

GOLDEN STAR RESOURCES LTD.

FORM 10-Q (Quarterly Report)

Filed 08/07/07 for the Period Ending 06/30/07

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 8/7/2007 For Period Ending 6/30/2007

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

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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, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-12284

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.)

10901 West Toller Drive, Suite 300
Littleton, Colorado
(Address of Principal Executive Office)

80127-6312
(Zip Code)

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

Securities registered or to be registered pursuant to Section 12 (b) of the Act:

<u>Title of Each Class</u>	<u>Name of each exchange on which registered</u>
Common Shares	American Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act: NONE

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 (the "Act") 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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act). (Check one):

Large accelerated filer: Accelerated filer: Non-accelerated filer:

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Number of Common Shares outstanding as at August 7, 2007: 233,222,324

REPORTING CURRENCY, FINANCIAL AND OTHER INFORMATION

All amounts in this report are expressed in United States (“US”) dollars, unless otherwise indicated. Canadian currency is denoted as “Cdn\$.”

Financial information is presented in accordance with accounting principles generally accepted in Canada (“Cdn GAAP” or “Canadian GAAP”). Differences between accounting principles generally accepted in the US (“US GAAP”) and those applied in Canada, as applicable to Golden Star Resources Ltd., are explained in Note 25 to the Consolidated Financial Statements.

References to “Golden Star,” the “Company,” “we,” “our,” and “us” mean Golden Star Resources Ltd., its predecessors and consolidated subsidiaries, or any one or more of them, as the context requires.

NON-GAAP FINANCIAL MEASURES

In this Form 10-Q, we use the terms “total cash cost per ounce” and “cash operating cost per ounce” which are considered Non-GAAP financial measures as defined in SEC Regulation S-K Item 10 and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with US GAAP. See Item 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations for a definition of these measures as used in this Form 10-Q.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Form 10-Q contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to our financial condition, results of operations, business prospects, plans, objectives, goals, strategies, future events, capital expenditures, and exploration and development efforts. Words such as “anticipates,” “expects,” “intends,” “forecasts,” “plans,” “believes,” “seeks,” “estimates,” “may,” “will,” and similar expressions identify forward-looking statements.

Although we believe that our plans, intentions and expectations reflected in these forward-looking statements are reasonable, we cannot be certain that these plans, intentions or expectations will be achieved. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained in this Form 10-Q.

These statements include comments regarding: the achievement of anticipated through-put and metallurgical recoveries at the Bogoso sulfide expansion project; estimated 2007 gold production and cash operating costs at Bogoso/Prestea and Wassa; anticipated commencement dates of mining and production and development costs with respect to the HBB properties; production capacity, production rates, and production costs; cash operating costs; gold sales; mining operations and recovery rates; ore delivery; ore processing; potential mine life; permitting; establishment and estimates of mineral reserves and resources; geological, environmental, and engineering studies; timing and results of feasibility studies; exploration efforts and activities; expected capital expenditures in 2007; ore grades; reclamation work; identification of acquisition and growth opportunities; power costs, the ability to meet total power requirements and the acquisition and operation of the new power station in Ghana; retention of earnings from our operations; sources of and adequacy of liquidity to meet capital and other needs in 2007.

The following, in addition to the factors described under “Risk Factors” in Item 1 of our December 31, 2006 Form 10-K as amended, are among the factors that could cause actual results to differ materially from the forward-looking statements:

- significant increases or decreases in gold prices;
- unexpected events during the start-up of the Bogoso sulfide expansion project;
- unexpected changes in business and economic conditions;
- inaccuracies in mineral reserves and non-reserves estimates;
- availability and adequacy of power supplies from public sources;
- changes in interest and currency exchange rates;
- timing and amount of gold production;
- unanticipated variations in ore grade, tonnes mined and crushed or milled;
- unanticipated recovery or production problems;
- effects of illegal mining on our properties;

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- changes in mining and processing costs, including changes to costs of raw materials, supplies, services and personnel;
 - changes in metallurgy and processing;
 - availability of skilled personnel, contractors, materials, equipment, supplies, power and water;
 - changes in project parameters or mine plans;
 - costs and timing of development of new mineral reserves;
 - weather, including insufficient or excess rain fall in West Africa;
 - climate change and its impact on rainfall patterns;
 - results of current and future exploration activities;
 - results of pending and future feasibility studies;
 - acquisitions and joint venture relationships;
 - political or economic instability, either globally or in the countries in which we operate;
 - changes in regulations affecting our operations, particularly in Ghana, where our principal producing properties are located;
 - local and community impacts and issues;
 - availability and cost of replacing mineral reserves;
 - timing of receipt and maintenance of government approvals and permits;
 - unanticipated transportation costs and shipping incidents and losses;
 - accidents, labor disputes and other operational hazards;
 - environmental costs and risks;
 - unanticipated title issues;
 - competitive factors, including competition for property acquisitions;
 - possible litigation; and
 - availability of capital at reasonable rates or at all.

These factors are not intended to represent a complete list of the general or specific factors that could affect us. We undertake no obligation to update forward-looking statements.

ITEM 1. FINANCIAL STATEMENTS

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
(Stated in thousands of US dollars except shares issued and outstanding)
(Unaudited)

	<u>As of</u> <u>June 30, 2007</u>	<u>As of</u> <u>December 31,</u> <u>2006</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 16,129	\$ 27,108
Short term investments (Note 3)	22,381	—
Accounts receivable	8,478	8,820
Inventories (Note 4)	56,295	45,475
Future tax assets	216	—
Deposits (Note 5)	13,113	7,673
Prepays and other	1,003	1,458
Total Current Assets	117,615	90,534
RESTRICTED CASH	1,522	1,581
AVAILABLE-FOR-SALE INVESTMENTS (Note 6)	6,223	1,457
DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 7)	27,198	167,983
PROPERTY, PLANT AND EQUIPMENT (Note 8)	95,582	93,059
MINING PROPERTIES (Note 9)	280,806	136,775
CONSTRUCTION IN PROGRESS (Note 10)	211,277	165,155
FUTURE TAX ASSETS	10,115	6,657
OTHER ASSETS	773	573
Total Assets	\$ 751,111	\$ 663,774
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 15,662	\$ 19,012
Accrued liabilities	30,343	25,516
Fair value of derivatives (Note 12)	358	685
Asset retirement obligations (Note 13)	2,582	3,064
Current portion of future tax liability	—	1,450
Current debt (Note 11)	15,607	12,549
Total Current Liabilities	64,552	62,276
LONG TERM DEBT (Note 11)	73,570	73,786
ASSET RETIREMENT OBLIGATIONS (Note 13)	16,774	16,034
FUTURE TAX LIABILITY	42,113	42,154
Total Liabilities	197,009	194,250
MINORITY INTEREST	7,201	7,424
COMMITMENTS AND CONTINGENCIES (Note 14)	—	—
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 15)		
First preferred shares, without par value, unlimited shares authorized. No shares issued and outstanding.	—	—
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 233,222,324 at June 30, 2007 207,891,358 at December 31, 2006	608,714	524,619
CONTRIBUTED SURPLUS	12,003	10,040
EQUITY COMPONENT OF CONVERTIBLE NOTES	2,857	2,857
ACCUMULATED OTHER COMPREHENSIVE INCOME (Note 18)	4,597	—
DEFICIT	(81,270)	(75,416)
Total Shareholders' Equity	546,901	462,100
Total Liabilities and Shareholders' Equity	\$ 751,111	\$ 663,774

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Stated in thousands of US dollars except per share data)
(Unaudited)

	Three months ended,		Six months ended,	
	June 30, 2007	June 30, 2006 (Restated)	June 30, 2007	June 30, 2006 (Restated)
REVENUE				
Gold sales	\$ 28,118	\$ 28,675	\$ 57,979	\$ 53,611
PRODUCTION EXPENSES				
Mining operations	25,038	23,074	50,394	46,092
Depreciation, depletion and amortization	5,340	5,248	12,997	10,825
Accretion of asset retirement obligation (Note 13)	258	186	571	354
Mine operating costs	30,636	28,508	63,962	57,271
Mine operating margin	(2,518)	167	(5,983)	(3,660)
OTHER EXPENSES, (GAINS) AND LOSSES				
Exploration expense	286	378	1,070	590
General and administrative expense	2,692	2,377	7,372	5,132
Abandonment and impairment of mineral properties	88	—	88	—
Derivative mark-to-market loss (Note 12)	172	2,058	466	10,728
Foreign exchange (gain)/loss	(10)	(2,336)	219	(3,457)
Interest expense	425	490	852	961
Interest and other income	(760)	(842)	(1,265)	(1,461)
Royalty income	—	(2,003)	—	(3,840)
Gain on sale of investments	—	(20,940)	(3,543)	(51,234)
Income/(loss) before minority interest	(5,411)	20,985	(11,242)	38,921
Minority interest	159	(104)	222	72
Net income/(loss) before income tax	(5,252)	20,881	(11,020)	38,993
Income tax (expense)/benefit (Note 19)	2,963	(7,797)	5,166	(6,586)
Net income/(loss)	\$ (2,289)	\$ 13,084	\$ (5,854)	\$ 32,407
OTHER COMPREHENSIVE INCOME				
Unrealized loss on available-for-sale investments	(86)	—	(551)	—
Comprehensive income /(loss)	\$ (2,375)	\$ 13,084	\$ (6,405)	\$ 32,407
Deficit, beginning of period	(78,981)	(120,782)	(75,416)	(140,105)
Deficit, end of period	\$ (81,270)	\$ (107,698)	\$ (81,270)	\$ (107,698)
Net income/(loss) per common share - basic (Note 20)	\$ (0.010)	\$ 0.063	\$ (0.026)	\$ 0.156
Net income/(loss) per common share - diluted (Note 20)	\$ (0.010)	\$ 0.063	\$ (0.026)	\$ 0.155
Weighted average shares outstanding (millions)	233.2	207.1	224.7	207.2

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in thousands of US dollars)
(Unaudited)

	<u>Three months ended,</u>		<u>Six months ended,</u>	
	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2006</u> <u>(Restated)</u>	<u>June 30,</u> <u>2007</u>	<u>June 30,</u> <u>2006</u> <u>(Restated)</u>
OPERATING ACTIVITIES:				
Net income/(loss)	\$ (2,289)	\$ 13,084	\$ (5,854)	\$ 32,407
Reconciliation of net income to net cash provided by operating activities:				
Depreciation, depletion and amortization	5,360	5,243	13,046	10,836
Amortization of loan acquisition cost	98	79	162	144
Deferred stripping	—	516	—	1,032
Abandonment and impairment of properties	88	—	88	—
Gain on sale of investment	—	(20,940)	(3,543)	(51,234)
Non-cash employee compensation	203	164	2,222	1,061
Income tax expense/(benefit)	(2,963)	7,797	(5,166)	6,895
Reclamation expenditures	(151)	(338)	(313)	(523)
Fair value of derivatives	172	(1,832)	(327)	5,871
Accretion of convertible debt	179	184	357	352
Accretion of asset retirement obligations	258	186	571	354
Minority interests	(159)	104	(222)	(73)
	<u>796</u>	<u>4,247</u>	<u>1,021</u>	<u>7,122</u>
Changes in assets and liabilities:				
Accounts receivable	512	(1,279)	342	(2,610)
Inventories	(3,148)	(7,477)	(9,988)	(11,079)
Deposits	966	(1,571)	(318)	(2,670)
Accounts payable and accrued liabilities	5,039	4,221	4,496	1,801
Other	163	310	454	194
Net cash provided by/(used in) operating activities	<u>4,328</u>	<u>(1,549)</u>	<u>(3,993)</u>	<u>(7,241)</u>
INVESTING ACTIVITIES:				
Expenditures on deferred exploration and development	(1,032)	(2,660)	(2,018)	(4,797)
Expenditures on mining properties	(3,801)	(4,758)	(8,315)	(7,762)
Expenditures on property, plant and equipment	(2,906)	634	(9,401)	(6,250)
Expenditures on mine construction in progress	(26,759)	(44,783)	(46,226)	(69,402)
Cash invested in short term investments	—	(21,080)	(47,000)	(21,080)
Cash provided by short term investments	24,619	—	24,619	—
Decrease in restricted cash	60	165	60	349
Proceeds from sale of investments	—	3,239	3,543	40,535
Change in payable on capital purchases	256	(1,362)	(3,020)	4,075
Investment in long term investments	—	—	(169)	—
Deposits on capital purchases	(3,640)	7,424	(5,121)	(1,782)
Other	(773)	(416)	(773)	(364)
Net cash used in investing activities	<u>(13,976)</u>	<u>(63,597)</u>	<u>(93,821)</u>	<u>(66,477)</u>
FINANCING ACTIVITIES:				
Issuance of share capital, net of issue costs (Note 15)	202	1,123	83,836	3,276
Debt repayments (Note 11)	(3,349)	(1,968)	(5,988)	(3,689)
Issuance of debt (Note 11)	8,987	—	8,987	5,453
Other	—	—	—	(150)
Net cash provided by/(used in) financing activities	<u>5,840</u>	<u>(845)</u>	<u>86,835</u>	<u>4,891</u>
Decrease in cash and cash equivalents	(3,808)	(65,991)	(10,979)	(68,827)
Cash and cash equivalents, beginning of period	<u>19,937</u>	<u>86,873</u>	<u>27,108</u>	<u>89,709</u>
Cash and cash equivalents end of period	<u>\$ 16,129</u>	<u>\$ 20,882</u>	<u>\$ 16,129</u>	<u>\$ 20,882</u>

(See Note 21 for supplemental cash flow information)

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

GOLDEN STAR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All amounts in tables are in thousands of US dollars unless noted otherwise)
(Unaudited)

The consolidated financial statements and the accompanying notes for the periods ended June 30, 2007 and 2006 are unaudited and should be read in conjunction with the audited consolidated financial statements and related notes thereto included in our annual report on Form 10-K for the year ended December 31, 2006, as amended on file with Securities and Exchange Commission and with the Canadian securities commissions. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Cdn GAAP"). For reconciliation to accounting principles generally accepted in the United States ("US GAAP"), see Note 25 to the consolidated financial statements. The year-end balance sheet data was derived from audited financial statements but does not include all disclosures required by Cdn GAAP.

In early 2007, errors were discovered related to the computation of ore stockpile and in-process inventory balances and associated "Mining operations" costs as found on the statement of operations. The corrections also impacted the minority interest account and various tax accounts on the balance sheets and in the statement of operations as well as our non-GAAP measures cash and operating costs per ounce and total cash cost per ounce. As a result we restated our interim consolidated financial statements for the quarters ended March 31, June 30 and September 30, 2006. In addition, the US GAAP footnotes in our March 31, June 30 and September 30, 2006 Forms 10-Q were restated to correct errors in accounting for warrants denominated in Cdn dollars. Specifically, these warrants had been treated as equity instruments in our Form 10-Qs but were restated to recognize that these warrants are derivative instruments. In this Form 10-Q, comparative amounts from the second quarter of 2006 reflect these restatements.

In management's opinion, the unaudited consolidated financial statements for the six months ended June 30, 2007 contained herein reflect all adjustments, consisting solely of normal recurring items, which are necessary for the fair presentation of financial position, results of operations and cash flows on a basis consistent with that of our prior audited consolidated financial statements except for the change in accounting policy from January 1, 2007 as discussed in Note 2.

All financial amounts are in thousands of US dollars unless noted otherwise.

1. Description of Business

Through our subsidiaries we own a controlling interest in four significant gold properties in southern Ghana in West Africa:

- Bogoso/Prestea property, which is comprised of the adjoining Bogoso and Prestea surface mining leases ("Bogoso/Prestea"),
- Wassa property ("Wassa"),
- Prestea Underground property ("Prestea Underground"), and
- Hwini-Butre and Benso concessions ("HBB Properties").

In addition to these gold properties we hold various other exploration rights and interests and are actively exploring in a variety of locations in West Africa and South America.

Bogoso/Prestea is owned by our 90% owned subsidiary Golden Star (Bogoso/Prestea) Limited ("GSBPL") (formerly Bogoso Gold Limited) which was acquired in 1999. Bogoso/Prestea produced and sold approximately 103,800 ounces of gold in 2006.

Through another 90% owned subsidiary, Golden Star (Wassa) Limited ("GSWL") (formerly Wexford Goldfields Limited), we own the Wassa gold mine located some 35 kilometers east of Bogoso/Prestea. Wassa produced and sold approximately 97,600 ounces of gold in 2006.

The Prestea Underground is located on the Prestea property and consists of a currently inactive underground gold mine and associated support facilities. GSBPL owns a 90% operating interest in the Prestea Underground. We are currently reconditioning certain shafts to allow better access to the underground workings. We are also conducting exploration and engineering studies to determine if the underground mine can be reactivated on a profitable basis.

Through our 100% owned subsidiary, St. Jude Resources Ltd. ("St. Jude"), we own the HBB Properties in southwest Ghana. The HBB Properties consist of the Hwini-Butre and Benso concessions, which together cover an area of 201 square kilometers. Board approval to develop these ore bodies was received in May 2007. The Hwini-Butre and Benso concessions are located approximately 70 and 40 kilometers south of Wassa, respectively.

We hold interests in several gold exploration projects in Ghana and elsewhere in West Africa including Sierra Leone, Burkina Faso, Niger and Cote d'Ivoire. We also hold and manage exploration properties in Suriname and French Guiana in South America. We hold indirect interests in gold exploration properties in Peru, Argentina and Chile through an 8.1% equity investment in Minera IRL (formerly known as Goldmin Consolidated Holdings).

Our administrative offices are located in Littleton, Colorado, USA and we also maintain a regional corporate office in Accra, Ghana.

2. Changes in accounting policy – Financial Instruments

Effective January 1, 2007, we adopted CICA Handbook Section 3855 Financial Instruments — Recognition and Measurement, Section 3865 Hedges and Section 1530 Comprehensive Income (the “Financial Instrument Standards”). The adoption of these new standards had no impact on our financial statements on or before December 31, 2006 as the standards require adjustments to the carrying value of financial assets and liabilities to be recorded within retained earnings or, in the case of available-for-sale assets, accumulated other comprehensive income on transition.

All financial assets, and derivative financial instruments, are measured at fair value.

Gains and losses associated with financial assets designated as held-for-trading are recorded in the income statement, separate from any interest or dividends earned on these investments. Gains and losses on derivative financial instruments are also recorded in the statement of operations in the period in which they arise. Gains and losses associated with financial assets classified as available-for-sale will be separately recorded as unrealized within other comprehensive income until such time the investment is disposed of or incurs a decline in fair value that is on an other-than-temporary basis, at which time any gains or losses will then be realized and reclassified as a component of net income.

Financial liabilities are measured initially at fair value including any directly attributable transaction costs. After initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method.

We currently do not apply hedge accounting to our derivative instruments and accordingly are currently not impacted by CICA 3865 Hedges.

Upon adoption of the Financial Instrument Standards, all regular-way purchases of financial assets are accounted for at the settlement date. Transaction costs on financial assets and liabilities classified other than as held for trading are treated as part of the initial fair value.

3. Short term investments

Short term investments are comprised of funds invested in AAA (or equivalent) rated auction rate certificates. These certificates are short term positions in long term securities. The interest rate is reset every 7, 28 or 35 days, and the certificates can be liquidated for cash at each interest rate reset date.

4. Inventories

	As of June 30, 2007	As of December 31, 2006
Stockpiled ore	\$ 17,813	\$ 18,244
In-process	11,988	4,596
Materials and supplies	26,494	22,635
Total	\$ 56,295	\$ 45,475

5. Deposits

Amounts represent cash advances and payments for equipment and materials purchases by GSWL and GSBPL which are not yet delivered on-site.

6. Available-for-sale investments

	As of June 30, 2007		As of December 31, 2006	
	Shares	Fair value	Shares	Cost
Minera IRL	5,012,800	\$ 4,626	4,820,000	\$ 1,457
EURO Ressources	1,206,277	1,597	3,009,679	—
Total		\$ 6,223		\$ 1,457

Investment in Minera IRL

We hold a 8.1% interest in Minera IRL, a gold exploration company which operates in South America. During the year ended December 31, 2006, Minera IRL was privately held and we accounted for our investment on the cost basis at \$1.5 million. In late March 2007, Minera IRL completed their initial public offering. The stock was listed as a public company on the Alternative Investment Market in London in early April 2007. Since January 1, 2007 we have accounted for our investment in Minera IRL at fair value as required by CICA 3855 – Financial Instruments (effective for fiscal years beginning after October 1, 2006). The increase in the fair value from January 1, 2007 to June 30, 2007 of \$0.2 million was recorded as other comprehensive income.

Investment in EURO Ressources S.A. (“EURO”)

During the year ended December 31, 2006 we sold approximately 22 million shares in EURO which decreased our holding in EURO from 53% to approximately 6% at December 31, 2006. During the quarter ended March 31, 2007 we sold an additional 1,753,402 EURO shares in a number of public transactions. The sale resulted in net proceeds of \$2.8 million to Golden Star yielding a gain of \$2.8 million and reduced our holding to approximately 1% of EURO’s outstanding shares.

Since our investment in EURO was diluted to less than 20% in December 2006, we accounted for the investment on the cost basis at zero carrying value at December 31, 2006. The market value of the remaining EURO common shares was \$5.7 million at December 31, 2006 based on EURO’s closing share price as of that date. Since January 1, 2007 we have accounted for our investment in EURO at fair value as required by CICA 3855 – Financial Instruments (effective for fiscal years beginning after October 1, 2006). The decrease in the fair value from January 1, 2007 to June 30, 2007 of \$0.8 million was recorded as other comprehensive loss.

7. Deferred Exploration and Development Costs

Consolidated property expenditures on our exploration projects for the six months ended June 30, 2007 were as follows:

	Deferred exploration & development costs as of 12/31/06		Capitalized exploration expenditures	Impairments	Transfer to mining properties	Deferred exploration & development costs as of 6/30/07
AFRICAN PROJECTS						
Akropong trend and other Ghana	\$ 833	\$ 241	\$ (88)	\$ —	\$ 986	
Hwini-Butre and Benso—Ghana	142,715	489	—	(143,204)	—	
Mano River—Sierra Leone	2,015	854	—	—	2,869	
Afema—Ivory Coast	1,512	19	—	—	1,531	
Goulagou—Burkina Faso	18,789	115	—	—	18,904	
Other Africa	1,082	83	—	—	1,165	
SOUTH AMERICAN PROJECTS						
Saramacca—Suriname	781	—	—	—	781	
Other South America	256	706	—	—	962	
Total	\$ 167,983	\$ 2,507	\$ (88)	\$ (143,204)	\$ 27,198	

8. Property, Plant and Equipment

	As of June 30, 2007			As of December 31, 2006		
	Property, Plant and Equipment at Cost	Accumulated Depreciation	Property, Plant and Equipment Net Book Value	Property, Plant and Equipment at Cost	Accumulated Depreciation	Property, Plant and Equipment Net Book Value
Bogoso/Prestea	\$ 65,332	\$ 16,619	\$ 48,713	\$ 57,392	\$ 13,263	\$ 44,129
Prestea Underground	238	—	238	236	—	236
Wassa	56,970	11,086	45,884	55,785	7,618	48,167
Corporate & Other	1,233	486	747	924	397	527
Total	\$ 123,773	\$ 28,191	\$ 95,582	\$ 114,337	\$ 21,278	\$ 93,059

9. Mining Properties

	As of June 30, 2007			As of December 31, 2006		
	Mining Properties at Cost	Accumulated Amortization	Mining Properties, Net Book Value	Mining Properties at Cost	Accumulated Amortization	Mining Properties, Net Book Value
Bogoso/Prestea	\$ 51,942	\$ 33,701	\$ 18,241	\$ 51,868	\$ 33,241	\$ 18,627
Prestea Underground	30,923	—	30,923	28,891	—	28,891
Bogoso Sulfide	13,545	—	13,545	13,352	—	13,352
Mampon	15,843	—	15,843	15,721	—	15,721
Wassa	60,378	17,716	42,662	58,578	11,234	47,344
Hwini-Butre and Benso	143,756	—	143,756	—	—	—
Other	15,893	57	15,836	12,840	—	12,840
Total	\$ 332,280	\$ 51,474	\$ 280,806	\$ 181,250	\$ 44,475	\$ 136,775

10. Construction-in-progress

At June 30, 2007 and at December 31, 2006, mine construction-in-progress represents costs incurred for the Bogoso sulfide expansion project since the beginning of 2005. Included in the total are costs of development drilling, plant equipment purchases, materials and construction costs, payments to the construction contractors, mining equipment costs, capitalized interest and pre-production stripping costs.

	As of December 31,	
	As of June 30, 2007	2006
Plant construction cost	\$ 154,027	\$ 118,826
Mining equipment cost	11,828	10,505
Pre-production stripping cost	28,746	22,397
Sub-total	194,601	151,728
Costs prior to project commencement	7,216	7,216
Capitalized Interest	9,460	6,211
Total	\$ 211,277	\$ 165,155

11. Debt

	As of December 31,	
	As of June 30, 2007	2006
Current debt:		
Debt facility (Note a)	\$ 7,381	\$ 6,875
Equipment financing loans (Note b)	8,226	5,674
Total current debt	15,607	12,549
Long term debt:		
Debt facility (Note a)	4,355	8,125
Equipment financing loans (Note b)	20,861	17,288
Convertible notes (Note c)	48,354	48,373
Total long term debt	\$ 73,570	\$ 73,786

(a) Debt facility – On October 11, 2006, GSBPL entered into an agreement for a \$15.0 million debt facility with two Ghana-based banks. The \$15.0 million was drawn down in October and November and is repayable over a term of 24 months starting 3 months after draw-down at an interest rate of US prime (currently 8.25%) plus 1%. Loan fees totaled one percent of the facility amount. The debt is secured by the non-mobile assets of Bogoso/Pretea and proceeds were used for construction costs of the Bogoso sulfide expansion project. There are no hedging requirements or equity-type incentives required under the facility. A total of \$1.0 million of interest on the debt facility has been capitalized to the Bogoso sulfide expansion project. Loan fees totaling approximately \$0.3 million were deducted from the liability in arriving at amortized cost and are being amortized using the effective interest rate method. As of December 31, 2006 the unamortized loan fees of \$0.2 million were included in other assets. Since January 1, 2007, in accordance with CICA 3855- Financial instruments the unamortized portion of the loan fees are deducted from the value of the notes.

(b) Equipment financing credit facility – We maintain an equipment financing facility between Caterpillar Financial Services Corporation, GSBPL and GSWL, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit for new and used mining equipment. Amounts drawn under this facility are repayable over five years for new equipment and over two years for used equipment. The interest rate for each draw-down is fixed at the date of the draw-down using the Federal Reserve Bank 2-year or 5-year swap rate or LIBOR plus 2.38%. During the quarter we increased the equipment financing facility from \$25.0 million to \$40.0 million and as of June 30, 2007, we have \$10.9 million available to draw down in the future. The average interest rate on the outstanding loans is approximately 6.0%.

(c) Convertible notes – We sold \$50 million of senior unsecured convertible notes to a private investment fund on April 15, 2005. These notes were issued at par and bear interest at 6.85%. They are convertible at any time at the option of the holder at a conversion price of \$4.50 per common share. At the maturity date, April 15, 2009, we have the option to repay the outstanding notes with cash, common shares, or a combination of cash and common shares. For any notes repaid in common shares the number of shares will be determined by dividing the loan balance by an amount equal to 95% of the average price over the 20 trading day period ended five days before the notes are due. Approximately \$47.1 million of the note balance was initially classified as a liability and \$2.9 million was classified as equity. Periodic accretion will increase the liability to the full \$50 million amount due (after adjustments, if any, for converted notes) by the end of the note term. The periodic accretion is included in interest expense. A total of \$8.5 million of interest on the convertible notes has been capitalized to the Bogoso sulfide expansion project. Loan fees totaling approximately \$0.9 million were capitalized and are being amortized over the term of the notes. As of December 31 2006, the unamortized loan fees of \$0.6 million were included in other assets. Since January 1, 2007, in accordance with CICA 3855—Financial Instruments, the unamortized portion of the loan fees are deducted from the value of the notes. Certain covenants of the convertible notes were amended in April of 2007 which did not increase our covenanted borrowing limit but give us more flexibility over the types of borrowing allowed within the covenant limit.

