GOLDEN STAR RESOURCES LTD
Form 10-Q
August 06, 2001

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SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________.

Commission file number 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.)
10579 Bradford Road, Suite 103 Littleton, Colorado	80127
(Address of principal executive office)	(Zip Code)

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

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

Number of Common Shares outstanding as of July 31, 2001: 41,259,076

GOLDEN STAR RESOURCES LTD.

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REPORTING CURRENCY AND FINANCIAL INFORMATION

All amounts in this Report are expressed in United States dollars, unless otherwise indicated. References to "Cdn"are to Canadian dollars.

Financial information is presented in accordance with accounting principles generally accepted in Canada. Differences between accounting principles generally accepted in the United States and those applied in Canada, as applicable to the Registrant, are explained in Note 7 to the Consolidated Financial Statements.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q contains "forward-looking statements" within the meaning of the United States securities laws. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events, capital expenditure, exploration efforts, financial needs, and other information that is not historical information. The forward-looking statements contained herein are based on Golden Star's current expectations and various assumptions as of the date such statements are made. Golden Star cannot give assurance that such statements will prove to be correct. These forward-looking statements include statements regarding: the impact that the Bogoso mine may have on our future liquidity, cash flows, financial requirements, operating results and capital resources; the operational and financial performance of the Bogoso mine; targets for gold production; cash operating costs and expenses; percentage increases and decreases in production from the Bogoso mine; schedules for completion of feasibility studies; potential increases or decreases in reserves and production; the timing and scope of future drilling and other exploration activities; expectations regarding receipt of permits and commencement of mining or production; anticipated recovery rates; and potential acquisitions or increases in property interests.

Factors that could cause our actual results to differ materially from these statements include, but are not limited to, changes in gold prices, the timing and amount of estimated future production, unanticipated grade changes, unanticipated recovery problems, mining and milling costs, determination of reserves, costs and timing of the development of new deposits, metallurgy, processing, access, transportation of supplies, water availability, results of current and future exploration activities, results of pending and future feasibility studies, changes in project parameters as plans continue to be refined, political, economic and operational risks of foreign operations, joint venture relationships, availability of materials and equipment, the timing of receipt of governmental approvals for new permits or renewal of permits, capitalization and commercial viability, the failure of plant, equipment or processes to operate in accordance with specifications or expectations, accidents, labor disputes, delays in start-up dates, environmental costs and risks, local and community impacts and issues, and general domestic and international economic and political conditions.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
(Stated in thousands of United States Dollars except share amounts)
(Unaudited)

ASSETS	As June 20
CURRENT ASSETS	
Cash and short-term investments	$
Accounts receivable	
Inventories (Note 3)	
Other assets	
Total Current Assets	1
RESTRICTED CASH (Note 8)	
NOTE RECEIVABLE	
ACQUISITION, DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 4)	2
INVESTMENT IN OMAI GOLD MINES LIMITED	
MINING PROPERTIES (Net of accumulated depreciation of $10,034 and $9,111, respectively)	
FIXED ASSETS (Net of accumulated depreciation of $4,356 and $3,508, respectively)	
OTHER ASSETS	
Total Assets	$ 4
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$
Accrued liabilities	
Accrued wages and payroll taxes	
Current portion of long-term debt (Note 5)	
Total Current Liabilities	

LONG-TERM DEBT (Note 5)	
ENVIRONMENTAL REHABILITATION LIABILITY (Note 8)	
OTHER LIABILITIES	

Total Liabilities	1
MINORITY INTEREST	
COMMITMENTS AND CONTINGENCIES (Note 8)	
SHAREHOLDERS' EQUITY	
SHARE CAPITAL (Note 6)	
First Preferred Shares, without par value, unlimited shares authorized. No shares issued.	
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: June 30, 2001 - 40,970,505; December 31, 2000 - 37,588,988	16
Equity component of convertible debentures (Note 5c)	
DEFICIT	(13

Total Shareholders' Equity	2

Total Liabilities and Shareholders' Equity	$ 4
	====

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

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

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Mo End June 30
REVENUE			
Gold sales	$ 6,602	$ 8,815	$
Interest and other	304	295	
	-------------	-------------	-------
	6,906	9,110	
COSTS AND EXPENSES			
Mining operations	7,068	6,128	
Depreciation, depletion and amortization	1,002	2,363	
Exploration expense	10	300	
General and administrative	591	703	
Loss/(Gain) on disposal of assets	--	(41)	

Interest expense	225	254	
Foreign exchange gain	(47)	(207)	
	8,849	9,500	
LOSS BEFORE THE UNDERNOTED	(1,943)	(390)	
Omai preferred share redemption premium	69	268	
Profit/(loss) before minority interest	(1,874)	(122)	
Minority interest	452	(34)	
NET LOSS	(1,422)	(156)	
DEFICIT, BEGINNING OF THE PERIOD	(137,778)	(121,116)	(1
DEFICIT, END OF THE PERIOD	$ (139,200)	$ (121,272)	$ (1
BASIC AND DILUTED NET LOSS PER SHARE	$ (0.04)	$ (0.00)	$
WEIGHTED AVERAGE SHARES OUTSTANDING (in millions of shares)	39.7	37.6	

