GOLDEN STAR RESOURCES LTD
Form 10-K
February 23, 2012

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year ended December 31, 2011
Commission file number 1-12284

GOLDEN STAR RESOURCES LTD.
(Exact Name of Registrant as Specified in Its Charter)

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

Registrant's telephone number, including area code (303) 830-9000
Securities registered or to be registered pursuant to Section 12 (b) of the Act:

Title of Each Class	Name of each exchange on which registered
Common Shares	NYSE Amex

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the “Act”) during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. (See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act). (Check one):

Large accelerated filer:	o	Accelerated filer:	x

Non-accelerated filer: ¨ Smaller reporting company: ¨

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant was approximately $486.8 million as of June 30, 2011, based on the closing price of the shares on the NYSE Amex as of that date of $ 2.20 per share.

Number of Common Shares outstanding as at February 22, 2012: 258,674,486

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 2012 Annual Meeting of Shareholders are incorporated by reference to Part III of this Annual Report on Form 10-K.

REPORTING CURRENCY, FINANCIAL AND OTHER INFORMATION

All amounts in this report are expressed in United States ("U.S.") dollars, unless otherwise indicated. Canadian currency is denoted as "Cdn$." Financial information is presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

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

NON-GAAP FINANCIAL MEASURES

In this Form 10-K, we use the terms "total cash cost per ounce" and "cash operating cost per ounce" which are considered Non-GAAP financial measures as defined in SEC Regulation S-K Item 10 and applicable Canadian securities law and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP. See Item 7 of Management's Discussion and Analysis of Financial Condition and Results of Operations for a definition of these measures as used in this Form 10-K.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Form 10-K contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, and within the meaning of applicable Canadian securities law, with respect to our financial condition, results of operations, business prospects, plans, objectives, goals, strategies, future events, capital expenditures, and exploration and development efforts.

Words such as "anticipates," "expects," "intends," "forecasts," "plans," "believes," "seeks," "estimates," "may," "will," and sir expressions (including negative and grammatical variations) tend to identify forward-looking statements.

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

These statements include comments regarding: anticipated attainment of gold production rates; cash operating costs generally; gold sales; gold recovery rates; ore processing; permitting; geological, environmental, community and engineering studies; receipt of environmental management plan approvals by the Ghana Environmental Protection Agency ("EPA"); changes in the tax regime in Ghana; exploration efforts, activities and costs; ore grades; our anticipated investing and exploration spending during 2012; identification of acquisition and growth opportunities; our expectations regarding Pampe oxide ore, the Bogoso tailings and the Bogoso oxide plant; completion of mining at Benso and anticipated increases in mining at Hwini-Butre and Wassa thereafter; retention of earnings from our operations; production and cash operating cost estimates for 2012; expected operational cash flow during 2012; our objectives for 2012; expected debt payments during 2012; and sources of and adequacy of liquidity to meet capital and other needs in 2012 and beyond.

The following, in addition to the factors described under "Risk Factors" in Item 1A of this annual report on Form 10-K, are among the factors that could cause actual results to differ materially from the forward-looking statements:

- significant increases or decreases in gold prices;
- losses or gains in Mineral Reserves from changes in operating costs and/or gold prices;
- failure of exploration efforts to expand Mineral Reserves around our existing mines;
- unexpected changes in business and economic conditions;
- inaccuracies in Mineral Reserves and non-reserves estimates;
- changes in interest and currency exchange rates;
- timing and amount of gold production;
- unanticipated variations in ore grade, tonnes mined and crushed or processed;
- unanticipated recovery or production problems;
- effects of illegal mining on our properties;
- changes in mining and processing costs, including changes to costs of raw materials, power, supplies, services and personnel;
- changes in metallurgy and processing;
- availability of skilled personnel, contractors, materials, equipment, supplies, power and water;

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•changes in project parameters or mine plans;
•costs and timing of development of new Mineral Reserves;
•weather, including drought or excessive rainfall in West Africa;
•changes in regulatory frameworks based upon perceived climate trends;
•results of current and future exploration activities;
•results of pending and future feasibility studies;
•acquisitions and joint venture relationships;
•political or economic instability, either globally or in the countries in which we operate;
• changes in regulations or in the interpretation of regulations by the regulatory authorities affecting our operations, particularly in Ghana, where our principal producing properties are located;
•local and community impacts and issues;
•timing of receipt and maintenance of government approvals and permits;
•unanticipated transportation costs and shipping incidents and losses;
•accidents, labor disputes and other operational hazards;
•environmental costs and risks;
•changes in tax laws, such as those proposed in Ghana;
•unanticipated title issues;
•competitive factors, including competition for property acquisitions;
•possible litigation;
•availability of capital on reasonable terms or at all;
• potential losses from future hedging activities, and
•additional risk due to increased use of mining contractors.

