 5 |
| TOTAL | \$64,721 | 9,294 | 143 | (2,850) | -- | \$71,308 |

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.

(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 quarter ended March 31, 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 |

The Company's share of Accumulated Losses at:

| | |
|-------------------|-----------|
| December 31, 1996 | \$(2,713) |
| March 31, 1997 | \$(1,502) |

(5) CHANGES TO SHARE CAPITAL

During the three months ended March 31, 1997, 8,333 shares were issued for options previously granted under the Company's Employees' Stock Option Plan.

During the three months ended March 31, 1997, 673,200 shares were issued for the exercise of all of the Company's outstanding Cdn\$11.00 warrants, providing proceeds of \$5.4 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 generally accepted accounting principles 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 Exploration Expense and Abandonment 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 moving of 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 subsidiaries issuance of common stock recorded under Canadian GAAP in respect of the Guyanor initial public offering in 1995 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

(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 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 three months ended | |
|--------------------------------------------------------------------------------|----------------------------|----------------|
| | March 31, 1997 | March 31, 1996 |
| | ----- | ----- |
| Net profit (loss) under Canadian GAAP | \$ (1,830) | \$ (35) |
| Net effect of the deferred exploration expenditures on loss for the period (a) | (6,444) | (3,165) |
| Effect of recording compensation expense under stock option plans (d) | (21) | (34) |
| Record loss for severance accruals (j) | (1,115) | -- |
| Reversal of the gain on subsidiary's issuance of common stock (f) | -- | (2,001) |
| Effect of Omai preferred share redemption (c) | 460 | -- |
| | ----- | ----- |
| Loss under U.S. GAAP before minority interest | (8,950) | (5,235) |
| Adjustment to minority interest | 817 | 182 |
| | ----- | ----- |
| Loss under U.S. GAAP | \$ (8,133) | \$ (5,053) |
| | ===== | ===== |
| Loss per share under U.S. GAAP | \$ (0.31) | \$ (0.20) |
| | ===== | ===== |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(All tabular amounts in thousands of United States Dollars)

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

BALANCE SHEET

| | As of March 31, 1997 | | As of December 31, 1996 | |
|---------------------------------------------------|----------------------|------------------|-------------------------|------------------|
| | Canadian GAAP | U.S. GAAP | Canadian GAAP | U.S. GAAP |
| Cash (h) | \$ 9,433 | \$ 8,431 | \$ 9,664 | \$ 9,664 |
| Short term investments (e) | 2,497 | 1,002 | 5,999 | 2,500 |
| Other current assets | 7,041 | 7,041 | 6,519 | 6,519 |
| Restricted cash | 1,950 | 1,950 | 2,015 | 2,015 |
| Deferred exploration (a) | 71,308 | 18,754 | 64,721 | 18,611 |
| Investment in Omai Gold Mines Limited (c) | 2,819 | -- | 3,279 | -- |
| Long-term investments (e) | -- | 2,497 | -- | 3,499 |
| Other assets | 3,944 | 3,944 | 4,086 | 4,087 |
| Total Assets | \$ 98,992 | \$ 43,619 | \$ 96,283 | \$ 46,895 |
| Liabilities | 6,601 | 6,601 | 6,987 | 5,872 |
| Minority interest (a) | 10,648 | 9,692 | 11,202 | 11,064 |
| Share capital, net of stock option loans (g) | 131,421 | 128,568 | 125,942 | 123,068 |
| Cumulative translation adjustments (b) | -- | 1,595 | -- | 1,595 |
| Deficit (a)(c)(d)(f) | (49,678) | (102,837) | (47,848) | (94,704) |
| Total Liabilities and Shareholders' Equity | \$ 98,992 | \$ 43,619 | \$ 96,283 | \$ 46,895 |

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 three months ended March 31, 1997 | \$(3,526) | \$(8,979) | \$(5,647) | \$ 2,283 | \$ 5,440 | \$ 5,463 |
| For the three months ended March 31, 1996 | \$(2,381) | \$(5,399) | \$(4,334) | \$(3,382) | \$22,754 | \$22,605 |

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 quarters ended March 31, 1997 and 1996.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

(All tabular amounts in thousands of United States Dollars)

(7) SUBSEQUENT EVENTS

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 prospectuses in the United States and Canada.

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

Three Months Ended March 31, 1997 Compared to the Three Months Ended March 31, 1996

During the first quarter of 1997, the Company reported a net loss of \$1.8 million or \$0.07 per share as compared to a net loss of \$35,000 or \$0.001 per share for the first quarter of 1996. The 1997 first quarter loss reflects revenue and expenses similar to the 1996 period. The net loss in 1996 was offset by a gain of \$2.0 million on the sale of shares of Pan African Resources Corporation ("PARC") which did not recur in 1997.