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

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

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000
OPERATING ACTIVITIES:		
Net loss	$ (1,422)	$ (156)
RECONCILIATION OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Depreciation, depletion and amortization	1,002	2,363
Convertible debenture accretion	52	52
Premium on Omai preferred share redemption	(69)	(269)
Non-cash compensation	--	35
(Gain)/Loss on disposal of assets	--	(41)

Minority interest	(452)	35
Restricted cash	1,286	--
Change in note receivable	(33)	(308)
Expenditures and other decreases in environmental rehabilitation liability	(44)	(248)
Change in other liabilities	--	--
Changes in non-cash operating working capital:		
Accounts receivable	42	63
Inventories	1,666	(99)
Accounts payable and accrued liabilities	109	(32)
Other current assets	(122)	3
Total changes in non-cash operating working capital	1,695	(65)
Net Cash Provided by Operating Activities	2,015	1,398
INVESTING ACTIVITIES:		
Expenditures on mineral properties, net of joint venture recoveries	(992)	(686)
Expenditures on mining properties	(588)	(26)
Equipment purchases	(345)	(540)
Omai preferred share redemption	120	492
Proceeds from sale of equipment	--	36
Other	(48)	16
Net Cash Used in Investing Activities	(1,853)	(708)
FINANCING ACTIVITIES:		
Repayment of debt	(677)	(492)
Restricted cash	--	1,000
Issuance of share capital, net of issue costs	1,282	40
Other	90	1
Net Cash Provided by Financing Activities	695	549
Increase in cash and short-term investments	857	1,239
Cash and short-term investments, beginning of period	449	2,384
Cash and short-term investments, end of period	$ 1,306	$ 3,623

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(All amounts are in thousands of United States Dollars, unless otherwise indicated)

These consolidated financial statements and the accompanying notes should be read in conjunction with the audited consolidated financial statements and related notes included in the annual report on Form 10-K for the Company for the fiscal year ended December 31, 2000, on file with the Securities and Exchange Commission and with the Canadian securities commissions (hereinafter referred to as "the Company's 2000 10-K"). All amounts are in United States Dollars unless otherwise stated.

The unaudited financial statements for the six months ended June 30, 2001 and 2000, reflect all adjustments, consisting solely of normal recurring items, which are necessary for a fair presentation of financial position, results of operations, and cash flows on a basis consistent with that of the prior audited consolidated financial statements.

(1) OPERATIONS AND GOING CONCERN

The Company's ability to continue as a going concern after 2001 is dependent on its ability to obtain funding for acquisitions and development projects during 2001. Mining at the Company's only producing mine (the Bogoso Mine in Ghana) is expected to be completed in the third quarter of 2001. While low-grade stock-pile material will allow the Bogoso mill to continue operating into early 2002, additional oxide ore reserves will be required by the beginning of 2002 to avoid mill closure. The Company signed agreements in May and June 2001 with various parties to acquire the Prestea property, contiguous with the Bogoso Mine, that contains mineralized material that, if acquired, would be expected to provide mill feed for several years into the future. Additional funding is required for this acquisition and, while the Company is currently engaged in financing negotiations, there is no assurance such funding can be obtained. Low gold prices continue to adversely affect the ability to obtain financing and therefore the Company's abilities to proceed with its current operational and development plans.

The Company may experience difficulties in satisfying its obligations under its convertible debentures if the Prestea acquisition is not completed, because the Bogoso Mine life is expected to be shorter than the term of the debentures. Currently, the Company anticipates production from the Bogoso Mine to continue until early 2002, while the term of the debentures is five years, maturing in August 2004. If the Company is unable to extend the mine life beyond its anticipated usefulness or is not successful in generating sufficient free cash flow from other operations or sources, the ability to repay amounts outstanding under the debentures would be materially and adversely affected.

The Company and Anvil, the minority interest holder in BGL, together were scheduled to make the interim payment to the Sellers of BGL on September 30, 2000 in the amount of $2.8 million. On November 9, 2000 the Company paid the Sellers $1.4 million of the $2.8 million due, and reached agreement with the Sellers that the balance, plus interest at 10% per annum, was to be paid by December 22, 2000. The Company has been in discussions with representatives of the Sellers, but the remaining balance and accrued interest is still unpaid. A second and final interim payment is due to the Sellers on September 30, 2001 in the amount of approximately $1.4 million. The total payment due on September, 30, 2001, including the $1.4 million due in 2000, accrued interest, and the final 2001 interim payment, is approximately $2.9 million.

