GOLDEN STAR RESOURCES LTD.

FORM 10-Q
(Quarterly Report)

Filed 11/06/06 for the Period Ending 09/30/06

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 11/6/2006 For Period Ending 9/30/2006

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

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 September 30, 2006

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	**98–0101955**
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
10901 West Toller Drive, Suite 300 **Littleton, Colorado**	**80127–6312**
(Address of Principal Executive Office)	(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:

Title of Each Class	Name of each exchange on which registered
Common Shares	**American Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act:
Warrants Issued February 2003

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 November 6, 2006: 207,845,758

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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$.” Euros are denoted as €.

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 24 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 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 establishment and estimates of mineral reserves and resources, recovery rates, production, production commencement dates, anticipated production rates in 2007, our plans to pursue alternative power sources, production costs, cash operating costs, total cash costs, grade, processing capacity, potential mine life, progress and completion of feasibility studies, permitting and licensing, development costs, expenditures, exploration activities and expenditures, equipment replacement, our plan to complete feasibility studies on the upper levels of the Prestea Underground and on the Hwini–Butre and Benso concessions, development and mining of the new Pampe project, our expansion plans for Bogoso/Prestea, anticipated completion of construction and commissioning of the Bogoso Sulfide Expansion Project and related permitting and capital costs, anticipated production, cash requirements and sources, progress of the second $15 million debt facility, production capacity, operating costs and gold recoveries and estimated capital spending in 2006.

The following, are among the factors that could cause actual results to differ materially from the forward–looking statements:

- unexpected changes in business and economic conditions;
- significant increases or decreases in gold prices;
- changes in interest and currency exchange rates;
- timing and amount of gold production;
- failure to realize the anticipated benefits from the St. Jude Properties;
- failure to develop reserves on the St. Jude Properties;
- unanticipated grade changes;
- unanticipated recovery or production problems;
- effects of illegal miners on our properties;
- changes in mining and processing costs including changes to costs of raw materials, supplies, services and labor;
- changes in material type that impacts mining and processing;
- availability and cost of skilled personnel, materials, equipment, supplies, power and water;
- changes in project parameters;
- costs and timing of development of new reserves;
- results of current and future exploration activities;
- results of pending and future feasibility studies;
- joint venture relationships;
- political or economic instability, either globally or in the countries in which we operate;
- local and community impacts and issues;
- timing of receipt of, and maintenance of, government approvals and permits;
- accidents and labor disputes;
- environmental costs and risks;
- marine transit and other shipping risks, including delays and losses;
- competitive factors, including competition for property acquisitions; 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. Your attention is drawn to other risk factors disclosed and discussed in Item 1A of our 2005 Form 10–K. We undertake no obligation to update forward–looking statements.

PART I

ITEM 1. FINANCIAL STATEMENTS

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

	As of September 30, 2006	As of December 31, 2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 10,043	$ 89,709
Accounts receivable	6,094	6,560
Inventories (Note 2)	43,776	23,181
Future tax assets	23	6,248
Fair value of derivatives (Note 12)	—	1,220
Deposits (Note 3)	10,096	5,185
Prepaids and other	1,089	686
Total Current Assets	71,121	132,789
RESTRICTED CASH	1,572	5,442
LONG TERM INVESTMENTS (Note 4)	1,456	8,160
DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 6)	165,715	167,532
PROPERTY, PLANT AND EQUIPMENT (Note 7)	87,400	84,527
MINING PROPERTIES (Note 8)	134,170	118,088
CONSTRUCTION IN PROGRESS (Note 9)	139,774	36,707
DEFERRED STRIPPING (Note 10)	—	1,548
FUTURE TAX ASSETS	3,695	8,223
OTHER ASSETS	1,351	1,587
Total Assets	$ 606,254	$ 564,603
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 31,918	$ 26,144
Fair value of derivatives (Note 12)	1,016	4,709
Asset retirement obligations (Note 13)	3,661	3,107
Current debt (Note 11)	5,812	6,855
Total Current Liabilities	42,407	40,815
LONG TERM DEBT (Note 11)	66,917	64,298
ASSET RETIREMENT OBLIGATIONS (Note 13)	13,916	8,286
FAIR VALUE OF DERIVATIVES (Note 12)	—	7,263
FUTURE TAX LIABILITY	42,202	45,072
Total liabilities	165,442	165,734
MINORITY INTERESTS	7,345	6,629
COMMITMENTS AND CONTINGENCIES (Note 14)	—	—
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 15)		
First preferred shares, without par value, unlimited shares authorized. No shares issued	—	—
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 207,845,758 at September 30, 2006; 205,954,582 at December 31, 2005	524,481	522,510
CONTRIBUTED SURPLUS	9,832	6,978
EQUITY COMPONENT OF CONVERTIBLE NOTES	2,857	2,857
DEFICIT	(103,703)	(140,105)
Total Shareholders' Equity	433,467	392,240
Total Liabilities and Shareholders' Equity	$ 606,254	$ 564,603

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 amounts)
(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2006	September 30, 2006	September 30, 2006	September 30, 2006
REVENUE				
Gold sales	$ 35,996	$ 23,235	$ 89,607	$ 63,329
Royalty income	186	952	4,026	3,071
Interest and other	372	561	1,833	1,322
Total revenues	36,554	24,748	95,466	67,722
PRODUCTION EXPENSES				
Mining operations	22,618	20,060	67,169	52,026
Depreciation, depletion and amortization	5,142	4,639	15,946	10,552
Accretion of asset retirement obligation (Note 13)	190	172	544	540
Total mine operating costs	27,950	24,871	83,659	63,118
OPERATING EXPENSES Exploration expense	414	191	1,004	605
General and administrative expense	1,887	1,556	7,040	6,504
Corporate development expense	—	37	—	147
Total production and operating expenses	30,251	26,655	91,703	70,374
Operating income/(loss)	6,303	(1,907)	3,763	(2,652)
OTHER EXPENSES, (GAINS) AND LOSSES				
Derivative mark-to-market (gain)/loss (Note 12)	(1,382)	5,486	9,346	7,412
Abandonment and impairment of mineral properties	1,849	—	1,849	1,083
Gain on sale of partial investment in EURO (Note 5)	—	—	(20,940)	—
Gain on sale of investment in Moto (Note 4)	—	—	(30,294)	—
Loss on equity investments	—	75	—	185
Interest expense	487	853	1,448	1,705
Foreign exchange (gain)/loss	1,118	(111)	(2,339)	732
Income/(loss) before minority interest	4,231	(8,210)	44,693	(13,769)
Minority interest	(672)	(136)	(716)	(516)
Net income/(loss) before income tax	3,559	(8,346)	43,977	(14,285)
Provision for future income taxes (Note 18)	(604)	1,689	(7,575)	1,710
Net income/(loss)	**$ 2,955**	**$ (6,657)**	**$ 36,402**	**$ (12,575)**
Deficit, beginning of period	(106,658)	(132,492)	(140,105)	(126,574)
Deficit, end of period	$(103,703)	$(139,149)	$(103,703)	$(139,149)
Net income/(loss) per common share — basic (Note 19)	$ 0.014	$ (0.047)	$ 0.176	$ (0.088)
Net income/(loss) per common share — diluted (Note 19)	$ 0.014	$ (0.047)	$ 0.174	$ (0.088)
Weighted average shares outstanding (millions of shares)	207.3	142.8	207.4	142.5

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)

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
OPERATING ACTIVITIES:				
Net income/(loss)	$ 2,955	$ (6,657)	$ 36,402	$ (12,575)
Reconciliation of net income to net cash provided by/(used in) operating activities:				
Depreciation, depletion and amortization	5,163	4,709	15,998	10,623
Amortization of loan acquisition cost	27	30	171	105
Deferred stripping	516	(1,920)	1,548	(1,803)
Loss on equity investment	—	75	—	185
Gain on sale of investment in Moto and EURO	—	—	(51,234)	—
Non-cash employee compensation	522	98	1,583	900
Impairment of deferred exploration projects	1,849	—	1,849	1,083
Income tax expense/(benefit)	604	(1,689)	7,883	(1,710)
Reclamation expenditures	(434)	(176)	(957)	(468)
Fair value of derivatives	(1,900)	5,485	3,971	7,412
Accretion of convertible debt	177	174	529	348
Accretion of asset retirement obligations	190	172	544	540
Minority interests	672	136	716	516
	10,341	437	19,003	5,156
Changes in assets and liabilities:				
Accounts receivable	1,169	1,769	(1,441)	(1,119)
Inventories	(7,976)	(4,694)	(20,596)	(10,353)
Deposits	1,832	830	(838)	(127)
Accounts payable and accrued liabilities	2,485	3,839	4,286	5,607
Other	(528)	(410)	(334)	(317)
Net cash provided by/(used in) operating activities	7,323	1,771	80	(1,153)
INVESTING ACTIVITIES:				
Expenditures on deferred exploration and development	(1,543)	(1,719)	(6,340)	(3,782)
Expenditures on mining properties	(4,164)	(10,455)	(11,926)	(23,918)
Expenditures on property, plant and equipment	(4,587)	(6,279)	(10,837)	(25,372)
Expenditures on mine construction in progress	(32,172)	(13,084)	(101,574)	(19,123)
Cash invested in short term investments	—	—	(21,080)	—
Cash provided by short term investments	21,080	22,750	21,080	19,100
Cash provided by restricted cash	3,521	—	3,870	—
Expenditure on purchase of Moto shares	—	—	(1,656)	—
Proceeds from sale of investment in Moto	—	—	38,952	—
Proceeds from sale of investment in EURO	—	—	3,239	—
Change in payable on capital expenditures	(3,342)	9,071	733	9,071
Sale of property	—	—	—	1,000
Deposits	(2,291)	(161)	(4,073)	(2,415)
Other	(396)	879	(760)	(1,627)
Net cash provided by/(used in) investing activities	(23,894)	1,002	(90,372)	(47,066)
FINANCING ACTIVITIES:				
Issuance of share capital, net of issue costs	115	877	3,392	1,177
Debt repayments (Note 11)	(1,361)	(1,087)	(5,050)	(1,972)
Issuance of debt (Note 11)	6,978	3,000	12,431	58,330
Equity portion of convertible notes	—	—	—	2,857
Other	—	(52)	(149)	(1,153)
Net cash provided by financing activities	5,732	2,738	10,624	59,239
Increase/(decrease) in cash and cash equivalents	(10,839)	5,511	(79,666)	11,020
Cash and cash equivalents, beginning of period	20,882	18,386	89,709	12,877
Cash and cash equivalents end of period	$ 10,043	$ 23,897	$ 10,043	$ 23,897

(See Note 20 for supplemental cash flow information)

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

These consolidated financial statements and the accompanying notes 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, 2005, on file with Securities and Exchange Commission and with the Canadian securities commissions. Financial information is presented in accordance with accounting principles generally accepted in Canada.

In early 2006, it was determined that hedge accounting had been improperly applied by our subsidiary, EURO Resources S.A. ("EURO") for their cash–settled forward gold price agreements during the first three quarters of 2005. As a result, our Form 10–Qs for the first three quarters of 2005 were amended to apply derivative accounting rather than hedge accounting to EURO's derivatives. In this Form 10–Q, comparative amounts for the third quarter and for the first nine months of 2005 reflect the restatement.

In management's opinion, the unaudited consolidated financial statements for the three and nine months ended September 30, 2006 and September 30, 2005 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.

In certain cases prior period amounts have been revised to reflect current period presentation.

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"),
- Prestea Underground property ("Prestea Underground"),
- Wassa property ("Wassa"), and
- Hwini–Butre and Benso concessions ("St. Jude 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 132,000 ounces of gold during 2005.

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. Construction and commissioning of Wassa's new processing plant and open pit mine was completed at the end of March 2005 and the project was placed in service on April 1, 2005. Wassa produced and sold approximately 69,000 ounces of gold in 2005 following its April 2005 in–service date.

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 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 St. Jude Properties in southwest Ghana. The St. Jude Properties consist of the Hwini–Butre and Benso concessions which together cover an area of 201 square kilometers. Both concessions contain undeveloped zones of gold mineralization. The Hwini-Butre and Benso concessions are located approximately 75 and 45 kilometers south of Wassa, respectively based on the proposed haulage route. The mineralized zones have been delineated through the efforts of the prior owner who conducted extensive exploration work from the mid–1990s to 2005.

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 and Chile through a 16.5% shareholding investment in Goldmin Consolidated Holdings. Golden Star also own a 43% interest in EURO Resources S.A. ("EURO"), a French publicly–traded royalty holding company which owns a royalty interest based on gold production at Cambior Inc.'s Rosebel gold mine in Suriname.

Our corporate headquarters are located in Littleton, Colorado, USA and we also maintain a regional corporate office in Accra, Ghana. Our accounting records are kept in compliance with Canadian GAAP. All of our operations, except for certain exploration projects keep financial records in US dollars.

2. Inventories

	As of September 30, 2006	As of December 31, 2005
Stockpiled ore	$ 17,855	$ 5,753
In–process	3,231	3,106
Materials and supplies	22,690	14,322
Total	$ 43,776	$ 23,181

3. Deposits

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

4. Long Term Investments

We hold a 16.5% interest in Goldmin Consolidated Holdings, a privately held gold exploration company which operates in South America. In the year ended December 31, 2005 we accounted for our investment as an equity investment, but by March 31, 2006 our investment was diluted to less than 20%, and we now account for the investment on the cost basis at $1.5 million.

At December 31, 2005 we held approximately 11% of the outstanding common shares of Moto Goldmines Limited ("Moto"), a gold exploration and development company publicly traded in Canada, with a focus on gold exploration and development in the Democratic Republic of Congo. In March 2006 we exercised our remaining one million warrants increasing our total ownership to six million common shares, and immediately afterward sold all six million common shares in a "bought–deal" transaction in Canada for Cdn$7.50 per share. The sale of the six million shares resulted in net proceeds to Golden Star of $39.0 million (Cdn$45.0 million) yielding a pre–tax capital gain of $30.3 million.

5. Investment in EURO

EURO's most significant asset is its royalty from the Rosebel mine in Suriname, owned and operated by Cambior Inc. Additionally, EURO holds certain gold exploration and development mineral rights in French Guiana, which are the subject of joint venture arrangements. At March 31, 2006 we owned 53% of EURO's outstanding common shares and as such consolidated EURO's financial results with our own.

During the second quarter of 2006 we sold 362,029 of our EURO shares in open market transactions realizing approximately $0.7 million of cash. On June 19, 2006 we sold an additional four million EURO shares in a private transaction receiving $2.5 million of cash. The purchasers of the four million shares have agreed to pay additional consideration to Golden Star if they sell the shares at a gain.

The combined share sales during the second quarter diluted our holding in EURO's common shares to approximately 43%. In response to our reduced ownership position, the equity method of accounting was adopted on June 20, 2006 for our remaining interest in EURO. Under the equity accounting method, our consolidated financial statements no longer include EURO's assets and liabilities which at March 31, 2006 included $3.2 million of net current assets, $5.6 million of tax assets, $7.0 million of bank loans and $14.9 million of derivative liabilities. The net effect of the change in accounting method resulted in recognition of $17.7 million of non-cash gains in the second quarter of 2006. The total gain from the change in our EURO ownership position, consisting of $3.2 million in cash received from sale of shares and $17.7 million from the change in accounting method, is $20.9 million.

Under the equity method accounting rules, Golden Star will recognize a share of EURO's future earnings/losses in proportion to Golden Star's ownership position at the end of each period (currently 43%). Golden Star has a zero carrying value for its investment in EURO, and future gains and losses will not be recognized until such time as EURO's future income offsets accumulated deficits. The value of our remaining 21.4 million EURO common shares was $33.9 million based on EURO's closing share price on September 30, 2006.

6. Deferred Exploration and Development Costs

Consolidated property expenditures on our exploration projects for the nine months ended September 30, 2006 were as follows:

	Deferred Exploration & Development Costs as of 12/31/05	Capitalized Exploration Expenditures	Acquisition Costs	Impairments	Transfer to mining properties	Deferred Exploration & Development Costs as of 9/30/06
AFRICAN PROJECTS						
Akropong trend and other Ghana	$ 4,947	$ 80	$ —	$ —	$ (4,209)	$ 818
Prestea property – Ghana	2,074	25	—	—	(2,099)	—
Hwini–Butre and Benso – Ghana	135,832	3,194	1,897	—	—	140,923
Mano River – Sierra Leone	1,285	555	—	(197)	—	1,643
Afema – Ivory Coast	1,028	494	—	—	—	1,522
Goulagou – Burkina Faso	18,247	173	254	—	—	18,674
Other Africa	1,750	357	(1,090)	—	—	1,017
SOUTH AMERICAN PROJECTS						
Saramacca – Suriname	731	131	—	—	—	862
Bon Espoir – French Guiana	1,382	268	—	(1,650)	—	—
Other South America	256	—	—	—	—	256
Total	$ 167,532	$ 5,277	$ 1,061	$ (1,847)	$ (6,308)	$ 165,715

7. Property, Plant and Equipment

	As of September 30, 2006			As of December 31, 2005		
	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	$ 46,578	$ 11,821	$ 34,757	$ 40,802	$ 8,240	$ 32,562
Prestea Underground	3,287	—	3,287	2,748	—	2,748
Wassa	55,073	6,204	48,869	50,701	1,985	48,716
EURO Resources	—	—	—	1,456	1,449	7
Corporate & Other	656	169	487	611	117	494
Total	$ 105,594	$ 18,194	$ 87,400	$ 96,318	$ 11,791	$ 84,527

8. Mining Properties

	As of September 30, 2006			As of December 31, 2005		
	Mining Properties at Cost	Accumulated Amortization	Mining Properties, Net Book Value	Mining Properties at Cost	Accumulated Amortization	Mining Properties, Net Book Value
Bogoso/Prestea	$ 53,249	$ 32,393	$ 20,856	$ 46,970	$ 28,792	$ 18,178
Prestea Underground	27,543	—	27,543	21,612	—	21,612
Bogoso Sulfide	13,065	—	13,065	13,065	—	13,065
Mampon	15,631	—	15,631	15,062	—	15,062
Wassa	54,760	9,425	45,335	50,810	5,104	45,706
Other	11,740	—	11,740	4,465	—	4,465
Total	$ 175,988	$ 41,818	$ 134,170	$ 151,984	$ 33,896	$ 118,088

9. Mine Construction–in–Progress

At September 30, 2006 and at December 31, 2005, 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 September 30, 2006	As of December 31, 2005
Plant construction cost	$ 107,983	$ 34,871
Mining equipment cost	13,667	—
Pre-production stripping cost	13,019	—
Capitalized Interest	5,105	1,836
Total	$ 139,774	$ 36,707

10. Deferred Stripping

The amount of stripping costs to be capitalized in each period is calculated by determining the tonnes of waste moved in excess of the life–of–pit average strip ratio and valuing the excess tonnage of removed waste at the average mining cost per tonne during the period. Costs are recovered in periods when the actual tonnes of waste moved are less than the average life–of–pit rate, such tonnes being valued at the rolling average cost of the waste tonnage amounts capitalized.

The capitalized component of waste rock removal costs is shown on our consolidated balance sheets in the line item titled “Deferred Stripping.” The cost impact is included in the Statements of Operations in the line item titled “Mining operations.”

During the quarter ended September 30, 2006 all the remaining deferred stripping cost of $0.5 million was recovered.

11. Debt

	As of September 30, 2006	As of December 31, 2005
Current debt:		
Bank loan – EURO Resources (Note a)	$ –	$ 2,667
Equipment financing loans (Note b)	5,812	4,188
Total current debt	$ 5,812	$ 6,855
Long term debt:		
Bank loan – EURO Ressources (Note a)	$ –	$ 5,000
Equipment financing loans (Note b)	18,722	11,632
Convertible notes (Note c)	48,195	47,666
Total long term debt	$ 66,917	$ 64,298

(a) Bank debt – As a result of the sale of the EURO shares in June 2006 (see Note 5), Golden Star no longer consolidates the financial statements of EURO. Therefore the EURO bank loan is not included within consolidated debt as of September 30, 2006.

