GOLDEN STAR RESOURCES LTD
Form 10-Q
May 21, 2001

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2001

OR

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

Commission file number 0-21708

GOLDEN STAR RESOURCES LTD.
(Exact name of registrant as specified in its charter)

CANADA	98-0101955
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10579 BRADFORD ROAD SUITE 103 LITTLETON, COLORADO	80127-4247
(Address of principal executive office)	(Zip Code)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days
Yes X   No
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Number of Common Shares outstanding as of April 30, 2001: 38,088,988

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GOLDEN STAR RESOURCES LTD.

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SPECIAL NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This Form 10-Q contains "forward-looking statements" within the meaning of the U.S. securities laws. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events, capital expenditure, exploration efforts, financial needs, and other information that is not historical information. Golden Star Resources Ltd. (the "Company") forward-looking statements are based on the Company's current expectations and various assumptions as of the date such statements are made. The Company cannot give assurance that such statements will prove to be correct.

These forward-looking statements include statements regarding: the impact of our shift in business strategy; the impact that the Bogoso mine may have on our future liquidity, cash flows, financial requirements, operating results and capital resources; the operational and financial performance of the Bogoso mine; targets for gold production; cash operating costs and expenses; increases or decreases in production from our mining operations; schedules for completion of feasibility studies; potential increases in reserves and production; the timing and scope of future drilling and other exploration activities; expectations regarding receipt of permits and commencement of mining or production; anticipated recovery rates; and potential acquisitions or increases in property interests in the region of the Bogoso mine.

Factors that could cause our actual results to differ materially from these statements include changes in gold prices, unanticipated grade changes, unanticipated changes and recovery problems, mining and milling costs, geology, metallurgy, processing, access, transportation of supplies, water availability, results of current and future exploration activities, results of pending and future feasibility studies, changes in project parameters as plans continue to be refined, political, economic and operational risks of foreign operations, joint venture relationships, availability of materials and equipment, the timing of receipt of governmental approvals for new permits or renewal of permits, capitalization and commercial viability, the failure of plant, equipment or processes to operate in accordance with specifications or expectations, accidents, labor disputes, delays in start-up dates, environmental costs and risks, local and community impacts and issues, and general domestic and international economic and political conditions.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	As o March 200
ASSETS	
CURRENT ASSETS	
Cash and short-term investments	$
Accounts receivable	
Inventories (Note 3)	10,
Other assets	
Total Current Assets	12,
RESTRICTED CASH (Note 8)	4,
NOTE RECEIVABLE	1,
ACQUISITION, DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 4)	25,
INVESTMENT IN OMAI GOLD MINES LIMITED	
MINING PROPERTIES (Net of accumulated depreciation of $9,498 and $9,111, respectively)	1,
FIXED ASSETS (Net of accumulated depreciation of $3,890 and $3,508, respectively)	3,
OTHER ASSETS	
Total Assets	$ 49,
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$ 3,
Accrued liabilities	2,
Accrued wages and payroll taxes	

Current portion of amount payable to financial institutions	4,
Total Current Liabilities	10,
LONG-TERM DEBT	1,
AMOUNT PAYABLE TO FINANCIAL INSTITUTIONS	
CONVERTIBLE DEBENTURES (Note 5)	3,
ENVIRONMENTAL REHABILITATION LIABILITY (Note 8)	5,
OTHER LIABILITIES	
Total Liabilities	20,
MINORITY INTEREST	4,
COMMITMENTS AND CONTINGENCIES (Note 8)	
SHAREHOLDERS' EQUITY	
SHARE CAPITAL (Note 6)	161,
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: March 31, 2001 - 38,088,988; December 31, 2000 - 37,588,988	
Equity component of convertible debentures (Note 5)	1,
DEFICIT	(137,
Total Shareholders' Equity	25,
Total Liabilities and Shareholders' Equity	$ 49,

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

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

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
REVENUE		
Gold sales	$ 4,678	$ 8,693
Interest and other	157	298
	4,835	8,991