The Company's shares were de-listed from the American Stock Exchange (Amex) on January 26, 2001. Although the Company has not experienced any material direct impact on its financial position, results of operations and liquidity as a result of the de-listing, the Company may, in the longer term, have more difficulty raising financing in the U.S. market. De-listing from the Amex triggered penalties on 1.5 million of outstanding warrants. During the second quarter of 2001, the warrants associated with the penalties were exercised and a cash penalty of $83,000 was paid to the warrant holders in final resolution of this matter.

The Company is exploring various transactions, which would enable it to have sufficient capital to continue its operations. The transactions being considered include the raising of debt, the issuance of new equity, establishment of additional joint ventures, mergers with other companies and the sale of property interests. Whether and to what extent alternative financing options are completed by the Company or its subsidiaries will depend on a number of factors including, among others, the successful acquisition of additional properties or projects, the price of gold and management's assessment of the capital markets. Although there can be no

assurance that the Company will be successful in these actions, management believes that they will be able to conclude property acquisitions and to secure the necessary financing to enable the Company to continue as a going concern. These financial statements do not reflect going concern adjustments to the carrying value of assets and liabilities. If the going concern assumption were not appropriate, such adjustments could be material.

(2) SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001
Depreciation charged to projects	$ 1	$ 28	$ 2
Shares issued under stock bonus plan	--	--	--
Shares issued upon conversion of convertible debentures	78	--	78
Conversion of convertible debentures	(78)	--	(78)

(3) INVENTORIES

	June 30, 2001	December 3
Broken Ore	$ 2,651	$ 2,7
In-process	1,065	2,3
Materials and Supplies	5,461	5,7
	$ 9,177	$10,8

(4) ACQUISITION, DEFERRED EXPLORATION AND DEVELOPMENT COSTS

Acquisition, Deferred Exploration and	Venture	Property Abandon-

	Development Costs as at Dec. 31, 2000	Capitalized Exploration Expenditures	Capitalized Acquisition Expenditures	Joint Venture Recoveries	ments Write-downs
SURINAME					
Gross Rosebel	$ 15,818	$ 324	$ --	$ (96)	$ --
Sub-total	15,818	324	--	(96)	--
FRENCH GUIANA					
(Guyanor Ressources S.A.)					
Paul Isnard	5,827	603	--	--	--
Sub-total	5,827	603	--	--	--
AFRICA					
(Bogoso Gold Limited)					
Riyadh	239	19	--	--	--
Bogoso Sulfide	2,608	764	--	--	--
Other	--	78	--	--	--
Sub-total	2,847	861	--	--	--
TOTAL	$ 24,492	$ 1,788	$ --	$ (96)	$ --

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

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(5) LONG-TERM DEBT

	June 30, 2001	December 31 2000
Note due Omai Mines Limited (Note 5a)	$ 1,227	$ 1,378
Amounts due Sellers of Bogoso Gold Ltd. (Note 5b)	2,871	2,781
Convertible debentures (Note 5c)	3,205	3,179
Due financial institution (Note 5d)	500	500
Line of credit at BGL	659	947
Total Debt	8,462	8,785
Less current portion	(3,780)	(3,978)
Long Term Debt	$ 4,682	$ 4,807

(a) NOTE DUE OMAI MINES LIMITED

On December 23, 1998 OGML advanced $3.2 million to the Company as an unsecured loan to be repaid as and when Class I preferred shares of OGML held by the Company are redeemed by OGML. The loan is non-interest bearing until September 30, 2010.

(b) AMOUNTS DUE THE SELLERS OF BOGOSO GOLD LIMITED

The Bogoso Gold Limited ("BGL") purchase agreement provide for three payments to the Sellers of BGL, the first at the signing of the purchase agreement on September 30, 1999, the second on the first anniversary of the purchase agreement ("first interim payment") and the third on the second anniversary of the purchase agreement ("second interim payment"). The amounts of the two interim payments were dependent upon the average price of gold over the two years following the date of the purchase agreement.

The Company and Anvil, the minority interest holder in BGL, together were scheduled to make the first interim payment to the Sellers on September 30, 2000 in the amount of $2.8 million. On November 9, 2000 the Company paid the Sellers $1.4 million of the $2.8 million due, and reached agreement with the Sellers that the balance, plus interest at 10% per annum, was to be paid by December 22, 2000. To date this payment has not been made. The second interim payment is due September 30, 2001 in the amount of approximately $1.4 million. The total payment due the Sellers on September, 30, 2001, including the balance of the first interim payment and accrued interest and the second interim payment, is approximately $2.9 million.

(c) CONVERTIBLE DEBENTURES

On August 24, 1999, the Company issued the principal amount of $4,155,000 in subordinated convertible debentures to raise financing for the acquisition of BGL. The debentures, which are convertible into common shares at a conversion price of $0.70 per share, mature on August 24, 2004 and bear interest at the rate of 7.5% per annum from the date of issue, payable semi-annually on February 15 and August 15, to the debenture-holders as of February 1 and August 1, respectively

	Liability Component	Equity Component
Balance at December 31, 2000	$ 3,179	$ 1,045
Conversion to shares	(78)	--
Accretion	104	--
Balance at June 30, 2001	$ 3,205	$ 1,045

(d) DUE FINANCIAL INSTITUTION

Represents gold production related payments due to a financial institution retained in 1999 to provide bridge financing for the BGL purchase. The first payment of $0.25 million is due September 30, 2001, and the second and final payment of $0.25 million is due September 30, 2002.