Total revenues of \$0.6 million for the first quarter of 1997 (as compared to \$1.1 million the first quarter of 1996) decreased due to reduced gold sales in French Guiana from Societe de Travaux Publics et de Mines Auriferes en Guyane ("SOTRAPMAG"), with interest and other income decreased from the prior period due to reduced average cash balances invested. Cost of goods sold decreased by \$0.3 million as a result of the reduced production of gold by SOTRAPMAG. Revenue from gold sales for the first quarter of 1997 was \$0.4 million, as compared to \$0.8 million in the first quarter of 1996.

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 SOTRAPMAG. Alluvial gold production continued during the first quarter of 1997, with operating losses of \$0.5 million incurred during the period which were consistent with estimates previously made by the Company. Mining operations were suspended on April 17, 1997 after receipt of regulatory approvals for SOTRAPMAG's closure plans. The Company estimates that additional operating losses of \$0.1 million will be incurred from April 1 to closure on April 17. 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 quarter of 1997. Land rehabilitation is scheduled to be completed by the end of the second quarter of 1997. Relocation and retraining of certain employees, as well as company-provided outplacement services are anticipated to be complete by the end of the third quarter of 1997.

Omai Gold Mines Limited ("OGML"), in which the Company maintains a 30% common share equity interest, reported net income of \$4.2 million for the first quarter of 1997 compared to a net loss of \$1.4 million in the first quarter of 1996. The Omai mine produced 90,454 ounces of gold in the first quarter of 1997 (compared to 27,204 ounces of gold in the first quarter of 1996). Production during the first

quarter of 1996 was adversely impacted by the tailings dam failure in August 1995, with production resuming in February 1996. During the first quarter of 1997, the Company recorded redemptions of Class "I" preferred shares of OGML of \$1.0 million. The Company received no such redemptions during the first quarter of 1996.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 1997, the Company held cash and short term investments of \$11.9 million (\$25.5 million as of March 31, 1996 and \$15.7 million as of December 31, 1996) and working capital of \$12.5 million (\$27.3 million as of March 31, 1996). The decrease in cash resources and working capital resulted from expenditures on the Company's exploration activities during 1996 and the first quarter of 1997, offset by proceeds from the issuance of Guyanor shares in conjunction with the listing on the Nouveau Marche in the fourth quarter of 1996.

Sources of funding during the first quarter of 1997 included the exercise of 673,200 of the Company's Cdn\$11.00 warrants for proceeds of \$5.4 million and joint venture arrangements which provided \$2.9 million in cash recoveries of exploration expenditures.

Product and supplies inventories, accounts receivables and other current assets increased \$0.5 million during the quarter in the aggregate reflecting accounts receivable from preferred share redemptions of \$1.0 million in the first quarter of 1997 (as compared to the absence of such redemptions during the first quarter of 1996), offset by reductions in gold and supplies inventories due to the closure activities at SOTRAPMAG.

Cash used in investing activities of \$5.6 million for the three months ended March 31, 1997 increased as compared to \$4.3 million for the three months ended March 31, 1996, primarily due to an increase in exploration spending of \$3.0 million and reduction in fixed asset purchases of \$0.7 million as compared to the first quarter of 1996, offset by OGML preferred share redemptions of \$1.0 million in the first quarter of 1997.

Cash provided by financing activities of \$5.4 million for period decreased as compared to \$22.8 million for the corresponding period in 1996 due to the Company's unit offering and the PARC private placement which occurred in the first quarter of 1996. Share capital increased by \$5.5 million for the three months ended March 31, 1997, reflecting the exercise of warrants (noted above), compared with \$15.2 million during the three months ended March 31, 1996, reflecting the 1996 unit offering.

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 prospectuses in the United States and Canada.

Africa (Pan African Resources Corporation)

Total exploration and acquisition expenditures by PARC in Africa for the first quarter of 1997 amounted to \$0.9 million (compared to \$1.2 million in the first quarter of 1996), and primarily reflect expenditures on exploration activities in the Ivory Coast, Eritrea and Kenya. General and administrative expenditures for the first quarter of 1997 totaled \$0.3 million (compared to \$0.5 million in the first quarter of 1996).

On February 18, 1997, the Company and PARC signed an option agreement with Adamas Resources Corp. ("Adamas") granting Adamas the sole and exclusive option to acquire a 50% interest in all of the

Company's current and future rights to the Kolissen property. The option agreement is subject to acceptance by the Vancouver Stock Exchange ("VSE"). In order to maintain its rights under the option, Adamas must incur minimum exploration expenditures on the Kolissen property of at least \$0.5 million during the first 12 months following the date Adamas receives regulatory approval from the VSE and \$1.5 million during the following 18-month period. Should Adamas fail to make the required expenditures within the prescribed deadlines, it will be required to pay the amount of the shortfall to PARC in cash or capital stock in Adamas or an interest in mineral rights owned by Adamas with a fair value equivalent to the shortfall, subject to PARC's approval. Assuming VSE approval is obtained, Adamas intends to conduct the work program on the Kolissen property during 1997.