COSTS AND EXPENSES		
Mining operations	4,979	5,518
Depreciation, depletion and amortization	822	2,164
Exploration expense	60	360
General and administrative	949	550
(Gain)/Loss on disposal of assets	6	(33)
Interest expense	229	257
Foreign exchange loss	15	3
	7,060	8,819
INCOME/(LOSS) BEFORE THE UNDERNOTED	(2,225)	172
Omai preferred share redemption premium	14	36
Income/(Loss) before minority interest	(2,211)	208
Minority interest	360	(278)
NET LOSS	$ (1,851)	$ (70)
BASIC AND DILUTED NET LOSS PER SHARE	$ (0.05)	$ (0.00)
Weighted Average Shares Outstanding (in millions of shares)	38.0	37.4

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

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

	Three Months Ended March 31, 2001	T
OPERATING ACTIVITIES:		
NET LOSS	$ (1,851)	
RECONCILIATION OF NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		

Depreciation, depletion and amortization	824
Accretion of convertible debentures	52
Premium on Omai preferred share redemption	(14)
Loss/(Gain) on disposal of assets	6
Minority interest	(360)
Accrued Interest on notes receivable	(33)
Reclamation expenditures	(85)
Changes in non-cash operating working capital	
Accounts receivable	345
Inventories	(38)
Accounts payable and accrued liabilities	1,233
Other current assets	55
Total changes in non-cash operating working capital	1,595
Net Cash Provided by Operating Activities	134
INVESTING ACTIVITIES:	
Expenditures on mineral properties, net of joint venture recoveries	(700)
Expenditures on mining property	(9)
Equipment purchases	(608)
Increase in restricted cash	(654)
Omai preferred share redemption	31
Other	27
Net Cash Used in Investing Activities	(1,913)
FINANCING ACTIVITIES:	
Repayment of long-term debt	(31)
Increase in current portion of amounts payable to financial institutions	268
Issuance of share capital, net of issue costs	1,000
Other	--
Net Cash Provided by Financing Activities	1,237
Decrease in cash and short-term investments	(542)
Cash and short-term investments, beginning of period	991
Cash and short-term investments, end of period	$ 449

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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

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

The unaudited financial statements for the three months ended March 31, 2001 and 2000, reflect all adjustments, consisting solely of normal recurring items, which are necessary for a fair presentation of financial position, results of operations, and cash flows on a basis consistent with that of the prior audited consolidated financial statements.

(1) OPERATIONS AND GOING CONCERN

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

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

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

The Company's shares were de-listed from the American Stock Exchange (Amex) on January 26, 2001. Although the Company has not experienced any material direct impact on its financial position, results of operations and liquidity as a result of the de-listing, the Company may, in the longer term, have more difficulty raising financing in the U.S. market.

De-listing from the Amex has triggered penalties on 1.5 million of outstanding warrants. The penalties include cash payments to the warrant holders equal to 3% per month of the aggregate value of the shares underlying the warrants, which would cost approximately $19,000 per month. The Company is now in financing discussions with the warrant holders and will propose alternatives to resolve the penalty situation and, as a result, the warrant holders have, in the interim, agreed to defer any penalty payments until the end of June 2001. If the Company is required to pay this penalty for more than six months, the warrant agreement would then require repurchase of the warrants or, if the warrant holders elect to exercise the warrants, to repurchase the warrant holder's common shares at a premium over the fair market value of the common shares. Payment of the penalties and repurchase of the warrants or shares would adversely impact the Company's financial condition, results of operations and liquidity. See note 10 "SUBSEQUENT EVENTS" for additional discussion of delisting penalties.

The Company is exploring various transactions which would enable it to have sufficient capital to continue its operations. The transactions being considered include mergers with other companies, the issuance of new equity, establishment of additional joint ventures and the sale of property interests. Whether and to what extent alternative

financing options are completed by the Company or its subsidiaries will depend on a number of factors including, among others, the successful acquisition of additional properties or projects, the price of gold and management's assessment of the capital markets. Although there can be no assurance that the Company will be successful in these actions, management believes that they will be able to conclude property acquisitions and to secure the necessary financing to enable the Company to continue as a going concern. These financial statements do not reflect going concern adjustments to the carrying value of assets and liabilities. If the going concern assumption were not appropriate, such adjustments could be material.