(b) Equipment financing credit facility – We have established 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 a mixture of new and used mining equipment. This facility is reviewed annually. 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%. As of September 30, 2006, $24.5 million was outstanding under this facility. The average interest rate on the outstanding loans is approximately 6.7%. We estimate the fair value of the equipment financing facility to be approximately $24.0 million at September 30, 2006.

(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% with 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 i.) cash, ii.) by issuing common shares to the note holders or iii.) 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 of the 20 trading day period ended five days before the notes are due. Due to the beneficial conversion feature, 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 $5.1 million of interest on the convertible notes has been capitalized as Bogoso sulfide expansion project costs. We estimate the fair value of the convertible notes to be approximately $39.2 million at September 30, 2006.

(d) Debt facility – In October 2006 we finalized a debt facility of $15 million with two Ghanaian banks. See Note 25 – Subsequent events for further detail of this transaction.

12. Derivatives

EURO – In January 2005, EURO, then a majority owned subsidiary, entered into a series of derivative contracts in conjunction with a $6.0 million loan agreement. EURO's derivatives are tied to a future stream of gold royalty payments EURO expects to receive from Cambior Inc., which purchased a mining property interest from Golden Star in 2002. Golden Star originally owned the royalty but sold the royalty to EURO in 2004. In September 2005, EURO entered into a second set of derivative contracts related to a further $3.0 million debt facility.

During 2005, we recorded a realized derivative loss of $0.5 million for cash settlement of the first four quarterly tranches and we recorded $9.6 million of unrealized, non–cash, mark–to–market losses as of December 31, 2005. At June 30, 2006 we recorded $0.8 million payments to EURO's counterparties for expiring positions and an additional $4.1 million mark–to–market loss for the period ended June 19, 2006.

As a result of the sale of the EURO shares in June 2006 (see Note 5), Golden Star no longer consolidates the financial statements of EURO. Therefore the EURO derivative contract liability is not included in our consolidated balance sheet as of September 30, 2006.

Gold Derivatives – To provide gold price protection during the 2005/2006 construction phase of the Bogoso Sulfide Expansion Project, we purchased a series of gold puts. The first purchase occurred in the second quarter of 2005 when we purchased put options on 140,000 ounces of gold at an average floor price of $409.75, paying approximately $1.0 million in cash for the options.

We purchased an additional 90,000 put options in the third quarter of 2005 locking in a $400 per ounce floor for each of the 90,000 ounces. Increases in gold price during the first nine months of 2006 resulted in a nil value for our remaining puts at September 30, 2006. This was $0.1 million less than the value at December 31, 2005 and approximately $1.0 million less than the initial purchase cost. We have 75,000 ounces of put options with an average strike price of $404 per ounce remaining at September 30, 2006.

To acquire the put options in the third quarter of 2005, we sold 90,000 ounces of call options with a strike price of $525 per ounce. The revenue from the sale of the call options exactly offset the cost of the put options bought in the same quarter. At the beginning of 2006 there were 65,000 call options outstanding. During the second quarter of 2006 we bought back 30,000 ounces of call options for $2.6 million. The lower number of call options held by the Company at September 30, 2006 resulted in a $1.2 million decrease in settlement costs of the calls and accordingly we recorded a $1.2 million mark–to–market gain on the calls. In addition, call options for 23,000 ounces were exercised during the first nine months of 2006 requiring a $2.0 million payment to the counterparty. The payment is included in derivative loss in the Statement of Operations. At September 30, 2006 our gold call obligation consists of 12,000 ounces at $525 per ounce.

Foreign Currency Forward Positions – To help control the potential adverse impact of fluctuations in foreign currency exchange rates on the cost of equipment and materials we expect to purchase during the 2006 construction phase of the Bogoso Sulfide Expansion Project, we entered into Rand forward contracts. These contracts, established without cost, had a fair value of nil and $1.0 million at September 30, 2006 and December 31, 2005, respectively.

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The following table summarizes our derivative contracts at September 30, 2006:

At September 30, 2006	2006	2007	Total/ Average
Gold put options			
Ounces (thousands)	37.5	37.5	75
Average price per ounce ($)	404	404	404
Gold call options			
Ounces (thousands)	6	6	12
Average price per ounce ($)	525	525	525

The puts, calls and foreign exchange forward contracts are comprised of numerous individual contracts each with a different settlement date.

Fair Value of Derivatives	September 30, 2006	Fair value of EURO derivative on June 19, 2006	December 31, 2005	Nine months (Expense)/ Gain
Cash–settled forward gold price agreements	$ —	$ (13,707)	$ (9,560)	$ (4,147)
Puts	—	—	74	(74)
Calls	(1,016)	—	(2,250)	1,234
Rand forward purchases	—	—	1,146	(1,146)
Euro forward purchases	—	—	(162)	162
Unrealized loss	$ (1,016)	$ (13,707)	$ (10,752)	$ (3,971)
Realized losses:				
Cash–settled forward gold price agreements				(757)
Calls				(4,618)
Total gains/(losses)				$ (9,346)

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, 2005	$ 11,393
Accretion expense	544
Cost of reclamation work performed	(957)
New AROs incurred during the period	6,597
Balance at September 30, 2006	$ 17,577
Current portion	$ 3,661
Long term portion	$ 13,916

During the quarter we increased our estimate of the asset retirement obligation at Bogoso/Prestea and Wassa as a result of the greater reclamation liability associated with the Bogoso Sulfide Expansion Project and the mining of the SAK pits at Wassa. The increased liability relates to the reclamation associated with the removal of the plant, the expanded tailings facility and the increased size of the pits and dumps. We also completed a reclamation study for bonding purposes with the Ghana Environmental Protection Agency (“EPA”) and updated our cost estimates based on the results of the study.

14. Commitments and Contingencies

Our commitments and contingencies include the following items:

(e) **Environmental Regulations –** The Company’s mining 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.

(f) **Environmental Bonding in Ghana –** In 2005, pursuant to a reclamation bonding agreement between the 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.

(g) **Cash Restricted for Environmental Rehabilitation Liabilities** – In 1999, we were required, according to the acquisition agreement with the sellers of GSBPL, to restrict $6.0 million of cash to be used for the ongoing and final reclamation and closure costs at Bogoso. Between 1999 and 2001 we withdrew $2.6 million of the restricted cash to cover our out–of–pocket cash reclamation costs. In early 2006 GSBPL met the EPA’s bonding requirements and as a result the sellers of GSBPL released the remaining $3.5 million during September 2006.

(h) **Royalties** –

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(i) **Afema Project** – On March 29, 2005 we entered into an agreement with Societe 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 their 90% interest in the Afema gold property in south–east Cote d'Ivoire. A $0.1 million initial payment to SO.DE.MI. provided us the right to carry out a six month detailed technical due diligence program. On September 30, 2005 a six month extension to March 29, 2006 was granted by SO.DE.MI. to allow Golden Star to carry out further due diligence work and to analyze the large quantity of data collected during 2005, after which 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. On March 14, 2006, we contacted SO.DE.MI. to clarify that (i) Golden Star will be indemnified in respect of the past environmental degradation at Afema, and (ii) that no other claims against the property exist. SO.DE.MI. is still considering its response to the latter question and hence the option remains unexercised pending their decision. In addition to the acquisition payments, 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. If we proceed with the $1.5 million payment to acquire 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.

(j) **Stock based compensation** – On September 9, 2006 GSBPL and GSWL entered into an agreement with the Ghana Mine Workers Union whereby GSBPL and GSWL agreed to grant each union employee in employment on August 31, 2006 Golden Star options or at our election, Share Appreciation Rights ("SAR's"). The union employees will receive 100 options (or SAR's) for each year of service up to a maximum of 500 options (or SAR's). While the grant of these options (or SAR's) have been approved they still have not been granted to the union employees as of September 30, 2006.

(k) 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 nine months ended September 30, 2006 were:

	Shares	Amount
Balance as of December 31, 2005	205,954,582	$522,510
Common shares issued:		
Option exercises	1,887,176	4,680
Reclassification of warrants to capital surplus	—	(2,575)
Bonus shares and other	4,000	(134)
Balance as of September 30, 2006	207,845,758	$524,481

16. Warrants

The following warrants were outstanding as of September 30, 2006:

Issued with:	Date issued	Warrants outstanding	Exercise price	Expiration date
Equity offering	February 14, 2003	8,448,334	Cdn$4.60	February 14, 2007
St. Jude acquisition	December 21, 2005	3,240,000	Cdn$4.17	November 20, 2008
Total		11,688,334		

The 8.4 million warrants expiring February 14, 2007 are traded on the Toronto Stock Exchange under the symbol GSC.WT.A. No warrants were exercised during the nine months ended September 30, 2005 and 2006.

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 GSR 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 11,456,351 is available at September 30, 2006. Options take the form of non–qualified stock options, and the exercise price of each option is not less than the market price 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 of which 864,000 remain unexercised as of September 30, 2006. 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:

	Nine months ended September 30,	
	2006	2005
Total cost during the period	$1,568	$900

We granted 850,650 and 514,000 options during the nine months ended September 30, 2006 and September 30, 2005, respectively. The Company recognized $1.6 million and $0.9 million of non–cash compensation expense in the nine months ended September 30, 2006 and 2005, respectively. Golden Star does 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 nine months ended September 30, 2006 and 2005.

The fair value of options granted during the first nine months of 2006 and 2005 were estimated at the grant dates using the Black–Scholes option–pricing model based on the assumptions noted in the following table:

	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Expected volatility	63.7% to 103.4%	34.9%
Risk–free interest rate	4.00% to 4.09%	3.15% to 3.52%
Expected lives	4 to 7 years	3.5 to 5 years
Dividend yield	0%	0%

In 2006 expected volatilities are based on the historical volatility of Golden Star's shares. 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 option 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 September 30, 2006 and changes during the nine months then ended is presented below:

	Options (000')	Weighted–Average Exercise price (Cdn$)	Weighted–Average Remaining Contractual Term (Years)	Aggregate intrinsic value ($000)
Outstanding as of December 31, 2005	7,390	2.75	5.2	$9,554
Granted	851	3.88	9.4	—
Exercised	(1,887)	1.97	—	2,209
Forfeited	(136)	7.07		
Outstanding as of September 30, 2006	6,218	3.02	5.6	7,073
Exercisable at September 30, 2006	3,954	1.78	4.0	$7,073

The weighted–average grant date fair value of share options granted during the nine months ended September 30, 2006 and September 30, 2005 was Cdn$2.70 and Cdn$1.67, respectively. The intrinsic value of options exercised during the nine months ended September 30, 2006 and 2005 was $2.2 million and $0.2 million, respectively.

A summary of the status of non–vested options at September 30, 2006 and changes during the nine months ended September 30, 2006, is presented below:

	Number of options ('000)	Weighted average grant date fair value (Cdn$)
Nonvested at January 1, 2006	155	2.03
Granted	851	2.74
Vested	(466)	2.61
Forfeited	(71)	2.09
Nonvested at September 30, 2006	469	2.74

As of September 30, 2006 there was a total unrecognized compensation cost of Cdn$1.2 million related to non–vested share–based compensation granted under the Plan. That cost is expected to be recognized over a weighted–average period of 2.3 years. The total fair values of shares vested during the nine months ended September 30, 2006 and 2005 were Cdn$1.2 million and Cdn$0.4 million, respectively.

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 495,162 common shares had been issued as of September 30, 2006.

During the nine months ended September 30, 2006 and 2005 we issued 4,000 and 45,342 common shares, respectively, to employees under the Bonus Plan.

18. Income Taxes

Income tax (expense)/benefit attributable to net income before income taxes consists of:

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Current				
Canada	$ —	$ —	$ (4,926)	$ —
Foreign	—	—	—	—
Future				
Canada	61	—	3,179	—
Foreign	(665)	1,689	(5,828)	1,710
Total	$ (604)	$ 1,689	$ (7,575)	$ 1,710

The current tax expense recorded for the nine months ended September 30, 2006 relates to the gain on sale of the Moto shares. The Canadian future tax benefit recorded relates primarily to exploration expenditures incurred by St. Jude. The foreign future tax expense recorded for the nine months ended September 30, 2006 relates primarily to the sale of EURO (see Note 5) and the decrease in the Ghanaian tax rate, which is offset by derivative losses incurred. 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.

19. Earnings per Common Share

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

	Three months ended September 30, 2006	Three months ended September 30, 2005	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Net income/(loss)	$ 2,955	$ (6,657)	$ 36,402	$ (12,575)
Weighted average number of common shares (millions)	207.3	142.8	207.4	142.5
Dilutive securities:				
Options	1.9	1.8	2.0	1.9
Warrants	—	—	—	—
Weighted average number of diluted shares	209.2	144.6	209.4	144.4
Basic earnings/(loss) per share	$ 0.014	$ (0.047)	$ 0.176	$ (0.088)
Diluted earnings/(loss) per share	$ 0.014	$ (0.047)	$ 0.174	$ (0.088)

20. Supplemental Cash Flow Information

No cash income taxes were paid during the nine months ended September 30, 2006 and 2005. Cash paid for interest was $2.9 million and $1.1 million for September 30, 2006 and 2005, respectively. A total of $53,000 and nil of depreciation was included in general and administrative costs, or was capitalized into projects, for the quarters ended September 30, 2006 and 2005, respectively.

	Nine months ended September 30, 2006	Nine months ended September 30, 2005
Supplemental disclosure of non-cash transactions		
De-consolidation of EURO (see Note 5):		
- Accounts receivable	$2,341	—
- Capitalized loan fees	91	—
- Accounts Payable	754	—
- Derivative liability	6,333	—

21. 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.

As of and for the three months ended September 30,	Africa – Ghana			South America	Corporate	Total
	Bogoso/ Prestea	Wassa	Other			
2006						
Revenues	$ 21,544	$ 14,529	$ 2	$ 170	$ 309	$ 36,554
Net income/(loss)	6,932	321	(204)	(164)	(3,930)	2,955
Total assets	291,381	107,028	196,184	7,849	3,812	606,254
2005						
Revenues	$ 12,856	$ 10,500	$ —	$ 1,058	$ 334	$ 24,748
Net income/(loss)	1,667	(3,660)	(1,331)	(2,654)	(679)	(6,657)
Total assets	131,575	98,512	45,531	7,684	42,354	325,656

As of and for the nine months ended September 30,	Africa – Ghana			South America	Corporate	Total
	Bogoso/ Prestea	Wassa	Other			
2006						
Revenues	$ 48,001	$ 41,808	$ 18	$ 4,186	$ 1,453	$ 95,466
Net income/(loss)	7,789	(1,930)	2,820	(3,936)	31,659	36,402
Total assets	291,381	107,028	196,184	7,849	3,812	606,254

As of and for the nine months ended September 30,	Africa – Ghana Bogoso/ Prestea	Wassa	Other	South America	Corporate	Total
2005						
Revenues	$ 43,806	$19,690	$ —	$ 3,177	$ 1,049	$ 67,722
Net income/(loss)	5,278	(6,336)	(1,331)	(2,263)	(7,923)	(12,575)
Total assets	131,575	98,512	45,531	7,684	42,354	325,656

22. Related Parties

We obtained legal services from a legal firm to which our Chairman is counsel. Total value of all services purchased from this law firm during the first nine months 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.

During the first quarter of 2006, a corporation controlled by Michael A. Terrell, a director of Golden Star, provided management services to St. Jude for which it was paid Cdn$0.13 million. Mr. Terrell became a director of Golden Star following our acquisition of St. Jude in December 2005. Mr. Terrell's company ceased providing services to St. Jude at March 31, 2006.

23. 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.

24. 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 September 30, 2006	As of December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,043	$ 89,709
Accounts receivable	6,094	6,560
Inventories	43,776	23,181
Future tax assets	23	6,248
Fair value of derivatives	—	1,220
Deposits	10,096	5,185
Other current assets	1,089	686
Total current assets	71,121	132,789
Restricted cash	1,572	3,865
Long term investments (Notes d1 and d2)		15,182
Deferred exploration and development costs (Notes d3 and d4)	—	—
Property, plant and equipment (Note d5)	86,686	83,813
Mine construction in progress	139,774	36,706
Mining properties (Notes d3, d4 and d5)	244,285	237,153
Deferred stripping (Note d6)	—	1,548
Future tax asset (Note d10)	3,695	8,223
Other assets	1,351	3,164
Total assets	$ 548,484	$ 522,443
LIABILITIES		
Current liabilities	$ 42,407	$ 40,815
Long term debt (Note d7)	68,721	66,632
Asset retirement obligations	13,916	8,286
Future tax liability	42,202	45,072
Fair value of long term derivatives	—	7,263
Total liabilities	167,246	168,068
Minority interest	2,824	1,964
Commitments and contingencies	—	—
SHAREHOLDERS' EQUITY		
Share capital (Note d8)	521,512	519,540
Contributed surplus	11,147	8,294
Accumulated comprehensive income and other (Note d2)		8,179
Deficit	(154,245)	(183,602)
Total shareholders' equity	378,414	352,411
Total liabilities and shareholders' equity	$ 548,484	$ 522,443

(b) Consolidated Statements of Operations under US GAAP

	Three months ended September 30		Nine months ended September 30	
	2006	2005	2006	2005
Net income under Cdn GAAP	$2,955	$ (6,657)	$36,402	$(12,575)
Deferred exploration expenditures expensed per US GAAP (Note d3)	(475)	(5,920)	(8,308)	(9,495)
Impact of start-up accounting (Note d5)	—	—	—	(4,718)
Depreciation and amortization differences – Wassa (Note d5)	(314)	182	1,423	(825)
Write-off of deferred exploration properties (Note d3)	—	—	—	1,083
Other (Notes d3 and d7)	(524)	150	(19)	370
Net income/(loss) under US GAAP before minority interest	1,642	(12,245)	29,498	(26,160)
Minority interest, as adjusted	(82)	71	(144)	127
Net income/(loss) under US GAAP	1,560	(12,174)	29,354	(26,033)
Other comprehensive income – gain on marketable securities (Note d2)	—	3,938	—	4,831
Comprehensive income/(loss)	$1,560	$ (8,236)	$29,354	$(21,202)
Basic net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	$0.008	$ (0.085)	$ 0.142	$ (0.183)
Diluted net income/(loss) per share under US GAAP before cumulative effect of change in accounting method	$0.009	$ (0.085)	$ 0.142	$ (0.183)

(c) Consolidated Statements of Cash Flows under US GAAP

	Three months ended September 30		Nine months ended September 30	
	2006	2005	2006	2005
Cash provided by (used in):				
Operating activities	$ 1,269	$ 4,280	$(12,138)	$ (7,004)
Investing activities	(17,840)	(1,507)	(78,152)	(41,215)
Financing activities	5,732	2,738	10,624	59,239
Increase/(Decrease) in cash and cash equivalents	(10,839)	5,511	(79,666)	11,020
Cash and cash equivalent beginning of period	20,882	18,386	89,709	12,877
Cash and cash equivalents end of period	$ 10,043	$23,897	$ 10,043	$ 23,897

(d) Notes:

(1) Minority investments in private entities whose major business is mineral exploration are deemed for US GAAP to be equivalent to exploration spending and are expensed as incurred.

(2) Under US GAAP, investments in marketable equity securities are marked to fair value at the end of each period with gains and losses recognized in Other comprehensive income. Under Cdn GAAP gains and losses on marketable equity securities are noted in the foot notes and recognized in the statement of operations only when the investment is sold.

(3) Under US GAAP, exploration, acquisition (except for 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.

(4) 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.

