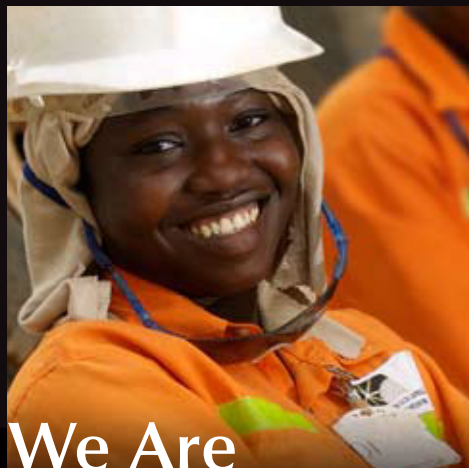




We Are
GROWING



We Are
GHANA



We Are
GOLD

We Are
GOLDEN STAR

2006 Annual Report

Golden Star Resources Ltd. is a mid-tier gold mining company with two operating mines in Ghana, West Africa. Production is expected to nearly double from approximately 200,000 ounces in 2006 to 390,000 ounces in 2007. Additional growth will be in the form of exploration success and appropriate acquisitions to provide long-term shareholder value.

Our strategy of acquiring property during the down cycle of 1999 to 2002 has allowed Golden Star to become the dominant holder of mining properties on the prolific Ashanti Gold Trend. This portfolio of properties, along with the completion of our Bogoso Sulfide Expansion Project, will drive our gold production growth over the next year. The potential development of Hwini-Butre and Benso adds significant value to our Wassa gold mine, as does the potential development of Prestea Underground mine to Bogoso/Prestea.

Shares of Golden Star are widely held by both retail and institutional shareholders and are traded on both the American Stock Exchange and Toronto Stock Exchange under the symbols GSS and GSC, respectively.



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Front Cover

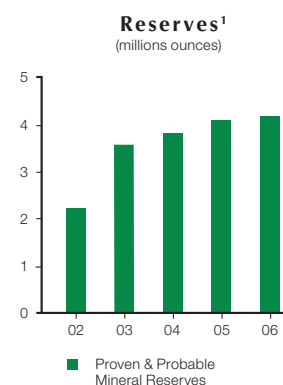
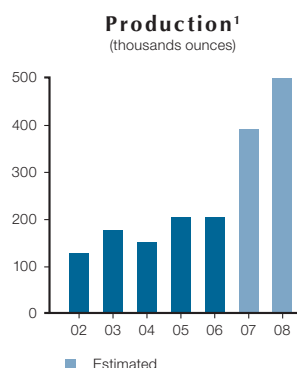
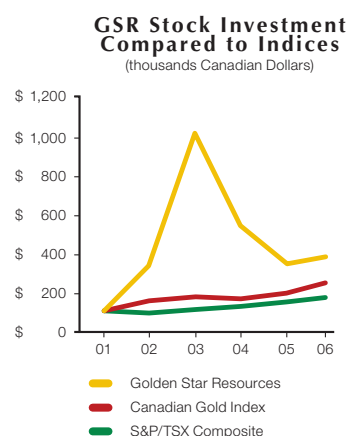
Growth, Ghana and gold are recurring themes in the history and evolution of Golden Star Resources. Since 1999, when Peter Bradford set out to transform the company from an exploration company into a gold producer, these themes have maintained their importance in Golden Star's strategies for growth. The stainless steel tanks house the BIOX® organisms that form the basis of the Bogoso Sulfide Expansion Project, which will be the cornerstone of our future growth. Our employees are the fundamental drivers of our success and our Ghanaian workforce is second to none. The gold doré bar is the end result of all the mining and processing efforts.

Forward-Looking Statements are made in this report to give the reader an indication of our business prospects, plans and objectives. Although we believe these statements are reasonable as of the date of this report, readers are cautioned that forward-looking statements are inherently uncertain and involve risks and uncertainties that could cause actual results, performance or achievements to differ materially from those stated. There can be no assurance that future developments affecting Golden Star will be those anticipated by us. Readers should refer to the risks involved in making forward-looking statements, which are given on pages 2 and 20 of our Form 10-K, as filed at www.sedar.com and www.sec.gov.

Non-GAAP Measures are used in this report, in particular "total cash cost" and "cash operating cost" on a per-ounce of gold basis. This information differs from measures of performance prepared in accordance with GAAP. Readers should examine the cautionary and explanatory statement on pages 2 and 48 of our Form 10-K, as filed at www.sedar.com and www.sec.gov.

Highlights in 2006

- Significant progress made on the Bogoso Sulfide Expansion Project with commercial production slated for the second quarter of 2007
- Sold non-core assets for after-tax capital gain of \$81.2 million
- Improved quarter-on-quarter progress throughout the year
- Effectively managed power rationing situation in Ghana
- Broadened and strengthened management team
- Benefited from Ghanaian Government's removal of illegal miners from our mining concession areas
- Continued progress at Hwini-Butre, Benso, and Prestea Underground projects



Results

	2006	2005
Production (thousands oz) ¹	201.4	201.0
Reserves (millions oz) ¹	4.15	4.05
Cash operating cost (\$/oz)	\$ 442	\$ 383
Total cash cost (\$/oz)	\$ 460	\$ 396
Gold price realized (\$/oz)	\$ 607	\$ 446
Net (loss)/earnings (\$ millions)	\$ 64.7	\$ (13.5)
(Loss)/earnings per share (\$)	\$ 0.31	\$ (0.09)
Operating cash flow (\$ millions) ³	\$ 5.8	\$ 1.1
Capital expenditures (\$ millions)	\$ 170.7	\$ 110.8
Cash at year end (\$ millions)	\$ 27.1	\$ 89.7
Debt at year end (\$ millions)	\$ 86.3	\$ 71.2
Shares outstanding at year end (millions)	232.1 ⁽²⁾	206.0

(1) Before minority interests

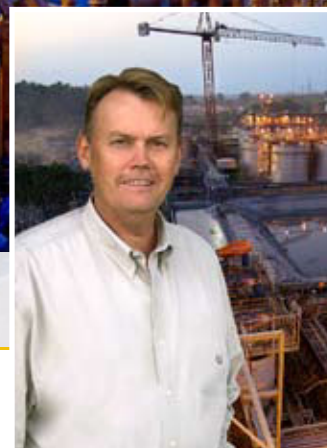
(2) Shares outstanding at March 12, 2007 (millions)

(3) After investing \$22.3 million in ore stockpile inventory.

All currency is stated in US dollars throughout this report, except where noted.



Our new BIOX[®] plant at Bogoso/Prestea is expected to start commercial production in the second quarter of 2007, at which time it will be among the largest operating BIOX[®] plants in the world.



Peter Bradford
President and CEO

Letter to Shareholders

Significant progress was made in 2006. Notably, we have:

- *Stabilized our operations at the Bogoso/Prestea and Wassa Mines;*
- *Progressed the Bogoso Sulfide Expansion Project in readiness for final commissioning and commercial operations in early 2007;*
- *Sold non-core assets for an after-tax capital gain of \$81.2 million;*
- *Strengthened and broadened our management team;*
- *Improved working relationships with our stakeholder communities; and*
- *Strengthened our policies, procedures, and activities in the governance and sustainability areas.*

Overall we attained record gold sales in 2006. We expect to significantly surpass this level in 2007, with a near doubling of gold production year-on-year.

Improving Performance From Existing Operations

At both operations, Bogoso/Prestea and Wassa, we made measurable improvements to increase the reliability of operations and the cost profile. The latter was achieved in the face of increasing cost pressures experienced industry-wide.

Fundamentally Wassa performed well, meeting our throughput and absolute monthly cost targets. However, the mined grade continued to under perform relative to the resource model. As a result, we engaged an independent consultant to develop a new resource model for Wassa. This work, which was completed late in 2006, resulted in a lower resource grade and the reclassification of some of the mineral resource. The effect was a lower mineral reserve for Wassa, which will form the basis for more reliable planning and production estimates in the future.

In mid 2006 we commenced mining the higher grade SAK deposits at Wassa. This contributed to higher monthly gold sales in the second half of 2006, and we expect this trend to continue into 2007.

At Bogoso/Prestea we completed mining the Plant-North pit and commenced development of the Pampe pit, 19 kilometers to the west of Bogoso, providing a new source of ore for the oxide processing plant. Later in 2007 we plan to start the development of the Prestea South area, to supplement the supply of oxide ore.



At the heart of the BIOX[®] plant are 14 stainless steel BIOX[®] tanks where the bacteria eat the sulfide in our concentrated ore to unlock the gold so that it can be recovered by conventional methods.



Careful planning to ensure an optimal blend of acid-generating and acid-consuming rock will help to keep our BIOX[®] operating costs per tonne below the industry average.

Bogoso Sulfide Expansion Project

By far the biggest development at Bogoso/Prestea in 2006 – and for our Company – was the Bogoso Sulfide Expansion Project.

At year end the majority of construction activities for the project were completed and commissioning of the new plant had commenced.

The time-consuming portion of the commissioning process is the build-up of BIOX[®] material. The first module, consisting of seven tanks, was full of inoculate by the end of February 2007, and we began processing some material in our CIL tanks with gold production expected in March. The second module is expected to be filled and commissioned by the end of March 2007.

This timetable is later than earlier anticipated. As a result, we have completed far more pre-stripping and inventory build-up than originally budgeted, leading to an expected cost increase from \$150 million to \$167 million. These pre-stripping and inventory build-up costs were capitalized, as opposed to being accounted as operating costs; therefore no loss of value was incurred.

The successful construction and commissioning of this project is a notable achievement for our project team and for Golden Star.

What's Next?

We expect the feasibility study for the Hwini-Butre and Benso properties south of Wassa to be finalized and our Board of Directors to approve the development of these projects in the second quarter of 2007. This should allow commencement of ore mining and haulage to Wassa for processing during the second half of 2008. The higher grade ore from Hwini-Butre and Benso, which will displace low grade Wassa ore, is expected to nearly double the annualized gold production rate at Wassa and to contribute to a longer mine life and lower cash operating costs.

Later in 2007 we expect to complete a preliminary development plan for the Prestea Underground. We have begun a program of rehabilitating the underground shaft infrastructure to improve the safety of mine access for our workers. During the year we will undertake various engineering studies, including evaluation of mining options for the West Reef resource and near-surface decline accessible targets. Underground production has the long-term potential of providing a high grade sweetener to the Bogoso processing facility, resulting in a marginal increase in gold production at Bogoso/Prestea.



Golden Star supports a number of schools within its community catchment areas.



In late 2006 the construction of the new crusher house was near completion. This equipment has expanded Bogoso/Prestea crushing capacity almost ten-fold.

Cost Pressures Continue

Industry-wide cost pressures also impacted Golden Star in 2006, with increased expectations from employees and generally higher prices for equipment and consumables. With the continued high level of activity in the mining sector, these cost pressures are expected to prevail into 2007 and beyond.

We continue to address this situation by identifying efficiency improvements and by seeking non-traditional sources of supply that potentially offer lower pricing structures.

Non Core Assets Sold

In 2006 to provide a portion of the funding for our Bogoso Sulfide Expansion Project, we sold our holdings in Moto Goldmines Limited and EURO Ressources SA realizing an aggregate after-tax gain of \$81.2 million.

Governance and Sustainability

We continue to strengthen our policies and procedures to meet increasing Governance requirements, our sustainability commitments, and the expectations of our stakeholders.

Our community development commitment was formalized in 2006 with the establishment of the Golden Star Development Foundation. We contribute to the fund based on gold production and profit. We work with community-based consultative committees who identify

and select projects to be financed. The fund provides a transparent mechanism for the management of our community development contributions, while ensuring community buy-in through their involvement in the project selection process.

We also embarked on a significant project to establish a palm oil plantation in the catchment area around our mines. We have secured land commitments in excess of 18,000 hectares to the project, planted over 40,000 seedlings, and established a nursery with a capacity for 120,000 seedlings. At maturity, this project is expected to provide employment for more than 3,000 family groups – reducing unemployment pressures around our mines and providing employment alternatives to illegal mining.

Strengthened Management Team

Recognizing that we have grown quickly, we took steps in 2006 to strengthen the management team. On the operational side we appointed Colin Belshaw as Vice President Operations and Daniel Owiredu as Vice President Ghana.

Also on the operational side, we appointed David Partridge as General Manager Bogoso/Prestea and Peter Bourke as Vice President Technical Services.



One of our Liebherr 994 excavators mining oxide ore at Wassa.

Dr. Mark Thorpe was appointed Vice President Sustainability to spearhead and strengthen our efforts in the health, safety, environmental, and community areas.

To meet the growing human resource challenge of an expanding company, we appointed Ted Strickler as Vice President Human Resources & Administration.

In February 2007 we appointed Tom Mair as Chief Financial Officer.

Power Supply In Ghana Being Addressed to Reduce Risk

Low levels in the hydroelectric water supply dam, as a result of low rainfall, along with maintenance to the thermal power station, and lower power imports from Côte d'Ivoire resulted in power shortages and power rationing in Ghana in the latter part of 2006.

We proactively managed this problem by minimizing power consumption through normal conservation measures, as well as operating a number of our own diesel generator sets to meet the required reduction in power draw from the national power grid.

The problem is expected to continue into 2007. To address it with a long-term sustainable solution, Golden Star – along with Newmont Mining Corporation, Gold Fields Limited, and AngloGold Ashanti Limited – have committed to developing a nominal 100 megawatt power station. It is expected to be operational by mid 2007, at a cost of approximately \$40 million, of which, \$10 million is to be funded by Golden Star.

Our Strongest Position Ever

With the completion of the Bogoso Sulfide Expansion Project, and the recent and highly successful public offering to raise \$83 million, Golden Star is in the strongest position it has ever been. The expansion project will deliver a higher production rate, which will provide economies of scale to this plant and unlock the value in the significant sulfide resource at Bogoso/Prestea.

Our Thanks

Our employees have worked tirelessly in 2006 to stabilize our existing operations and to progress the construction and commissioning of the Bogoso Sulfide Expansion Project. I take this opportunity to thank them for their hard work and commitment to Golden Star's operations and growth.

I also thank you, our shareholders, for your loyalty and support.

Yours sincerely,

Peter Bradford
President and CEO

March 29, 2007

Mineral Reserves & Mineral Resources

Mineral Reserves

Proven and Probable Reserves at December 31, 2006

Property	Proven			Probable			Total		
	Tonnes (millions)	Gold Grade (g/t)	Contained Ounces (millions)	Tonnes (millions)	Gold Grade (g/t)	Contained Ounces (millions)	Tonnes (millions)	Gold Grade (g/t)	Contained Ounces (millions)
Bogoso/Prestea									
Non Refractory	0.9	2.30	0.07	6.9	2.59	0.57	7.8	2.56	0.64
Refractory	14.5	2.95	1.38	19.3	2.65	1.64	33.8	2.78	3.02
Total	15.5	2.91	1.45	26.2	2.64	2.22	41.6	2.74	3.67
Wassa									
Non Refractory	0.5	1.08	0.02	13.0	1.11	0.46	13.6	1.11	0.48
Total	0.5	1.08	0.02	13.0	1.11	0.46	13.6	1.11	0.48
Totals									
Non Refractory	1.5	1.85	0.09	19.9	1.62	1.04	21.4	1.64	1.13
Refractory	14.5	2.95	1.38	19.3	2.65	1.64	33.8	2.78	3.02
Total 2006	16.0	2.85	1.47	39.2	2.13	2.68	55.2	2.34	4.15
Total 2005	14.9	3.11	1.48	41.9	1.90	2.57	56.8	2.22	4.05

NOTES:

Our Mineral Reserves were determined using a gold price of \$480 per ounce at the end of 2006 and \$400 per ounce at the end of 2005. The price for 2006 is approximately equal to the three-year average price of gold and is based on a mine plan derived from an optimized pit shell. The stated Mineral Reserves have been prepared in accordance with Canada's National Instrument 43-101 Standards of Disclosure for Mineral Projects. Mineral Reserves are equivalent to Proven and Probable Reserves as defined by the United States Securities and Exchange Commission Industry Guide 7.

The Mineral Reserves have been prepared under the supervision of Mr. Peter Bourke, P.Eng., Vice President Technical Services for Golden Star. Additional information on the estimation of our Mineral Reserves can be found in the 10-K report filed with www.sedar.com and www.sec.gov.

Mineral Reserves are expressed on a 100% basis. Golden Star's share of the Mineral Reserves is subject to the Government of Ghana's 10% carried interest, which entitles them to a 10% dividend once our capital costs have been recovered.

The terms "non-refractory" and "refractory" refer to the metallurgical characteristics of the ore. We plan to process the refractory ore in our BIOX® bio-oxidation plant at Bogoso and to process the non-refractory ore using our more traditional gravity, flotation, and/or cyanidation techniques.

Mineral Resources

Mineral Resources are in addition to the Mineral Reserves described above.

Measured, Indicated and Inferred Mineral Resources at December 31, 2006

Property	Measured		Indicated		Measured & Indicated		Inferred	
	Tonnes (millions)	Gold Grade (g/t)	Tonnes (millions)	Gold Grade (g/t)	Tonnes (millions)	Gold Grade (g/t)	Tonnes (millions)	Gold Grade (g/t)
Bogoso/Prestea	6.1	2.05	14.0	2.32	20.2	2.23	4.2	2.70
Prestea Underground	—	—	1.1	16.30	1.1	16.30	5.0	8.68
Wassa	0.2	1.05	11.7	0.75	11.9	0.76	7.2	1.18
Hwini-Butre & Benso	—	—	5.2	4.30	5.2	4.30	1.6	4.02
Goulagou	—	—	2.7	1.75	2.7	1.75	0.5	1.02
Paul Isnard	—	—	—	—	—	—	10.2	1.70
Total 2006	6.4	2.02	34.7	2.48	41.0	2.40	28.7	3.05
Total 2005	3.5	2.20	33.9	2.09	37.4	2.10	34.0	2.86

NOTES:

Our Mineral Resources, other than for the Prestea Underground, were estimated using an optimized pit shell at a gold price of \$560 per ounce at the end of 2006 and \$480 per ounce at the end of 2005. Other than gold price, the same optimized pit shell parameters and modifying factors used to determine Mineral Reserves were used to determine Mineral Resources. The Prestea Underground Mineral Resources were estimated using a cut off grade based on a \$560 per ounce gold price and are commensurate with estimated mining costs. In 2005 we used a gold price of \$480 per ounce for the optimized shell and the underground cut off grade.

Mineral Resources were estimated in accordance with the definitions and requirements of Canada's National Instrument 43-101 Standards for Disclosure of Mineral Projects. Mineral Resources are equivalent to Mineralized Material, as defined by the United States Securities and Exchange Commission Industry Guide 7.

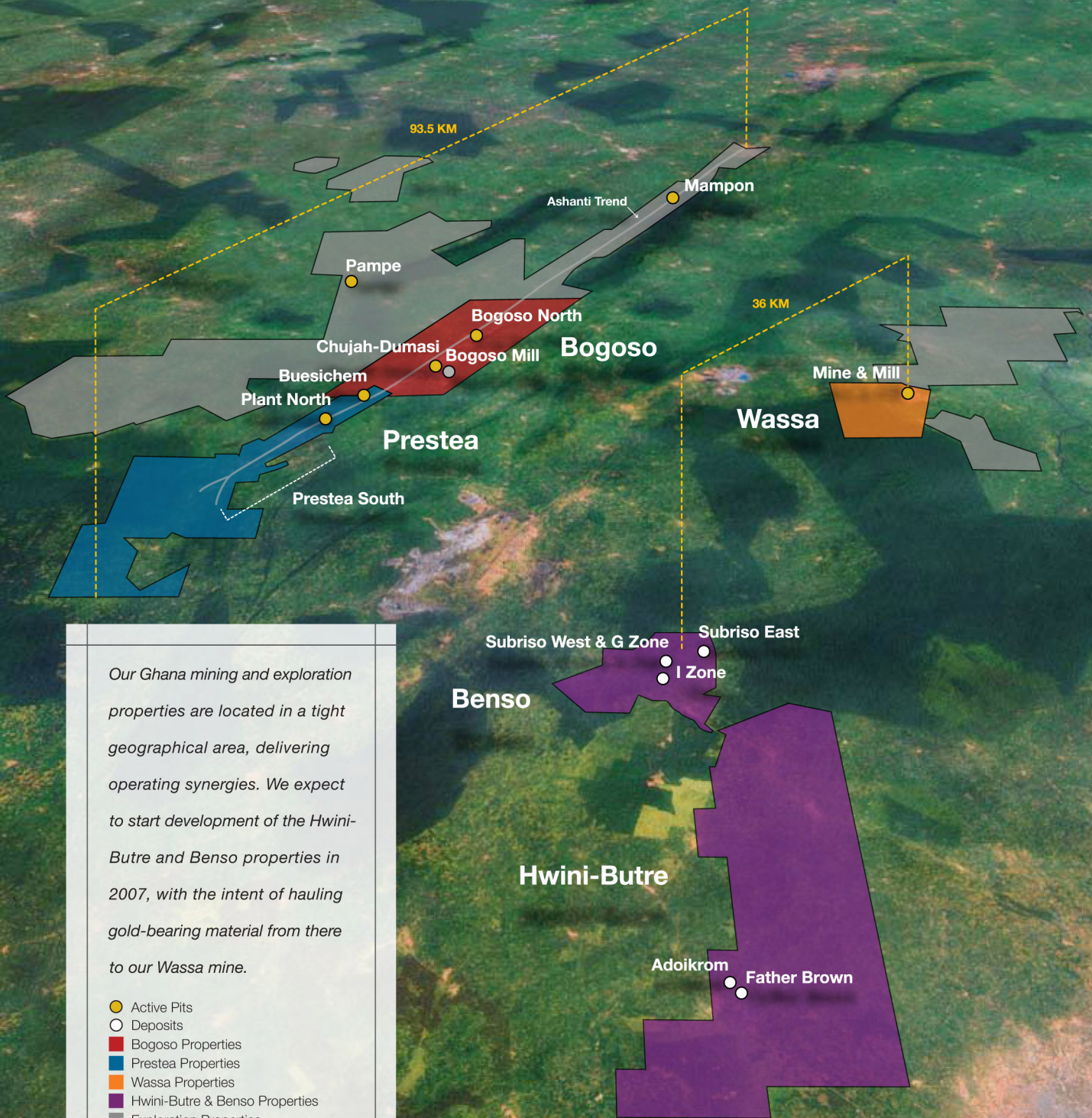
Mineral Resources are shown on a 100% basis. Golden Star's share of the Mineral Resources is subject to the Government of Ghana's 10% carried interest which entitles them to a 10% dividend once our capital costs have been recovered, in the case of Bogoso/Prestea and Wassa, and are subject to the Government of Ghana's 19% minority interest in the Prestea Underground where Golden Star currently has an 81% beneficial interest.