(2) SUPPLEMENTAL CASH FLOW INFORMATION

	March 31, 2001	March 31, 2000
Depreciation charged to projects	$ 1	$ 27
Shares issued upon conversion of convertible debentures	--	$ 214
Conversion of convertible debentures	--	$ (214)

(3) INVENTORIES

	March 31, 2001	December 31, 2000
Broken Ore	$ 3,113	$ 2,736
In-process	2,165	2,361
Materials and Supplies	5,565	5,708

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$10,843	$10,805
=======	=======

(4) ACQUISITION, DEFERRED EXPLORATION AND DEVELOPMENT COSTS

	Acquisition, Deferred Exploration and Development Costs as at Dec. 31, 2000	Capitalized Exploration Expenditures	Capitalized Acquisition Expenditures	Joint Venture Recoveries	Property Abandonme Write-dow
SURINAME					
Gross Rosebel	$ 15,818	$ 166	$ --	$ (90)	$ --
Sub-total	15,818	166	--	(90)	--
FRENCH GUIANA (GUYANOR RESSOURCES S.A.)					
Paul Isnard	5,827	157	--	--	--
Sub-total	5,827	157	--	--	--
AFRICA (BOGOSO GOLD LIMITED)					
Riyadh	239	16	--	--	--
Bogoso Sulfide	2,608	451	--	--	--
Sub-total	2,847	467	--	--	--
TOTAL	$ 24,492	$ 790	$ --	$ (90)	$ --

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

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(5) CONVERTIBLE DEBENTURES

	Liability Component	Equity Component

Balance at December 31, 2000	$3,179	$1,045
Conversion to shares	--	--
Accretion	52	--
Balance at March 31, 2001	$3,231	$1,045

On August 24, 1999, the Company issued the principal amount of $4,155,000 in subordinated convertible debentures to raise financing for the acquisition of Bogoso Gold Limited (BGL). The debentures mature on August 24, 2004 and bear interest at the rate of 7.5% per annum from the date of issue, payable semi-annually on February 15 and August 15, to the debenture-holders as of February 1 and August 1, respectively, commencing on February 15, 2000.

(6) CHANGES TO SHARE CAPITAL

During the quarter ended March 31, 2001, the Company issued 500,000 shares at $2.00 per share in a private placement raising $1.0 million.

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

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

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

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

(c) US GAAP requires that compensation expense be recorded for the excess of the quoted market price over the option price granted to employees and directors under stock option plans. Under Cdn GAAP, no compensation expense is required to be recorded for such awards.

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

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

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

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

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

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

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

	For the three months ende	
	March 31, 2001	March 31
Net loss under Canadian GAAP	$ (1,851)	$
Net affect of expensing previously capitalized acquisition costs for exploration projects (a)	--	(
Net effect of the deferred exploration expenditures on loss for the period (a)	(626)	
Effect of capitalized acquisition costs net of related depletion (h)	100	
Other (b) (d) (g) (h)	69	
Loss under US GAAP before minority interest adjustment	(2,308)	(
Minority interest adjustment (a) (h)	110	
Net loss under US GAAP	(2,198)	(
Other comprehensive income foreign currency translation adjustment (g)	(15)	
Comprehensive income	$ (2,213)	$ (
Basic and diluted net loss per share under US GAAP	$ (0.06)	$

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

BALANCE SHEET

	As of March 31, 2001		As of D
	US GAAP	Cdn GAAP	US GAAP
Cash	$ 449	$ 449	$ 99
Other current assets	11,607	11,607	11,96
Restricted cash	4,801	4,801	4,14
Acquisition, deferred exploration and development (a)	--	25,192	-
Investment in OGML (b)	--	608	-
Mining properties (h)	1,047	1,544	1,37
Other assets	5,687	5,483	5,54
Total Assets	$ 23,591	$ 49,684	$ 24,02
Liabilities (d)	$ 21,067	$ 20,422	$ 19,68
Minority interest (a) (h)	4,215	4,073	4,81
Share capital, net of stock option loans (f)	159,519	162,967	158,51
Cumulative translation adjustments (i)	1,595	--	1,59
Accumulated comprehensive income (g)	(344)	--	(32
Deficit (a)(j)(e)	(162,461)	(137,778)	(160,26
Total Liabilities and Shareholders' Equity	$ 23,591	$ 49,684	$ 24,02