12. Derivatives

Gold Derivatives —To provide gold price protection during the 2005 to 2007 construction phase of the Bogoso sulfide expansion project, we purchased a series of gold puts and calls with expiry dates spread between the second quarter 2005 and March 31, 2007. During the first quarter of 2007 we settled our remaining 37,500 ounces of gold put options for \$0.8 million and a resulting derivative loss of \$0.1 million due to increased gold prices since December 31, 2006.

At December 31, 2006 we had 6,000 ounces of gold call options, all which expired unexercised at March 31, 2007. There was no financial impact from the expiry because all of the purchase cost was recognized in earlier periods. All of our puts and calls expired or were repurchased by March 2007 and we currently have no gold derivatives.

EURO Options – During the first quarter of 2007 we renegotiated sections of certain prior agreements with EURO including the timing and amounts of possible future royalty payments and the amount and timing of certain commitments under exploration property earn-ins. In addition, and as part of these renegotiations, we have agreed to make an additional number of our remaining EURO shares available to EURO to deliver against certain options EURO has granted or plans to grant to its directors. This brings the number of our shares in EURO which are subject to option agreements to 540,000.

As a result of this agreement we recorded a derivative liability to recognize the cost of the EURO shares that we may give up in the future. At the end of June 2007 the derivative liability was \$0.4 million based on the fair value of the outstanding options.

13. Asset Retirement Obligations

Our Asset Retirement Obligations (“ARO”) are equal to the present value of all estimated future closure costs associated with reclamation, demolition and stabilization of our Bogoso/Prestea and Wassa mining and ore processing properties. Included in this liability are the costs of mine closure and reclamation, processing plant and infrastructure demolition, tailings pond stabilization and reclamation and environmental monitoring costs. While the majority of these costs will be incurred near the end of the mines’ lives, it is expected that certain on-going reclamation costs will be incurred prior to mine closure. These costs are recorded against the current ARO provision as incurred.

The changes in the carrying amount of the ARO were as follows:

Balance at December 31, 2006	\$ 19,098
Accretion expense	571
Cost of reclamation work performed	(313)
Balance at June 30, 2007	\$ 19,356
Current portion	\$ 2,582
Long term portion	\$ 16,774

14. Commitments and Contingencies

Our commitments and contingencies include the following items:

Environmental Regulations – Our mining, processing and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. As such we cannot predict the full amount of our future expenditure to comply with these laws and regulations. We conduct our operations so as to protect the environment and believe our operations are in compliance with applicable laws and regulations in all material respects.

Environmental Bonding in Ghana – In 2005, pursuant to a reclamation bonding agreement between the Environmental Protection Agency (“EPA”) and GSWL, we bonded \$3.0 million to cover future reclamation obligations at Wassa. To meet the bonding requirements we established a \$2.85 million letter of credit and deposited \$0.15 million of cash with the EPA. In addition, pursuant to a bonding agreement between the EPA and GSBPL we bonded \$9.5 million in early 2006 to cover our future obligations at Bogoso/Prestea. To meet these requirements we deposited \$0.9 million of cash with the EPA with the balance covered by a letter of credit.

Royalties –

- **Dunkwa Properties:** As part of the acquisition of the Dunkwa properties in August 2003, we agreed to pay the seller a net smelter return royalty on future gold production from the Mansiso and Asikuma properties. Per the acquisition agreement, there will be no royalty due on the first 200,000 ounces produced from Mampon which is located on the Asikuma property. The amount of the royalty is based on a sliding scale which ranges from 2% of net smelter return at gold prices at or below \$300 per ounce up to 3.5% for gold prices in excess of \$400 per ounce.
- **Government of Ghana:** Under the laws of Ghana, a holder of a mining lease is required to pay an annual royalty of not less than 3% and not more than 6% of the total revenues earned from the lease area. The royalty is payable on a quarterly basis. We currently pay a 3% annual royalty on gold production from Bogoso/Prestea and Wassa.
- **Benso:** Benso is subject to a 1.5% net smelter return royalty and a \$1.00 per ounce gold production royalty. The smelter return royalty may be purchased for \$4.0 million (or \$6.0 million if a feasibility study indicates more than 3.5 million ounces of recoverable gold) and the gold production royalty may be purchased for \$0.5 million.
- **Pampe:** Portions of the Pampe deposit are subject to a 7.5% net smelter return royalty.
- **Prestea Underground** – The Prestea Underground is subject to a 2.5% net profits interest on future income. Ownership of the 2.5% net profit interest is currently held by the bankruptcy trustee overseeing liquidation of Prestea Gold Resources Limited, our former joint venture partner in the Prestea Underground.

Afema Project – On March 29, 2005 we entered into an agreement with Société d’Etat pour le Development Minier de la Cote d’Ivoire (“SO.DE.MI.”), the Cote d’Ivoire state mining and exploration company, to acquire its 90% interest in the Afema gold property in south-east Cote d’Ivoire. Golden Star has the right to complete the transaction to acquire 100% of SO.DE.MI.’s rights in the Afema property for \$1.5 million. In addition to the acquisition payment, we agreed to pay SO.DE.MI. a royalty on any future gold production from the Afema property. The royalty is indexed to the gold price and ranges from 2% of net smelter returns at gold prices below \$300 per ounce to 3.5% of net smelter returns for gold prices exceeding \$525 per ounce. Following successful due-diligence studies completed in 2005 and 2006 we have decided to complete the transaction to acquire the property. SO.DE.MI. has been advised of our intent and formal documentation of the transaction is underway. Following acquisition of full rights to the property, the purchase agreement requires us to spend an additional \$3.5 million on exploration work at Afema, subject to exploration success, over the following three and a half years.

Hwini-Butre – As part of the Sales Agreement for the purchase of the HBB properties, Golden Star has agreed to pay B.D. Goldfields Ltd an additional \$1.0 million upon receipt of all the necessary licenses, permits, approvals and consents required to mine the Hwini-Butre concession.

Litigation – We are engaged in routine litigation incidental to our business. No material legal proceedings, involving us or our business are pending, or, to our knowledge, contemplated, by any governmental authority. We are not aware of any material events of non-compliance with environmental laws and regulations.

15. Share Capital

Changes in share capital during the six months ended June 30, 2007 were:

	<u>Shares</u>	<u>Amount</u>
Balance as of December 31, 2006	207,891,358	\$ 524,619
Common shares issued:		
Equity offering (net)	24,150,000	82,332
Option exercises	1,067,500	1,334
Warrants exercised	62,783	254
Bonus shares and other	<u>50,683</u>	<u>175</u>
Balance as of June 30, 2007	233,222,324	\$ 608,714

16. Warrants

On February 14, 2007, 8,401,031 share purchase warrants expired. They were issued in conjunction with an equity offering in 2003 at a strike price of Cdn\$4.60. As of June 30, 2007 we have 3,224,520 warrants outstanding which were issued as part of the St. Jude acquisition in December 2005. These warrants expire on November 20, 2008 and have a strike price of Cdn\$4.17.

17. Stock Based Compensation

Stock Options - We have one stock option plan, the Second Amended and Restated 1997 Stock Option Plan (the “Plan”), and options are granted under this plan from time to time at the discretion of the Compensation Committee. Options granted are non-assignable and are exercisable for a period of ten years or such other period as stipulated in a stock option agreement between Golden Star and the optionee. Under the Plan, we may grant options to employees, consultants and directors of the Company or its subsidiaries for up to 15,000,000 shares of common stock. Under the Plan we reserved an aggregate of 15,000,000 shares of common stock for issuance pursuant to the exercise of options of which 4,736,367 are available for grant at June 30, 2007. Options take the form of non-qualified stock options, and the exercise price of each option is not less than the fair market value of our stock on the date of grant. Options typically vest over periods ranging from immediately to four years from the date of grant. Vesting periods are determined at the discretion of the Compensation Committee.

In addition to options issued under the Plan, 2,533,176 options were issued to various employees of St. Jude in exchange for St. Jude options in late 2005 of which 720,000 remain unexercised as of June 30, 2007. All of the remaining unexercised options held by St. Jude employees are vested. All figures shown below include the options issued to St. Jude employees.

Amounts recognized in the statements of operations with respect to the Plan are as follows:

	<u>Six months ended</u>	
	<u>June 30,</u>	
	<u>2007</u>	<u>2006</u>
Total cost during the period	\$ 2,047	\$ 1,045

We granted 931,183 and 746,000 options during the six months ended June 30, 2007 and 2006, respectively. The Company recognized \$2.0 million and \$1.0 million of non-cash compensation expense in the six months ended June 30, 2007 and 2006, respectively. We do not receive a tax deduction for the issuance of options. As a result we did not recognize any income tax benefit related to the stock compensation expense during the six months ended June 30, 2007 and 2006.

The fair value of options granted during the first six months of 2007 and 2006 were estimated at the grant dates using the Black-Scholes option-pricing model based on the assumptions noted in the following table:

	Six months ended June 30,	
	2007	2006
Expected volatility	66.66% to 67.13%	50.67% to 67.95%
Risk-free interest rate	3.92% to 3.95%	4.00% to 4.01%
Expected lives	6 to 7 years	4 to 7 years
Dividend yield	0%	0%

Expected volatilities are based on the mean reversion tendency of the volatility of Golden Star's shares and its peer group. Golden Star uses historical data to estimate share option exercise and employee departure behavior used in the Black-Scholes model; groups of employees that have dissimilar historical behavior are considered separately for valuation purposes. The expected term of the options granted represents the period of time that the options granted are expected to be outstanding; the range given above results from certain groups of employees exhibiting different post-vesting behaviors. The risk-free rate for periods within the contractual term of the option is based on the Canadian Chartered Bank Administered Interest rates in effect at the time of the grant.

A summary of option activity under the Plan as of June 30, 2007 and changes during the six months then ended is presented below:

	Options (000')	Weighted- Average Exercise price (Cdn\$)	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (Cdn\$000)
Outstanding as of December 31, 2006	6,556	2.98	5.7	\$ 3,583
Granted	931	4.06	9.7	—
Exercised	(1,068)	1.38	—	3,766
Forfeited	(20)	3.00		
Outstanding as of June 30, 2007	<u>6,399</u>	<u>3.41</u>	<u>6.2</u>	<u>\$ 5,665</u>

Stock Bonus Plan - In December 1992, we established an Employees' Stock Bonus Plan (the "Bonus Plan") for any full-time or part-time employee (whether or not a director) of the Company or any of our subsidiaries who has rendered meritorious services which contributed to the success of the Company or any of its subsidiaries. The Bonus Plan provides that a specifically designated committee of the Board of Directors may grant bonus common shares on terms that it might determine, within the limitations of the Bonus Plan and subject to the rules of applicable regulatory authorities. The Bonus Plan, as amended, provides for the issuance of 900,000 common shares of bonus stock of which 542,261 common shares had been issued as of June 30, 2007.

During the six months ended June 30, 2007 and 2006 we issued 50,683 and 4,000 common shares, respectively, to employees under the Bonus Plan. The cost of the shares grants were \$0.2 million and nil in 2007 and 2006, respectively.

18. Accumulated other comprehensive income

Balance at December 31, 2006	\$ —
Transition adjustment on change in accounting policy on January 1, 2007	8,479
Realized gain from the partial sale of investment in EURO	(3,331)
Unrealized loss on available-for-sale investments	(551)
Balance at June 30, 2007	<u>\$ 4,597</u>

19. Income Taxes

Income tax benefit attributable to net income before income taxes consists of:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Current				
Canada	\$ —	\$ —	\$ —	\$ (4,926)
Foreign	—	—	—	—
Future				
Canada	—	3,118	—	3,118
Foreign	(2,963)	(10,915)	(5,166)	(4,778)
Total	\$ (2,963)	\$ (7,797)	\$ (5,166)	\$ (6,586)

The future tax benefit recorded in the quarter ended June 30, 2007 relates primarily to operational losses incurred at Bogoso/Prestea. Golden Star records a valuation allowance against any portion of its remaining future income tax assets that it believes will, more likely than not, fail to be realized.

20. Earnings per Common Share

The following table provides a reconciliation between basic and diluted earnings per common share:

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Net income/(loss)	\$ (2,289)	\$ 13,084	\$ (5,854)	\$ 32,407
Weighted average number of common shares (millions)	233.2	207.1	224.7	207.2
Dilutive securities:				
Options	1.0	1.9	2.0	2.0
Convertible notes	—	—	—	—
Warrants	—	—	—	—
Weighted average number of diluted shares	234.2	209.0	226.7	209.2
Basic earnings/(loss) per share	\$ (0.010)	\$ 0.063	\$ (0.026)	\$ 0.156
Diluted earnings/(loss) per share	\$ (0.010)	\$ 0.063	\$ (0.026)	\$ 0.155

21. Supplemental Cash Flow Information

No cash income taxes were paid during the six months ended June 30, 2007 and 2006. Cash paid for interest was \$2.7 million and \$2.5 million for the six months ended June 30, 2007 and 2006, respectively. A total of \$49,000 and \$11,000 of depreciation was included in general and administrative costs, or was capitalized into projects, for the six months ended June 30, 2007 and 2006, respectively. During the six months ended June 30, 2007 we made a \$0.8 million non-cash depreciation adjustment to Stockpile ore and In-process inventory.

22. Operations by Segment and Geographic Area

The following segment and geographic data includes revenues based on product shipment origin and long-lived assets based on physical location. The corporate entity is incorporated in Canada and located in the United States.

As of and for the three months ended June 30,	Africa			South America	Corporate	Total
	Bogoso/ Prestea	Wassa	Other			
2007						
Revenues	\$ 9,270	\$ 18,848	\$ —	\$ —	\$ —	\$ 28,118
Net income/(loss)	(1,261)	(1,055)	(104)	(39)	(1,940)	(2,289)
Total assets	435,264	107,633	169,540	8,825	29,849	751,111
2006						
Revenues	\$ 14,828	\$ 13,847	\$ —	\$ —	\$ —	\$ 28,675
Net income/(loss)	699	(114)	(601)	(5,263)	18,363	13,084
Total assets	234,043	105,432	206,224	1,031	55,343	602,073
As of and for the six months ended June 30,	Africa			South America	Corporate	Total
	Bogoso/ Prestea	Wassa	Other			
2007						
Revenues	\$ 20,850	\$ 37,128	\$ —	\$ —	\$ —	\$ 57,979
Net income/(loss)	(1,638)	(357)	(593)	(254)	(3,012)	(5,854)
Total assets	435,264	107,633	169,540	8,825	29,849	751,111
2006						
Revenues	\$ 26,338	\$ 27,273	\$ —	\$ —	\$ —	\$ 53,611
Net income/(loss)	(183)	(2,251)	3,024	(8,335)	40,152	32,407
Total assets	234,043	105,432	206,224	1,031	55,343	602,073

23. Related Parties

We obtained legal services from a legal firm to which our Chairman of the Board is of counsel. The total value of all services purchased from this law firm during the first half of 2007 was \$0.6 million. Our Chairman did not personally perform any legal services for us during the period nor did he benefit directly or indirectly from payments for the services performed by the firm.

24. Financial Instruments

Fair Value - Our financial instruments are comprised of cash, short term investments, accounts receivable, restricted cash, accounts payable, accrued liabilities, accrued wages, payroll taxes, derivatives and debt. The fair value of cash and short term investments, derivatives, accounts receivable, accounts payable, accrued liabilities and accrued wages, payroll taxes and current debt equals their carrying value due to the short term nature of these items. The fair value of restricted cash is equal to the carrying value as the cash is invested in short term, high-quality instruments. Management also estimates that the fair value of the non-current portion of the debt facility, the equipment financing facility and the convertible notes approximate their carrying value.

25. Generally Accepted Accounting Principles in the United States

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which differ from US GAAP. The effect of applying US GAAP to our financial statements is shown below.

(a) Consolidated Balance Sheets in US GAAP

	As of June 30, 2007	As of December 31, 2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,129	\$ 27,108
Short term investments	22,381	—
Accounts receivable	8,478	8,820
Inventories	56,295	45,475
Future tax assets	216	—
Deposits	13,113	7,673
Other current assets	1,003	1,458
Total current assets	117,615	90,534
Restricted cash	1,522	1,581
Available-for-sale and long term investments	6,223	5,718
Deferred exploration and development costs (Notes d1)	—	—
Property, plant and equipment (Note d3)	94,868	92,345
Mine construction in progress	211,277	165,155
Mining properties (Notes d2)	243,033	243,532
Future tax asset (Note d7)	22,291	6,657
Other assets	773	573
Total assets	<u>\$ 697,602</u>	<u>\$ 606,095</u>
LIABILITIES		
Current liabilities		
Long term debt (Note d4)	\$ 64,553	\$ 62,276
Asset retirement obligations	74,840	75,414
Future tax liability (Note d7)	16,774	16,034
Fair value of long term derivatives (Note d5)	42,113	42,154
Total liabilities	3,464	2,897
Minority interest	201,744	198,775
Commitments and contingencies	2,674	2,902
	—	—
SHAREHOLDERS' EQUITY		
Share capital (Note d6)	608,348	524,239
Contributed surplus (Notes d5 and d6)	11,011	9,048
Accumulated comprehensive income and other (Note d8)	7,370	7,034
Deficit	(133,545)	(135,903)
Total shareholders' equity	493,184	404,418
Total liabilities and shareholders' equity	<u>\$ 697,602</u>	<u>\$ 606,095</u>

(b) Consolidated Statements of Operations under US GAAP

	Three months ended June 30		Six months ended June 30	
	2007	2006 (Restated)	2007	2006 (Restated)
Net income/(loss) under Cdn GAAP	\$ (2,289)	\$ 13,084	\$ (5,854)	\$ 32,407
Deferred exploration expenditures expensed per US GAAP (Note d1 and d2)	(2,403)	(4,947)	(4,637)	(7,833)
Depreciation and amortization differences – Wassa (Note d3)	536	262	1,169	1,737
Derivative gain/(loss) (Note d5)	2,085	—	(581)	—
Write-off of deferred exploration properties (Note d3)	88	—	88	—
Other (Notes d4)	(5)	509	(7)	505
Net income/(loss) before minority interest under US GAAP	(1,988)	9,404	(9,822)	26,692
Minority interest, as adjusted	4	(220)	4	(62)
Net income/(loss) before income tax under US GAAP	(1,984)	9,184	(9,818)	26,630
Income tax benefit, as adjusted (Note d7)	12,176	—	12,176	—
Net income under US GAAP	10,192	9,184	2,358	26,630
Other comprehensive income – gain on marketable securities (Note d8)	—	—	(4,261)	—
Comprehensive income/(loss)	10,192	9,184	(1,903)	26,630
Basic net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	\$ 0.044	\$ 0.044	\$ 0.010	\$ 0.129
Diluted net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	\$ 0.043	\$ 0.044	\$ 0.010	\$ 0.127

(c) Consolidated Statements of Cash Flows under US GAAP

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Cash provided by (used in):				
Operating activities	\$ 1,833	\$ (4,984)	\$ (8,722)	\$ (13,407)
Investing activities	(11,481)	(60,072)	(89,092)	(60,312)
Financing activities	5,840	(845)	86,835	4,892
Increase/(Decrease) in cash and cash equivalents	(3,808)	(65,901)	(10,979)	(68,827)
Cash and cash equivalent beginning of period	19,937	86,783	27,108	89,709
Cash and cash equivalents end of period	\$ 16,129	\$ 20,882	\$ 16,129	\$ 20,882

(d) Notes:

- Under US GAAP, exploration, acquisition (except for property purchase costs) and general and administrative costs related to exploration projects are charged to expense as incurred. Under Cdn GAAP, exploration, acquisition and direct general and administrative costs related to exploration projects are capitalized. In each subsequent period, the exploration, engineering, financial and market information for each exploration project is reviewed by management to determine if any of the capitalized costs are impaired. If found impaired, the asset's cost basis is reduced in accordance with Cdn GAAP provisions.
- Under US GAAP, the initial purchase cost of mining properties is capitalized. Pre-acquisition costs and subsequent development costs incurred, until such time as a final feasibility study is completed, are expensed in the period incurred. Under Cdn GAAP, the purchase costs of new mining properties as well as all development costs incurred after acquisition are capitalized and subsequently reviewed each period for impairment. If found impaired, the asset's cost basis is reduced in accordance with Cdn GAAP provisions.
- Under US GAAP new production facilities are placed in service once the facility has been constructed and fully tested to the point where it is available for regular and sustained use. Under Cdn GAAP new production facilities are placed in service when output reaches a significant portion of the facility's design capacity.

- (4) For US GAAP purposes, the \$50.0 million of convertible notes issued (net of loan fees) in the second quarter of 2005 was classified as a liability. Under Cdn GAAP, the fair value of the conversion feature is classified as equity and the balance is classified as a liability. Under Cdn GAAP, the liability portion is accreted each period in amounts which will increase the liability to its full amount as of the maturity date and the accretion is recorded as interest expense.
- (5) Under US GAAP the fair value of warrants denominated in currencies other than the company's functional currency are treated as a derivative liability. The derivative liability of such warrants is market to market at the end of each period and the change in fair value is recorded in the statement of operations. Under Cdn GAAP the issue-date fair value of all warrants is treated as a component of shareholders' equity and are recorded as contributed surplus and are not subsequently marked to their fair value. The comparative prior periods in this US GAAP footnote have been restated to take effect of this differences between Cdn and US GAAP.
- (6) Numerous transactions since the Company's organization in 1992 have contributed to the difference in share capital versus the Cdn GAAP balance, including: (i) under US GAAP, compensation expense was recorded for the difference between quoted market prices and the strike price of options granted to employees and directors under stock option plans while under Cdn GAAP, recognition of compensation expense was not required; (ii) in May 1992 our accumulated deficit was eliminated through an amalgamation (defined as a quasi-reorganization under US GAAP) - under US GAAP the cumulative deficit was greater than the deficit under Cdn GAAP due to the past write-offs of certain deferred exploration costs; and (iii) gains recognized in Cdn GAAP upon issuances of subsidiaries' shares are not allowed under US GAAP.
- (7) While tax accounting rules are essentially the same under both US and Cdn GAAP, tax account differences can arise from differing treatment of various assets and liabilities. For example, most exploration expenditures and certain mine developments cost are capitalized under Cdn GAAP and expensed under US GAAP, as explained in notes 1 and 2 above. An analysis of these differences indicates that there are larger potential tax benefits under US GAAP than under Cdn GAAP. As of June 30, 2007 we have released the incremental valuation allowance for US GAAP purposes. We believe that it is more likely than not that we will be able to utilize the additional deferred tax assets under US GAAP, because we believe that the Bogoso sulfide processing plant will operate at levels that will generate future taxable income.
- (8) US GAAP recognized accumulated comprehensive income prior to 2007. Cdn GAAP recognized accumulated comprehensive income only from January 1, 2007.
- (9) In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48") which prescribes a recognition threshold and measurement attribute, as well as criteria for subsequently recognizing, derecognizing and measuring uncertain tax positions for financial statement purposes. FIN 48 also requires expanded disclosure with respect to the uncertainty in income taxes assets and liabilities. FIN 48 is effective for fiscal years beginning after December 15, 2006 and is required to be recognized as a change in accounting principle through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption. During the quarter we have reviewed the tax positions taken in each of our tax jurisdictions and did not identify any uncertain tax positions that would require disclosure under FIN 48.
- (10) In December 2006, the FASB issued FSP EITF 00-19-2, "Accounting for Registration Payment Arrangements" (FSP EITF 00-19-2). The FSP specifies the contingent obligation to make future payments or otherwise transfer consideration under a registration payment arrangement, whether issued as a separate agreement or included as a provision of a financial instrument or other agreement, should be recognized and measured separately in accordance with FASB SFAS No. 5, "Accounting for Contingencies" and related literature. FSP EITF 00-19-2 further clarifies that a financial instrument subject to a registration payment arrangement should be accounted for in accordance with other applicable generally accepted accounting principles without regard to the contingent obligation to transfer consideration. The FSP applies immediately to registration payment arrangements and the financial instruments subject to those arrangements that are entered into or modified subsequent to December 21, 2006. Whereas, for registration payment arrangements and the financial instruments subject to those arrangements entered into prior to its issuance, the FSP applies to our financial statements for the fiscal year beginning in 2007. We adopted the provisions of FSP EITF 00-19-2 beginning in January 2007 with no impact on our Consolidated Financial Statements.

26. Subsequent event

The new Bogoso sulfide plant was placed in commercial service on July 1, 2007.

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

The following discussion and analysis should be read in conjunction with the accompanying unaudited consolidated financial statements and related notes. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Cdn GAAP"). For reconciliation to accounting principles generally accepted in the United States ("US GAAP"), see Note 25 to the consolidated financial statements. This Management's Discussion and Analysis of Financial Condition and Results of Operations includes information available to August 7, 2007. All financial amounts are in thousands of US dollars unless stated otherwise.

RESTATED PRIOR PERIOD BALANCES

Computational errors in determining the value of ore stockpiles during 2006 were discovered at the end of 2006. As a result the first, second and third quarters of 2006 have been restated to correct these errors.

OUR BUSINESS

Through our subsidiaries we own a controlling interest in four significant gold properties in southern Ghana in West Africa:

- Bogoso/Prestea property, which is comprised of the adjoining Bogoso and Prestea surface mining leases ("Bogoso/Prestea"),
- Wassa property ("Wassa"),
- Prestea Underground property ("Prestea Underground"), and
- Hwini-Butre and Benso concessions ("HBB Properties").

In addition to these gold properties we hold various other exploration rights and interests and are actively exploring in a variety of locations in West Africa and South America.

Bogoso/Prestea is owned by our 90% owned subsidiary Golden Star (Bogoso/Prestea) Limited ("GSBPL") (formerly Bogoso Gold Limited) which was acquired in 1999. Bogoso/Prestea produced and sold approximately 103,800 ounces of gold in 2006.

Through another 90% owned subsidiary, Golden Star (Wassa) Limited ("GSWL") (formerly Wexford Goldfields Limited), we own the Wassa gold mine located some 35 kilometers east of Bogoso/Prestea. Wassa produced and sold approximately 97,600 ounces of gold in 2006.

The Prestea Underground is located on the Prestea property and consists of a currently inactive underground gold mine and associated support facilities. GSBPL owns a 90% operating interest in the Prestea Underground. We are currently reconditioning certain shafts to allow better access to the underground workings. We are also conducting exploration and engineering studies to determine if the underground mine can be reactivated on a profitable basis.

Through our 100% owned subsidiary, St. Jude Resources Ltd. ("St. Jude"), we own the HBB Properties in southwest Ghana. The HBB Properties consist of the Hwini-Butre and Benso concessions, which together cover an area of 201 square kilometers. Combined, both concessions contain Mineral Reserves totaling 577,000 ounces of contained gold. Board approval to develop these ore bodies was received in May 2007. The Hwini-Butre and Benso concessions are located approximately 75 and 45 kilometers south of Wassa, respectively.

We hold interests in several gold exploration projects in Ghana and elsewhere in West Africa including Sierra Leone, Burkina Faso, Niger and Cote d'Ivoire. We also hold and manage exploration properties in Suriname and French Guiana in South America. We hold indirect interests in gold exploration properties in Peru, Argentina and Chile through an 8.1% equity investment in Minera IRL (formerly known as Goldmin Consolidated Holdings).

Our administrative offices are located in Littleton, Colorado, USA and we also maintain a regional corporate office in Accra, Ghana.

NON-GAAP FINANCIAL MEASURES

In this Form 10-Q, we use the terms "total operating cost per ounce," "total cash cost per ounce" and "cash operating cost per ounce."

Total operating cost per ounce is equal to "Mine operating costs" for the period, as found on our consolidated statements of operations, divided by the ounces of gold sold in the period. Mine operating costs include all mine-site operating costs, including the costs of mining, processing, maintenance, work-in-process inventory changes, mine-site overhead, production taxes and royalties, mine site depreciation, depletion, amortization, asset retirement obligations and by-product credits but does not include exploration costs, corporate general and administrative expenses, impairment charges, corporate business development costs, gains and losses on asset sales, interest expense, mark-to-market gains and losses on derivatives, foreign currency gains and losses, gains and losses on investments and income tax.