(6) CHANGES TO SHARE CAPITAL

During the six months ended June 30, 2001, the Company issued 3,381,517 shares for a total increase in share capital of $2.4 million. Details of the new shares are:

	Dollar Amount	Shares Issued	Share Price
Private placement Rio Tinto	$ 1,000	500,000	$ 2.00
Warrant exercise	1,281	2,738,660	$ 0.47
Debenture conversion	79	142,857	$ 0.70
	$ 2,360	3,381,517	

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

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

(a) For US GAAP, exploration costs, including property acquisition costs for exploration projects and general and administrative costs related to projects, are charged to expense as incurred. As such, costs charged to Exploration Expense and Abandonment of Mineral Properties under Canadian GAAP would have been charged to earnings in prior periods under US GAAP.

(b) Under US GAAP, the preferred share investment in OGML would have a carrying value of nil since the preferred shares were received in recognition of past exploration costs incurred by the Company, all of which were expensed for US GAAP purposes. Therefore, the entire Omai preferred share redemption premium would have been included in income. Under Cdn GAAP, a portion of the premium on the Omai preferred share redemption premium is included in income with the remainder reducing the carrying value of the Company's preferred stock investment.

(c) Cdn GAAP requires that convertible debentures should be classified into their component parts, as either a liability or equity, in accordance with the substance of the contractual agreement. Under US GAAP, the convertible debenture would be classified entirely as a liability.

(d) The gains on subsidiaries' issuance of common shares recorded under Cdn GAAP in respect of the Guyanor public offering and the PARC private placement are not appropriate under US GAAP.

(e) The Company eliminated its accumulated deficit through the amalgamation (defined as a reorganization under US GAAP) effective May 15, 1992. Under US GAAP the cumulative deficit was greater than the deficit under Cdn GAAP due to the write-off of certain deferred exploration costs described in (a) above.

(f) Under US GAAP, items such as foreign currency translation adjustments are required to be shown separately in derivation of Comprehensive Income.

(g) Under US GAAP, the fair value of warrants issued in connection with the credit facility that was arranged for, but not used to effect the purchase of BGL, is required to be expensed. Such costs were capitalized as part of the purchase cost of BGL for Canadian GAAP.

(h) For periods prior to May 15, 1992 the Company's reporting currency was the Canadian dollar. Financial statements for the periods prior to May 15, 1992 were translated onto United States dollars using a translation of convenience. US GAAP requires translation in accordance with the current rate method.

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Had the Company followed GAAP in the United States, certain items on the statements of operations and balance sheets would have been reported as follows:

CONSOLIDATED STATEMENTS OF EARNINGS

	For the six months	
	June 30, 2001	June
Net loss under Canadian GAAP	$ (3,273)	$
Net affect of capitalized acquisition costs (a)	--	
Net effect of the deferred exploration expenditures on loss for the period (a)	(1,452)	
Effect of capitalized acquisition costs net of related depletion (g)	238	
Other (b)(c)(f)	173	
Loss under US GAAP before minority interest adjustment	(4,314)	
Minority interest adjustment (a)(g)	185	
Net loss under US GAAP	(4,129)	
Other comprehensive income foreign currency translation adjustment (f)	(32)	
Comprehensive income	$ (4,161)	$
Basic and diluted net loss per share under US GAAP	$ (0.11)	$

The effect of the differences in accounting under Cdn GAAP and US GAAP on the balance sheets and statements of cash flows are as follows:

BALANCE SHEETS

	As of June 30, 2001	As of December 31

	US GAAP	Cdn GAAP	US GAAP	Cdn
Cash	$ 1,306	$ 1,306	$ 991	$
Other current assets	10,021	10,021	11,969	
Restricted cash	3,515	3,515	4,147	
Acquisition, deferred exploration and development (a)	--	26,184	--	
Investment in OGML (b)	--	556	--	
Mining properties (g)	1,284	1,596	1,371	
Other assets	5,525	5,337	5,542	
Total Assets	$ 21,651	$ 48,515	$ 24,020	$
Liabilities (c)	$ 20,430	$ 19,856	$ 19,681	$
Minority interest (a) (g)	3,479	3,532	4,817	
Share capital (e)	160,900	164,327	158,519	1
Cumulative translation adjustments (h)	1,595	--	1,595	
Accumulated comprehensive income (f)	(361)	--	(329)	
Deficit	(164,392)	(139,200)	(160,263)	(1
Total Liabilities and Shareholders' Equity	$ 21,651	$ 48,515	$ 24,020	$