Pit optimization parameters for the Goulagou Mineral Resources were estimated, based on feasibility studies on other similar gold deposits in Burkina Faso, Golden Star's experience in West Africa, and from limited metallurgical testwork on the Goulagou ores. Heap leach processing was the assumed processing option for this deposit.

The Paul Isnard property is owned by EURO Ressources S.A. and Golden Star has a right to acquire this property.

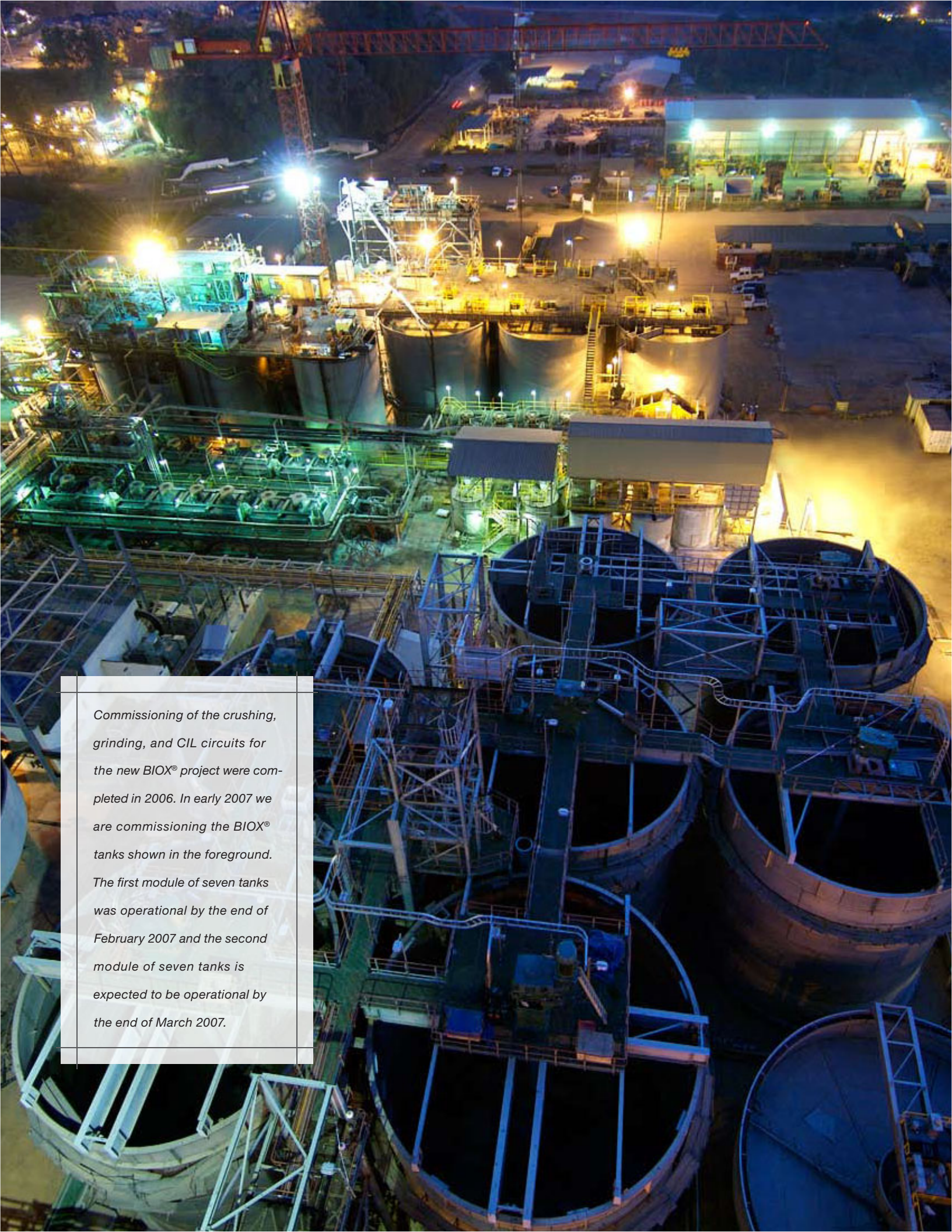
US investors should read the cautionary statements relating to Mineral Resources and Inferred Mineral Resources in the Company's 10-K report filed on www.sedar.com and www.sec.gov.

The Mineral Reserves have been prepared under the supervision of Mr. S. Mitchel Wasel, our Exploration Manager. Additional information on the estimation of our Mineral Reserves can be found in the 10-K report filed with www.sedar.com and www.sec.gov.



Our Ghana mining and exploration properties are located in a tight geographical area, delivering operating synergies. We expect to start development of the Hwini-Butre and Benso properties in 2007, with the intent of hauling gold-bearing material from there to our Wassa mine.

- Active Pits
- Deposits
- Bogoso Properties
- Prestea Properties
- Wassa Properties
- Hwini-Butre & Benso Properties
- Exploration Properties



Commissioning of the crushing, grinding, and CIL circuits for the new BIOX® project were completed in 2006. In early 2007 we are commissioning the BIOX® tanks shown in the foreground. The first module of seven tanks was operational by the end of February 2007 and the second module of seven tanks is expected to be operational by the end of March 2007.

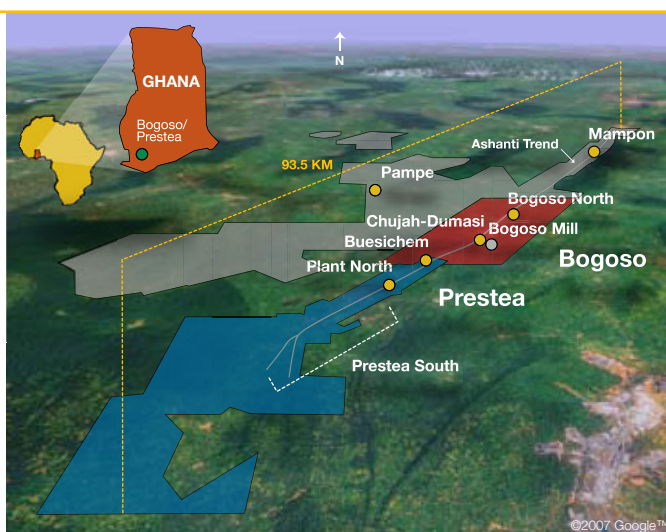
Operations: Bogoso/Prestea

Bogoso/Prestea is located some 300 kilometers from the capital of Accra. The Bogoso/Prestea property is comprised of several mining and exploration concessions that cover a strike length of approximately 85 kilometers along the celebrated Ashanti Gold Trend and approximately 20 kilometers along the parallel Akropong trend to the west.

Bogoso/Prestea Property

Our Bogoso/Prestea property extends over approximately 85 kilometers of the Ashanti trend. Near-surface oxide mining has been carried out over a strike length of about 30 kilometers. Deeper mining and exploration has only been carried out over less than 10 kilometers. In 2007 we plan deep-penetrating geophysical testing to a depth of about 600 meters along this trend to identify potential deep drilling targets.

- Active Pits
- Bogoso Properties
- Prestea Properties
- Exploration Properties



Bogoso/Prestea is 90% owned by Golden Star and 10% by the Government of Ghana. However, until capital costs are recovered by Golden Star, no dividends are payable.

Project Strategy

At Bogoso/Prestea our strategy over the last few years has been to:

- Build a district-scale land position;
- Carry out sufficient exploration to assess the long-term potential;
- Put in place mining and processing equipment for the efficient development of the property; and
- Assess the opportunity for underground mining.

The completion of our Bogoso Sulfide Expansion Project (discussed on page 10) marks the successful completion of the first three objectives. In 2007 we expect to complete a preliminary development plan for Prestea Underground.

2006 Performance

By year end, 4.3 million lost-time injury-free hours had been worked.

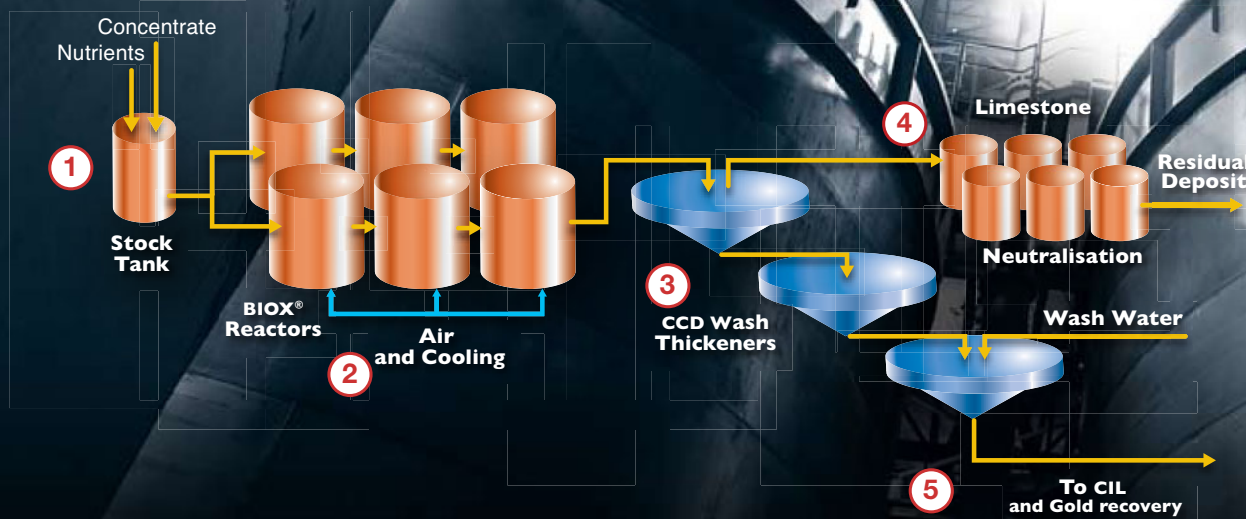
Gold sales of 103,792 ounces from Bogoso/Prestea were lower than 2005 as a result of increasing hardness and the refractory nature of the deeper material being mined and processed from our

Plant-North pit. This was offset by lower cash operating costs, which increased to \$412 per ounce of gold in 2006 compared to \$338 per ounce of gold in 2005.

Illegal Mining

Illegal mining at Bogoso/Prestea has been an increasing problem over the last few years, causing a loss of gold as well as unchecked and difficult to regulate impacts on the environment and community. In 2006 illegal mining encroached closer to our operating and exploration activities. This led to an incident where the Bondaye Main Shaft, which we use as a second means of access to the Prestea underground, was damaged by blasting conducted by illegal miners.

The incident acted as a catalyst for the Ghana Government to intervene. It put a stop to the illegal mining by removing an estimated 4,500 illegal miners from all illegal mining sites on the Bogoso/Prestea concession. Subsequently the Ghana Government continues to monitor the situation to ensure no resumption of illegal mining activities.



Bio-Oxidation: A Simple Process

With our refractory ore, gold is encapsulated in a sulfide matrix and additional processing is required to unlock the gold to allow its recovery. The process we have selected as being the most economic, environmentally friendly, and simple to operate is the BIOX® bio-oxidation process.

- ① Gold concentrate from the standard flotation circuit is mixed with nutrients.
- ② The mix is transferred to the BIOX® reactor tanks where the bacteria with the help of oxygen, eat the sulfide minerals converting them to oxide. Acid and heat are produced by the process, and the tanks are cooled to maintain the optimum temperature range.
- ③ The oxidized minerals and the acidic bacterial solution are separated by decantation; the minerals are washed and thickened to remove the acid solution from the gold-bearing material.
- ④ The waste acid is neutralized by adding limestone, then the bacterial solution is returned to the first reactor tanks.
- ⑤ The washed material is transferred to the carbon-in-leach (CIL) circuit. The cyanidacious solution dissolved the gold, which is subsequently precipitated onto the carbon's surface and later recovered from the carbon.

The gold recovery rate is expected to average about 85% over the life of the mine but to vary from 78% for the near surface sulfides to 88% for sulfides encountered at depth.

Bogoso Sulfide Expansion Project

In 2006 the major focus for Bogoso/Prestea and Golden Star was the Bogoso Sulfide Expansion Project. This was a major undertaking and is expected to establish Bogoso as a significant long-lived gold producer.

Construction activities were substantially completed by year-end and commissioning of the front end of the new processing plant, crusher, and grinding mills began. In addition, the inoculation of the BIOX® tanks was initiated. In February 2007 the first BIOX® module comprising seven BIOX® reactor tanks and the new flotation circuit was fully commissioned. In March 2007 the second BIOX® module and the new elution circuit is expected to be fully commissioned. Commercial production is anticipated to begin in the second quarter of 2007.

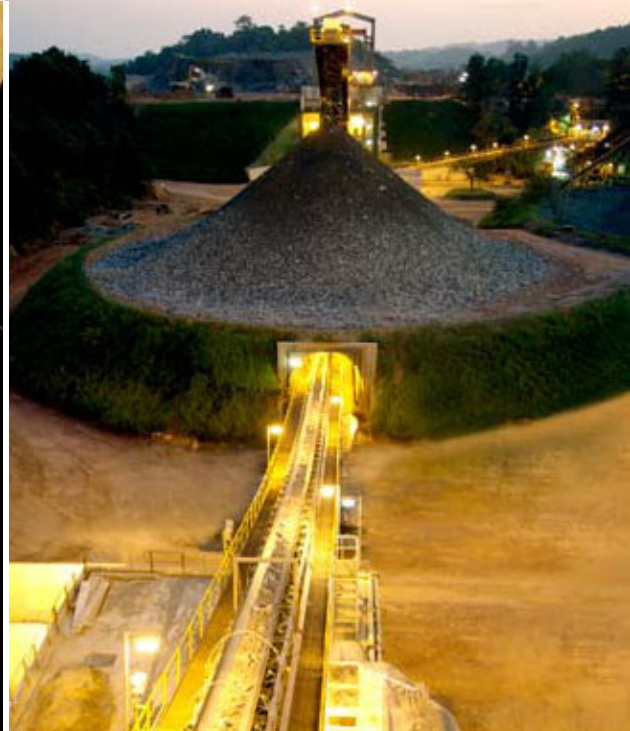
The refractory nature of the majority of the ore at Bogoso/Prestea required us to use an intermediate oxidizing stage in addition to the conventional CIL plant used at Bogoso and Wassa. Bio-oxidation was selected for a number of factors, including its suitability for the Bogoso/Prestea material, lower cost structures, and lower environmental effects when compared to other available alternatives.

Worldwide there are eleven BIOX® plants in construction or operation using the same technology. AngloGold Ashanti's Obuasi Mine is the best example of a successful BIOX® plant in operation. Obuasi is located north of Bogoso/Prestea, along the Ashanti Trend, and has been successfully using this technology for more than a decade on ore that is mineralogically similar to ours.

The commissioning process started in the fourth quarter of 2006 and commercial production is expected to begin in the second quarter of 2007.



The BIOX® tanks are made of stainless steel to protect them from sulfuric acid, which is generated when bacteria eat the sulfide in the concentrated ore.



The crushing and grinding circuits for the new BIOX® plant were commissioned in 2006 and are now well tested.

In preparation for the commissioning of the BIOX® plant, our mining capability was progressively increased during 2006, and pre-stripping of the first two sulfide pits was commenced. By year end a substantial stockpile of refractory ore had been established. In addition, the supplementary personnel required for the expansion project were recruited and trained, with some training occurring at other BIOX® operations in Ghana and Australia.

To December 31, 2006, we had spent approximately \$151.7 million on the project compared with an original estimate of \$150 million and we further anticipate expenditures of approximately \$15 million before commercial production commences. The higher costs are largely related to the approximate three month delay in finalizing the project which has led to higher pre-stripping costs being incurred and to some extension of time costs.

Prestea Underground

We made significant progress on the Prestea Underground in 2006, including completion of drilling on the West Reef, completion of dewatering to well below 30 Level, and commencement of drilling on 30 Level. Unfortunately, all activity was curtailed in September as a result of power rationing in Ghana and the damage to the Bondaye Main Shaft by illegal miner blasting which caused the loss of our second means of egress. Due to the time required to repair the shaft, we do not expect to restart drilling on 30 Level until 2008.

The underground diamond drilling on the West Reef identified a substantial, high-grade mineral resource between the 17 and 24 Levels. In 2007 we expect to complete a preliminary development plan for Prestea Underground.

Outlook

During 2007 the oxide processing plant at Bogoso will treat stockpiled material in combination with ore from the new Pampe pit (from March onward) and ore from the Prestea South pits in the second half of the year. The existing oxide processing plant is expected to have gold sales of 100,000 ounces in 2007.

The sulfide processing plant (or BIOX® plant) is expected to be put into service in the second quarter 2007. It is assumed that some ramp-up period will be required, that the throughput rate will be at design levels by the end of the second quarter and that recoveries will be at design levels by the end of the third quarter. The sulfide processing plant is expected to have gold sales of 180,000 ounces in late 2007.

Total gold sales from Bogoso/Prestea in 2007 are expected to be 280,000 ounces, at an average cash operating cost of \$380 per ounce.

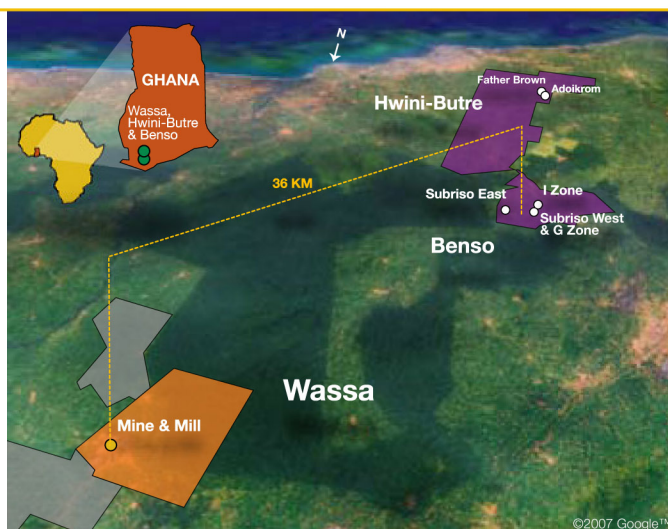
Operations: Wassa

Wassa is located 35 kilometers east of our Bogoso/Prestea operations and is 90% owned by Golden Star and 10% by the Government of Ghana. However, until capital costs are recovered by Golden Star, no dividends are payable.

Wassa, Hwini-Butre & Benso Properties

Our Wassa mine is located approximately 45 and 75 kilometers (respectively) from our Benso and Hwini-Butre properties, where we are in the process of completing a feasibility study. In 2008 we expect to start mining gold ore at Hwini-Butre and Benso and transporting it to Wassa.

- Active Pits
- Deposits
- Wassa Properties
- Hwini-Butre & Benso Properties
- Exploration Properties



Project Strategy

Our strategy at Wassa is to:

- Develop the high-grade ore at Hwini-Butre and Benso projects to the south for haulage to Wassa. (This ore will be blended with the Wassa ore in the processing plant);
- Complete sufficient new drilling to reassess the classification of the inferred mineral resource associated with the existing pits; and
- Assess the southern part of the Wassa mining lease and the exploration properties adjoining it, while seeking opportunities to expand the property position.

2006 Performance

Wassa successfully operated during 2006 without any lost time incidents. It also received the “most improved mine in Ghana” award from the Ghanaian Environmental Protection Agency. This was in recognition of the importance Golden Star and its Wassa employees place on establishing sound environmental practices.

In 2006, its first full year of production, Wassa had gold sales of 97,614 ounces at an average cash operating cost of \$474 per ounce. Although 2006 gold sales were higher than 2005, both in total and on an average monthly basis, sales fell short of expectations due to the mined grade underperforming the resource model. By year end a new resource model was in place, resulting in a lower expected resource grade from which more realistic production estimates can be projected.

On the positive side, technical studies and permitting of the SAK (South Akyempim) Pits were completed mid-year allowing production from the SAK 1 and 2 pits to commence in June, resulting in an

improved grade to the processing plant. By year end the preparation of the higher grade SAK Pit 3 was well advanced. Potential exists to expand the SAK pits with further drilling, as the zones are not closed off along strike.

Hwini-Butre and Benso

In 2006 we started a feasibility study for the development of the Hwini-Butre and Benso properties. Thus far six open pit targets have been identified, with an Indicated Mineral Resource within a \$560 per ounce pit shell of approximately 5.2 million tonnes, at an average grade of 4.30 grams per tonne for 738,000 ounces of gold.

The study assumes that Hwini-Butre and Benso will be mined at a rate of about 1.2 million tonnes per annum. This ore would be transported to Wassa for processing in the existing plant, displacing an equal amount of lower grade Wassa material. Metallurgical testwork has demonstrated that the Hwini-Butre and Benso material is not refractory and can be processed in the Wassa processing plant, with expected recoveries averaging more than 90 percent. The transportation options considered include traditional highway truck haulage and rail.