STATEMENTS OF CASH FLOWS

NET CASH PROVIDED BY (USED IN):

	OPERATING ACTIVITIES		INVESTING ACTIVITIES		FIN
	Cdn GAAP	U.S. GAAP	Cdn GAAP	U.S. GAAP	Cdn
For the three months ended March 31, 2001	$ 134	$ (576)	$(1,913)	$ (1,203)	$
For the three months ended March 31, 2000	$1,655	$ 302	$(2,240)	$ (887)	$

Operations by geographic area under US GAAP:

	OPERATING REVENUES	NET LOSS	IDEN
For the three months ended March 31, 2001			
South America	$ 11	$ (558)	
Africa	4,758	(966)	
Corporate	66	(674)	
	$ 4,835	$ (2,198)	
For the three months ended March 31, 2000			
South America	$ 5	$(11,874)	
Africa	8,946	17	
Corporate	40	(242)	
	$ 8,991	$(12,099)	

(8) COMMITMENTS AND CONTINGENCIES

ENVIRONMENTAL REGULATIONS

The Company is not aware of any events of material non-compliance in its operations with environmental laws and regulations which could have a material adverse effect on the Company's operations or financial condition. The exact nature of environmental control problems, if any, which the Company may encounter in the future cannot be predicted, primarily because of the changing character of environmental requirements that may be enacted within foreign jurisdictions. The environmental rehabilitation liability for reclamation and closure costs at the Bogoso Mine at March 31, 2001 was $5.6 million.

RESTRICTED CASH

Upon the closing of the acquisition of BGL in 1999, the Company was required, under the acquisition agreement, to restrict $6.0 million in cash. These funds are to be used for the ongoing, final reclamation and closure costs relating to the Bogoso mine site. The withdrawal of these funds must be agreed to by the Sellers of BGL, who are ultimately responsible for the reclamation in the event of non-performance by Golden Star and Anvil. At March 31, 2001 there was $4.1 million of cash in this fund. In addition there was $0.7 million restricted under agreement with Rio Tinto to be used to fund exploration work on the Paul Isnard project in French Guiana during 2001. (See Item 2. "Guyanor Ressources S.A." for additional discussion of the 2001 Paul Isnard funding arrangement.)

PAYMENTS TO THE SELLERS OF BOGOSO

The Company and Anvil, the minority interest holder in BGL, together were scheduled to make the interim payment to the Sellers of BGL on September 30, 2000 in the amount of $2.8 million. On November 9, 2000 the Company paid the Sellers $1.4 million of the $2.8 million due, and reached agreement with the

Sellers that the balance, plus interest at 10% per annum, was to be paid by December 22, 2000. The Company has been in discussions with representatives of the Sellers, but the remaining balance and accrued interest is still unpaid.

(9) RELATED PARTIES

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

(10) SUBSEQUENT EVENTS

On May 18, 2001, the Company signed an agreement with the holders of warrants to purchase 1,500,000 common shares, whereby (i) the warrant holders agreed to exercise their warrants (at $0.425/share for total proceeds to the Company of $637,500); (ii) the Company agreed to pay the warrant holders the penalties accrued to date, arising from the de-listing of the Company's shares from the Amex (totaling $83,000); and (iii) the warrant holders agreed to release and discharge the Company from any past, present or future liabilities and obligations arising from the de-listing from the Amex.

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

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

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

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

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2000

During the first quarter of 2001, the Company reported a net loss of $1.9 million or $0.05 per share as compared to a net loss of less than $0.1 million or $0.00 per share for the first quarter of 2000. Lower gold prices and an increase in unit costs, due to lower gold output, at the Company's Bogoso Mine during the first quarter of 2001 were the major factors responsible for the larger loss than in the same period of 2000.