STATEMENTS OF CASH FLOWS

NET CASH PROVIDED BY (USED IN):

	OPERATING ACTIVITIES		INVESTING ACTIVITIES		FINANCING AC
	U.S. GAAP	Cdn GAAP	U.S. GAAP	Cdn GAAP	U.S. GAAP
For the six months ended June 30, 2001	$ (64)	$ 1,495	$ (1,553)	$ (3,112)	$ 1,932
For the six months ended June 30, 2000	$ 1,765	$ 3,051	$ (1,660)	$ (2,946)	$ 613
For the three months ended June 30, 2001	$ 512	$ 1,361	$ (350)	$ (1,199)	$ 695
For the three months ended June 30, 2000	$ 1,463	$ 1,396	$ (773)	$ (706)	$ 549

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Operations by geographic area under US GAAP:

	OPERATING REVENUES	NET LOSS	IDENTIFIABLE ASSETS

For the six months ended

June 30, 2001			
South America	$ 227	$ (981)	$ 419
Africa	11,402	(2,067)	18,305
Corporate	112	(1,081)	2,927
	$ 11,741	$ (4,129)	$ 21,651
For the six months ended June 30, 2000			
South America	$ 23	$(12,904)	$ 583
Africa	18,078	(670)	20,500
Corporate	--	21	10,758
	$ 18,101	$(12,743)	$ 31,841

(8) COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL REGULATIONS

The Company is not aware of any events of material non-compliance in its operations with environmental laws and regulations which could have a material adverse effect on the Company's operations or financial condition. The exact nature of environmental control problems, if any, which the Company may encounter in the future cannot be predicted, primarily because of the changing character of environmental requirements that may be enacted within foreign jurisdictions. The estimated environmental rehabilitation liability for reclamation and closure costs at the Bogoso Mine at June 30, 2001 was $5.5 million.

RESTRICTED CASH

Upon the closing of the acquisition of BGL in 1999, the Company was required, under the acquisition agreement, to restrict $6.0 million in cash. These funds are to be used for the ongoing, final reclamation and closure costs relating to the Bogoso mine site. The withdrawal of these funds must be agreed to by the Sellers of BGL, who are ultimately responsible for the reclamation in the event of non-performance by Golden Star and Anvil. At June 30, 2001 there was $3.3 million of cash in this fund. In addition there was $0.2 million restricted under agreement with Rio Tinto to be used to fund exploration work on the Paul Isnard project in French Guiana during 2001.

(9) RELATED PARTIES

During 1999, the Company, in conjunction with Anvil Mining NL, acquired BGL. The current President and CEO of the Company, Peter J. Bradford, is also a Director of Anvil Mining NL and this relationship constitutes a related party. Based on the heads of agreement with Anvil to effect the BGL acquisition, the Company provided Anvil with a promissory note for their share of the purchase price and also a note for their share of the acquisition costs. On April 4, 2001 the Company announced that it had entered into an agreement to acquire Anvil's 20% equity interest in BGL in return for the issuance of 3,000,000 common shares of Golden Star.

At the Company's annual general meeting shareholders approved the issuance of 3,000,000 common shares of Golden Star to Anvil Mining NL ("Anvil") for the acquisition of all of Anvil's rights and obligations (including the outstanding note receivable) in Bogoso Gold Limited ("BGL") which includes Anvil's 20% equity share of BGL and Anvil's 22.2% share of the US$28 million owed to Golden Star and Anvil by BGL. Subject to the receipt of the Ghanaian governmental approval for the transaction and the final approval of the Toronto Stock Exchange in respect of the issuance of the common stock to Anvil, the transaction is expected to close in August 2001. Golden Star will then own 90% of BGL with the remaining 10% being owned by the Government of Ghana.

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

The following discussion should be read in conjunction with the accompanying consolidated financial statements and related notes. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). For US GAAP reconciliation see Note 7 to the attached unaudited consolidated financial statements. All amounts are in United States Dollars.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

The U.S. securities laws provide a "safe harbor" for certain forward-looking statements. The Management's Discussion and Analysis contains "forward-looking statements" that express expectations of future events or results. All statements based on future expectations rather than historical facts are forward-looking statements that involve a number of risks and uncertainties, and the Company cannot give assurance that such statements will prove to be correct. See the "Special Note Regarding Forward-Looking Statements" on page 2 of this Form 10-Q.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO THE THREE MONTHS ENDED JUNE 30, 2000

A net loss of $1.4 million was incurred for the three months ended June 30, 2001 versus a loss of $0.2 million for the same three-month period in 2000. While depreciation, exploration expense, general and administrative costs and interest expense were lower than during the same three month period in 2000, lower gold revenues (resulting from lower ounces produced and lower gold prices) and higher mine operating costs were the main factors behind the larger loss during the second quarter of 2001.