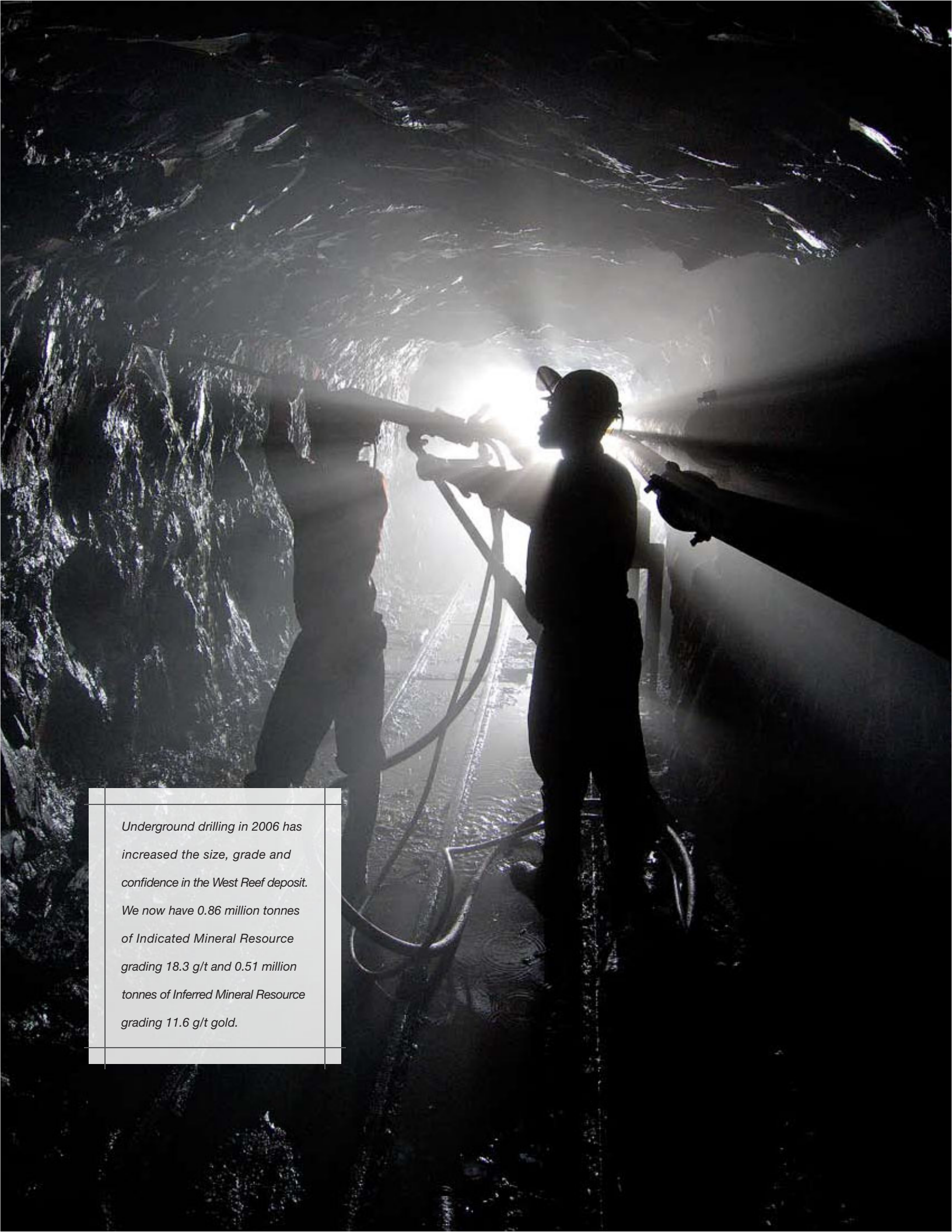
The study is expected to be completed and submitted to our Board for consideration in the second quarter of 2007.

Outlook

In 2007 Wassa will continue to mine and process material from the Wassa and SAK pits, with estimated gold sales of 110,000 ounces at an average cash operating cost of \$410 per ounce.

*At both Wassa and Bogoso/Prestea
we operate our own fleet of mining
equipment – contributing to lower
overall mining costs per tonne.*

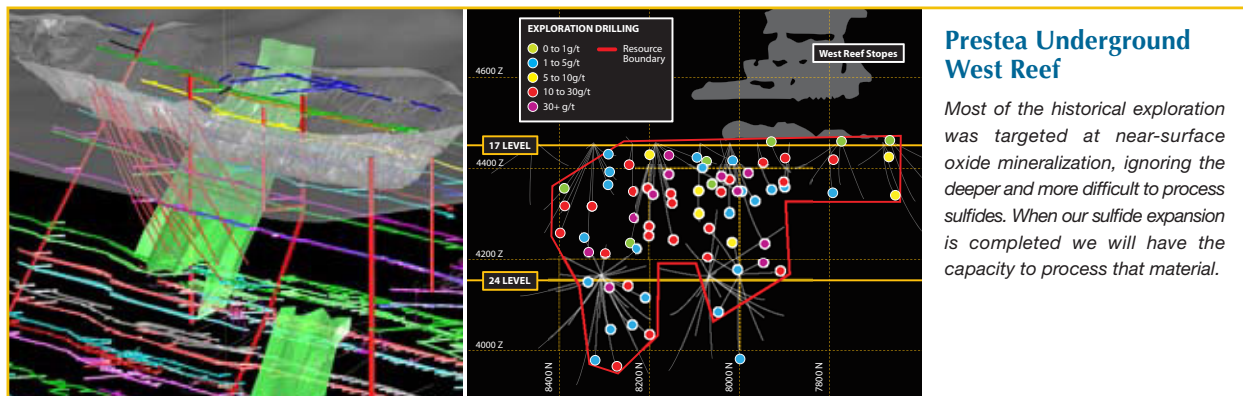




Underground drilling in 2006 has increased the size, grade and confidence in the West Reef deposit. We now have 0.86 million tonnes of Indicated Mineral Resource grading 18.3 g/t and 0.51 million tonnes of Inferred Mineral Resource grading 11.6 g/t gold.

Exploration

In 2006 our exploration expenditures were \$15.3 million with the majority of these funds spent on areas close to our producing properties in Ghana, primarily on the Prestea Underground and the Hwini-Butre and Benso properties, located south of Wassa, acquired in late 2005.



The remainder of our exploration budget was spent on early-stage exploration and project generation work elsewhere in West Africa and South America.

Hwini-Butre and Benso

Drilling at Hwini-Butre and Benso increased our confidence in the mineral resources and provided geotechnical data and metallurgical samples for studies into the mining and processing of these deposits for transport to and processing at Wassa.

Prestea Underground

Drilling of underground targets at Prestea focused on the West Reef mineralization, where we defined an Indicated Mineral Resource of 860,000 tonnes grading 18.3 grams of gold per tonne for 507,000 ounces of contained gold. In addition, a further Inferred Mineral Resource of 510,000 tonnes grading 11.6 grams per tonne of gold was delineated.

Access to the 30 Level at Prestea, the deepest major development level on the mine, was also re-established and drilling commenced beneath the down-plunge extensions of the main mineralized shoots. Initial results indicated strong reef development with encouraging widths and grades. However, work was discontinued due to power shortages in Ghana and the need to complete shaft refurbishment work to ensure the safety of our employees.

Other Brownfields Work

Exploration around our Wassa deposit focused on investigating new zones of mineralization along the Tarkwaian-Birimian boundary. Preliminary gold-in-soil sampling identified strong gold anomalies along this regionally-important contact zone, which will be drilled in 2007.

At our Mampon and Pampe projects, the focus during 2006 was on feasibility studies and permitting activities. Hence, little exploration work was undertaken other than limited drilling at the Opon prospect in an attempt to expand the resource at this location.

Greenfields Exploration

Exploration continued on our Mano River Resources Inc. joint venture in Sierra Leone, with in-fill soil sampling programs completed on major gold anomalies that were defined on the Pampana and Sonfon properties in 2005. Diamond drilling recommenced on the Yirisen zone in late 2006, where past work revealed encouraging results over a short strike length. The new drilling is intended to confirm down-plunge continuity and test for other similar pods along-strike. In early 2007 a second drill rig was dispatched to Sierra Leone to test geochemical anomalies on these properties.

Initial exploration of the 2,012 square kilometer Afema property in Côte d'Ivoire revealed extensive gold-in-soil anomalies that were investigated by trenching in early 2006. We are currently reviewing plans for this property. Elsewhere in Côte d'Ivoire we have secured several properties on the extensions of the Yamfo – Sefwi gold belt, where we are carrying out regional gold-in-soil programs.

In Burkina Faso we completed work to delineate an Indicated Resource of 2.7 million tonnes grading 1.75 grams per tonne, for a contained 152,000 ounces of gold. We also compiled all historical information on the property as a basis for future work and decision making. Similar work was carried out on our other properties in Burkina Faso and Niger.

In Suriname we entered into a joint venture with Newmont Mining Corporation on the Saramacca property, where a limited diamond drilling program in 2005 returned encouraging results. Joint venture work in 2006 involved detailed geochemistry and ground geophysical surveys over Anomaly M to provide targets for drilling in 2007.



In addition to routine water sampling, we carry out routine dust, noise and blast vibration monitoring to ensure that our operations are within accepted and approved limits.



Our oil palm project has been well received and supported by stakeholders and has the potential to significantly reduce unemployment in the catchment area around our mines.

Sustainability

Golden Star Resources is firmly committed to implementing sustainability practices that create value for our shareholders and long-term economic benefits for our local stakeholders. We are pleased to be one of the signatories to the United Nations Global Compact. To this end, we carry out our activities according to sound principles governing business conduct, health and safety, environmental management, human rights, and community development and consultation.

Our principle community milestones for the year included creating the Golden Star Development Foundation and the establishment of Golden Star Oil Palm Plantations Limited. We formed the Foundation to fund community-based projects. The local communities in our catchment areas are encouraged to work in cooperation with our representatives to develop proposals. Those proposals that are deemed to have merit following a review by the Board of Trustees will be funded by the Foundation. As for the Oil Palm Plantation, we have already funded planting of over 40,000 seedlings and the local Traditional Leaders have committed more than 18,000 hectares to the endeavor.

In addition to our Foundation and Oil Palm Plantation, we are also committed to training and education. Our Ghanaian employees are the basis of our success. As such, we believe in providing our employees with both in-house and external training as needed. As an example of our commitment to training and equal opportunities, Golden Star now has six woman drivers for the 100-tonne haul trucks at Bogoso/Prestea and Wassa.

Our support of environmental stewardship in our operations is exemplified by the Wassa Mine, which won the environmental award from the Ghana Environmental Protection Agency for the

most improved mine in Ghana. We feel that this award is a testament to the commitment we place on environmental management and the due diligence of our workforce.

We support a number of programs dedicated to sustainability practices. One such program, which concluded early in 2007, was the shipment of 178,158 books that surpassed our goal of 150,000 books from our Denver headquarters offices. This project took 14 months and used 3,074 man-hours to complete. These books will be used to inaugurate three libraries in our catchment basin communities.

In summary, based on the UN Global Compact principles, Golden Star's commitment to sustainability falls into a number of broad categories which include, but are not limited to, health and safety, community engagement, safe environmental practices, human rights, and safe labor standards. Our full suite of activities encompasses these main categories that we believe will produce better living and working environments for all our employees in Ghana and beyond.

For more information regarding Golden Star's sustainability practices, please refer to our 2006 Annual Sustainability Report.

GOLDEN STAR RESOURCES LTD.
SELECTED FINANCIAL DATA

The selected financial data set forth below are derived from our audited consolidated financial statements for the years ended December 31, 2006, 2005, 2004, 2003 and 2002, and should be read in conjunction with those financial statements and the notes thereto. The consolidated financial statements have been prepared in accordance with Canadian GAAP. Selected financial data derived in accordance with US GAAP has also been provided and should be read in conjunction with Note 24 to the financial statements. Reference should also be made to "Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations."

SUMMARY OF FINANCIAL CONDITION

(Amounts in thousands except per share data)

Canadian GAAP	As of Dec. 31, 2006	As of Dec. 31, 2005	As of Dec. 31, 2004	As of Dec. 31, 2003	As of Dec. 31, 2002
Working capital	\$ 21,383	\$ 91,974	\$ 61,366	\$ 96,784	\$ 21,963
Current assets	90,534	132,789	78,846	104,935	32,843
Total assets	663,774	564,603	252,160	222,391	74,135
Current liabilities	69,151	40,815	17,480	8,151	10,880
Long-term liabilities	125,099	124,919	10,367	8,402	8,973
Shareholder's equity	462,100	392,240	217,960	198,362	49,384
	For the Year Ended Dec. 31, 2006	For the Year Ended Dec. 31, 2005	For the Year Ended Dec. 31, 2004	For the Year Ended Dec. 31, 2003	For the Year Ended Dec. 31, 2002
Revenues	\$ 128,690	\$ 95,465	\$ 65,029	\$ 64,370	\$ 38,802
Net income/(loss)	64,689	(13,351)	2,642	21,956	4,856
Net income/(loss) per share - basic	0.312	(0.094)	0.019	0.198	0.067
	As of Dec. 31, 2006	As of Dec. 31, 2005	As of Dec. 31, 2004	As of Dec. 31, 2003	As of Dec. 31, 2002
US GAAP⁽¹⁾					
Working capital	\$ 21,383	\$ 91,794	\$ 61,366	\$ 96,784	\$ 22,262
Current assets	90,534	132,789	78,846	104,935	33,391
Total assets	606,095	522,443	219,972	200,337	62,644
Current liabilities	69,151	40,815	17,480	8,151	10,880
Long-term liabilities	129,624	135,832	22,432	87,126	14,445
Shareholder's equity	404,418	343,832	176,161	98,698	35,597
	For the Year Ended Dec. 31, 2006	For the Year Ended Dec. 31, 2005	For the Year Ended Dec. 31, 2004	For the Year Ended Dec. 31, 2003	For the Year Ended Dec. 31, 2002
Revenues	\$ 128,690	\$ 102,237	\$ 65,029	\$ 64,370	\$ 38,802
Net income/(loss)	57,875	(24,470)	47,708	(58,611)	7,212
Net income/(loss) per share - basic	0.279	(0.170)	0.345	(0.528)	0.094

(1) Restated to reflect the correction of the accounting treatment of warrants issued in currencies other than US\$.

GOLDEN STAR RESOURCES LTD.
**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 March 12, 2007.

OUR BUSINESS

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

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

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

Bogoso/Pretea is owned by our 90% owned subsidiary Golden Star (Bogoso/Pretea) Limited ("GSBPL"), (formerly Bogoso Gold Limited) which was acquired in 1999. Bogoso/Pretea produced and sold 103,792 ounces of gold during 2006.

Through another 90% owned subsidiary, Golden Star (Wassa) Limited ("GSWL"), (formerly Wexford Goldfields Limited), we own the Wassa gold mine located some 35 kilometers east of Bogoso/Pretea. Wassa produced and sold 97,614 ounces of gold in 2006.

The Pretea Underground is located on the Pretea property and consists of a currently inactive underground gold mine and associated support facilities. GSBPL owns a 90% operating interest in the Pretea Underground. We have carried out exploration and engineering studies in recent years to determine if the underground mine can be reactivated on a profitable basis and we expect to complete in late 2007, a feasibility study for the development and mining of certain areas of Pretea Underground.

Through a 100% owned Canadian subsidiary we own the HBB Properties in southwest Ghana. The HBB Properties consist of the Hwini-Butre and Benso properties which together cover an area of 201 square kilometers. Both properties contain undeveloped zones of gold mineralization. The Hwini-Butre and Benso properties 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 currently hold indirect interests in gold exploration properties in Peru, Argentina and Chile through a 14% shareholding investment in Minera IRL limited.

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 Cdn 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-K, we use the terms "total operating cost per ounce," "total cash cost per ounce" and "cash operating cost per ounce."

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

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

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

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

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

DERIVATION OF TOTAL MINE OPERATING COST

	2006		
	Wassa	Bogoso/Prestea	Combined
Mining operations	\$ 48,080	\$ 44,650	\$ 92,730
Mining related depreciation and amortization	11,763	9,697	21,460
Accretion of asset retirement obligations	221	614	835
Total mine operating costs	\$ 60,064	\$ 54,961	\$ 115,025
Ounces sold	97,614	103,792	201,406
Derivation of cost per ounce:			
Total mine operating costs – GAAP (\$/oz)	\$ 615	\$ 531	\$ 571
Less depreciation and amortization (\$/oz)	120	93	107
Less accretion of asset retirement obligations (\$/oz)	2	6	4
Total cash cost (\$/oz)	493	430	460
Less royalties and production taxes (\$/oz)	18	18	18
Cash operating cost per ounce (\$/oz)	475	412	442

DERIVATION OF TOTAL MINE OPERATING COST

	2005		
	Wassa	Bogoso/Prestea	Combined
Mining operations	\$ 33,227	\$ 46,322	\$ 79,599
Mining related depreciation and amortization	7,105	8,878	15,983
Accretion of asset retirement obligations	190	562	752
Total mine operating costs	\$ 40,572	\$ 55,762	\$ 96,334
Ounces sold	69,070	131,898	200,968
Derivation of cost per ounce:			
Total operating costs – GAAP (\$/oz)	\$ 587	\$ 423	\$ 479
Less depreciation and amortization (\$/oz)	103	67	80
Less accretion of asset retirement obligations (\$/oz)	3	4	4
Total cash cost (\$/oz)	482	351	396
Less royalties and production taxes (\$/oz)	14	13	13
Cash operating cost per ounce (\$/oz)	468	338	383

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 7 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 will receive 10% of any dividends distributed from the subsidiaries owning the Bogoso/Prestea and Wassa mines.

BUSINESS STRATEGY AND DEVELOPMENT

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

In line with our business strategy, we acquired Bogoso in 1999 and have operated the Bogoso CIL 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 the new Wassa CIL processing plant which began commercial operation in April 2005. We are in the process of completing and commissioning the nominal 3.5 million tonnes per year Bogoso BIOX® processing plant which uses the proprietary BIOX® bio-oxidation technology to treat refractory sulfide ore. We have stockpiled about one million tonnes of refractory ore, and the Bogoso BIOX® processing plant is currently processing sulfide ore. We expect to complete commissioning of the Bogoso BIOX® processing plant in March 2007, and we expect that throughput and metallurgical recoveries will increase over the remainder of 2007. The Bogoso BIOX® processing plant is designed to expand annual processing throughput at Bogoso/Prestea from approximately 1.5 million tonnes per annum to approximately 5.0 million tonnes per annum. Achievement of this target is subject to numerous risks. See the discussion of Risk Factors in Item 1A of the Company's Form 10-K.

In late 2005, we acquired the HBB Properties. During 2006 we carried out geological, environmental and engineering studies to determine the economic feasibility of these undeveloped gold properties. These studies are continuing into 2007.

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

SIGNIFICANT TRENDS AND EVENTS DURING 2006

Saramacca Project Joint Venture with Newmont

In mid-2006 an agreement was reached between us and Newmont to jointly explore the 1,546 square kilometer Saramacca property in western Suriname. Golden Star retains management of the project for the initial two years or expenditure of \$2 million funded by Newmont, whichever comes first. Joint operation began in late 2006 with an initial budget of \$1.1 million for the first twelve month period through to August 2007.

Illegal Mining

In October 2006, the Government of Ghana, through its Ministry of National Security, initiated a country-wide operation to remove illegal miners from legal mineral concessions in Ghana. Illegal mining operations were widespread and occurred on the concessions of other mining companies in Ghana as well as at Bogoso/Prestea, Wassa and HBB Properties.

The action follows a long period of sensitization and education by the Government, which included the introduction of improved mechanisms for these miners to apply for small-scale mining permits in their own right, to mine on areas not already held by mining companies. The Government also conducted a public campaign to educate the illegal miners and the community on the short-term and long-term dangers of the illegal mining activities.

Government and private security personnel have since maintained a presence on our Bogoso and Prestea mining properties and to date there have been no significant recurrence of illegal mining activities at Bogoso/Prestea. The government's actions have now allowed access to our properties south of Prestea and we resumed exploration activities there in the fourth quarter of 2006 in anticipation of initiation of mining operations in 2007.

There have been no material problems with illegal mining at Wassa.

Power Restrictions in Ghana

Since August 2006, the Volta River Authority ("VRA"), the Ghana Government's subsidiary which controls Ghanaian power supply, has rationed electric power to all power users in Ghana, including the mining sector. Ghana's major power generating source, the Akosombo Hydroelectric Power Station on the Volta river, has cut back its power output over the past several months due to historically low water levels in the Akosombo reservoir which feeds the Akosombo power plant. Rainfall over the last nine to twelve months has not been sufficient to restore the reservoir water levels to a point that would allow continuous unrestricted operations.

At the same time Ghana's other power plant, the Aboadze Thermal Power Station, was operating at less than full capacity in late 2006 due to refurbishment of a major component of one of its turbines. The repairs are now complete, but the Aboadze plant is currently undergoing a conversion to a natural gas feed source and it is also expected to produce electricity at a reduced level through the first quarter of 2007.

As requested by the VRA, we have limited our usage of VRA power at various times and in various amounts since August 2006. Our cuts have been achieved by a combination of (i) reducing plant through-put, (ii) limiting activities at the Prestea Underground mine, which has halted the rate of exploration, and (iii) operating our stand-by diesel generating capacity. By taking these actions we have been able to continue near normal operations at Bogoso/Prestea and Wassa but the high cost of fuel oil for our generators has contributed significantly to higher operating costs.

Later in 2007, if water inflows to the Akosombo reservoir during the wet season are not at least at average levels, additional rationing may be required. To this end, Golden Star, along with Newmont Mining Corporation, Gold Fields Limited and AngloGold Ashanti Limited, have agreed to acquire a nominal 100 megawatt power station. The total expected cost to acquire and construct this power station is \$40 million, of which we will fund 25%. The power station is expected to be operational by mid 2007.

Our share of this power station will be a nominal 25 megawatts, which is sufficient to provide up to 50% of our total power requirements in Ghana when the Bogoso BIOX[®] processing plant is fully commissioned. We expect that this, combined with our diesel generators and power availability from the national grid, will be more than adequate to meet our total power requirements in 2007 including start-up of the Bogoso BIOX[®] processing plant. If there is inadequate rainfall in 2007, we may be adversely affected by further rationing, which could increase our anticipated cash operating costs.

Personnel changes

Vice President Operations: In June 2006, we appointed Colin Belshaw as Vice President Operations. Mr. Belshaw is a British mining engineer with approximately 30 years experience in the mining in Africa, North America, Russia and Europe and has a background in gold and copper mining in both open pit and underground mining situations. Initially, Mr. Belshaw is based in Ghana.

Vice President Ghana: Daniel Owiredo was appointed as Vice President Ghana in September 2006. Mr. Owiredo is a Ghanaian engineer with more than 20 years experience in the mining sector in Ghana and West Africa. Most recently, Mr. Owiredo was Deputy Chief Operating Officer for AngloGold Ashanti Ltd. following the amalgamation of AngloGold Ltd. and Ashanti Goldfields Co. Ltd. Mr. Owiredo is based in Ghana.

Chief Financial Officer: In February 2007, Tom Mair was appointed as Senior Vice President and Chief Financial Officer, replacing Mr. Allan Marter who resigned in late 2006. Mr. Mair is a financial and accounting professional with more than 25 years of international business experience in the natural resources industry. Prior to joining Golden Star, Mr. Mair was employed by a major international gold mining company where he held positions as group financial executive, regional controller and as president-director of a major international subsidiary.

