

ITEM 1. FINANCIAL STATEMENTS

GOLDEN STAR RESOURCES LTD. CONSOLIDATED BALANCE SHEETS

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

	<u>As of</u> December 31, 2009	<u>As of</u> December 31, 2008
		restated (note 3)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 154,088	\$ 33,558
Accounts receivable	7,021	4,306
Inventories (Note 6)	52,198	49,134
Deposits (Note 7)	4,774	3,875
Prepays and other	1,415	1,100
Total Current Assets	219,496	91,973
RESTRICTED CASH (Note 17)	3,804	4,249
DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 9)	12,949	13,713
PROPERTY, PLANT AND EQUIPMENT (Note 10)	231,855	271,528
INTANGIBLE ASSET (Note 12)	9,480	—
MINING PROPERTIES (Note 11)	276,114	312,029
OTHER ASSETS	181	807
Total Assets	\$ 753,879	\$ 694,299
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 28,234	\$ 43,355
Accrued liabilities	34,178	30,879
Fair value of derivatives (Note 13)	—	1,690
Asset retirement obligations (Note 14)	1,938	1,620
Current Tax Liability	616	—
Current debt (Note 15)	9,970	12,778
Total Current Liabilities	74,936	90,322
LONG TERM DEBT (Note 15)	114,595	112,649
ASSET RETIREMENT OBLIGATIONS (Note 14)	30,031	30,036
FUTURE TAX LIABILITY (Note 16)	13,997	33,125
Total Liabilities	233,559	266,132
MINORITY INTEREST	—	—
COMMITMENTS AND CONTINGENCIES (Note 17)	—	—
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: 257,362,561 at December 31, 2009, 235,945,311 at December 31, 2008	690,423	615,463
CONTRIBUTED SURPLUS	15,759	15,197
EQUITY COMPONENT OF CONVERTIBLE DEBENTURES	34,542	34,542
ACCUMULATED OTHER COMPREHENSIVE INCOME	24	(88)
DEFICIT	(220,428)	(236,947)
Total Shareholders' Equity	520,320	428,167
Total Liabilities and Shareholders' Equity	\$ 753,879	\$ 694,299

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)
(Stated in thousands of US dollars except for share and per share data)

	For the years ended December 31,		
	2009	2008	2007
		restated (note 3)	restated (note 3)
REVENUE			
Gold revenues	\$ 400,739	\$ 257,355	\$ 175,614
Cost of sales (Note 19)	363,030	298,930	188,822
Mine operating margin/(loss)	37,709	(41,575)	(13,208)
OTHER EXPENSES, (GAINS) AND LOSSES			
Exploration expense	834	1,954	1,953
General and administrative expense	14,156	15,221	13,869
Abandonment and impairment	3,079	68,380	3,499
Derivative mark-to-market losses (Note 13)	3,538	980	232
Property holding costs	4,196	—	—
Loss on retirement of debt	—	—	7,067
Foreign exchange (gain)/loss	(2,995)	(2,587)	112
Interest expense	15,647	14,591	6,040
Interest and other income	(197)	(805)	(2,173)
Loss on sale of assets	304	575	—
Gain on sale of investments	—	(5,402)	(12,449)
Loss before minority interest	(853)	(134,482)	(31,358)
Minority interest	—	6,150	1,274
Net loss before income tax	(853)	(128,332)	(30,084)
Income tax (expense)/benefit (Note 16)	17,372	9,029	(5,206)
Net income/(loss)	\$ 16,519	\$ (119,303)	\$ (35,290)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Unrealized (gain)/loss on available-for-sale investments	113	(3,280)	3,192
Comprehensive income/(loss)	\$ 16,632	\$ (122,583)	\$ (32,098)
Net income/(loss) per common share—basic (Note 21)	\$ 0.070	\$ (0.506)	\$ (0.154)
Net income/(loss) per common share—diluted (Note 21)	\$ 0.069	\$ (0.506)	\$ (0.154)
Weighted average shares outstanding (millions)	237.2	235.7	229.1
Weighted average number of diluted shares (millions)	238.4	235.7	229.1