Lower production levels and lower average gold prices in the first quarter ($262 realized per ounce in 2001 vs. $290 in 2000) combined to yield gold revenues of $4.7 million, down from $8.7 million in the first quarter of 2000. Cash operating costs dropped to $5.0 million from $5.5 million in the first quarter of 2000.

Depreciation, depletion and amortization charges fell sharply to $0.8 million the first quarter of 2001 from $2.2 million in the same period of 2000. Several factors combined to yield the reduction, including lower gold production in the first quarter of 2001, reserve increases identified in mid-2000 and a reduction in the carrying value of the Bogoso Mine acquisition costs at December 31, 2000. Administrative expenditures increased to $0.9 million during the first quarter of 2001 as compared to $0.6 million during the first quarter of 2000. Severance costs, timing of professional services and accrual of delisting penalties account for the increase. Exploration expense for the first quarter dropped to $0.1 million from $0.4 million in the first quarter of 2000 as a result of closure of exploration offices and lower over-all exploration activity than a year ago. Interest expense decreased slightly to $0.2 million during the first quarter of 2001, from $0.3 million in the same period of 2000.

BOGOSO GOLD LIMITED

Gold output from the Bogoso Mine totaled 17,812 ounces in the first quarter of 2001, down from 29,923 ounces in the same period of 2000. Gold sales yielded $4.7 million of revenues versus $8.7 million during the first quarter of 2000 and total cash costs were $5.0 million and $5.5 million respectively during the first quarters of 2001 and 2000. Total cash cost per ounce averaged $274.73 in the first quarter versus $191.77 in the same period of 2000.

Lower production and sales revenues in the first quarter, as compared to the same period of 2000, were related to the first quarter 2001 commissioning of new mill circuits and mill modifications installed in the fourth quarter of 2000. The mill modifications are designed to allow the processing of transition ores which are expected to be a major source of mill feed during 2001. To process transition ores, the mill was upgraded between August and December 2000 to add a spiral gravity circuit (to produce a sulfide concentrate from the transition ore) and a regrind and intensive cyanide leach circuit (CIIL) (to recover gold from the transition ore concentrate). The initial phase of the new circuit commissioning was completed by February. In March the mill returned to processing oxide ores and gold output returned to more typical levels.

GUYANOR RESSOURCES S.A.

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

On January 17, 2001, Rio Tinto purchased by way of private placement 500,000 common shares of Golden Star at a price of $2.00 per common share, for total proceeds of $1,000,000. The Company has committed to advance all $1.0 million of the proceeds to Guyanor. Of the $1.0 million total, $0.75 million will be used to fund a work program in 2001 on the Paul Isnard gold project and $250,000 will be used to partially fund the cost of a re-organization of Guyanor, aimed at reducing ongoing costs.

Exploration spending by Guyanor totaled $0.2 million in the first quarter of 2001, the same as in the first quarter of 2000. All of Guyanor project spending in the first quarter was related to the Paul Isnard project carried out per terms of the Rio Tinto funding arrangement.

SURINAME

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2001, the Company held cash and short-term investments of $0.4 million and working capital of $2.0 million. Respectively these figures were down from $1.0 million and $4.5 million at December 31, 2000. Lower cash balances and higher payables as compared to December 31, 2000 accounted for most of the reduction in working capital. Operating activities generated $0.1 million of cash in the first quarter versus $1.7 million for the same period of 2000. Lower gold revenues were the major contributing factor to the decline.

Cash used in investing activities decreased to $1.9 million for the three months ended March 31, 2001 as compared to $2.2 million for the three months ended March 31, 2000. Lower spending on capitalized exploration and capital equipment was mostly off set by the restriction of cash dedicated to the Paul Isnard project.

Cash provided by financing activities amounted to $1.2 million in the first quarter of 2001, of which the Rio Tinto private placement in January 2001 provided $1.0 million, compared with $0.1 million in financing activities for the corresponding period in 2000.

The Company had $4.1 million of cash at March 31, 2001 which is restricted, in accordance with the BGL acquisition agreement, to be used for environmental rehabilitation at the Bogoso Mine. Additionally $0.7 million of cash was restricted under terms of the agreement with Rio Tinto, to fund 2001 work on the Paul Isnard project.

