GOLDEN STAR RESOURCES LTD
Form 424B5
December 12, 2005

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-118956

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada other than Québec but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority in Canada has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. *Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Golden Star Resources Ltd. at 10901 West Toller Drive, Suite 300, Littleton, Colorado, 80127-6312, United States of America, Telephone: (303) 830-9000, Email: info@gsr.com, and are also available electronically at www.sedar.com.*

Preliminary Short Form Prospectus

New Issue — ***December 12, 2005***

GOLDEN STAR RESOURCES LTD.
Cdn.$81,760,000
29,200,000 Common Shares

Golden Star Resources Ltd. (Golden Star , the Company , we , us or our) hereby offers, and this short form prospe qualifies the distribution of, 29,200,000 of our common shares (the Common Shares) to be sold at a price of Cdn.$2.80 per Common Share. Our outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange (the TSX) under the symbol GSC and on the American Stock Exchange (AMEX) under the symbol GSS . On December 7, 2005, the business day prior to the pricing of the Common Shares, the closing price of our Common Shares on the TSX was Cdn.$2.79 and on the AMEX was U.S.$2.42. We have applied to list the Common Shares on the TSX and AMEX. Listing will be subject to our fulfillment of all of the listing requirements of the TSX and AMEX, respectively.

Price: Cdn.$2.80 per Common Share

	Price to the Public	**Underwriters Fee**	**Net Proceeds to Golden Star(1)**
Per Common Share	Cdn.$2.80	Cdn.$0.126	Cdn.$2.674
Total(2)	Cdn.$81,760,000	Cdn.$3,679,200	Cdn.$78,080,800

Notes:

(1) Before deducting expenses of this offering, estimated to be Cdn.$ 1 , which will be paid from the proceeds from the sale of the Common Shares.

(2) We have granted to the Canadian Underwriters (as defined below) an option (the Underwriters Option) to purchase up to 4,200,000 additional Common Shares at Cdn.$2.80 per Common Share. The Underwriters Option will be exercisable, in whole or in part at the sole discretion of the Canadian Underwriters, at any time until 48 hours prior to the closing of the offering. If the Underwriters Option is exercised in full, the total Price to the Public, Underwriters Fee and Net Proceeds to us will be Cdn.$93,520,000, Cdn.$4,208,400 and Cdn.$89,311,600,

respectively. This prospectus qualifies the distribution of the Underwriters Option and the additional Common Shares issuable upon the exercise of the Underwriters Option. See Plan of Distribution .

The securities offered in this short form prospectus involve a high degree of risk. Prior to subscribing for Common Shares, potential purchasers should carefully consider certain risk factors. See Risk Factors beginning on page 20 of this short form prospectus.

None of the Canadian securities regulatory authorities, the United States Securities and Exchange Commission nor any United States state securities commission or other regulatory body has approved or disproved these securities, or determined if this short form prospectus is truthful or complete. Any representation to the contrary is a criminal offence.

While Golden Star is a Canadian corporation, substantially all of its assets are located outside of Canada and the United States, and its head office is located in the United States. Accordingly, it may not be possible for purchasers of Common Shares to collect judgments obtained in the Canadian courts predicated on the civil liability provisions of Canadian or U.S. securities legislation. See Risk Factors .

BMO Nesbitt Burns Inc., Blackmont Capital Inc. and Wellington West Capital Markets Inc. (the Canadian Underwriters), as principals, conditionally offer the Common Shares in Canada and those Common Shares which are initially offered in the United States and which are subsequently acquired by transfer from the U.S. Agents (as defined below), if any, subject to prior sale, if, as and when issued and sold by us and accepted by the Canadian Underwriters in accordance with the conditions contained in the Canadian underwriting agreement dated December 1 , 2005 referred to under Plan of Distribution and subject to the approval of certain legal matters on our behalf by Fasken Martineau DuMoulin LLP and on behalf of the underwriters by Stikeman Elliott LLP.