The accompanying notes are an integral part of the consolidated 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	Accumulated Other Comprehensive Income/(Loss)	Retained Deficit	Total Shareholders' Equity
			Warrants	Options				
							(restated note 3)	
Balance at December 31, 2006	207,891,358	\$ 524,619	\$ 5,151	\$ 4,889	\$ 2,857	\$ —	\$ (79,201)	\$ 458,315
Options granted net of forfeitures	—	—	—	3,274	—	—	—	3,274
Shares issued under options	1,548,857	2,355	—	(71)	—	—	—	2,284
Change in fair value of available for sale securities	—	—	—	—	—	3,192	—	3,192
Issue costs	—	(5,240)	—	—	—	—	—	(5,240)
Warrants exercised	62,783	254	(13)	—	—	—	—	241
Common shares issued	24,150,000	86,940	—	—	—	—	—	86,940
Stock bonus (Note 22)	50,683	175	—	—	—	—	—	175
Issuance of new convertible debt	—	—	—	—	35,852	—	—	35,852
Retirement of convertible debt	—	—	—	—	(2,857)	—	—	(2,857)
Equity related loan fees on new convertible debt	—	—	—	—	(1,232)	—	—	(1,232)
Loss on retirement of convertible debt-equity portion	—	—	—	—	—	—	(3,153)	(3,153)
Net loss	—	—	—	—	—	—	(35,290)	(35,290)
Balance at December 31, 2007	233,703,681	\$ 609,103	\$ 5,138	\$ 8,092	\$ 34,620	\$ 3,192	\$ (117,644)	\$ 542,501
Shares issued under options	360,000	1,023	—	(121)	—	—	—	902
Options granted net of forfeitures	—	—	—	2,088	—	—	—	2,088
Realized gain on available for sale securities	—	—	—	—	—	(5,402)	—	(5,402)
Unrealized loss on available for sale securities	—	—	—	—	—	2,122	—	2,122
Common shares issued	1,881,630	5,674	—	—	—	—	—	5,674
Issue costs	—	(337)	—	—	—	—	—	(337)
Payment of loan fees	—	—	—	—	(78)	—	—	(78)
Net loss	—	—	—	—	—	—	(119,303)	(119,303)
Balance at December 31, 2008	235,945,311	\$ 615,463	\$ 5,138	\$ 10,059	\$ 34,542	\$ (88)	\$ (236,947)	\$ 428,167
Shares issued under options	1,417,250	4,008	—	(1,470)	—	—	—	2,538
Options granted net of forfeitures	—	—	—	2,032	—	—	—	2,032
Unrealized gain on available for sale securities	—	—	—	—	—	112	—	112
Common shares issued	20,000,000	75,000	—	—	—	—	—	75,000
Issue costs	—	(4,048)	—	—	—	—	—	(4,048)
Net income	—	—	—	—	—	—	16,519	16,519
Balance at December 31, 2009	257,362,561	\$ 690,423	\$ 5,138	\$ 10,621	\$ 34,542	\$ 24	\$ (220,428)	\$ 520,320

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,		
	2009	2008 restated(note3)	2007 restated(note3)
OPERATING ACTIVITIES:			
Net income/(loss)	\$ 16,519	\$ (119,303)	\$ (35,290)
Reconciliation of net income/(loss) to net cash provided by operating activities:			
Depreciation, depletion and amortization	113,977	60,583	35,064
Amortization of loan acquisition cost	1,201	732	449
Abandonment and impairment	3,079	68,379	3,499
Gain on sale of equity investments	—	(5,402)	(12,449)
Loss on retirement of debt	—	—	7,067
Loss on sale of assets	304	575	—
Non-cash employee compensation	2,033	2,088	3,449
Future income tax expense/(benefit)	(19,127)	(9,029)	5,206
Reclamation expenditures	(1,985)	(1,163)	(872)
Fair value of derivatives	(1,838)	2,076	(561)
Accretion of convertible debt	6,624	6,198	1,606
Accretion of asset retirement obligations	2,165	778	1,062
Minority interests	—	(6,150)	(1,274)
	122,952	362	6,956
Changes in non-cash working capital:			
Accounts receivable	(2,702)	4,060	(1,168)
Inventories	(4,327)	3,229	(11,645)
Deposits	(845)	—	—
Accounts payable and accrued liabilities	(10,848)	24,618	12,169
Other	385	(2,226)	358
Net cash provided by operating activities	104,615	30,043	6,670
INVESTING ACTIVITIES:			
Expenditures on deferred exploration and development	(3,460)	(6,937)	(6,397)
Expenditures on mining properties	(32,839)	(42,830)	(36,877)
Expenditures on property, plant and equipment	(12,468)	(24,660)	(71,593)
Proceeds from sale of equity investment	—	7,104	13,124
Proceeds from the sale of assets	2	1,351	—
Change in payable on capital expenditures	(962)	(5,235)	(1,846)
Change in deposits on mine equipment and material	(54)	2,881	2,960
Other	445	(2,740)	(401)
Net cash used in investing activities	(49,336)	(71,066)	(101,030)
FINANCING ACTIVITIES:			
Issuance of share capital, net of issue costs	73,489	6,238	84,225
Principal payments on debt	(28,856)	(17,816)	(13,480)
Proceeds from equipment financing facility and revolving debt facility	22,837	11,456	13,463
Retirement of convertible notes	—	—	(61,760)
Issuance of convertible debentures, net of issuance costs	—	—	120,558
Other	(2,219)	(1,051)	—
Net cash provided by/(used in) financing activities	65,251	(1,173)	143,006
Increase (decrease) in cash and cash equivalents	120,530	(42,196)	48,646
Cash and cash equivalents, beginning of period	33,558	75,754	27,108
Cash and cash equivalents end of period	\$ 154,088	\$ 33,558	\$ 75,754

(See Note 23 for supplemental cash flow information)