Cash for corporate needs and to maintain the various exploration projects in South America were met during the first quarter by distributions from the Bogoso Mine in Ghana but in reduced amounts due to the lower gold output at the Bogoso Mine. As a result, certain short-term liabilities of the Company have not been paid, such as the amount due the Sellers of Bogoso (see foot note 1 to the Company's Consolidated financial Statements). To reduce the cash requirements in the first quarter, all directors and certain executive officers of the Company have agreed to defer payment of their compensation until such time as the Company's cash availability improves.

The Company's ability to continue as a going concern after 2001 is dependent on its ability to obtain funding for acquisitions and development projects during 2001. Mining at the Company's only producing mine (the Bogoso Mine) is expected to be completed by mid-2001. While low-grade stock pile material will allow the Bogoso mill to continue operating into early 2002, additional ore reserves will be required by the beginning of 2002 to avoid mill closure. The Company is currently involved in advanced negotiations to acquire a property contiguous with the Bogoso Mine in Ghana that contains zones of gold mineralization that, if acquired, would be expected to provide mill feed for several years into the future. Additional funding would be required for this acquisition and, while the Company is currently engaged in financing negotiations, there is no assurance such funding can be obtained. The current market for gold shares is weak and equity capital is difficult to obtain.

Under the terms of the 1999 Bogoso purchase agreement between the Company, Anvil and the Sellers, the Company and Anvil together were required to make payment to the Sellers on September 30, 2000 in the amount of $2.8 million. The amount of the payment was determined using a formula in the purchase agreement, which incorporates the average price of gold during the twelve months ended September 30, 2000. On November 9, 2000 the Company paid to the Sellers $1.4 million of the $2.8 million due, and reached agreement with the Sellers that the balance, plus interest at 10% per annum, was to be paid by December 22, 2000. As of the date of this report, the Company is in discussions with the representatives of the Sellers, but the remaining balance and accrued interest has still not been paid.

OUTLOOK

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

Whether and to what extent alternative financing options are completed by the

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

reduce the Company's ability to raise additional funds from equity or debt sources.

The Company has budgeted production from the Bogoso Mine of 99,000 ounces during 2001. While mining operations at the Bogoso Mine are expected to end by mid-2001, stockpiled ores should allow the mill to continue operations into early 2002. Budget projections indicate that Bogoso Mine is expected to generate sufficient cash flow during 2001 to meet its own needs as well as to distribute minor amounts cash to other entities within the Company. The Company's planned exploration and development spending during 2001 is primarily for completion of the feasibility study on the Bogoso sulfide project, exploration work at the Paul Isnard property in French Guiana, and the new feasibility study at Gross Rosebel in Suriname.

OTHER MATTERS

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

The Company's shares were de-listed from the American Stock Exchange (Amex) on January 26, 2001. The Amex noted the Company's stock price trading below one dollar per share, continuing losses and total shareholder equity below the Amex minimum requirements, on a U.S GAAP basis, as the reasons for their decision.

The Company now trades on the NASDAQ Over-the-Counter Bulletin Board under the symbol GSRSF and continues to trade on the Toronto Stock Exchange under the symbol GSC.

PENALTIES ARISING FROM THE AMEX DE-LISTING

Delisting from the Amex has triggered penalties on 1.5 million of outstanding warrants. The warrants were issued with the agreement that if the Company's stock was to be delisted from the Amex and not subsequently relisted on either the New York Stock Exchange, the NASDAQ National Market or the NASDAQ Smallcap Market, that cash payments and other remedies would be made available to the holders of the warrants. At this time the Company's stock does not qualify for listing on these three exchanges thus triggering the penalties.

The penalties include cash payments to the warrant holders equal to 3% per month of the aggregate value of the shares underlying the warrants, being approximately $19,000 per month. The warrant holders have agreed to defer any penalty payments until the end of June 2001 and discussions are ongoing regarding a potential financing and resolution of this matter.