Total cash cost per ounce for a period is equal to "Mining operations" costs for the period, as found on our consolidated statements of operations, divided by the number of ounces of gold sold during the period.

Cash operating cost per ounce for a period is equal to "total cash costs" for the period less production royalties and production taxes, divided by the number of ounces of gold sold during the period.

The calculations of total cash cost per ounce and cash operating cost per ounce are in compliance with an industry standard for such measures established in 1996 by the Gold Institute, a non-profit industry group.

The following table shows the derivation of these measures and a reconciliation of "total cash cost per ounce" and "cash operating cost per ounce."

Derivation of Total Mine Operating Cost

	For the six months ended June 30, 2007		
	Wassa	Bogoso/Prestea	Combined
Mining operations	\$ 27,671	\$ 22,723	\$ 50,394
Mining related depreciation and amortization	9,114	3,883	12,997
Accretion of asset retirement obligations	170	401	571
Mine operating costs	\$ 36,955	\$ 27,007	\$ 63,962
Ounces sold	56,488	31,631	88,119
Derivation of cost per ounce:			
Total operating costs - GAAP (\$/oz)	\$ 654	\$ 854	\$ 726
Less depreciation and amortization (\$/oz)	161	123	147
Less accretion of asset retirement obligations (\$/oz)	3	13	6
Total cash cost (\$/oz)	490	718	572
Less royalties and production taxes (\$/oz)	20	19	20
Cash operating cost per ounce (\$/oz)	\$ 470	\$ 699	\$ 552

	For the six months ended June 30, 2006		
	Wassa	Bogoso/Prestea Restated	Combined Restated
Mining operations	\$ 23,181	\$ 22,911	\$ 46,092
Mining related depreciation and amortization	5,775	5,030	10,805
Accretion of asset retirement obligations	103	251	354
Mine operating costs	\$ 29,059	\$ 28,192	\$ 57,251
Ounces sold	46,019	44,128	90,147
Derivation of cost per ounce:			
Total operating costs - GAAP (\$/oz)	\$ 631	\$ 639	\$ 635
Less depreciation and amortization (\$/oz)	125	114	120
Less accretion of asset retirement obligations (\$/oz)	2	6	4
Total cash cost (\$/oz)	504	519	511
Less royalties and production taxes (\$/oz)	18	18	17
Cash operating cost per ounce (\$/oz)	\$ 486	\$ 501	\$ 494

	For the three months ended June 30, 2007		
	Wassa	Bogoso/Prestea	Combined
Mining operations	\$ 13,946	\$ 11,092	\$ 25,038
Mining related depreciation and amortization	3,415	1,925	5,340
Accretion of asset retirement obligations	85	173	258
Mine operating costs	\$ 17,446	\$ 13,190	\$ 30,636
Ounces sold	28,385	13,910	42,295
Derivation of cost per ounce:			
Total operating costs - GAAP (\$/oz)	\$ 615	\$ 948	\$ 724
Less depreciation and amortization (\$/oz)	120	138	126
Less accretion of asset retirement obligations (\$/oz)	3	12	6
Total cash cost (\$/oz)	491	798	592
Less royalties and production taxes (\$/oz)	20	20	20
Cash operating cost per ounce (\$/oz)	\$ 471	\$ 778	\$ 572

	For the three months ended June 30, 2006		
	Wassa	Bogoso/Prestea Restated	Combined Restated
Mining operations	\$ 10,983	\$ 12,091	\$ 23,074
Mining related depreciation and amortization	2,650	2,578	5,228
Accretion of asset retirement obligations	54	132	186
Mine operating costs	\$ 13,687	\$ 14,801	\$ 28,488
Ounces sold	21,814	23,393	45,207
Derivation of cost per ounce:			
Total operating costs - GAAP (\$/oz)	\$ 627	\$ 633	\$ 630
Less depreciation and amortization (\$/oz)	121	110	116
Less accretion of asset retirement obligations (\$/oz)	2	6	4
Total cash cost (\$/oz)	504	517	510
Less royalties and production taxes (\$/oz)	17	19	18
Cash operating cost per ounce (\$/oz)	\$ 487	\$ 498	\$ 492

Total cash cost per ounce and cash operating cost per ounce should be considered as non-GAAP financial measures as defined in SEC Regulation S-K Item 10 and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. There are material limitations associated with the use of such non-GAAP measures. Since these measures do not incorporate revenues, changes in working capital and non-operating cash costs, they are not necessarily indicative of operating profit or cash flow from operations as determined under GAAP. Changes in numerous factors including, but not limited to, mining rates, milling rates, gold grade, gold recovery, costs of labor, consumables and mine site general and administrative activities can cause these measures to increase or decrease. We believe that these measures are the same as, or similar to the measures of other gold mining companies, but may not be comparable to similarly titled measures in every instance.

Ownership - All figures and amounts in this Item 2 are shown on a 100% basis, which represents our current beneficial interest in gold production and revenues. Once all capital has been repaid, the Government of Ghana would receive 10% of the dividends distributed from the subsidiaries owning the Bogoso/Prestea and Wassa mines.

BUSINESS STRATEGY AND DEVELOPMENT

Since 1999, our business and development strategy has been focused primarily on the acquisition of producing and development-stage gold properties in Ghana and on the exploration, development and operation of these properties. Since 1999, our exploration efforts have been focused on Ghana, other West African countries and South America.

In line with our business strategy, we acquired Bogoso in 1999 and have operated a carbon-in-leach (“CIL”) processing plant at Bogoso since that time to process oxide and other non-refractory ores (“Bogoso oxide processing plant”). In 2001, we acquired Prestea and mined surface deposits at Prestea from late 2001 to late 2006. In late 2002, we acquired Wassa, and following completion of a feasibility study, constructed a new CIL processing plant at Wassa which began commercial operation in April 2005.

In 2005 we initiated construction and development of a new nominal 3.5 million tonnes per annum processing facility at Bogoso/Prestea that uses proprietary BIOX[®] bio-oxidation technology to treat refractory sulfide ore (“Bogoso sulfide processing plant”). This facility was placed in commercial service on July 1, 2007. We expect the new plant to reach full design through-put rates during the third quarter of 2007 and to be at or near design recovery rates by the fourth quarter. Achievement of these targets is subject to numerous risks. See the discussion of Risk Factors in Item 1A of our December 31, 2006 Form 10-K, as amended.

In late 2005, we acquired the HBB Properties. During 2006, we carried out geological, environmental and engineering studies to determine the economic feasibility of developing these gold properties. The HBB feasibility study was completed in April 2007, and we have received Board approval to start development once permitting is completed. We expect to begin mining at the HBB Properties in the third quarter of 2008, with the ore being transported to Wassa for processing.

Our overall objective since 1999 has been to grow our business to become a mid-tier gold producer with an annualized production rate of approximately 500,000 ounces. We anticipate reaching this production rate in the fourth quarter of 2007 once the Bogoso sulfide expansion project has achieved full production. We continue to evaluate potential acquisition and merger opportunities that could further increase our annual gold production. However, we presently have no agreement or understanding with respect to any specific potential transaction.

In addition to our gold mining and development activities, we are actively exploring for gold in West Africa and South America, investing approximately \$15.3 million on such activities during 2006 and \$5.2 to date in 2007. The majority of our 2006 exploration spending was focused on our HBB Properties south of Wassa, on the Prestea Underground and on expanding Mineral Reserves around our existing mines. We are actively conducting regional reconnaissance projects in south Ghana, Cote d’Ivoire and Sierra Leone and have drilled more advanced targets in Ghana, Niger and Burkina Faso.

SIGNIFICANT TRENDS AND EVENTS DURING THE FIRST SIX MONTHS OF 2007

Power Restrictions in Ghana

Electric power availability continues to be a concern. Rainfall in the current rainy season has been insufficient to raise water levels at the Akosombo reservoir enough to allow the Volta River Authority’s (“VRA”) Akosombo Hydroelectric Power Station to resume full output. As a result, power rationing continues in Ghana. As requested by the VRA, we continue to limit our usage of VRA power at various times and in various amounts. We continue to manage the power restrictions by (i) energy conservation measures (ii) limiting certain non-critical activities and (iii) operating our stand-by diesel generators. These actions have allowed near normal operations at Bogoso/Prestea and Wassa but the high cost of fuel oil for our mine-site generators has contributed to higher operating costs. The VRA has allowed us to take additional power to operate the new Bogoso sulfide processing plant, subject to the same power limits placed on all Ghanaian mining operations.

To alleviate the impact of the on-going power rationing, Golden Star, along with Newmont Mining Corporation, Gold Fields Limited and AngloGold Ashanti Limited, is installing a nominal 100 megawatt power station in Ghana, which could be expected to reliably generate 80 megawatts on a continuous basis. The total expected cost to acquire and construct this power station is expected to be approximately \$43 million, of which we have committed to fund 25%. We have spent \$8.8 million on the project thru July 2007. We expect the power station to be commissioned and made operational in August 2007.

Our 25% share of output from this power station will be approximately 20 megawatts, which is sufficient to provide up to 50% of our total power requirements in Ghana now that the Bogoso sulfide processing plant is commissioned. We expect that power from the new plant, combined with our on-site diesel generators and power availability from the national grid will be adequate to meet our total power requirements in 2007, including operation of the Bogoso sulfide processing plant. If there are further declines in the Akosombo hydroelectric power plant, we will incur higher cost for increased amounts of self-generated power. Separately, Golden Star is currently negotiating a two year, 10 megawatt, take or pay, power purchase agreement with a provider that would develop a 20 megawatt power station at Bogoso/Prestea. It is expected that this power station, which can be fueled with either diesel, residual fuel oil or heavy fuel oil, could be operational by early 2008.

Gold Prices

Gold prices have generally trended upward during the last five years, from a low of just under \$260 per ounce in early 2001 to a high of \$725 per ounce in May 2006. Much of the price increase during this period appears to be related to the fall in the value of the US dollar against other major foreign currencies. The realized gold price for our shipments during the first six months of 2007 averaged \$658 per ounce, as compared to \$594 per ounce in the same period of 2006.

Bogoso Sulfide Expansion Project

Construction and commissioning activities were completed at the Bogoso sulfide expansion project in the second quarter and commercial production was declared on July 1, 2007. Pre-production waste stripping has been completed and the new tailings dam is ready for use. Various start-up issues at the new sulfide processing plant have been remediated or are in the process of remediation. While these start-up issues have resulted in lower than expected output from the sulfide processing plant to date, the daily processing rates have trended upward throughout the second quarter. A number of new plant equipment items failed during commissioning and testing, and we are in the process of working with the equipment suppliers to procure, ship and install these items. We expect to have the replacement equipment in place and operational by the end of August. The new processing plant is now processing between 4,000 and 8,000 tonnes of ore per day on a regular basis and we expect to reach design capacity of 9,600 tonnes per day by the end of the third quarter and design recovery in the fourth quarter of 2007.

Pampe and Prestea South

Mining was initiated at the new Pampe open pit mine in February 2007, and it has delivered approximately 233,843 tonnes of oxide ore to the Bogoso oxide processing plant through the end of June. The mining permit was received in June 2007 following several months of operations under temporary permits. We expect to produce an average of 2,600 tonnes per day of CIL feed at an average grade of 2.90 g/t during the remainder of 2007, with all of the production being shipped to the Bogoso oxide processing plant.

We are currently permitting a number of open pits on the southern portion of our Prestea property known as Prestea South. An environmental impact statement has been completed and submitted for the project. Subject to public consultation and receipt of the permit in the third quarter, we expect to commence development and mining of Prestea South in the fourth quarter of 2007 to supplement our supply of oxide ore.

Equity Offering

On March 1, 2007, we sold 21 million common shares at a price of \$3.60 per share resulting in \$75.6 million in gross proceeds. Net proceeds were \$72.2 million after deducting underwriting commissions but before deducting offering expenses. On March 9, 2007 the underwriters exercised their option to purchase an additional 3.15 million common shares for additional gross proceeds of \$11.3 million. After deducting the underwriter's commission, net proceeds from the additional shares were \$10.8 million. We are using the proceeds to purchase an interest in an electric power station in Ghana, for completion and start-up of the Bogoso sulfide expansion project, development of the HBB Properties, and for general corporate and working capital purposes.

Warrants

On February 14, 2007, 8.4 million share purchase warrants expired unexercised. These warrants were originally issued in 2003 in conjunction with an equity offering at a strike price of Cdn\$4.60.

CONSOLIDATED RESULTS OF OPERATIONS

Three months ended June 30, 2007 compared to three months ended June 30, 2006

During the three months ended June 30, 2007, we incurred a net loss of \$2.3 million or \$0.010 per share on revenues of \$28.1 million, versus net income of \$13.1 million or \$0.063 per share on revenues of \$28.7 million during the three months ended June 30, 2006. The major factors contributing to the better performance in the second quarter of 2006 was a \$20.9 million pre-tax gain on sale of our investment in EURO Ressources S.A. ("EURO"), a \$2.3 million currency gain and \$2.0 million of royalty income. In comparison, during the second quarter of 2007 there were no significant sales of assets or investments, there were no significant currency gains or losses and there was no royalty income since the subsidiary generating the royalty in the prior period, was sold in June 2006.

Lower operating margins (Gold sales revenues less mine operating costs) at the mines in 2007 versus a year earlier further contributed to the decline in performance. The consolidated operating margin loss for the three months ended June 30, 2007 was \$2.5 million as compared to a \$0.2 million operating margin in the same period of 2006. While Wassa shipped 6,570 more ounces in the second quarter of 2007 than in the same period of 2006, Bogoso/Prestea shipped 9,483 ounces less, resulting in a net reduction in ounces sold. Second quarter 2007 cost of mining operations were \$2.0 million higher than a year earlier, reflecting increases in the cost of self generated power and a higher overall cost for labor and materials.

SUMMARY OF FINANCIAL RESULTS	For the three months ended June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
Gold sold (oz)	42,295 ¹	45,207	88,119 ²	90,147
Average realized price (\$/oz)	665	634	658	594
Gold revenues (in \$ thousands)	28,118	28,675	57,979	53,611
Cash flow provided by/(used in) operations (in \$ thousands)	4,328	(1,549)	(3,993)	(7,241)
Net income/(loss) (in \$ thousands)	(2,289)	13,084	(5,854)	32,407
Net income/(loss) per share – basic (\$)	(0.010)	0.063	(0.026)	0.156

1. Excludes 6,016 ounces from the new sulfide plant. These ounces are not included in sales revenues.
2. Excludes 7,803 ounces from the new sulfide plant. These ounces are not included in sales revenues.

Six months ended June 30, 2007 compared to six months ended June 30, 2006

During the six months ended June 30, 2007, we incurred a net loss of \$5.9 million or \$0.026 per share on revenues of \$58.0 million, versus net income of \$32.4 million or \$0.156 per share on revenues of \$53.6 million during the six months ended June 30, 2006. The major factors contributing to the better performance in the first six months of 2006 was a \$20.9 million pre-tax gain on sale of our long-term share holdings in EURO, a \$30.3 million pre-tax gain on the sale of our investment in Moto Goldmines Ltd, a \$3.5 million currency gain and \$3.8 million of royalty income. In comparison, during the first six months of 2007 there were no significant sales of assets or investments, there were no significant currency gains or losses and there was no royalty income since the subsidiary generating the royalty in the prior year, was sold in 2006.

Larger operating margin losses at the mines in 2007 versus a year earlier further contributed to the decline in performance. The consolidated operating margin loss for the six months ended June 30, 2007 was \$6.0 million as compared to a \$3.7 million operating margin loss in the same period of 2006. While Wassa shipped 10,470 more ounces in the first half of 2007 than in the same period of 2006, Bogoso/Prestea shipped 12,497 fewer ounces, offsetting the improvement at Wassa. Cash operating costs for the six months ended June 30, 2007 were \$4.3 million higher than a year earlier, which contributed to the larger operating margin loss. Higher cash operating costs reflect increases in the cost of self generated power and higher overall costs for labor and materials. An increase in first half depreciation costs is predominantly related to higher unit rates at Wassa following revisions to mineral reserves at the end of 2006.

General and administrative costs increased \$2.2 million over the first half of 2006 due to higher labor costs associated with the strengthened management team, increases in stock compensation expense, and legal fees associated with loan negotiations.

BOGOSO/PRESTA OPERATIONS

Three months ended June 30, 2007 compared to three months ended June 30, 2006

The Bogoso/Prestea financial and operating results for the three and for the six months ended June 30, 2007 as discussed below reflect only operations at the Bogoso oxide processing plant. While the new Bogoso sulfide processing plant produced 6,016 ounces of gold in the second quarter of 2007 as part of its commissioning and start-up phase, the plant was not yet in commercial service and its gold revenues and costs were excluded from earnings in the three and six months ended June 30, 2007.

Bogoso/Prestea incurred a \$3.9 million operating margin loss during the second quarter of 2007 on sales of 13,910 ounces of gold, versus a break-even operating margin on sales of 23,393 ounces in the second quarter of 2006. Lower depreciation and higher gold prices were insufficient to offset the impact of the lower gold shipments. Gold shipments were lower in the three months ended June 30, 2007 as compared to a year earlier due to lower ore grades and lower through-put rates. Cash operating costs were \$1.0 million lower than in the same period in 2006 reflecting a decrease in the tonnes of ore mined and processed. Depreciation expense also dropped, the result of the lower number of ounces shipped.

Most of the ore processed at the Bogoso oxide processing plant in the second quarter of 2007 came from the new Pampe pit. While the Pampe oxide ore is easier to process and yields better gold recoveries than did ore from the Plant-North pit processed in the second quarter of 2006, delays in obtaining the final mining permit early in the second quarter of 2007 delayed production from Pampe and limited oxide ore availability at the Bogoso oxide processing plant. In addition, the oxide plant was idle during May to allow for plant maintenance and reconditioning. The combination of mining permit delays and the maintenance shut-down resulted in an average operating rate of 3,131 tonnes per day compared to 4,065 tonnes per day in the second quarter of 2006. The Pampe and other oxide ore was lower grade than the Plant-North pit ore processed in the second quarter of 2006 (2.40 grams per tonne (g/t) versus 3.57 g/t, respectively). The lower through-put and lower grade resulted in 9,483 less ounces from the Bogoso oxide processing plant than in the second quarter of 2006.

Bogoso/Prestea's realized gold price averaged \$663 per ounce for the quarter, up from \$634 per ounce a year earlier. The decrease in gold production yielded an average cash operating cost of \$778 per ounce, up from \$498 per ounce in the second quarter of 2006.

Six months ended June 30, 2007 compared to the six months ended June 30, 2006

The Bogoso/Prestea financial and operating results for the six months ended June 30, 2007 as discussed below reflect only operations at the Bogoso oxide processing plant. While the new sulfide plant produced 7,803 ounces of gold in the first six months of 2007 as part of its commissioning and start-up phase, the new sulfide plant was not yet in commercial service and its gold revenues and costs were excluded from earnings in the six months ended June 30, 2007.

Bogoso/Prestea incurred a \$6.2 million operating margin loss during the first six months of 2007 on sales of 31,631 ounces of gold, versus an operating margin loss of \$1.9 million on sales of 44,128 ounces in the same period of 2006. Lower depreciation and higher gold prices were insufficient to offset the impact of the lower gold shipments. Gold shipments were lower in the six months ended June 30, 2007 than a year earlier mostly due to lower ore grades and a plant maintenance shut-down at the Bogoso oxide processing plant in May. Cash operating costs were essentially unchanged from the same period in 2006. Depreciation expense dropped in response to the lower number of ounces shipped.

Much of the ore processed at the oxide plant in the first six months of 2007 came from various oxide deposits at Bogoso/Prestea and from the new Pampe pit. The oxide ores are typically softer and yield better gold recovery than did ore from the Plant-North pit processed in the first half of 2006 which allowed for higher plant through-put rates. As a result, the average operating rate increased to 4,686 tonnes per day in the first half of 2007 compared to 3,898 tonnes per day in the first half of 2006. However, the lower grades of the oxide ore processed in 2007 versus the Plant-North ores processed in the first half of 2006, (1.93 grams per tonne (g/t) versus 3.51 g/t, respectively) and the plant maintenance shut-down in May, resulted in gold shipments for the first six months of 2007 being 10,939 ounces less than in the first half of 2006. The decrease in gold production was responsible for the increase in average cash operating cost to \$699 per ounce, up from \$501 per ounce in the first half of 2006.

During the remainder of 2007, we expect to produce an average of approximately 2,600 tonne per day of oxide ore from Pampe. This will be supplemented with residual oxide ores encountered in the sulfide pits. There may be limited periods during the remainder of 2007 when the oxide plant could temporarily process sulfide ores with the gravity and sulfide float concentrates being transferred to the new BIOX[®] plant for gold recovery.

BOGOSO/PRESTEA

OXIDE OPERATING RESULTS	For the three months ended June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
Ore mined (t)	241,326	342,560	466,821	724,319
Waste mined (t)	2,580,407	2,106,167	3,924,909	4,448,935
Ore processed (t)	284,959	369,943	848,128	705,523
Grade processed (g/t)	2.40	3.57	1.93	3.51
Recovery (%)	77.3	55.3	69.9	57.3
Gold sold (oz)	13,910 ¹	23,393	31,631 ²	44,128
Cash operating cost (\$/oz)	778	498	699	501
Royalties (\$/oz)	20	19	19	18
Total cash cost (\$/oz)	798	517	718	519

1. Excludes 6,016 ounces from the new sulfide plant. These ounces are not included in sales revenues.
2. Excludes 7,803 ounces from the new sulfide plant. These ounces are not included in sales revenues.

WASSA OPERATIONS

Three months ended June 30, 2007 compared to three months ended June 30, 2006

Wassa generated \$1.4 million of operating margin in the three months ended June 30, 2007 on sales of 28,385 ounces of gold, compared to an operating margin of \$0.3 million for the three months ended June 30, 2006 on sales of 21,814 ounces. During the three months ended June 30, 2007, the Wassa processing plant treated an average of 9,665 tonnes per day at an average grade of 1.13 grams per tonne with a gold recovery of 89.7% compared to 10,523 tonnes per day at an average grade of 0.84 grams per tonne with an 88.6% recovery in the same period of 2006. The improvement in operating margin and in ounces shipped was mostly related to the better ore grades.

Cash operating cost per ounce improved, averaging \$471 per ounce, down from \$487 per ounce a year earlier. While the second quarter's cash operating costs increased by \$3.0 million to \$13.9 million, up from \$10.9 million a year earlier, the increase in plant through-put and the resultant increase in ounces sold yielded a lower average cash operating cost per ounce. The increase in cash operating cost for the current period is mainly attributable to higher costs for labor, fuel and materials as well as the cost of generating power.

Six months ended June 30, 2007 compared to six months ended June 30, 2006

Wassa generated \$0.2 million of operating margin in the six months ended June 30, 2007 on sales of 56,489 ounces of gold, compared to an operating margin loss of \$1.8 million in the same period of 2006 on sales of 46,019 ounces. During the first half of 2007 the Wassa processing plant treated an average of 10,423 tonnes per day at an average grade of 1.03 grams per tonne with a gold recovery of 90.5% compared to 10,690 tonnes per day at an average grade of 0.83 grams per tonne with an 88.1% recovery in the same period of 2006. The improvements in grade and recovery are the result of higher grades in the main pit and more SAK pit ore in 2007 versus 2006. The decrease in average daily through-put was caused by lower amounts of heap leach ore versus the first six months of 2006.

Wassa's realized gold price averaged \$659 per ounce, up from \$592 per ounce a year earlier. Cash operating cost per ounce improved, averaging \$470 per ounce in 2007, down from \$486 per ounce a year earlier. While cash operating costs increased to \$27.7 million for the first half, from \$23.2 million a year earlier, the increase in plant through-put and the resultant increase in ounces sold yielded a lower average cash operating cost per ounce. The increase in cash operating cost for the current six month period is mainly attributable to higher costs for labor, fuel and materials as well as the cost of generating power.

WASSA

OPERATING RESULTS	For the three months ended June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
Ore mined (t)	757,166	607,755	1,422,313	1,276,496
Waste mined (t)	2,594,919	3,179,024	4,305,923	6,628,379
Ore and heap leach materials processed (t)	879,560	957,642	1,886,728	1,934,972
Grade processed (g/t)	1.13	0.84	1.03	0.83
Recovery (%)	89.7	88.6	90.5	88.1
Gold sold (oz)	28,385	21,814	56,489	46,019
Cash operating cost (\$/oz)	471	487	470	486
Royalties (\$/oz)	20	17	20	18
Total cash cost (\$/oz)	491	504	490	504

DEVELOPMENT PROJECTS

Bogoso Sulfide Expansion Project

While we continue to optimize certain aspects of the Bogoso sulfide processing plant to consistently achieve design through-put and recovery, the new plant was placed in commercial service on July 1, 2007. The in-service designation will result in recognition of revenues and operating expenses in our consolidated statements of operations beginning on this date.

The commissioning phase is now complete and results to date indicate the BIOX[®] process is working well. We have achieved a steady improvement in overall through-put and recovery, and expect to achieve design through-put and design recovery by the end of the third and fourth quarters of this year, respectively.

During the commissioning phase, we encountered a number of mechanical and design issues that have been or are being corrected. Of note, we suffered systemic failures of certain equipment associated with the BIOX[®] reactor tanks which have reduced BIOX[®] circuit through-put capacity and operation in the second quarter, but we expect that the remaining items required to reach full design output will be delivered and installed by the end of August 2007.

The Bogoso sulfide processing plant processed 309,021 tonnes of ore and shipped 6,061 ounces of gold through June 30, 2007 during its testing and commissioning phase.

SULFIDE PLANT OPERATING RESULTS	For the three months ended June 30,		For the six months ended June 30,	
	2007	2006 ¹	2007	2006 ¹
Ore mined (t)	46,514	—	161,816	—
Waste mined (t)	735,091	—	4,437,566	—
Ore processed (t)	241,964	—	309,021	—
Grade processed (g/t)	2.82	—	2.87	—
Recovery (%)	57.2	—	52.0	—
Gold shipped (oz) ²	6,016	—	7,803	—

1. The sulfide plant was still in its construction phase during 2006 and had no production.
2. Prior to July 1, 2007 revenues from all gold produced from the new sulfide plant was off-set against the operating costs and the net loss was added to capital costs of the plant.

Plant construction costs to-date are as shown in the table below (in thousands). The longer construction period has resulted in increased amounts of pre-productions stripping and costs and increased amounts of interest capitalization above what was initially contemplated.

	As of June 30, 2007	As of December 31, 2006
Plant construction cost	\$154,027	\$ 118,826
Mining equipment cost	11,828	10,505
Pre-production stripping cost	28,746	22,397
Sub-total	194,601	151,728
Costs prior to project commencement	7,216	7,216
Capitalized Interest	9,460	6,211
Total	\$211,277	\$ 165,155

Prestea South Properties

Permitting is now underway for oxide pits located at Prestea South. We anticipate completion of an access road from this area to the Bogoso/Prestea plant site by late 2007. Assuming permits are received in a timely manner commencement of oxide ore shipments to the Bogoso oxide processing plant could start in the fourth quarter.

HBB Properties

Board approval for development of the HBB properties was received in early May 2007, following completion of the HBB Properties feasibility study. Based on the feasibility study results, we plan to mine the Hwini-Butre and Benso deposits as satellite sources of ore to feed to our Wassa processing plant. Combining these new ore bodies with the Wassa operation should result in higher processed grade, higher gold output, and an extended life for the combined operation as well as an improvement in the average cash operating cost per ounce. The development plan indicates we should start delivering ore from Hwini-Butre and Benso to Wassa in the third quarter of 2008 subject to receipt of permits.

The HBB properties consist of:

- The Benso concessions located north-northwest of Takoradi and approximately 40 km south-southwest of the Wassa gold mine. The Benso Prospecting License is composed of three land parcels, Subriso, Amantin and Chichiwilli. To date the Subriso concession has been the most thoroughly explored with four economic deposits being delineated thus far; namely Subriso East, Subriso West, C-Zone and G-Zone.

- The Hwini-Butre concession is located 30 km south of the Benso Subriso deposits and east of the town of Mpohor, which is 20 km northwest of Takoradi. Two economic deposits have been delineated; namely Adoikrom and Father Brown.