These factors are not intended to represent a complete list of the general or specific factors that could affect us. Many of these factors are beyond our ability to control or predict. Although we believe the expectations reflected in our forward looking statements are based on reasonable assumptions, such expectations may prove to be materially incorrect due to known and unknown risks and uncertainties. You should not unduly rely on any of our forward-looking statements. These statements speak only as of the date of this annual report on Form 10-K. Except as required by law, we undertake no obligation to update any of these forward-looking statements to reflect future events or developments.

CONVERSION FACTORS AND ABBREVIATIONS

All units in this report are stated in metric measurements unless otherwise noted.

For ease of reference, the following conversion factors are provided:

1 acre	= 0.4047 hectare	1 mile	= 1.6093 kilometers
1 foot	= 0.3048 meter	1 troy ounce	= 31.1035 grams
1 gram per metric tonne	= 0.0292 troy ounce/short ton	1 square mile	= 2.59 square kilometers
1 short ton (2000 pounds)	= 0.9072 tonne	1 square kilometer	= 100 hectares
1 tonne	= 1,000 kg or 2,204.6 lbs	1 kilogram	= 2.204 pounds or 32.151 troy oz
1 hectare	= 10,000 square meters	1 hectare	= 2.471 acres

The following abbreviations may be used herein:

m	= meter	T or t	= tonne
g	= gram	oz	= troy ounce
g/t	= grams per tonne	km^2	= square kilometers
ha	= hectare	kg	= kilogram
km	= kilometer		

GLOSSARY OF TERMS

We report our Mineral Reserves to two separate standards to meet the requirements for reporting in both Canada and the United States. Canadian reporting requirements for disclosure of mineral properties are governed by National Instrument 43-101 (“NI 43-101”). The definitions in NI 43-101 are adopted from those given by the Canadian Institute of Mining, Metallurgy and Petroleum. U.S. reporting requirements for disclosure of mineral properties are governed by the SEC Industry Guide 7. These reporting standards have similar goals in terms of conveying an appropriate level of confidence in the disclosures being reported, but embody differing approaches and definitions.

We estimate and report our Mineral Resources and Mineral Reserves according to the definitions set forth in NI 43-101 and modify them as appropriate to conform to SEC Industry Guide 7 for reporting in the U.S. The definitions for each reporting standard are presented below with supplementary explanation and descriptions of the similarities and differences.

NI 43-101 DEFINITIONS	
Mineral Reserve	The term “Mineral Reserve” refers to the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a preliminary feasibility study. The study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.
Proven Mineral Reserve	The term “Proven Mineral Reserve” refers to the economically mineable part of a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.
Probable Mineral Reserve	The term “Probable Mineral Reserve” refers to the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.
Mineral Resource	The term “Mineral Resource” refers to a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.
Measured Mineral Resource	The term “Measured Mineral Resource” refers to that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.
Indicated Mineral Resource	The term “Indicated Mineral Resource” refers to that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
Inferred Mineral Resource	

	The term “Inferred Mineral Resource” refers to that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
Qualified Person [1]	The term “Qualified Person” refers to an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these, has experience relevant to the subject matter of the mineral project and the technical report and is a member in good standing of a professional association.