(5) Under US GAAP new production facilities are placed in service once the facility has been constructed and fully tested to the point where it can be shown that it is capable of producing its designed product as intended. Under Cdn GAAP new production facilities are placed in service when output reaches a significant portion of the facility's design capacity.

(6) In March 2005, the Emerging Issues Task Force of the Financial Accounting Standards Board issued statement 04-6 "Accounting for Stripping Costs Incurred During Production in the Mining Industry" ("EITF 04-6") which precludes deferral of stripping costs during a mine's production phase. EITF 04-6 requires that deferred stripping costs be considered a variable production cost. The new pronouncement is effective January 1, 2006 and transition provisions allow any remaining balances in deferred stripping asset accounts to be closed directly to retained earnings on January 1, 2006. In Canada the Emerging Issues Committee ("EIC") has issued EIC 160 "Stripping Costs Incurred in the Production Phase of the Mining Operation" which concludes that deferred stripping costs during the production phase of a mine's life should generally be considered a variable production cost and included in the cost of inventory unless it can be shown that the stripping costs represent a betterment to the mineral property.

(7) For US GAAP purposes, 100% of the $50.0 million of convertible notes issued 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.

(8) 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.

(9) In December 2004, the Financial Accounting Standards Board ("FASB") finalized SFAS No. 123R "Share-Based Payment, amending SFAS No. 123" ("SFAS 123R"), effective beginning our first quarter of fiscal 2006. SFAS 123R requires the Company to expense stock options based on grant date fair value in its financial statements. Further, the SFAS 123R requires additional accounting related to the income tax effects and additional disclosure regarding the cash flow effects resulting from share-based payment arrangements. In March 2005, the U.S. Securities and Exchange Commission (the "SEC") issued Staff Accounting Bulletin ("SAB") No. 107, which expresses views of the SEC staff regarding the interaction between SFAS 123R and certain SEC rules and regulations, and provides the

staff's views regarding the valuation of share-based payment arrangements for public companies. We adopted the optional provisions of SFAS No. 123 in 2003 and have expensed share based payments since that time. We have expanded share-based payment disclosures as required by of SFAS 123R at March 31, 2006.

(10) 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 3 and 4 above. An analysis of these differences indicates that there are larger potential tax benefits under US GAAP than under Cdn GAAP. However due to the uncertainty of utilization of these tax assets, valuation allowances have been applied to offset them. As a result there are currently no differences in tax assets recognized on the US and Cdn balance sheets but future events, particularly those regarding expected future earnings from the new sulfide processing operation, could result in differing tax asset balances in the future.

25. Subsequent Event

On October 11 th , 2006, Golden Star entered into an agreement for a $15 million debt facility to be provided by Ecobank Ghana Limited and Cal Bank Limited. Both banks are active in Ghana. The funds are available immediately for a term of 27 months at an interest rate of US Prime (currently 8.25%) plus one percentage point. Loan fees total one percent of the facility amount. The amount drawn under the facility is repayable in 24 equal installments starting three months after receipt of the funds. The debt is secured by the non-mobile assets of the Bogoso/Prestea mine and proceeds are to be used as partial funding for the Bogoso Sulfide Expansion Project. There are no hedging requirements or equity-type incentives required under the facility. As of November 6, 2006 $7.5 million has been drawn under this facility.

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 a reconciliation to accounting principles generally accepted in the United States ("US GAAP"), see Note 24 to the consolidated financial statements. This Management's Discussion and Analysis of Financial Condition and Results of Operations includes information available to November 6, 2006.

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"),
- Prestea Underground property ("Prestea Underground"),
- Wassa property ("Wassa"), and
- Hwini–Butre and Benso concessions ("St. Jude 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 Limted) which was acquired in 1999. Bogoso/Prestea produced and sold approximately 132,000 ounces of gold during 2005.

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. Construction and commissioning of Wassa's new processing plant and open pit mine was completed at the end of March 2005 and the project was placed in service on April 1, 2005. Wassa produced and sold approximately 69,000 ounces of gold in 2005 following its April 2005 in–service date.

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 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 St. Jude Properties in southwest Ghana. The St. Jude Properties consist of the Hwini–Butre and Benso concessions which together cover an area of 201 square kilometers. Both concessions contain undeveloped zones of gold mineralization. The Hwini-Butre and Benso concessions are located approximately 75 and 45 kilometers south of Wassa, respectively based on the proposed haulage route. The mineralized zones have been delineated through the efforts of the prior owner who conducted extensive exploration work from the mid–1990s to 2005.

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 and Chile through a 16.5% shareholding investment in Goldmin Consolidated Holdings. Golden

Star also own a 43% interest in EURO Resources S.A. (“EURO”), a French publicly–traded royalty holding company which owns a royalty interest based on gold production at Cambior Inc.’s Rosebel gold mine in Suriname.

Our finance and administrative group is located in Littleton, Colorado, USA and we also maintain a regional corporate office in Accra, Ghana. Our accounting records are kept in compliance with Canadian GAAP and all of our operations, except for certain exploration projects keep financial records in US dollars.

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 “Total mine operating costs” for the period, as found on our consolidated statements of operations, divided by the ounces of gold sold in the period. Total 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 nine months ended September 30, 2006		
	Wassa	**Bogoso/Prestea**	**Combined**
Mining operations	$34,406	$32,763	$ 67,169
Mining related depreciation and amortization	8,539	7,407	15,946
Accretion of asset retirement obligations	160	384	544
Total mine operating costs	**$43,105**	**$40,554**	**$ 83,659**
Ounces sold	**69,262**	**78,739**	**148,001**
Derivation of cost per ounce:			
Total operating costs – GAAP ($/oz)	$ 622	$ 515	$ 565
Less depreciation and amortization ($/oz)	123	94	108
Less accretion of asset retirement obligations ($/oz)	2	5	4
Total cash cost ($/oz)	497	416	453
Less royalties and production taxes ($/oz)	18	18	17
Cash operating cost per ounce ($/oz)	**479**	**398**	**436**

Derivation of Total Mine Operating Cost

	For the nine months ended September 30, 2005		
	Wassa	Bogoso/Prestea	Combined
Mining operations	$21,566	$ 30,460	$ 52,026
Mining related depreciation and amortization	4,128	6,424	10,552
Accretion of asset retirement obligations	142	398	540
Total mine operating costs	**$25,836**	**$ 37,282**	**$ 63,118**
Ounces sold	**45,063**	**101,709**	**146,772**
Derivation of cost per ounce:			
Total operating costs – GAAP ($/oz)	$ 573	$ 367	$ 430
Less depreciation and amortization ($/oz)	92	63	72
Less accretion of asset retirement obligations ($/oz)	3	4	4
Total cash cost ($/oz)	478	300	354
Less royalties and production taxes ($/oz)	13	12	13
Cash operating cost per ounce ($/oz)	**465**	**288**	**341**

Derivation of Total Mine Operating Cost

	For the three months ended September 30, 2006		
	Wassa	Bogoso/Prestea	Combined
Mining operations	$11,225	$11,393	$22,618
Mining related depreciation and amortization	2,764	2,378	5,142
Accretion of asset retirement obligations	58	132	190
Total mine operating costs	**$14,074**	**$13,903**	**$27,950**
Ounces sold	**23,244**	**34,611**	**57,855**
Derivation of cost per ounce:			
Total operating costs – GAAP ($/oz)	$ 604	$ 402	$ 483
Less depreciation and amortization ($/oz)	119	69	89
Less accretion of asset retirement obligations ($/oz)	2	4	3
Total cash cost ($/oz)	483	329	391
Less royalties and production taxes ($/oz)	19	18	18
Cash operating cost per ounce ($/oz)	**464**	**311**	**373**

Derivation of Total Mine Operating Cost

	For the three months ended September 30, 2005		
	Wassa	Bogoso/Prestea	Combined
Mining operations	$11,461	$ 8,599	$20,060
Mining related depreciation and amortization	2,429	2,210	4,639
Accretion of asset retirement obligations	47	125	172
Total mine operating costs	**$13,937**	**$10,934**	**$24,871**
Ounces sold	**24,312**	**29,346**	**53,658**
Derivation of cost per ounce:			
Total operating costs – GAAP ($/oz)	$ 573	$ 372	$ 464
Less depreciation and amortization ($/oz)	100	75	86
Less accretion of asset retirement obligations ($/oz)	2	4	3
Total cash cost ($/oz)	471	293	375
Less royalties and production taxes ($/oz)	11	13	12
Cash operating cost per ounce ($/oz)	**460**	**280**	**363**

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.

Restatement of Prior Periods – In early 2006, it was determined that hedge accounting had been improperly applied by our subsidiary EURO, for its cash–settled forward gold price agreements during the first three quarters of 2005. As a result, our Form 10–Qs for the first three quarters of 2005 have been amended to apply derivative accounting rather than hedge accounting to EURO's derivatives. In this Form 10-Q, comparative amounts from the quarter and nine months ended September 30, 2005 reflect this restatement.

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 the Bogoso processing plant since that time. In 2001, we acquired Prestea and have been mining surface deposits at Prestea since late 2001. 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. We are currently constructing a new BIOX ® processing plant at Bogoso designed to expand annual processing through-put at Bogoso/Prestea from approximately 1.5 million tonnes per annum to approximately 5.0 million tonnes per annum. Based on currently known reserves we expect a mine life of approximately seven years at Bogoso/Prestea. Achievement of this target is subject to numerous risks. See the discussion of Risk Factors in Item 1A of our 2005 Form 10–K.

In late 2005, we acquired the St. Jude Properties where we are carrying out geological, environmental and engineering studies to determine the economic feasibility of these undeveloped gold properties.

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 during 2007. 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.

SIGNIFICANT TRENDS AND EVENTS DURING THE FIRST NINE MONTHS OF 2006

Power Restrictions in Ghana

In late August, the Ghana Government's subsidiary which controls Ghanaian power supply, Volta River Authority ("VRA"), instructed large industrial users in Ghana, including the mining sector, to reduce power usage by 25% to 50% due to a temporary country-wide power shortage. Ghana relies on power from three sources: (i.) the Akosombo and Kpong Hydroelectric Power Stations, (ii) the Aboadze Thermal Power Station; and (iii) imports from Côte d'Ivoire.

The Aboadze Thermal Power Station was operating at less than full capacity due to refurbishment of a major component of one of its turbines. This component has now been repaired and returned to Ghana and is being installed. The Aboadze plant is expected to return to full capacity in November 2006. In addition, unusually low rainfall in the catchment area in 2006 has led to the lowest recorded water levels at the Akosombo reservoir which provides water to the VRA's Akosombo Hydroelectric Power Station, resulting in decreased power output. While seasonal rains have recently resulted in an increase in the water level, it is still at a record low for this time of year.

We are currently curtailing power consumption to conform to the VRA's power rationing requirements. Our cuts have been achieved by (i) reducing plant through-put from 11,000 tonnes per day to approximately 8,000 tonnes per day at Wassa, (ii) limiting activities at the Prestea Underground mine, which has halted exploration, and (iii) operating some of our stand – by diesel generating capacity. By taking these actions we have been able to continue normal operations at the Bogoso/Prestea processing plant.

In October 2006, sufficient additional power to enable the commissioning of portions of the Bogoso Sulfide Expansion Project has been made available by the VRA.

As a result of the power rationing, third quarter plant through-put at Wassa was less than we would have expected with no power restrictions, however the impact was largely offset by higher grade ore from the SAK pit.

Recognizing that power restrictions are likely to continue well into 2007, the mining companies in Ghana have cooperated to identify additional power generating capacity that can be mobilized to Ghana and be operating in early 2007. A suitable 100 megawatt power station has been identified and discussions with the seller and the wholesale power producer are at an advanced stage and we expect a commitment to this power station in the near future. Golden Star's share of the power station would be 25 megawatts, sufficient to provide about half of our power requirements in 2007, and our share of the cost to purchase, ship and construct the power station, is expected to be approximately $5.0 million. We expect that this, combined with our normal power supplies, will more than satisfy our power requirements.

Personnel changes

Vice President Operations: In June Golden Star appointed Colin Belshaw as Vice President Operations. Colin Belshaw is a British mining engineer with approximately 30 years experience in the mining sector in Africa, the Americas and Europe and a background in gold and copper mining in both open pit and underground mining situations. Initially, Mr. Belshaw will be based in Ghana.

Vice President Ghana: Daniel Owiredu was appointed as Vice President Ghana. Mr. Owiredu is a Ghanaian engineer with more than 20 years experience in the mining sector in Ghana and West Africa. Most recently, Mr. Owiredu was Deputy Chief Operating Officer for AngloGold Ashanti Ltd. following the amalgamation of AngloGold Ltd. and Ashanti Goldfields Co. Ltd. Daniel will be based in Ghana.

Resignation of Chief Financial Officer: On October 13, 2006 Allan Marter resigned as Chief Financial Officer. A search for a permanent replacement is underway and until an appointment is made, Mr. Roger Palmer, Vice President Finance & Controller, will act as Chief Financial Officer, while Mr. Bruce Higson-Smith will take on the additional responsibility for investor relations.

Other Additions to Management: Golden Star expanded its management team by employing Mark Thorpe, Vice President Sustainability; Peter Bourke, Vice President Technical Services; David Partridge, General Manager Bogoso/Prestea and Ted Strickler Vice President Human Resources and Administration. Each of the new employees has extensive experience in their field of expertise. Golden Star hired these employees as part of its continued focus on the strategic growth of the Company to a mid-tier producer.

Sale of Shares of Moto Goldmines Limited

In March 2006, we exercised our remaining one million Moto Goldmines Limited (“Moto”) warrants bringing our total ownership in Moto to six million common shares and immediately afterward sold all six million common shares in a bought–deal transaction in Canada for Cdn$7.50 per share. The sale of the six million shares resulted in net proceeds to Golden Star of $38.9 million (Cdn$45.0 million). The sale realized approximately $30.3 million of pre–tax capital gain for Golden Star, which was recognized in income in the first quarter. A $4.9 million non–cash tax expense was recognized on the gain.

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, but in recent quarters prices appears to be responding to additional influences including an increased demand for gold as an investment and geo-political instability. The realized gold price for our shipments during the first nine months of 2006 averaged $605 per ounce, as compared to $431 per ounce in the same period of 2005.

Bogoso Sulfide Expansion Project

The Bogoso Sulfide Expansion Project (“BSEP”) is designed to significantly expand processing capacity at Bogoso/Prestea. Current production of 1.5 million tonnes per annum from the existing carbon-in-leach (“CIL”) plant will be increased to a projected total capacity of approximately 5.0 million tonnes per annum from the combined oxide and sulfide plants. The new BIOX ® plant will utilize the BIOX ® bio-oxidation process marketed by a subsidiary of Gold Fields Limited. Gold Field’s BIOX ® technology is currently being used in eleven gold processing plants operating or under – development worldwide. Upon completion, the Bogoso/Prestea sulfide plant will be the largest operating BIOX ® plant in the world.

Testing and commissioning of the crusher, ball mill, and the CIL circuit of the new plant, are now complete and this equipment is being used to process non-refractory ore.

Testing of the SAG mill is expected to commence in November. Also, the first inoculate is expected to be introduced to the BIOX ® tanks in November. We expect that it will take to the end of December, to fill all BIOX ® tanks. At that time we expect to stop processing oxides through the crushing and grinding circuits and to start crushing and grinding sulfide ore and commissioning the flotation circuit.

Pre-stripping of the sulfide pits to create a stockpile of transition and sulfide ore for the BIOX ® plant is progressing well. Approximately 0.6 million tonnes of ore is currently exposed in the Buesichem pit and approximately 0.3 million tonnes has been moved to ore stockpiles.

Pampe Ore Body

Final approval of the Pampe environmental impact study is expected in November and pit development is scheduled to commence in the first quarter of 2007 once the mining license has been issued. The Pampe ore body will provide oxide ore feed to the existing Bogoso processing plant once mining is completed at the Plant-North pit at Prestea in early 2007.

Sale of EURO Shares and Change in Accounting for EURO

At March 31, 2006 we owned 53% of EURO's outstanding common shares and as such consolidated EURO's financial results with our own. During the second quarter of 2006 we sold 362,029 of our EURO shares in open market transactions realizing approximately $0.7 million of cash. In addition, on June 19, 2006 we sold an additional four million EURO shares in a private transaction receiving $2.5 million of cash. The purchasers of the four million shares have agreed to pay additional consideration to Golden Star if they sell the shares at a gain. Since our investment in EURO's shares was carried at zero value, a gain was recognized on sale of the shares in an amount essentially equal to the cash proceeds received.

The combined share sales during the second quarter diluted our holding in EURO's common shares to approximately 43%. In response to a reduced ownership position, the equity method of accounting was adopted on June 20, 2006 for our remaining interest in EURO. Under the equity accounting method our consolidated financial statements will no longer include EURO's assets and liabilities which at March 31, 2006 included $3.2 million of net current assets, $5.6 million of tax assets, $7.0 million of bank loans and $14.9 million of derivative liabilities. The net effect of the change in accounting method resulted in recognition of an additional $17.7 million of gain. Total gain from the change in our EURO ownership position, consisting of $3.2 million from the sale of shares and $17.7 million from the change in accounting method, totaled $20.9 million.

Under the equity method accounting rules, Golden Star will recognize a share of EURO's future earnings/losses in proportion to Golden Star's ownership position at the end of each period (currently 43%). Golden Star has a zero carrying value for its investment in EURO, and future gains and losses will not be recognized until such time as EURO's future income offsets accumulated deficits.

The sale of EURO shares was in line with the goals and objectives originally envisaged in the 2004 EURO restructuring plan. The goal of the restructuring plan was to establish EURO as an independent and economically viable entity that would not be dependent on Golden Star for funding and that would concurrently bring value to Golden Star's investment.

Reduced Gold Derivatives

In June 2006 we reduced our call option position by buying back call options on 30,000 ounces of gold for a total cost of $2.6 million. During the third quarter an addition 6,000 contracts expired as scheduled, leaving 12,000 call options outstanding as of September 30, 2006. The remaining 12,000 call options are scheduled to expire at a rate of 2,000 ounce per month from October 2006 to March 2007. Each of the remaining outstanding call options has a $525 strike price.

As a result of the sale of EURO shares in June 2006 (see above), Golden Star is no longer required to consolidate the financial statements of EURO after June 19, 2006. Therefore the EURO derivative contract liabilities and associated impact on earnings are no longer included in our consolidated financial statements as of September 30, 2006.

Debt facility

On October 11 th , 2006, Golden Star entered into an agreement for a $15 million debt facility to be provided by Ecobank Ghana Limited and Cal Bank Limited. Both banks are active in Ghana. The funds are available immediately for a term of 27 months at an interest rate of US Prime (currently 8.25%) plus one percentage point. Loan fees total one percent of the facility amount. The amount drawn under the facility is repayable in 24 equal installments starting three months after receipt of the funds. The debt is secured by the non-mobile assets of the Bogoso/Prestea mine and proceeds are to be used as partial funding for the Bogoso Sulfide Expansion Project. There are no hedging requirements or equity-type incentives required under the facility. As of November 6, 2006 $7.5 million has been drawn under this facility.

In addition documentation is underway with two other Ghanaian banks for a second $15.0 debt facility.

Ore processing at Bogoso/Prestea

As has been the case since mid–2004, Bogoso/Prestea continues to deal with ores that are not well suited for processing in the existing Bogoso processing plant. The Bogoso plant was originally configured to process oxide and other non–refractory ores. Since mid–2004, when oxide ore were depleted on the north end of the Prestea property, the Bogoso processing plant has processed ore from the Plant–North pit at Prestea which were thought to be relatively non–refractory. The Plant–North ore have proven more difficult to treat than anticipated, and recovery and plant through–put has been lower than expected as a result. We are now stockpiling the more refractory Plant–North ore as feed for the new BIOX ® processing plant. Additional oxide and non–refractory ore from the sulfide pit pre–stripping will supplement feed to the existing Bogoso processing plant in the fourth quarter, and in early 2007 we expect to start mining oxide ores from the new Pampe project located 18 kilometers west of Bogoso to feed the existing Bogoso processing plant.