SIX MONTHS ENDED JUNE 30, 2001 COMPARED TO THE SIX MONTHS ENDED JUNE 30, 2000

The Company incurred a net loss of $3.3 million in the first six months of 2001, compared to a loss of $0.2 million in the same period during 2000. As with the three month period ended June 30, 2001, lower gold revenues, on lower but more costly mine production was the major factor contributing to the larger loss for the six months. Costs and expenses dropped to $15.9 million for the six months versus $18.3 million during the first six months of 2000. Depreciation was sharply lower, reflecting lower gold output and a lower depreciable assets cost basis at December 31, 2000. The Bogoso depreciable assets were reduced by $2.7 million in December 2000 when it became apparent that gold prices were trending lower than initially anticipated, which, per the terms of the Bogoso purchase agreement resulted in a lower ultimate cost for the property. Lower exploration costs reflect the closure of exploration offices in 2000. General and administrative costs for the first six months were $0.3 million higher than during the same period in 2000. Severance pay, as the Company continued to downsize its corporate overhead, and recognition of a bad debt in the six months of 2001 accounted for most of the increase versus the same period in 2000.

BOGOSO GOLD LIMITED

Gold output from the Bogoso Mine totaled 24,694 ounces in the second quarter of 2001, down from 31,626 ounces in the same period of 2000 yielding revenues of $6.6 million versus $8.8 million during the second quarter of 2000. Lower mill recovery rates (49.7% in the second quarter of 2001 versus 66% in the second quarter of 2000) associated with the transition ore processed in the second quarter of 2001 and lower gold prices ($267 per ounce in the second quarter of 2001 versus $279 per ounce a year earlier) caused the drop. Second quarter cash costs averaged $280 per ounce as compared to $187 in the same quarter of 2000.

For the first six months of 2001, the Bogoso mine shipped 42,506 ounces of gold, down from 62,063 in the same period last year. While mill throughput was essentially the same this period as last year, mill feed grades were lower (2.62 g/t in 2001 versus 2.77 g/t in the 2000 period), and recoveries for the first six months of 2001 declined from the same period in 2000 due to the increased complexity of the ores milled in 2001 and the problems encountered in commissioning the new mill modifications in the first quarter of 2001. Cash operating costs cost averaged $274 per ounce during the first six months of 2001, while the comparable figure for 2000 was $185 per ounce. Total cash costs averaged $282 for the six months versus $194 during the first six months in 2000.

Mining activity on the Bogoso property is now scheduled to end in the third quarter of 2001. It is then expected that stock-piled material will be used as mill feed source through early 2002. Ore from the Prestea property could be available as Bogoso mill feed source within a month following completion of the Prestea purchase. Prestea ore would be processed ahead of stock pile material should it become available before the stock-pile ores are exhausted.

Work on the Sulfide Project Feasibility Study is almost complete, but it is expected that, on the closing of the Prestea acquisition (expected to be in August 2001), the study will be expanded to include the sulfide mineralized material from the Buesichem pit in the north of the Prestea property.

GUYANOR RESSOURCES S.A.

On January 10, 2001, the Company and Guyanor announced that a heads of agreement had been concluded between Guyanor and Rio Tinto, with respect to the Paul Isnard gold project in French Guiana. Under the terms of the agreement, Rio Tinto can earn a participating interest of up to 70% in a joint venture relating to the Paul Isnard property, by spending a total of $9.0 million on exploration and development on the Paul Isnard property.

On January 17, 2001, Rio Tinto purchased, by way of a private placement, 500,000 common shares of Golden Star at a price of $2.00 per common share, for total proceeds of $1 million. The Company has committed to advance all of the proceeds to Guyanor. Of the $1.0 million total, $0.75 million will be used to fund a work program in 2001 on the Paul Isnard gold project and $0.25 million will be used to partially fund the cost of a re-organization of Guyanor, aimed at reducing ongoing costs.

Exploration spending by Guyanor totaled $0.6 million in the first six months of 2001, all of which was related to the Paul Isnard Joint venture. Comparative spending in the first six months of 2000 included $1.0 million of total spending less $0.6 million of joint venture recoveries.

Guyanor Ressources, announced in July that Mr. Carlos Bertoni, president of Guyanor for the last nine years has resigned to pursue other interests. Subsequently Mr. Michel Juilland was elected to the board of directors of Guyanor Ressources and appointed president of Guyanor.

SURINAME

Activities in Suriname focused on the Gross Rosebel gold project during the first six months of 2001. The Gross Rosebel project is held as a 50/50 joint venture with Cambior. Total spending at the Gross Rosebel project, amounted to $0.3 million in the first six months of 2001, off-set by joint venture recoveries of $0.1 million. This compares to Suriname project spending of $0.4 million and joint venture recoveries of $0.2 million in the same period of 2000.

The Company's believes that the Gross Rosebel project could be profitably developed in a low gold price environment by applying a low cost heap leach processing approach. A portion of the 2001 budgeted expenditures are expected to relate to a revised feasibility study, to be conducted by Cambior, for a lower cost, smaller scale operation at the Gross Rosebel property.