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 his field of expertise. Golden Star hired these employees as part of its continued focus on its strategic plan to become a mid-tier producer.

Sale of Shares of Moto Goldmines Limited

In March 2006, we exercised our remaining warrants to purchase 1.0 million Moto Goldmines Limited ("Moto") shares, 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 \$30.2 million of pre-tax capital gain for Golden Star, which was recognized in income in the first quarter of 2006. 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. From May to December 2006, the increase in gold prices flattened, averaging approximately \$615 per ounce for these eight months but then moved up to a high of \$680 per ounce in the first quarter of 2007. The realized gold price for our shipments during 2006 averaged \$607 per ounce, as compared to \$446 per ounce in 2005.

Bogoso Sulfide Expansion Project

The Bogoso sulfide expansion project is designed to significantly expand processing capacity at Bogoso/Prestea. Current production of 1.5 million tonnes per annum, from the Bogoso CIL processing plant, will be increased to a projected total capacity of approximately 5.0 million tonnes per annum from both plants once the Bogoso BIOX® processing plant is operational. The Bogoso BIOX® processing 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, our Bogoso BIOX® processing plant will be among the largest operating BIOX® plant in the world.

The new crusher, ball mill, SAG mill and the CIL circuit was tested late in the fourth quarter of 2006 using non-refractory ore. Non-refractory ore feed was discontinued in mid-February 2007 and the ball mill, SAG mill, and CIL circuit as well as BIOX® module-1 are now in a test and commissioning phase using sulfide ore. The first inoculate was introduced to the BIOX® tanks in November 2006 and all seven BIOX® tanks in BIOX® module-1 were filled with inoculate in February 2007. BIOX® module-2 is expected to come on line by the end of March. We expect the first gold production for the BIOX plant in March 2007.

Pre-stripping of the sulfide pits to create a stockpile of transition and sulfide ore for the Bogoso BIOX® processing plant is progressing well. Approximately 0.7 million tonnes of ore is currently exposed in the sulfide pits and approximately 0.9 million tonnes has been moved to ore stockpiles.

Pampe Ore Body

Final approval of the Pampe environmental impact study was received in November 2006 and first ore was mined and delivered to the Bogoso CIL processing plant in March 2007. Initial production will be carried out under a bulk sampling permit. Application has been made for a mining permit. The Pampe ore body will provide oxide ore feed to the existing Bogoso CIL processing plant.

Completion of Mining at Plant-North Pit

Mining was completed at the Plant-North pit in December 2006. Reclamation work, including partial back filling, is scheduled during 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. 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 basis, 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 no longer include EURO's assets and 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.

In the fourth quarter of 2006, we sold an additional 18.1 million of our EURO common shares in a series of public and private transactions, bringing our EURO ownership position down to approximately 6% by December 31, 2006. Net proceeds of the sale totaled approximately \$30.0 million. Since our basis in the EURO shares was nil, the gain on share sale was equal to the \$30.0 million we received. Following this sale Golden Star owned approximately 3.0 million of EURO's common shares as of December 31, 2006. Subsequent to year-end, we sold an additional 1.7 million EURO shares in open market transactions for net proceeds of approximately \$2.8 million, reducing our ownership to approximately 1.3 million shares or 2% of EURO's outstanding equity. We continue to hold a right to receive from EURO a portion of EURO's future royalties from IAMGold Corporation's Rosebel Mine in Suriname on production exceeding two million but less than seven million ounces.

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

At the end of December 2006 our derivative positions included 6,000 call options at a \$525 per ounce strike price and 37,500 puts with a \$404 per ounce strike price. All of these calls and puts were closed or expired during the first quarter of 2007.

As a result of the sale of EURO shares on June 19, 2006 (see above), Golden Star is no longer required to consolidate the financial statements of EURO as of that date. Therefore the EURO derivative contract liabilities and associated impact on earnings have not been included in our consolidated financial statements after June 19, 2006.

Debt facilities

In October 2006, our subsidiary GSBPL drew down \$15.0 million on a debt facility provided by two Ghana based commercial banks, Ecobank Ghana Limited and Cal Bank Limited. The funds are available for a term of 27 months at an interest rate of US prime plus 1%. The current rate is set at 9.25%. Loan fees total 1% of the facility amount. The loan is repayable in 24 equal installments starting January 2007. 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.

Improved Operating Margins

As discussed in more detail below, the operating margins ("Gold sales" revenues less "Total mine operating costs") at both Wassa and Bogoso/Prestea trended upward during 2006. Higher gold prices and higher gold output were the major factors contributing to the improvements at the Bogoso plant. Wassa benefited from a combination of improved operating costs, higher ore grades from the new SAK pit and improved gold prices.

Subsequent Events

Equity Offering – On March 1, 2007, we sold 21 million common shares at a price of \$3.60 per share resulting in \$75.6 million in gross proceeds. Net proceeds were \$72.2 million after deducting underwriting commissions but before deducting offering expenses. On March 9, 2007 the underwriters exercised their option to sell an additional 3.15 million common shares for additional gross proceeds of \$11.3 million. After deducting the underwriter's commission, net proceeds were \$10.8 million. The proceeds will be used to purchase an interest in an electric power station in Ghana, for completion and start-up of the Bogoso sulfide expansion project, for a feasibility study and if warranted, development of the HBB Properties, and for general corporate and working capital purposes. On February 14, 2007 warrants to purchase 8.4 million common shares at a strike price of Cdn\$4.60 expired.

RESULTS OF OPERATIONS — 2006 COMPARED TO 2005

Net income totaled \$64.7 million or \$0.312 per share in the twelve months ended December 31, 2006, versus a net loss of \$(13.5) million or \$(0.094) per share in 2005. While mining operations contributed \$7.6 million dollars to the pre-tax income in 2006 versus a deficit of \$(6.7) in 2005, the major factor contributing to the \$78.2 million improvement in earnings was sales during 2006 of non-core assets including our holdings of EURO and Moto shares. A \$30.2 million pre-tax gain was recognized in the first quarter of 2006 on the sale of our Moto shares. In the second quarter of 2006 a \$20.9 million pre-tax gain was recognized upon the sale of 4.1 million shares of EURO and upon the resultant change in accounting method (see "Significant Trends and Events" above for additional information on the Moto and EURO share sales.) In addition, in the fourth quarter of 2006 we sold an additional 18.2 million EURO shares for an additional gain of \$30.0 million.

SUMMARY OF FINANCIAL RESULTS

	2006	2005	2004
Gold sales (oz)	201,406	200,968	147,875
Average realized price (\$/oz)	607	446	410
Revenues (\$ in thousands)	128,690	95,465	65,029
Cash flow provided by operations (\$ in thousands)	5,398	1,060	13,910
Net income/(loss) (\$ in thousands)	64,689	(13,531)	2,642
Net income/(loss) per share – basic (\$)	0.312	(0.094)	0.019

Royalty revenues, interest and other income contributed \$6.1 million to revenues, up slightly from \$5.8 million in 2005. Offsetting the gains in 2006 was a \$9.6 million loss on derivatives and \$1.8 million of exploration project impairment write-offs.

The improvement in the operating margin over 2005 is mostly due to improved gold prices. While the number of ounces of gold sold during 2006 was essentially unchanged from 2005, consolidated gold revenues rose by \$32.9 million to \$122.6 million. Approximately \$13.4 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 was related to improvements in gold prices during 2006. Gold prices averaged \$607 per ounce during 2006 versus \$446 per ounce in 2005.

Total "Mine operations" costs, as found on the Statement of Operations, increased 16% to \$92.7 million, up from \$79.6 million in 2005. Most of the increase reflects the fact that Wassa was in service for a full twelve months in 2006 but for only for nine months in 2005. Higher depreciation in 2006 versus 2005 also reflects the increased ounces produced at Wassa and increases in mining equipment fleet at Bogoso. The increase in general and administrative expenses reflects an overall increase in our activities including additions to the management team and the establishment of an internal audit function. Higher share-based compensation costs also contributed to the increase in G&A in 2006. Interest expense dropped in 2006 because higher construction costs related to the Bogoso sulfide expansion project led to an increase in the amount of interest capitalized. Most of the foreign exchange gains were generated from cash held in Canada early in 2006 following a December 2005 equity offering.

BOGOSO/PRESTEA OPERATIONS

2006 compared to 2005 - Bogoso/Prestea generated a \$8.4 million operating margin during 2006 on sales of 103,792 ounces of gold, up from a \$2.6 million operating margin on sales of 131,898 ounces in 2005. The major factor contributing to the improved margin at Bogoso/Prestea was a 38% improvement in realized gold prices from \$443 per ounce in 2005 to \$610 per ounce in 2006. This was offset by a 28,106 ounce decrease in gold production in 2006. Lower ore grade from the Plant-North pit and lower plant through-put due to harder ores from deeper levels in the Plant-North pit were the major factors responsible for the lower gold output.

BOGOSO/PRESTEA OPERATING RESULTS

	2006	2005	2004
Ore mined (t) (Plant-North pit)	1,363,616	1,646,276	1,411,243
Waste mined (t) (Plant-North pit)	6,013,859	10,740,500	8,065,915
Ore processed (t)	1,493,948	1,557,881	1,650,412
Grade processed (g/t)	3.56	4.14	4.09
Recovery (%)	60.4	60.7	67.3
Gold sales (oz)	103,792	131,898	147,875
Cash operating cost (\$/oz)	412	338	250
Royalties (\$/oz)	18	13	14
Total cash cost (\$/oz)	430	351	264

In addition to the 2006 gold production shown above, 2,169 ounces of gold were recovered during testing and commissioning of the new Bogoso BIOX® plant crushing, grinding and CIL circuits.

The Bogoso CIL processing plant processed an average of 4,093 tonnes per day in 2006 at an average grade of 3.56 grams per tonne, as compared to 4,268 tonnes per day at 4.14 grams per tonne in the same period in 2005. Gold recovery decreased slightly to 60.4% from 60.7% during 2005 mostly due to the lower grade ore.

Bogoso/Prestea's total cash costs decreased from \$46.3 million in 2005 to \$44.7 million in 2006 mainly due to reduced stripping rates as the Plant-North pit neared the end of its life. While the actual spending was lower during 2006, lower gold production led to an increase in costs per ounce resulting in a cash operating cost of \$412 per ounce versus \$338 per ounce in 2005.

WASSA OPERATIONS

2006 compared to 2005 – Since Wassa was in operation for only nine months in 2005 versus a full twelve months in 2006, the operating results are not easily comparable. While Wassa's operating margins in the last nine months of 2006 were positive and improved in each quarter of 2006, the total operating margin loss for the year was \$(0.8) million. This was a significant improvement over the \$(9.2) million operating margin loss in the nine months of 2005.

The Wassa CIL processing plant averaged 10,111 tonnes per day at an average grade of 0.90 grams per tonne with a gold recovery of 88.8% during 2006, versus 9,788 tonnes per day at an average grade of 0.91 grams per tonne and a recovery rate of 88.7% in the nine months of 2005. Cash operating costs averaged \$474 per ounce in 2006 or 1% above 2005. Total cash costs averaged \$493 per ounce during 2006 or 2% over the 2005 level. The increase in the average daily processing rate reflects correction of plant design defects encountered early in the Wassa CIL processing plant's life. The improvements in operating margins is related to higher gold output during 2006 and higher gold prices.

WASSA OPERATING RESULTS

	2006	2005 ⁽¹⁾	2004 ⁽¹⁾
Ore mined (t)	2,449,272	2,059,777	-
Waste mined (t)	11,608,484	7,848,410	-
Ore and heap leach materials processed (t)	3,690,672	2,691,923	-
Grade processed (g/t)	0.90	0.91	-
Recovery (%)	88.8	88.7	-
Gold sales (oz)	97,614	69,070	-
Cash operating cost (\$/oz)	474	468	-
Royalties (\$/oz)	19	14	-
Total cash cost (\$/oz)	493	482	-

(1) The Wassa mine commenced commercial production in April 2005, thus amount shown for 2005 are for nine months of operation while the 2006 results reflect a full twelve months of operation.

During 2006, Wassa's operating costs remained higher than expected and at the same time ore grades were lower than expected. At December 31, 2006 Wassa's reserves were re-estimated based on historical costs and ore grades encountered during 2005 and 2006. As a result, Wassa's Proven and Probable Mineral Reserves dropped to 480,000 ounces at the end of 2006, or approximately 350,000 ounces less than would have been expected after subtracting the ounces consumed by processing operations during 2006.

The carrying value of the assets in respect of the Wassa mine was \$95.1 million as at December 31, 2006. The valuation of the Wassa mine is highly sensitive to assumptions regarding the price of gold and the number of ounces expected to be produced. As at December 31, 2006, the impairment analysis incorporated the following key assumptions:

- Gold prices per ounce of \$650 in 2007, \$638 in 2008, \$592 in 2009, and \$562 in 2010 and 2011.
- Approximately one third of the non-reserve resources would eventually be found economic and would be mined and processed.

Based on these assumptions, the Wassa mine was not impaired based on the projected undiscounted cash flows of the mine.

OTHER GAINS AND LOSSES

Derivatives — The \$9.6 million in mark-to-market loss was a result of the impact of higher gold prices on EURO's forward gold price agreements (a loss before tax of \$4.9 million), Golden Star's gold calls (a loss of \$3.6 million), and Rand forwards (a loss of \$1.1 million.). As discussed above, after June 19, 2006, we no longer recognized gains and losses on EURO's forward gold price agreements.

Interest — The drop in interest expense in 2006 is a function of larger amounts of interest capitalized at the Bogoso sulfide expansion project during 2006 based on continued expenditures on that project in 2006.

Foreign Exchange Gains — The majority of the foreign exchange gains earned in 2006 are related to Canadian dollar accounts that held the proceeds of a December 2005 equity offering.

RESULTS OF OPERATIONS — 2005 COMPARED TO 2004

We incurred a net loss of \$(13.5) million or \$(0.094) per share on revenues of \$95.5 million during 2005 versus net income of \$2.6 million or \$0.019 per share on revenues of \$65.0 million during 2004. While gold revenues in 2005 were \$29.0 million higher than in 2004, due mostly to production from our new Wassa mine and from higher realized gold prices, operating costs were \$48.5 million higher, also due mostly to costs from Wassa and increased costs at Bogoso/Prestea. The major factors contributing to the \$16.1 million swing in operating results include a \$9.1 million operating loss at Wassa, a \$10.0 million reduction in operating income at Bogoso/Prestea on lower gold production and higher operating costs and a \$9.6 million unrealized, non-cash mark-to-market adjustment for the EURO derivatives. In addition, a \$2.3 million increase in interest expense and \$1.4 million of impairment write offs of exploration properties were partially offset by a \$4.3 million reduction in corporate development costs, a \$1.7 million increase in royalty income and a \$1.0 million gain from sale of common shares by our subsidiary EURO. Recognition of a \$6.4 million tax asset at EURO, the recognition of a \$4.9 million tax asset related to the 2006 sale of Moto shares and a \$1.5 million increase in tax assets at GSBPL reduced our net loss by \$12.9 million. Realized gold prices averaged \$446 per ounce during 2005, a 9% increase from the \$410 per ounce realized in 2004.

BOGOSO/PRESTEA

Operations 2005 compared to 2004 – Bogoso/Prestea generated \$3.3 million of after-tax operating income during 2005 on sales of 131,898 ounces of gold, down from \$13.3 million of after-tax operating income on sales of 147,875 ounces in 2004. The major factors contributing to 2005's lower earnings were lower gold sales and increases in operating costs. Gold production was down 15,977 ounces in 2005 versus 2004 due to a combination of lower plant through-put and lower gold recovery, both of which were caused by the metallurgical characteristics of the deeper, harder non-refractory sulfide Plant-North ores processed in 2005 versus the shallower and softer oxide and non-refractory sulfide ores milled in 2004. The first five months of 2004 benefited from the oxide ores processed in that period which yield higher mill throughput rates, better recovery and lower operating costs than did the transition and non-refractory sulfide ores processed during 2005. Processing of low grade stock pile material in September and October 2005, during the EPA's requested mining stoppage, also contributed to the decrease in ounces of gold sold.

Mining costs in 2005 increased \$6.2 million at Bogoso/Prestea versus 2004. Increases in fuel and labor charges accounted for approximately half of the increase in costs. The balance of the increase was a combination of higher costs for supplies and consumables, including explosives, ore haulage contracts, drilling supplies, grinding balls, maintenance and tires.

The Bogoso CIL processing plant processed an average of 4,268 tonnes per day in 2005 at an average grade of 4.14 grams per tonne, as compared to 4,526 tonnes per day at 4.09 grams per tonne in the same period in 2004. Gold recovery dropped to 60.7% in 2005 from 67.3% in 2004. The higher recovery in 2004 was a function of the oxide ore processed in the first half of 2004.

The lower gold output and higher mine operating costs in 2005 resulted in a significant increase in unit costs. Cash operating costs averaged \$338 per ounce in 2005, compared to \$250 per ounce in 2004, and total cash costs averaged \$351 per ounce in 2005, up from \$264 per ounce in 2004.

WASSA OPERATIONS

2005 compared to 2004 – The Wassa operating results discussed below are for the nine month period following Wassa's April 1, 2005 in-service date. There was no production from Wassa in 2004.

Wassa generated a \$9.1 million after-tax operating loss in the nine months ended December 31, 2005 on sales of 69,070 ounces of gold. Cash operating costs averaged \$468 per ounce and total cash costs averaged \$482 per ounce. The Wassa CIL processing plant processed an average of 9,789 tonnes per day at an average grade of 0.91 grams per tonne with a gold recovery of 88.7%.

Overall, Wassa's operating results were disappointing in 2005. We had anticipated higher mill through-put, higher grades, and lower operating costs than those achieved. Operating costs were adversely impacted early in the year by high power costs from our diesel fired, on-site power plant. This was remedied by late June when Wassa was connected to the national power grid. Mining costs were also higher than expected early in the year as we utilized contract miners and used smaller than optimal, rented mining equipment. By the end of 2005 we had completed the acquisition of our own fleet of new nominal 100 tonne haulage trucks and hydraulic loaders. We expect that the lower power costs and more efficient mining equipment should lead to lower costs during 2006.

Several design bottlenecks were discovered at the processing plant during Wassa's first nine months of operations and certain improvements were made during the year, but at year end we were still dealing with frequent plant blockages mostly related to the high clay content of the weathered, near-surface ores mined and processed in 2005. By the end of 2005 we had mined to sufficient depth in the pit to access fresher ores which have lower clay content and which we expect will reduce some of the plant blockage problems in the future. As a result we expect better mill throughput in 2006. Finally, as we progress deeper into the fresh ore we expect the ore grades to improve. The higher grades are also expected to help achieve higher gold recovery rates.

Derivatives — The \$12.4 million in unrealized, non-cash mark-to-market losses were mostly a result of the impact of higher gold prices on EURO's forward gold price agreements (a loss before tax of \$9.6 million), Golden Star's calls (a loss of \$2.3 million), and puts (a loss of \$0.9 million.) Our Euro currency accounts lost \$0.2 million. A \$1.1 million mark-to-market gain on the forward Rand positions partially offset the put, call and EURO losses. EURO also recognized a \$0.5 million reduction in royalty revenues for cash payments made related to its derivative positions, such payments being related to increases in gold prices during the year.

Interest — The increase in interest expense is a function of increased balances on equipment financing loans, EURO's bank loans and interest on the \$50 million of convertible notes sold during 2005. In addition to the interest expense shown on the consolidated statement of operations, \$1.8 million of interest was capitalized as part of the Bogoso sulfide expansion project.

Other revenues and costs — The operating and non-operating losses and higher costs were partly offset by a \$1.6 million increase in royalty income from the Rosebel royalty related to higher gold prices and increased output from Cambior Inc.'s Rosebel mine. The increase in the royalty also reflects the fact that the Rosebel mine and its associated royalty did not commence production until near the end of the first quarter in 2004, yielding only a partial year of operations in 2004. Corporate development charges in 2005 were down from 2004 when we incurred \$4.5 million of expense in an unsuccessful merger attempt.

DEVELOPMENT PROJECTS

BOGOSO SULFIDE EXPANSION PROJECT

Approximately 80% of the remaining ore reserves at Bogoso/Prestea are refractory and cannot be efficiently processed at our existing Bogoso CIL processing plant. In 2005 a decision was made to construct the new 3.5 million tonne per annum Bogoso BIOX® processing plant alongside the existing 1.5 million tonne per annum Bogoso CIL processing plant. The new processing plant utilizes the proprietary BIOX® bio-oxidation technology to treat the refractory sulfide ore. Upon completion in April 2007, the new Bogoso BIOX® processing plant and the existing Bogoso CIL processing plant are together expected to process 5.0 million tonnes of ore per year.

The existing Bogoso CIL processing plant will retain its current configuration and will continue to process non-refractory ores and the new Bogoso 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 expansion project is progressing well and the bacteria in BIOX® module-1 are performing as expected. The first BIOX® module is expected to be fully commissioned by the end of February 2007 and BIOX® module-2 should be on line by the end of March 2007, providing benefit from the expansion project in the last three quarters of 2007.

The new crusher, ball mill, SAG mill and carbon-in-leach circuit underwent testing and commissioning using oxide ore in the fourth quarter of 2006 and on into February 2007. On February 22, 2007 we initiated primary commissioning with refractory ore, processing sulfide ores to feed the new Bogoso BIOX® processing plant.

Extensive pre-stripping was carried out at the first two sulfide pits during the second half of 2006. Pre-stripping consists of 15.2 million tonnes of waste and 0.9 million tonne of ore to December 31, 2006. In addition, 0.7 million tonnes of ore has been exposed in the sulfide pits.

Project costs at December 31, 2006 are as follows:

	As of December 31,	
	2006	
Plant construction cost	\$	118,826
Mining equipment cost		10,505
Pre-production stripping cost		22,397
Sub-total		151,728
Costs prior to project commencement		7,216
Capitalized interest		6,211
Total	\$	165,155

EXPLORATION PROJECTS

Total expenditures for all exploration and drilling activities in 2006 were \$15.3 million, down from \$17.1 million in 2005. During 2007 we plan to continue our exploration efforts to identify exploration opportunities and new resources in Africa, South America and elsewhere. The main exploration focus in 2006 was to build on our resources and reserves around our existing mining operations at Bogoso/Prestea and Wassa, progressing our advanced properties in south west Ghana towards development decisions and exploring the Prestea Underground deposit.