The Common Shares are being offered concurrently in the United States on a best efforts basis, with no minimum number or dollar amount requirement, pursuant to an agency agreement dated December 1 , 2005 among Harris Nesbitt Corp., Blackmont Capital Corp. and Wellington West Capital Markets (USA) Inc. (the U.S. Agents) and the Company, and in Canada on a firm commitment basis for 100% of the Common Shares, with the number to be reduced by the number sold in the United States, pursuant to the Canadian underwriting agreement among the Canadian Underwriters and us. The Canadian Underwriters and the U.S. Agents are collectively referred to as the underwriters.

Subscriptions will be received subject to rejection or allotment in whole or part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive certificates evidencing the Common Shares will be available for delivery at the closing of the offering, which is expected to occur on or about December 30, 2005 or such later date as we and the underwriters may agree but, in any event, not later than 1 , 2006. The Common Shares are to be taken up by the Canadian Underwriters, if at all, on or before a date not less than 42 days after the date of the receipt for the short form prospectus. The offering price of the Common Shares offered hereunder was determined by negotiation between us and the underwriters. The underwriters may effect transactions intended to stabilize or maintain the market price for the Common Shares at levels above those that might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See Plan of Distribution .

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You should rely only on information contained in or incorporated by reference in this short form prospectus. We have not authorized anyone to provide you with information different from that contained or incorporated in this short form prospectus. Information on any of the websites maintained by us does not constitute a part of this prospectus or the U.S. Prospectus (as defined below).

We are not making an offer of these securities in any jurisdiction where the offering is not permitted.

ELIGIBILITY FOR INVESTMENT

In the opinion of Fasken Martineau DuMoulin LLP, Canadian counsel to Golden Star, and Stikeman Elliott LLP, Canadian counsel to the underwriters, provided the Common Shares are listed on a prescribed stock exchange (which includes the TSX), the Common Shares will be qualified investments under the *Income Tax Act* (Canada) and the regulations thereunder for a trust governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan or a registered education savings plan.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed by us with securities regulatory authorities in the provinces of Canada are specifically incorporated by reference in, and form an integral part of, this short form prospectus:

(i) the Annual Report on Form 10-K of Golden Star, as amended on Form 10-K/ A, for the fiscal year ended December 31, 2004, which includes the audited consolidated annual financial statements of Golden Star for the financial year ended December 31, 2004, together with the auditor s report thereon and management s discussion and analysis of financial condition and results of operations of Golden Star for that period;

(ii) the Quarterly Reports on Form 10-Q of Golden Star for the quarterly periods ended March 31, 2005, June 30, 2005 and September 30, 2005, which include the unaudited consolidated financial statements of Golden Star for each of such periods, together with management s discussion and analysis of financial condition and results of operations of Golden Star for each such period;

(iii) the Current Reports on Form 8-K of Golden Star report dated January 27, April 5, April 15, September 27, and November 11, 2005;

(iv) the Management Proxy Circular of Golden Star dated March 8, 2005 (excluding those portions that, pursuant to National Instrument 44-101 of the Canadian securities regulatory authorities, are not required to be incorporated by reference herein); and

(v) the material change report of Golden Star dated April 18, 2005 relating to the completion of a private placement of U.S.$50 million of senior unsecured convertible notes.

Any document of the type referred to in the preceding paragraphs (excluding confidential material change reports) filed by the Company with a securities commission or similar regulatory authority in Canada after the date of this short form prospectus and before completion of the distribution of securities qualified hereunder, will be deemed to be incorporated by reference into this short form prospectus.

Any statements contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained or incorporated in this short form prospectus or in any subsequently filed document that also is incorporated or deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not constitute a part of this short form prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded the prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Copies of the documents incorporated by reference herein may be obtained upon request without charge from us. You should direct any requests for documents to Investor Relations, Golden Star Resources Ltd., 10901 West Toller Drive, Suite 300, Littleton, Colorado, 80127-6312, United States of America, Telephone: (303) 830-9000, Email: info@gsr.com. Copies of the documents incorporated by reference are also available for downloading at http://www.sedar.com under our name.

CURRENCY AND EXCHANGE RATE AND GAAP INFORMATION

We report in United States dollars. Accordingly, all references to $, U.S.$ or dollars in this short form prospectus refer to United States dollars unless otherwise indicated. References to Cdn.$ or Canadian dollars are used to indicate Canadian dollar values.