At such time as the decision may be made to proceed with the development of Gross Rosebel, the Company will evaluate various funding alternatives including the issuance of debt or equity securities or the sale of other assets to fund its share of the development costs.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2001, the Company held cash and short-term investments of $1.3 million and working capital of $1.7 million. Respectively these figures were changed from $1.0 million and $4.5 million at December 31, 2000. Lower inventory levels, and an increase in payables as compared to December 31, 2000 accounted for most of the reduction in working capital. Operating activities generated $1.5 million of cash in the first six months of 2001 versus $3.1 million for the same period of 2000. Lower gold revenue on lower gold prices and lower shipments were the major contributing factors to the decline.

Cash used in investing activities increased to $3.1 million for the six months ended June 30, 2001, up from $2.9 million in the first six months of 2000. The lower spending on capitalized exploration in Ghana and lower capital equipment purchases at the Bogoso Mine were more than offset by spending on mine property and lower Omai preferred share redemptions.

Cash provided by financing activities totaled $1.9 million during the first six months of 2001. The Rio Tinto private placement in January 2001 provided $1.0 million and warrant exercises in May and June yielded $1.3 million. Repayment of Omai debt and reductions in the Bogoso line of credit balance used $0.4 million of cash during the first six months of 2001.

The Company had $3.3 million of cash at June 30, 2001, which is restricted, in accordance with the BGL acquisition agreement, to be used for environmental rehabilitation at the Bogoso Mine. Additionally $0.2 million of cash was restricted under terms of the agreement with Rio Tinto, to fund 2001 work on the Paul Isnard project later in the year. Cash needs for corporate purposes and to maintain the various exploration projects in South America were met during the six months by distributions from the Bogoso Mine in Ghana and from warrant exercises.

The Company's ability to continue as a going concern after 2001 is dependent on its ability to obtain funding for acquisitions and development projects during 2001. Mining at the Company's only producing mine (the Bogoso Mine) is expected to be completed in the third quarter of 2001. While low-grade stockpile material will allow the Bogoso mill to continue operating into early 2002, additional ore reserves will be required by the beginning of 2002 to avoid mill closure. The Company signed agreements in May and June 2001 with various parties to acquire the Prestea property, contiguous with the Bogoso Mine, which contains mineralized material that, if acquired, would be expected to provide mill feed for several years into the future. Additional funding is required for this acquisition and, while the Company is currently engaged in financing negotiations, there is no assurance that such funding can be obtained.

The Company and Anvil, the minority interest holder in BGL, together were required to make payment to the Sellers of BGL on September 30, 2000 in the amount of $2.8 million. The amount of the payment was determined using a formula in the purchase agreement, which incorporates the average price of gold during the twelve months ended September 30, 2000. On November 9, 2000 the Company paid to the Sellers $1.4 million of the $2.8 million due, and reached agreement with the Sellers that the balance, plus interest at 10% per annum, was to be paid by December 22, 2000. As of the date of this report, the Company is in discussions with the representatives of the Sellers, but the remaining balance and accrued interest has still not been paid.

A second and final interim payment is due to the Sellers on September 30, 2001 in the amount of approximately $1.4 million. The total payment due on September, 30, 2001, including the $1.4 million due in 2000, accrued interest thereon and the final 2001 interim payment, is approximately $2.9 million. In addition a $250,000 payment, based upon gold production is due to a financial institution, also on September 30, 2001

OUTLOOK

While mining operations at the Bogoso Mine are expected to end in the third quarter of 2001, stockpiled ores should allow the mill to continue operations into early 2002. Budget projections indicate that the Bogoso Mine should generate sufficient cash flow during 2001 to meet its own needs as well as to distribute minor amounts of cash to other entities within the Company. The Company's planned exploration and development spending during 2001 is primarily for completion of the feasibility study on the Bogoso sulfide project, exploration work at the Paul Isnard property in French Guiana, and the new feasibility study at Gross Rosebel in Suriname. The Company signed agreements in May and June 2001 with various parties to acquire the Prestea property, contiguous with the Bogoso Mine, which contains mineralized material that, if acquired, would be expected to provide mill feed for several years into the future. Additional funding is required for this acquisition and, while the Company is currently engaged in financing negotiations, there is no assurance that such funding can be obtained.

In years prior to 2000 the Company relied primarily on the capital markets to fund its acquisitions, operations and exploration activities. With the acquisition of BGL and its operating gold mine, effective September 30, 1999 the Company gained a source of positive cash flow from mining operations which is expected to continue through 2001, although the Company will still have limited cash resources. The current market for gold shares continues to be weak and equity capital is difficult to obtain; but, as the Company demonstrated in 1999 through its capital raising activities (from the issuance of shares and convertible debentures), it is somewhat easier to raise funds to acquire producing mining assets compared with the challenge of raising capital primarily for exploration. The Company will continue to explore various possibilities for raising capital, which might include, among other things, the establishment of additional joint ventures, the sale of property interests, debt financing and the issuance of additional equity.