EXPLORATION IN GHANA

During 2006 our exploration in Ghana focused on confirming and upgrading resources at our HBB Properties, advancing this project towards a development decision and progressing our various early stage projects to a drilling stage. The Ghana exploration activities totaled approximately \$11.1 million and accounted for approximately 74% of our exploration spending and included:

- Drilling of the Father Brown, Adiokrom, Subriso East, Subriso West, and the Benso G & I Zones at the Benso property. Studies to determine the best development options for these deposits are currently in progress;
- Drilling beneath the Plant-North pit and Prestea South deposits at Prestea to investigate their near surface and shallow decline access potential; and
- Drilling of the Prestea West Reef system between 17 and 24 Levels to provide a major upgrade in the resources within this area, and commencement of drilling below Prestea 30 Level to investigate the continuity and grade of the down plunge extensions of the historically mined shoots.

EXPLORATION ELSEWHERE IN AFRICA

Exploration continued on our Mano River joint venture in Sierra Leone, with in-fill soil sampling programs more tightly defining extensive zones of gold anomalism on the Pampana and Sonfon properties preparatory to drill testing in 2007.

We also conducted early stage exploration on several newly acquired properties in Côte d'Ivoire and continued assessment of data from our more advanced Afema (Côte d'Ivoire), Goulagou (Burkina Faso) and Deba/Tialkam (Niger) properties.

EXPLORATION ON THE GUIANA SHIELD

Due to similarities in the geology and ages of the rocks, we consider the Guiana Shield in the northeast corner of South America as a geological extension of the West African shield where our Ghanaian properties are located.

Encouraging results from a limited diamond core drilling program conducted at our Saramacca property in Suriname during 2005 allowed us to attract major joint venture exploration funding from Newmont Gold Corporation commencing in late 2006. Drilling under this Golden Star managed joint venture is expected to recommence in 2007 once we have better defined the target zone at the laterite-covered Anomaly M through the combined application of detailed geochemistry and geophysics. See Significant Trends and Events section above for additional details of the joint venture.

2007 OPPORTUNITIES

We have budgeted \$14.6 million for exploration in 2007, and intend to focus our efforts on core assets in Ghana, including the HBB Properties. Key areas where we plan to be active include:

- Complete drilling of the decline-accessible Prestea Main Reef Foot Wall target below the Plant-North pit so that a pre-feasibility study followed by a feasibility study can commence;
- Advance exploration of the known oxide targets in the Prestea South area to allow feasibility and permitting to be completed by end-2007; and
- Test the strike and down dip extensions of existing mineralization at the HBB Properties and continue testing of new target areas.

While we continue to believe that the Prestea Underground represents a major discovery opportunity it is unlikely that exploration at depth will recommence until the two main shafts servicing the deeper levels have been repaired. This is unlikely to be completed until late in 2007 at the earliest.

Other opportunities include:

- Saramacca Anomaly M in Suriname, where we plan to follow up the encouraging 2005 drilling in our joint venture with Newmont; and
- Sierra Leone where we plan to commence drilling of the promising new soil anomalies on the Pampana and Sonfon properties.

LIQUIDITY AND CAPITAL RESOURCES

While cash flows from operations totaled \$5.4 million in 2006, \$21.9 million was committed to new ore stockpiles during the year. This compares to \$1.1 million of cash from operations in 2005. The increase is mostly related to improved gold prices.

Financing activities provided net cash of \$24.1 million during 2006. A total of \$12.4 million of additional equipment financing was drawn during 2006 to cover the cost of new mining equipment. In October 2006 a \$15.0 million medium term bank loan was drawn down by GSBPL. Option exercises contributed an additional \$3.5 million in 2006. Debt repayment consumed \$6.6 million of cash in the year mostly related to the equipment financing facility.

Capital assets and capital projects including deferred exploration, new mining equipment and our major development projects used \$170.7 million during the year of which approximately \$127.0 million was spent on the Bogoso sulfide expansion project. Additionally approximately \$35.1 million was spent on replacement equipment and mine development at Bogoso and Wassa including mine-site drilling projects and \$8.6 million was spent on deferred exploration projects in West Africa and in South America. Sales of our share holdings in Moto Goldmines Ltd. and EURO Ressources S.A. yielded \$72 million of cash during 2006.

Our cash and cash equivalent balance stood at \$27.1 million at December 31, 2006, down from \$89.7 million at the end of 2005. Most of the reduction in cash balance was related to construction and development spending on the new sulfide expansion project at Bogoso. At December 31, 2006, working capital was \$22.5 million, versus \$92.0 million at the end of 2005.

LIQUIDITY OUTLOOK

In March 2007 we received net proceeds of \$83.0 million of cash from an equity offering. We believe that the proceeds from the equity offering, plus cash on hand at December 31, 2006 and expected cash flow from operations in 2007 will be sufficient to cover all of our cash needs during 2007 including completion of the Bogoso sulfide expansion project, our contribution to the new power plant and development of the HBB Properties if the feasibility study shows it to be economically viable.

We expect to make payments of principle and interest totaling \$8.6 million during 2007 on equipment financing loans and we expect to draw an additional \$9.0 million on new equipment financing loans from the same facility. Interest and principle on our bank loan is expected to total \$8.1 million and we plan to pay approximately \$3.4 million of interest on our convertible notes which mature in April 2009.

As shown in the table below we expect to invest a total of \$75.8 million during 2007 in exploration, ongoing mine development and mining equipment. The HBB Properties are not included in the spending totals shown below pending completion of the feasibility

study. We currently estimate the HBB development costs to be approximately \$23 million spread over late 2007 and early 2008. This estimate assumes that we use contract mining, and if we decide to use owner mining an additional \$17 million would be required for mining equipment.

Currently forecasted capital expenditures plans for 2007 include the following projects:

CAPITAL SPENDING BUDGET FOR 2007

	Amount (millions)
Deferred exploration	\$ 9.0
Completion of the Bogoso sulfide expansion project	15.0
Sustaining capital Wassa	5.0
Sustaining capital Bogoso	6.5
Power plant	10.0
Mine development - operating mines	3.8
Mine development - developing mines	7.1
Mine equipment - developing mines	13.6
Prestea Underground development	5.8
Total	\$ 75.8

LOOKING AHEAD

Our main objectives for 2007 include:

- completion of construction and commissioning of the Bogoso sulfide expansion project by the end of the first quarter of 2007;
- commencement of oxide ore mining from the Pampe deposit on the Akropong trend west of Bogoso, to provide oxide ore to the Bogoso plant by March 2007;
- permitting and commencement of oxide mining from Prestea South ore bodies to provide oxide ore to the Bogoso plant in the second half of 2007;
- completion of a feasibility study on the HBB Properties by the end of March 2007 and commencement of project development by mid-2007;
- completion of a feasibility study on the West Reef underground deposit by the end of 2007 and continued evaluation of the Prestea Underground potential;
- optimization of our mining and processing activities at Bogoso/ Prestea and Wassa;
- a continued high level of exploration effort; and
- continuation of efforts to identify and pursue acquisition and growth opportunities in Ghana and elsewhere.

We expect to produce and sell 280,000 ounces of gold at Bogoso/Prestea during 2007 at an average cash operating cost of \$380 per ounce.

We expect Wassa to produce approximately 110,000 ounces during 2007 at an average cash operating cost of approximately \$410 per ounce.

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

RELATED PARTY TRANSACTIONS

During 2006 we obtained legal services from a legal firm to which our Chairman is counsel. The total value of all services purchased during 2006 and 2005 was \$0.5 million and \$1.5 million, respectively. Our Chairman did not personally perform any legal services for us during 2006 or 2005 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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements reflect the application of Cdn GAAP, which is different in certain material respects from US GAAP. The accounting policies reflected therein are generally those applied by similarly situated mining companies in Canada. Our accounting policies under Cdn GAAP are described in Note 2 to our consolidated financial statements.

Preparation of our consolidated financial statements requires the use of estimates and assumptions that can affect reported amounts of assets, liabilities, revenues and expenses. Accounting policies relating to asset impairments, depreciation and amortization of mining property, plant and equipment, tax assets and site reclamation/closure accruals are subject to estimates and assumptions regarding reserves, gold recoveries, future gold prices, future operating and reclamation costs and future mining activities.

Decisions to write off, or not to write off, all or a portion of our investment in various properties, especially exploration properties, subject to impairment analysis, are based on our judgment as to the actual value of the properties and are therefore subjective in most cases. We have written off substantially all of our pre-1999 investments in exploration properties based upon our assessments of the amounts recoverable from these properties. Additional exploration properties have been found to be impaired and were written off in 2006, 2005 and 2004. We continue to retain title to certain properties after impairment write-offs as future events and discoveries may ultimately prove that they have value.

Listed below are the accounting policies and estimates that we believe are critical to our financial statements based on the degree of uncertainty regarding the estimates or assumptions involved and the magnitude of the asset, liability, revenue or expense being reported.

- **Ore stockpiles:** Stockpiles represent coarse ore that has been extracted from the mine and is available for further processing. Stockpiles are measured by estimating the number of tonnes of ore added and removed from the stockpile, the number of contained ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpiles are valued based on mining costs incurred up to the point of stockpiling the ore, including a share of direct overhead and applicable depreciation, depletion and amortization relating to mining operations. Costs are added to a stockpile based on current mining costs and are removed at the average mining cost per tonne for material processed. Stockpiles are reduced as material is removed and fed to the mill. A 10% adjustment of the stockpile value, based on stockpile levels at the end of 2006, would change the carrying value of the stockpile inventory by approximately \$2.2 million.
- **Impairment Charges:** We periodically review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate the related carrying amounts may not be recoverable from continued operation of the asset. An asset impairment is considered to exist if the sum of all estimated future cash flows, on an undiscounted basis, are less than the carrying value of the long-lived asset. The determination of expected future cash flows requires numerous estimates about the future, including gold prices, operating costs, gold recovery, reclamation spending, ore reserves and capital expenditures. A review of Bogoso/Prestea's and Wassa's expected future cash flows as of December 31, 2006 indicated that there are no impairments.

- **Mining properties:** Mining properties recorded on our financial records are amortized using a units-of-production method over Proven and Probable Mineral Reserves. Reserve estimates, which serve as the denominator in units of production amortization calculations, involve the exercise of subjective judgment and are based on numerous assumptions about future operating costs, future gold prices, continuity of mineralization, future gold recovery rates, spatial configuration of gold deposits, and other factors that may prove to be incorrect. A 10% adjustment in estimated reserves could result in an approximately \$1.0 to \$2.0 million annual change in amortization expense.
- **Tax Assets:** Recognition of future tax assets requires an analysis of future taxable income expectations to evaluate the probability of sufficient future taxable income to utilize the accrued tax benefits. Determination of expected future taxable income requires numerous estimates of future variable including but not limited to, gold prices, operating costs, gold recovery, ore reserves, gold production, ore grades, administrative costs, tax rates, and potential changes in tax laws.
- **Asset retirement obligation and reclamation expenditures:** Accounting for reclamation obligations requires management to make estimates at each mining operation of reclamation and closure costs to be incurred in the future as required to complete the reclamation and environmental remediation work mandated by existing laws, regulations and customs. Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required. Based upon our current situation, we estimate that a 10% increases in total future reclamation and closure costs would result in an approximately \$2.1 million increase in our asset retirement obligations.

RECENT ACCOUNTING PRONOUNCEMENTS

Section 1530 – Comprehensive Income – This Section introduces new disclosure requirements regarding comprehensive income and its components, as well as net income, in the financial statements. As a consequence, certain unrealized gains and losses, which would otherwise be excluded from the calculation of net income and be assigned directly to shareholders' equity, will be used to calculate comprehensive income. This section will be effective for fiscal years beginning on or after October 1, 2006. We adopted this new requirement on January 1, 2007.

Section 3855 – Financial Instruments – Recognition and Measurement – This section determines the time and value at which a financial instrument must be recorded in the balance sheet. In some cases, it may be measured at fair value or, in other cases, at cost. The standard also provides for the manner in which gains and losses related to financial instruments are to be recorded. This section will be effective for interim periods and fiscal years beginning on or after October 1, 2006. We adopted this new requirement on January 1, 2007.

Section 3865 – Hedges – This section provides guidance for hedge accounting when applied to certain derivatives that meet the definition of a hedge. Application of Section 3865 to derivatives that qualify as a hedges is optional, but once a derivative is classified as a hedge, the provisions of Section 3865 are then mandatory. Section 3865 replaces AcG-13, "Hedging Relationships" and completes the provisions of Section 1650, "Foreign Currency Translation", by addressing how to account for hedges and related disclosure of information requirements. This section will be effective for fiscal years beginning on or after October 1, 2006. We adopted this new requirement on January 1, 2007.

Section 3861 – Financial Instruments – Disclosure and Presentation replaces Section 3860, "Financial Instruments – Disclosure and Presentation", and establishes the requirements for presentation and disclosure of financial instruments and non-financial derivatives.

EIC-160 — On March 2, 2006, the CICA Emerging Issues Committee ("EIC") issued EIC 160 "Stripping Costs Incurred in the Production Phase of a Mining Operation" This EIC requires stripping costs to be accounted for as variable production costs to be included in inventory unless the stripping activity can be shown to be a betterment of the mineral property, in which case the stripping costs would be capitalized. A betterment occurs when stripping activity increases future output of the mine by providing access to additional sources of reserves. Capitalized stripping costs would be amortized on a units-of-production basis over the Proven and Probable Mineral Reserves to which they relate. As at December 31, 2006, we do not have any deferred stripping costs capitalized.

OFF BALANCE SHEET ARRANGEMENTS

We have no off balance sheet arrangements.

TABLE OF CONTRACTUAL OBLIGATIONS

CONTRACTUAL OBLIGATIONS

As of December 31, 2006	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Debt ⁽¹⁾	\$ 87,962	\$ 12,549	\$ 72,514	\$ 2,899	\$ -
Interest on long term debt	14,008	6,562	7,349	97	-
Operating lease obligations	298	147	151	-	-
Asset retirement obligations ⁽²⁾	31,512	3,314	9,006	2,014	17,179
Total	\$ 133,780	\$ 22,572	\$ 89,019	\$ 5,010	\$ 17,179

(1) Includes \$50.0 million of convertible notes maturing in 2009. Golden Star has the right to repay the \$50.0 million in cash or in common shares at the due date under certain circumstances. The presentation shown above assumes payment is made in cash and also assumes no conversions of the debt to common shares by the note holders prior to the maturity date.

(2) Asset retirement obligations include several estimates about future reclamation costs, mining schedules, timing of the performance of reclamation work and the quantity of ore reserves, an analysis of which determines the ultimate closure date and impacts the discounted amounts of future asset retirement liabilities. The discounted value of these projected cash flows is recorded as "Asset retirement obligations" on the balance sheet of \$19.1 million as of December 31, 2006. The amounts shown above are undiscounted to show full expected cash requirements.

OUTSTANDING SHARE DATA

This "Management's Discussion and Analysis of Financial Condition and Results of Operation" includes information available to March 12, 2007. As of March 12, 2007 we had outstanding 232,104,141 common shares, options to acquire 7,486,784 common shares, warrants to acquire 3,224,520 common shares and convertible notes which are convertible into 11,111,111 common shares.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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GOLDEN STAR RESOURCES LTD.
INDEPENDENT AUDITORS' REPORT

To the Shareholders of Golden Star Resources Ltd.

We have completed integrated audits of Golden Star Resources Ltd.'s consolidated financial statements for the years ended December 31, 2006, December 31, 2005 and December 31, 2004 and of its internal control over financial reporting as of December 31, 2006. Our opinions, based on our audits, are presented below.

CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of Golden Star Resources Ltd. (the "Company") as at December 31, 2006, and December 31, 2005, and the related consolidated statements of operations, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits of the Company's financial statements as at December 31, 2006 and for each of the three years in the period ended December 31, 2006 in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. A financial statement audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2006, and December 31, 2005 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2006 in accordance with Canadian generally accepted accounting principles.

INTERNAL CONTROL OVER FINANCIAL REPORTING

We have also audited management's assessment, included in Management's Report on Internal Control Over Financial Reporting, that the Company did not maintain effective internal control over financial reporting as of December 31, 2006, because of the effect of the material weaknesses identified in management's assessment that management did not maintain effective controls over the accounting for warrants denominated in Canadian dollars using accounting principles generally accepted in the United States ("US GAAP"), over vendor payments which resulted in unauthorized payments which could have resulted in material amounts of unauthorized disbursements and over the computation and review of the in-process inventory balances based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management's assessment identified the following material weaknesses: (i) As of December 31, 2006, management did not maintain effective controls over the accounting for warrants denominated in Canadian dollars using accounting principles generally accepted in the United States ("US GAAP"). As a result, warrants denominated in Canadian dollars were treated as equity instruments rather than as derivative instruments. This control deficiency resulted in the requirement to restate, on Form 10-Q/A, the Company's interim consolidated financial statements for each of the three quarters ended September 30, 2006. In addition, this control deficiency could result in the misstatement of aforementioned accounts that would result in a material misstatement of the interim or annual consolidated financial statements that would not be prevented or detected. (ii) As of December 31, 2006, management did not maintain effective controls over vendor payments which resulted in unauthorized payments and which could have resulted in material amounts of unauthorized disbursements. In addition, this control deficiency could result in the misstatement of related accounts that would result in a material misstatement of the interim or annual consolidated financial statements that would not be prevented or detected. (iii) As of December 31, 2006, management did not maintain effective controls over the accounting for in-process inventory balances. Specifically, management did not maintain effective controls over the computation and review of the in process inventory calculation to ensure that appropriate components were properly reflected in the calculation. This control deficiency resulted in the requirement to restate, on Form 10-Q/A, the Company's interim consolidated financial statements for each of the three quarters ended September 30, 2006. In addition, this control deficiency could result in the misstatement of aforementioned accounts that would result in a material misstatement of the interim or annual consolidated financial statements that would not be prevented or detected.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the December 31, 2006 consolidated financial statements, and our opinion regarding the effectiveness of the Company's internal control over financial reporting does not affect our opinion on those consolidated financial statements.

In our opinion, management's assessment that the Company did not maintain effective internal control over financial reporting as at December 31, 2006 is fairly stated, in all material respects, based on criteria established in Internal Control — Integrated Framework issued by the COSO. Also, in our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control — Integrated Framework issued by the COSO.

/s/ PricewaterhouseCoopers LLP
Chartered Accountants
Vancouver, British Columbia, Canada

March 13, 2007

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS

(Stated in thousands of US dollars except shares issued and outstanding)

	As of December 31,	
	2006	2005
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 27,108	\$ 89,709
Accounts receivable	8,820	6,560
Inventories (Note 3)	45,475	23,181
Future tax assets (Note 17)	–	6,248
Fair value of derivatives (Note 12)	–	1,220
Deposits (Note 4)	7,673	5,185
Prepays and other	1,458	686
Total Current Assets	90,534	132,789
RESTRICTED CASH	1,581	5,442
LONG TERM INVESTMENTS (Note 5)	1,457	8,160
DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 6)	167,983	167,532
PROPERTY, PLANT AND EQUIPMENT (Note 7)	93,058	84,527
MINING PROPERTIES (Note 8)	136,775	118,088
CONSTRUCTION IN PROGRESS (Note 9)	165,155	36,707
DEFERRED STRIPPING (Note 10)	–	1,548
FUTURE TAX ASSETS (Note 17)	6,657	8,223
OTHER ASSETS	574	1,587
Total Assets	\$ 663,774	\$ 564,603
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 19,012	\$ 9,093
Accrued liabilities	25,516	17,051
Fair value of derivatives (Note 12)	685	4,709
Current portion of future tax liability (Note 17)	1,450	–
Asset retirement obligations (Note 13)	3,064	3,107
Current debt (Note 11)	19,424	6,855
Total Current Liabilities	69,151	40,815
LONG TERM DEBT (Note 11)	66,911	64,298
ASSET RETIREMENT OBLIGATIONS (Note 13)	16,034	8,286
FAIR VALUE OF DERIVATIVES (Note 12)	–	7,263
FUTURE TAX LIABILITY (Note 17)	42,154	45,072
Total Liabilities	194,250	165,734
MINORITY INTEREST	7,424	6,629
COMMITMENTS AND CONTINGENCIES (Note 14)	–	–
SHAREHOLDERS' EQUITY		
SHARE CAPITAL		
First preferred shares, without par value, unlimited shares authorized. No shares issued and outstanding	–	–
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 207,891,358 at December 31, 2006; 205,954,582 at December 31, 2005	524,619	522,510
CONTRIBUTED SURPLUS	10,040	6,978
EQUITY COMPONENT OF CONVERTIBLE NOTES	2,857	2,857
DEFICIT	(75,416)	(140,105)
Total Shareholders' Equity	462,100	392,240
Total Liabilities and Shareholders' Equity	\$ 663,774	\$ 564,603

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

By: /s/ Lars-Eric Johansson — Director

By: /s/ Peter J. Bradford — Director

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

(Stated in thousands of US dollars except per share amounts)

	For the years ended December 31,		
	2006	2005	2004
REVENUE			
Gold sales	\$ 122,586	\$ 89,663	\$ 60,690
Royalty income	4,026	4,178	3,049
Interest and other	2,078	1,624	1,290
Total revenues	128,690	95,465	65,029
PRODUCTION EXPENSES			
Mining operations	92,730	79,609	39,095
Depreciation, depletion and amortization	21,460	15,983	8,096
Accretion of asset retirement obligation (Note 13)	835	752	645
Total mine operating costs	115,025	96,344	47,836
OPERATING EXPENSES			
Exploration expense	1,462	951	895
General and administrative expense	10,873	8,631	8,197
Corporate development expense	—	248	4,504
Total production and operating expenses	127,360	106,174	61,432
Operating income/(loss)	1,330	(10,709)	3,597
OTHER EXPENSES, (GAINS) AND LOSSES			
Derivative mark-to-market loss (Note 12)	9,589	11,820	—
Abandonment and impairment of mineral properties	1,847	1,403	470
Gain on partial sale of investment in EURO (Note 5)	(50,903)	(977)	—
Gain on sale of investment in Moto (Note 5)	(30,240)	—	—
Loss on equity investments	—	239	331
Interest expense	1,846	2,416	139
Foreign exchange (gain)/loss	(2,330)	574	280
Income/(loss) before minority interest	71,521	(26,184)	2,377
Minority interest	(794)	(277)	(1,277)
Net income/(loss) before income tax	70,727	(26,461)	1,100
Income tax expense/(recovery) (Note 17)	(6,038)	12,930	1,542
Net income/(loss)	\$ 64,689	\$ (13,531)	\$ 2,642
Net income/(loss) per common share — basic (Note 18)	\$ 0.312	\$ (0.094)	\$ 0.019
Net income/(loss) per common share — diluted (Note 18)	\$ 0.308	\$ (0.092)	\$ 0.018
Weighted average shares outstanding (millions of shares)	207.5	143.6	138.5