Improved Operating Margins

As discussed below in more detail the operating margins ("Gold sales" revenues less "Total mine operating costs") at Bogoso have trended upward in each quarter of 2006 from a $(2.3) million operating margin loss in the first quarter to a $2.0 positive margin in the second quarter, to a $7.6 million positive margin in the third quarter. The margin improvements resulted from higher gold prices and higher gold output at the Bogoso plant.

Wassa's operating margins have also seen improvements during 2006 from a $(2.1) operating margin loss in the first quarter to a $0.3 million positive margin in the second quarter and a $0.5 million positive margin in the third quarter. A combination of improved operating costs, higher ore grades from the new SAK pit in the third quarter and improved gold prices versus the first quarter of 2006 were responsible for the margin improvement at Wassa.

RESULTS OF OPERATIONS

Third quarter 2006 compared to third quarter 2005

Net income totaled $3.0 million or $0.014 per share during the third quarter of 2006, versus a net loss of $(6.7) million or $(0.047) per share during the third quarter of 2005. The major factors contributing to the earnings improvement were higher gold prices, higher gold output, and a reduction in the derivative losses. Lower gold prices at the end of the third quarter coupled with a significant reduction in our derivative positions over the past year resulted in a $1.4 million gain on derivatives in the third quarter of 2006 compared to a $5.5 million loss in the same quarter of 2005. The increase was offset by a $1.8 million impairment of deferred exploration costs in 2006. Interest expense was lower than a year ago as more interest was capitalized into construction projects in the current quarter.

We sold 4,197 more ounces of gold during the third quarter of 2006 versus the same period of 2005, at an average price of $622 per ounce versus $433 per ounce in the same quarter of 2005. The combination of higher gold output and improved gold price yielded a $12.8 million increase in gold revenues.

Bogoso/Prestea’s and Wassa’s combined operations yielded an $8.1 million operating margin (“Gold sales” revenues less “Total mine operating costs” – see Statement of Operations) for the third quarter of 2006 compared to an operating margin loss of $(1.6) million in the third quarter of 2005. The major factors responsible for the improved operational results were higher gold prices and increased gold output, which more than offset higher operating costs.

	For the three months ended September 30,		For the nine months ended September 30,	
SUMMARY OF FINANCIAL RESULTS	2006	2005	2006	2005
Gold sold (oz)	57,855	53,658	148,001	146,772
Average realized price ($/oz)	622	433	605	431
Gold revenues (in $ thousands)	35,996	23,235	89,607	63,329
Cash flow provided by operations (in $ thousands)	7,323	1,771	80	(1,153)
Net income/(loss) (in $ thousands)	2,955	(6,657)	36,402	(12,575)
Net income/(loss) per share – basic ($)	0.014	(0.047)	0.176	(0.088)

Nine months ended September 30, 2006 compared to nine months ended September 30, 2005

Net income totaled $36.4 million or $0.176 per share in the nine months ended September 30, 2006, versus a net loss of $(12.6) million or $(0.088) per share during the same period in 2005. The major factors contributing to the earnings improvement versus the first nine months of 2005 include a $30.3 million pre-tax gain on the sale of Moto shares in the first quarter of 2006 and a $20.9 million pre-tax gain from the sale of EURO shares and resultant change in accounting method in the second quarter (see “Significant Trends and Events” above for additional information on the Moto and EURO share sales.) Mine operating margins also contributed $5.9 million in earnings compared to $0.2 million in the first nine months of 2005. Royalty revenues, interest and other income contributed $5.9 million to revenues, up from $4.4 million in the first nine months of 2005. Offsetting the operational margins, royalty and gains on the sale of assets was a $9.3 million loss on derivatives and $1.8 million of exploration project impairment write-offs.

The improvement in the operating margin is mostly due to improved gold prices versus the same period of 2005. Consolidated gold revenues for the first nine months of 2006 increased by $26.3 million from the same period a year ago. Approximately $13.2 million of the increase is related to Wassa’s revenues in the first quarter of 2006 versus zero revenues in the first quarter of 2005 when Wassa was still in its construction phase. The remaining increase in gold revenues is related to improvements in gold prices during 2006. Gold prices averaged $605 per ounce in the first nine months of 2006 versus $431 per ounce in the same period of 2005.

Bogoso/Prestea Operations

Three months ended September 30, 2006 - Bogoso/Prestea generated a $7.6 million operating margin during the third quarter of 2006 on sales of 34,611 ounces of gold, versus an operating margin of $1.9 million on sales of 29,346 ounces in the third quarter of 2005. The improvement in gold output reflects increases in grade and recovery versus the third quarter of 2005.

Bogoso/Prestea experienced lower plant through-put versus a year ago, which was mostly the result of harder ore from deeper levels of the Plant-North pit. The Bogoso processing plant processed an average of 3,995 tonnes per day during the third quarter of 2006 at an average grade of 4.45 grams per tonne, as compared to 4,324 tonnes per day at 4.20 grams per tonne in the same period in 2005. The improvement in gold recovery is a function of the higher grade ore mined and processed during the current period.

BOGOSO/PRESTEA

OPERATING RESULTS	For the three months ended September 30, 2006	2005	For the nine months ended September 30, 2006	2005
Ore mined (t) (Plant North pit)	398,956	426,617	1,123,275	1,350,764
Waste mined (t) (Plant North pit)	1,306,948	3,569,876	5,755,883	8,263,097
Ore processed (t)	367,536	397,815	1,073,059	1,167,368
Grade processed (g/t)	4.45	4.20	3.83	4.45
Recovery (%)	62.3	56.6	59.3	59.1
Gold sold (oz)	34,611	29,346	78,739	101,709
Cash operating cost ($/oz)	**311**	**280**	**398**	**288**
Royalties ($/oz)	18	13	18	12
Total cash cost ($/oz)	329	293	416	300

Cash operating costs were $311 per ounce in the third quarter of 2006 versus $280 per ounce in 2005. Increases in mine operating costs including increases in fuel, labor and parts were the major factor contributing to the higher unit costs. The increased labor cost during the quarter is due to payments made to union employees as part of the new union agreement that was signed on September 9, 2006.

Nine months ended September 30, 2006 - Bogoso/Prestea generated a $7.3 million operating margin during the first nine months of 2006 on sales of 78,739 ounces of gold, up from a $6.5 million operating margin on sales of 101,709 ounces in the first nine months of 2005. The major factor contributing to the improved margin was a 40% improvement in gold prices from $431 per ounce in the first nine months of 2005 to $605 per ounce in the same period of 2006, offset by a 22,970 ounce decrease in gold production in 2006. Lower ore grade from the Plant-North pit and lower plant through-put due to harder ores, were the major factors responsible for the lower gold output.

The Bogoso processing plant processed an average of 3,931 tonnes per day in the first nine months of 2006 at an average grade of 3.83 grams per tonne, as compared to 4,276 tonnes per day at 4.45 grams per tonne in the same period in 2005. Gold recovery increased slightly to 59.3% from 59.1% in the first nine months of 2005.

Cash operating costs for the nine months were $2.3 million higher than in the first nine months of 2005 reflecting increases in the cost of fuel, power, labor, tires and mechanical parts. The increase in cash operating costs coupled with lower gold output combined to yield cash operating unit costs of $398 per ounce versus $288 per ounce in the first nine months of 2005.

Wassa Operations

Three months ended September 30, 2006 - Wassa generated a $0.5 million operating margin in the three months ended September 30, 2006 on sales of 23,244 ounces of gold, compared to an operating margin loss of $(3.5) million in the third quarter of 2005 on sales of 24,312 ounces. During the third quarter of 2006 the Wassa processing plant processed an average of 9,455 tonnes per day at an average grade of 0.96 grams per tonne with a gold recovery of 90.0% compared to 10,476 tonnes per day at an average grade of 0.86 grams per tonne with an 87.7% recovery in the same period of 2005. Lower plant through-put reflects an annual four-day maintenance shutdown in August and power rationing in the last third of the quarter (see Significant Trends and Events section above). The improvement in ore grades and recovery versus the same period of 2005 are related to the higher grade ore now being mined at the SAK pit. Cash operating costs and ounces sold were very similar in 2006 and 2005 yielding cash costs per ounce in 2006 similar to a year earlier ($464 per ounce, versus $460 per ounce in 2005).

WASSA

	For the three months ended September 30,		For the nine months ended September 30,	
OPERATING RESULTS	**2006**	**2005**	**2006**	**2005 (1)**
Ore mined (t)	581,815	692,142	1,858,312	1,380,385
Waste mined (t)	1,796,669	2,430,764	9,033,328	4,416,597
Ore and heap leach materials processed (t)	869,891	963,007	2,804,864	1,428,028
Grade processed (g/t)	0.96	0.86	0.86	0.98
Recovery (%)	90.0	87.7	88.8	88.7
Gold sold (oz)	23,244	24,312	69,262	45,063
Cash operating cost ($/oz)	**464**	**460**	**479**	**465**
Royalties ($/oz)	19	11	18	13
Total cash cost ($/oz)	483	471	497	478

(1) The Wassa mine commenced commercial production in April 2005, thus amount shown are for only six months of operation.

While we have been successful in bringing Wassa plant through-put rates up to design level on a consistent basis, ore grades continue to fall short of expectation. Recent analysis indicated that excess ore dilution is reducing pit ore grades. In response to the dilution, we reviewed and improved the blasting techniques during the quarter. We continue to review our blasting techniques and, to better define the ore zones and we are expanding ore zone definition drilling. It is expected that changes in blasting procedures and more detailed definition drilling should continue to improve pit grades and higher gold output going forward.

In July 2006, Wassa began mining the new SAK ore body located approximately 3.5 kilometers south of the Wassa processing plant. It is expected that the SAK pit will provide approximately 100,000 tonnes per month of the higher grade ore to the Wassa plant over its 12 to 18 month life. The higher grades of the SAK pit ore largely compensated for the drop in plant through-put in September from the power shortage.

Nine months ended September 30, 2006 – The nine month results are not comparable to the first nine months of 2005 since Wassa was not placed in-service until April 1, 2005. While Wassa generated positive operating margins in the second and third quarters of 2006, it experienced a $(1.3) million operating margin loss in the nine months ended September 30, 2006 on sales of 69,262 ounces of gold. The Wassa processing plant processed an average of 10,274 tonnes per day at an average grade of 0.86 grams per tonne with a gold recovery of 88.8%. Cash operating costs averaged $479 per ounce and total cash costs averaged $497 per ounce.

DEVELOPMENT PROJECTS

Bogoso Sulfide Expansion Project

Approximately 75% of the remaining ore reserves at Bogoso/Prestea are refractory and cannot be efficiently processed at our existing Bogoso processing plant. In 2005 a decision was made to construct a new 3.5 million tonne per annum processing facility at Bogoso alongside the existing 1.5 million tonne per annum Bogoso processing plant. The new plant will utilize the proprietary BIOX ® bio-oxidation technology to treat the refractory sulfide ore. When completed, the new sulfide processing plant and the existing Bogoso processing plant are together expected to process 5.0 million tonnes of ore per year.

The existing Bogoso processing plant will retain its current configuration and will continue to process non–refractory ores. After the new BIOX ® plant comes on line, it is anticipated that the existing Bogoso processing plant will process mostly oxide ore and the new BIOX ® processing plant will process mostly refractory sulfide ore and mixed oxide-refractory ores. The two plants sitting side-by-side are expected to provide operational efficiencies since they will share common management, labor, reagent inventories, warehouse parts and maintenance efforts. With the two plants and their differing technologies, we expect to be able to process all of the ore types known to exist in the Bogoso/Prestea area.

The design and construction of the expansion project is being managed by GRD Minproc in accordance with an engineering, procurement and construction management contract.

In October we commenced commissioning and testing for the expansion project. The crusher, ball mill and carbon-in-leach circuit have been running for several weeks and in November we expect to commission the SAG mill and transfer the first inoculate to the first BIOX ® tank. Over the next two months, while we fill the BIOX ® tanks, we plan to operate the crusher, SAG mill and ball mill on oxide material. Once the BIOX ® tanks are full, we expect to start crushing and milling sulfide ore and to commission the new flotation circuit.

Pre-stripping of the first two sulfide pits has commenced using mining equipment acquired in 2005 and 2006. Pre-stripping consists of 9.7 million tonnes of waste and 0.5 million tonne of ore to September 30, 2006. In addition, 0.6 million tonnes of ore has been exposed in the Buesichem pit. The existing Bogoso processing plant will continue to process non-refractory ores from the Plant-North pit at Prestea until completion of mining in early 2007. Thereafter, we plan to feed the existing Bogoso processing plant with oxide ores from Pampe, Mampon and areas on the south end of the Prestea property.

We estimate that the total capital cost of the new sulfide plant project, including the expansion of the mining fleet, to be approximately $125 million, and expect construction to be completed by late 2006. We expect to spend an additional $25 million on pre-stripping and inventory build-up. At September 30, 2006 we have spent approximately $104.2 million on plant construction, $13.7 million on mining equipment, $13.0 million on pre-stripping and $7.7 million on stockpile and other inventories. Additionally we capitalized interest of $5.1 million to the project.

EXPLORATION PROJECTS

We budgeted $16.5 million for exploration in 2006, focusing our efforts mostly on core assets in Ghana, including the Prestea Underground and the St. Jude Properties at Hwini–Butre and Benso. Actual spending on exploration, including both capitalized and expense items totaled $11.6 million through September 30, 2006. Of the total, $3.0 million has been spent at the St. Jude properties, $2.0 million at the Prestea Underground, $3.7 million at our mine sites and other properties in Ghana, $0.6 million in South America, $1.8 million in non-Ghana West Africa and $0.5 million in overhead and North America.

Africa - Key areas where we have been active during 2006 include:

- Mineralized areas around the operating mines;
- Prestea Underground, where we have intensified exploration to facilitate feasibility (upper levels) and scoping studies (deep levels); and

- Hwini–Butre and Benso, where intensive drilling programs are currently being carried out to allow feasibility and permitting to be progressed.

Prestea Underground - In early 2006 we initiated an extensive drilling program at Prestea Underground that was planned to continue throughout 2006. After excellent progress during the first eight months of the year during which we drilled 19,366 meters of diamond core, drilling has been suspended due to power restrictions imposed by the Ghana power supply authorities and subsequent safety issues related to the temporary closure of the Bondaye Shaft (the alternate escape route for the Prestea underground workings). Prior to the suspension of drilling we had two rigs working, one on 24 Level infilling on the West Reef mineralization, and one on 30 Level drilling down-plunge extensions of the Main Reef. In August, we announced an increase in inferred mineral resources for the West Reef to a total of 1.25 million tonnes at an average grade of 11.9 grams of gold per tonne versus the previously published inferred mineral resource of 0.90 million tonnes at an average grade of 12.6 grams of gold per tonne. This work confirmed that the West Reef target shoot continues down plunge for 400 meters with a true thickness ranging between 0.7 and 4.5 meters.

In addition, we have been drilling near-surface, potentially decline-accessible mineralization beneath and south of the Plant-North pit. This is being drilled from surface and is therefore unaffected by the power restrictions. Following completion of the drilling program the feasibility of commencing mining in the upper levels at Prestea will be evaluated in the first half of next year.

Hwini-Butre and Benso - Exploration has continued at a high rate at the Hwini-Butre and Benso projects including both diamond core drilling and Reverse Circulation (“RC”) drilling at the main prospects and Rotary Air Blast (“RAB”) drilling along extensions of the mineralized structures. In addition, data from geochemical surveys carried out previously have been reviewed and the geochemical coverage has been extended to new areas believed to have geological potential for repetitions of the known mineralized structures.

Drilling to collect metallurgical and geotechnical samples has been completed and test work is now in progress. To date, we have completed in excess of 22,000 meters of RAB drilling and 21,000 meters of RC and diamond drilling.

A feasibility study for development of Hwini-Butre and Benso as a satellite source of ore for our Wassa processing plant has been commenced.

South America — In August we signed a joint venture agreement with Newmont for the Saramacca project in Suriname. The agreement calls for Newmont to incur $6 million in exploration expenditures on certain Saramacca properties over a period of five years at which point Newmont will earn a 51% interest in the joint venture. In the first two years of the earn-in period Newmont is required to contribute $2 million to the project and any shortfall is to be settled in cash to Golden Star at the end of the two year period. The exploration project will be managed by Golden Star until the earliest of i) Newmont contributing $2 million to the exploration project or ii) the second anniversary of the agreement. We are currently in negotiations with land owners and the Suriname government to finalize the transfer of the exploration licenses to us. This process may take up to 18 months to complete. To date, Golden Star has incurred $0.1 million of expenditure on the Saramacca project which is refundable to us from Newmont.

During 2003 and 2004 we carried out two successive soil auger sampling programs and evaluated a series of stream sediment gold anomalies on the Saramacca property. This work defined a 5 kilometer long soil anomaly. Deep augering in 2004 further confirmed the anomaly now termed ‘Anomaly M’. Shallow diamond core drilling, comprising 24 holes for a total of 1,315 meters, commenced at Anomaly M in

March 2005. Mineralization intersected within drill cores consisted of variably-sheared silicified pyritic metasediments of tuffaceous origin and volcanic conglomerates, often with little or no quartz veining. Significant gold assays were also intersected within the upper 5 to 10 meters of enriched lateritic duricrust and mottled saprolite.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2006, our cash, cash equivalents and short term investments totaled $10.0 million, down from $89.7 million at December 31, 2005. Operating activities netted nil cash during the first nine months, but operations generated $7.3 million in the third quarter, up from $1.2 million in the same quarter of 2005. The use of cash to increase ore stockpiles and operating inventories was a major factor contributing to the nil operational cash flow during the first nine months of 2006. Capital projects used $130.8 million of cash in the nine months while cash on the sale of the Moto shares contributed a net $37.3 million of cash and sale of the EURO shares contributed an additional $3.2 million, bringing net cash used in investing activities to $90.4 million.

Option exercises and new equipment loans provided $3.4 million and $12.4 million of cash, respectively. Loan repayments consumed $5.1 million including $1.3 million for EURO's bank loans and $3.8 million for equipment financing loans.

Of the $130.8 million spent on new capital projects during the first nine months, approximately $101.6 million of the total was spent on the Bogoso Sulfide Expansion Project and associated pre-stripping, $22.9 million was spent on other mine property and plant and equipment needs, mostly at Bogoso/Prestea and Wassa, and $6.3 million was spent on capital exploration projects.

We have finalized documentation for the first of two $15 million debt facilities. The first debt facility is provided by Ecobank Ghana Limited and Cal Bank Limited. Both banks are active in Ghana. The documentation for this facility has been executed and the funds are available immediately for a term of 27 months at an interest rate of US Prime plus one percentage point. Front end fees total one percent of the facility amount. As of November 6, 2006 $7.5 million has been drawn on this facility. The debt is secured against the non-mobile assets of the Bogoso/Prestea mine and is to be used as partial funding for the Bogoso expansion project. There are no hedging requirements or equity-type incentives required under the facilities. The documentation for the remaining $15 million debt facility with two other banks active in Ghana is well advanced and expected to be completed in the near future.