SEC INDUSTRY GUIDE 7 DEFINITIONS

Reserve	The term “Reserve” refers to that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves must be supported by a feasibility study[2] done to bankable standards that demonstrates the economic extraction. (“bankable standards” implies that the confidence attached to the costs and achievements developed in the study is sufficient for the project to be eligible for external debt financing.) A reserve includes adjustments to the in-situ tonnes and grade to include diluting materials and allowances for losses that might occur when the material is mined.
Proven Reserve	The term “Proven Reserve” refers to reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape depth and mineral content of reserves are well-established.
Probable Reserve	The term “Probable Reserve” refers to reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.
Mineralized Material [3]	The term “Mineralized Material” refers to material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.
Non-Reserves	The term “Non-Reserves” refers to mineralized material that is not included in the reserve as it does not meet all of the criteria for adequate demonstration for economic or legal extraction.
Exploration Stage	An “Exploration Stage” prospect is one which is not in either the development or production stage.
Development Stage	A “Development Stage” project is one which is undergoing preparation of an established commercially mineable deposit for its extraction but which is not yet in production. This stage occurs after completion of a feasibility study.
Production Stage	A “Production Stage” project is actively engaged in the process of extraction and beneficiation of Mineral Reserves to produce a marketable metal or mineral product.

(1) Industry Guide 7 does not require designation of a qualified person.

(2) For Industry Guide 7 purposes the feasibility study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

(3) This category is substantially equivalent to the combined categories of Measured Mineral Resource and Indicated Mineral Resource specified in NI 43-101.

ADDITIONAL DEFINITIONS

assay- a measure of the valuable mineral content

bio-oxidation- a processing method that uses bacteria to oxidize refractory sulfide ore to make it amenable to normal oxide ore processing techniques such as carbon-in-leach

Birimian- a thick and extensive sequence of Proterozoic age metamorphosed sediments and volcanics first identified in the Birim region of southern Ghana

CIL or carbon-in-leach- an ore processing method involving the use of cyanide where activated carbon, which has been added to the leach tanks, is used to absorb gold as it is leached by cyanide

craton- a stable relatively immobile area of the earth's crust

cut-off grade- when determining economically viable Mineral Reserves, the lowest grade of mineralized material that qualifies as ore, i.e. that can be mined and processed at a profit

cyanidation- the process of introducing cyanide to ore to recover gold

diamond drilling- rotary drilling using diamond-set or diamond-impregnated bits, to produce a solid continuous core of rock sample
dip- the angle that a structural surface, a bedding or fault plane, makes with the horizontal, measured perpendicular to the strike of the structure
doré- unrefined gold bullion bars containing various impurities such as silver, copper and mercury, which will be further refined to near pure gold
fault- a surface or zone of rock fracture along which there has been displacement
feasibility study- a comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production
formation- a distinct layer of sedimentary rock of similar composition
geochemical- the distribution and amounts of the chemical elements in minerals, ores, rocks, solids, water, and the atmosphere
geophysical- the mechanical, electrical, gravitational and magnetic properties of the earth's crust
geophysical surveys- a survey method used primarily in the mining industry as an exploration tool, applying the methods of physics and engineering to the earth's surface
grade- quantity of metal per unit weight of host rock
greenstone- a sequence of usually metamorphosed volcanic-sedimentary rock assemblages
heap leach- a mineral processing method involving the crushing and stacking of an ore on an impermeable liner upon which solutions are sprayed to dissolve metals i.e. gold, copper etc.; the solutions containing the metals are then collected and treated to recover the metals
host rock- the rock in which a mineral or an ore body may be contained
hydrothermal- the products of the actions of heated water, such as a mineral deposit precipitated from a hot solution
in-situ- in its natural position
life-of-mine- a term commonly used to refer to the likely term of a mining operation and normally determined by dividing the tonnes of Mineral Reserve by the annual rate of mining and processing
mineral- a naturally occurring inorganic crystalline material having a definite chemical composition
mineralization- a natural accumulation or concentration in rocks or soil of one or more potentially economic minerals, also the process by which minerals are introduced or concentrated in a rock
National Instrument 43-101 or NI 43-101- standards of disclosure for mineral projects prescribed by the Canadian Securities Administration
non-refractory- ore containing gold that can be satisfactorily recovered by basic gravity concentration or simple cyanidation

open pit- surface mining in which the ore is extracted from a pit or quarry, the geometry of the pit may vary with the characteristics of the ore body
ore- mineral bearing rock that can be mined and treated profitably under current or immediately foreseeable economic conditions
ore body- a mostly solid and fairly continuous mass of mineralization estimated to be economically mineable
ore grade- the average weight of the valuable metal or mineral contained in a specific weight of ore i.e. grams per tonne of ore
oxide- gold bearing ore which results from the oxidation of near surface sulfide ore
Precambrian- period of geologic time, prior to 700 million years ago