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Stated in thousands of US dollars)

	Number of Common Shares	Share Capital	Contributed Surplus		Equity Component of Convertible Debentures	Deficit
			Warrants	Options		
Balance at December 31, 2003	132,924,278	\$ 324,262	\$ 2,361	\$ 955	\$ –	\$ (129,216)
Warrants exercised	–	755	(755)	–	–	–
Option issued – net of forfeitures	–	–	–	1,218	–	–
Shares issued under options	767,180	1,239	–	(133)	–	–
Shares issued under warrants	8,494,609	14,332	–	–	–	–
Shares issued to acquire property	58,045	300	–	–	–	–
Net income	–	–	–	–	–	2,642
Balance at December 31, 2004	142,244,112	\$ 340,888	\$ 1,606	\$ 2,040	\$ –	\$ (126,574)
Shares issued	31,589,600	75,864	–	–	–	–
Issue costs	–	(4,168)	–	–	–	–
Warrants issued	–	–	992	–	–	–
Warrants exercised	–	22	(22)	–	–	–
Option issued – net of forfeitures	–	–	–	2,476	–	–
Shares issued under options	312,940	722	–	(114)	–	–
Shares issued under warrants	385,000	718	–	–	–	–
Stock bonus	45,342	166	–	–	–	–
Shares issued to acquire property	31,377,588	108,298	–	–	–	–
Equity Component of Convertible Debentures	–	–	–	–	2,857	–
Net loss	–	–	–	–	–	(13,531)
Balance at December 31, 2005	205,954,582	\$ 522,510	\$ 2,576	\$ 4,402	\$ 2,857	\$ (140,105)
Options issued – net of forfeitures	–	–	–	1,842	–	–
Shares issued under options	1,932,776	4,818	–	(1,355)	–	–
Issue costs	–	(149)	–	–	–	–
Stock bonus	4,000	15	–	–	–	–
Reclassification of warrants to Contributed surplus	–	(2,575)	2,575	–	–	–
Net income	–	–	–	–	–	64,689
Balance at December 31, 2006	207,891,358	\$ 524,619	\$ 5,151	\$ 4,889	\$ 2,857	\$ (75,416)

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in thousands of US dollars)

	For the years ended December 31,		
	2006	2005	2004
OPERATING ACTIVITIES:			
Net income/(loss)	\$ 64,689	\$ (13,531)	\$ 2,642
Reconciliation of net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	21,530	16,042	8,096
Amortization of loan acquisition cost	358	228	–
Deferred stripping	1,548	(191)	(1,357)
Loss on equity investment	–	239	331
Gain on sale of investments in Moto and EURO	(81,143)	(977)	–
Non-cash employee compensation	1,857	1,007	1,386
Impairment of deferred exploration projects	1,847	1,413	470
Income tax expense/(benefit)	6,347	(12,930)	(1,542)
Reclamation expenditures	(1,130)	(691)	(730)
Fair value of derivatives	3,640	10,752	–
Accretion of convertible debt	706	523	–
Accretion of asset retirement obligations	835	752	645
Minority interests	794	277	1,277
	21,824	2,913	11,218
Changes in assets and liabilities:			
Accounts receivable	(4,077)	(2,853)	(2,802)
Inventories	(22,294)	(7,815)	(2,705)
Deposits	(67)	163	–
Accounts payable and accrued liabilities	10,716	8,817	8,204
Other	(758)	(165)	(5)
Net cash provided by operating activities	5,398	1,060	13,910
INVESTING ACTIVITIES:			
Expenditures on deferred exploration and development	(8,606)	(5,954)	(5,260)
Expenditures on mining properties	(15,784)	(26,631)	(18,302)
Expenditures on property, plant and equipment	(19,372)	(36,321)	(12,286)
Expenditures on mine construction in progress	(126,954)	(35,530)	(23,783)
Cash invested in short term investments	(21,080)	–	(38,850)
Cash provided by short term investments	21,080	38,850	–
Cash provided by draw down of restricted cash	3,861	–	–
Expenditure on purchase of Moto shares	(1,656)	–	–
Proceeds from sale of investment in Moto	38,952	–	–
Proceeds from sale of investment in EURO	33,202	–	–
Change in payable on capital expenditures	6,914	434	–
Sale of property	–	1,000	1,000
Long term investments	(300)	(2,871)	(4,971)
Deposits	(2,420)	(246)	(5,102)
Other	41	(220)	(894)
Net cash used in investing activities	(92,122)	(67,489)	(108,448)
FINANCING ACTIVITIES:			
Issuance of share capital, net of issue costs	3,463	73,132	15,270
Debt repayments (Note 11)	(6,622)	(3,678)	(153)
Issuance of debt (Note 11)	27,431	74,191	2,328
Other	(149)	(384)	–
Net cash provided by financing activities	24,123	143,261	17,445
Increase/(decrease) in cash and cash equivalents	(62,601)	76,832	(77,093)
Cash and cash equivalents, beginning of period	89,709	12,877	89,970
Cash and cash equivalents end of period	\$ 27,108	\$ 89,709	\$ 12,877

(See Note 19 for supplemental cash flow information)
The accompanying notes are an integral part of these financial statements.

GOLDEN STAR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in tables are in thousands of US Dollars unless noted otherwise)



NATURE OF OPERATIONS

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 ("HBB Properties").

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

Bogoso/Prestea is owned by our 90% owned subsidiary Golden Star (Bogoso/Prestea) Limited ("GSBPL") (formerly Bogoso Gold Limited) which was acquired in 1999. Bogoso/Prestea produced and sold 103,792 ounces of gold during 2006.

Through another 90% owned subsidiary, Golden Star (Wassa) Limited ("GSWL") (formerly Wexford Goldfields Limited), we own the Wassa gold mine located some 35 kilometers east of Bogoso/Prestea. 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 97,614 ounces of gold in 2006.

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

Through our 100% owned subsidiary, St. Jude Resources Ltd. ("St. Jude"), we own the HBB Properties in southwest Ghana. The HBB Properties consist of the Hwini-Butre and Benso concessions which together cover an area of 201 square kilometers. 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. 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. As of December 31, 2006, we held indirect interests in gold exploration properties in Peru, Argentina and Chile through a 16.5% shareholding investment in Minera IRL (formerly Goldmin Consolidated Holdings). As of December 31, 2006, we also owned a 6% interest in EURO Ressources S.A. ("EURO"), a French publicly-traded royalty holding company.

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.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation and the preparation of financial statements

These consolidated financial statements are prepared and reported in United States (“US”) dollars and in accordance with generally accepted accounting principles in Canada (“Cdn GAAP”) which differ in some respects from GAAP in the United States (“US GAAP”). These differences in GAAP are quantified and explained in Note 24. The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries whether owned directly or indirectly. All material inter-company balances and transactions have been eliminated.

Use of estimates

Preparation of our consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that can affect reported amounts of assets, liabilities, revenues and expenses. The more significant areas requiring the use of estimates include asset impairments, stock based compensation, depreciation and amortization of assets, and site reclamation and closure accruals. Accounting for these areas is subject to estimates and assumptions regarding, among other things, ore reserves, gold recoveries, future gold prices, future operating costs, asset usage rates, and future mining activities. Management bases its estimates on historical experience and on other assumptions we believe to be reasonable under the circumstances. However, actual results may differ from our estimates.

Cash and cash equivalents

Cash and cash equivalents include cash deposits, in any currency, residing in checking, interest bearing checking accounts, money market funds and sweep accounts. Cash equivalents consist of highly liquid short term investments. We consider all highly liquid marketable securities with maturities of less than 91 days at date of purchase to be cash equivalents. Our cash equivalents consist mostly of US and Canadian government treasury bills and agency notes.

Marketable securities

Short term investments in publicly traded marketable securities are recorded at cost or at quoted market prices if a permanent devaluation of the security has occurred. The market value is based on the closing price at the end of the period, as reported on recognized securities exchanges.

Inventories

Inventory classifications include “stockpiled ore,” “in-process inventory,” “finished goods inventory” and “materials and supplies.” All of our inventories are recorded at the lower of cost or market. The stated value of all production inventories include direct production costs and attributable overhead and depreciation except for materials and supplies inventories.

Stockpiled ore represents coarse ore that has been extracted from the mine and is awaiting processing. Stockpiled ore is measured by estimating the number of tonnes (via truck counts or by physical surveys) added or removed from the stockpile, the number of contained ounces (based on assay data) and estimated gold recovery percentage. Stockpiled ore value is based on the costs incurred (including depreciation and amortization) in bringing the ore to the stockpile. Costs are added to the stockpiled ore based on current mining costs per tonne and are removed at the average cost per recoverable ounce of gold in the stockpile.

In-process inventory represents material that is currently being treated in the processing plants to extract the contained gold and to transform it into a saleable product. The amount of gold in the in-process inventory is determined by assay and by measure of the quantities of the various gold-bearing materials in the recovery process. The in-process gold is valued at the average of the beginning inventory and the cost of material fed into the processing stream plus in-process conversion costs including applicable depreciation and amortization related to the processing facilities.

Finished goods inventory is composed of saleable gold in the form of doré bars that have been poured but not yet delivered to the buyer. The bars are valued at the lower of total cost or market value. Included in the total costs are the direct costs of the mining and processing operations as well as direct overhead, amortization and depreciation.

Materials and supplies inventories consist mostly of equipment parts, fuel and lubricants and reagents consumed in ore processing. Materials and supplies are valued at the lower of average cost or replacement cost.

Reserve quantities used in units-of-production amortization

Gold ounces contained in ore stockpiles recognized in inventory balances on the balance sheet are excluded from total reserves when determining units-of-production amortization of mining property, asset retirement assets and other assets.

Exploration costs

Exploration costs related to specific, identifiable properties, including the cost of acquisition, exploration and development, are capitalized until viability of the exploration property is determined. Exploration costs not directly related to an identifiable property are expensed as incurred.

Management periodically reviews, on a property-by-property basis, the carrying value of such properties including the costs of acquisition, exploration and development incurred to date. A decision to abandon, reduce or expand a specific project is based upon many factors including general and specific assessments of contained or potential mineralized materials, potential reserves, anticipated future mineral prices, the anticipated costs of additional exploration and, if warranted, costs of potential future development and operations, and the expiration terms and ongoing expenses of maintaining leased mineral properties. We do not set a pre-determined holding period for properties with unproven reserves; however, properties which have not demonstrated suitable metal concentrations at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and if their carrying values are appropriate.

If an exploration property is abandoned or it is determined that its carrying value cannot be supported by future production or sale, the related costs are charged against operations in the year of abandonment or determination of value. Any subsequent costs incurred for that property are expensed as incurred.

The accumulated costs of mineral properties are reclassified as mine property and depleted on a units-of-production basis at such time as production commences.

Impairment of long-lived assets

We review and evaluate our long-lived assets for impairment at least annually and also when events or changes in circumstances indicate the related carrying amounts may not be recoverable. Asset impairment is considered to exist if the total estimated future cash flows, on an undiscounted basis, are less than the carrying amount of the long-lived asset. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are based on estimated quantities of recoverable minerals, expected gold and other commodity prices (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed engineering life-of-mine plans.

In estimating future cash flows, assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups. With the exception of other mine-related exploration potential and exploration potential in areas outside of the immediate mine-site, all assets at a particular operation are considered together for purposes of estimating future cash flows. In the case of mineral interests associated with other mine-related exploration potential and exploration potential in areas outside of the immediate mine-site, cash flows and fair values are individually evaluated based primarily on recent exploration results.

Various factors could impact our ability to achieve forecasted production schedules from proven and probable reserves. Additionally, commodity prices, capital expenditure requirements and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically.

Material changes to any of these factors or assumptions discussed above could result in future impairment charges to operations.

Property, plant, equipment and mine development

Property, plant and equipment assets, including, machinery, processing equipment, mining equipment, mine site facilities, vehicles and expenditures that extend the life of such assets are recorded at cost, including direct acquisition costs. Depreciation for mobile equipment and other assets having estimated lives shorter than the estimated life of the ore reserves, is computed using the straight-line method at rates calculated to depreciate the cost of the assets, less their anticipated residual values, if any, over their estimated useful lives.

Mineral property acquisition, exploration and development costs, buildings, processing plants and other long-lived assets which have an estimated life equal to or greater than the estimated life of the ore reserves, are amortized over the life of the reserves of the associated mining property using a units-of-production amortization method. The net book value of property, plant and equipment assets at property locations is charged against income if the site is abandoned and it is determined that the assets cannot be economically transferred to another project or sold.

Deferred stripping

Prior to December 31, 2006 we employed a deferred stripping accounting convention to capitalize the costs of waste rock mined from one of our open pit mines during periods when waste rock is removed in amounts that exceed the life-of-mine average waste removal rate. The amount of stripping costs to be capitalized in each period was 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 were recovered in periods when the actual tonnes of waste moved are less than what would have been moved at 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."

Asset retirement obligations

In accordance with the requirements of the CICA Handbook Section 3110, "Asset Retirement Obligations" environmental reclamation and closure liabilities are recognized at the time of environmental disturbance in amounts equal to the discounted value of expected future reclamation and closure costs. The discounted cost of future reclamation and closure activities is capitalized into mine property and amortized over the life of the property. The estimated future cash costs of such liabilities are based primarily upon environmental and regulatory requirements of the various jurisdictions in which we operate. Cash expenditures for environmental remediation and closure are netted against the accrual as incurred.

Foreign currencies and foreign currency translation

Our functional currency is the US dollar. Transaction amounts denominated in foreign currencies are translated to US dollars at exchange rates prevailing at the date of the transaction. The carrying value of monetary assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date. Non-monetary assets are translated at the rates of exchange prevailing when the assets were acquired or the liabilities assumed. Revenue and expense items are translated at the average rate of exchange during the period. Translation gains or losses are included in net earnings for the period.

Canadian currency in these financial statements is denoted as "Cdn\$," European Common Market currency is denoted as "Euro" or "€€," and Ghanaian currency is denoted as "Cedi" or "Cedis."

Income taxes

Income taxes comprise the provision (or recovery) for taxes actually paid or payable and for future taxes. Future income taxes are computed using the asset and liability method whereby future income tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Future income tax assets and liabilities are computed using income tax rates in effect when the temporary differences are expected to reverse. The effect on the future tax assets and liabilities of a change in tax rates is recognized in the period of substantive enactment. The provision or recovery for future taxes is based on the changes in future tax assets and liabilities during the period. In estimating future income tax assets, a valuation allowance is determined to reduce the future tax assets to amounts that are more likely than not to be realized.

Net income per share

Basic income per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. In periods with earnings the calculation of diluted net income per common share uses the treasury stock method to compute the dilutive effects of stock options, warrants and other dilutive instruments. In periods of loss, diluted net income per share is equal to basic income per share.

Revenue recognition

Revenue from the sale of gold is recognized when title and the risk of ownership pass to the buyer. Title and risk of ownership pass to the buyer when doré is delivered to the buyer's refinery. Our gold is sold to a South African gold refinery and revenue is recognized when title is transferred to the customer at the refinery. The sales price is based on the London P.M. fix on the day of delivery.

Revenues from by-products are credited against operating costs and not included in revenues. By-product revenues have been de minimis to date at our existing properties.

Stock based compensation

In accordance with the requirements of CICA Handbook Section 3870, "Stock Based Compensation and other Stock-based Payments" we use the fair value method to expense the fair value of options granted to employees and directors. The fair value of options granted is established at the date of the grant, using the Black-Scholes option-pricing model. Compensation expense for options with immediate vesting is recognized in the period of the grant. Compensation expense for options with graded vesting is recognized on a straight line basis over the vesting periods.

Derivatives

At various times we utilize forward foreign exchange and commodity price derivatives to manage exposure to fluctuations in foreign currency exchange rates and gold prices. We do not employ derivative financial instruments for trading purposes or for speculative purposes. Our derivative instruments are recorded on the balance sheet at fair value with changes in fair value recognized in earnings at the end of each period in an account titled "Derivative mark-to-market loss".

Recent accounting pronouncements

Section 1530 – Comprehensive Income – This Section introduces new disclosure requirements regarding comprehensive income and its components, as well as net income, in the financial statements. As a consequence, certain unrealized gains and losses, which would otherwise be excluded from the calculation of net income and be assigned directly to shareholders' equity, will be used to calculate comprehensive income. This section will be effective for fiscal years beginning on or after October 1, 2006. We adopted this new requirement in our January 2007 reporting.

Section 3855 – Financial Instruments – Recognition and Measurement – This section determines the time and value at which a financial instrument must be recorded in the balance sheet. In some cases, it may be measured at fair value or, in other cases, at cost. The standard also provides for the manner in which gains and losses related to financial instruments are to be recorded. This section will be effective for interim periods and fiscal years beginning on or after October 1, 2006. We adopted this new requirement in our January 2007 reporting.

Section 3865 – Hedges – This section provides guidance for hedge accounting when applied to certain derivatives that meet the definition of a hedge. Application of Section 3865 to derivatives that qualify as a hedges is optional, but once a derivative is classified as a hedge, the provisions of Section 3865 are then mandatory. Section 3865 replaces AcG-13, "Hedging Relationships" and completes the provisions of Section 1650, "Foreign Currency Translation", by addressing how to account for hedges and related disclosure of information requirements. This section will be effective for fiscal years beginning on or after October 1, 2006. We adopted this new requirement in our January 2007 reporting.

Section 3861 – Financial Instruments – Disclosure and Presentation replaces Section 3860, "Financial Instruments – Disclosure and Presentation", and establishes the requirements for presentation and disclosure of financial instruments and non-financial derivatives.

EIC-160 — On March 2, 2006, the CICA Emerging Issues Committee ("EIC") issued EIC 160 "Stripping Costs Incurred in the Production Phase of a Mining Operation" This EIC requires stripping costs to be accounted for as variable production costs to be included in inventory unless the stripping activity can be shown to be a betterment of the mineral property, in which case the stripping costs would be capitalized. A betterment occurs when stripping activity increases future output of the mine by providing access to additional sources of reserves. Capitalized stripping costs would be amortized on a units-of-production basis over the proven and probable reserves to which they relate. We adopted this new requirement in our January 2007 reporting. As at December 31, 2006, the Company does not have any deferred stripping costs capitalized.



INVENTORIES

	As of December 31,	
	2006	2005
Stockpiled ore	\$ 18,244	\$ 5,753
In-process	4,596	3,106
Materials and supplies	22,635	14,322
Total	\$ 45,475	\$ 23,181

There were approximately 92,000 and 16,000 recoverable ounces of gold in ore stockpile inventories at December 31, 2006 and 2005, respectively. The stockpile inventories are for the most part short-term surge piles which will be processed in the next 12 months or less.



DEPOSITS

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



LONG TERM INVESTMENTS

Investment in Minera IRL

At December 31, 2006 we held a 16.3% interest in Minera IRL, 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 we no longer had significant influence, and we now account for the investment on the cost basis at \$1.5 million.

Investment in Moto Goldmines Limited

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 \$30.2 million.

Investment in EURO

EURO's most significant asset is its royalty from the Rosebel mine in Suriname, owned and operated by IAMGold Corporation. At December 31, 2005 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 for \$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. 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.

During December 2006, we sold approximately eighteen million common shares of EURO Ressources S.A. ("EURO") in a series of public and private transactions, resulting in the reduction of Golden Star's ownership interest in EURO to approximately three million EURO shares or approximately 6% of its outstanding equity. Net proceeds of the sale totaled approximately \$30.0 million and as a result of this sale, the earlier sales and the change to the equity method of accounting we recognized a total gain of \$50.9 million.

Since our investment in EURO was diluted to less than 20% in December 2006, we now account for the investment on the cost basis at zero carrying value. The market value of the remaining EURO common shares was \$5.7 million at December 31, 2006 based on EURO's closing share price as of that date.

In addition to the remaining approximate 6% shareholding in EURO as of December 31, 2006, we hold a residual participation right payable by EURO, based on gold production from IAMGold's Gross Rosebel Mine on gross gold production in excess of 2.0 million ounces and less than 7.0 million ounces and an option to joint venture the Paul Isnard Project in French Guiana with EURO.