The noon rate of exchange on December 9, 2005 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was Cdn.$1.00 equals U.S.$0.8636 and the conversion of United States dollars was U.S.$1.00 equals Cdn.$1.1579. We use these exchange rates for certain calculations appearing in Use of Proceeds .

Our financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in Canada, which we refer to as Canadian GAAP. We provide certain information reconciling our financial information with GAAP in the United States, which we refer to as U.S. GAAP.

NON-GAAP FINANCIAL MEASURES

In this prospectus, or in the documents incorporated herein by reference, we use the terms total cash cost per ounce and cash operating cost per ounce . Total cash cost per ounce and cash operating cost per ounce should be considered as Non-GAAP Financial Measures as defined in Regulation S-K Item 10 under the United States Securities Exchange Act of 1934, as amended, and as defined by the Canadian securities regulatory authorities, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP in Canada and the United States. There are material limitations associated with the use of such non-GAAP measures. Since these measures do not incorporate revenues, changes in working capital and non-operating cash costs, they are not necessarily indicative of operating profit or cash flow from operations as determined under GAAP. Changes in numerous factors including, but not limited to, mining rates, milling rates, gold grade, gold recovery, and the costs of labour, consumables and mine site general and administrative activities can cause these measures to increase or decrease. We believe that these measures are the same or similar to the measures of other gold mining companies, but may not be comparable to similarly titled measures in every instance. See Item 7 Management s Discussion and Analysis in our Annual Report on Form 10-K, as amended on Form 10-K/A, for the fiscal year ended December 31, 2004 and Item 2 Management s Discussion and Analysis in our most recent Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 for an explanation of these measures.

FORWARD-LOOKING STATEMENTS

This short form prospectus and the documents incorporated by reference in this short form prospectus contain forward-looking statements 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 similar 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 or incorporated by reference in this short form prospectus. These statements include comments regarding: statements with respect to the anticipated completion of the proposed acquisition of St. Jude Resources Limited (St. Jude), anticipated benefits of the transaction with St. Jude, anticipated use of proceeds, our expansion plans for Bogoso/ Prestea (as defined under Summary Description of the Business of the Company) and related permitting and capital costs, anticipated completion of the Bogoso/ Prestea expansion project, production estimates and costs, anticipated commencement dates of mining or production operations, our future gold and currency hedging plans, operating efficiencies, and costs and expenditures, potential mine life, costs, expenditures, exploration activities and expenditures, and equipment replacement at Wassa (as defined under Summary Description of the Business of the Company).

The following, in addition to the factors described under Risk Factors in this short form prospectus, are among the factors that could cause actual results to differ materially from the forward-looking statements:

- delays in or inability to obtain regulatory, court and shareholder approvals for the proposed Arrangement (as defined under Pending Acquisition of St. Jude) with St. Jude or failure to satisfy or waive a condition to the closing of the transaction;
- failure to develop reserves on St. Jude properties;
- unexpected events during the construction and start-up of the Bogoso/ Prestea expansion project;
- unexpected changes in business and economic conditions;
- significant increases or decreases in gold prices;
- changes in interest and currency exchange rates;
- timing and amount of gold production;
- unanticipated variations in ore grade, tonnes mined and crushed or milled;
- 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, supplies, services and personnel;
- changes in metallurgy and processing;
- availability of skilled personnel, materials, equipment, supplies and water;
- changes in project parameters;
- costs and timing of development of new reserves;
- results of current and future exploration activities;
- results of pending and future feasibility studies;
- joint venture relationships;
- political or economic instability, either globally or in the countries in which we operate;
- local and community impacts and issues;
- timing of receipt and maintenance of government approvals and permits;
- accidents and labor disputes;

environmental costs and risks;

competitive factors, including competition for property acquisitions; and

availability of capital at reasonable rates or at all.

These factors are not intended to represent a complete list of the general or specific factors that could affect us. We may note additional factors elsewhere in this short form prospectus and in any documents incorporated by reference into this short form prospectus. Subject to applicable laws, we undertake no obligation to update forward-looking statements.