preliminary assessment- a study that includes an economic analysis of the potential viability of Mineral Resources taken at an early stage of the project prior to the completion of a preliminary feasibility study
preliminary feasibility study and pre-feasibility study- each mean a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve
Proterozoic- the more recent time division of the Precambrian; rocks aged between 2,500 million and 550 million years old
put- a financial instrument that provides the right, but not the obligation, to sell a specified number of ounces of gold at a specified price
QA/QC- Quality Assurance/Quality Control is the process of controlling and assuring data quality for assays and other exploration and mining data
RC (reverse circulation) drilling- a drilling method using a tri-cone bit, during which rock cuttings are pushed from the bottom of the drill hole to the surface through an outer tube, by liquid and/or air pressure moving through an inner tube
refractory- ore containing gold that cannot be satisfactorily recovered by basic gravity concentration or simple cyanidation
resettlement- the relocation or resettlement of a community or part of a community
rock- indurated naturally occurring mineral matter of various compositions
sampling and analytical variance/precision- an estimate of the total error induced by sampling, sample preparation and analysis
shield- a large area of exposed basement rocks often surrounded by younger rocks, e.g. Guiana Shield
strike- the direction or trend that a structural surface, e.g. a bedding or fault plane, takes as it intersects the horizontal
strip- to remove overburden in order to expose ore
sulfide- a mineral including sulfur (S) and iron (Fe) as well as other elements; metallic sulfur-bearing mineral often associated with gold mineralization
tailings- fine ground wet waste material produced from ore after economically recoverable metals or minerals have been extracted
Tarkwaian- a group of sedimentary rocks of Proterozoic age named after the town of Tarkwa in southern Ghana where they were found to be gold bearing
tectonic- relating to the forces that produce movement and deformation of the Earth's crust
transition ore- is an ore zone lying between the oxide ore and the sulfide ore; ore material that is partially weathered and oxidized
vein- a thin, sheet-like crosscutting body of hydrothermal mineralization, principally quartz
VTEM- a proprietary airborne geophysical survey systems that identifies electrical conductivity of rock units

ITEM 1. BUSINESS

OVERVIEW OF GOLDEN STAR

We are a Canadian federally-incorporated, international gold mining and exploration company producing gold in Ghana, West Africa. We also conduct gold exploration in other countries in West Africa and in South America. Golden Star Resources Ltd. was established under the Canada Business Corporations Act on May 15, 1992. Our principal office is located at 10901 West Toller Drive, Suite 300, Littleton, Colorado 80127, and our registered and records offices are located at 333 Bay Street, Bay Adelaide Centre, Box 20, Toronto, Ontario M5H 2T6.

We own controlling interests in several gold properties in southwest Ghana:

- Through a 90% owned subsidiary, Golden Star (Bogoso/Prestea) Limited (“GSBPL”), we own and operate the Bogoso/Prestea gold mining and processing operations (“Bogoso/Prestea”) located near the town of Bogoso, Ghana. GSBPL operates a gold ore processing facility at Bogoso/Prestea with a capacity of up to 3.5 million tonnes of ore per annum, which uses bio-oxidation technology to treat refractory sulfide ore (“Bogoso sulfide plant”). In addition, GSBPL has a carbon-in-leach (“CIL”) processing facility located next to the sulfide plant, which is suitable for treating oxide gold ores (“Bogoso oxide plant”) at a rate up to 1.5 million tonnes per annum. Bogoso/Prestea produced and sold 140,504 ounces of gold in 2011 and 170,973 ounces of gold in 2010.
- Through another 90% owned subsidiary, Golden Star (Wassa) Limited (“GSWL”), we own and operate the Wassa open-pit gold mine and carbon-in-leach processing plant (“Wassa”), located approximately 35 km east of Bogoso/Prestea. The design capacity of the carbon-in-leach processing plant at Wassa (“Wassa processing plant”) is nominally 3.0 million tonnes per annum but varies depending on the ratio of hard to soft ore. GSWL also owns the Hwini-Butre and Benso concessions (“HBB”) in southwest Ghana. Ore from the HBB mines is sent to Wassa for processing. The Hwini-Butre and Benso concessions are located approximately 80 km and 50 km, respectively, south of Wassa along the Company's dedicated haul road. Wassa/HBB produced and sold 160,616 ounces of gold in 2011 and 183,931ounces of gold in 2010.