6 DEFERRED EXPLORATION AND DEVELOPMENT COSTS

Consolidated property expenditures on our exploration projects for the year ended December 31, 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 12/31/06
AFRICAN PROJECTS						
Akropong trend and other Ghana	\$ 4,947	\$ 95	\$ —	\$ —	\$ (4,209)	\$ 833
Prestea property – Ghana	2,074	25	—	—	(2,099)	—
Hwini-Butre and Benso – Ghana	135,832	4,486	2,397	—	—	142,715
Mano River – Sierra Leone	1,285	927	—	(197)	—	2,015
Afema – Ivory Coast	1,028	484	—	—	—	1,512
Goulagou – Burkina Faso	18,247	288	254	—	—	18,789
Other Africa	1,750	422	(1,090)	—	—	1,082
SOUTH AMERICAN PROJECTS						
Saramacca – Suriname	731	50	—	—	—	781
Bon Espoir – French Guiana	1,382	268	—	(1,650)	—	—
Other South America	256	—	—	—	—	256
Total	\$ 167,532	\$ 7,045	\$ 1,561	\$ (1,847)	\$ (6,308)	\$ 167,983

Consolidated property expenditures on our exploration projects for the year ended December 31, 2005 were as follows:

	Deferred Exploration & Development Costs as of 12/31/04	Capitalized Exploration Expenditures	Acquisition Costs	Impairments	Transfer to mining properties	Deferred Exploration & Development Costs as of 12/31/05
AFRICAN PROJECTS						
Akropong trend and other Ghana	\$ 2,443	\$ 2,824	\$ –	\$ (320)	\$ –	\$ 4,947
Prestea property – Ghana	2,067	7	–	–	–	2,074
Hwini-Butre and Benso – Ghana	–	–	135,832	–	–	135,832
Mano River – Sierra Leone	758	527	–	–	–	1,285
Afema – Ivory Coast	–	918	110	–	–	1,028
Goulagou – Burkina Faso	–	–	18,247	–	–	18,247
Mininke – Mali	1,033	50	–	(1,083)	–	–
Other Africa	–	–	1,750	–	–	1,750
SOUTH AMERICAN PROJECTS						
Saramacca – Suriname	394	337	–	–	–	731
Bon Espoir – French Guiana	501	881	–	–	–	1,382
Other South America	256	–	–	–	–	256
Total	\$ 7,452	\$ 5,834	\$ 155,649	\$ (1,403)	\$ –	\$ 167,532



PROPERTY, PLANT AND EQUIPMENT

	As of December 31, 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	\$ 57,392	\$ 13,263	\$ 44,129	\$ 40,802	\$ 8,240	\$ 32,562
Prestea Underground	236	–	236	2,748	–	2,748
Wassa	55,785	7,618	48,167	50,701	1,985	48,716
EURO Ressources	–	–	–	1,456	1,449	7
Corporate & Other	924	398	526	611	117	494
Total	\$ 114,337	\$ 21,279	\$ 93,058	\$ 96,318	\$ 11,791	\$ 84,527



8 MINING PROPERTIES

	As of December 31, 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	\$ 51,868	\$ 33,241	\$ 18,627	\$ 46,970	\$ 28,792	\$ 18,178
Prestea Underground	28,891	–	28,891	21,612	–	21,612
Bogoso Sulfide	13,352	–	13,352	13,065	–	13,065
Mampon	15,721	–	15,721	15,062	–	15,062
Wassa	58,578	11,234	47,344	50,810	5,104	45,706
Other	12,840	–	12,840	4,465	–	4,465
Total	\$ 181,250	\$ 44,475	\$ 136,775	\$ 151,984	\$ 33,896	\$ 118,088



9 CONSTRUCTION-IN-PROGRESS

At December 31, 2006 and 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 December 31,	
	2006	2005
Plant construction cost	\$ 118,826	\$ 27,655
Mining equipment cost	10,505	–
Pre-production stripping cost	22,397	–
Sub-total	151,728	27,655
Costs prior to project commencement	7,216	7,216
Capitalized Interest	6,211	1,836
Total	\$ 165,155	\$ 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.”

Deferred stripping costs on our 2006 financial statements were related to the Plant-North pit at Prestea. The Plant-North pit was closed in late 2006 upon completion of mining activities.

During the year ended December 31, 2006 all the remaining deferred stripping cost of \$1.5 million was recovered.



DEBT

	As of December 31,	
	2006	2005
Current debt:		
Bank loan – EURO (Note a)	\$ –	\$ 2,667
Debt facility (Note b)	6,875	–
Equipment financing loans (Note c)	12,549	4,188
Total current debt	\$ 19,424	\$ 6,855
Long term debt:		
Bank loan – EURO (Note a)	\$ –	\$ 5,000
Debt facility (Note b)	8,125	–
Equipment financing loans (Note c)	10,413	11,632
Convertible notes (Note d)	48,373	47,666
Total long term debt	\$ 66,911	\$ 64,298

- (a) Bank loan – As a result of the sale of the EURO shares during the year (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 December 31, 2006.
- (b) Debt facility – On October 11th, 2006, GSBPL entered into an agreement for a \$15.0 million debt facility with two Ghana-based banks known as Ecobank Ghana Limited and Cal Bank Limited. The \$15.0 million was drawn down in October and November and is repayable over a term of 24 months starting 3 months after draw-down at an interest rate of US prime (currently 8.25%) plus 1%. Loan fees totaled one percent of the facility amount. The debt is secured by the non-mobile assets of Bogoso/Prestea and proceeds are to be used to cover construction costs of the Bogoso Sulfide Expansion Project. There are no hedging requirements or equity-type incentives required under the facility. Due to the short term nature of this facility, the fair value of the debt facility approximates the book value at December 31, 2006.
- (c) Equipment financing credit facility – We maintain an equipment financing facility between Caterpillar Financial Services Corporation, GSBPL and GSWL, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit for new and used mining equipment. 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 December 31, 2006, \$23.0 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 \$21.7 million at December 31, 2006.
- (d) Convertible notes – We sold \$50 million of senior unsecured convertible notes to a private investment fund on April 15, 2005. These notes were issued at par and bear interest at 6.85%. They are convertible at any time at the option of the holder at a conversion price of \$4.50 per common share. At the maturity date, April 15, 2009, we have the option to repay the outstanding notes with i.) cash, ii.) common shares issued 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 over 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 \$6.2 million of interest on the convertible notes has been capitalized as Bogoso sulfide expansion project costs. The loan fees totaled approximately \$0.9 million, this amount was capitalized and is being amortized over the term of the notes. The remaining balance of \$0.6 million was included in other assets at December 31, 2006. We estimate the fair value of the convertible notes to be approximately \$47.5 million at December 31, 2006.



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 IAMGold Corporation, 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. During the first half of 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 our EURO shares in June 2006 (see Note 5), we no longer consolidate the financial statements of EURO. Therefore, the EURO derivative contract liability is not included in our consolidated balance sheet as of December 31, 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 the gold price during 2006 resulted in a nil value for our remaining puts at December 31, 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 37,500 ounces of put options with an average strike price of \$404 per ounce remaining at December 31, 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. In addition, call options for 29,000 ounces were exercised during the year requiring total payments of \$2.6 million to the counterparty. The lower number of call options held by the Company at December 31, 2006 resulted in a lower mark-to-market value and accordingly we recorded a \$1.6 million derivative gain on the calls. At December 31, 2006 our gold call obligation consists of 6,000 ounces at \$525 per ounce, and at the date of this report there are none.

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 expected to purchase during the 2006 construction phase of the Bogoso Sulfide Expansion Project, we entered into forward contracts. These contracts, established without cost, had a fair value of nil and \$1.0 million at December 31, 2006 and December 31, 2005, respectively.

The following table summarizes our derivative contracts at December 31, 2006:

At December 31, 2006	Scheduled for settlement in first quarter of 2007
Gold put options	
Ounces (thousands)	37.5
Average price per ounce (\$)	404
Gold call options	
Ounces (thousands)	6
Average price per ounce (\$)	525

Fair Value of Derivatives	December 31, 2006	Fair value of EURO derivative on June 19, 2006	December 31, 2005	(Expense)/Gain
Cash-settled forward gold price agreements	\$ —	\$ (13,707)	\$(9,560)	\$ (4,147)
Puts	—	—	74	(74)
Calls	(685)	—	(2,250)	1,565
Rand forward purchases	—	—	1,146	(1,146)
Euro forward purchases	—	—	(162)	162
Unrealized loss	\$ (685)	\$ (13,707)	\$ (10,752)	\$ (3,640)
Realized loss				
Cash-settled forward gold price agreements				(757)
Calls				(5,192)
Total derivative loss				\$ (9,589)



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 asset retirement obligation liability as incurred. The total undiscounted amount of the estimated cash flows is \$30.5 million.

The changes in the carrying amount of the ARO during 2006 and 2005 were as follows:

	2006	2005
Balance at January 1	\$ 11,393	\$ 8,660
Accretion expense	835	752
Cost of reclamation work performed	(1,130)	(691)
Additions, change in estimates and other	8,000	2,672
Balance at December 31	\$ 19,098	\$ 11,393
Current portion	\$ 3,064	\$ 3,107
Long term portion	\$ 16,034	\$ 8,286

The new liabilities incurred during 2006 relates to the greater reclamation liability associated with the Bogoso Sulfide Expansion Project, the reclamation liability incurred with the development of the Pampe properties 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 as required by the Ghana Environmental Protection Agency ("EPA") and updated our cost estimates based on the results of the study.

The undiscounted cash flows used to determine the ARO are \$31.5 million. A credit adjusted risk free rate of 9.25% was used to discount our additions to the ARO during 2006.



14 COMMITMENTS AND CONTINGENCIES

Our commitments and contingencies include the following items:

- (a) **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.
- (b) **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.
- (c) **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 to us in September 2006.
- (d) **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) Riyadh: Riyadh is subject to a 10% net smelter return royalty.
 - (v) 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.
- (e) **Afema Project** – On March 29, 2005 we entered into an agreement with Societe d'Etat pour le Developpement Minier de la Cote d'Ivoire ("SO.DE.MI."), the Cote d'Ivoire state mining and exploration company, to acquire its 90% interest in the Afema gold property in south-east Cote d'Ivoire. Golden Star has the right to complete the transaction to acquire 100% of SO.DE.MI.'s rights in the Afema property for \$1.5 million. In addition to the acquisition payment, we agreed to pay SO.DE.MI. a royalty on any future gold production from the Afema property. The royalty is indexed to the gold price and ranges from 2% of net smelter returns at gold prices below

\$300 per ounce to 3.5% of net smelter returns for gold prices exceeding \$525 per ounce. 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.

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



WARRANTS

The following warrants were outstanding as of December 31, 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 expired on February 14, 2007 traded on the Toronto Stock Exchange under the symbol GSC.WT.A. During 2005, 385,000 warrants were exercised resulting in cash proceeds of \$0.7 million to Golden Star.



STOCK BASED COMPENSATION

Stock Options – We have one stock option plan, the Second Amended and Restated 1997 Stock Option Plan (the “Plan”) and options are granted under this plan from time to time at the discretion of the Compensation Committee. Options granted are non-assignable and are exercisable for a period of ten years or such other period as stipulated in a stock option agreement between Golden Star and the optionee. Under the Plan, we may grant options to employees, consultants and directors of the Company or its subsidiaries for up to 15,000,000 shares of common stock. Under the plan we reserved an aggregate of 15,000,000 shares of common stock for issuance pursuant to the exercise of options of which 5,647,150 are available at December 31, 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 792,000 remain unexercised as of December 31, 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:

	2006	2005	2004
Total stock compensation cost during the period	\$ 1,842	\$ 900	\$ 1,400

We granted 1,411,750, 514,000 and 855,000 options under the Plan during the years ended December 31, 2006, 2005 and 2004, 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 years ended December 31, 2006, 2005 and 2004.

The fair value of options granted during 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:

	2006	2005	2004
Expected volatility	50.67 to 63.83%	27.3 to 34.9%	36%
Risk-free interest rate	4.00% to 4.70%	2.75% to 3.50%	3.72% to 4.06%
Expected lives	4 to 7 years	0.5 to 5 years	3.5 to 5 years
Dividend yield	0%	0%	0%

In 2006, expected volatilities are based on the mean reversion tendency of the volatility of Golden Star's shares and its peer group. Golden Star uses historical data to estimate share option exercise and employee departure behavior used in the Black-Scholes model; groups of employees that have dissimilar historical behavior are considered separately for valuation purposes. The expected term of the options granted represents the period of time that the options granted are expected to be outstanding; the range given above results from certain groups of employees exhibiting different post-vesting behaviors. The risk-free rate for periods within the contractual term of the option is based on the Canadian Chartered Bank Administered Interest rates in effect at the time of the grant.

A summary of option activity under the Plan as of December 31, 2006 and changes during the year 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	\$ 2,533
Granted	1,412	3.59	9.6	
Exercised	(1,933)	1.96	—	(3,162)
Forfeited	(313)	5.89		
Outstanding as of December 31, 2006	6,556	2.98	5.7	3,583
Exercisable at December 31, 2006	5,381	2.73	5.0	\$ 2,668

Range of exercise prices (Cdn\$)	Options outstanding			Options exercisable	
	Number outstanding at December 31, 2006	Weighted-average remaining contractual life (years)	Weighted-average exercise price (Cdn\$)	Number exercisable at December 31, 2006	Weighted-average exercise price (Cdn\$)
1.00 to 2.50	3,396	3.5	1.58	3,396	1.58
2.51 to 4.00	1,882	8.4	3.46	1,078	3.43
4.01 to 7.00	1,234	7.5	5.90	863	6.07
7.01 to 10.00	44	7.0	9.07	44	9.07
	6,556	5.7	2.98	5,381	2.73

The weighted-average grant date fair value of share options granted during the years ended December 31, 2006, 2005 and 2004 was Cdn\$2.61, Cdn\$0.95 and Cdn\$2.45, respectively. The intrinsic value of options exercised during the years ended December 31, 2006, 2005 and 2004 was \$3.2 million, \$0.4 million, and \$4.4 million, respectively.

A summary of the status of non-vested options at December 31, 2006 and changes during the year ended December 31, 2006, is presented below:

	Number of options ('000)	Weighted average grant date fairvalue (Cdn\$)
Non-vested at January 1, 2006	670	1.95
Granted	1,412	2.61
Vested	(764)	2.43
Forfeited	(143)	2.36
Non-vested at December 31, 2006	1,175	2.38

As of December 31, 2006 there was a total unrecognized compensation cost of Cdn\$2.0 million related to share-based compensation granted under the Plan. That cost is expected to be recognized over a weighted-average period of 2.2 years. The total fair values of shares vested during the year ended December 31, 2006, 2005 and 2004 were Cdn\$1.9 million, Cdn\$2.9 million, and Cdn\$ 1.7 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 December 31, 2006.

During the year ended December 31, 2006 and 2005 we issued 4,000 and 45,342 common shares, respectively, to employees under the Bonus Plan.



INCOME TAXES

We recognize future tax assets and liabilities based on the difference between the financial reporting and tax basis of assets and liabilities using the enacted tax rates expected to be in effect when the taxes are paid or recovered. We provide a valuation allowance against future tax assets for which we do not consider realization of such assets to meet the required "more likely than not" standard.

Our future tax assets and liabilities at December 31, 2006 and 2005 include the following components:

	December 31,	
	2006	2005
Future tax assets:		
Offering costs	\$ 1,489	\$ 2,577
Non-capital loss carryovers	64,228	62,745
Capital loss carryovers	1,361	12,206
Mine property costs	10,883	10,840
Reclamation costs	3,225	1,226
Derivatives	2,664	4,288
Other	887	1,479
Valuation allowance	(37,227)	(39,240)
Future tax assets	\$ 47,510	\$ 56,121
Future tax liabilities:		
Mine property costs	\$ 81,870	\$ 85,575
Derivatives	439	388
Conversion feature discount	529	759
Other	1,619	–
Future tax liabilities	84,457	86,722
Net future tax assets/(liabilities)	\$ (36,947)	\$ (30,601)

Reconciliation of net future tax assets/(liabilities) to Balance sheet:

Current portion of future tax assets	–	6,248
Future tax assets	6,657	8,223
Current portion of future tax liability	(1,450)	–
Future tax liability	(42,154)	(45,072)
Net future tax assets/(liabilities)	\$ (36,947)	\$ (30,601)

The composition of our valuation allowance by tax jurisdiction is summarized as follows:

	2006	2005
Canada	\$ 24,692	\$ 23,712
France	–	5,584
Ghana	12,535	9,944
Total valuation allowance	\$ 37,227	\$ 39,240

During 2006 \$5.6 million of valuation allowance related to France was eliminated due to the deconsolidation of EURO.

The provision for income taxes includes the following components:

	2006	2005	2004
Current			
Canada	\$ –	\$ –	\$ –
Foreign	–	–	–
Future			
Canada	4,926	(4,926)	–
Foreign	1,112	(8,004)	(1,542)
Total	\$ 6,038	\$ (12,930)	\$ (1,542)

A reconciliation of expected income tax on net income before minority interest at statutory rates with the actual expenses (recovery) for income taxes is as follows:

	2006	2005	2004
Net income /(loss) before minority interest	\$ 71,521	\$ (26,184)	\$ 2,377
Statutory tax rate	32.5%	32.5%	32.1%
Tax expense/(benefit) at statutory rate	23,258	(8,515)	763
Foreign tax rates	(7,104)	(3,296)	(152)
Change in tax rates	(2,634)	568	–
Non-taxable portion of capital (gains)/losses	(5,555)	270	3,174
Expired loss carryovers	842	16,287	1,450
Deconsolidation of EURO carryovers and tax basis	(1,894)	–	–
Ghana investment allowance	–	(666)	(316)
Non-deductible stock option compensation	599	274	445
Non-deductible expenses	36	163	119
Non-taxable income	(624)	–	–
Tax loss of EURO shares	–	–	(2,898)
Loss carryover not previously recognized	(402)	(444)	4,447
Intercompany asset basis not deductible	–	6,320	–
Ghana property basis not previously recognized	–	862	(2,733)
Non-deductible Ghana property basis	2,213	597	–
Change in future tax assets due to exchange rates	(637)	238	(3,919)
Change in valuation allowance	(2,060)	(25,588)	(1,922)
Income tax expense /(recovery)	\$ 6,038	\$ (12,930)	\$ (1,542)

During 2006, 2005 and 2004, we recognized \$4.2 million, \$0.3 million and \$6.4 million, respectively, of share offering costs. Shareholders' equity has been credited in the amounts of \$1.3 million, \$0.1 million and \$2.1 million for the tax benefits of these deductions; however a valuation allowance had been provided against their full amount. In addition, in 2005 we reported a \$2.9 million discount related to our convertible debt. Shareholders' equity has been charged in the amount of \$0.9 million for the associated tax expense. A \$0.4 million valuation allowance has been provided in shareholders' equity for the net tax impact of the share offering costs and discount items.

At December 31, 2006 we had tax pool and loss carryovers expiring as follows:

	Canada	Ghana
2007	\$ 356	
2008	1,897	
2009	2,339	
2010	1,099	
2014	10,622	
2015	5,969	
2026	3,996	
Indefinite	8,368	\$ 222,732
Total	\$ 34,646	\$ 222,732



EARNINGS PER COMMON SHARE

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

	For the years ended December 31,		
	2006	2005	2004
Net income/(loss)	\$ 64,689	\$ (13,531)	\$ 2,642
Weighted average number of common shares (millions)	207.5	143.6	138.3
Dilutive securities:			
Options	2.2	2.7	2.9
Warrants	—	—	2.5
Weighted average number of diluted shares	209.7	146.3	143.7
Basic earnings/(loss) per share	\$ 0.312	\$ (0.094)	\$ 0.019
Diluted earnings/(loss) per share	\$ 0.308	\$ (0.092)	\$ 0.018



SUPPLEMENTAL CASH FLOW INFORMATION

The following is a summary of non-cash transactions:

	2006	2005	2004
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	-	-
Investment in Goldfields Miniere S.A. ⁽¹⁾	-	-	300
Common shares issued to purchase Goldfields Miniere S.A	-	-	(300)
Non-Cash component of St. Jude Resources Ltd.	-	110,924	-
Common shares, warrants and options issued to purchase St. Jude Resources Ltd.	\$ -	\$ (110,924)	\$ -

(1) Name changed to Golden Star Miniere SA

There was no cash paid for income taxes during 2006, 2005 and 2004. Cash paid for interest was \$4.0 million in 2006 \$3.1 million in 2005 and \$0.1 million in 2004. A total of \$0.1 million of depreciation was included in general and administrative costs or was capitalized into projects.



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. Previously Prestea Underground was included in the 'Other' segment, in 2006 we have included Prestea Underground in the Bogoso/Prestea segment, 2005 and 2004 has been adjusted to reflect this change in the composition of our segments.

As of and for the year ended December 31,	Africa			South America	Corporate	Total
	Bogoso/ Prestea	Wassa	Other			
2006						
Revenues	\$ 63,563	\$ 59,262	\$ 18	\$ 4,254	\$ 1,593	\$ 128,690
Interest expense	786	779	-	281	-	1,846
Provision for income taxes	2,117	-	(3,229)	-	(4,926)	(6,038)
Net income/(loss)	8,045	(1,512)	2,586	(3,981)	59,551	64,689
Total assets	360,455	110,866	166,750	7,852	17,851	663,774
2005						
Revenues	\$ 58,534	\$ 31,405	\$ -	\$ 4,282	\$ 1,244	\$ 95,465
Interest expense	325	348	-	415	1,328	2,416
Provision for income taxes	4,848	-	-	3,156	4,926	12,930
Net income/(loss)	4,578	(8,994)	(20)	(412)	(8,683)	(13,531)
Total assets	168,166	103,506	175,232	10,604	107,095	564,603
2004						
Revenues	\$ 61,002	\$ -	\$ -	\$ 3,145	\$ 882	\$ 65,029
Interest expense	105	-	-	15	19	139
Provision for income taxes	1,542	-	-	-	-	1,542
Net income/(loss)	12,533	(168)	-	1,772	(11,495)	2,642
Total assets	105,624	70,681	15,753	817	59,285	252,160



21 RELATED PARTIES

During 2006, we obtained legal services from a legal firm to which our Chairman is of counsel. The total cost of all services purchased during 2006 and 2005 was \$0.5 million and \$1.2 million, respectively. Our Chairman did not personally perform any legal services for us during 2006 or 2005 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.



22 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 and debt. The fair value of cash and short-term investments, 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. See Note 11 for fair values of long term debt.



23 SUBSEQUENT EVENT

Equity Offering – On March 1, 2007, we sold 21 million common shares at a price of \$3.60 per share resulting in \$75.6 million in gross proceeds. Net proceeds were \$72.2 million after deducting underwriting commissions but before deducting offering expenses. On March 9, 2007 the underwriters exercised their option to sell an additional 3.15 million common shares for additional gross proceeds of \$11.3 million. After deducting underwriting commissions, net proceeds from these additional shares were \$10.8 million. The proceeds will be used to purchase an interest in an electric power station in Ghana, for completion and start-up of the Bogoso sulfide expansion project, for a feasibility study and if warranted, development of the HBB Properties, and for general corporate and working capital purposes.

On February 14, 2007 warrants to purchase 8.4 million common shares at a strike price of Cdn\$4.60 expired.



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.

We restated our US GAAP note to its financial statements for the years ended 2005 and 2004 to comply with US GAAP accounting for warrants to purchase common shares which have an exercise price in Canadian dollars. Under Canadian GAAP, warrants to purchase common shares are accounted for as a component of shareholders' equity. Under the Statement of Financial Accounting Standards 133, Accounting for Derivative Instruments and Hedging Activities, issuers that have warrants with an exercise price denominated in a currency other than the issuer's functional currency are required to treat the fair value of the warrants as a liability and to mark to market those warrants at the end of every period. The Company's functional currency is United States dollars.