The four pits at the Benso Subriso concession are expected to be exploited first. Subject to receipt of permits, construction of a 52 km access road is expected to commence in the fourth quarter of 2007 and to be completed by mid-2008. Pre-stripping and ore mining at Benso should commence in the second quarter of 2008, and we anticipate that the first ore would be hauled to Wassa for processing in the third quarter of 2008 subject to receipt of permits.

The two, higher grade, deposits on the Hwini-Butre concession are scheduled to be mined following the completion of a second 30 km access road in the second quarter of 2009.

Although an environmental permit was obtained by St. Jude for the original HBB project, the changes in the project scope resulted in the need to submit a revised environmental impact statement (“EIS”) to the Environmental Protection Agency (EPA). Working with a local consultant, Wassa completed additional background assessments to upgrade the existing social and environmental baseline at the project sites and also to develop an appropriate baseline for the access road. These results and the proposed mitigation strategies were incorporated into the EIS that was submitted to the EPA in July 2007. The EIS will be reviewed by the EPA and, if required, a public hearing held. Project development will also be subject to any resettlement action plans being completed. Assuming a timely review by the EPA and that no major concerns arise, the environmental permit could be issued as early as the last quarter of 2007.

The total capital expenditure for the development of Hwini-Butre and Benso has been estimated at approximately \$50 million. The capital cost for the development phase is as follows:

Capital Item	\$ (millions)
Mining equipment	20.6
Haul road construction	11.9
Wassa processing plant modifications	3.5
Hwini-Butre & Benso infrastructure	5.4
Compensation for haul road and pits	3.1
Ownership payment	1.0
Contingency (approximately 10%)	4.6
Total	\$ 50.1

Hwini-Butre and Benso – Mineral Reserves as at April 27, 2007:

Location	Reserve Category	Tonnes (millions)	Grade (Au g/t)	Contained Ounces (thousands)
Hwini-Butre	Probable	1.83	5.52	324
Benso	Probable	2.30	3.41	252
TOTAL	Probable	4.13	4.35	577

These mineral reserves were estimated at a gold price of \$480/oz, the same gold price we used for the December 31, 2006 mineral reserve estimate.

EXPLORATION PROJECTS

Exploration continued on the Saramacca project in Suriname under the Newmont-funded joint venture. Work on this project has focused on investigation of the Anomaly M zone and environs with detailed induced-polarization surveys and auger geochemistry. Drill targets have been identified and will be reviewed by the joint venture committee prior to commencing drilling in the third quarter of 2007. In addition, reconnaissance geochemical sampling and prospecting has been conducted to extend the Brokolonko anomalous trend along strike. Newmont has spent approximately \$1.1 million towards their initial \$2.0 million joint venture commitment. Once Newmont’s spending exceeds \$2.0 million, Newmont will have the right to assume management of the project. Under the terms of the joint venture agreement, Newmont may earn a 51% participating interest in the Saramacca project by spending \$6 million by the fifth anniversary of the agreement.

During the second quarter, exploration in Ghana focused on the HBB Properties, particularly the Manso, Amantin and Chichiwilli properties. The 20 kilometer soil anomaly at the Manso concession has been further tested with 400 meter spaced deep auger soil sampling. Results received to date confirm a coherent gold anomaly coincident with geophysical trends and the interpreted geological structures. This anomaly is now ready for deeper drill testing which we expect to commence in the third quarter.

At our Prestea project in Ghana, drilling has focused on the Footwall Reef, a quartz reef structure lying 20 to 25 meters to the east in the footwall of the Prestea Main Reef. Additional drilling is planned later in 2007 for this target, which could possibly be exploited by decline development from the now depleted Plant-North pit.

In Sierra Leone, we completed approximately 2,000 meters of diamond drilling at the Yirisen prospect during the first six months of 2007. While initial results are not encouraging, a thorough evaluation of the drilling will be conducted in the third quarter. RAB drilling at Pampana was completed this quarter and as with the diamond drilling, initial results have not been encouraging. Trenching and additional soil sampling on the southern portion of the Pampana concession will continue into the third quarter testing the remaining targets on the concession. The RAB drill rig was mobilized to Sonfon to start a 10,000 meter program planned to test the 10 km long soil anomaly defined in 2006. Results are pending.

Field exploration programs on the Goulagou and Rounga concessions in Burkina Faso commenced this quarter with infill soil geochemistry being done to follow up on earlier anomalies defined by the previous concession holders. Results from several programs were received and plans are being made to follow up on the results with both RAB drilling and ground geophysical surveys. Both the follow up programs commenced late in the quarter and we are awaiting results.

While our two Niger properties, Tialkam and Deba, have had extensive and systematic exploration programs conducted on them over the last 10 years, the geologic data were never adequately compiled. During the second quarter, we reviewed and organized most of this data and we have now initiated follow-up programs on various target areas. The follow-up programs involved infill soil geochemistry in areas not covered by previous geochemical surveys and detailed grids over areas regarded as being more prospective. We are still awaiting the majority of results for these programs.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2007, our cash, cash equivalents and short-term investments totaled \$38.5 million, up from \$27.1 million at the end of 2006. Operations used \$4.0 million of cash in the first half of 2007, compared to \$7.2 million used by operations in the same period of 2006. Increases in inventories was the major factor contributing to cash use by operations in both periods. Most of the inventory increases in 2007 is related to increases in ore stock piles and parts and supplies inventory for the Bogoso sulfide processing plant.

Capital projects and changes in capital-related payables and deposits used \$74.0 million of cash in the first six months of 2007. The Bogoso sulfide expansion project direct costs totaled \$46.2 million including \$35.3 million of construction costs, \$6.4 million for pre-production waste stripping, \$1.3 million of mining equipment and \$3.2 million of capitalized interest. A total of \$9.4 million was spent on other property, plant and equipment at Bogoso and Wassa and \$8.3 million on development of various mining properties. Deferred exploration projects used \$2.0 million. A total of \$3.5 million of cash was received from the sale of EURO Ressources shares. Scheduled periodic payment of principal on the equipment financing facility and short-term bank loans consumed \$6.0 million of cash.

On March 1, 2007, we issued 21 million common shares at a price of \$3.60 per share resulting in \$75.6 million in gross proceeds. Net proceeds were \$72.2 million after deducting underwriting commissions but before deducting offering costs. On March 9, 2007, the underwriters exercised their option to purchase an additional 3.15 million common shares for additional gross proceeds of \$11.3 million. After deducting the underwriter's commission, net proceeds from the additional shares were \$10.8 million. Proceeds are being used to complete the purchase and installation of a 25% interest in an electric power station in Ghana, for completion and start-up of the Bogoso sulfide expansion project, for development of the HBB Properties, and for general corporate and working capital purposes.

During the second quarter our convertible note holders agreed to a revision in the convertible note covenants. While the revisions did not increase the overall borrowing limit set by the convertible note covenants, it did provide more flexibility in the types of additional debt allowed. As a result of this change, Caterpillar Financial Services agreed to increase our existing equipment facility from \$25 million to \$40 million. During the second quarter we drew an additional \$9.0 million on the Caterpillar facility bringing the total equipment financing balance to \$29.1 million at June 30, 2007 and leaving an un-drawn balance of \$10.9 million on the facility.

During 2007 we expect to make payments of principal and interest totaling approximately \$10 million on the equipment financing facility. In addition, interest and principal on our bank loan is expected to total \$8.1 million for the year and we plan to pay approximately \$3.4 million of interest on our convertible notes in 2007.

We now expect to invest a total of \$108 million in capital projects during 2007 including exploration, construction, mine development and mining equipment, of which \$74.0 million was spent in the first half. The \$108 million total includes approximately \$15 million for 2007 development activities at the HBB Properties.

Liquidity Outlook

While cash flow from operations was negative at Bogoso/Prestea during the first six months of 2007, we expect that following the commercial production of the new sulfide plant in July, the better oxide ore grades and increased ore availability from the Pampe pit will result in positive cash flows from both Bogoso processing plants in the second half of 2007. We also expect that Wassa will continue to generate cash from operations in the second half of 2007. These operational cash flows, along with the \$38.5 million of cash and cash equivalents at June 30, 2007 and debt facilities currently in place, will be sufficient to complete rectification work at the Bogoso sulfide expansion project, fund our portion of the new power plant, fund the 2007 development activities at the HBB properties and cover other capital needs planned for 2007.

LOOKING AHEAD

Our objectives for the remainder of 2007 include:

- achievement of design through-put and recovery at the new Bogoso sulfide processing plant during the third and fourth quarters of 2007, respectively;
- permitting and commencement of oxide mining from Prestea South ore bodies to provide oxide ore to the Bogoso oxide processing plant in the fourth quarter of 2007;
- permitting of the HBB project and commencement of development;
- progress construction and commissioning of our power projects; and
- optimization of our mining and processing activities and costs at Bogoso/Prestea and Wassa.

It is expected that better ore grades and better ore availability for the Bogoso oxide processing plant from Pampe will result in higher gold output in the second half of 2007 versus the first half, and increases in operating rates and gold recovery are expected to yield higher gold output at the Bogoso sulfide processing plant as well. Based on these anticipated improvements we are estimating 2007 gold production of 160,000 to 175,000 ounces at Bogoso/Prestea at an average cash operating cost between \$420 and \$480 per ounce. We expect Wassa to produce approximately 110,000 to 125,000 ounces during 2007 at an average cash operating cost between \$430 and \$480 per ounce.

As more fully disclosed in the Risk Factors Item 1A in our December 31, 2006 Form 10-K as amended, numerous factors could cause our estimates and expectations to be wrong or could lead to changes in our plans. Under any of these circumstances, the estimates described above could change materially.

RELATED PARTY TRANSACTIONS

We obtained legal services from a legal firm to which our Chairman of the Board is of counsel. Total value of all services purchased from this law firm was \$0.6 million during the first six months of 2007. Our Chairman did not personally perform any legal services for us during this time period nor did he benefit directly or indirectly from payments for the services performed by the firm.

OFF BALANCE SHEET ARRANGEMENTS

We have no off balance sheet arrangements.

OUTSTANDING SHARE DATA

This ITEM 2 includes information available to August 7, 2007. As of August 7, 2007, we had outstanding 233,222,324 common shares, options to acquire 6,489,884 common shares, warrants to acquire 3,224,520 common shares and convertible notes which are convertible into 11,111,111 common shares.

SUBSEQUENT EVENTS

- The Bogoso sulfide expansion project was placed in commercial service on July 1, 2007.
- On August 1, 2007, Peter Bradford, President and Chief Executive Officer of Golden Star, notified the Company of his intent to resign from his position as an officer and director of the Company, effective on December 31, 2007 or at such earlier date as a successor is appointed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk includes, but is not limited to, the following risks: changes in interest rates on our investment portfolio and debt, changes in foreign currency exchange rates, commodity price fluctuations and equity price risk.

Interest Rate Risk

We invest excess cash in high quality, short term debt instruments. The rates received on such investments may fluctuate with changes in economic conditions. As a result, our investment income may fall short of expectations during periods of lower interest rates. We estimate that, given the cash balances expected during the next 12 months a 1% change in interest rates would result in a \$0.1 to \$0.3 million change in annual interest income.

As of June 30, 2007 we had a variable rate debt with Ecobank Ghana Limited and Cal Bank Limited. This debt has an interest rate of US prime (currently 8.25%) plus 1%. We have not entered into any agreements to hedge against unfavorable changes in interest rates, but may in the future actively manage our exposure to interest rate risk.

Foreign Currency Exchange Rate Risk

While our major operating units transact most of their business in US dollars, many purchases of labor, operating supplies and capital assets are denominated in Euros, British pounds, Australian dollars, South African Rand and Ghanaian Cedis.

As a result, currency exchange fluctuations may impact the costs incurred at our operations. Gold is sold throughout the world based principally on the US dollar price, but portions of our operating expenses and some of our capital purchases are incurred in currencies other than the US dollar. The appreciation of non-US dollar currencies against the US dollar increases production costs and the cost of capital assets in US dollar terms at mines located outside the US, which can adversely impact our net income and cash flows. Conversely, a depreciation of non-US dollar currencies usually decreases production costs and capital asset purchases in US dollar terms.

The value of cash and cash equivalent investments denominated in foreign currencies also fluctuates with changes in currency exchange rates. Appreciation of non-US dollar currencies results in a foreign currency gain on such investments and a decrease in non-US dollar currencies results in a loss.

During 2005 and 2006 we entered into forward purchase contracts for South African Rand and Euros to hedge expected future purchases of capital assets in South Africa and Europe associated mostly with the Bogoso sulfide expansion project. We also hold portions of our cash reserves in non-US dollar currencies. As of June 30, 2007 we had no forward currency agreements.

Commodity Price Risk

Gold is our primary product and, as a result, changes in the price of gold could significantly affect our results of operations and cash flows. According to current estimates, a \$10 per ounce change in our average realized price of gold for the next 12 months would result in a \$3 to \$4 million change in expected pre-tax earnings and cash flows.

During 2005, 2006 and the first quarter of 2007, to reduce the risk of unfavorable gold price fluctuations on our operating cash flows during the construction period of the Bogoso sulfide expansion project, we purchased puts to lock in minimum gold prices for portions of our expected gold sales in 2006 and early 2007. As of June 30, 2007 there were no put options remaining. We also sold gold calls during 2005 to offset a portion of the costs of purchasing the puts. At June 30, 2007, we had no call options remaining.

Equity Price Risk

We have in the past and may in the future seek to acquire additional funding by sale of common shares. Movements in the price of our common shares have been volatile in the past and may also be volatile in the future. As a result, there is a risk that we may not be able to sell new common shares at an acceptable price should the need for new equity funding arise.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures

The principal executive officer and principal financial officer have evaluated the effectiveness of Golden Star's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("the Exchange Act") as of June 30, 2007. Based on the evaluation, the principal executive officer and the principal financial officer concluded that the disclosure controls and procedures in place are effective to ensure that information required to be disclosed by Golden Star, including consolidated subsidiaries, in reports that Golden Star files or submits under the Exchange Act, is recorded, processed, summarized and reported on a timely basis in accordance with applicable time periods specified by the Securities and Exchange Commission rules and forms.

(b) Change in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended June 30, 2007, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting other than disclosed below. As discussed in the notes to the consolidated financial statements, it was determined that as of December 31, 2006 management did not maintain effective controls over its accounting for inventories, accounting for warrants denominated in Canadian dollars and controls over vendor payments which resulted in unauthorized payments. Specifically, we did not maintain effective controls over the computation and review of our In-Process inventory calculation to ensure that appropriate components were properly reflected in the calculations. Also, management did not maintain effective controls over the accounting for warrants denominated in Canadian dollars using accounting principles generally accepted in the United States (“US GAAP”). As a result, warrants denominated in Canadian dollars were treated as equity instruments rather than as derivative instruments. In addition, management’s assessment found deficiencies in controls over vendor payments which resulted in unauthorized payments and which could have resulted in material amounts of unauthorized disbursements. Because of the existence of these deficiencies at year-end, management concluded that our internal control over financial reporting was ineffective as of December 31, 2006.

During the quarter ended June 30, 2007, management has undertaken remedial action to address the above described material weaknesses by strengthening its controls over computation and review of in-process inventory calculation and has added additional controls to remediate the deficiencies in controls over vendor payments. Based upon statements issued by the Financial Accounting Standards Board, management has remediated the weakness over the accounting for warrants.

Management believes it has completed these remediation efforts; however, management has not engaged its audit firm to perform a stand alone engagement to determine if the material weaknesses continue to exist.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is contained in Note 14 to the Consolidated Financial Statements contained in the Report .

ITEM 1A. RISK FACTORS

The risk factors for the quarter ended June 30, 2007 are substantially the same as those disclosed and discussed in Item 1A of our December 31, 2006 Form 10–K, as amended.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

The 2007 Annual General and Special Meeting of Common Shareholders was held on May 9, 2007 where three matters were voted upon with the following results:

1. The following directors were elected to serve until the date of the 2008 annual meeting:

Director	Number of Common shares Voted	
	Affirmative	Withheld
James E. Askew	75,629,432	1,054,605
Peter J. Bradford	75,713,679	907,358
David K. Fagin	75,615,342	1,068,695
Lars-Eric Johansson	75,651,171	1,032,866
Ian MacGregor	68,734,676	7,949,361
Michael P. Martineau	75,712,451	971,586
Michael Terrell	69,298,461	7,387,576

2. The resolution to appoint PricewaterhouseCoopers LLP as the auditors of the company and to authorize the Board of Directors to fix the auditors remuneration:

For: 76,313,624 Withheld: 370,413

3. The ordinary resolution approving the continuation of the Company's shareholder rights plan and the Amended and Restated Shareholder Rights Plan Agreement dated as of May 9, 2007 between the Company and CIBC Mellon Trust Company:

For: 72,593,365 Withheld: 4,090,672

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

- 10.1 Employment Agreement with Mr. Mitch Wasel dated as of September 1, 2007
- 10.2 Amended and Restated Shareholder Rights Plan Agreement dated as of May 9, 2007
- 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certificate of Principal Executive Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)
- 32.2 Certificate of Principal Financial Officer pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

GOLDEN STAR RESOURCES LTD.
Registrant

By: /s/ Peter J. Bradford
Peter J. Bradford
President and Chief Executive Officer

Date: August 7, 2007

By: /s/ Thomas G. Mair
Thomas G. Mair
Senior Vice President and Chief Financial Officer

Date: August 7, 2007

EXHIBIT INDEX

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, made as of the 1st day of September 2007 or such earlier date that the parties agree (the "Effective date") (the "Agreement") by and between **GOLDEN STAR RESOURCES LTD.** or its nominee (the "Company") and **MR. MITCH WASEL** (the "Employee").

WHEREAS the Company wishes to have the benefit of the Employee's services; and

WHEREAS the Employee wishes to be so employed.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, **THE PARTIES HERETO AGREE AS FOLLOWS:**

1. Employment

(a) The Company shall employ the Employee, and the Employee shall serve in the employ of the Company and render exclusive and full-time services to the Company in such other offices of the Company or its affiliates as may be designated by the Board of Directors or the President and Chief Executive Officer, on the terms and conditions set forth in this Agreement and subject to the direction of the President and Chief Executive Officer. The Employee shall be employed as Vice President Exploration.

(b) The Employee shall not serve as a director, general partner or manager of any other entity without the prior written consent of the Board of Directors.

(c) The Employee's principal place of business with respect to his services to the Company shall be Takoradi, Ghana, however, should the focus of the Corporation's future exploration programs move away from West Africa, the parties undertake to negotiate the most effective future principal place of business at that time.

(d) The Employee acknowledges that he will be required to travel extensively and perform his duties in other locations and the Employee shall undertake such amount of travel away from his principal place of employment as may reasonably be necessary for the business of the Company.

2. Term of Employment

The Agreement shall become effective on the Effective Date. Unless the Employee's employment is terminated as provided in Section 5, the term of the Employee's employment under this Agreement (the "Term") shall be for one (1) year from the Effective Date. The Term shall be extended automatically for successive one-year periods on each successive anniversary of the Effective Date, unless the Employee or the Company provides written notice to the other at least three (3) months prior to the anniversary of the Effective Date of his or its intention not to extend the Term, in which case the Term shall end on that anniversary of the Effective Date.

If the Company notifies the Employee of its intent not to extend the Term, the Agreement and the Employee's employment shall be deemed to have been terminated without cause pursuant to Section

Mitch Wasel Employment Agreement September 1, 2007

5(b)(ii) and the Employee shall be entitled to the payments and other benefits set forth in Section 5(b)(ii).

3. Services

The Employee shall devote his entire business time, best efforts, skills and attention to the Company in fulfilling his duties and responsibilities hereunder faithfully and diligently. The Employee shall assume and perform to the best of his abilities the responsibilities of Vice President Exploration of the Company as well as such other responsibilities as may be assigned to him by the President and Chief Executive Officer of the Company and as are appropriate to the offices he holds. The Employee will engage in no other business or activity for compensation except for the management of his personal investments and any business or activity with respect to which he has received the prior written consent of the Board of Directors. The Employee shall report to the President and Chief Executive Officer.

4. Compensation and Benefits

While based in Ghana, the Employee shall be entitled to the following benefits:

(a) The Company shall pay to the Employee, and the Employee hereby accepts, a salary (the “Base Salary”) at the rate of U.S.\$175,000 per annum. The Employee’s salary may be increased from time to time by the Board of Directors of the Company during the term of the Agreement and, upon any increase, such increased salary shall then become the Base Salary. The Base Salary shall be payable in equal monthly installments in arrears. While based in Ghana, US\$139,000 of the salary shall be paid to your nominated offshore bank account, free of tax and the remaining US\$36,000 of the salary shall be paid to your nominated bank account in Ghana following deduction of Ghana income taxes on the portion of the salary paid in Ghana.

(b) The Employee shall be entitled to participate in the Company’s Amended and Restated Stock Option Plan and in any successor option plan. Subject to the approval of the Board of Directors, the Employee shall be granted an additional 100,000 options upon the Employee’s acceptance of the Agreement. The options shall vest as to 25% on September 1, 2007, 25% on September 1, 2008, 25% on September 1, 2009 and 25% on September 1, 2010.

(c) The Employee shall be entitled to participate in the Company’s Executive Management Performance Bonus Plan and in any successor bonus plan. The target bonus level shall be 20% of Base Salary but this may vary between 0% and 40% depending on results and performance.

(d) The Company shall reimburse the Employee for all reasonable and documented travel, entertainment and other business expenses actually and properly incurred by him in connection to his duties hereunder. The Employee shall render expense accounts requesting reimbursements of his expenses hereunder within a reasonable period of time following such expense and in accordance with such documentation and verification as the President and Chief Executive Officer of the Company may from time to time require.

(e) Accommodation in Takoradi of a type and standard commensurate with the position. The Company shall provide window coverings, hard furniture, white goods and kitchen appliances for the

Mitch Wasel Employment Agreement September 1, 2007

accommodation and shall provide security services and will be responsible for the costs of phone, internet, power and water services. The Employee shall be responsible for the costs of any satellite television service and any domestic employees and for the provision of any audiovisual entertainment equipment and personal decorations and furniture.

- (f) Vehicle for the Employee's work related and personal use commensurate with the position.
- (g) Golden Star expatriate medical and dental health plans (subject to any limitations or conditions of the plan or any limitations posed by law).
- (h) Golden Star expatriate life and disability insurance plans (subject to any limitations or conditions of the plan or any limitations posed by law).
- (i) The Employee shall be entitled to vacation leave and leave travel as set out in the expatriate employee General Conditions of Contract.

While based in Takoradi, Ghana, the employment shall also be governed by the General Conditions of Contract, dated January 1, 2005 (as amended), which apply to the Company's expatriate employees. In the event of a conflict between the conditions in this Employment Contract and the General Conditions of Contract, dated January 1, 2005, the latter shall take precedence.

5. Termination

The Agreement and Employee's employment may be terminated in the following manner. In each case, the Company shall have no obligations to the Employee following termination pursuant to Section 5, other than as set forth in this Agreement and as provided in any benefit plans in which the Employee is a participant at the date of termination.

(a) Upon Retirement:

- (i) Except as provided otherwise in Section 5(a)(ii), Employee's employment shall automatically terminate upon the Employee's sixty-fifth birthday.
- (ii) Upon recommendation from the President and Chief Executive Officer, the Board of Directors may, on or before the Employee's sixty-fifth birthday and each subsequent birthday, approve the extension of his employment and this Agreement for one year, until his next birthday.
- (iii) At the time of termination, the Employee shall be paid in a lump sum payment all accrued salary, any benefits then due and payable under any plans of the Company in which the Employee is a participant (in accordance with the provisions of the applicable plan), accrued vacation pay and reimbursement of any appropriate business expenses incurred by the Employee in connection with his duties hereunder, all to the effective date of termination ("Accrued Compensation").

(b) By the Company:

- (i) for cause, immediately upon notice in writing from the Company to the Employee. For purposes of this Agreement, “cause” shall mean: (1) unless resulting from disability as defined in Section 5(b)(iv), the Employee’s material breach of any terms of this Agreement, if such material breach has not been cured within thirty (30) days following written notice of such breach to the Employee from the Company setting forth with specificity the nature of the breach or, if cure cannot reasonably be effected within such 30-day period, if the Employee does not commence to cure the breach within such 30-day period and thereafter pursue such cure continuously and with due diligence until cure has been fully effected; (2) the Employee’s willful dishonesty towards, fraud upon, crime against, bad faith action with respect to, deliberate or attempted injury to, or gross misconduct or material noncompliance with the Company’s policies and procedures which is materially injurious to the Company; (3) the Employee’s conviction for any felony crime (whether in connection with the Company’s affairs or otherwise); or (4) the Employee’s failure to comply with any lawful directive of the Board of Directors, the failure to comply with which is stated in such directive to be grounds for termination. At the time of termination, the Company shall pay the Accrued Compensation to the Employee.
- (ii) without cause, at any time upon the giving of seven days prior written notice by the Company to the Employee or the Company’s election not to extend the Term of the Agreement pursuant to Section 2. The Company shall pay to the Employee in cash or cash equivalent acceptable to the Employee, in a lump sum at the time of termination, Accrued Compensation plus severance compensation (“Six Months Severance Compensation”) in an amount equal to 0.5 times the sum of (1) the Employee’s then current Base Salary, and (2) the average of the target bonus for the Employee for the current year and the bonus paid to the Employee for the previous year.
- (iii) immediately and without notice upon the death of the Employee, in which case the Company shall have no further obligation to the Employee’s estate or representatives other than to pay Accrued Compensation up to and including the end of the month in which death occurred.
- (iv) at any time upon 90-day notice in writing from the Company to the Employee, if the Employee shall by reason of disability have failed to perform his duties under the Agreement. During the 90-day notice period, the Employee shall be considered a full-time employee of the Company. The Employee’s disability means his incapacity due to physical or mental illness such that he is unable to perform his previously assigned duties where (1) such incapacity has been determined to exist by either (x) the Company’s disability insurance carrier or (y) the concurring opinions of two licensed physicians (one selected by the Company and one by the Employee) or (2) the Employee has failed for any three consecutive months in any calendar year or for six months in the aggregate in any two successive calendar years to have performed substantially all of his duties under this Agreement by reason of physical or mental illness, as determined by the Board of Directors. Any such separation for disability shall be only as not prohibited by the Americans with Disabilities Act. The Company shall pay to the Employee in a lump sum at the time of termination (x) Accrued Compensation, (y) such other payments as may be

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then due under any disability insurance policy of the Company in accordance with the terms of such policy and (z) payment to the Employee of an amount equal to the cost of COBRA coverage for the Employee to continue to participate in applicable benefit plans for one year.

(c) By the Employee:

- (i) for material breach of this Agreement by the Company, immediately upon notice in writing from the Employee to the Company, in which case the Employee shall have no further obligation to the Company, and the Company shall make a lump sum payment to the Employee in cash or cash equivalent acceptable to the Employee at the time of termination, of Accrued Compensation plus Six Months Severance Compensation. For purposes of this clause, “material breach” shall include:
 - (aa) the reduction by the Company of the Employee’s Base Salary or other benefits;
 - (bb) the non-payment of compensation and provision of benefits when, as and if due within 10 business days of written notice to the Company by the Employee that such payment was not made when due;
 - (cc) the material reduction by the Company of the Employee’s responsibilities or title; and
 - (dd) the failure of a successor entity to adopt this Agreement.
- (ii) voluntarily, if Sections 5(b)(i), 5(b)(ii), 5(c)(i) or 6 are not applicable, at any time upon three months’ notice in writing to the Company, in which case the Company shall pay to the Employee in a lump sum at the time of termination Accrued Compensation up to and including the date of termination. The Company may waive the requirement of written notice or the notice period in whole or in part, in which case the Company shall pay to the Employee in a lump sum at the time of termination an amount equal to Accrued Compensation through the date on which termination would have occurred had the notice not been waived.