ABOUT THIS SHORT FORM PROSPECTUS

This short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada other than Quebec. This short form prospectus will also be filed as a form of prospectus supplement to the U.S. prospectus (the U.S. Prospectus) attached as Appendix C hereto, included in a Registration Statement on Form S-3 filed by the Company with the United States Securities and Exchange Commission (the SEC). The registration statement of which the U.S. Prospectus is a part was filed on September 14, 2005 with the United States Securities and Exchange Commission. The U.S. Prospectus refers to other securities in addition to Common Shares. Such other securities do not form part of this offering. **Any statements contained in the U.S. Prospectus will be deemed to be modified or superseded for the purposes of this short form prospectus to the extent that a statement contained or incorporated in this short form prospectus or in any subsequently filed document that also is incorporated or deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not constitute a part of this short form prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded the prior statement or include any other information set forth in the U.S. Prospectus that it modifies or supersedes. The making of such a modifying or superseding statement will not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.**

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file annual, quarterly and special reports and other information with the SEC. You may read and copy the registration statement and any other document that we file at the SEC s public reference room located at Judiciary Plaza, 100 F Street, N.E., Room 1580, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to you free of charge at the SEC s web site at *http://www.sec.gov*. Our Common Shares are listed on the American Stock Exchange and you may inspect reports, proxy statements and other information concerning us at the office of the American Stock Exchange at 86 Trinity Place, New York, New York 10006.

THE COMPANY

Name and Incorporation

Golden Star Resources Ltd. was established under the *Canada Business Corporations Act* on May 15, 1992 as a result of the amalgamation of South American Goldfields Inc., a corporation incorporated under the federal laws of Canada, and Golden Star Resources Ltd., a corporation originally incorporated under the *Business Corporations Act* (Alberta) on March 7, 1984 as Southern Star Resources Ltd. We are a reporting issuer or the equivalent in all provinces of Canada and the United States and file disclosure documents with the Canadian securities regulatory authorities and the SEC in the United States.

Our principal office is located at 10901 West Toller Drive, Suite 300, Littleton, Colorado 80127, and our registered office is located at 66 Wellington St. W., Suite 3700, P.O. Box 20, Toronto Dominion Bank Tower, Toronto Dominion Centre, Toronto, Ontario M5K 1N6. Golden Star s fiscal year ends on December 31.

Intercorporate Relationships

The following diagram sets forth our inter-corporate relationships as at the date of this short form prospectus with our active subsidiaries, including the jurisdiction of incorporation or organization and our respective percentage ownership of each subsidiary:

SUMMARY DESCRIPTION OF THE BUSINESS OF THE COMPANY

General

We are an international gold mining and exploration company, focused primarily on mining, mine development and exploration in Ghana, West Africa.

Bogoso/ Prestea

We own 90% of and operate the Bogoso/ Prestea (Bogoso/ Prestea) gold mining and milling operation, which consists of the adjoining Bogoso and Prestea mining leases, located along the Ashanti Trend in southwestern Ghana. The property consists of several open pit mines and a nominal 6,000 tonne per day carbon-in-leach mill and processing plant. We hold the property under mining leases granted by the Government of Ghana, terminating from 2017 to 2031. In 2004, we produced 147,875 ounces of gold from Bogoso/ Prestea, at an average cash operating cost of approximately U.S.$250 per ounce, which we sold for an average gold price of approximately U.S.$410 per ounce. During the first nine months of 2005, we produced 101,709 ounces of gold from Bogoso/ Prestea, at an average cash operating cost of approximately U.S.$287 per ounce, which we sold for an average gold price of approximately U.S.$431 per ounce.

If the expansion and development plans at Bogoso/ Prestea are completed as expected during 2006 and assuming a full year of production from the sulfide plant in 2007, our annualized production at Bogoso/ Prestea is expected to increase to 360,000 ounces of gold in 2007.

Construction for the Bogoso/ Prestea expansion project commenced mid-year following the receipt of environmental permits and board approvals in June 2005. We estimate that the total capital cost of the project, including the expansion of the mining fleet, will be approximately U.S.$115 to U.S.$125 million, and we expect a 15 to 18 month construction period, ending in late 2006. We sold U.S.$50 million in senior convertible notes in April 15, 2005 primarily to fund the Bogoso/ Prestea expansion project.