Whether and to what extent alternative financing options are completed by the Company or its subsidiaries will depend on a number of factors including, among others, the successful acquisition of additional properties or projects, the price of gold and management's assessment of the capital markets. The low gold price adversely affects the Company's ability to obtain financing and therefore its ability to acquire additional properties and to explore and develop its current portfolio of properties. Assurance cannot be provided that additional funding will be available in 2001. The Company may, in the future, be unable to continue its exploration and development programs and fulfill its obligations under its agreements with partners or retain permits and licenses. Although the Company has been successful in the past in obtaining financing though partnership arrangements and through sale of equity securities, there can be no assurance in the future that adequate financing can be obtained on acceptable terms. If the Company is unable to obtain such additional financing, the Company may need to delay, or indefinitely postpone, further exploration and development of its properties. As a result the Company may lose its interest in some projects and may be obliged to sell some properties. The loss of any of its interests in exploration and mining properties would give rise to write-offs, under Canadian GAAP, of any capitalized costs and this would negatively impact the results of operations. The impact would also be shown in reduction of the assets in the balance sheet, which in turn may reduce the Company's ability to raise additional funds from equity or debt sources.

OTHER MATTERS

DE-LISTING FROM THE AMERICA STOCK EXCHANGE AND TRADING ON THE OVER-THE-COUNTER BULLETIN BOARD

The Company's shares were de-listed from the American Stock Exchange (Amex) on January 26, 2001. The Company now trades on the NASDAQ Over-the-Counter Bulletin Board under the symbol GSRSF and continues to trade on the Toronto Stock Exchange under the symbol GSC.

PENALTIES ARISING FROM THE AMEX DE-LISTING

De-listing from the Amex in January 2001 triggered penalties on 1.5 million of outstanding warrants. During the second quarter of 2001, the warrants associated with the penalties were exercised and a cash penalty of $83,000 was paid to the warrant holders in final resolution of this matter.

ANVIL BUYOUT

At the Company's annual general meeting shareholders approved the issuance of 3,000,000 common shares of Golden Star to Anvil Mining NL ("Anvil") for the acquisition of all of Anvil's rights and obligations in BGL which includes Anvil's 20% equity share of BGL and Anvil's 22.2% share of the US$28 million owed to Golden Star and Anvil by BGL. Subject to the receipt of the Ghanaian governmental approval for the transaction and the final approval of the Toronto Stock Exchange in respect of the issuance of the common stock to Anvil, the transaction is expected to close in August 2001. Golden Star will then own 90% of BGL with the remaining 10% being owned by the Government of Ghana.

SUBSEQUENT EVENTS

NEW PRESIDENT AT GUYANOR

The Company's 73% owned subsidiary, Guyanor Ressources, announced in July that Mr. Carlos Bertoni, president of Guyanor for the last nine years has resigned to pursue other interests. Subsequently Mr. Michel Juilland was elected to the board of directors of Guyanor Ressources and appointed president of Guyanor.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk includes, but is not limited to, the following risks: changes in interest rates on the Company's investment portfolio, changes in foreign currency exchanges rates and commodity price fluctuations.

INTEREST RATE RISK

The Company may invest its cash in debt instruments of the United States Government and its agencies, and in high-quality corporate issuers, and limits the amount of exposure to any one issuer. Investments in both fixed rate and floating rate interest-earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors the Company's future investment income may fall short of expectations due to changes in interest rates or the Company may suffer losses in principal if forced to sell securities which have declined in market value due to changes in interest rates. Given the relatively low amounts of cash on hand in recent quarters, the impact on the Company's revenues from changes in interest rates would be nil. The Company may in the future actively manage its exposure to interest rate risk.

FOREIGN CURRENCY EXCHANGE RATE RISK

The price of gold is denominated in United States dollars and the majority of the Company's revenues and expenses are denominated in United States dollars. As a result of the limited exposure, management considers that the Company is not exposed to a material risk as a result of any changes in foreign currency exchange rate changes, so the Company does not utilize market risk sensitive instruments to manage its exposure.

COMMODITY PRICE RISK

The Company is engaged in gold mining and related activities, including exploration, extraction, processing and reclamation. Gold bullion is the Company's primary product and, as a result, changes in the price of gold could significantly affect the Company's results of operations and cash flows. According to current estimates, a $25 change in the price of gold could result in a $2.5 million annual effect on the results of operations and cash flows. The Company currently does not have a program for hedging, or otherwise manage its exposure to commodity price risk. The Company may in the future manage its exposure through hedging programs.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None

(b) Reports filed on Form 8-K during the quarter ended June 30, 2001

None

SIGNATURES

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

GOLDEN STAR RESOURCES LTD.

By: /s/ Peter J. Bradford

Peter J. Bradford
President and Chief Executive Officer

By: /s/ Allan J. Marter

Allan J. Marter
Vice President and Chief Financial Officer

August 6, 2001