We also hold interests in several gold exploration projects in Ghana and elsewhere in West Africa including Sierra Leone, Niger and Côte d'Ivoire, and in South America we hold and manage exploration properties in Brazil.

All our operations, with the exception of certain exploration projects, transact business in U.S. dollars and keep financial records in U.S. dollars. Our accounting records are kept in accordance with U.S. GAAP. Our fiscal year ends December 31. We are a reporting issuer or the equivalent in all provinces of Canada, in Ghana and in the United States and file disclosure documents with securities regulatory authorities in Canada and Ghana and with the United States Securities and Exchange Commission.

GOLD SALES AND PRODUCTION

Ghana has been a significant gold producing country for over 100 years with the Obuasi mine and our inactive underground mine at Prestea historically being the two major producers. Several other areas in Ghana have also produced large amounts of gold. Ghana produced approximately 3.3 million ounces of gold in 2011.

Currently, all our gold production is shipped to a South African gold refinery in accordance with a long-term gold sales contract. Our gold is sold in the form of doré bars that average approximately 90% gold by weight with the remaining portion being silver and other metals. The sales price is based on the London P.M. fix on the day of shipment to the refinery.

GOLD PRICE HISTORY

The price of gold is volatile and is affected by numerous factors all of which are beyond our control such as the sale or purchase of gold by various central banks and financial institutions, inflation, recession, fluctuation in the relative values of the U.S. dollar and foreign currencies, changes in global and regional gold demand, and the political and economic conditions of major gold-producing countries throughout the world.

The following table presents the high, low and average London P.M. fixed prices for gold per ounce on the London Bullion Market over the past ten years.

Year	High	Low	Average	Average Price Received by Golden Star
2001	293	256	271	271
2002	349	278	310	311
2003	416	320	363	364
2004	454	375	410	410
2005	537	411	445	446
2006	725	525	603	607
2007	841	608	695	713
2008	1,011	713	872	870
2009	1,213	810	972	978

2010	1,421	1,058	1,225	1,219
2011	1,895	1,319	1,572	1,565
February 22, 2012				1,684

The following diagram depicts the organizational structure of Golden Star and its significant subsidiaries:

BUSINESS STRATEGY AND DEVELOPMENT

Our business and development strategy is focused primarily on the acquisition of producing and development-stage gold properties in Ghana and on the exploration, development and operation of these properties. We also pursue gold exploration activities in South America and other countries in West Africa.

We acquired the Bogoso property and began operating its mines and CIL processing facility in 1999. In 2001, we acquired the Prestea property located adjacent to the Bogoso property. In late 2002, we acquired Wassa and constructed the Wassa processing plant, which began commercial operation in April 2005. In July 2007, we completed construction and development of the Bogoso sulfide plant. In late 2005, we acquired the HBB properties consisting of the Benso and Hwini-Butre properties. Benso began sending ore to the Wassa processing plant in 2008, and in 2009, following its development phase, Hwini-Butre began sending ore to the Wassa processing plant.

Our overall objective is to continue the growth of our mining business to become a mid-tier gold producer. We continue to evaluate potential acquisition and merger opportunities that could further increase our annual gold production. However, we presently have no agreement or understanding with respect to any specific potential transaction.

In addition to our gold mining and development activities, we actively explore for gold in West Africa and South America, investing approximately $20 million on such activities during 2010 and approximately $24.4 million in 2011. We are conducting regional reconnaissance projects in Ghana, Cote d'Ivoire and Brazil, and have drilled more advanced targets in Ghana, Niger and Sierra Leone. See Item 2 - “Description of Properties” in this Annual Report on Form 10-K for the year ended December 31, 2011, for additional details on our assets.

GOLD PRODUCTION AND UNIT COSTS

The following table shows historical and projected gold production and cash operating costs.