The Government of Ghana owns the remaining 10% of Bogoso/ Prestea. As required by the law of Ghana for all mining operations, the Government of Ghana has a carried interest under which it receives 10% of any future dividends from the subsidiaries owning the Bogoso/ Prestea mine, following repayment of all capital, and has no obligation to contribute development or operating expenses. The Government of Ghana also receives a royalty based on total revenues earned from the lease area. For the last three years, we have paid a royalty equal to 3% of our revenues from Bogoso/ Prestea. See Risk Factors Governmental and Regulatory Risks.

Wassa

Through another 90% owned subsidiary, Wexford Goldfields Limited, we own the Wassa gold property (Wassa), located some 35 kilometers east of Bogoso/ Prestea. The newly constructed ore processing plant and open pit mine at Wassa was completed and placed in service on April 1, 2005 and currently processes a mixture of newly mined ore from the open pit mine and heap leach materials left by a former owner. During the second and third quarters of 2005, we produced 45,063 ounces of gold at Wassa at an average cash operating cost of U.S.$465 per ounce, which we sold for an average gold price of approximately U.S.$437 per ounce.

We expect to produce approximately 140,000 ounces at Wassa in 2006.

We hold the Wassa property under a mining lease expiring in 2022. The Government of Ghana has a 10% carried interest in Wassa.

Prestea Underground

The Prestea Underground property (Prestea Underground) is located on the Prestea property and consists of a currently inactive underground gold mine and associated support facilities. As of June 30, 2005, our wholly-owned subsidiary, Bogoso Gold Limited (BGL), owned a 90% operating interest in this mine (with the bankruptcy trustee for our subsidiary s former joint venture partner being awarded a 2.5% net profits interest by the High Court in Accra, Ghana). We are currently carrying out exploration and technical studies to determine if the underground mine can be reactivated on a profitable basis.

We hold the Prestea Underground property under a mining lease expiring in 2031. We are engaged in care and maintenance of the underground mine and are conducting geologic and engineering studies as part of our evaluation of the potential to resume operations.

Exploration

We have an approximate 57% interest in EURO Ressources S.A., a France registered, publicly traded royalty holding company (formerly known as Guyanor Ressources S.A.) that owns a royalty interest in Cambior Inc. s Rosebel gold mine in Suriname. We hold interests in an exploration joint venture in Sierra Leone in West Africa and hold active exploration properties in Ghana, Côte d Ivoire, Suriname and French Guiana. We hold indirect interests in gold exploration properties in Peru and Chile through our 22% interest in Goldmin Consolidated Holdings, and in the Democratic Republic of the Congo through an approximate 10% interest in Moto Goldmines Limited.

Business Strategy

Since 1999, our business and development strategy has been focused primarily on the acquisition of producing and development stage gold properties in Ghana and on the exploration, development and operation of these properties. We also explore for gold. Since 1999, our exploration efforts have been focused on Ghana, other West African countries and South America. We are currently carrying out construction of a sulfide processing plant to expand production at Bogoso/ Prestea. Our ore processing plant and open pit mine at Wassa were completed and placed in service on April 1, 2005. If the expansion and development plans at Bogoso/ Prestea are completed as expected during 2006 and assuming a full year of production from the sulfide plant in 2007, our annualized production is expected to increase to over 500,000 ounces of gold in 2007. Achievement of this target is subject to numerous risks. See Risk Factors .

Our overall objective is to grow our business organically and through acquisitions. As part of the effort to achieve this goal, we actively investigate potential acquisition and merger candidates. These efforts have resulted in our pending acquisition of St. Jude.

PENDING ACQUISITION OF ST. JUDE

On November 11, 2005, we entered into a definitive arrangement agreement with St. Jude (the Arrangement Agreement) which provides for the acquisition of the outstanding securities of St. Jude by us pursuant to a plan of arrangement (the Arrangement) to be effected pursuant to the *Canada Business Corporations Act.* There is no assurance that the Arrangement with St. Jude will be consummated (see Risk Factors Risks Relating to the Pending Acquisition of St. Jude). This offering is not conditional upon completion of the Arrangement.