(d) Upon any termination of employment as set forth in this Section 5 or 6, the Employee shall, unless otherwise advised by the Company, do the following:

- (i) immediately resign all offices held (including directorships, if any) in the Company (and any subsidiary or other affiliated company of the Company and any entity in which Employee holds office at the direction of the Company) and, except as provided in this Agreement, the Employee shall not be entitled to receive any additional severance payment or additional compensation for loss of office or otherwise by reason of the resignation. If the Employee fails to resign as described herein, the Company is irrevocably authorized to appoint any other person in his name and on his behalf to sign any documents or do any things necessary or requisite to give effect to such resignation; and

- (ii) promptly return to the Company all books of account, computer files, maps, records, reports and other documents, materials and property of the Company in the possession or control of the Employee.

(e) All amounts payable in cash or cash equivalent acceptable to Employee under this Section 5 shall, within seven days of termination, at the option of the Company be delivered to the Employee personally or be mailed to the Employee at the address referred to in Section 11(d).

6. Change of Control

(a) In the event of a Termination Upon a Change in Control, the Company shall immediately pay to the Employee in a lump sum payment Accrued Compensation and Change of Control Severance. For the avoidance of doubt, a Termination Upon a Change of Control shall not constitute a termination under Section 5 of this Agreement, and the Employee shall not be entitled to any payment or benefits under Section 5. The Company shall have no further obligation to the Employee except as provided under this Agreement and in any benefit plans in effect at the date of termination which are applicable to Employee.

(i) "Termination Upon a Change in Control" shall mean a termination of the Employee without cause within 12 months following a Change in Control (as defined below) or a termination by the Employee for Good Reason within 12 months following a Change in Control.

(ii) "Good Reason" shall mean any of the following (without the Employee's express written consent):

(1) the assignment to the Employee by the Company of duties inconsistent with, or a substantial alteration in the nature or status of, the Employee's responsibilities immediately prior to a Change in Control;

(2) a reduction by the Company in the Employee's compensation or benefits as in effect on the date of a Change in Control;

(3) any material breach by the Company of any provision of this Agreement, if such material breach has not been cured within thirty (30) days following written notice of such breach by the Employee to the Company setting forth with specificity the nature of the breach; or

(4) any failure by the Company to obtain the assumption and performance of this Agreement by any successor (by merger, consolidation or otherwise) or assign of the Company.

(iii) A "Change in Control" shall be deemed to have occurred if (1) any "person" or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the 1934 Act), directly or indirectly, of more than thirty percent (30%) of the then outstanding voting stock of the Company; or (2) persons who are Incumbent Directors cease

to constitute a majority of the Board of Directors; or (3) the stockholders of the Company approve a merger, consolidation or amalgamation of the Company with any other corporation, other than a merger, consolidation or amalgamation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger, consolidation or amalgamation, or (4) the stockholders approve a plan of complete liquidation of the Company or the sale or disposition by the Company of all or substantially all of the Company's assets in one or a series of related transactions.

(iv) "Incumbent Director" means any person who serves on the Board of Directors of the Company as of the date of this Agreement and any person who is added to the Board thereafter with the approval of a majority of the persons who are then Incumbent Directors.

(v) "Change of Control Severance" means an amount equal to (a) one times the sum of (1) the Employee's Base Salary for the calendar year in which the termination became effective, (2) the average of the target bonus for the Employee for the current calendar year and the bonus paid to the Employee for the previous year, (3), plus (b) a portion of the target bonus for the Employee for the current calendar year which is pro rata to the portion of such year prior to the Employee's Change of Control Termination.

(b) In the event of a Termination Upon a Change of Control, the Company shall, at its sole expense, provide the Employee with outplacement services, the scope and provider of which shall be selected by the Employee in his sole discretion and the cost of which shall not exceed an amount equal to 10% of the Employee's then current Base Salary.

7. Acceleration and Vesting of Stock Options

All of the stock options granted to the Employee under the stock option plan of the Company or any of its subsidiary companies shall become immediately exercisable and vested and shall remain exercisable for a period of 12 months from the date of termination of the Employee (a) upon a Change of Control or (b) if after the first anniversary of the Effective Date (i) the Board of Directors of the Company shall fail at any given time to elect the Employee as a Vice-President of the Company or to an executive position possessing comparable duties and responsibilities or (ii) should the Company terminate the Agreement or the employment of the Employee without cause. Notwithstanding any of the foregoing, under no circumstances shall an option remain exercisable for more than 10 years after the date it was granted.

8. Confidentiality and Restrictive Covenant

The Employee acknowledges that as a condition of his employment he is required to maintain the confidentiality of the Company's confidential and proprietary information and, accordingly, acknowledges that he is a party to and continues to be bound by the Confidentiality and Restrictive Covenant Agreement dated as of September 1, 2007 between the Company and the Employee.

9. Company Policies

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The Employee agrees to comply with the written policies of the Company, including the Code of Ethics for Directors, Senior Executive and Financial Officers and other Executive Officers and the Business Conduct and Ethics Policy (including the Insider Trading Policy). The Company shall promptly notify the Employee of any modifications to its policies.

10. Miscellaneous

(a) The failure to insist upon strict compliance with any of the terms, covenants or conditions of this Agreement shall not be deemed a waiver of such terms, covenants or conditions, and the waiver by either party of a breach of any provision of this Agreement shall not operate as or be construed as a waiver of any subsequent breach thereof.

(b) Should a court or other body of competent jurisdiction determine that any provision of this Agreement is invalid or unenforceable, such provision shall be adjusted rather than voided, if possible, so that it is enforceable to the maximum extent possible, and all other provisions of the Agreement shall be deemed valid and enforceable to the extent possible.

(c) This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado, without reference to principles of conflict of laws, and each of the parties submits to the non-exclusive jurisdiction of the courts of the State of Colorado.

(d) Any and all notices referred to herein shall be in writing and may be delivered by mail, by facsimile transmission or by hand. Notice shall be deemed given five days after mailing, if mailed in the United States by registered mail, on the date of actual receipt if given by facsimile transmission, or on the date of delivery, if delivered by hand.

Address for mailing, telecopy or delivery by hand shall be as follows:

- To the Employee:

Mr. Mitch Wasel
2 Lakeside Drive
South Baptiste, Alberta, T9S 1R7
Canada
e-mail: mwasel@gsrgh.com

- To the Company:

10901 W. Toller Drive, Suite 300
Littleton CO 80127
UNITED STATES
Attention: President and CEO
Fax: +1-303-830-9094

or such other address as either party may from time to time designate in writing.

(e) The parties hereby agree that any dispute or controversy arising out of or relating to this Agreement, the Employee's employment with the Company, or the termination or cancellation of that employment or this Agreement, including without limitation any claim by the Employee under any federal, state or local law or statute regarding discrimination in employment, shall be settled by arbitration by a single arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association from time to time in force. The hearing on any such arbitration shall be held in Denver, Colorado. If such Commercial Arbitration Rules and practices shall conflict with the Colorado Rules of Civil Procedure or any other provisions of Colorado law then in force, such Colorado rules and provisions shall govern. Arbitration of any such dispute or controversy shall be a condition precedent to any legal action thereon. This submission and agreement to arbitration shall be specifically enforceable.

Within thirty (30) days after the receipt by one party of a written notice to arbitrate delivered by the other party, the parties shall mutually select the arbitrator. If the parties cannot agree on such arbitrator, the selection of the arbitrator shall be made in accordance with the procedures of the American Arbitration Association.

Awards shall be final and binding on all parties to the extent and in the manner provided by Colorado law. Each award shall expressly entitle the prevailing party to recover such party's attorneys' fees and costs, and the award shall specifically allocate such fees and costs between the parties. All awards may be filed by any party with the Clerk of the District Court in the City and County of Denver, Colorado, and an appropriate judgment entered thereon and execution issued therefore. At the election of any party, said award may also be filed, and judgment entered thereon and execution issued therefore, with the clerk of one or more other courts, state or federal, having jurisdiction over the party against whom such an award is rendered or its property.

(f) This Agreement is personal to the Employee and without the prior written consent of the Company shall not be assignable by the Employee, provided that a deceased Employee's right to payment hereunder may be assigned by will or the laws of descent and distribution.

This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets that assumes and agrees to perform this Agreement by operation of law, or otherwise.

(g) This Agreement supersedes any and all prior written and oral employment agreements between the Company and the Employee and, together with the Confidentiality and Restrictive Covenant Agreement between the Company and Employee dated September 1, 2007, represents the entire agreement between the parties and may be amended, modified, superseded, or cancelled, and any of the terms hereof may be waived, only by a written instrument executed by each party hereto or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time or

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times to require performance of any provisions hereof shall not affect the right at a later time to enforce the same.

(h) This Agreement may be executed by the parties hereto in counterparts, each of which shall be deemed an original, but all such counterparts shall together constitute one and the same instrument.

(i) All compensation and benefits to the Employee hereunder shall be reduced by all federal, state, local and other withholdings and similar taxes and payments required by applicable law.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year appearing on page one of this Agreement.

GOLDEN STAR RESOURCES LTD.

By: /s/ Peter Bradford
Name: Peter Bradford
Title: President and Chief Executive Officer

/s/ Ted Strickler
Witness

/s/ Mitch Wasel
Mitch Wasel

/s/ illegible signature
Witness

GOLDEN STAR RESOURCES LTD.
CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT

THIS CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT, made as of the 1st day of September 2007 (the "Effective Date") (the "Agreement") by and between **GOLDEN STAR RESOURCES LTD.** (the "Company") and **MR. MITCH WASEL** (the "Employee").

WHEREAS the Company and the Employee are parties to an employment agreement dated as of 1st day of September 2007 (the "Employment Date").

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants herein contained, **THE PARTIES HERETO AGREE AS FOLLOWS:**

In connection with your employment with Golden Star Resources Ltd. and its affiliates (collectively the "Company"), you have access to financial, operating, technical and other information concerning the Company and its mining assets and specifically, but not limited to, the properties of the Company, or access to confidential records of the Company containing such information, some of which has not previously been made available to the public at large prior to the date hereof ("Confidential Information").

You understand that Confidential Information received by you in the course of your employment with the Company is considered by the Company to be confidential in nature and you will treat it as such. In consideration for being employed by the Company as aforesaid, you agree to the covenants that follow and you will not, without the express written consent of the Company, use Confidential Information for any purpose other than to provide the employment services for which you were hired.

The term "person" as used herein shall be interpreted very broadly and shall include without limitation any corporation, company, partnership or individual.

You agree that you will not, either during the term of your employment with the Company, or at any time thereafter, disclose or reveal in any manner whatsoever, the Confidential Information to any other person, except as required to carry out the terms of your employment, nor shall you make any use thereof, directly or indirectly, for any purpose other than the purposes of the Company, and you shall not disclose or use for any purposes, other than those of the Company, the Confidential Information.

You are hereby advised that there are restrictions on the purchase of securities imposed by applicable Canadian and United States securities laws and other domestic and foreign laws relating to the possession of material information about a public company that has not previously been made available to the public at large.

In the event that your employment with the Company is terminated for any reason whatsoever, you agree that you shall return to the Company, promptly upon the Company's written request therefor, any documents, photographs, magnetic tapes and other property containing Confidential Information which were received by you pursuant hereto without retaining copies thereof.

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The provisions of this letter agreement relating to Confidential Information will not apply to any part of such Confidential Information which you can clearly demonstrate to the reasonable satisfaction of the Company is now or subsequently becomes part of the public domain through no violation of this letter agreement, or was in your lawful possession prior to its disclosure to you by the Company.

You shall not, without the Company's prior written approval, at any time during the period of your employment and within two (2) years following the termination of your employment with the Company, either individually or with any other person, whether as principal, agent, shareholder, officer, advisor, manager, employee or otherwise, (a) solicit, recruit or employ any person who is a full time employee of the Company; (b) make use of any of the Confidential Information; (c) acquire, lease or otherwise obtain or control any beneficial, direct or indirect interest in mineral rights or other rights or lands within twenty five (25) kilometers of any mineral property in which the Company holds, contemplates acquiring or is negotiating to acquire an interest at the time of termination; or (d) provide service to any entity that occupies land within twenty five (25) kilometers of any mineral property in which the Company holds, contemplates acquiring or is negotiating to acquire an interest at the time of termination.

If, notwithstanding the prohibition set forth in the preceding paragraph, you acquire, lease or otherwise obtain or control any interest, directly or indirectly, in breach of the preceding paragraph, you shall notify the Company of such acquisition within the thirty (30) days immediately following the date of such acquisition and you agree, upon demand by the Company, to convey or cause to be conveyed such interest to the Company as soon as practicable thereafter, in consideration of the payment by the Company to you of the sum of \$1.00.

You acknowledge that the Company would not have an adequate remedy at law for monetary damages in the event that the covenants referred to above are not performed in accordance with their terms and therefore agree that the Company shall be entitled to specific enforcement of the terms hereof in addition to any other remedy to which it may be entitled, at law or in equity.

It is further understood and agreed that no failure or delay by the Company in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other right, power or privilege hereunder.

Should any provision or provisions of this Agreement be illegal or not enforceable, it or they shall be considered separate and severable from this Agreement and its remaining provisions shall remain in force and be binding upon the parties as though the provision or provisions had never been included.

This Agreement shall be governed and construed in accordance with the laws of the State of Colorado.

Mitch Wasel Employment Agreement September 1, 2007

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year appearing on page one of this Agreement.

GOLDEN STAR RESOURCES LTD.

By: /s/ Peter Bradford
Name: Peter Bradford
Title: President and Chief Executive Officer

 /s/ Ted Strickler
Witness

 /s/ Mitch Wasel
Mitch Wasel

 /s/ illegible signature
Witness

**AMENDED AND RESTATED
SHAREHOLDER RIGHTS PLAN AGREEMENT**

(amending and restating the Rights Agreement dated as of April 24, 1996, as amended by an Amending Agreement dated as of June 30, 1999, as amended and restated by the Amended and Restated Shareholder Rights Plan Agreement dated as of May 20, 2004)

Dated as of May 9, 2007

BETWEEN

GOLDEN STAR RESOURCES LTD.

and

CIBC MELLON TRUST COMPANY

as Rights Agent



FASKEN MARTINEAU DUMOULIN LLP
Toronto-Dominion Bank Tower
Box 20, Suite 4200
Toronto Dominion Centre
Toronto, Canada M5K 1N6

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**AMENDED AND RESTATED
SHAREHOLDER RIGHTS PLAN AGREEMENT**

AMENDED AND RESTATED SHAREHOLDER RIGHTS PLAN AGREEMENT dated as of May 9, 2007 between **GOLDEN STAR RESOURCES LTD.**, a corporation organized under the laws of Canada (the “**Corporation**”), and **CIBC MELLON TRUST COMPANY**, a trust company existing under the laws of Canada, as rights agent (the “**Rights Agent**”, which term shall include any successor Rights Agent hereunder), amending and restating the Rights Agreement dated as of April 24, 1996 between the Corporation and The R-M Trust Company, as rights agent, as amended pursuant to an Amending Agreement dated as of June 30, 1999 between the Corporation and CIBC Mellon Trust Company (formerly The R-M Trust Company), as rights agent, as amended and restated by the Amended and Restated Shareholder Rights Plan Agreement dated as of May 20, 2004 between the Corporation and CIBC Mellon Trust Company as rights agent.

WHEREAS the Corporation and The R-M Trust Company entered into a rights agreement dated as of April 24, 1996 (the “**1996 Rights Plan**”) respecting a shareholder rights plan that was effective until June 30, 1999;

AND WHEREAS the 1996 Rights Plan was amended by an Amending Agreement dated as of June 30, 1999 (the “**Amending Agreement**”) between the Corporation and the Rights Agent (formerly The R-M Trust Company) that, among other things, extended the 1996 Rights Plan until June 30, 2004, unless earlier terminated or extended (the 1996 Rights Plan, as amended by the Amending Agreement, being the “**Original Rights Plan**”);

AND WHEREAS the Original Rights Plan was amended and restated by the Amended and Restated Shareholder Rights Plan Agreement between the Corporation and the Rights Agent dated May 20, 2004 (the “**2004 Plan**”) to be effective until the Close of Business (as defined below) on the date of the annual meeting of the shareholders of the Corporation to be held in 2007;

AND WHEREAS the Board of Directors (as hereinafter defined) has determined that it is advisable and in the best interests of the Corporation to continue the Original Rights Plan as amended and restated pursuant to the 2004 Plan, by adopting an Amended and Restated Shareholder Rights Plan Agreement as provided herein (the “**Rights Plan**”) to take effect on the Effective Date (as hereinafter defined), subject to approval by the Independent Shareholders (as hereinafter defined) at the annual and special meeting of the shareholders of the Corporation scheduled to be held on May 9, 2007, to ensure, to the extent possible, that all shareholders of the Corporation are treated fairly in connection with any Take-Over Bid (as hereinafter defined) and, due to the uniqueness of the Corporation’s business, to ensure that the Board of Directors are provided with sufficient time to evaluate unsolicited Take-Over Bids and to explore and develop alternatives to maximize shareholder value;

AND WHEREAS in order to implement the Rights Plan, the Board of Directors has:

- (a) reconfirmed the issuance of one right (a “ **Right** ”) effective at the Record Time (as hereinafter defined) in respect of each Common Share (as hereinafter defined) outstanding at the Record Time; and
- (b) reconfirmed its authorization of the issuance of one Right in respect of each Voting Share issued after the Record Time and prior to the earlier of the Separation Time (as hereinafter defined) and the Expiration Time (as hereinafter defined);

AND WHEREAS each Right entitles the holder thereof, after the Separation Time, to purchase securities of the Corporation pursuant to the terms and subject to the conditions set forth herein;

AND WHEREAS the Rights Agent has agreed to act on behalf of the Corporation in connection with the issuance, transfer, exchange and replacement of Rights Certificates (as hereinafter defined), the exercise of Rights and other matters referred to herein;

NOW THEREFORE , in consideration of the premises and the respective agreements set forth herein, the Corporation and the Rights Agent hereby agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Certain Definitions

For purposes of this Agreement, the following terms have the meanings indicated:

“ **Acquiring Person** ” means any Person who is the Beneficial Owner of 20% or more of the outstanding Voting Shares; *provided, however*, that the term “ **Acquiring Person** ” shall not include:

- (i) the Corporation or any Subsidiary of the Corporation;
- (ii) any Person who becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of one or any combination of:
 - (A) a Voting Share Reduction,
 - (B) a Permitted Bid Acquisition,
 - (C) an Exempt Acquisition,
 - (D) a Convertible Security Acquisition, or
 - (E) a Pro Rata Acquisition.

provided, however , that if a Person becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares by reason of one or any combination of a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Convertible Security Acquisition or a Pro Rata Acquisition, and thereafter becomes the Beneficial Owner of an additional

- 1% or more of the outstanding Voting Shares (other than pursuant to a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Convertible Security Acquisition or a Pro Rata Acquisition), then as of the date and time that such Person becomes the Beneficial Owner of such additional Voting Shares, such Person shall become an Acquiring Person;
- (iii) an underwriter or member of a banking or selling group that becomes the Beneficial Owner of 20% or more of the outstanding Voting Shares as a result of an acquisition from the Corporation in connection with a distribution of securities pursuant to a prospectus or by way of a private placement; and
 - (iv) a Grandfathered Person, *provided, however*, that if after the Record Time such Person becomes the Beneficial Owner of an additional 1% or more of the outstanding Voting Shares (other than pursuant to a Voting Share Reduction, a Permitted Bid Acquisition, an Exempt Acquisition, a Convertible Security Acquisition or a Pro Rata Acquisition), then as of the date and time that such Person becomes the Beneficial Owner of such additional Voting Shares, such Person shall become an Acquiring Person.

“ **Affiliate** ”, when used to indicate a relationship with a specified corporation, means a Person that directly, or indirectly through one or more controlled intermediaries, controls, or is a corporation controlled by, or is a corporation under common control with, such specified corporation.

“ **Agreement** ” means this amended and restated shareholder rights plan agreement between the Corporation and the Rights Agent, as amended, supplemented or restated from time to time; “hereof”, “herein”, “hereto” and similar expressions mean and refer to this Agreement as a whole and not any particular part of this Agreement.

“ **Associate** ”, when used to indicate a relationship with a specified Person, means (i) a spouse of such specified Person, (ii) any Person of either sex with whom such specified Person is living in a conjugal relationship outside marriage, or (iii) any relative of such specified Person or of a Person mentioned in Clause (i) or (ii) of this definition if that relative has the same residence as the specified Person.

“ **Beneficial Owner** ”: a Person shall be deemed the “ **Beneficial Owner** ” and to have “ **Beneficial Ownership** ” of and to “ **Beneficially Own** ”, any security:

- (i) of which such Person or any of such Person’s Affiliates or Associates is the owner at law or in equity;
- (ii) as to which such Person or any of such Person’s Affiliates or Associates has the right to become the owner at law or in equity (A) upon the purchase, exercise, conversion or exchange of any Convertible Securities, or (B) pursuant to any agreement, arrangement, pledge or understanding, whether or not in writing, in each case if such right is then exercisable or exercisable within a period of 60 days of the date of the determination of Beneficial Ownership, and whether or not on

condition or the happening of any contingency (other than customary agreements with and between underwriters and members of banking groups or selling groups with respect to a distribution of securities pursuant to a prospectus or by way of a private placement and other than pursuant to pledges of securities in the ordinary course of business); and

- (iii) which is Beneficially Owned within the meaning of Clause (i) or (ii) of this definition by any other Person with which, and in respect of which security, such Person is acting jointly or in concert;

provided, however, that a Person shall not be deemed the “**Beneficial Owner**” of, or to have “**Beneficial Ownership**” of, or to “**Beneficially Own**”, any security by reason of:

- (1) such security having been deposited or tendered pursuant to a Take-Over Bid made by such Person, any of such Person’s Affiliates or Associates or any other Person with which, and in respect of which security, such Person is acting jointly or in concert, until such deposited or tendered security has been accepted unconditionally for payment or exchange or has been taken up and paid for, whichever shall first occur;
- (2) the holder of such security having agreed pursuant to a Permitted Lock-Up Agreement to deposit or tender such security pursuant to a Take-Over Bid made by such Person, any of such Person’s Affiliates or Associates or any other Person with which, and in respect of which security, such Person is acting jointly or in concert, until the earliest time at which any such deposited or tendered security has been accepted unconditionally for payment or exchange or has been taken up and paid for, whichever shall first occur;
- (3) such Person, for greater certainty, holding such security in the ordinary course of such Person’s business or activities as follows:
 - (A) such Person (in this definition, a “**Manager**”) manages mutual funds or other investment funds for others (which others may include, or be limited to, employee benefit plans and pension plans), if such security is held by the Manager in the performance of the Manager’s duties for the account of another Person (in this definition, a “**Client**”, which term shall include any non-discretionary account held on behalf of a Client by a broker or dealer registered under applicable law);
 - (B) such Person (in this definition, a “**Trust Company**”) is licensed as a trust company under applicable law and, as such, acts as trustee or administrator or in a similar capacity for the estates of deceased or incompetent Persons (each, in this definition, an “**Estate Account**”) or for other accounts (each, in this definition, an “**Other Account**”), if such security is held by the Trust Company for the Estate Account or for such Other Accounts;

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- (C) such Person (in this definition, a “ **Crown Agent** ”) is a Crown agent or agency that manages public assets, if such security is held by the Crown Agent for the purposes of its activities as Crown Agent;
 - (D) such Person (in this definition, a “ **Statutory Body** ”) is established by statute for purposes that include the management of investment funds for employee benefit plans, pension plans and insurance plans (other than insurance plans administered by insurance companies) of various public bodies, if such security is held by the Statutory Body for the purposes of its activities as Statutory Body; or
 - (E) such Person (in this definition, an “ **Administrator** ”) is the administrator or trustee of one or more pension funds or plans (each, in this definition, a “ **Plan** ”) registered under the laws of Canada or any province thereof or the corresponding laws of the jurisdiction by which such Plan is governed, or is such a Plan, if such security is held by the Administrator or Plan for the purposes of its activities as Administrator or Plan;

but only if the Manager, the Trust Company, the Crown Agent, the Statutory Body, the Administrator or the Plan, as the case may be, is not then making or has not publicly announced a current intention to make a Take-Over Bid, alone or by acting jointly or in concert with any other Person, other than pursuant to a distribution by the Corporation or by means of ordinary market transactions (including pre-arranged trades entered into in the ordinary course of business of such Person) executed through the facilities of a stock exchange, securities quotation system or an organized over-the-counter market;

- (4) such Person, for greater certainty, being a Client of the same Manager as another Person on whose account the Manager holds such security;
- (5) such Person, for greater certainty, having an Estate Account or an Other Account with the same Trust Company as another Person on whose account the Trust Company holds such security;
- (6) such Person, for greater certainty, being a Plan with the same Administrator as another Plan on whose account the Administrator holds such security;
- (7) such Person, for greater certainty:
 - (A) being a Client of a Manager, if such security is owned at law or in equity by the Manager;
 - (B) being an Estate Account or an Other Account of a Trust Company, if such security is owned at law or in equity by the Trust Company; or
 - (C) being a Plan, if such security is owned at law or in equity by the Administrator of the Plan; or

- (8) such Person being the registered holder of such security as a result of carrying on the business of, or acting as nominee for, a securities depository.
- “ **Board of Directors** ” means the board of directors of the Corporation or any duly constituted or empowered committee thereof.
- “ **Business Day** ” means any day other than a Saturday, a Sunday or a day that is treated as a holiday in Vancouver, British Columbia.
- “ **Canada Business Corporations Act** ” means the *Canada Business Corporations Act*, R.S.C. 1985, c.C-44, as amended, and the regulations made thereunder, as now in effect or as the same may from time to time be amended, re-enacted or replaced.
- “ **Canadian Dollar Equivalent** ” of any amount which is expressed in United States dollars means on any date the Canadian dollar equivalent of such amount determined by multiplying such amount by the U.S.-Canadian Exchange Rate in effect on such date.
- “ **Canadian-U.S. Exchange Rate** ” means on any date the inverse of the U.S.-Canadian Exchange Rate.
- “ **Close of Business** ” on any date means the time on such date (or, if such date is not a Business Day, the time on the next succeeding Business Day) at which the office of the transfer agent for the Common Shares in Vancouver, British Columbia (or, after the Separation Time, the office of the Rights Agent in Vancouver, British Columbia) is closed to the public.
- “ **Common Shares** ” means the common shares in the capital of the Corporation.
- “ **Competing Permitted Bid** ” means a Take-Over Bid that:
- (i) is made after a Permitted Bid or another Competing Permitted Bid has been made and prior to the expiry, termination or withdrawal of that Permitted Bid or Competing Permitted Bid (in this definition, the “ **Prior Bid** ”);
 - (ii) satisfies all the provisions of the definition of a Permitted Bid other than the requirements set out in Clauses (ii)(A) and (D) of the definition of Permitted Bid; and
 - (iii) contains, and the take-up and payment for securities deposited or tendered thereunder are subject to, irrevocable and unqualified conditions that:
 - (A) no Voting Shares and/or Convertible Securities shall be taken up or paid for pursuant to the Take-Over Bid (x) prior to the Close of Business on a date that is not less than the later of 35 days after the Offer Date of such Take-Over Bid constituting the Competing Permitted Bid and 60 days after the Offer Date of the earliest Prior Bid then in existence, and (y) then only if, at the Close of Business on the date Voting Shares and/or Convertible Securities are first taken up or paid for under such Take-Over Bid constituting the Competing Permitted Bid, more than 50% of the outstanding Voting Shares and/or Convertible Securities held by Independent Shareholders have been deposited or tendered pursuant to such Take-Over Bid and not withdrawn; and

(B) in the event that the requirement set forth in Subclause (iii)(A)(y) of this definition is satisfied, the Offeror will make a public announcement of that fact and the Take-Over Bid will remain open for deposits and tenders of Voting Shares and/or Convertible Securities for not less than 10 Business Days from the date of such public announcement.

“ **controlled** ”: a body corporate is “ **controlled** ” by another Person or two or more Persons acting jointly or in concert if:

- (i) securities entitled to vote in the election of directors carrying more than 50% of the votes for the election of directors are held, directly or indirectly, by or on behalf of the other Person or two or more Persons acting jointly or in concert; and
 - (ii) the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of such body corporate;
- and “ **controls** ”, “ **controlling** ” and “ **under common control with** ” shall be interpreted accordingly.