On March 7, 1997, PARC granted African Selection Mining Corporation ("ASM") a three-year option to acquire 50% of the issued and outstanding shares of PARC Dioulafoundou and PARC Fougala. In order to maintain its rights under the option, ASM must incur exploration expenditures on the properties of at least \$4.5 million prior to October 31, 1999 with \$450,000 during the period commencing March 1, 1997 and ending September 30, 1997 ("Phase I"), \$1.5 million during the period commencing October 1, 1997 and ending September 30, 1998, and \$2.5 million during the period commencing October 1, 1998 and ending October 31, 1999. Should ASM fail to make the required \$450,000 in expenditures for Phase I within the prescribed deadline, it will be required to pay the amount of the shortfall to PARC in cash, subject to certain contingencies.

In May 1997, the Company entered into a demand revolving line of credit with PARC, whereby the Company will loan PARC up to \$2.0 million. The line of credit expires on December 31, 1997 and may be extended to December 31, 1998 at the Company's discretion. The line of credit bears interest at the prime rate of a major commercial bank plus 2%. The principal and interest on outstanding advances are convertible, at any time at the option of the Company, into common shares of PARC at a conversion price of Cdn\$0.37 per share. The conversion provisions of the line of credit are subject to approval by PARC's shareholders.

French Guiana (Guyanor Ressources S.A.)

Total exploration expenditures by Guyanor for the first quarter amounted to \$2.0 million, offset by joint venture recoveries of \$1.8 million (compared to expenditures of \$1.2 million and recoveries of \$1.1 million in the first quarter of 1996). Activities in French Guiana focused primarily on further work at St-Elie, Paul-Isnard, Yaou and Dorlin. General and administrative expenditures for Guyanor which were not reimbursed by joint venture partners amounted to \$0.5 million for the quarter ended March 31, 1997 (compared to \$0.5 million in the first quarter of 1996).

Guyana

Exploration and acquisition expenditures in the first quarter of 1997 in Guyana amounted to \$0.6 million (compared to \$1.1 million during the first quarter of 1996). Activities in Guyana focused primarily on the Five Stars and Eagle Mountain gold projects.

Suriname

Exploration expenditures in Suriname during the first quarter of 1997 focused principally on the Gross Rosebel gold project in joint venture with Cambior Inc. ("Cambior"). Total spending in Suriname in the period of \$3.8 million was offset by joint venture recoveries of \$1.1 million (as compared to

expenditures of \$2.0 million and recoveries of \$1.3 million during the first quarter of 1996) as Cambior has met its earn-in requirements at Gross Rosebel and all expenditures are shared equally.

Southern Star Resources Ltd.

Exploration expenditures for the first quarter of 1997 of \$2.0 million as compared to \$0.6 million during the first quarter of 1996 by Southern Star increased due to expanded exploration programs at the Andorinhas and Abacaxis projects in Brazil.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are currently no 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 with foreign jurisdictions.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27 Financial Data Schedule

(b) The Company filed electronically with the Securities and Exchange Commission ("SEC") on March 10, 1997, a Form 8-K concerning various issues including drilling results from Antino in Suriname, drilling results from the Yaou project in French Guiana, drilling results from Andorinhas, exploration update and trenching results at St-Elie and completion of Dachine bulk sample processing.

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

May 15, 1997

EXHIBIT INDEX

| EXHIBIT NUMBER ----- | DESCRIPTION ----- |
|----------------------------|-------------------------|
| 27 | Financial Data Schedule |

ARTICLE 5

MULTIPLIER: 1,000

| | |
|----------------------------|-------------|
| PERIOD TYPE | 3 MOS |
| FISCAL YEAR END | DEC 31 1997 |
| PERIOD START | JAN 01 1997 |
| PERIOD END | MAR 31 1997 |
| CASH | 11,930 |
| SECURITIES | 0 |
| RECEIVABLES | 5,651 |
| ALLOWANCES | 0 |
| INVENTORY | 874 |
| CURRENT ASSETS | 18,971 |
| PP&E | 6,583 |
| DEPRECIATION | (3,155) |
| TOTAL ASSETS | 98,992 |
| CURRENT LIABILITIES | 6,503 |
| BONDS | 0 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 135,433 |
| OTHER SE | (4,012) |
| TOTAL LIABILITY AND EQUITY | 98,992 |
| SALES | 401 |
| TOTAL REVENUES | 588 |
| CGS | 866 |
| TOTAL COSTS | 3,512 |
| OTHER EXPENSES | (554) |
| LOSS PROVISION | 0 |
| INTEREST EXPENSE | 23 |
| INCOME PRETAX | (1,830) |
| INCOME TAX | 0 |
| INCOME CONTINUING | (1,830) |
| DISCONTINUED | 0 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | (1,830) |
| EPS PRIMARY | .07 |
| EPS DILUTED | 0 |

End of Filing

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