If the Company is required to pay this penalty for more than six months, i.e., through July 2001, the warrant agreement would then require repurchase of the warrants (or if the warrant holders elect to exercise the warrants, to repurchase the warrant holder's common stocks at a premium over the fair market value of the common shares). Payment of the penalties and repurchase of the warrants (shares) would adversely impact the Company's financial condition, results of operations and liquidity. See Subsequent Events section below for additional information on the resolution of this matter.

PRESTEA PROPERTY ACQUISITION ACTIVITIES

Since the beginning of 2000, the Company has endeavored to acquire the property located along the southern boundary of the existing Bogoso concession, known as the "Prestea Property". The Prestea Property is known to contain at least three prospective oxide gold deposits amenable to open-pit mining methods and CIL processing. Negotiations with the owner of the Prestea Property during 2000 led to the signing of a letter of intent on August 24, 2000, which would have allowed the Company to proceed with the acquisition. On October 25, 2000 the Government of Ghana advised its decision to abrogate the existing rights over the mining lease on the Prestea Property. On November 1, 2000 the Government of Ghana granted a new mining lease over the Prestea property to a company that was mining the underground mine on the Prestea Property. The letter of intent was subsequently allowed to expire.

In February 2001, following a change of government in Ghana and other developments, the Company again entered into negotiations to obtain the Prestea Property. The Company is also currently in discussions with a number of financial institutions to obtain the funding required to proceed with the acquisition and to provide for near-term working capital needs for the Company, although there can be no assurance that the Prestea acquisition will be successful and that funding can be obtained

SUBSEQUENT EVENTS

ANVIL BUYOUT

On April 4, 2001, the Company announced that, subject to regulatory and shareholder approval, it had entered into an agreement to acquire Anvil's 20% equity interest in BGL in return for the issuance of 3,000,000 common shares of Golden Star.

WARRANT EXERCISE

On May 14, 2001, the Company determined that the 10-day weighted average trading price of the Company's common shares for the preceding ten trading days had exceeded $0.62 per share. As a result, a total of 1,858,150 warrants and broker warrants became exercisable, at a price of $0.52 per share, for 30 calendar days. Warrant holders have until June 13, 2001 to exercise these warrants.

DELISTING PENALTIES

On May 18, 2001, the Company signed an agreement with the holders of warrants to purchase 1,500,000 common shares, whereby (i) the warrant holders agreed to exercise their warrants (at $0.425/share for total proceeds to the Company of $637,500); (ii) the Company agreed to pay the warrant holders the penalties accrued to date, arising from the de-listing of the Company's shares from the Amex (totaling $83,000); and (iii) the warrant holders agreed to release and discharge the Company from any past, present or future liabilities and obligations arising from the de-listing from the Amex.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

INTEREST RATE RISK

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

FOREIGN CURRENCY EXCHANGE RATE RISK

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

COMMODITY PRICE RISK

The Company is engaged in gold mining and related activities, including exploration, extraction, processing and reclamation. Gold bullion is the Company's primary product and, as a result, changes in the price of gold could

significantly affect the Company's results of operations and cash flows.

According to current estimates, a $25 change in the price of gold could result in a $2.5 million annual effect on the results of operations and cash flows. The Company currently does not have a program for hedging, or otherwise manage its exposure to commodity price risk. The Company may in the future manage its exposure through hedging programs.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

(b) Reports filed on Form 8-K during the quarter ended March 31, 2000

The Company filed with the Securities and Exchange Commission ("SEC") on January 16, 2001 a Form 8-K concerning the decision of the American Stock Exchange to delist the Company's shares from trading on the Amex effective January 26, 2001.

The Company also filed a Form 8-K with the SEC on January 19, 2001 announcing the closing of the agreement with Rio Tinto Mining and Exploration Limited relating to the private placement of 500,000 common shares of Golden Star at a price of $2.00 per share, and the earn-in joint venture agreement on the Paul Isnard gold project whereby Rio Tinto may earn up to a 70% interest in the project by spending $9.0 million on exploration and development of the property.

SIGNATURE

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

GOLDEN STAR RESOURCES LTD.

By: /s/ Peter J. Bradford

Peter J. Bradford
President and Chief Executive Officer

By: /s/ Allan J. Marter

Allan J. Marter
Vice President and Chief Financial Officer

May 18, 2001