Liquidity Outlook

Capital expenditures plans for 2006 include the following projects:

CASH SPENT ON CAPITAL PROJECTS YEAR-TO-DATE VERSUS 2006 BUDGET	Amount (millions) Budget for 2006	Actual for nine months of 2006
Development		
Bogoso Sulfide Expansion Project	$ 89.0	88.6
Bogoso/Prestea pre–stripping and mining equipment	25.0	13.0
Pampe	4.0	1.7
Mampon	1.2	0.3
St. Jude properties	1.0	0.4
Sustaining Capital		
Bogoso/Prestea	7.0	5.9
Prestea Underground care and maintenance	4.8	4.4
Wassa	6.2	7.4
Exploration		
Bogoso/Prestea	1.7	0.6
Prestea Underground	3.3	2.0
Wassa	0.9	1.2
St. Jude properties	4.6	3.0
Other	6.3	2.3
Total	$155.0	$130.8

At the current gold prices we expect both Bogoso/Prestea and Wassa to generate positive operating cash flows during the remainder of the year. We expect that these operational cash flows, along with the $10.0 million of cash on hand, the $15.0 million drawn on the Ecobank Ghana and Cal Bank loan and an additional $15.0 million expected from other bank loans will be sufficient to complete development and start-up of the BSEP project.

LOOKING AHEAD

Our main objectives for the coming twelve months include:

- complete construction, commissioning and commencing commercial production of the Bogoso Sulfide Expansion Project;
- complete a feasibility study for the development of the Hwini-Butre and Benso as a satellite ore source for our Wassa mine; and
- complete a feasibility study for the development of the Prestea Underground mine as a source of high grade ore for Bogoso/Prestea.

Excluding the potential impact of any commercial production from our Bogoso Sulfide Expansion Project, we expect to produce about 200,000 ounces during 2006, comprised of 100,000 to 105,000 ounces from Bogoso/Prestea at an average cash operating cost of about $390 per ounce and 95,000 to 100,000 ounces from Wassa at an average cash operating cost of about $460 per ounce.

Commissioning and testing of a portion of the Bogoso Sulfide Expansion Project commenced in October and this work will continue through the fourth quarter. The date of commercial production for this expansion project is dependent on the success of the commissioning and testing during the fourth quarter.

RELATED PARTY TRANSACTIONS

We obtained legal services from a legal firm to which our Chairman is counsel. Total value of all services purchased from this law firm were $0.6 million during the first nine months of 2006. 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.

During the first quarter of 2006 a corporation controlled by Michael A. Terrell, a director of Golden Star, provided management services to St. Jude for which it was paid Cdn$0.13 million. Mr. Terrell became a director of Golden Star following our acquisition of St. Jude in December 2005. Mr. Terrell's company ceased providing services to St. Jude at March 31, 2006.

OFF BALANCE SHEET ARRANGEMENTS

We have no off balance sheet arrangements.

OUTSTANDING SHARE DATA

This ITEM 2 includes information available to November 6, 2006. As of November 6, 2006 we had outstanding 207,845,758 common shares, options to acquire 6,217,101 common shares, warrants to acquire 11,688,334 common shares and convertible notes which are convertible into 11,111,111 common shares.

SUBSEQUENT EVENTS

Resignation of Chief Financial Officer

Effective October 13, 2006 Allan Marter, the Company's Chief Financial Officer since 1999, resigned. Mr. Roger Palmer, Vice President Finance and Controller has been appointed interim Chief Financial Officer until a permanent replacement CFO is hired.

New Debt Facility

On October 11th, 2006, Golden Star entered into an agreement for a $15 million debt facility to be provided by Ecobank Ghana Limited and Cal Bank Limited. Both banks are active in Ghana. The funds are available immediately for a term of 27 months at an interest rate of US Prime (currently 8.25%) plus one percentage point. Loan fees total one percent of the facility amount. The amount drawn under the facility is repayable in 24 equal installments starting three months after receipt of the funds. The debt is secured by the non-mobile assets of the Bogoso/Prestea mine and proceeds are to be used as partial funding for the Bogoso Sulfide Expansion Project. There are no hedging requirements or equity-type incentives required under the facility.

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 September 30, 2006 we had only fixed rate debt and thus do not have material exposure to interest rate changes. 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.

While in the past we have not utilized market risk sensitive instruments to manage our exposure to foreign currency exchange rates, during 2005 and 2006 we entered into forward purchase contracts for the South African Rand and the Euro 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.

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 $4 to $5 million change in expected pre–tax earnings and cash flows.

During 2005, 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 September 30, 2006 we had 75,000 put options remaining which establish an average minimum price of $404 per ounce on 75,000 ounces of expected gold production spread monthly through the fourth quarter of 2006 and the first quarter of 2007.

We also sold calls during 2005 to offset a portion of the costs of purchasing the puts. At September 30, we had 12,000 call options remaining which expire at the rate of 2,000 ounces/month during the fourth quarter of 2006 and in the first quarter of 2007, each carrying a strike price of $525 per ounce.

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) as of September 30, 2006. 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. There has been no change in our internal control over financial reporting during the quarter ended September 30, 2006, that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting other than disclosed in item (b) below.

(b) Change in Internal Control Over Financial Reporting

As discussed in the notes to the fiscal 2005 consolidated financial statements, it was determined that as of December 31, 2005 management did not maintain effective controls over the presentation and documentation of certain derivatives. Specifically, Golden Star did not prepare and maintain sufficient documentation to support the designation and effectiveness of hedges of certain gold future contracts entered into by its subsidiary, EURO Resources S.A., during 2005. Because of the existence of the deficiency in question at year–end, management concluded that our internal control over financial reporting was ineffective as of December 31, 2005.

During the nine months ended September 30, 2006, management has undertaken remedial action to address the above described material weakness by revising its accounting procedures to record the derivative transaction in accordance with Canadian and United States Generally Accepted Accounting Principles (GAAP). The Company no longer applies hedge accounting to its derivatives.

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 weakness continues 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 September 30, 2006 are substantially the same as those disclosed and discussed in Item 1A of our 2005 Form 10–K.

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

None

ITEM 5. OTHER INFORMATION

None

EXHIBITS

10.1 Severance and Release Agreement dated October 13, 2006 between Allan J. Marter and Golden Star

10.2 Employment Agreement dated June 17, 2006 between Colin Belshaw and Golden Star

10.3 Medium Term Loan Agreement dated October 11, 2006 between Ecobank Ghana Limited, Cal Bank Ghana Limited and Golden Star

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: November 6, 2006

By: /s/ Roger Palmer
Roger Palmer
Vice President Finance and Chief Financial Officer

Date: November 6, 2006

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Exhibit 10.1

SEVERANCE AND RELEASE AGREEMENT

This Severance and Release Agreement (the "Agreement") is made between (i) Allan J. Marter ("Mr. Marter") and (ii) Golden Star Resources Ltd. (the "Company"). Mr. Marter and the Company are referred to collectively as the "Parties" and individually as a "Party."

RECITALS

WHEREAS, Mr. Marter voluntarily resigned his employment with the Company effective October 13, 2006;

WHEREAS, the Parties wish to resolve fully and finally any potential claims by Mr. Marter against the Company regarding Mr. Marter's employment with the Company and otherwise; and

WHEREAS, in order to accomplish this end, the Parties are willing to enter into this Agreement.

NOW THEREFORE, in consideration of the mutual promises and undertakings contained herein, the sufficiency of which is acknowledged by the Parties, the Parties to this Agreement agree as follows:

TERMS

1. Resignation and Effective Date . Mr. Marter voluntarily resigned his employment with the Company effective October 13, 2006 (the "Resignation Date") upon Mr. Marter's execution of this Agreement. This Agreement shall become effective (the "Effective Date") on the eighth (8^{th}) day after Mr. Marter's execution of this Agreement, provided Mr. Marter has not revoked Mr. Marter's acceptance pursuant to Section 7(f) below.

2. Severance Package .

a. *Payments* .

(i) On the Effective Date, the Company will pay Mr. Marter for his unpaid base salary, accrued vacation, outstanding expense reimbursements, and any accrued benefits due and payable under any benefit plans of the Company in which the Employee was a participant prior to his separation of employment (in accordance with the provisions of the applicable plan or plans).

This payment, less applicable withholdings and deductions, will be made by check made payable to "Allan J. Marter" and delivered to Michael T. McDonnell, Mr. Marter's counsel.

(ii) On the Effective Date, and on the express condition that Mr. Marter has not revoked this Agreement, the Company will deliver to Michael T. McDonnell, Mr. Marter's counsel, (i) evidence of the transfer of 200,000 shares of the common stock of EURO Ressources S.A. ("EURO"), registered in the name of Allan J. Marter on and through the French register of shareholders maintained by BNP-Paribas, and (ii) a check made payable to Allan J. Marter in the total gross amount of two hundred eighty-two thousand, three hundred fifty-four dollars ($282,354), less all applicable deductions and withholdings.

b. *Health Insurance* . Provided Mr. Marter timely elects continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), the Company shall reimburse Mr. Marter for the portion of premiums of Mr. Marter's group health insurance, including coverage for his spouse, that the Company paid prior to Mr. Marter's separation of employment with the Company, and any additional payments required to maintain COBRA coverage for Mr. Marter and his spouse, for 18 months following the Effective Date. If Mr. Marter is entitled to coverage under COBRA for any periods following 18 months after the Effective Date, Mr. Marter shall be entitled to maintain coverage for Mr. Marter and his spouse at Mr. Marter's sole expense. Mr. Marter will promptly notify the Company of and provide the Company with appropriate documentation regarding the premium amounts, and the Company will reimburse Mr. Marter directly for such amounts within five (5) business days after the Company receives Mr. Marter's notice by sending the reimbursement to Mr. Marter's residence address.

d. *Outplacement* . On the Effective Date, the Company shall deliver to Michael T. McDonnell a check in the amount of ten thousand dollars ($10,000) made payable to "Barry T. Dawson & Associates, Inc." for outplacement services for Mr. Marter.

e. *Taxes* . Reporting of and withholding on any consideration under this Agreement for tax purposes shall be at the discretion of the Company in conformance with applicable tax laws. If a claim is made against the Company for any additional tax or withholding in connection with or arising out of the consideration provided under this Agreement, Mr. Marter shall pay any such claim within thirty (30) days of being notified by the Company and agrees to indemnify the Company and hold it harmless against such claims, including, but not limited to, any taxes, attorneys' fees, penalties, and/or interest, which are or become due from the Company.

3. Stock Options . On the Effective Date, all options to purchase the stock of the Company granted to Mr. Marter under the Company's stock option plans, which options together with the applicable exercise prices are listed in the attached Schedule 1 (the "Golden Star Options"), shall become immediately exercisable and vested, and Mr. Marter shall have the right to exercise the Golden Star Options until the earlier of their expiration date or the close of business in Denver, Colorado on December 31, 2009. The Company shall use its reasonable best efforts to obtain action by EURO so that all options to purchase the stock of EURO granted to Mr. Marter under EURO's stock option plans, which options together with the applicable exercise price are listed in the attached Schedule 2 (the "EURO Options"), shall become immediately exercisable and vested, and Mr. Marter shall have the right to exercise the EURO Options until the earlier of their expiration date or the close of business in Denver, Colorado on December 31, 2009. The Company shall use its reasonable best efforts to obtain all necessary regulatory, corporate and shareholders approvals for the vesting and extension of the exercise of the Golden Star Options and the EURO Options.

4. General Release .

a. Mr. Marter, for himself and for his affiliates, successors, heirs, subrogees, assigns, principals, agents, partners, employees, associates, attorneys, and representatives, voluntarily, knowingly, and intentionally releases and discharges the Company and its predecessors, successors, parents, subsidiaries, affiliates, and assigns and each of their respective officers, directors, principals, shareholders, agents, attorneys, board members, and employees from any and all claims, actions, liabilities, demands, rights, damages, costs, expenses, and attorneys' fees (including, but not limited to, any claim of entitlement for attorneys' fees under any contract, statute, or rule of law allowing a prevailing party or plaintiff to recover attorneys' fees) of every kind and description from the beginning of time through the Effective Date (the "Released Claims").

b. The Released Claims include, but are not limited to, those which arise out of, relate to, or are based upon: (1) Mr. Marter's employment with the Company or the termination thereof; (2) statements, acts, or omissions by the Parties whether in their individual or representative capacities; (3) express or implied agreements between the Parties (except as provided herein) and claims under any severance or bonus plan; (4) any stock option grant, agreement, or plan (except as provided herein); (5) all federal, state, and municipal statutes, ordinances, and regulations, including, but not limited to, claims of discrimination based on race, sex, national origin, religion, age, disability, whistleblower status, public policy, or any other characteristic of Mr. Marter under the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, the Americans with Disabilities Act, the Fair Labor Standards Act, the Equal Pay Act, Title VII of the Civil Rights Act of 1964 (as amended), the Employee Retirement Income Security of 1974, the Rehabilitation Act of 1973, the Employment Relations Act of 1999, or any other federal, state, or municipal law prohibiting discrimination or termination for any reason; and (6) the common law.

c. The Parties agree that nothing in this Section 4 shall be interpreted to release any indemnification provisions applicable to Mr. Marter in the Articles of Incorporation or by-laws of the Company or any other similar documents, nor to terminate the benefits that would otherwise be available of any applicable directors' and officers' liability insurance policies with respect to Mr. Marter's service as an officer of the Company and as an officer or director of any of its subsidiaries.

5. Unknown Facts . This Agreement includes claims of every nature and kind, known or unknown, suspected or unsuspected. Mr. Marter hereby acknowledges that Mr. Marter may hereafter discover facts different from, or in addition to, those which Mr. Marter now knows or believes to be true with respect to this Agreement, and Mr. Marter agrees this Agreement and the releases contained herein shall be and remain effective in all respects, notwithstanding such different or additional facts or discovery.

6. No Admission of Liability . The Parties agree that nothing contained herein, and no action taken by any Party hereto with regard to this Agreement, shall be construed as an admission by any Party of liability or of any fact that might give rise to liability for any purpose whatsoever.

7. Warranties . Mr. Marter warrants and represents as follows:

a. He has read this Agreement, and he agrees to the conditions and obligations set forth in it.

b. He voluntarily executes this Agreement after having been advised to consult with legal counsel, after having had opportunity to consult with legal counsel, and without being pressured or influenced by any statement, representation, or omission of any person acting on behalf of the Company including, without limitation, the officers, directors, board members, committee members, employees, agents, and attorneys for the Company.

c. He has no knowledge of the existence of any lawsuit, charge, or proceeding against the Company or any of its officers, directors, board members, committee members, employees, or agents arising out of or otherwise connected with any of the matters herein released.

d. He has not previously disclosed any information that would be a violation of Section 8 and 9 set forth below if such disclosure were to be made after the execution of this Agreement.

e. He has full and complete legal capacity to enter into this Agreement.

f. He understands that he is waiving and releasing any claims he may have under the Age Discrimination in Employment Act. He may revoke this Agreement for seven (7) days following its execution, and this Agreement shall not become enforceable and effective until seven (7) days after such execution. If Mr. Marter chooses to revoke this Agreement, he must provide written notice to Peter Bradford, President and CEO, Golden Star Resources Ltd., 10901 W. Toller Road, Suite 300, Littleton, Colorado 80127-6312, facsimile: (303) 894-4614, by hand delivery and by facsimile within seven (7) calendar days of his execution of this Agreement. If Mr. Marter does not revoke within the seven-day period, the right to revoke is lost.

g. He has had at least twenty-one (21) days in which to consider the terms of this Agreement. In the event that he executes this Agreement in less time, it is with the full understanding that he had the full twenty-one (21) days if he so desired and that he was not pressured by the Company, its representatives, or its agents to take less time to consider the Agreement. In such event, Mr. Marter expressly intends such execution to be a waiver of any right he had to review the Agreement for a full twenty-one (21) days.

h. He admits, acknowledges, and agrees that (1) he is not otherwise entitled to the payments set forth in Section 2, and (2) such payments are good and sufficient consideration for this Agreement.

i. He admits, acknowledges, and agrees that he has received all wages, compensation, bonuses, stock, stock options, vacation, paid time off, or other benefits from the Company which are or could be due to him under the terms of employment with the Company or otherwise.

8. Confidentiality . Mr. Marter agrees that the Confidentiality and Restrictive Covenant Agreement between Mr. Marter and the Company dated April 30, 2004 shall remain in full force and effect.

9. Non-Disparagement and References . Mr. Marter agrees not to make to any person any statement that disparages the Company or reflects negatively upon the Company or its predecessors, successors, parents, subsidiaries, officers, directors, employees, or affiliates. The Company agrees that the Company's executive officers and directors will not make to any person any statement that disparages Mr. Marter or reflects negatively upon Mr. Marter. The Company agrees that, in response to employment inquiries or requests for references concerning Mr. Marter, the Company will provide solely Mr. Marter's dates of employment and job titles while with the Company, along with the statement that it is Company policy not to provide additional information in response to such inquiries.

10. Return of Company Property and Information . Mr. Marter represents and warrants that he has returned to the Company any and all property, documents, and files, including any documents (in any recorded media, such as papers, computer disks, copies, photographs, maps, transparencies, and microfiche) that relate in any way to the Company or the Company's business. Mr. Marter agrees that, to the extent that he possessed any files, data, or information relating in any way to the Company, the Company's business, or the Company's customers on any personal computer, he has deleted those files, data, or information (and will retain no copies in any form). Mr. Marter has returned any Company tools, equipment, calling cards, credit cards, access cards or keys, any keys to any filing cabinets, combinations, access codes, computer passwords, vehicles, vehicle keys, and all other Company property in any form; provided , however, that Mr. Marter shall be permitted to retain the laptop computer and the cellular telephone provided to Mr. Marter by the Company on the express conditions that (1) Mr. Marter will assume all expenses related to the laptop and cellular telephone (including any related services) effective October 13, 2006, (2) the Company, at its election and cost, will replace or wipe clean the hard disk drive for the computer on or before October 13, 2006, and (3) the cellular telephone number will be changed to a new number on or before October 13, 2006, so the Company may retain the number within its cell phone plan.

11. Severability. If any provision of this Agreement is held illegal, invalid, or unenforceable, such holding shall not affect any other provisions hereof. In the event any provision is held illegal, invalid, or unenforceable, such provision shall be limited so as to effect the intent of the Parties to the fullest extent permitted by applicable law. Any claim by Mr. Marter against the Company shall not constitute a defense to enforcement by the Company.

12. Assignment. The Company may assign its rights under this Agreement. Mr. Marter cannot assign his rights under this Agreement without the written consent of the Company.

13. Enforcement. The releases contained herein do not release any claims for enforcement of the terms, conditions, or warranties contained in this Agreement. The Parties shall be free to pursue any remedies available to them to enforce this Agreement.

14. Entire Agreement. This Agreement, the Confidentiality and Restrictive Covenant Agreement dated April 30, 2004, and the stock option agreements referenced herein, represent the entire agreement between the Parties. This Agreement supersedes any and all prior oral or written promises or agreements between the Parties, including all provisions in the Amended and Restated Employment Agreement dated April 30, 2004. Mr. Marter acknowledges that he has not relied on any promise, representation, or statement other than those set forth in this Agreement. This Agreement cannot be modified except in writing signed by all Parties.

15. Waiver. The Company hereby waives any provision in the Amended and Restated Employment Agreement dated April 30, 2004 or the Confidentiality and Restrictive Covenant Agreement dated April 30, 2004, that would prevent Mr. Marter from acting as a director or providing services in any other capacity for EURO. The Company shall not attempt to influence EURO's officers, directors, or shareholders with respect to any services Mr. Marter may provide to EURO, except as may be necessary to comply with its statutory, legal, or fiduciary obligations.

16. Venue and Applicable Law. This Agreement shall be interpreted and construed in accordance with the laws of the State of Colorado, without regard to its conflicts of law provisions. Venue shall be in the federal or state courts in Colorado.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have executed this Severance and Release Agreement on the dates written below.

ALLAN J. MARTER

/s/ Allan J. Marter
Allan J. Marter

06 Oct 13
Date

GOLDEN STAR RESOURCES LTD.