(A) CONSOLIDATED BALANCE SHEETS IN US GAAP

	As of December 31,	
	2006	2005 (restated)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 27,108	\$ 89,709
Accounts receivable	8,820	6,560
Inventories	45,475	23,181
Future tax assets	—	6,248
Fair value of derivatives	—	1,220
Deposits	7,673	5,185
Other current assets	1,458	686
Total current assets	90,534	132,789
Restricted cash	1,581	3,865
Available-for-sale and long term investments (Notes d1 and d2)	5,718	15,182
Deferred exploration and development costs (Notes d3 and d4)	—	—
Property, plant and equipment (Note d5)	92,345	83,813
Mine construction in progress	165,155	36,706
Mining properties (Notes d3, d4 and d5)	243,532	237,153
Deferred stripping (Note d6)	—	1,548
Future tax asset (Note d10)	6,657	8,223
Other assets	573	3,164
Total assets	\$ 606,095	\$ 522,443
LIABILITIES		
Current liabilities	\$ 69,151	\$ 40,815
Long term debt (Note d8)	68,539	66,632
Asset retirement obligations	16,034	8,286
Future tax liability	42,154	45,072
Fair value of long term derivatives (Note d7)	2,897	15,842
Total liabilities	198,775	176,647
Minority interest	2,902	1,964
Commitments and contingencies	—	—
SHAREHOLDERS' EQUITY		
Share capital (Note d8)	524,239	523,696
Contributed surplus (Note d10)	9,048	4,419
Accumulated comprehensive income and other (Note d2)	7,034	9,495
Deficit	(135,903)	(193,778)
Total shareholders' equity	404,418	343,832
Total liabilities and shareholders' equity	\$ 606,095	\$ 522,443

(B) CONSOLIDATED STATEMENTS OF OPERATIONS UNDER US GAAP

	For the years ended December 31,		
	2006	2005 (restated)	2004 (restated)
Net income under Cdn GAAP	\$ 64,689	\$ (13,531)	\$ 2,642
Deferred exploration expenditures expensed per US GAAP (Note d3 and d4)	(15,911)	(14,597)	(5,735)
Impact of start-up accounting (Note d5)	1,738	(4,888)	–
Write-off of deferred exploration properties (Note d3)	1,847	1,403	–
Capitalized mine property acquisition cost expensed for US GAAP (Note d4)	–	–	(6,799)
Derivative gain on non-US\$ warrants (Note d11)	5,682	4,478	56,854
Other (Notes d3)	(28)	455	–
Net income/(loss) under US GAAP before minority interest	58,017	(26,680)	46,962
Minority interest, as adjusted	(142)	2,210	746
Net income/(loss) under US GAAP	57,875	(24,470)	47,708
Other comprehensive income – gain on marketable securities (Note d2)	5,718	8,179	–
Comprehensive income/(loss)	\$ 63,593	\$ (16,291)	\$ 47,708
<hr/>			
Basic net income/(loss) per share under US GAAP	\$ 0.279	\$ (0.170)	\$ 0.345
Diluted net income/(loss) per share under US GAAP	\$ 0.276	\$ (0.170)	\$ 0.327

(C) CONSOLIDATED STATEMENTS OF CASH FLOWS UNDER US GAAP

	For the years ended December 31,		
	2006	2005 (restated)	2004 (restated)
Cash provided by (used in):			
Operating activities	\$ (10,513)	\$ (27,530)	\$ 575
Investing activities	(76,211)	(38,899)	(95,113)
Financing activities	24,123	143,261	17,445
Increase/(Decrease) in cash and cash equivalents	(62,601)	76,832	(77,093)
Cash and cash equivalent beginning of period	89,709	12,877	89,970
Cash and cash equivalents end of period	\$ 27,108	\$ 89,709	\$ 12,877

(d) Notes.

- (1) Under US GAAP, minority investments in entities whose major business is mineral exploration are deemed 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 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 bankable 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 to be 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 intended product. Under Cdn GAAP new production facilities are placed in service when output reaches a significant portion of the facility's design capacity. As such, the new Wassa mine and processing operation was placed in service on January 1, 2005 for US GAAP purposes and was placed in service on April 1, 2005 for Cdn GAAP purposes. All operating expenses, including ARO accretion, depreciation, depletion and amortization and work in process inventory adjustments were recognized in the statement of operations for US GAAP during the first quarter of 2005 while such costs were capitalized net of revenues generated for Cdn GAAP.
- (6) Under US GAAP deferred stripping should be expensed and transition provisions allow any remaining balances in deferred stripping asset accounts to be closed directly to retained earnings on January 1, 2006. Under Cdn GAAP deferred stripping could be retained as an acceptable accounting method in Canada under certain circumstances. We did not defer any additional production phase stripping costs as of January 1, 2006 for both US and Cdn GAAP and therefore have a zero balance for deferred stripping at December 31, 2006 for both US and Cdn GAAP.
- (7) Under US GAAP the fair value of warrants denominated in currencies other than US\$ is treated as a derivative liability. Under Cdn GAAP the fair value of all warrants are treated as a component of equity.
- (8) 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.
- (9) 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; (iii) gains recognized in Cdn GAAP upon issuances of subsidiaries' shares are not allowed under US GAAP; (iv) when warrants denominated in currencies other than US\$ are exercised the difference between the fair value and the strike price of the warrant is recorded as share capital for US GAAP purposes, but under Cdn GAAP only the strike price is recorded as share capital on exercise.
- (10) Under Cdn GAAP the issuance-date fair value of all warrants issued and outstanding are recorded as contributed surplus. Under US GAAP contributed surplus excludes the fair value of warrants denominated in currencies other than US\$. The fair value of warrants denominated in currencies other than US\$ is recorded as a derivative liability.
- (11) Under US GAAP the change in fair value of warrants denominated in currencies other than US\$ is recognized in the Statement of Operations. Under Cdn GAAP warrants are not marked to fair value.
- (12) Impact of Recently Issued Accounting Standards.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments — an amendment of FASB Statements No. 133 and 140". This Statement, among other things, allows a preparer to elect fair value measurement of instruments in cases in which a derivative would otherwise have to be bifurcated. The provisions of this Statement are effective for all financial instruments acquired or issued in fiscal years beginning after September 15, 2006. We do not believe that the adoption of this Statement in fiscal 2007 will have a material impact on our consolidated financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140" This Statement amends SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", with respect to the accounting for separately recognized servicing assets and servicing liabilities. The provisions of this Statement are effective for all financial instruments acquired or issued in fiscal years beginning after September 15, 2006. We do not believe that the adoption of this Statement in fiscal 2007 will have a material impact on our consolidated financial position or results of operations.

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109" ("FIN 48") which prescribes a recognition threshold and measurement attribute, as well as criteria for subsequently recognizing, derecognizing and measuring uncertain tax positions for financial statement purposes. FIN 48 also re-

quires expanded disclosure with respect to the uncertainty in income taxes assets and liabilities. FIN 48 is effective for fiscal years beginning after December 15, 2006 and is required to be recognized as a change in accounting principle through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption. We are currently evaluating the impact of adopting the provisions of FIN 48 in fiscal 2008.

In September 2006 FASB issued SFAS No. 157, "Fair Value Measurement" define fair value, establish a framework for measuring fair value and to expand disclosures about fair value measurements. The statement only applies to fair value measurements that are already required or permitted under current accounting standards and is effective for fiscal years beginning after November 15, 2007. We do not expect the adoption of this Interpretation to have a significant effect on the company's results of operations or financial position.



25 QUARTERLY FINANCIAL DATA (UNAUDITED)

(\$ millions, except per share data)

	2006 Quarters ended ²				2005 Quarters ended ¹			
	Dec. 31	Sept. 30	Jun. 30	Mar. 31	Dec. 31	Sept. 30	Jun 30	Mar. 31
Revenues	\$ 33.2	\$ 36.6	\$ 31.5	\$ 27.4	\$ 27.7	\$ 24.7	\$ 24.9	\$ 18.1
Net income/(loss)	30.8	1.5	13.1	19.3	(1.0)	(6.7)	(3.7)	(2.2)
Net earnings/(loss) per share								
Basic	\$ 0.148	\$ 0.007	\$ 0.063	\$ 0.093	\$ (0.007)	\$ (0.047)	\$ (0.026)	\$ (0.016)
Diluted	\$ 0.146	\$ 0.007	\$ 0.063	\$ 0.092	\$ (0.007)	\$ (0.047)	\$ (0.026)	\$ (0.016)

(1) Quarters one, two and three of 2005 have been restated as if hedge accounting had not been applied to EURO's gold futures contracts. EURO did not apply hedge accounting to quarter four and thus it is not restated.

(2) Reflect the restatement of in-process metals inventories for quarters one, two and three.



26 MEASUREMENT UNCERTAINTY

The carrying value of the assets in respect of the Wassa mine was \$95.1 million as at December 31, 2006. The valuation of the Wassa mine is highly sensitive to assumptions regarding the price of gold and the number of ounces expected to be produced. As at December 31, 2006, the impairment analysis incorporated the following key assumptions:

- Gold prices per ounce of \$650 in 2007, \$638 in 2008, \$592 in 2009, and \$562 in 2010 and 2011.
- Approximately one third of the non-reserve resources would eventually be found economic and would be mined and processed.

Based on these assumptions, the Wassa mine was not impaired based on the projected undiscounted cash flows of the mine.

GOLDEN STAR RESOURCES LTD.
OTHER ITEMS

BUSINESS

OVERVIEW OF GOLDEN STAR

We are a Canadian incorporated international gold mining and exploration company producing gold in Ghana, West Africa. We also conduct gold exploration in West Africa and in South America. Golden Star Resources Ltd. was established under the Canada Business Corporations Act on May 15, 1992 as a result of the amalgamation of South American Goldfields Inc., a corporation incorporated under the federal laws of Canada, and Golden Star Resources Ltd., a corporation originally incorporated under the provisions of the Alberta Business Corporations Act on March 7, 1984 as Southern Star Resources Ltd. Our principal office is located at 10901 West Toller Drive, Suite 300, Littleton, Colorado 80127, and our registered and records offices are located at 66 Wellington St. W, 42nd floor, Box 20, Toronto Dominion Bank Tower, Toronto Dominion Centre, Toronto, ON M5K 1N6. Our fiscal year ends on December 31.

Through our subsidiaries we own a controlling interest in four significant gold properties in southern Ghana in West Africa: the Bogoso/Prestea property ("Bogoso/Prestea"); the Wassa property ("Wassa"); the Hwini/Butre-Benso properties ("HBB Properties", formerly referred to as the "St. Jude Properties"); and the Prestea Underground property ("Prestea Underground").

The Bogoso/Prestea property encompasses the adjoining Bogoso and Prestea mining properties, which are operated as a single operation and referred to as "Bogoso/Prestea." Bogoso/Prestea is owned by our 90% owned subsidiary Golden Star (Bogoso/Prestea) Limited ("GSBPL", formerly known as Bogoso Gold Limited or BGL). In 2006, we produced and sold 103,793 ounces of gold from Bogoso/Prestea.

Wassa, which is located 35 kilometers east of Bogoso/Prestea, is owned by our 90% owned subsidiary Golden Star (Wassa) Limited ("GSWL", formerly known as Wexford Goldfields Limited or WGL). Wassa produced and sold 97,614 ounces of gold during 2006.

The HBB Properties in Ghana were acquired in December 2005 as a result of our acquisition of St. Jude Resources Ltd. ("St. Jude"). The HBB Properties consist of the Hwini-Butre and Benso concessions covering an area of 201 square kilometers and located between 45 and 75 kilometers south of Wassa. We currently hold a 100% interest in these properties but the Government of Ghana is entitled to a 10% carried interest when mining permits are issued.

GSBPL owns a 90% operating interest in the Prestea Underground, an inactive underground mine. We continue to conduct exploration and engineering studies to determine if the Prestea Underground mine can be reactivated on a profitable basis.

We hold gold exploration properties in Sierra Leone, Ghana, Côte d'Ivoire, Niger, Burkina Faso, Suriname and French Guiana. We hold indirect interests in gold exploration properties in Peru and Chile through a 14% interest in the common shares of Minera IRL Limited, a privately held gold exploration company formerly known as "Goldmin Consolidated Holdings". We have entered into a joint venture with a subsidiary of Newmont Mining Corporation pursuant to which Newmont may earn up to a 51% interest in the Saramacca property in Suriname.

All of our operations, with the exception of certain exploration projects, transact business in US dollars and keep financial records in US dollars. Our accounting records are kept in accordance with Canadian GAAP.

We are a reporting issuer or the equivalent in all provinces of Canada and in the United States and file disclosure documents with the Canadian securities regulatory authorities and the United States Securities and Exchange Commission.

MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common shares trade on the Toronto Stock Exchange ("TSX") under the trading symbol "GSC" and on the American Stock Exchange under the symbol "GSS." As of March 12, 2007, 232,104,141 common shares were outstanding and we had 918 shareholders of record. On March 12, 2007, the closing price per share for our common shares as reported by the TSX was Cdn\$4.95 and as reported by the American Stock Exchange was \$4.23.

The following table sets forth, for the periods indicated, the high and low market closing prices per share of our common shares as reported by the TSX and the American Stock Exchange:

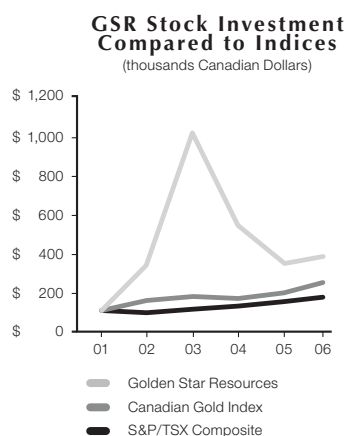
	Toronto Stock Exchange		American Stock Exchange	
	Cdn\$	Cdn\$	\$	\$
2006	High	Low	High	Low
First Quarter	4.39	3.09	3.84	2.64
Second Quarter	4.05	2.78	3.75	2.53
Third Quarter	3.84	2.84	3.52	2.54
Fourth Quarter	3.76	2.77	3.30	2.48

	Toronto Stock Exchange		American Stock Exchange	
	Cdn\$	Cdn\$	\$	\$
2005	High	Low	High	Low
First Quarter	4.94	3.15	4.04	2.58
Second Quarter	4.02	3.01	3.23	2.35
Third Quarter	4.33	3.40	3.73	2.84
Fourth Quarter	3.78	2.54	3.32	2.12

We have not declared or paid cash dividends on our common shares since our inception and we expect for the foreseeable future to retain all of our earnings from operations for use in expanding and developing our business. Future dividend decisions will consider then current business results, cash requirements and our financial condition.

PERFORMANCE GRAPH AND TABLE

The following graph and table illustrates the cumulative total shareholder return on the common shares for the fiscal years ended December 31, 2001 through 2006, together with the total shareholder return of the S&P/TSX Composite Index and the Canadian Gold Index for the same period. The graph and table assumes an initial investment of Cdn\$100 at December 31, 2001 and is based on the trading prices of the common shares on the TSX during the periods indicated. Because we did not pay dividends on our common shares during the measurement period, the calculation of the cumulative total shareholder return on the common shares does not include dividends.



	2001	2002	2003	2004	2005	2006
Golden Star Resources Ltd.						
Dollar Value	100.00	322.22	1,006.67	535.56	343.33	378.89
Annualized Return since base Year		222.2%	17.3%	75.0%	36.1%	30.5%
Return over previous year		222.2%	212.4%	(46.8)%	(35.9)%	10.4%
S&P/TSX Composite Index						
Dollar Value	100.00	86.03	106.93	120.27	146.61	167.89
Annualized Return since base Year		(14.0)%	3.4%	6.3%	10.0%	10.9%
Return over previous year		(14.0)%	24.3%	12.5%	21.9%	14.5%
Canadian Gold Index						
Dollar Value	100.00	145.87	166.06	150.67	182.84	235.98
Annualized Return since base Year		45.9%	28.9%	14.6%	16.3%	18.7%
Return over previous year		45.9%	13.8%	(9.3)%	21.4%	29.1%

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

From time to time 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 2007, a 1% change in interest rates would not materially impact our annual income.

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 cedi. 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 euros to hedge expected future purchases of capital assets in South Africa and Europe associated mostly with the Bogoso sulfide expansion project. We also hold portions of our cash reserves in non-US dollar currencies. We held no forward purchase contracts as of December 31, 2006.

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 2007 would result in a \$4.0 million change in pre-tax earnings and cash flows.

During 2005 and 2006, 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 2005, 2006 and 2007. As of December 31, 2006 we have 37,500 put options remaining which establish an average minimum price of \$404 per ounce on 37,500 ounces of expected gold production spread monthly through the first quarter of 2007.

We also sold calls during 2005 to offset a portion of the costs of purchasing the puts. At December 31, 2006 we had 6,000 call options remaining which expire during 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 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.

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements with PricewaterhouseCoopers LLP, our auditors, regarding any matter of accounting principles or practices or financial statement disclosure.

GOLDEN STAR RESOURCES LTD.
BOARD OF DIRECTORS

Ian MacGregor is Chairman of the Board and is a director of several other public and private companies. He brings to the table his wide-ranging knowledge of mining finance, joint ventures, and mergers and acquisitions, experience gained when he was a partner (now counsel) of one of Canada's prominent law firms, Fasken Martineau DuMoulin. Ian's area of practice included global mining. An independent director since 2000.

Jim Askew is an engineer with many years experience managing and being a director of mining companies. He is a former CEO of Golden Star, and also Golden Shamrock, an Australian mining company with properties in West Africa, which was subsequently sold to Ashanti Goldfields. An independent director since 1999.

Peter Bradford, President and CEO since November 1999, is a seasoned manager with in excess of 20 years of operating and development experience in the mining industry. Since 1991, he has been very active in the Ghanaian mining industry with Golden Shamrock, Ashanti Goldfields and subsequently Golden Star. In addition, he has chaired the Ghana Chamber of Mines. A director since 2000.

David Fagin has served as Chairman and CEO of the Company and serves on other boards in the resource industry, following over 35 years of management experience in oil and mining. Formerly President of Homestake Mining and Rosario Resources, he provides his insights into management and operating matters. David is also a director of several mutual funds. An independent director since 1998.

Dr. Michael Martineau is a geologist with 25 years experience of exploring sub-Saharan Africa; several of his companies discovered orebodies on the continent. He is currently president of Axmin, a gold exploration company whose regional emphasis is West Africa. Michael was a director of Ashanti Goldfields until its merger with AngloGold. An independent director since 2004.

Michael Terrell has nearly 25 years experience in mineral exploration. He worked in exploration camps primarily in the Red Lake mining district in Ontario while attending law school and subsequently practiced law prior to founding St Jude Resources. Michael also has a diverse background in banking, corporate finance and real estate development, and is a member of the Law Society of Alberta. An independent director following the acquisition of St. Jude in late 2005.

Lars-Eric Johansson joined the Board in July 2006, having previously served as a board member before taking up the position of CFO with Kinross Gold Corporation in 2004, from which he recently retired. He brings over 30 years of international mining and finance experience to the Company, having been CFO with Kinross, Noranda and Falconbridge, major Canadian base metals companies. His other directorships include Aber Diamond Corporation, Niocan Inc. and Tiberon Minerals Ltd. Lars-Eric holds an MBA with specialties in accounting and finance from the Gothenburg School of Economics, Sweden.

Directors & Management

Directors

James Askew ^{2, 4*}

Peter Bradford

David Fagin ^{1, 3*}

Lars-Eric Johansson ^{1*}

Ian MacGregor ^{1, 2, 3, 4}

Chairman of the Board of Directors

Dr. Michael Martineau ^{2*, 4}

Michael Terrell ³

¹ *audit committee*

² *compensation committee*

³ *nominating & corporate governance committee*

⁴ *sustainability committee*

^{*} *committee chairman*

Management

Peter Bradford

President and CEO

Tom Mair

Senior Vice President and CFO

Colin Belshaw

Vice President Operations

Peter Bourke

Vice President Technical Services

Mark Collopy

General Manager Projects

Richard Gray

General Manager Wassa

Bruce Higson-Smith

Vice President Corporate Development

Dr. Doug Jones

Vice President Exploration

Daniel Owiredo

Vice President Ghana

Roger Palmer

Vice President Finance and Controller

David Partridge

General Manager Bogoso/Prestea

Ted Strickler

Vice President Human Resources and Administration

Dr. Mark Thorpe

Vice President Sustainability

Corporate Information

Stock Exchange Listings

Toronto Stock Exchange

Common stock: GSC

American Stock Exchange

Common stock: GSS

Registrar and Transfer Agent

Questions regarding the change of stock ownership, consolidation of accounts, lost certificates, change of address, and other such matters should be directed to:

CIBC Mellon Trust Company

Attention: Shareholder Services
P.O. Box 1900

Vancouver, British Columbia
Canada V6C 3K9

Online inquiry:

www.cibcmellon.com/investorinquiry

Online access to shareholder data:

www.cibcmellon.com/AnswerLineRegistration

E-mail: inquiries@cibcmellon.com

Toll-free: (800) 387-0825 (Canada and U.S. — collect elsewhere)

(416) 643-5500 (8:30 a.m. to 6:30 p.m. ET, Monday through Friday)

Corporate Headquarters

Golden Star Resources

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Telephone: (303) 830-9000

Toll-free: (800) 553-8436

Fax: (303) 830-9094

Ghana Office

Golden Star Resources

Level 2, No. 1 Milne Close

Airport Residential Area

P.O. Box 16075

KIA, Accra, Ghana

Investor Relations Contacts

Bruce Higson-Smith,

V.P. Corporate Development

Anne Hite, Investor Relations Manager

Email: info@gsr.com

Toll-free: (800) 553-8436

Website: www.gsr.com

Auditors

PricewaterhouseCoopers

Calgary, Alberta, Canada

Annual Report On Form 10-K

Shareholders may obtain, without charge, a copy of the Company's 2006 Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

Requests should be addressed to our Corporate Headquarters.

Annual Meeting

The Annual General Meeting of Shareholders will be held on Wednesday, May 9, 2007, at 3:00 p.m. at the TSX Gallery Facility, 130 King Street West, Toronto, Ontario, M5X 1J2 Canada.

GOLDEN STAR



RESOURCES LTD.

(800) 553-8436

www.gsr.com

Toronto Stock Exchange: GSC

American Stock Exchange: GSS