“ **Convertible Securities** ” means at any time any securities issued by the Corporation from time to time (other than the Rights) carrying any purchase, exercise, conversion or exchange right pursuant to which the holder thereof may acquire Voting Shares or other securities carrying any purchase, exercise, conversion or exchange right pursuant to which the holder thereof may acquire Voting Shares (in each case, whether such right is then exercisable or exercisable within or after a specified period and whether or not on condition or the happening of any contingency).

“ **Convertible Security Acquisition** ” means the acquisition of Voting Shares by a Person upon the purchase, exercise, conversion or exchange of Convertible Securities acquired or received by such Person pursuant to a Permitted Bid Acquisition, an Exempt Acquisition or a Pro Rata Acquisition.

“ **Co-Rights Agent** ” has the meaning attributed thereto in Subsection 4.1(a).

“ **Effective Date** ” means May 9, 2007, which is the date of the annual and special meeting of the holders of Voting Shares to be held in 2007.

“ **Election to Exercise** ” shall have the meaning attributed thereto in Subsection 2.2(d).

“ **Exempt Acquisition** ” means an acquisition by a Person of Voting Shares and/or Convertible Securities (i) in respect of which the Board of Directors has waived the application of Section 3.1 pursuant to the provisions of Section 5.2, (ii) pursuant to a regular dividend reinvestment or other plan of the Corporation made available by the Corporation to the holders of Voting

Shares and/or Convertible Securities where such plan permits the holder to direct that the dividends paid in respect of such Voting Shares and/or Convertible Securities be applied to the purchase from the Corporation of further securities of the Corporation, (iii) pursuant to a distribution of Voting Shares and/or Convertible Securities made by the Corporation (A) to the public pursuant to a prospectus; *provided* that such Person does not thereby become the Beneficial Owner of a greater percentage of Voting Shares so offered than the percentage of Voting Shares Beneficially Owned by such Person immediately prior to such distribution, or (B) by way of a private placement; *provided* that (x) all necessary stock exchange approvals to such private placement have been obtained and such private placement complies with the terms and conditions of such approvals, and (y) such Person does not thereby become the Beneficial Owner of Voting Shares equal in number to more than 25% of the Voting Shares outstanding immediately prior to the private placement and, in making this determination, the securities to be issued to such Person on the private placement shall be deemed to be held by such Person but shall not be included in the aggregate number of Voting Shares outstanding immediately prior to the private placement, or (iv) pursuant to an amalgamation, merger, arrangement or other statutory procedure requiring shareholder approval.

“ **Exercise Price** ” means, as of any date, the price at which a holder may purchase the securities issuable upon exercise of one whole Right in accordance with the terms hereof and, subject to adjustment thereof in accordance with the terms hereof, the Exercise Price shall be:

- (i) until the Separation Time, an amount equal to three times the Market Price, from time to time, per Common Share; and
- (ii) from and after the Separation Time, an amount equal to three times the Market Price, as at the Separation Time, per Common Share.

“ **Expansion Factor** ” has the meaning attributed thereto in Subsection 2.3(b)(x).

“ **Expiration Time** ” has the meaning attributed thereto in Subsection 5.19(a)(ii).

“ **Flip-in Event** ” means a transaction or event in which any Person becomes an Acquiring Person.

“ **Grandfathered Person** ” means any Person who is the Beneficial Owner of 20% or more of the outstanding Voting Shares as determined at the Record Time; *provided, however* , that a Person shall cease to be a Grandfathered Person in the event that such Person ceases to Beneficially Own 20% or more of the outstanding Voting Shares at any time after the Record Time.

“ **holder** ” shall have the meaning attributed thereto in Section 1.6.

“ **including** ” and “ **includes** ” shall be interpreted on an inclusive basis and shall be deemed to be followed by the words “ **without limitation** ”.

“ **Independent Shareholders** ” means holders of outstanding Voting Shares, excluding (i) any Acquiring Person, (ii) any Offeror, (iii) any Affiliate or Associate of any Acquiring Person or Offeror, (iv) any Person acting jointly or in concert with any Acquiring Person or Offeror, and (v) any employee benefit plan, share purchase plan, deferred profit sharing plan or trust for the benefit of employees of the Corporation or a wholly-owned Subsidiary of the Corporation (unless the beneficiaries of such plan or trust direct the manner in which such Voting Shares are to be voted or direct whether the Voting Shares are to be deposited or tendered to a Take-Over Bid, in which case such plan or trust shall be considered to be an Independent Shareholder).

“ **Market Price** ” per security of any securities on any date means the average of the daily closing prices per security of such securities (determined as described below) on each of the 20 consecutive Trading Days through to and including the Trading Day immediately preceding such date; *provided, however*, that if an event of a type analogous to any of the events described in Section 2.3 shall have caused the closing prices used to determine the Market Price on any Trading Day not to be fully comparable with the closing price on such date of determination (or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day), each such closing price so used shall be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 in order to make it fully comparable with the closing price on such date of determination (or, if the date of determination is not a Trading Day, on the immediately preceding Trading Day).

The closing price per security of any securities on any date shall be:

- (i) the closing board lot sale price or, in case no such sale takes place on such date, the average of the closing bid and asked prices for each such security as reported by the principal stock exchange or securities quotation system in Canada on which such securities are listed or admitted to trading (based on the volume of securities traded during the most recently completed financial year);
- (ii) if for any reason none of the prices described in Clause (i) above are available for such date or the securities are not listed or admitted to trading on a stock exchange or securities quotation system in Canada, the last board lot sale price or, if such price is not available, the average of the closing bid and asked prices, for each such security on such date as reported by such other securities exchange or securities quotation system on which such securities are listed or admitted to trading (and if such securities are listed or admitted to trading on more than one other stock exchange or securities quotation system such prices shall be determined based on the stock exchange or securities quotation system on which such securities are then listed or admitted to trading on which the largest number of such securities were traded during the most recently completed financial year);
- (iii) if for any reason none of the prices described in Clauses (i) and (ii) above are available for such date or the securities are not listed or admitted to trading on a stock exchange in Canada or any other securities exchange or securities quotation system, the last sale price, or if no sale takes place, the average of the high bid and low asked prices for each such security on such date in the over-the-counter market, as quoted by any reporting system then in use (as determined by the Board of Directors); or

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- (iv) if for such date none of the prices described in Clauses (i), (ii) and (iii) above are available or the securities are not listed or admitted to trading on a stock exchange in Canada or any other securities exchange and are not quoted by any reporting system, the average of the closing bid and asked prices for such date as furnished by a professional market maker making a market in the securities selected in good faith by the Board of Directors;

provided, however, that if on any such date none of such prices is available, the closing price per security of such securities on such date shall be the fair value per security of such securities on such date as determined in good faith by an internationally recognized investment banking firm selected by the Board of Directors. The Market Price shall be expressed in Canadian dollars and if initially determined in respect of any day forming part of the 20 consecutive Trading Day period in question in United States dollars, such amount shall be translated into Canadian dollars on such date at the Canadian Dollar Equivalent thereof.

“ **Offer Date** ” means the date of a Take-Over Bid.

“ **Offer to Acquire** ” shall include:

- (i) an offer to purchase, or a solicitation of an offer to sell, Voting Shares and/or Convertible Securities; and
- (ii) an acceptance of an offer to sell Voting Shares and/or Convertible Securities, whether or not such offer to sell has been solicited; or any combination thereof, and the Person accepting an offer to sell shall be deemed to be making an Offer to Acquire to the Person that made the offer to sell.

“ **Offeror** ” means a Person who has made a public announcement of a current intention to make or who is making a Take-Over Bid (including a Permitted Bid or a Competing Permitted Bid), but excluding any Person referred to in Clause (3) of the definition of Beneficial Owner in the circumstances described therein.

“ **Offeror’s Securities** ” means the aggregate of the Voting Shares Beneficially Owned on the date of an Offer to Acquire by an Offeror.

“ **Permitted Bid** ” means a Take-Over Bid that is made by means of a take-over bid circular and that also complies with the following additional provisions:

- (i) the Take-Over Bid is made to all holders of Voting Shares of record, other than the Offeror; and

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- (ii) the Take-Over Bid contains, and the provisions for take-up and payment for securities deposited or tendered thereunder are subject to, irrevocable and unqualified conditions that:
- (A) no Voting Shares and/or Convertible Securities shall be taken up or paid for pursuant to the Take-Over Bid (x) prior to the Close of Business on a date that is not less than 60 days following the Offer Date, and (y) then only if, at the Close of Business on the date Voting Shares and/or Convertible Securities are first taken up or paid for under such Take-Over Bid, more than 50% of the outstanding Voting Shares and/or Convertible Securities held by Independent Shareholders have been deposited or tendered pursuant to the Take-Over Bid and not withdrawn;
 - (B) Voting Shares and/or Convertible Securities may be deposited or tendered pursuant to such Take-Over Bid, unless such Take-Over Bid is withdrawn, at any time prior to the Close of Business on the date Voting Shares and/or Convertible Securities are first taken up or paid for under the Take-Over Bid;
 - (C) any Voting Shares and or Convertible Securities deposited or tendered pursuant to the Take-Over Bid may be withdrawn until taken up and paid for; and
 - (D) in the event that the requirement set forth in Subclause (ii)(A)(y) of this definition is satisfied, the Offeror will make a public announcement of that fact and the Take-Over Bid will remain open for deposits and tenders of Voting Shares and/or Convertible Securities for not less than 10 Business Days from the date of such public announcement.

“ **Permitted Bid Acquisition** ” means an acquisition by a Person of Voting Shares and/or Convertible Securities pursuant to a Permitted Bid or a Competing Permitted Bid.

“ **Permitted Lock-Up Agreement** ” means an agreement (the “ **Lock-Up Agreement** ”) between a Person and one or more holders of Voting Shares and/or Convertible Securities (each a “ **Locked-Up Person** ”) (the terms of which are publicly disclosed and a copy of which is made available to the public (including the Corporation) not later than the date the Lock-Up Bid (as defined below) is publicly announced or, if the Lock-Up Bid has been made prior to the date on which such Lock-Up Agreement is entered into, not later than the date of such Lock-Up Agreement (or, if such date is not a Business Day, on the Business Day next following such date)), pursuant to which such Locked-Up Person agrees to deposit or tender Voting Shares and/or Convertible Securities held by such holder to a Take-Over Bid (the “ **Lock-Up Bid** ”) made or to be made by such Person, any of such Person’s Affiliates or Associates or any other Person with which, and in respect of which security, such Person is acting jointly or in concert; *provided* that:

- (i) the Lock-Up Agreement permits such Locked-Up Person to terminate its obligation to deposit or tender to or not to withdraw Voting Shares and/or Convertible Securities from the Lock-Up Bid in order to deposit or tender such securities to another Take-Over Bid or support another transaction where:
 - (A) the price or value per Voting Share or Convertible Security offered under such other Take-Over Bid or transaction exceeds the price or value per Voting Share or Convertible Security offered under the Lock-Up Bid;

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- (B) the price or value per Voting Share or Convertible Security offered under such other Take-Over Bid or transaction exceeds by as much as or more than a specified amount (the “ **Specified Amount** ”) the price or value per Voting Share or Convertible Security offered under the Lock-Up Bid, *provided* that such Specified Amount is not greater than 7% of the price or value per Voting Share or Convertible Security offered under the Lock-Up Bid; or
 - (C) the number of Voting Shares and/or Convertible Securities to be purchased under such other Take-Over Bid or transaction exceeds by as much as or more than a specified number (the “ **Specified Number** ”) the number of Voting Shares and/or Convertible Securities that the Offeror has offered to purchase under the Lock-Up Bid at a price or value per Voting Share or Convertible Security that is not less than the price or value per Voting Share or Convertible Security offered under the Lock-Up Bid, *provided* that the Specified Number is not greater than 7% of the number of Voting Shares and/or Convertible Securities offered under the Lock-Up Bid;

and for greater certainty, such Lock-Up Agreement may contain a right of first refusal or require a period of delay to give the Offeror under the Lock-Up Bid an opportunity to match the higher price, value or number in such other Take-Over Bid or transaction, or other similar limitation on a Locked-Up Person’s right to withdraw Voting Shares from the Lock-Up Agreement, so long as the limitation does not preclude the exercise by the Locked-Up Person of the right to withdraw Voting Shares and/or Convertible Securities in sufficient time to deposit or tender to the other Take-Over Bid or support the other transaction; and

- (ii) no “break-up” fees, “top-up” fees, penalties, expenses or other amounts that exceed in the aggregate the greater of:
 - (A) the cash equivalent of 2.5% of the price or value payable under the Lock-Up Bid to a Locked-Up Person; and
 - (B) 50% of the amount by which the price or value payable under another Take-Over Bid or other transaction to a Locked-Up Person exceeds the price or value of the consideration that such Locked-Up Person would have received under the Lock-Up Bid,

shall be payable by a Locked-Up Person pursuant to the Lock-Up Agreement in the event that the Locked-Up Bid is not successfully concluded or if any Locked-Up Person fails to deposit or tender Voting Shares and/or Convertible Securities to the Lock-Up Bid or withdraws Voting Shares and/or Convertible Securities previously deposited or tendered thereto in order to deposit or tender to another Take-Over Bid or support another transaction.

“ **Person** ” shall include any individual, firm, partnership, syndicate, association, trust, trustee, executor, administrator, legal personal representative, government, governmental body or authority, corporation or other incorporated or unincorporated organization.

“ **Predecessor Plans** ” means, collectively, the Original Rights Plan and the 2004 Plan and “ **Predecessor Plan** ” means any one of them.

“ **Pro Rata Acquisition** ” means an acquisition by a Person of Voting Shares and/or Convertible Securities (i) as a result of a stock dividend, a stock split or other event pursuant to which such Person receives or acquires Voting Shares and/or Convertible Securities on the same *pro rata* basis as all other holders of Voting Shares and/or Convertible Securities of the same class or series; or (ii) pursuant to the receipt or exercise of rights (other than the Rights) to subscribe for or purchase Voting Shares and/or Convertible Securities issued by the Corporation on the same *pro rata* basis to all of the holders of Voting Shares and/or Convertible Securities of the same class or series, provided that such rights are acquired directly from the Corporation; and *further provided* , in either case, that such Person does not thereby become the Beneficial Owner of a greater percentage of Voting Shares than the percentage of Voting Shares Beneficially Owned by such Person immediately prior to such acquisition.

“ **Record Time** ” means 5:00 p.m. (Vancouver time) on the Effective Date.

“ **Redemption Price** ” shall have the meaning attributed thereto in Subsection 5.1(a).

“ **Regular Periodic Cash Dividend** ” shall have the meaning attributed thereto in Subsection 2.3(d).

“ **Rights** ” means the herein described rights to purchase securities pursuant to the terms and subject to the conditions set forth herein.

“ **Rights Certificate** ” means a certificate representing the Rights after the Separation Time which shall be substantially in the form attached hereto as Exhibit A or such other form as the Corporation and the Rights Agent may agree.

“ **Rights Register** ” and “ **Rights Registrar** ” shall each have the meaning attributed thereto in Subsection 2.6(a).

“ **Securities Act (British Columbia)** ” means the *Securities Act* , S.B.C. 1985, chapter 85, as amended, and the rules and regulations made thereunder, as now in effect or as the same may from time to time be amended, re-enacted or replaced.

“ **Separation Time** ” means the Close of Business on the tenth Trading Day after the earliest of:

- (i) the Stock Acquisition Date;
- (ii) the date of the commencement of, or first public announcement of the current intention of any Person (other than the Corporation or any Subsidiary of the Corporation) to commence, a Take-Over Bid (other than a Permitted Bid or Competing Permitted Bid so long as such Take-Over Bid continues to satisfy the requirements of a Permitted Bid or a Competing Permitted Bid); and
- (iii) the date upon which a Permitted Bid or Competing Permitted Bid ceases to be a Permitted Bid or a Competing Permitted Bid, as applicable;

or such later date as may be determined by the Board of Directors in good faith, *provided, however*, that if any Take-Over Bid referred to in Clause (ii) above expires or is terminated or otherwise withdrawn prior to the Separation Time, such Take-Over Bid shall be deemed, for the purposes of this definition, never to have been made.

“ **Stock Acquisition Date** ” means the first date of public announcement (which, for purposes of this definition, shall include a report filed pursuant to the *Securities Act* (British Columbia), the *1934 Exchange Act* or any other applicable securities laws) by the Corporation or an Acquiring Person of facts indicating that a Person has become an Acquiring Person.

“ **Subsidiary** ”: a body corporate is a Subsidiary of another body corporate if:

- (i) it is controlled by (A) that other, or (B) that other and one or more bodies corporate, each of which is controlled by that other, or (C) two or more bodies corporate, each of which is controlled by that other; or
- (ii) it is a Subsidiary of a body corporate that is that other’s Subsidiary.

“ **Take-Over Bid** ” means an Offer to Acquire Voting Shares and/or Convertible Securities where the Voting Shares and/or Convertible Securities subject to the Offer to Acquire, together with the Offeror’s Securities, constitute in the aggregate 20% or more of the outstanding Voting Shares and/or Convertible Securities at the date of the Offer to Acquire.

“ **Termination Time** ” means the time at which the right to exercise Rights shall terminate pursuant to Section 5.1.

“ **Trading Day** ”, when used with respect to any securities, means a day on which the principal stock exchange or securities quotation system in Canada on which such securities are listed or admitted to trading is open for the transaction of business or, if the securities are not listed or admitted to trading on any stock exchange or securities quotation system in Canada, a Business Day.

“ **TSX** ” means the Toronto Stock Exchange.

“ **U.S.-Canadian Exchange Rate** ” means on any date:

- (i) if on such date the Bank of Canada sets an average noon spot rate of exchange for the conversion of one United States dollar into Canadian dollars, such rate; and
- (ii) in any other case, the rate on such date for the conversion of one United States dollar into Canadian dollars which is calculated in the manner which shall be determined by the Board of Directors from time to time acting in good faith.

“ **U.S. Dollar Equivalent** ” of any amount which is expressed in Canadian dollars means on any date the United States dollar equivalent of such amount determined by reference to the Canadian-U.S. Exchange Rate in effect on such date.

“ **Voting Share Reduction** ” means an acquisition or a redemption by the Corporation of Voting Shares and/or Convertible Securities which, by reducing the number of outstanding Voting Shares and/or Convertible Securities, increases the percentage of Voting Shares Beneficially Owned by any Person.

“ **Voting Shares** ” means collectively the Common Shares and any other shares in the capital stock or voting interests issued by the Corporation, the holders of which are entitled to vote generally in the election of directors.

“ **1933 Securities Act** ” means the *Securities Act of 1933* of the United States, as amended, and the rules and regulations made thereunder, as now in effect or as the same may from time to time be amended, re-enacted or replaced.

“ **1934 Exchange Act** ” means the *Securities Exchange Act of 1934* of the United States, as amended, and the rules and regulations made thereunder, as now in effect or as the same may from time to time be amended, re-enacted or replaced.

1.2 Currency

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada, unless otherwise specified.

1.3 Number and Gender

Wherever the context so requires, terms used herein importing the singular number only shall include the plural and vice versa and words importing any one gender shall include all others.

1.4 Descriptive Headings and References

Descriptive headings and the Table of Contents appear herein for convenience of reference only and shall not affect the meaning or construction of any of the provisions hereof. All references to Articles, Sections, Subsections, Clauses and Exhibits are to the articles, sections, subsections, clauses and exhibits forming part of this Agreement unless otherwise indicated. The words “hereto”, “herein”, “hereof”, “hereunder”, “this Agreement” and similar expressions refer to this Agreement including the Exhibits, as the same may be amended, supplemented or restated from time to time.

1.5 Acting Jointly or in Concert

For purposes of this Agreement, a Person is acting jointly or in concert with every other Person who is a party to any agreement, commitment or understanding, whether formal or informal and whether or not in writing, with the first mentioned Person to acquire or Offer to Acquire Voting Shares and/or Convertible Securities (other than customary agreements with and between underwriters and/or members of banking groups and/or selling group members with respect to a distribution of securities pursuant to a prospectus or by way of a private placement and other than pursuant to pledges of securities in the ordinary course of business).

1.6 Holder

As used in this Agreement, unless the context otherwise requires, the term “**holder**” of any Rights means the registered holder of such Rights (or, prior to the Separation Time, of the associated Common Shares).

1.7 Calculation of Voting Shares Beneficially Owned

For the purposes of this Agreement, the percentage of Voting Shares Beneficially Owned by a Person shall be and be deemed to be the product determined by the formula:

$$100 \times \frac{A}{B}$$

where

A = the number of votes for the election of all directors generally attaching to the Voting Shares Beneficially Owned by such Person; and

B = the number of votes for the election of all directors generally attaching to all outstanding Voting Shares.

Where a Person is deemed to Beneficially Own unissued Voting Shares, such Voting Shares shall be deemed to be outstanding for the purposes of both A and B above, but no other unissued Voting Shares shall, for the purposes of such calculation, be deemed to be outstanding.

ARTICLE 2 THE RIGHTS

2.1 Legend on Voting Share Certificates

Voting Share certificates issued after the Record Time and prior to the Close of Business on the earlier of the Separation Time and the Expiration Time shall evidence one Right for each Voting Share represented thereby and shall have impressed on, printed on, written on or otherwise affixed to them prior to the Effective Date the legend set forth in Section 2.1 of the applicable Predecessor

Plan and which legend shall be deemed to be amended for all purposes to read the same as the legend set forth below, and after the Effective Date the following legend:

“Until the Separation Time (as such term is defined in the Shareholder Rights Plan Agreement referred to below), this certificate also evidences and entitles the holder hereof to certain Rights as set forth in an Amended and Restated Shareholder Rights Plan Agreement dated as of May 9, 2007, as amended, supplemented or restated from time to time (the “**Rights Agreement**”) between **Golden Star Resources Ltd.** (the “**Corporation**”) and **CIBC Mellon Trust Company**, as Rights Agent, the terms of which are hereby incorporated herein by reference and a copy of which is on file and may be inspected during normal business hours at the registered office of the Corporation. In certain circumstances, as set forth in the Rights Agreement, such Rights may be amended, may be redeemed, may expire, may become null and void or may be evidenced by separate certificates and may no longer be evidenced by this certificate. The Corporation will mail or arrange for the mailing of a copy of the Rights Agreement to the holder of this certificate without charge as soon as practicable after the receipt of a written request therefor.”

Certificates representing Voting Shares that are issued and outstanding at the Record Time shall also evidence one Right for each Voting Share evidenced thereby, notwithstanding the absence of the foregoing legend, until the earlier of the Separation Time and the Expiration Time. Following the Separation Time, Rights will be evidenced by Rights Certificates issued pursuant to Section 2.2 hereof.

2.2 Initial Exercise Price; Exercise of Rights; Detachment of Rights

- (a) Subject to adjustment as herein set forth, each Right will entitle the holder thereof, from and after the Separation Time and prior to the Expiration Time, to purchase one Common Share for the Exercise Price (which Exercise Price and number of Common Shares are subject to adjustment as set forth below) or its U.S. Dollar Equivalent as at the Business Day immediately preceding the day on which such Right is exercised. Notwithstanding any other provision of this Agreement, any Rights held by the Corporation or any of its Subsidiaries shall be null and void.
- (b) Until the Separation Time, (i) the Rights shall not be exercisable and no Right may be exercised, and (ii) for administrative purposes, each Right will be evidenced by the certificate for the associated Voting Share registered in the name of the holder thereof (which certificate shall be deemed to represent a Rights Certificate) and will be transferable only together with, and will be transferred by a transfer of, such associated Voting Share.
- (c) From and after the Separation Time and prior to the Expiration Time, the Rights may be exercised and the registration and transfer of the Rights shall be separate from and independent of Voting Shares. Promptly following the Separation Time, the Corporation will prepare and the Rights Agent will mail to each holder of record of Voting Shares as of the Separation

Time (other than an Acquiring Person, any other Person whose Rights are or become null and void pursuant to the provisions of Subsection 3.1(b) and, in respect of any Rights Beneficially Owned by such Acquiring Person which are not held of record by such Acquiring Person, the holder of record of such Rights), at such holder's address as shown by the records of the Corporation (the Corporation hereby agreeing to furnish copies of such records to the Rights Agent for this purpose):

(i) a Rights Certificate appropriately completed, representing the number of Rights held by such holder at the Separation Time and having such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Corporation may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any law or with any rule or regulation or judicial or administrative order made pursuant thereto or with any rule or regulation of any self-regulatory organization, stock exchange or securities quotation system on which the Rights may from time to time be listed or traded, or to conform to usage; and

(ii) a disclosure statement prepared by the Corporation describing the Rights;

provided, however, that a nominee shall be sent the materials provided for in Clauses (i) and (ii) above only in respect of Voting Shares held of record by it which are not Beneficially Owned by an Acquiring Person. In order for the Corporation to determine whether any Person is holding Voting Shares which are Beneficially Owned by another Person, the Corporation may require such first-mentioned Person to furnish such information and documentation as the Corporation deems necessary or appropriate to make such determination.

(d) Rights may be exercised in whole or in part on any Business Day after the Separation Time and prior to the Expiration Time by submitting to the Rights Agent at its principal office in Vancouver, British Columbia or, with the approval of the Rights Agent, at any other office of the Rights Agent in the cities designated from time to time for that purpose by the Corporation:

(i) the Rights Certificate evidencing such Rights with an election to exercise (an “**Election to Exercise**”) substantially in the form attached to the Rights Certificate appropriately completed and duly executed by the holder or his executors or administrators or other personal representatives or his legal attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Rights Agent; and

(ii) payment by certified cheque, banker's draft or money order payable to the order of the Corporation, of a sum equal to the Exercise Price multiplied by the number of Rights being exercised and a sum sufficient to cover any transfer tax or charge which may be payable in respect of the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Voting Shares in a name other than that of the holder of the Rights being exercised.

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- (e) Upon receipt of a Rights Certificate, with a completed Election to Exercise appropriately completed and duly executed which does not indicate that such Right is null and void as provided by Subsection 3.1(b), accompanied by payment as set forth in Clause 2.2(d)(ii), the Rights Agent (unless otherwise instructed in writing by the Corporation) will thereupon promptly:
- (i) requisition from the transfer agent of the Common Shares certificates for the number of Common Shares to be purchased (the Corporation hereby irrevocably agreeing to authorize its transfer agent to comply with all such requisitions);
 - (ii) after receipt of such certificates referred to in Clause 2.2(e)(i), deliver such certificates to or upon the order of the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder;
 - (iii) when appropriate, requisition from the Corporation the amount of cash to be paid in lieu of issuing fractional Common Shares or fractional Rights;
 - (iv) after receipt, deliver such cash referred to in Clause 2.2(e)(iii) to or to the order of the registered holder of the Rights Certificate; and
 - (v) tender to the Corporation all payments received upon exercise of the Rights.
- (f) In case the holder of any Rights shall exercise less than all the Rights evidenced by such holder's Rights Certificate, a new Rights Certificate evidencing the Rights remaining unexercised will be issued by the Rights Agent to such holder or to such holder's duly authorized assigns.
- (g) The Corporation covenants and agrees that it will:
- (i) take all such action as may be necessary and within its power to ensure that all securities delivered upon exercise of Rights shall, at the time of delivery of the certificates for such securities (subject to payment of the Exercise Price), be duly and validly authorized, executed, issued and delivered as fully paid and non-assessable;
 - (ii) take all such action as may be necessary and within its power to comply with any applicable requirements of the *Canada Business Corporations Act*, the *Securities Act* (British Columbia), the securities acts or comparable legislation of each of the other provinces of Canada, the *1933 Securities Act* and the *1934 Exchange Act* and any other applicable law, rule or regulation, in connection with the issuance and delivery of the Rights Certificates and the issuance of any Common Shares upon exercise of Rights;

- (iii) use reasonable efforts to cause all Common Shares issued upon exercise of Rights to be listed upon issuance on the TSX and each other stock exchange and/or securities quotation system on which the Common Shares are then listed or admitted to trading at that time;
- (iv) cause to be reserved and kept available out of its authorized and unissued Common Shares the number of Common Shares that, as provided in this Agreement, will from time to time be sufficient to permit the exercise in full of all outstanding Rights; and
- (v) pay when due and payable any and all Canadian and United States federal, provincial and state transfer taxes (for greater certainty not including any income taxes or capital gains of the holder or exercising holder or any liability of the Corporation to withhold tax) and charges which may be payable in respect of the original issuance or delivery of the Rights Certificates or certificates for Common Shares, provided that the Corporation shall not be required to pay any transfer tax or charge which may be payable in respect of the transfer or delivery of Rights Certificates or the issuance or delivery of certificates for Common Shares in a name other than that of the holder of the Rights being transferred or exercised.