/s/ Jill M. Thompson
Jill M. Thompson
Administrative Manager

10/13/2006
Date

Exhibit 10.2

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT , made as of the 17th day of June 2006 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 **COLIN BELSHAW** (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.

(b) Initially the Employee shall be employed as Vice President, Operations and then, upon the earlier of (i) the commencement of a Vice President Operations (Ghana), and (ii) the Employee having obtained a visa allowing him to work in the United States and relocated to Denver, Colorado, shall be employed as Chief Operating Officer.

(c) 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.

(d) The Employees principal place of business with respect to his services to the Company shall be the Bogoso/Prestea mine in Ghana and, subject to the Employee's confirmation as Chief Operating Officer, in the Company's head office in Denver Colorado. The Employee acknowledges that he will be required from time to time to travel 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 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 Operations or Chief Operating Officer of the Company (as set forth in the Bylaws of the Company), as the case applies, 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

4.1 The Employee shall be entitled to the following permanent 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.$250,000 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;

(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 awarded a grant of options. The number of options to be granted shall be that number of options determined by dividing U.S.$150,000 (60% of increase in salary) by the value of one option on the day of grant. The value of each option shall be determined using a Black Scholes valuation;

(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 40% of Base Salary but this may vary between 0% and 80% depending on results and performance; and

(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.

4.2 During Appointment As Vice President Operations

While based in Ghana as Vice President Operations and until the Employee’s confirmation as Chief Operating Officer and relocation to Denver, the Employee shall, in addition to the permanent benefits detailed in Section 4.1, be entitled to the following benefits:

(a) Furnished and equipped accommodation at the Bogoso/Prestea mine of a type and standard commensurate with the position. Any domestic employees would be at the cost of the Employee;

(b) Vehicle for the Employee’s work related and personal use commensurate with the position;

(c) Golden Star expatriate medical and dental health plans (subject to any limitations or conditions of the plan or any limitations posed by law);

(d) Golden Star expatriate life and disability insurance plans (subject to any limitations or conditions of the plan or any limitations posed by law); and

(e) The Employee shall be entitled to paid vacation at the rate of 60 calendar days per year during each year of employment hereunder at such time or times as may be selected by the Employee and approved by the President and Chief Executive Officer in accordance with the Company’s policies and reasonable operating requirements. The Employee will qualify for two business class return airfares to the Employee’s point of engagement for the Employee and the Employees spouse per year of employment.

While based in Accra, Ghana, the employment shall also be governed by the General Conditions of Contract, dated January 1, 2005, 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.

4.3 Denver Based Benefits

Upon the Employee’s confirmation as Chief Operating Officer and relocation to Denver, Colorado, the Employee shall, in addition to the permanent benefits detailed at Section 4.1, be entitled to the following benefits:

(a) 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;

(b) Relocation of the Employee and his spouse and personal effects from United Kingdom/Ghana to the United states. Both the Employee and the Employee’s spouse would travel business class;

(c) The Employee shall be entitled to participate in such of the Company’s benefit and deferred compensation plans as are from time to time available to executive officers of the Company, including medical and dental health plans, life and disability insurance plans, supplemental retirement programs and other fringe benefit plans (provided, however, that the Employee's benefits may be modified or the Employee may be denied participation in any such plan because of a condition or restriction imposed by law or regulation or third-party insurer or other provider relating to participation);

(d) The Employee shall be entitled to participate in any and all applicable group savings or retirement plans, or other fringe benefits of the Company as established by the Company from time to time in which executive officers are eligible to participate, provided that the Employee shall have fulfilled all eligibility requirements for such benefits;

(e) The Employee shall be entitled to four weeks of paid vacation during each year of employment hereunder at such time or times as may be selected by the Employee and approved by the President and Chief Executive Officer, and as are in accordance with the Company's policies and reasonable operating requirements; and

(f) The Employee shall be entitled to all statutory holidays applicable to all employees of the Company in Denver (ten holidays per year).

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 ("One Year Severance Compensation") in an amount equal to one times the sum of (1) the Employee's then current Base Salary, (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, (3) the amount of employer contributions contributed to the Employee's account for the most recent plan year before the termination date, under Administaff Retirement Services (ARS) 401k Plan or any successor plan and (4) the amount paid by the Company for welfare benefits on behalf of the Employee for the most recent 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 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 One Year 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) a relocation of the Company’s principal offices to a location outside the Denver, Colorado metropolitan area, or the Employee’s relocation to any place other than the Denver, Colorado offices of the Company, except for reasonably required travel by the Employee on the Company’s business provided that this clause shall have no effect while the Employee is based in Accra, Ghana and until such time that the Employee is required to, and relocates to Denver, Colorado;

(4) 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

(5) 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) two 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) the amount of employer contributions contributed to the Employee's account for the most recent plan year before the termination date, under Administaff Retirement Services (ARS) 401k Plan or any successor plan, and (4) the amount paid by the Company for welfare benefits on behalf of the Employee for the most recent year, 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) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Employee (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 6(b)) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the U.S. Tax Code or any interest or penalties are incurred by the Employee with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Employee shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Employee of all taxes imposed upon the Gross-Up Payment (including any state and federal income taxes and Excise Taxes, and interest and penalties imposed with respect to such taxes), the Employee retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment. Notwithstanding the foregoing provisions of this Section 6(b), if it shall be determined that the Employee is entitled to a Gross-Up Payment, but that the Payments do not exceed by more than $50,000 the greatest amount (the "Reduced Amount") that could be paid to the Employee such that the receipt of Payments could not give rise to any excise tax, then no Gross-Up Payment shall be made to the Employee and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

If the Employee receives a Gross-Up Payment pursuant to Section 6(b), the Employee shall take any position requested by the Company on the Employee's federal income tax return with respect to the treatment of the Payment from the Company and any Gross-up Payment (such position being, a "Requested Position"), provided the Company shall, at the request of the Employee, provide the Employee with an opinion from a nationally recognized accounting or law firm that there is "substantial authority" for the Requested Position within the meaning of IRC Section 6662. The Company shall indemnify the Employee for any tax, penalty and interest incurred by the employee as a result of taking the Requested Position. The amount for which the Employee is indemnified under the preceding sentence (the "Indemnified Amount") shall be computed on an after-tax basis, taking into account any income or other taxes. The Employee shall keep the Company informed of all developments in any audit with respect to a Requested Position. Upon payment of the Indemnified Amount, or (if the Indemnified Amount is not yet payable) upon the Company's written affirmation, in form and substance reasonably satisfactory to the Employee, of the Company's obligation to indemnify the Employee with respect to the Requested Position, the Company shall be entitled, at its sole expense, to control the contest regarding the disallowance or proposed disallowance of the Requested Position, and the Employee agrees to cooperate in connection with such contest, including, without limitation, executing powers of attorney and other documents at the reasonable request of the Company. The Indemnified Amount shall be payable whenever an amount is payable to the Internal Revenue Service as a result of the disallowance of a Requested Opinion. Following payment by the Company of the Indemnified Amount, if the Requested Position is sustained by the Internal Revenue Service or the courts, the Company shall be entitled to any resulting refund of taxes, interest and penalties that were properly attributable to the Indemnified Amount.

(c) 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 June 17, 2005 between the Company and the Employee.

9. Company Policies

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. Colin Belshaw
The Carriage House
Killiow Park, Kea
Truro
Cornwall TR3 6AG
United Kingdom

  Fax: TBA

- 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 November 21, 2005, 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 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	/s/ Allan Marter
Name:	Peter Bradford	Witness
Title:	President and Chief Executive Officer	

/s/ Colin Belshaw	
Colin Belshaw	Witness

Exhibit 10.3

THIS MEDIUM TERM LOAN AGREEMENT is dated the 11th day of October, 2006.

BETWEEN

ECOBANK GHANA LIMITED , a limited liability company established under the Laws of the Republic of Ghana whose registered office is No. 19, Seventh Avenue, Ridge West, Accra, with postal address P.O. Box 16746, Accra-North in the Greater Accra Region of the Republic of Ghana

And

CAL BANK GHANA LIMITED , a limited liability company established under the Laws of the Republic of Ghana whose registered office is No. 23, Independence Avenue, Accra, with postal address P.O. Box 14596, Accra in the Greater Accra Region of the Republic of Ghana, (hereinafter collectively referred to as the "BANKS") of the first part;

And

ECOBANK GHANA LIMITED , a limited liability company established under the Laws of the Republic of Ghana whose registered office is No. 19, Seventh Avenue, Ridge West, Accra, with postal address P.O. Box 16746, Accra-North in the Greater Accra Region of the Republic of Ghana, acting for and on behalf of the Banks (hereinafter referred to in this capacity as the "AGENT") of the second part;

And

GOLDEN STAR (BOGOSO/PRESTEA) LIMITED , a company established under the Laws of the Republic of Ghana whose registered office is No.1, Milne Close, Off Dr. Amilcar Cabral Road, Airport Residential Area, Accra with postal address P.O. Box 16075, Airport, in the Greater Accra Region of the Republic of Ghana (hereinafter referred to as the "BORROWER") of the third part.

Operative provisions:

1 Interpretation

1.1 In this Agreement, the following expressions shall have (save where the context otherwise requires) the meanings respectively attributed to them:

' **Accession Letter'** means a document substantially in the form set out in Schedule E.

'Additional Bank' means a bank that executes an Accession Letter and thereby agrees to be bound by the terms of this Agreement as an additional lender pursuant to Clause 20.

‘Advance’ means each advance made or to be made following delivery of a Drawing Notice valid in all respects under clause 4.1.

‘Agent’ means Ecobank Ghana Limited or any successor as agent of the Banks under this Agreement.

‘Agreement’ means this Medium Term Loan Agreement (MTLA) between the Borrower, the Agent and the Banks.

‘Availability Period’ means sixty days from the date of execution of this Agreement.

‘Banks’ means the banks listed in Schedule “A” as modified from time to time by the addition of an Additional Bank pursuant to Clause 20, and their respective successors in title and assigns for the time being participating in the Facility (each one being referred to as ‘the Bank’).

‘Barclays Facility’ means the loan agreement to be entered into between the Borrower and Barclays Bank of Ghana Limited for a principal amount of Fifteen Million United States Dollars (US$15,000,000), comprised of a Ten Million United States Dollars (US$10,000,000) medium term loan and a Five Million United States Dollars (US$5,000,000) overdraft facility, which shall be secured *interalia* by a Fixed Debenture which shall rank pari passu with that created in favour of the Banks.

‘BIOX Plant’ means the Bio-oxidation plant being built by GRD Minproc under an EPCM Contract dated 6 th April 2006 for the Borrower at its Bogoso mine site.

‘Bogoso Holdings’ means Bogoso Holdings a company incorporated in the Cayman Islands having its registered office at Harbour Place, 103 South Church Street, Grand Cayman, Cayman Islands, which is owned and controlled by Golden Star Resources Limited. and which owns a 90% shareholding in the Borrower.

‘Business Day’ means a day on which banks are open for business in Ghana.

Caterpillar Facility’ means the loan agreement between Golden Star Resources Limited. (the Borrower’s ultimate parent company) and Caterpillar Financial Services Corporation, for an amount of up to Thirty Five Million United States Dollars (US$35,000,000) to fund the purchase of mining equipment for the Borrower and Golden Star (Wassa) Limited (a 90% owned subsidiary of Golden Star Resources Limited) which is secured with the mobile mining equipment of the Borrower and Golden Star (Wassa) Limited.

‘Drawing Notice’ means a notice of drawing substantially in the form set out in Schedule B.

'Encumbrance' means any mortgage, charge, pledge, lien, assignment, hypothecation, title retention, right of set-off or any security interest whatsoever, howsoever created or arising and whether relating to existing or future assets.

'Event of Default' means any of the events mentioned in clause 13.1 and includes any event which, with the giving of notice and/or the lapse of time and/or a determination being made under the relevant sub-clause, would be an Event of Default.

'Facility' means the medium term loan facility, the terms and conditions of which are set out in this Agreement.

'Facility Amount" means the aggregate of Fifteen Million United States Dollars and any further amount(s) provided by the Additional Bank(s) as per the Accession Letter, less the aggregate amount of any and all repayments by the Borrower.

'Final Maturity Date' means twenty-seven months from the date of first Advance.

'GRD Minproc' means GRD Minproc (Pty) Limited, a company incorporated in the Republic of South Africa, registration No. 2002/021267/07 of Unit 1, Highbury House, Hampton Office Park North, 20 Georgian Crescent, Bryanston, South Africa.

'Interest Payment Date' means the last day of an Interest Period.

'Interest Period' means each month after the first Advance up to the Termination Date.

'Lending Office' means in relation to a Bank the office specified against its name in the preamble hereto or such other office as it may from time to time select.

'Loan' means the aggregate principal amount of all Advances made and for the time being outstanding.

'Moratorium' means three months from the first Advance on the principal payments.

'Repayment Dates' means the last day of each Interest Period.

'Security' means those assets of the Borrower securing the Facility referred to in clause 21.

'Taxes' includes all present and future taxes, stamp duties, levies, imposts, deductions, charges and withholdings whatsoever, together with any interest and penalties payable in connection with any failure to pay or delay in paying any of the above and 'taxation' shall be construed accordingly.

'Termination Date' means the close of business (GMT) on 31 st January, 2009 or, if earlier, any date on which the Borrower is discharged from its obligation to make any repayments.

1.2 Any reference in this Agreement to:

1.2.1 a ‘month’ means (and references to ‘months’ shall be construed accordingly) a period starting on one day in a calendar month and ending on the numerically corresponding day in the next relevant calendar month or, if that day is not a Business Day, on the next Business Day in the said next calendar month, or, if none, on the preceding Business Day, provided that if either the period starts on the last Business Day in a calendar month or there is no corresponding day in the said next relevant calendar month, the period shall end on the last Business Day of the next relevant calendar month;

1.2.2 a ‘person’ shall be construed as a reference to any person, firm, company, corporation, government, state or agency of a state or any association or partnership (whether or not having separate legal personality) or one or more of the foregoing;

1.2.3 a ‘statute’ shall be construed as a reference to such statute as amended or re- enacted from time to time;

1.2.4 a clause or a schedule is a reference to a clause or a schedule hereof.

1.3 Clause headings are for convenience only and shall not in any way affect the interpretation thereof.

1.4 Save where the context otherwise requires words importing the singular number include the plural and vice versa.

2 Facility

2.1 The maximum principal amount of the Facility available shall be the aggregate of Fifteen Million United States Dollars (US$15,000,000.00) plus any further amount provided by an Additional Bank (s) as per an Accession Letter.

2.2 Any part of the Facility:

2.2.1 remaining undrawn and uncancelled at the end of the Availability Period shall be automatically cancelled; and

2.2.2 at any time repaid or recovered from the Borrower shall be treated as a reduction in the Facility and shall not be available for re-borrowing.

2.3 Each of the Banks shall through its Lending Office, subject to the terms of this Agreement, participate in the Facility and each Advance hereunder in the proportion which its maximum liability as set out in Schedule A, bears to the Facility.

2.4 The Facility is made available severally by each of the Banks to the extent of its maximum liability and neither the Agent nor any other Bank shall be liable for the failure of a Bank to fulfill its obligations hereunder. Failure of one Bank to carry out its obligations hereunder shall not relieve the Borrower from its obligations towards the remaining Banks nor any other Bank or the Agent from its obligations hereunder.

3 Conditions precedent

3.1 The Facility will become available to the Borrower only when the Agent has received in form and substance satisfactory to it at least three Business Days before the first Drawing Notice:

3.1.1 a current copy of the Borrower's Certificate of Incorporation and Regulations.;

3.1.2 a certified copy of the latest audited financial statements of the Borrower;

3.1.3 an opinion of an independent firm of lawyers acting for the Borrower acceptable to the Agent substantially in the form set out in Schedule D;

3.1.4 resolutions of Borrower approving the execution delivery and performance of this Agreement, the other security documents and the transactions contemplated herein and therein duly adopted by Borrower's Board of Directors and accompanied by a certificate of Borrower's Secretary stating that such resolutions are true and correct, have not been altered or revoked and are in full force and effect.

3.1.5 a signed certificate of Borrower's Secretary which shall certify the name of the officer of Borrower authorized to sign each of the Loan Documents together with the true signature of such officer.

3.1.6 the Medium Term Loan Agreement duly executed by the parties.

3.1.7 the Fixed Debenture over assets of the Borrower as per clause 21 herein, duly executed by the Agent and the Borrower in the form of Schedule F.

3.1.8 the Assignment and Domiciliation of Sales Proceeds as per clause 21 herein duly executed by the Agent and the Borrower in the form of Schedule G.

3.1.9 evidence that Borrower has insured or arrangements satisfactory to the Banks shall have been made, if not already made, for Borrower to insure its properties and business with financially sound and reputable insurers against loss and damage in such manner and to the same extent as shall be no less than generally accepted as customary in regard to property and business of like character.

3.1.10 a valuation report on the assets to be used as security in the form attached to the Fixed Debenture created in favour of the Banks as per clause 21 herein.

3.1.11 the Subordination Agreement, duly executed by the Agent, Borrower and Bogoso Holdings, in the form of Schedule I.

3.1.12 an irrevocable and unconditional undertaking by the Borrower that as per its. Foreign Exchange Retention Account Agreement, thirty five percent (35%) of its bullion proceeds shall be paid to Ghana International Bank, and remitted through Ecobank Ghana Limited's account no. **0001362303** held at Ghana International Bank, throughout the tenor of the Facility.

3.1.13 a copy of an updated certified project status report confirming the percentage completion of the BIOX Plant.

4 Drawdown

4.1 Subject to:

4.1.1 the prior satisfaction of the provisions of clause 3;

4.1.2 no Event of Default having occurred and being continuing or being likely to occur by reason of drawdown of the Advance and;

4.1.3 the representations and warranties set out in clause 9 being correct on and as of the date of such Advance as though made on and as of such date, the Borrower may serve on the Agent in writing a Drawing Notice, to be actually received by the Agent not later than 12.00 noon (GMT) five Business Days before the proposed date of the Advance and to take effect not later than the Final Maturity Date.

4.2 The Drawing Notice shall specify the amount of each Advance.

4.3 On receipt of a valid Drawing Notice duly completed, the Agent shall notify each of the Banks of the amount and date of the proposed Advance and each Bank shall, subject to the provisions of this Agreement, make available to the Agent on the due date its participation in that Advance in accordance with the provisions of clause 12.

4.4 A Drawing Notice shall be irrevocable and the Borrower shall borrow the stated amount on the stated date.

4.5 Multiple drawings shall be permitted during the Availability Period. All such drawings will be consolidated at the earlier of the date of the last Advance or at the end of the Availability Period.

4.6 Should any Advance not be made by reason of non-fulfillment of any of the provisions set out in clause 4.1, the Borrower shall on demand indemnify each Bank against all losses and expenses suffered by it in liquidating or otherwise employing deposits from third parties acquired or arranged to fund its participation in such Advance following receipt from the Agent of details of the terms of the Drawing Notice in respect of such Advance.

5 Interest

5.1 The period of the Loan's subsistence shall be divided into Interest Periods which shall each be for a period of one month.

5.2 The rate of interest payable on an Advance or the Loan for each Interest Period shall be the U.S. prime rate (currently 8.25%) per annum plus a spread of 1%.

5.3 Interest under this Agreement shall accrue from day to day, and be paid by the Borrower to the Agent for the account of the Banks in arrears on each Interest Payment Date.

5.4 The Agent shall certify to the Borrower and the Banks each rate of interest as soon as it is determined under this Agreement and any such certificate of the Agent shall, in the absence of manifest error, be conclusive and binding upon the parties hereto.

5.5 Interest shall be payable in the currency in which the Advance (or in the case of interest payable under the provisions of clause 5.6., the overdue amount) in respect of which it is payable is denominated during the Interest Period current or ending on the date on which it is payable.