Production and Cost Per Ounce(1)	2009	2010	2011	2012 Projected
BOGOSO/PRESTEA				
Gold Sales (thousands of ounces)	186.1	171.0	140.5	210 - 225
Cash Operating Cost ($/oz)	705	863	1,284	1,100 - 1,180
WASSA/HBB				
Gold Sales (thousands of ounces)	223.8	183.9	160.6	140 - 145
Cash Operating Cost ($/oz)	447	677	868	950 - 985
CONSOLIDATED				
Consolidated Total Sales (thousands of ounces)	409.9	354.8	301.1	350 - 370
Consolidated Cash Operating Cost ($/oz)	564	766	1,062	1,040 - 1,100

(1) See “Management's Discussion and Analysis of Financial Condition and Results of Operations” for the definition of cash operating cost per ounce.

MINERAL RESERVES

Our Proven and Probable Mineral Reserves are estimated in conformance with definitions set out in NI 43-101. We have filed Technical Reports regarding the initial disclosure of Mineral Reserves and Mineral Resources for Bogoso/Prestea and Wassa/HBB as required by NI 43-101. The Proven and Probable Mineral Reserves are those ore tonnages contained within economically optimized pits, configured using current and predicted mining and processing methods and related operating costs and performance parameters. We believe that our Mineral Reserves are estimated on a basis consistent with the definition of proven and probable reserves prescribed for use in the U.S. by the U.S. Securities and Exchange Commission and set forth in SEC Industry Guide 7. See our “Glossary of Terms.”

In estimating Mineral Reserves, we first design an economically optimized pit based on all operating costs, including the costs to mine. Since all material lying within the optimized pit will be mined, the cut-off grade used in determining our Mineral Reserves is estimated based on the material that, having been mined, is economic to transport and process without regard to primary mining costs (i.e. mining costs that were appropriately applied at the economic optimization stage).

The QA/QC controls program used in connection with the estimation of our Mineral Reserves consists of regular insertion and analysis of blanks and standards to monitor laboratory performance. Blanks are used to check for contamination. Standards are used to check for grade-dependence biases.

The following table summarizes our estimated Proven and Probable Mineral Reserves as of December 31, 2011, and December 31, 2010:

PROVEN AND PROBABLE MINERAL RESERVES

	As at December 31, 2011			As at December 31, 2010		
Property Mineral Reserve Category	Tonnes (millions)	Gold Grade (g/t)	Ounces (millions)	Tonnes (millions)	Gold Grade (g/t)	Ounces (millions)
Bogoso/Prestea [1]						
Proven Mineral Reserves						
Non-refractory	1.3	1.64	0.07	1.3	1.58	0.06
Refractory	8.3	2.72	0.73	12.0	2.79	1.07
Total Proven	9.6	2.57	0.80	13.2	2.67	1.14
Probable Mineral Reserves						
Non-refractory	6.9	2.31	0.51	7.0	2.31	0.52
Refractory	24.2	2.60	2.02	26.9	2.45	2.13
Total Probable	31.1	2.54	2.54	34.0	2.42	2.65
Total Proven and Probable						
Non-refractory	8.2	2.21	0.58	8.3	2.20	0.59
Refractory	32.6	2.63	2.75	38.9	2.56	3.20
Total Bogoso/Prestea Proven and Probable	40.8	2.55	3.34	47.2	2.49	3.78
Wassa [2]						
Proven Mineral Reserves						
Non-refractory	0.6	1.27	0.03	0.6	1.14	0.02
Probable Mineral Reserves						
Non-refractory	17.4	1.38	0.77	17.5	1.44	0.81
Total Wassa Proven & Probable	18.1	1.38	0.80	18.1	1.43	0.83
Totals						
Proven Mineral Reserves						
Non-refractory	1.9	1.52	0.10	1.9	1.43	0.09
Refractory	8.3	2.72	0.73	12.0	2.79	1.07
Total Proven	10.3	2.49	0.82	13.9	2.60	1.16
Probable Mineral Reserves						
Non-refractory	24.3	1.65	1.29	24.5	1.69	1.33
Refractory	24.2	2.60	2.02	26.9	2.45	2.13
Total Probable	48.5	2.12	3.31	51.5	2.09	3.46
Total Proven and Probable						
Non-refractory	26.3	1.64	1.38	26.4	1.67	1.42
Refractory	32.6	2.63	2.75	38.9	2.56	3.20
Total Proven and Probable [8]	58.8	2.19	4.14	65.3	2.20	4.62

Notes to the Mineral Reserve Statement:

(1) The stated Mineral Reserve for Bogoso/Prestea includes Prestea South, Pampe and Mampon.