2.3 Adjustments to Exercise Price; Number of Rights

- (a) The Exercise Price, the number and kind of securities subject to purchase upon exercise of each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 2.3.
- (b) In the event the Corporation shall at any time after the Record Time and prior to the Expiration Time:
 - (i) declare or pay a dividend on the Common Shares payable in Common Shares or other capital stock of the Corporation (or Convertible Securities) other than pursuant to any optional stock dividend program, dividend reinvestment plan or dividend payable in Common Shares in lieu of a regular periodic cash dividend;
 - (ii) subdivide or change the outstanding Common Shares into a greater number of Common Shares;
 - (iii) consolidate or change the outstanding Common Shares into a smaller number of Common Shares; or
 - (iv) issue any Common Shares or other capital stock of the Corporation (or Convertible Securities) in respect of, in lieu of, or in exchange for existing Common Shares;

the Exercise Price and the number of Rights outstanding or, if the payment or effective date therefor shall occur after the Separation Time, the securities purchasable upon exercise of Rights, shall be adjusted in the manner set forth below.

If the Exercise Price and number of Rights outstanding are to be adjusted:

- (x) the Exercise Price in effect after such adjustment shall be equal to the Exercise Price in effect immediately prior to such adjustment divided by the number of Common Shares (or other capital stock) (the “**Expansion Factor**”) that a holder of one Common Share immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result thereof (assuming the exercise of all such purchase, exercise, conversion or exchange rights, if any); and
- (y) each Right held prior to such adjustment shall become that number of Rights equal to the Expansion Factor and the adjusted number of Rights will be deemed to be distributed among the Common Shares with respect to which the original Rights were associated (if they remain outstanding) and the Common Shares issued or issuable in respect of such dividend, subdivision, change, consolidation or issuance, so that each such Common Share (or other capital stock) will have exactly one Right associated with it.

For greater certainty, if the securities purchasable upon exercise of Rights are to be adjusted, the securities purchasable upon exercise of each Right after such adjustment will be the securities that a holder of the securities purchasable upon exercise of one Right immediately prior to such dividend, subdivision, change, consolidation or issuance would hold thereafter as a result thereof. To the extent that such rights of purchase, exercise, conversion or exchange are not exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect based on the number of Common Shares (or Convertible Securities) actually issued upon the exercise of such rights.

If after the Record Time and prior to the Expiration Time the Corporation shall issue any shares of capital stock other than Common Shares in a transaction of a type described in Clause 2.3(b)(i) or (iv), shares of such capital stock shall be treated herein as nearly equivalent to Common Shares as may be practicable and appropriate under the circumstances and the Corporation and the Rights Agent shall amend or supplement this Agreement in order to effect such treatment.

If an event occurs which would require an adjustment under both this Section 2.3 and Section 3.1, the adjustment provided for in this Section 2.3 shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 3.1. Adjustments pursuant to Section 2.3 shall be made successively, whenever an event referred to in Section 2.3 occurs.

If the Corporation shall at any time after the Record Time and prior to the Separation Time issue any Common Shares otherwise than in a transaction referred to in this Subsection 2.3(b), each such Common Share so issued shall automatically have one new Right associated with it, which Right shall be evidenced by the certificate representing such associated Common Share.

- (c) In the event the Corporation shall at any time after the Record Time and prior to the Separation Time fix a record date for the issuance to all holders of Common Shares of rights, options or warrants entitling them (for a period expiring within 45 days after such record date) to subscribe for or purchase Common Shares (or Convertible Securities pursuant to which the holder may acquire Common Shares) at a price per Common Share (or, if a Convertible Security having a purchase, exercise, conversion or exchange price, including the price required to be paid to purchase such convertible or exchangeable security or right, per share) less than 90% of the Market Price per Common Share on such record date, the Exercise Price shall be adjusted in the manner set forth below. The Exercise Price in effect after such record date shall equal the Exercise Price in effect immediately prior to such record date multiplied by a fraction, of which the numerator shall be the number of Common Shares outstanding on such record date plus the number of Common Shares that the aggregate offering price of the total number of Common Shares so to be offered (and/or the aggregate initial conversion, exchange or exercise price of the convertible or exchangeable securities or rights so to be offered (including the price required to be paid to purchase such convertible or exchangeable securities or rights)) would purchase at such Market Price per Common Share and of which the denominator shall be the number of Common Shares outstanding on such record date plus the number of additional Common Shares to be offered for subscription or purchase (or into which the convertible or exchangeable securities or rights so to be offered are initially convertible, exchangeable or exercisable). In case such subscription price may be paid by delivery of consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of Rights. To the extent that such rights of purchase, exercise, conversion or exchange are not exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect based on the number of Common Shares (or securities convertible into or exchangeable for Common Shares) actually issued upon the exercise of such rights.

Such adjustment shall be made successively whenever such a record date is fixed. For purposes of this Agreement, the granting of the right to purchase Common Shares (whether from treasury shares or otherwise) pursuant to any dividend or interest reinvestment plan and/or any Common Share purchase plan providing for the reinvestment of dividends or interest payable on securities of the Corporation and/or the investment of periodic optional payments and/or employee benefit or similar plans (so long as such right to purchase is in no case evidenced by the delivery of rights or warrants) shall not be deemed to constitute an issue of rights or warrants by the Corporation; *provided, however*, that, in the case of any dividend or interest reinvestment plan, the right to purchase Common Shares is at a price per share of not less than 90% of the current market price per share (determined as provided in such plans) of the Common Shares.

- (d) In the event the Corporation shall at any time after the Record Time and prior to the Separation Time fix a record date for the making of a distribution to all holders of Common Shares of evidences of indebtedness or assets (other than a Regular Periodic Cash Dividend (as defined below) or a dividend paid in Common Shares) or rights, options or warrants (excluding those referred to in Subsection 2.3(c)), the Exercise Price shall be adjusted. The Exercise Price in effect after such record date will equal the Exercise Price in effect immediately prior to such record date less the fair market value (as determined in good faith by the Board of Directors) of the portion of the assets, evidences of indebtedness, rights or warrants so to be distributed applicable to the securities purchasable upon exercise of one Right. Such adjustment shall be made successively whenever such a record date is fixed.
- For the purpose of this Subsection 2.3(d), "Regular Periodic Cash Dividend" means cash dividends paid at regular intervals in any fiscal year of the Corporation to the extent that such cash dividends do not exceed, in the aggregate, the greatest of:
- (i) 200% of the aggregate amount of cash dividends declared payable by the Corporation on its Common Shares in its immediately preceding fiscal year;
 - (ii) 300% of the arithmetic mean of the aggregate amounts of cash dividends declared payable by the Corporation on its Common Shares in its three immediately preceding fiscal years; and
 - (iii) 100% of the aggregate consolidated net income of the Corporation, before extraordinary items, for its immediately preceding fiscal year.
- (e) Each adjustment made pursuant to this Section 2.3 shall be made as of:
- (i) the payment or effective date for the applicable dividend, subdivision, change, consolidation or issuance, in the case of an adjustment made pursuant to Subsection 2.3(b) above; and
 - (ii) the record date for the applicable dividend or distribution, in the case of an adjustment made pursuant to Subsection 2.3(c) or (d) above subject to readjustment to reverse same if such distribution shall not be made.
- (f) In the event the Corporation shall at any time after the Record Time and prior to the Separation Time issue any shares of capital stock (other than Common Shares), or rights, options or warrants to subscribe for or purchase any such capital stock, or securities convertible into or exchangeable for any such capital stock in a transaction referred to in Clause 2.3(b)(i) or (iv), or if the Corporation shall take any other action (other than the issue of Common Shares) which might have a

- negative effect on the holders of Rights, if the Board of Directors acting in good faith determines that the adjustments contemplated by Subsections 2.3(b), (c) and (d) above in connection with such transaction will not appropriately protect the interests of the holders of Rights, the Board of Directors may determine what other adjustments to the Exercise Price, number of Rights and/or securities purchasable upon exercise of Rights would be appropriate and, notwithstanding Subsections 2.3(b), (c) and (d) above, but subject to the prior consent of the holders of Common Shares or Rights obtained as set forth in Subsection 5.5(b) or (c) as applicable, such adjustments, rather than the adjustments contemplated by Subsections 2.3(b), (c) and (d) above, shall be made. The Corporation and the Rights Agent shall amend or supplement this Agreement as appropriate to provide for such adjustments.
- (g) Notwithstanding anything herein to the contrary, no adjustment of the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such Exercise Price; *provided, however*, that any adjustments which by reason of this Subsection 2.3(g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All adjustments made pursuant to this Section 2.3 shall be made to the nearest cent or to the nearest ten-thousandth of a Common Share, as the case may be.
 - (h) If as a result of an adjustment made pursuant to Section 3.1, the holder of any Right thereafter exercised shall become entitled to receive any securities other than Common Shares, thereafter the number of such other shares so receivable upon exercise of any Right and the applicable Exercise Price thereof shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Shares contained in the provisions of this Section 2.3 and the provisions of this Agreement with respect to the Common Shares shall apply on like terms to any such other securities.
 - (i) All Rights originally issued by the Corporation subsequent to any adjustment made to an Exercise Price hereunder shall evidence the right to purchase, at the adjusted Exercise Price, the number of Common Shares purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.
 - (j) Unless the Corporation shall have exercised its election, as provided in Subsection 2.3(k), upon each adjustment of the Exercise Price as a result of the calculations made in Subsections 2.3(c) and (d), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Exercise Price, that number of Common Shares obtained by:
 - (i) multiplying (A) the number of Common Shares covered by a Right immediately prior to such adjustment, by (B) the relevant Exercise Price in effect immediately prior to such adjustment of the relevant Exercise Price; and

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- (ii) dividing the product so obtained by the relevant Exercise Price in effect immediately after such adjustment of the relevant Exercise Price.
- (k) The Corporation may elect on or after the date of any adjustment of an Exercise Price to adjust the number of Rights, in lieu of any adjustment in the number of Common Shares purchasable upon the exercise of a Right. Each of the Rights outstanding after the adjustment in the number of Rights shall be exercisable for the number of Common Shares for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become the number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the relevant Exercise Price in effect immediately prior to adjustment of relevant Exercise Price by the relevant Exercise Price in effect immediately after adjustment of the relevant Exercise Price. The Corporation shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the relevant Exercise Price is adjusted or any day thereafter, but, if the Rights Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Subsection 2.3(k), the Corporation shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date, Rights Certificates evidencing, subject to Section 5.6, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Corporation, shall cause to be distributed to such holders of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof if required by the Corporation, new Rights Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and may bear, at the option of the Corporation, the relevant adjusted Exercise Price and shall be registered in the names of holders of record of Rights Certificates on the record date specified in the public announcement.
- (l) Irrespective of any adjustment or change in the securities purchasable upon exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the securities so purchasable which were expressed in the initial Rights Certificates issued hereunder.
- (m) In any case in which this Section 2.3 shall require that an adjustment in the Exercise Price be made effective as of a record date for a specified event, the Corporation may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date of the number of Common Shares and other securities of the Corporation, if any, issuable upon such exercise over and above the number of Common Shares and other securities of the Corporation, if

any, issuable upon such exercise on the basis of the relevant Exercise Price in effect prior to such adjustment; *provided, however*, that the Corporation shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional Common Shares (fractional or otherwise) or other securities upon the occurrence of the event requiring such adjustment.

- (n) Notwithstanding anything in this Section 2.3 to the contrary, the Corporation shall be entitled to make such reductions in the Exercise Price, in addition to those adjustments expressly required by this Section 2.3, as and to the extent that in its good faith judgment the Board of Directors shall determine to be advisable in order that any (i) subdivision or consolidation of the Common Shares, (ii) issuance (wholly or in part for cash) of Common Shares at less than the applicable Market Price, (iii) issuance (wholly for cash) of any Common Shares or securities that by their terms are exchangeable for or convertible into or give a right to acquire Common Shares, (iv) stock dividends, or (v) issuance of rights, options or warrants referred to in this Section 2.3, hereafter made by the Corporation to holders of its Common Shares, subject to applicable taxation laws, shall not be taxable to such shareholders.
- (o) After the Separation Time, the Corporation will not, except as permitted by the provisions hereof, take (or permit any Subsidiary of the Corporation to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.
- (p) Whenever an adjustment to the Exercise Price or a change in the securities purchasable upon the exercise of Rights is made pursuant to this Section 2.3, the Corporation shall promptly:
 - (i) prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment;
 - (ii) file with the Rights Agent and with each transfer agent for the Common Shares, a copy of such certificate; and
 - (iii) cause notice of the particulars of such adjustment or change to be given to the holders of the Rights.

Failure to file such certificate or to cause such notice to be given as aforesaid, or any defect therein, shall not affect the validity of any such adjustment or change.

2.4 Date on Which Exercise is Effective

Each Person in whose name any certificate for Common Shares or other securities, if applicable, is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Common Shares or other securities, if applicable, represented thereby, and such certificate shall be dated the date upon which the Rights Certificate evidencing such Rights was duly

surrendered in accordance with Subsection 2.2(e) (together with a duly completed Election to Exercise) and payment of the Exercise Price for such Rights (and any applicable transfer taxes and other governmental charges payable by the exercising holder hereunder) was made; *provided, however*, that if the date of such surrender and payment is a date upon which the Common Share transfer books of the Corporation are closed, such Person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Common Share transfer books of the Corporation are open.

2.5 Execution, Authentication, Delivery and Dating of Rights Certificates

- (a) The Rights Certificates shall be executed on behalf of the Corporation by its Chairman of the Board, President or any Vice President and by the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Corporation. The signature of any of these officers on the Rights Certificates may be manual or facsimile. Rights Certificates bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Corporation shall bind the Corporation, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the countersignature and delivery of such Rights Certificates.
- (b) Promptly after the Corporation learns of the Separation Time, the Corporation will notify the Rights Agent in writing of such Separation Time and will deliver Rights Certificates executed by the Corporation to the Rights Agent for countersignature and a disclosure statement as described in Subsection 2.2(c), and the Rights Agent shall countersign (manually or by facsimile signature) and mail such Rights Certificates and disclosure statement to the holders of the Rights pursuant to Subsection 2.2(c). No Rights Certificate shall be valid for any purpose until countersigned by the Rights Agent as aforesaid.
- (c) Each Rights Certificate shall be dated the date of countersignature thereof.

2.6 Registration, Registration of Transfer and Exchange

- (a) From and after the Separation Time, the Corporation will cause to be kept a register (the “**Rights Register**”) in which, subject to such reasonable regulations as it may prescribe, the Corporation will provide for the registration and transfer of Rights. The Rights Agent is hereby appointed “**Rights Registrar**” for the purpose of maintaining the Rights Register for the Corporation and registering Rights and transfers of Rights as herein provided. In the event that the Rights Agent shall cease to be the Rights Registrar, the Rights Agent will have the right to examine the Rights Register at all reasonable times.

After the Separation Time and prior to the Expiration Time, upon surrender for registration of transfer or exchange of any Rights Certificate, and subject to the provisions of Subsection 2.6(c), the Corporation will execute, and the Rights Agent will countersign and deliver, in the name of the holder thereof or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new Rights Certificates evidencing the same aggregate number of Rights as did the Rights Certificates so surrendered.

- (b) All Rights issued upon any registration of transfer or exchange of Rights Certificates shall be the valid obligations of the Corporation, and such Rights shall be entitled to the same benefits under this Agreement as the Rights surrendered upon such registration of transfer or exchange.
- (c) Every Rights Certificate surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Corporation or the Rights Agent, as the case may be, duly executed, by the holder thereof or such holder's attorney duly authorized in writing. As a condition to the issuance of any new Rights Certificate under this Section 2.6, the Corporation or the Rights Agent may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Rights Agent) connected therewith.
- (d) The Corporation shall not be required to register the transfer or exchange of any Rights after the Rights have been terminated pursuant to the provisions of this Agreement.

2.7 Mutilated, Destroyed, Lost and Stolen Rights Certificates

- (a) If any mutilated Rights Certificate is surrendered to the Rights Agent prior to the Expiration Time, the Corporation shall execute and the Rights Agent shall countersign and deliver in exchange therefor a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so surrendered.
- (b) If there shall be delivered to the Corporation and the Rights Agent prior to the Expiration Time (i) evidence to their satisfaction of the destruction, loss or theft of any Rights Certificate, and (ii) such security or indemnity as may be required by them in their sole discretion to save each of them and any of their agents harmless, then, in the absence of notice to the Corporation or the Rights Agent that such Rights Certificate has been acquired by a *bona fide* purchaser, the Corporation shall execute and upon its request the Rights Agent shall countersign and deliver, in lieu of any such destroyed, lost or stolen Rights Certificate, a new Rights Certificate evidencing the same number of Rights as did the Rights Certificate so destroyed, lost or stolen.
- (c) As a condition to the issuance of any new Rights Certificate under this Section 2.7, the Corporation may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Rights Agent) connected therewith.

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- (d) Every new Rights Certificate issued pursuant to this Section 2.7 in lieu of any destroyed, lost or stolen Rights Certificate shall evidence a contractual obligation of the Corporation, whether or not the destroyed, lost or stolen Rights Certificate shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Agreement equally and proportionately with any and all other Rights duly issued hereunder.

2.8 Persons Deemed Owners

Prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Voting Share certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name such Rights Certificate (or, prior to the Separation Time, such Voting Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby for all purposes whatsoever.

2.9 Delivery and Cancellation of Certificates

All Rights Certificates surrendered upon exercise or for redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Rights Agent, be delivered to the Rights Agent and, in any case, shall be promptly cancelled by the Rights Agent. The Corporation may at any time deliver to the Rights Agent for cancellation any Rights Certificates previously countersigned and delivered hereunder which the Corporation may have acquired in any manner whatsoever, and all Rights Certificates so delivered shall be promptly cancelled by the Rights Agent. No Rights Certificate shall be countersigned in lieu of or in exchange for any Rights Certificates cancelled as provided in this Section 2.9, except as expressly permitted by this Agreement. The Rights Agent shall, subject to applicable law, destroy all cancelled Rights Certificates and deliver a certificate of destruction to the Corporation on request.

2.10 Agreement of Rights Holders

Every holder of Rights, by accepting such Rights, consents and agrees with the Corporation and the Rights Agent and with every other holder of Rights that:

- (a) such holder shall be bound by and subject to the provisions of this Agreement in respect of all Rights held;
- (b) prior to the Separation Time, each Right will be transferable only together with, and will be transferred by a transfer of, the associated Voting Share certificate representing such Right;
- (c) after the Separation Time, the Rights will be transferable only upon registration of the transfer on the Rights Register as provided herein;
- (d) prior to due presentment of a Rights Certificate (or, prior to the Separation Time, the associated Voting Share certificate) for registration of transfer, the Corporation, the Rights Agent and any agent of the Corporation or the Rights Agent may deem and treat the Person in whose name the Rights Certificate (or, prior to the Separation Time, the associated Voting

Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on such Rights Certificate or the associated Voting Share certificate made by anyone other than the Corporation or the Rights Agent) for all purposes whatsoever, and neither the Corporation nor the Rights Agent shall be affected by any notice to the contrary;

- (e) such holder of Rights is not entitled to receive any fractional Rights or fractional Common Shares or other securities upon the exercise of Rights;
- (f) without the approval of any holder of Rights or Voting Shares and upon the sole authority of the Board of Directors acting in good faith, this Agreement may be amended or supplemented from time to time in accordance with the provisions of Section 5.5 and the third last paragraph of Subsection 2.3(b); and
- (g) notwithstanding anything in this Agreement to the contrary, neither the Corporation nor the Rights Agent shall have any liability to any holder of a Right or to any other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a government, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation.

ARTICLE 3
ADJUSTMENTS TO THE RIGHTS IN THE EVENT
OF A FLIP-IN EVENT

3.1 Flip-in Event

- (a) Subject to Subsection 3.1(b) and Sections 5.1 and 5.2, in the event that prior to the Expiration Time a Flip-in Event shall occur, each Right shall constitute, effective from and after the Close of Business on the tenth Trading Day following the Stock Acquisition Date, the right to purchase from the Corporation, upon exercise thereof in accordance with the terms hereof, that number of Common Shares having an aggregate Market Price on the date of consummation or occurrence of such Flip-in Event equal to twice the Exercise Price for an amount in cash equal to the Exercise Price (such right to be appropriately adjusted in a manner analogous to the applicable adjustment provided for in Section 2.3 in the event that after such date of consummation or occurrence an event of a type analogous to any of the events described in Section 2.3 shall have occurred with respect to such Common Shares).

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- (b) Notwithstanding anything in this Agreement to the contrary, upon the occurrence of a Flip-in Event, any Rights that are or were Beneficially Owned on or after the earlier of the Separation Time or the Stock Acquisition Date by:
- (i) an Acquiring Person (or an Affiliate or Associate of an Acquiring Person, or any Person acting jointly or in concert with an Acquiring Person); or
 - (ii) a transferee or other successor-in-title, directly or indirectly, from an Acquiring Person (or an Affiliate or Associate of an Acquiring Person, or any Person acting jointly or in concert with an Acquiring Person) in a transfer of Rights, whether or not for consideration, that the Board of Directors acting in good faith has determined is part of a plan, understanding or scheme of an Acquiring Person (or an Affiliate or Associate of an Acquiring Person, or any Person acting jointly or in concert with an Acquiring Person) that has the purpose or effect of avoiding the provisions of Clause 3.1(b)(i);

shall become null and void without any further action and any holder of such Rights (including transferees or other successors-in-title) shall thereafter have no right to exercise or transfer such Rights under any provision of this Agreement and shall have no other rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The holder of any Rights represented by a Rights Certificate which is submitted to the Rights Agent upon exercise or for registration of transfer or exchange which does not contain the necessary certifications set forth in the Rights Certificate establishing that such Rights are not null and void under this Subsection 3.1(b) shall be deemed to be an Acquiring Person for the purposes of this Section 3.1 and such Rights shall become null and void.

- (c) Any Rights Certificate that represents Rights Beneficially Owned by a Person described in either Clause 3.1(b)(i) or 3.1(b)(ii) or transferred to any nominee of any such Person, and any Rights Certificate issued upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain the following legend:

“The Rights represented by this Rights Certificate were issued to a Person who was an Acquiring Person, or an Affiliate or an Associate of an Acquiring Person, or a Person acting jointly or in concert with any of them (as such terms are defined in the Shareholder Protection Rights Agreement). This Rights Certificate and the Rights represented hereby shall become null and void in the circumstances specified in Subsection 3.1(b) of the Shareholder Protection Rights Agreement.”

provided, however, that the Rights Agent shall not be under any responsibility to ascertain the existence of facts that would require the imposition of such legend but shall be required to impose such legend only if instructed to do so in writing by the Corporation or if a holder fails to certify upon transfer or exchange in the space provided on the Rights Certificate that such holder is not a Person described in such legend. The issuance of a Rights Certificate without the legend referred to in this Subsection 3.1(c) shall be of no effect on the provisions of Subsection 3.1(b).

ARTICLE 4
THE RIGHTS AGENT

4.1 General

- (a) The Corporation hereby appoints the Rights Agent to act as agent for the Corporation and the holders of Rights in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Corporation may from time to time appoint one or more co-rights agents (each a “ **Co-Rights Agent** ”) as it may deem necessary or desirable, subject to the approval of the Rights Agent. In the event the Corporation appoints one or more Co-Rights Agents, the respective duties of the Rights Agent and Co-Rights Agents shall be as the Corporation may determine with the approval of the Rights Agent and the Co-Rights Agents. The Corporation agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements reasonably incurred in the execution and administration of this Agreement and the exercise and performance of its duties hereunder (including the reasonable fees and other disbursements of any expert retained by the Rights Agent with the approval of the Corporation, such approval not to be unreasonably withheld). The Corporation also agrees to indemnify the Rights Agent, its officers, directors, employees and agents for, and to hold it harmless against, any loss, liability, cost, claim, action, suit, damage or expense, incurred without negligence, bad faith or wilful misconduct on the part of the Rights Agent, for anything done, suffered or omitted by the Rights Agent in connection with the acceptance, execution and administration of this Agreement and the exercise and performance of its duties hereunder, including the legal costs and expenses of defending against any claim of liability, which right to indemnification will survive the termination of this Agreement and the resignation or removal of the Rights Agent.
- (b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any certificate for Common Shares, Rights Certificate, certificate for other securities of the Corporation, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.
- (c) The Corporation shall inform the Rights Agent in a reasonably timely manner of events which may materially affect the administration of this Agreement by the Rights Agent and, at any time upon request, shall provide to the Rights Agent an incumbency certificate certifying the then current officers of the Corporation, provided that failure to inform the Rights Agent of any such events or any defect therein, shall not affect the validity of any action taken hereunder in relation to such events.

4.2 Merger, Amalgamation or Consolidation or Change of Name of Rights Agent

- (a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or amalgamated or with which it may be consolidated, or any corporation resulting from any merger, amalgamation or consolidation to which the Rights Agent or any successor Rights Agent is a party, or any corporation succeeding to the shareholder services business of the Rights Agent or any successor Rights Agent, will be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 4.4. In case at the time such successor Rights Agent succeeds to the agency created by this Agreement any of the Rights Certificates have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates have not been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.
- (b) In case at any time the name of the Rights Agent is changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates have not been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates will have the full force provided in the Rights Certificates and in this Agreement.

4.3 Duties of Rights Agent

The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Corporation and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

- (a) The Rights Agent may retain and consult with legal counsel (who may be legal counsel for the Corporation), and the opinion of such counsel will be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion and the Rights Agent may also, with the approval of the Corporation (such approval not to be unreasonably withheld), retain and consult with such other experts or advisors as the Rights Agent shall consider necessary or appropriate to properly carry out its duties and obligations imposed under this Agreement (at the Corporation's expense) and the Rights Agent shall be entitled to act and rely in good faith on the advice of such experts or advisors.