5.6 If the Borrower shall fail to pay any amount in accordance with this Agreement, the Borrower shall pay interest on that amount from the date of default up to the date of actual payment (as well after as before judgment) at the rate per annum which is certified by the Agent to be 10 per cent above the US Prime rate (as determined and published from time to time) on such overdue amount. Interest payable under this clause 5.6 which is unpaid at the end of each Interest Period shall thereafter be consolidated with the principal amount owing and unpaid.

6. Repayment

6.1 Subject to the provisions of this Agreement, the amount of the Loan outstanding at the end of the Availability Period shall be repaid by 24 equal installments from the end of the Moratorium period, on each of the Repayment Dates. All amounts of the Loan outstanding shall be repaid in full by the Final Maturity Date.

7 Cancellation and prepayment

7.1 The Borrower may at any time without penalty by giving at least thirty days’ prior written notice to the Agent to that effect (i) prepay the Loan in whole or in part on any Interest Payment Date or (ii) cancel in whole or part prior to the end of the Availability Period the undrawn and uncancelled Facility subject, however, to the payment on the prepayment date or cancellation date (as the case may be) of any other amounts then due pursuant to the terms and conditions of this Agreement.

7.2 Any notice given under clause 7.1 shall be irrevocable and, in the case of prepayment, shall commit the Borrower to prepay to the Agent for account of the Banks the Advance[s] (or part thereof) referred to therein on the date therein stated and shall be applied in reduction of the Borrower’s repayment obligations under clause 7 in inverse order of maturity.

7.3 No amount prepaid or cancelled in accordance with this clause shall be capable of being re-drawn.

7.4 Except as expressly provided herein, the Borrower may not prepay the Loan or cancel the Facility in whole or in part.

8 Fees

8.1 The Borrower shall pay to the Agent, for the account of the Banks, a facility fee, which shall be calculated at the rate of 0.5% per cent of the Facility amount, payable on the date on which this Agreement is executed by the parties.

8.2 The Borrower shall pay to the Agent, for the account of the Banks, a processing fee, which shall be calculated at the rate of 0.5% per cent of the Facility amount, payable on the date on which this Agreement is executed by the parties.

9 Representations and warranties

9.1 The Borrower acknowledges that each of the Banks and the Agent has entered into this Agreement in reliance on representations by the Borrower in the following terms and the Borrower hereby accordingly warrants and represents to each of them that:

9.1.1 the Borrower is duly incorporated with limited liability and validly existing under the laws of Ghana;

9.1.2 the Borrower has power under its Regulations to enter into this Agreement and to exercise its rights and perform its obligations hereunder and all corporate or other action required to authorize the execution and performance by the Borrower of its obligations hereunder has been duly taken, including the obtaining of all consents or approvals of, or exemptions by, any state, governmental or public bodies and authorities required in Ghana (‘authorizations’) in connection with the acceptance by the Borrower of the terms and conditions of this Agreement and all obligations to be performed by it hereunder;

9.1.3 the signing and delivery of this Agreement and performance of any of the transactions contemplated in it will not:

(a) contravene or constitute a default under any provision contained in any agreement, instrument, law, judgment, order, licence, permit or consent by which the Borrower or any of its assets is bound or affected; or

(b) cause any limitation on it or the powers of its directors (whether imposed by any of its constitutional documents or by any law, order, judgment, agreement, instrument or otherwise) to be exceeded;

9.1.4 The Borrower has obtained governmental and other authorizations, approvals, licences, consents and exemptions of, and made all declarations to, governmental and other regulatory authorities and agencies necessary for the execution by the Borrower of this Agreement (and all other documents herein referred to requiring such execution), for the borrowing of the Loan hereunder, for the payment of all amounts due to the Agent and the Banks in connection with the Loan, for the observance and performance by the Borrower of its obligations and duties hereunder and for all other matters and things contemplated by this Agreement and to render this Agreement and such other documents legal, valid, enforceable and admissible in evidence;

9.1.5 all material acts, conditions and things required by the law of Ghana to be carried out, fulfilled and performed in order to ensure that the obligations of the Borrower contained in this Agreement are legal, valid and enforceable and to make this Agreement admissible in evidence in Ghana have been carried out, fulfilled and performed in strict compliance with the laws of Ghana, in particular, no registration, recording, filing or notarization of this Agreement and no payment of any duty or tax and no other action whatsoever is necessary or desirable to ensure the validity, enforceability or priority in Ghana of the liabilities and obligations of the Borrower or the rights of the Agent and the Banks (or any of them) under this Agreement;

9.1.5 under the laws of Ghana in force at the date hereof, the claims of the Banks against the Borrower hereunder will rank pari passu with the claims of all other unsecured indebtedness of the Borrower;

9.1.6 the Borrower is not entitled to claim immunity from suit, execution, attachment, or other legal process in Ghana;

9.1.7 no event has occurred which constitutes, or which with the giving of notice and/or the lapse of time and/or a relevant determination would constitute, a contravention of, or default under, any agreement or instrument by which the Borrower or any of its assets is bound or affected which might either have a material adverse effect on the business, assets or condition of the Borrower or materially and adversely affect its ability to observe or perform its obligations hereunder;

9.1.8 no litigation, arbitration or administrative proceeding or claim which might by itself or together with any other such proceedings or claims either have a material adverse effect on its business, assets or condition or materially and adversely affect its ability to observe or perform its obligations under this Agreement, is presently in progress or pending or, to the best of the knowledge, information and belief of the Borrower, threatened against the Borrower or any of its assets;

9.1.9 all necessary returns have been delivered by or on behalf of the Borrower to the relevant taxation authorities, the Borrower is not in default in the payment of any taxes of a material amount, and no material claim is being asserted with respect to taxes which is not disclosed in the financial statements referred to in clause 9.1.10;

9.1.10 the audited financial statements (including the income statement and balance sheet) of the Borrower for the year ended December 2005 have been prepared in accordance with accounting principles generally accepted in Ghana and consistently applied, give a true and fair view of the results of its operations for that year and the state of its affairs at that date and, in particular, accurately disclose all the liabilities (actual or contingent) of the Borrower;

9.1.11 save as permitted under clause 10.1.1(a) below, none of the assets of the Borrower is affected by any Encumbrance and the Borrower is not a party to nor is it or any of its assets bound by any order, agreement or instrument under which the Borrower is or in certain events may be required to create, assume or permit to arise any Encumbrance;

9.1.12 the Information Memorandum dated as of September 4, 2006circulated at the request of the Borrower to each of the Banks and the information furnished by the Borrower in connection with the Facility do not contain any untrue statement or omit to state any fact the omission of which makes the statements therein misleading, in the light of the circumstances under which they were made, misleading and all expressions of expectation, intention, belief and opinion therein were honestly made on reasonable grounds, after due and careful enquiry by the Borrower;

9.1.13 the Borrower has taken no corporate action nor have any other steps been taken or legal proceedings started or threatened against the Borrower for its winding up, dissolution or reorganization or for the appointment of a receiver, administrator, trustee or similar officer to the Borrower or any or all of its assets and undertaking;

9.1.14 the Banks are not nor will they be deemed to be domiciled or carrying on business in Ghana by reason only of the execution, performance and/or enforcement of this Agreement; and

9.1.15 the Borrower has disclosed fully in writing to the Agent all facts relating to it which it knows or should reasonably know and which are material for disclosure to the Banks (or any of them) in the context of this Agreement; and

9.2 The representations and warranties in this clause 9 shall be deemed to be repeated, updated mutatis mutandis at each such date, on the date of each Drawing Notice, on the making of each Advance and on the first day of each Interest Period.

10 Undertakings

10.1 The Borrower undertakes with the Banks that, from the date hereof until all its liabilities under this Agreement have been discharged:

10.1.1 the liabilities of the Borrower under this Agreement will continue to rank at least equally and rateably (pari passu) in point of priority and security with all its other liabilities (both actual and contingent) including the fixed debenture created pursuant to the Barclays Facility except:

(a) liabilities giving rise to liens or rights of set-off in the normal course of trading, the aggregate amount of which is not material; and

(b) liabilities which are preferred solely by Ghanaian law and not by reason of any Encumbrance and

(c) fixed debentures created pursuant to the Caterpillar Facility.

10.1.2 the Borrower will not create or permit to exist over all or any part of its business or assets (present or future) any Encumbrance (other than any excepted above and the Fixed Debentures created pursuant to the Caterpillar Facility and the Barclays Facility respectively,) unless the benefit of such Encumbrance is forthwith extended equally and rateably, to the satisfaction of the Banks, to the liabilities of the Borrower under this Agreement. In default of such extension, the person entitled to the Encumbrance shall (if he had notice of this undertaking) hold the Encumbrance (and any proceeds arising from its enforcement) pro tanto upon trust for each of the Banks;

10.1.3 the Borrower will use the Facility only for the purpose of part-financing the completion of a bio-oxidization plant.

10.1.4 the Borrower will deliver to the Agent as soon as they become available, but in any event within 120 days of the end of each of its financial periods (which shall not be longer than fifteen months), copies (in sufficient numbers for all the Banks) of its audited financial statements for that period. Such statements shall: (i) contain an income statement and a balance sheet, (ii) accurately disclose all its liabilities (actual or contingent), (iii) be prepared in accordance with accounting principles for the time being generally accepted in Ghana and consistently applied by, and be certified without qualification by, a firm of independent accountants of recognized international standing and (iv) give a true and fair view of the result of the operations and the state of affairs of the Borrower;

10.1.5 the Borrower will supply promptly to the Agent such additional financial or other information as it may from time to time reasonably request including a monthly report on the expansion project;

10.1.6 the Borrower will maintain in full force and effect all relevant authorizations (governmental and otherwise) and will promptly obtain any further authorization which may become necessary to enable it to perform any of the transactions contemplated by this Agreement;

10.1.7 the Borrower will conduct its business in a proper and efficient manner;

10.1.8 the Borrower will give the Agent written notice of any Event of Default forthwith and not later than 7 days upon its becoming aware of the occurrence thereof; and

10.1.9 Borrower not to pay any dividends without notifying the Banks while any payment remains outstanding.

11 Changes in law: increased costs

11.1 Where the introduction or variation of any law, order, regulation, ruling or official directive or any change in the interpretation or application thereof makes it apparent to any Bank that it is or will be unlawful for that Bank to maintain, fund or give effect to its obligations under this Agreement:

11.1.1 that Bank’s obligation to participate in any future Advances shall forthwith be suspended and the Facility shall be suspended to such extent;

11.1.2 that Bank shall notify the Borrower through the Agent of the nature of the circumstances and (in consultation with the Borrower and the Agent) use all reasonable efforts to avoid such illegality including, without limitation, by considering a change (subject to obtaining any necessary consents) in its Lending Office or transferring its participation at par to other financial institution(s) (whether or not affiliated) not affected by such law, order, regulation or directive; and

11.1.3 if the illegality cannot be so avoided, the Borrower shall on demand prepay to the Agent for the account of that Bank without premium or penalty all of that Bank's participation in the Loan (together with accrued interest thereon and any other amounts then due to such Bank hereunder).

11.2 Where any Bank determines that the introduction or variation of any law, order, regulation or official directive or any change in the interpretation or application thereof or compliance with any requirement or request (whether in any case having the force of law or not) from any central bank or other fiscal, monetary or other authority relating to monetary control, prudential gearing, capital adequacy, risk measures or otherwise including, without limitation, one which:

11.2.1 subjects that Bank to any tax relating to any payment hereunder (other than tax on its overall net income); or

11.2.2 changes the basis of taxation of any payment to that Bank (other than a change in the rate of tax on overall net income) hereunder; or

11.2.3 imposes, modifies or deems applicable any reserve, deposit or similar requirement against any assets held by, or deposits with, in or for the account of, or loans made by, that Bank; or

11.2.4 imposes on that Bank any other condition affecting its participation in the Facility or the Loan, and would (i) increase the cost to that Bank of making or maintaining its participation in the Facility or the Loan, (ii) reduce the amount of any sum received or receivable by it in respect of its participation in the Facility or the Loan, (iii) oblige it to make any payment on or calculated by reference to the amount of any sum received or receivable by it from the Borrower under this Agreement or (iv) reduce the Bank's income by reason of any restriction on its capacity to lend to the extent that such reduction may be attributed to or in proportion to that Bank's participation hereunder, then:

11.2.5 that Bank shall notify the Borrower through the Agent of the circumstances leading to its determination and use all reasonable efforts to avoid such circumstances in the manner specified in clause 11.1.2 above;

11.2.6 the Borrower shall on demand pay to the Agent for the account of that Bank such amounts as that Bank from time to time and at any time (including after a prepayment of that Bank's participation) notifies the Agent to be necessary to compensate it for such additional cost, reduction or payment; and

11.2.7 at any time thereafter, so long as the circumstances giving rise to the obligation to make a compensating payment continue, the Borrower may, by giving at least ten Business Days' prior written notice to the Agent (which notice shall be irrevocable), (i) without payment (other than of accrued commitment commission to the date of cancellation), premium or penalty, discharge such Bank from its obligation to participate in further Advances and/or (ii) prepay to the Agent for account of such Bank, without premium or penalty, that Bank's participation in the Loan, together with accrued interest and any other amounts then due in respect of such participation in accordance with the terms and conditions of this Agreement (including any sum payable under the indemnity contained herein on the expiry date of the current Interest Period during which the Borrower receives from the Agent the claim on behalf of such Bank. In such event, the amount of each subsequent repayment installment shall be proportionately reduced.

12 Payments

12.1 All payments to be made by the Borrower shall be made:

12.1.1 by payment in Dollars in same day funds on the relevant day to Ghana International Bank for the account of the Agent; and

12.2 The Agent shall remit to each Bank for value the same day its due proportion thereof by transfer to such account as such Bank previously has notified to the Agent.

12.3 All amounts to be advanced by the Banks to the Borrower under this Agreement shall be remitted in Dollars in same day funds on the relevant day to the account of the Agent at Ghana International Bank and the Agent shall make the same available to the Borrower on the same day by payment in Dollars to such account and bank as shall have been specified in the relevant Drawing Notice or notice pursuant to clause 4.1. If the Agent makes available to the Borrower any amount which has not been made unconditionally available to the Agent by any Bank the Borrower shall forthwith on notice from the Agent repay the same to the Agent.

12.4 All payments by the Borrower under this Agreement (whether in respect of principal, interest, fees or otherwise however) shall be made in full, without any deduction or withholding (whether in respect of set-off, counterclaim, duties, taxes, charges, levies or otherwise howsoever) unless the Borrower shall be prohibited by law from so doing, in which event the Borrower shall:

12.4.1 ensure that the deduction or withholding does not exceed the minimum amount legally required;

12.4.2 forthwith pay to the Agent for the account of each Bank such additional amount as will ensure that the net amount received by that Bank will equal the full amount which would have been received and retained by it had no such deduction or withholding been made;

12.4.3 pay to the relevant taxation or other authorities within the period for payment permitted by applicable law the full amount of the requisite deduction or withholding; and

12.4.4 furnish to the Agent promptly after receipt, and in any event within sixty days of making such deduction or withholding on behalf of the Bank concerned, an official receipt of the applicable taxation or other authorities involved for all amounts deducted or withheld as aforesaid.

12.5 If any payment would otherwise be due on a day which is not a Business Day, it shall be due on the next succeeding Business Day or, if that Business Day falls in the following month, on the preceding Business Day.

13 Default

13.1 the following shall constitute an event of default, if :

13.1.1 the Borrower fails to pay any sum due from it hereunder on the due date or on demand, if so payable;

13.1.2 the Borrower fails to observe or perform any of its other obligations under this Agreement or under any undertaking or arrangement entered into in connection herewith and, in the case of a failure capable of remedy, the same is not remedied within twenty-one days after the Borrower became aware of the failure, to the Banks' satisfaction;

13.1.3 any representation, warranty or statement which is made (or deemed to have been made) by the Borrower in this Agreement or in any certificate, statement, legal opinion or notice provided under or in connection with this Agreement proves to be incorrect in any material respect or if repeated at any time with references to the facts and circumstances subsisting at such time would not be accurate in all material respects;

13.1.4 any provision of this Agreement is or becomes for any reason, invalid or unenforceable or any consent or approval required by the Borrower for the performance of its obligations hereunder is revoked or modified;

13.1.5 the Borrower transfers or disposes of, or threatens to transfer or dispose of, a substantial part of its business or assets which in the determination of the Banks would affect its operations and thereby its ability to perform its obligations under this Agreement;

13.1.6 the Borrower changes or threatens to change the nature or scope of its business, suspends or threatens to suspend a substantial part of its present business or any governmental authority expropriates or threatens to expropriate all or part of its assets and the result of any of the foregoing is, in the determination of the Banks, materially and adversely to affect its financial condition or its ability to perform its obligations under this Agreement;

13.1.7 any indebtedness of the Borrower becomes due or capable of being declared due before its stated maturity, or the Borrower goes into default under, or commits a breach of, any instrument or agreement relating to any such indebtedness;

13.1.8 any petition or application is made for the appointment of a trustee, administrator, receiver or similar officer in respect of all or any part of the business or assets of the Borrower;

13.1.9 an encumbrancer takes possession of, or a trustee, administrator, receiver or similar officer is appointed in respect of all or any part of the business or assets of the Borrower or distress or any form of execution is levied or enforced upon or sued out against any such assets and is not discharged within seven days or any Encumbrance which may for the time being affect any of its assets becomes enforceable;

13.1.10 the Borrower becomes or is declared insolvent;

13.1.11 the Borrower convenes a meeting of its creditors or proposes or makes any arrangement or composition with, or any assignment for the benefit of, its creditors or a petition is presented or a meeting is convened for the purpose of considering a resolution or other steps are taken for the winding up of the Borrower (other than while solvent for the purposes of and followed by a reconstruction previously approved in writing by the Banks); then or at any time thereafter, the Agent may, and upon the request of the Banks shall, by notice to the Borrower, declare the Loan to be immediately due and payable whereupon:

13.1.11.1 it shall become so due and payable, together with accrued interest thereon and any other amounts then payable under this Agreement; and/or

13.1.11.2 no further Advances shall be made and the Facility shall be cancelled.

13.2 If and whenever the Agent is notified under this Agreement of the occurrence of an Event of Default, it shall promptly inform each of the Banks.

14 Default indemnity: expenses

14.1 The Borrower shall fully indemnify the Agent and each of the Banks from and against any expense, loss, damage or liability (as to the amount of which the certificate of the Agent shall, save for manifest error, be conclusive and binding upon the parties hereto) which any of them may incur as a consequence of the occurrence of any Event of Default, of any failure to borrow in accordance with a Drawing Notice or of any prepayment under this Agreement or otherwise in connection with this Agreement. Without prejudice to its generality, the foregoing indemnity shall extend to any interest, fees or other sums whatsoever paid or payable on account of any moneys borrowed in order to fund any unpaid amount and to any loss (including loss of profit), premium, penalty or expense which may be incurred in liquidating or employing deposits from third parties acquired to make, maintain or fund the Loan (or any part of it) or any other amount due or to become due under this Agreement.

14.2 The Borrower shall pay on demand, in each case on the basis of a full indemnity:

14.2.1 to the Agent (for its own account or (as the case may require) for the account of each of the Banks) all reasonable expenses (including legal and out-of-pocket expenses) incurred in connection with any variation consent or approval relating to this Agreement or in connection with the preservation, enforcement or the attempted preservation or enforcement of any of their rights under this Agreement; and

14.2.2 any stamp, documentary and other duties and taxes to which this Agreement may be subject or give rise and shall fully indemnify the Agent and each of the Banks from and against any losses or liabilities which they may incur as a result of any delay or omission by the Borrower to pay any such duties or taxes.