(2) The stated Mineral Reserve for Wassa includes Hwini-Butre.

The stated Mineral Reserves have been prepared in accordance with Canada's National Instrument 43-101 Standards of Disclosure for Mineral Projects and are classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum's “CIM Definition Standards - For Mineral Resources and Mineral Reserves”.

(3) Mineral Reserves are equivalent to “proven” and “probable reserves” as defined by the SEC Industry Guide 7. Mineral Reserve estimates reflect the Company's reasonable expectation that all necessary permits and approvals will be obtained and maintained. Mining dilution and mining recovery vary by deposit and have been applied in estimating the Mineral Reserves.

(4) The 2011 Mineral Reserves were prepared under the supervision of Dr. Martin Raffield, Senior Vice President of Technical Services for the Company. Dr. Raffield is a "Qualified Person" as defined by Canada's National

Instrument 43-101. The 2010 Mineral Reserves were prepared under the supervision of Mr. Karl Smith, Vice President Technical Services for the Company. Mr. Smith is a “Qualified Person” as defined by Canada's National Instrument 43-101.

(5) The Mineral Reserves at December 31, 2011, were estimated using a gold price of $1,250 per ounce, which is

approximately equal to the three-year average gold price. At December 31, 2010, Mineral Reserves were estimated using a gold price of $1,025 per ounce.

(6) The terms “non-refractory” and “refractory” refer to the metallurgical characteristics of the ore and are defined in the Glossary of Terms. We plan to process the refractory ore in our sulfide bio-oxidation plant at Bogoso and to process the non-refractory ore using our more traditional gravity, flotation and/or cyanidation techniques.

(7) The slope angles of all pit designs are based on geotechnical criteria as established by external consultants. The size and shape of the pit designs are guided by consideration of the results from a pit optimization program which incorporates historical and projected operating costs at Bogoso/Prestea, Wassa and Hwini-Butre. Metallurgical recoveries are based on historical performance or estimated from test work and typically range from 80% to 95% for non-refractory ores and from 70% to 85% for refractory ores. A government royalty of 5% of gold revenues is allowed as are other applicable royalties.

(8) Numbers may not add due to rounding.

STOCKPILED ORES

Stockpiled ores are included in the Mineral Reserves for both Bogoso/Prestea and Wassa. Details of the Proven and Probable stockpiles included in the Mineral Reserves at year-end 2011 and 2010 are summarized in the table below.

PROVEN AND PROBABLE STOCKPILES INCLUDED IN MINERAL RESERVES

	As at December 31, 2011			As at December 31, 2010		
Property Mineral Reserve Category	Tonnes (millions)	Gold Grade (g/t)	Ounces (millions)	Tonnes (millions)	Gold Grade (g/t)	Ounces (millions)
Bogoso/Prestea						
Proven Stockpiles						
Non-refractory	0.2	2.24	0.01	—	—	—
Refractory	0.5	2.19	0.03	—	—	—
Total Proven Stockpiles	0.6	2.21	0.04	—	—	—
Probable Stockpiles						
Non-refractory	—	—	—	—	—	—
Refractory	—	—	—	0.2	2.31	0.02
Total Probable Stockpiles				0.2	2.31	0.02
Total Proven and Probable						
Non-refractory	0.2	2.24	0.01	0.0	2.56	0.00
Refractory	0.5	2.19	0.03	0.2	2.30	0.02
Total Bogoso/Prestea Proven and Probable	0.6	2.21	0.04	0.3	2.33	0.02
Wassa						
Proven Stockpiles						
Non-refractory	0.5	1.30	0.02	0.3	0.78	0.01
Probable Stockpiles						
Non-refractory	1.5	0.56	0.03	2.6	0.52	0.04
Total Wassa Proven & Probable Stockpiles	2.0					