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- (b) Whenever in the performance of its duties under this Agreement, the Rights Agent deems it necessary or desirable that any fact or matter be proved or established by the Corporation prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by an individual believed by the Rights Agent to be the Chairman of the Board, the Vice Chairman of the Board, the President or any Vice President and by the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Corporation and delivered to the Rights Agent; and such certificate will be full authorization to the Rights Agent for any action taken, omitted or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.
 - (c) The Rights Agent will be liable hereunder only for its own negligence, bad faith or wilful misconduct and that of its officers, directors and employees.
 - (d) The Rights Agent will not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the certificates for Common Shares or the Rights Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and will be deemed to have been made by the Corporation only.
 - (e) The Rights Agent will not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due authorization, execution and delivery hereof by the Rights Agent) or in respect of the validity or execution of any Common Share certificate or Rights Certificate (except its countersignature thereof); nor will it be responsible for any breach by the Corporation of any covenant or condition contained in this Agreement or in any Rights Certificate; nor will it be responsible for any change in the exercisability of the Rights (including the Rights becoming null and void pursuant to Subsection 3.1(b)) or any adjustment required under the provisions of Section 2.3 or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights after receipt of the certificate contemplated by Subsection 2.3(p) describing any such adjustment); nor will it by any act hereunder be deemed to make any representation or warranty as to the authorization of any Common Shares to be issued pursuant to this Agreement or any Rights or as to whether any Common Shares will, when issued, be duly and validly authorized, executed, issued and delivered and fully paid and non-assessable.
 - (f) The Corporation will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

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- (g) The Rights Agent is hereby authorized and directed to accept written instructions with respect to the performance of its duties hereunder from any individual believed by the Rights Agent to be Chairman of the Board, the Vice Chairman of the Board, the President, any Vice President or the Secretary or any Assistant Secretary or the Treasurer or any Assistant Treasurer of the Corporation, and to apply to such individuals for advice or instructions in connection with its duties, and it shall not be liable for any action taken, omitted or suffered by it in good faith in accordance with instructions of any such individual; it is understood that instructions to the Rights Agent shall, except where circumstances make it impossible or the Rights Agent otherwise agrees, be given in writing and, where not in writing, such instructions shall be confirmed in writing as soon as reasonably possible after the giving of such instructions.
 - (h) The Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in Common Shares, Rights or other securities of the Corporation or become pecuniarily interested in any transaction in which the Corporation may be interested, or contract with or lend money to the Corporation or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Corporation or for any other legal entity.
 - (i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent will not be answerable or accountable for any act, omission, default, neglect or misconduct of any such attorneys or agents or for any loss to the Corporation resulting from any such act, omission, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

4.4 Change of Rights Agent

The Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice (or such lesser notice as is acceptable to the Corporation) in writing mailed to the Corporation and to each transfer agent of Voting Shares by registered or certified mail. The Corporation may remove the Rights Agent upon 30 days' notice in writing, given to the Rights Agent and to the transfer agent of the Common Shares (by personal delivery or registered or certified mail), and to the holders of the Rights in accordance with Section 5.10. If the Rights Agent should resign or be removed or otherwise become incapable of acting, the Corporation will appoint a successor to the Rights Agent. If the Corporation fails to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent (at the Corporation's expense) or by the holder of any Rights (which holder shall, with such notice if given after the Separation Time, submit such holder's Rights Certificate for inspection by the Corporation), then the resigning Rights Agent or the

holder of any Rights may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Corporation or by such a court, shall be a corporation incorporated under the laws of Canada or a province thereof authorized to carry on the business of a trust company in the Province of British Columbia. After appointment, the successor Rights Agent will be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent, upon receipt of any and all outstanding amounts owing to it pursuant to this Agreement, shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Corporation will file notice thereof in writing with the predecessor Rights Agent and the transfer agent of the Common Shares, and mail a notice thereof in writing to the holders of the Rights. Failure to give any notice provided for in this Section 4.4, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

ARTICLE 5 MISCELLANEOUS

5.1 Redemption and Termination of Rights

- (a) With the prior consent of the holders of Voting Shares or Rights obtained in accordance with Subsection 5.5(b) or (c), as applicable, the Board of Directors may, at any time prior to the occurrence of a Flip-in Event as to which the application of Section 3.1 has not been waived pursuant to Section 5.2, elect to redeem all but not less than all of the outstanding Rights at a redemption price of \$0.00001 per Right, appropriately adjusted in a manner analogous to the applicable adjustment to the Exercise Price provided for in Section 2.3 if an event analogous to any of the events described in Section 2.3 shall have occurred (such redemption price being herein referred to as the “**Redemption Price**”).
- (b) If a Person acquires, pursuant to a Permitted Bid, a Competing Permitted Bid or an Exempt Acquisition occurring under Subsection 5.2(a) or (b), outstanding Voting Shares, the Board of Directors shall, notwithstanding the provisions of Subsection 5.1(a), immediately upon such acquisition and without further formality, be deemed to have elected to redeem the Rights at the Redemption Price.
- (c) Where a Take-Over Bid that is not a Permitted Bid or Competing Permitted Bid expires, is terminated or is otherwise withdrawn after the Separation Time has occurred and prior to the occurrence of a Flip-in Event, the Board of Directors may elect to redeem all of the outstanding Rights at the Redemption Price.

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- (d) If the Board of Directors elects or is deemed to have elected to redeem the Rights and, in circumstances where Subsection 5.1(a) is applicable, the requisite consent is given by the holders of Voting Shares or Rights, as applicable, (i) the right to exercise the Rights will thereupon, without further action and without notice, terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price, and (ii) subject to Subsection 5.1(f), no further Rights shall thereafter be issued.
 - (e) Within 10 Business Days of the Board of Directors electing or having been deemed to have elected to redeem the Rights or, in circumstances where Subsection 5.1(a) is applicable, within 10 Business Days after the requisite consent is given by the holders of Voting Shares or Rights, as applicable, the Corporation shall give notice of redemption to the holders of the outstanding Rights by mailing such notice to each such holder at his last address as it appears upon the Rights Register or, prior to the Separation Time, on the register of Voting Shares maintained by the Corporation's transfer agent or transfer agents. Each such notice of redemption shall state the method by which the payment of the Redemption Price shall be made.
 - (f) Upon the Rights being redeemed pursuant to Subsection 5.1(c), all the provisions of this Agreement shall continue to apply as if the Separation Time had not occurred and Rights Certificates representing the number of Rights held by each holder of record of Voting Shares as of the Separation Time had not been mailed to each such holder and, for all purposes of this Agreement, the Separation Time shall be deemed not to have occurred and Rights shall remain attached to the outstanding Voting Shares, subject to and in accordance with the provisions of this Agreement.

5.2 Waiver of Flip-In Events

- (a) With the prior consent of the holders of Voting Shares obtained in accordance with Subsection 5.5(b), the Board of Directors may, at any time prior to the occurrence of a Flip-in Event that would occur by reason of an acquisition of Voting Shares otherwise than in the circumstances described in Subsection 5.2(b) or (c), waive the application of Section 3.1 to such Flip-in Event by written notice delivered to the Rights Agent.
- (b) The Board of Directors may, at any time prior to the occurrence of a Flip-in Event that would occur by reason of a Take-Over Bid made by means of a take-over bid circular sent to all holders of record of Voting Shares (which, for greater certainty, shall not include the circumstances described in Subsection 5.2(c)), waive the application of Section 3.1 to such Flip-in Event by written notice delivered to the Rights Agent, *provided, however*, that if the Board of Directors waives the application of Section 3.1 to such a Flip-in Event, the Board of Directors shall be deemed to have waived the application of Section 3.1 to any other Flip-in Event occurring by reason of any Take-Over Bid which is made by means of a take-over bid circular sent to all holders of record of Voting Shares prior to the expiry, termination or withdrawal of any Take-Over Bid in respect of which a waiver is, or is deemed to have been, granted under this Subsection 5.2(b).

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- (c) The Board of Directors may waive the application of Section 3.1 to a Flip-in Event provided that the following conditions are satisfied:
- (i) the Board of Directors has determined that the Acquiring Person became an Acquiring Person by inadvertence and without any intention to become, or knowledge that it would become, an Acquiring Person; and
 - (ii) such Acquiring Person has reduced its Beneficial Ownership of Voting Shares such that, at the time of the waiver pursuant to this Subsection 5.2(c), it is no longer an Acquiring Person.

5.3 Expiration

No Person shall have any rights pursuant to this Agreement in respect of any Right after the Expiration Time, except the Rights Agent as specified in Subsection 4.1(a).

5.4 Issuance of New Rights Certificates

Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Corporation may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by the Board of Directors to reflect any adjustment or change in the number or kind or class of shares purchasable upon exercise of Rights made in accordance with the provisions of this Agreement.

5.5 Supplements and Amendments

- (a) The Corporation may from time to time prior to or after the Separation Time amend, supplement or restate this Agreement without the approval of any holders of Rights or Voting Shares in order to correct any clerical or typographical error or, subject to Subsection 5.5(d), to maintain the validity and effectiveness of this Agreement as a result of any change in applicable laws, rules or regulatory requirements. The Corporation may, prior to the date of the shareholders' meeting referred to in Subsection 5.19(b), amend, supplement or restate this Agreement without the approval of any holders of Voting Shares or Rights in order to make any changes which the Board of Directors acting in good faith may deem necessary or desirable. Notwithstanding anything in this Section 5.5 to the contrary, no such amendment, supplement or restatement shall be made to the provisions of Article 4 except with the written concurrence of the Rights Agent to such amendment, supplement or restatement.
- (b) Subject to Subsection 5.5(a), the Corporation may, with the prior consent of the holders of Voting Shares obtained as set forth below, at any time prior to the Separation Time, amend, supplement, restate or rescind any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Such consent shall be deemed to have been given if the action requiring such approval is authorized by the affirmative vote of a majority of the votes cast by Independent Shareholders present or represented at and entitled to vote at a meeting of the holders of Voting Shares duly called and held in compliance with applicable laws and the articles and by-laws of the Corporation.

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- (c) Subject to Subsection 5.5(a), the Corporation may, with the prior consent of the holders of Rights obtained as set forth below, at any time after the Separation Time, amend, supplement, restate or rescind any of the provisions of this Agreement and the Rights (whether or not such action would materially adversely affect the interests of the holders of Rights generally). Such consent shall be deemed to have been given if the action requiring such approval is authorized by the affirmative vote of a majority of the votes cast by the holders of Rights (other than any holder of Rights whose Rights have become null and void pursuant to the provisions hereof) present or represented at and entitled to vote at a meeting of the holders of Rights. For the purposes hereof, the procedures for the calling, holding and conduct of a meeting of the holders of Rights shall be those, as nearly as may be, which are provided in the Corporation's by-laws with respect to meetings of its shareholders and each Right shall be entitled to one vote at any such meeting.
- (d) Any amendments, supplements or restatements made by the Corporation to this Agreement pursuant to Subsection 5.5(a) which are required to maintain the validity and effectiveness of this Agreement as a result of any change in any applicable laws, rules or regulatory requirements shall:
- (i) if made before the Separation Time, be submitted to the holders of Voting Shares at the next meeting of holders of Voting Shares and the holders of Voting Shares may, by the majority referred to in Subsection 5.5(b), confirm or reject such amendment, supplement or restatement; and
 - (ii) if made after the Separation Time, be submitted to the holders of Rights at a meeting to be called and held in accordance with the provisions of Subsection 5.5(c) and the holders of Rights may, by a majority referred to in Subsection 5.5(c), confirm or reject such amendment, supplement or restatement.

Any such amendment, supplement or restatement shall, unless the Board of Directors otherwise stipulates, be effective from the date of the resolution of the Board of Directors adopting such amendment, supplement or restatement, until it is confirmed or rejected or until it ceases to be effective (as described in the next sentence) and, where such amendment, supplement or restatement is confirmed, it shall continue in effect in the form so confirmed. If such amendment, supplement or restatement is rejected by the holders of Voting Shares or the holders of Rights or is not submitted to the holders of Voting Shares or holders of Rights as required, then such amendment, supplement or restatement shall cease to be effective from and after the termination of the meeting at which it was rejected or to which it should have been but was not submitted or if such a meeting of the holders of Rights is not called within 90 days after the date of the resolution of the Board of Directors adopting such amendment, supplement or restatement, at the end of such period, and no subsequent resolution of the Board of Directors to amend, supplement or restate this Agreement to substantially the same effect shall be effective until confirmed by the holders of Voting Shares or holders of Rights as the case may be.

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- (e) The Corporation shall give notice in writing to the Rights Agent of any amendment, supplement or restatement to this Agreement pursuant to Section 5.5 within five Business Days of the date of any such amendment, supplement or restatement, provided that failure to give such notice, or any defect therein, shall not affect the validity of any such amendment, supplement or restatement.

5.6 Fractional Rights and Fractional Shares

- (a) The Corporation shall not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights. Subject to Section 5.3, after the Separation Time there shall be paid to the registered holders of the Rights Certificates with regard to which fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the Market Price at the Separation Time of a whole Right in lieu of such fractional Rights. The Rights Agent shall have no obligation to make any payments in lieu of fractional Rights unless the Corporation shall have provided the Rights Agent with the necessary funds to pay in full all amounts payable in accordance with Subsection 2.2(e).
- (b) The Corporation shall not be required to issue fractional Common Shares upon exercise of the Rights or to distribute certificates which evidence fractional Common Shares. In lieu of issuing fractional Common Shares, the Corporation shall pay to the registered holder of Rights Certificates at the time such Rights are exercised as herein provided, an amount in cash equal to the same fraction of the Market Price at the date of such exercise of one Common Share. The Rights Agent shall have no obligation to make any payments in lieu of fractional Voting Shares unless the Corporation shall have provided the Rights Agent with the necessary funds to pay in full all amounts payable in accordance with Subsection 2.2 (e).

5.7 Rights of Action

Subject to the terms of this Agreement, rights of action in respect of this Agreement, other than rights of action vested solely in the Rights Agent, are vested in the respective holders of the Rights; and any holder of any Rights, without the consent of the Rights Agent or of the holder of any other Rights, may, on such holder's own behalf and for such holder's own benefit and the benefit of other holders of Rights, enforce, and may institute and maintain any suit, action or proceeding against the Corporation to enforce, or otherwise act in respect of, such holder's right to exercise such holder's Rights, or Rights to which such holder is entitled, in the manner provided in such holder's Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of, the obligations of any Person subject to this Agreement.

5.8 Holder of Rights Not Deemed a Shareholder

No holder, as such, of any Rights shall be entitled to vote, receive dividends or be deemed for any purpose the holder of Common Shares or any other securities which may at any time be issuable on the exercise of such Rights, nor shall anything contained herein or in any Rights Certificate be construed to confer upon the holder of any Rights, as such, any of the rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in Section 5.9), or to receive dividends or subscription rights or otherwise, until such Rights, or Rights to which such holder is entitled, shall have been exercised in accordance with the provisions hereof.

5.9 Notice of Proposed Actions

If after the Separation Time and prior to the Expiration Time:

- (i) there shall occur an adjustment in the rights attaching to the Rights pursuant to Section 3.1 as a result of the occurrence of a Flip-in Event; or
- (ii) the Corporation proposes to effect the liquidation, dissolution or winding up of the Corporation or the sale of all or substantially all of the Corporation's assets;

then, in each such case, the Corporation shall give to each holder of a Right, in accordance with Section 5.10, a notice of such event or proposed action, which shall specify the date on which such adjustment to the Rights occurred or liquidation, dissolution or winding up is to take place, and such notice shall be so given within 10 Business Days after the occurrence of an adjustment to the Rights and not less than 20 Business Days prior to the date of taking such proposed action by the Corporation.

5.10 Notices

Notices or demands to be given or made in connection with this Agreement by the Rights Agent or by the holder of any Rights to or on the Corporation shall be sufficiently given or made if delivered or sent by mail, postage prepaid or by fax (with, in the case of fax, an original copy of the notice or demand sent by first class mail, postage prepaid, to the Corporation following the giving of the notice or demand by fax), addressed (until another address is filed in writing with the Rights Agent) as follows:

Golden Star Resources Ltd.
10901 West Toller Drive
Suite 300
Littleton, Colorado
80127-6312

Attention: Vice President and Chief Financial Officer

Fax: (303) 830-9094

Notices or demands to be given or made in connection with this Agreement by the Corporation or by the holder of any Rights to or on the Rights Agent shall be sufficiently given or made if delivered or sent by mail, postage prepaid, or by fax (with, in the case of fax, an original copy of the notice or demand sent by first class mail, postage prepaid, to the Rights Agent following the giving of the notice or demand by fax), addressed (until another address is filed in writing with the Corporation) as follows:

CIBC Mellon Trust Company
1600, 1066 West Hastings Street
Vancouver, British Columbia V6E 3X1

Attention: Assistant Vice President

Fax: (604) 688-4301

Notices or demands to be given or made in connection with this Agreement by the Corporation or the Rights Agent to or on the holder of any Rights shall be sufficiently given or made if delivered or sent by first class mail, postage prepaid, or by fax (with, in the case of fax, an original copy of the notice or demand sent by first class mail, postage prepaid, to such holder following the giving of the notice or demand by fax), addressed to such holder at the address of such holder as it appears upon the register of the Rights Agent or, prior to the Separation Time, on the register of the Corporation for the Common Shares.

Any notice given or made in accordance with this Section 5.10 shall be deemed to have been given and to have been received on the day of delivery, if so delivered, on the third Business Day (excluding each day during which there exists any general interruption of postal service due to strike, lockout or other cause) following the mailing thereof, if so mailed, and on the day of faxing (provided such sending is during the normal business hours of the addressee on a Business Day and if not, on the first Business Day thereafter). Each of the Corporation and the Rights Agent may from time to time change its address for notice by notice to the other given in the manner aforesaid.

If mail service is or is threatened to be interrupted at a time when the Corporation or the Rights Agent wishes to give a notice or demand hereunder to or on the holders of the Rights, the Corporation or the Rights Agent may, notwithstanding the foregoing provisions of this Section 5.10, give such notice by means, of publication once in each of two successive weeks in the business section of the Financial Post and, so long as the Corporation has a transfer agent in the United States, in a daily publication in the United States designated by the Corporation, or in such other publication or publications as may be designated by the Corporation and notice so published shall be deemed to have been given on the date on which the first publication of such notice in any such publication has taken place.

5.11 Costs of Enforcement

The Corporation agrees that, if the Corporation fails to fulfil any of its obligations pursuant to this Agreement, then the Corporation will reimburse the holder of any Rights for the costs and expenses (including legal fees) reasonably incurred by such holder in actions to enforce his rights pursuant to any Rights or this Agreement.

5.12 Successors

All the covenants and provisions of this Agreement by or for the benefit of the Corporation or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

5.13 Benefits of this Agreement

Nothing in this Agreement shall be construed to give to any Person other than the Corporation, the Rights Agent and the holders of the Rights any legal or equitable right, remedy or claim under this Agreement; this Agreement shall be for the sole and exclusive benefit of the Corporation, the Rights Agent and the holders of the Rights.

5.14 Governing Law

This Agreement and each Right issued hereunder shall be deemed to be a contract made under the laws of the Province of British Columbia and for all purposes shall be governed by and construed in accordance with the laws of such Province applicable to contracts to be made and performed entirely within such Province.

5.15 Language

Les parties aux présentes ont exigé que la présente convention ainsi que tous les documents et avis qui s'y rattachent et/ou qui en découleront soient rédigés en langue anglaise. The parties hereto have required that this Agreement and all documents and notices related thereto and/or resulting therefrom be drawn up in the English language.

5.16 Counterparts

This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

5.17 Severability

If any term or provision hereof or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions hereof or the application of such term or provision to circumstances other than those as to which it is held invalid or unenforceable.

5.18 Determinations and Actions by the Board of Directors

All actions, calculations and determinations (including all omissions with respect to the foregoing) which are done or made by the Board of Directors in good faith pursuant to this Agreement, shall not subject the Board of Directors to any liability to the holders of the Rights.

5.19 Effective Date and Expiration Time

- (a) Notwithstanding its amendment and restatement as at the date hereof, and subject to Subsection 5.19(b), this Agreement:
 - (i) shall be effective and in full force and effect in accordance with its terms from and after the Close of Business on the Effective Date and shall amend, replace and supercede the 2004 Plan, and shall constitute the entire agreement between the parties pertaining to the subject matter hereof, as of the Effective Date; and
 - (ii) shall expire and be of no further force or effect from and after the Close of Business on the date (the “**Expiration Time**”) that is the earlier of (i) the Termination Time, and (ii) the date upon which the annual meeting of the holders of Voting Shares terminates in 2010.
- (b) Notwithstanding Subsection 5.19(a), if the Agreement is not approved by a resolution passed by a majority of the votes cast by Independent Shareholders who vote in respect of approval of this Agreement at the annual and special meeting of the holders of Voting Shares scheduled to be held on May 9, 2007, then the 2004 Plan and all outstanding Rights shall terminate and be null and void and of no further force and effect from and after the Close of Business on the Effective Date and this Agreement shall not become effective.

5.20 Regulatory Approvals

Any obligation of the Corporation or action or event contemplated by this Agreement, or any amendment, supplement or restatement of this Agreement, shall be subject to receipt of any requisite approval or consent from any governmental or regulatory authority having jurisdiction including, while any securities of the Corporation are listed and admitted to trading thereon, the TSX.

5.21 Time of the Essence

Time shall be of the essence of this Agreement.

5.22 Declaration as to Non-Canadian Holders

If in the opinion of the Board of Directors (who may rely on the advice of counsel) any action or event contemplated by this Agreement would require compliance with the securities laws or comparable legislation of a jurisdiction outside of Canada or the United States, the Board of Directors acting in good faith may take such actions as it may deem appropriate to ensure such

compliance. In no event shall the Corporation or the Rights Agent be required to issue or deliver Rights or securities issuable on the exercise of Rights to Persons who are citizens, residents or nationals of any jurisdiction other than Canada or the United States in which such issue or delivery would be unlawful without registration or the relevant Persons or securities for such purposes, or (until such notice is given as required by law) without advance notice to any regulatory or self-regulatory body.

IN WITNESS WHEREOF , the parties hereto have caused this Agreement to be duly executed as of the date first above written.

GOLDEN STAR RESOURCES LTD.

By: /s/ Peter J. Bradford

Name: Peter J. Bradford

Title: President

By: /s/ Thomas G. Mair

Name: Thomas G. Mair

Title: Senior Vice President and Chief Financial
Officer

CIBC MELLON TRUST COMPANY

By: /s/ Leslie MacFarlane

Name: Leslie MacFarlane

Title: Manager, Client Relations

By: /s/ Van Bot

Name: Van Bot

Title: Director, Relationship Management

EXHIBIT A

(Form of Rights Certificate)

Certificate No. _____

_____ Rights

THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE CORPORATION, ON THE TERMS SET FORTH IN THE SHAREHOLDER RIGHTS PLAN AGREEMENT. UNDER CERTAIN CIRCUMSTANCES (SPECIFIED IN SUBSECTION 3.1(b) OF THE SHAREHOLDER RIGHTS PLAN AGREEMENT), RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR ITS AFFILIATES OR ASSOCIATES OR ANY PERSON ACTING JOINTLY OR IN CONCERT WITH ANY OF THEM (AS SUCH TERMS ARE DEFINED IN THE SHAREHOLDER RIGHTS PLAN AGREEMENT) OR TRANSFEREES OF ANY OF THE FOREGOING WILL BECOME NULL AND VOID WITHOUT FURTHER ACTION.

Rights Certificate

This certifies that _____, or registered assigns, is the registered holder of the number of Rights set forth above, each of which entitles the registered holder thereof, subject to the terms, provisions and conditions of the Amended and Restated Shareholder Rights Plan Agreement dated as of May 9, 2007 amending and restating the Rights Agreement dated as of April 24, 1996, as amended on June 30, 1999, as amended and restated by the Amended and Restated Shareholder Rights Plan Agreement dated as of May 20, 2004, and as further amended, supplemented or restated from time to time (the "Rights Agreement") between Golden Star Resources Ltd., a corporation incorporated under the laws of Canada (the "Corporation") and CIBC Mellon Trust Company, a trust company incorporated under the laws of Canada, as Rights Agent (the "Rights Agent", which term shall include any successor Rights Agent under the Rights Agreement), to purchase from the Corporation at any time after the Separation Time and prior to the Expiration Time (as such terms are defined in the Rights Agreement), one fully paid common share of the Corporation (a "Common Share") at the Exercise Price referred to below, upon presentation and surrender of this Rights Certificate with the Form of Election to Exercise duly executed and submitted to the Rights Agent at its principal office in Vancouver, British Columbia or, with the approval of the Rights Agent, at any other office of the Rights Agent in the cities designated from time to time by the Corporation. Until adjustment thereof in certain events as provided in the Rights Agreement, the Exercise Price shall be \$<*> (Canadian) per Right.

In certain circumstances described in the Rights Agreement, each Right evidenced hereby may entitle the registered holder thereof to purchase more or less than one Common Share, all as provided in the Rights Agreement.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Rights Agent, the Corporation and the holders of the Rights. Copies of the Rights Agreement are on file at the registered office of the Corporation and are available upon written request.

This Rights Certificate, with or without other Rights Certificates, upon surrender at any of the offices of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing an aggregate number of Rights equal to the aggregate number of Rights evidenced by the Rights Certificate or Rights Certificates surrendered. If this Rights Certificate shall be exercised in part, the registered holder shall be entitled to receive, upon surrender hereof, another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be, and under certain circumstances are required to be, redeemed by the Corporation at a redemption price of Cdn.\$0.00001 per Right, subject to adjustment in certain events.

No fractional Common Shares will be issued upon the exercise of any Right or Rights evidenced hereby, but in lieu thereof, a cash payment will be made, as provided in the Rights Agreement.

No holder of this Rights Certificate, as such, shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Common Shares or any other securities which may at any time be issuable upon the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Corporation or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meeting or other actions affecting shareholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Rights evidenced by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Corporation and its corporate seal.

Date: _____

GOLDEN STAR RESOURCES LTD.

By: _____
Name:
Title:

By: _____
Name:
Title:

CIBC MELLON TRUST COMPANY

By: _____
Name:
Title:

By: _____
Name:
Title:

(To be attached to each Rights Certificate)

FORM OF ELECTION TO EXERCISE

TO:

The undersigned hereby irrevocably elects to exercise _____ whole Rights represented by the attached Rights Certificate to purchase the Common Shares issuable upon the exercise of such Rights and requests that certificates for such shares be issued in the name of:

Name

Address

Social Insurance, Social Security or other Taxpayer Identification Number _____

Dated

Per: _____

Signature

(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever)

Signature Guaranteed

Signature must be guaranteed by a Schedule 1 Canadian chartered bank, a major Canadian trust company or by a medallion guarantee by a member firm of a recognized Medallion Guarantee Program.

(To be completed if true)

The undersigned hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or by any Person acting jointly or in concert with any of the foregoing (all as defined in the Rights Agreement).

Signature

NOTICE

In the event the certification set forth above is not completed, the Corporation will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person (as defined in the Rights Agreement) and, accordingly, such Rights shall be null and void and not transferable or exercisable.

(To be executed by the registered holder if such holder desires to transfer the Rights evidenced by this Rights Certificate.)

FORM OF ASSIGNMENT

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto _____

(please print name and address of transferee)

the Rights evidenced by this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____ attorney, to transfer the within Rights on the books of the within-named Corporation, with full power of substitution.

Dated

Per: _____

Signature
(Signature must correspond to name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever)

Signature Guaranteed

Signature must be guaranteed by a Schedule 1 Canadian chartered bank, a major Canadian trust company or by a medallion guarantee by a member firm a recognized Medallion Guarantee Program.

(To be completed if true)

The undersigned hereby represents, for the benefit of all holders of Rights and Common Shares, that the Rights evidenced by this Rights Certificate are not, and, to the knowledge of the undersigned, have never been, Beneficially Owned by an Acquiring Person or an Affiliate or Associate thereof or by any Person acting jointly or in concert with any of the foregoing (as defined in the Rights Agreement).

Signature

NOTICE

In the event the certification set forth above is not completed, the Corporation will deem the Beneficial Owner of the Rights evidenced by this Rights Certificate to be an Acquiring Person (as defined in the Rights Agreement) and, accordingly, such Rights shall be null and void and not transferable or exercisable.

CERTIFICATION

I, Peter J. Bradford, certify that:

1. I have reviewed this report on Form 10-Q of Golden Star Resources Ltd. (“Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the periods covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting.
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of Registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: August 7, 2007

/s/ Peter J. Bradford

Peter J. Bradford
President and Chief Executive Officer

CERTIFICATION

I, Thomas G. Mair, certify that:

1. I have reviewed this report on Form 10-Q of Golden Star Resources Ltd. (“Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting.
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of Registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: August 7, 2007

/s/ Thomas G. Mair

Thomas G. Mair

Senior Vice President Finance and Chief Financial Officer

**Certification of Principal Executive Officer
Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)**

I, Peter J. Bradford, President and Chief Executive Officer of Golden Star Resources Ltd., certify, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended June 30, 2007 of Golden Star Resources Ltd. that:

- (1) The Quarterly Report on Form 10-Q fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained and incorporated by reference in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Golden Star Resources Ltd.

/s/ Peter J. Bradford

Peter J. Bradford

President and Chief Executive Officer

August 7, 2007

**Certification of Principal Financial Officer
Pursuant to 18 U.S.C. 1350 (Section 906 of the Sarbanes-Oxley Act of 2002)**

I, Thomas G. Mair, Senior Vice President Finance and Chief Financial Officer of Golden Star Resources Ltd., certify, to the best of my knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended June 30, 2007 of Golden Star Resources Ltd. that:

- (1) The Quarterly Report on Form 10-Q fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained and incorporated by reference in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Golden Star Resources Ltd.

/s/ Thomas G. Mair

Thomas G. Mair

Senior Vice President Finance and Chief Financial Officer

August 7, 2007