15 The agent

15.1 Each Bank hereby appoints the Agent to act as its agent in connection herewith and authorizes the Agent to exercise such rights, powers and discretions as are specifically delegated to it by the terms hereof, together with all such rights, powers and discretions as are reasonably incidental thereto.

15.2 When acting in connection with this Agreement, the Agent may:

15.2.1 assume that none of the events mentioned in clause 13 has occurred and that the Borrower is not in breach of or default under its obligations hereunder unless it has actual knowledge or received actual notice to the contrary;

15.2.2 assume that each Bank's Lending Office is that identified in the preamble above until it has received from such Bank notice designating some other office of such Bank as its Lending Office and act upon such notice until the same is superseded by further notice;

15.2.3 engage and pay for the advice or services of any lawyers, accountants or other experts whose advice or services may to it seem necessary, expedient or desirable and rely upon any advice so obtained;

15.2.4 rely as to any matters of fact which might reasonably be expected to be within the knowledge of the Borrower upon a certificate signed by or on behalf of the Borrower;

15.2.5 rely upon any communication or document believed by it to be genuine and correct;

15.2.6 exercise or refrain from exercising any power or discretion vested in it hereunder unless and until instructed by the Banks as to the manner in which such power or discretion should be exercised; and

15.2.7 without prejudice to the generality of clause 15.2.6, refrain from acting in accordance with any instructions of the Banks or any of them to begin any legal action or proceeding arising out of or in connection with this Agreement until it shall have been indemnified to its satisfaction against any and all damages, costs, claims, expenses (including legal fees) and liabilities which it will or may expend or incur in complying with such instructions.

15.3 The Agent shall:

15.3.1 promptly upon receipt thereof, inform each Bank of the contents of any notice or document received by it from the Borrower hereunder;

15.3.2 promptly upon the receipt thereof, notify each Bank of the occurrence of any of those events mentioned in clause 13 or any default by the Borrower in the due performance of its obligations under this Agreement of which it has actual knowledge or received actual notice;

15.3.3 subject as herein before provided, act in accordance with any instructions given to it by the Banks; and

15.3.4 if so instructed by the Banks, refrain from exercising a right, power or discretion vested in it under clause 13.

15.4 The Agent shall not:

15.4.1 be bound to enquire as to the cause of the occurrence or otherwise of any of those events mentioned in clause 13 or as to the reason for any breach by the Borrower of its obligations hereunder with the exception of such an event as is stated in clause 13.1.1;

15.4.2 be bound to begin legal action or proceeding arising out of or in connection with this Agreement, otherwise than on the instructions of the Banks;

15.4.3 be bound to account to any Bank for any sum or the profit element of any sum received by it for its own account;

15.4.4 be bound to disclose to any other person any information relating to the Borrower received by it, if such disclosure would or might, in the opinion of the Agent, constitute a breach of any law or regulation or be otherwise actionable at the suit of any person; or

15.4.5 be under any fiduciary duty towards any Bank or the Borrower or under any obligations other than those for which express provision is made herein;

15.4.6 resign from or appoint a successor for the performance of its duties herein without the consent of the Banks.

15.5 Neither the Agent nor any of its directors, officers, employees or agents shall be liable:

15.5.1 for the execution, validity, enforceability or effectiveness of this Agreement or any document delivered pursuant thereto or connected therewith; or

15.5.2 for any failure of the Borrower, or any of the Banks duly and punctually to observe and perform any of its obligations under this Agreement; or

15.5.3 for any statements, representations or warranties made or referred to in this Agreement or any information given to any of the Banks in connection with this Agreement; or

15.5.4 for any action taken or omitted by any of them under or in connection with this Agreement in good faith.

15.6 Where the Agent, in complying with instructions received by it from the Banks, incurs any costs, claims, damages, expenses (including legal fees) and liabilities, each Bank shall indemnify the Agent, in the proportion its share of the Loan (or, if no Advances have yet been made, the Facility) bears to the aggregate amount thereof at the time any instructions are given.

15.7 Each Bank agrees that the Agent shall not be responsible for the accuracy and completeness of any representation made (whether orally or otherwise) herein or in connection herewith, or for the validity, effectiveness, adequacy or enforceability of this Agreement or for the creditworthiness of the Borrower. Neither the Agent nor any of its directors, officers or employees shall be under any liability for or in respect of any action taken by it or them in relation to this Agreement save for their own gross negligence or willful misconduct.

15.8 With respect to its own participation in the Facility and the Loan, the Agent shall have the same rights and powers under this Agreement as any other Bank and may exercise them as though it were not also acting as agent for the Banks. The Agent and its associates and affiliates may, without liability to disclose or account, engage in any kind of financial, trust or commercial business with, or acquire or dispose of any kind of security of, the Borrower (or any of its associates or affiliates) as if the Agent were not the agent for the Banks. The Agent shall have no obligation to disclose or account for any dealings which it may have had with the Borrower or any of its associates or affiliates prior to the date of this Agreement.

15.9 It is understood and agreed by each Bank that it has itself been, and will continue to be, solely responsible for making its own independent appraisal of and investigations into the financial condition, creditworthiness, affairs, status and nature of the Borrower. Accordingly, each Bank confirms to the Agent that it has not relied, and will not hereafter rely, on it or them:

15.9.1 to check or enquire on its behalf into the adequacy, accuracy or completeness of any information provided by the Borrower in connection with this Agreement or the transactions herein contemplated (whether or not such information has been or is hereafter circulated to such Bank by the Agent); or

15.9.2 to assess or keep under review on its behalf the financial condition, creditworthiness or affairs of the Borrower. Each of the Banks agrees that it will not assert or seek to assert against any director, officer or employee of the Agent any claim it might have against any of them in respect of the matters referred to in clause 15.5.

15.10 If the Agent in good faith makes available to the Borrower an amount which has not been made unconditionally available to the Agent by a Bank, then that Bank shall indemnify the Agent against any loss which the Agent suffers or incurs as a result. Unless the Borrower notifies the Agent before the date any payment is due hereunder that it does not intend to make payment, the Agent may assume that the Borrower has made that payment when so due and the Agent may make available to each Bank on that payment date an amount equal to that Bank's share of the assumed payment. If the Borrower has not made payment to the Agent, each Bank shall on demand repay to the Agent for value on the date of such payment the amount made available to that Bank.

16 Change in agent

16.1 The Agent may at any time notify the Borrower and the Banks of the proposed termination of its agency. After the giving of any notice of proposed termination, the Banks may in writing appoint, on behalf of the Banks, a successor as Agent. If such successor has not accepted in writing the appointment within thirty days after the notice of proposed termination, the Agent may within a further thirty days appoint, on behalf of the Banks, a successor which shall be a Bank with an office in Ghana. Upon the written acceptance (in such form as the Banks may approve) by the successor of its appointment as Agent:

16.1.1 as regards the Borrower and each of the Banks, such successor shall become bound by all the obligations of the Agent and become entitled to all the rights, privileges, powers, authorities and discretions of the Agent hereunder;

16.1.2 the agency of the retiring Agent shall terminate, but without prejudice to any liabilities which the retiring Agent may have incurred prior to the termination of its agency;

16.1.3 the retiring Agent shall be discharged from any further liability or obligation under this Agreement; and the provisions of this Agreement shall continue in effect for the benefit of any retiring Agent in respect of any actions taken or omitted to be taken by it or any event occurring before the termination of its agency.

17 Miscellaneous

17.1 Evidence of indebtedness

In any proceedings relating to this Agreement:

17.1.1 a statement as to any amount due to the Banks under this Agreement which is certified as being correct by an officer of the Agent; and

17.1.2 a statement as to any amount due to a Bank under this Agreement which is certified as being correct by an officer of the Bank; shall, unless otherwise provided in this Agreement, be prima facie evidence that such amount is in fact due and payable.

17.2 Application of moneys

If any sum paid or recovered in respect of the liabilities of the Borrower under this Agreement is less than the amount then due, the Agent may apply that sum to principal, interest, fees or any other amount due under this Agreement in such proportions and order and generally in such manner as the Banks shall determine.

17.3 Set-off

The Borrower authorizes each Bank to the fullest extent permitted by law to apply any credit balance to which the Borrower is entitled on any account of the Borrower with that Bank in satisfaction of any sum due and payable from the Borrower hereunder but unpaid. For this purpose, each Bank is authorized to purchase with the moneys standing to the credit of any such account such other currencies as may be necessary to effect such application. No Bank shall be obliged to exercise any right given to it by this clause.

17.4 Bank's contributions

17.4.1 Any Bank which receives or recovers any amount (other than from the Agent) in respect of sums due from the Borrower under this Agreement (whether by set-off or otherwise) (a 'Recovering Bank') shall promptly notify the Agent of such receipt or recovery and the amount thereof. The Agent shall, as soon as practicable thereafter, ascertain from the Banks the aggregate sums received or recovered by the Banks (whether by the exercise of any right of set-off or otherwise) and what payments are required to be effected for such aggregate to be divided amongst the Banks in proportion to their participations.

17.4.2 The Banks shall promptly make such payments to each other, through the Agent, as the Agent shall direct to effect the proportionate division referred to above.

17.4.3 Any payment previously received by a Recovering Bank which is required to make a payment or payments pursuant to clause 17.4.2 shall, subject to the following provisions, be deemed to have been made by the Borrower on the basis that the provisions of this clause 17.4 would be applied and the liabilities of the Borrower to each of the Banks shall accordingly be determined on the basis that such payment or payments would be made as a distribution on behalf of the Borrower.

17.4.4 Clause 17.4.3 shall not apply to any amount received or recovered as a result of which the indebtedness of the Borrower to the Recovering Bank is as a matter of law extinguished, discharged or satisfied by the amount received or recovered; in this event, any payment or payments required to be made pursuant to clause 17.4.2 shall, for the purpose only of determining the liabilities of the Borrower to the Banks (other than the Recovering Bank) and the liabilities of the Banks to each other, be deemed to have been made on behalf of the Borrower in respect of its obligations under this Agreement and the Borrower shall fully indemnify the Recovering Bank for such payment or payments.

17.4.5 Any moneys payable by the Borrower under clause 17.4.4 shall be regarded as payable from the date the Recovering Bank makes the payment or payments under clause 17.4.2, shall carry interest from such date and shall, for all purposes of this Agreement, be treated in the same way as other amounts payable hereunder as though such moneys were payable in respect of the participation of the Recovering Bank (whether or not the indebtedness in respect of such participation has been satisfied in whole or in part).

17.4.6 The parties shall make such payments and take such steps as may be just and equitable to readjust the position of the parties if a Bank, having followed the procedures required above, is subsequently required to return any sum.

17.4.7 The obligation of each Bank under this clause 17.4 is several. The Borrower hereby acknowledges its consent to the arrangements contained in this clause 17.4.

17.5 Invalidity of any provision

If any of the provisions of this Agreement becomes invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

17.6 Waivers

Time shall be of the essence of this Agreement, but no failure to exercise nor any delay in exercising on the part of the Agent or any Bank any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise thereof or the exercise of any other right or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

18 Notices

18.1 Each communication to be made hereunder shall be in writing but, unless otherwise stated, may be made by telefax or letter.

18.2 Any communication or document (unless made by telefax) to be made or delivered by one person to another pursuant to this Agreement shall (unless that other person has, by fifteen days' written notice to the Agent, specified another address) be made or delivered to that other person at the address identified with its signature below and shall be deemed to have been made or delivered when such communication or document has been despatched or when left at that address or, as the case may be, seven days after being deposited in the post first class postage prepaid in an envelope addressed to it at that address, provided that any communication or document to be made or delivered to the Agent shall be effective only when received by the Agent at the address to which it is to be sent.

18.3 Where any provision of this Agreement specifically contemplates telefax communication made by one person to another, such communication shall be made to that other person at the relevant telephone number specified by it from time to time for the purpose and shall be deemed to have been received when transmission of such telefax communication has been notified to such other person by telex and an appropriate answerback received. Each such telefax communication, if made to the Agent by the Borrower, shall be signed and despatched by an authorized officer of the Borrower and shall be expressed to be for the attention of the account officer whose name has been notified for the time being for that purpose by the Agent to the Borrower.

19. Assignment and transfers

19.1 Any Bank may at any time and at its own costs:

19.1.1 assign all or any of its rights and benefits hereunder; or

19.1.2 transfer, in accordance with clause 19.3, all or any of its rights, benefits and obligations hereunder.

19.2 If any Bank assigns all or any of its rights and benefits hereunder, then, unless and until the assignee has agreed with the Agent and the other Banks that it shall be under the same obligations towards each of them as it would have been under if it had been a party hereto as a Bank, the Agent and the other Banks shall not be obliged to recognize such assignee as having the rights against each of them which it would have had if it had been a party hereto.

19.3 If any Bank wishes to transfer all or any of its rights, benefits and/or obligations hereunder, then such transfer may be effected by the delivery to the Agent of a duly completed executed Transfer Certificate, whereupon:

19.3.1 to the extent that in such Transfer Certificate the Bank party thereto seeks to transfer its rights and/or its obligations hereunder as a Bank, the Borrower and such Bank shall each be released from further obligations to the other hereunder and their respective rights against each other shall be cancelled (such rights and obligations being referred to in this clause 19.3 as 'discharged rights and obligations');

19.3.2 the Borrower and the Transferee party thereto shall each assume obligations towards each other and/or acquire rights against each other which differ from the discharged rights and obligations only in so far as the Borrower and such Transferee have assumed and/or acquired the same in place of the Borrower and such Bank; and

19.3.3 the Agent, the Transferee and the other Banks shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had such Transferee been an original party hereto as a Bank with the rights and/or the obligations acquired or assumed by it as a result of such transfer.

19.4 The Agent shall promptly notify the other parties hereto of the receipt by it of any Transfer Certificate and shall deliver a copy thereof to the Borrower.

19.5 Any Bank may disclose to any actual or potential assignee or Transferee or to any person who may otherwise enter into contractual relations with such Bank in relation to this Agreement such information about the Borrower and the terms of this Agreement as such Bank shall consider appropriate.

19.6 The Borrower may not assign or transfer any of its rights, benefits or obligations hereunder save with the prior written consent of each Bank.

20. Additional Bank

20.1 Ghana International Bank Plc or such other Bank(s) as shall be agreed upon by the Agent, the Banks and the Borrower (the Additional Bank(s)) may at its own costs become a party to this Agreement by delivering to the Agent a duly completed and executed Accession Letter in the format set out in Schedule E hereto, provided that the aggregate of the Facility Amount and the facility to be provided pursuant to the Barclays Facility to the Borrower, shall not exceed US$35 Million and that no Accession Agreement shall be entered into after January 31, 2007.

20.1.1 The Agent, the Additional Bank and the other Banks shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had such Additional Bank been an original party hereto as a Bank with the rights and/or the obligations acquired or assumed by it as a result of entering into such Accession Agreement.

20.1.2 the Borrower and the Additional Bank shall each assume the same obligations towards each other and/or acquire the same rights against each other as they would have acquired and assumed had such Additional Bank been an original party hereto as a Bank with the rights and/or the obligations acquired or assumed by it as a result of entering into such Accession Agreement.

20.2 The Agent shall promptly notify the other parties hereto of the receipt by it of any Accession Agreement and shall deliver a copy thereof to the Borrower.

21.0 Security

21.1 Borrower agrees to procure as security for the Facility hereby granted the following:

21.1.1 First ranking Fixed charge over the assets of the Borrower set out in the Fixed Debenture inclusive of the BIOX Plant, exclusive of mobile mining equipment financed by and charged in favour of Caterpillar Financial Services Corporation, and stamped to cover the overall exposure.

21.1.2 Assignment and Domiciliation of sales proceeds equivalent to 1.25 times the Facility Amount through Ecobank Ghana Limited.

21.1.3 Assignment of Borrower’s rights and interests under all contracts with GRD Minproc and other contractors in respect of the BIOX Plant.

21.2 Borrower has agreed, in consideration of the Banks entering into these arrangements on the terms set out in this Agreement, to give or procure the giving of the security referred to in section 21.1 hereof.

21.3 The security to be furnished by the Borrower at any given time shall be shared pro rata to the commitment of the Banks in relation to the debt outstanding.

21.4 The Banks agree that they shall release the security in full, whereupon the provisions of sections 21 shall forthwith, without the need for further notice, cease to apply, as soon as:

21.4.1 the Facility has been repaid in full and all committed amounts applicable thereto have been reduced to nil; and

21.4.2 all interest, fees, costs and expenses then payable in respect of the Facility, which is subject matter hereof, have been paid in full.

22 Governing law

22.1 This Agreement is governed by, and shall be construed in accordance with, the laws of Ghana..

22.2 The Borrower irrevocably:

22.2.1 submits to the non-exclusive jurisdiction of the courts of Ghana;

22.2.2 waives any objections on the ground of venue or forum non conveniens or any similar grounds;

22.2.3 consents to service of process by post or any other manner permitted by the relevant law;

23. Entire Agreement, Variation and Waiver

23.1 This Agreement embodies the entire agreement between the Parties as to the subject matter hereof.

23.2 The Parties hereto may by mutual agreement amend this Agreement, however, no alteration or variation of any of the terms or conditions of this Agreement shall be of any force or effect unless it is recorded in writing and signed by authorized representatives of the Parties.

23.3 No latitude, indulgence, consent or forbearance or any similar act by either party in enforcing any provision of this Agreement shall constitute a variation or novation of this Agreement or waiver of or estoppel in respect of its rights under this Agreement.

SCHEDULE A

The Banks and their commitments

1. ECOBANK GHANA LIMITED	- US$ TEN MILLION
2. CAL BANK LIMITED	- US$ FIVE MILLION

SIGNING PAGES FOLLOW

IN WITNESS WHEREOF the parties hereto have affixed their Hands and Seals to this Agreement on the day and year first above written.

THE COMMON SEAL OF ECOBANK GHANA)
LIMITED ACTING FOR AND ON BEHALF) Signature illegible
OF THE BANKS was affixed hereto in the)
presence of its) **AGENT**

And witnessed by: Signature illegible

NAME: Illegible

ADDRESS: Ecobank Ghana Ltd

SIGNATURE: Signature Illegible

DATE: 11-10-2006

THE COMMON SEAL OF GOLDEN STAR)
(BOGOSO/PRESTEA) LIMITED) /s/ Peter Bradford
was affixed hereto in the presence)
of its Chairman, Peter Bradford) **BORROWER**

And witnessed by:

NAME: Illegible

ADDRESS: Illegible

SIGNATURE: Signature Illegible

DATE: 11/10/2006

THE COMMON SEAL OF ECOBANK GHANA LIMITED was affixed hereto in the presence of its	)))	Signature illegible **LENDER**

And witnessed by: Signature illegible

NAME: Illegible

ADDRESS: Ecobank Ghana Ltd

SIGNATURE: Signature Illegible

DATE: 12-10-2006

THE COMMON SEAL OF CAL BANK LIMITED was affixed hereto in the presence of its Managing Director	)))	/s/ Frank Adu, jnr **LENDER**

And witnessed by:

NAME: Illegible

ADDRESS:

SIGNATURE: Signature Illegible

DATE: 12-10-06

EXHIBIT 31.1

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 quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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: November 6, 2006

/s/ Peter J. Bradford

Peter J. Bradford
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Roger Palmer, certify that:

1. I have reviewed this report on Form 10-Q of Golden Star Resources Ltd. (“Registrant”);

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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: November 6, 2006

/s/ Roger Palmer

Roger Palmer
Vice President Finance and Chief
Financial Officer

EXHIBIT 32.1

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 September 30, 2006 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

Date: November 6, 2006

EXHIBIT 32.2

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

I, Roger Palmer, Vice President Finance and Interim 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 September 30, 2006 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/ Roger Palmer

Roger Palmer
Vice President Finance and Chief Financial Officer
November 6, 2006