Overview of the Arrangement

Under the Arrangement with St. Jude, every one common share of St. Jude will be exchanged for 0.72 of a Common Share, and holders of convertible securities of St. Jude will receive securities of Golden Star convertible into or exercisable for a proportionate number of Common Shares at a proportionate price (in each case based on an exchange ratio of 0.72 of a Common Share for each St. Jude common share). Upon completion of the Arrangement and prior to giving effect to the offering, the existing St. Jude shareholders are expected to hold approximately 19% of our Common Shares assuming that an aggregate of 37,150,764 Common Shares are issued pursuant to the Arrangement (including upon the exercise or conversion of Golden Star convertible securities to be issued pursuant to the Arrangement). The Arrangement requires the approval of the shareholders of St. Jude and the holders of St. Jude convertible securities, voting as a single class. The St. Jude securityholder meeting to approve the Arrangement is scheduled to be held on December 15, 2005, with closing of the Arrangement expected to occur on December 21, 2005. Completion of the Arrangement also requires certain regulatory approval and is subject to the satisfaction or waiver of certain conditions set forth in the Arrangement Agreement. There is no assurance that the Arrangement will be consummated (see Risk Factors Risks Relating to the Pending Acquisition of St. Jude). See Pro Forma Selected Consolidated Financial Data for selected unaudited pro forma financial information that assumes the Arrangement is completed.

Benefits of the Arrangement

Both Golden Star and St. Jude have been active in the exploration of mineral properties in Ghana and other parts of West Africa. We believe that the Arrangement with St. Jude will allow us over time to capitalize on the synergies expected to result from the Arrangement in the form of greater growth opportunities, reduced costs and increased earnings.

St. Jude

St. Jude is a natural resource company engaged in the acquisition and exploration of gold-related mineral properties, primarily in West Africa. St. Jude s principal assets are its interests in the Hwini-Butre and South Benso projects at the southeastern end of the Ashanti gold belt region in Ghana. In addition, St. Jude has several other prospective exploration projects in Ghana, Burkina Faso and Niger. A description of St. Jude s material properties are set forth below:

Hwini-Butre Concession, Tarkwa District, Ghana

St. Jude s principal property is located in Tarkwa District, Ghana, approximately 230 kilometers west of the capital city of Accra, and occupies an area of approximately 41.5 square kilometers. St. Jude has a 90% interest in the Hwini-Butre concession (the HB Concession). The HB Concession is located on the southeastern end of the Ashanti Gold Belt. Since the acquisition of its initial interest in the HB Concession in 1994, St. Jude has carried out numerous, extensive work programs on the property, including the collection of soil geochemical samples. The Government of Ghana has a 10% carried interest in the HB Concession.

South Benso Concession, Tarkwa District, Ghana

St. Jude holds a 90% interest in the South Benso concession (the SB Concession), located in Tarkwa District, Ghana. The SB Concession is located contiguous to and directly north of the HB Concession. The SB Concession covers an area of approximately 43 square kilometers, and consists of three blocks: the Amantin, Subriso, and Chichiwelli blocks. Since St. Jude s acquisition of the SB Concession, it has conducted a geochemical soil sampling survey over the SB Concession and drill programs on the three blocks. The Government of Ghana has a 10% carried interest in the SB Concession.

Goulagou and Rounga Properties, Burkina Faso

St. Jude holds an 80% interest in each of the Goulagou and Rounga properties. The Goulagou and Rounga properties are two contiguous properties covering approximately 487 square kilometers and located approximately 100 kilometers west of Ouagadougou, the capital city of Burkina Faso, and 20 kilometers north of the city of Ouahigouya. St. Jude has carried out a drilling program which has supported the existence of several areas of gold enrichment including two parallel gold mineralized zones on the Goulagou property.

Deba and Tialkam Projects, Niger

St. Jude holds a 90% interest in two exploration permits in Niger, referred to as Deba and Tialkam. St. Jude has obtained certain data from exploration carried out by previous owners and has initiated a drilling program. The first phase results of the drilling program are being evaluated.

Shieni Hills Project, Ghana

St. Jude holds a reconnaissance license in northeast Ghana, which covers an exploration area of approximately 500 square kilometers centered on the Shieni Hills iron ore deposits. St. Jude has begun exploring the license area for gold and other metal mineralization.

PRO FORMA SELECTED CONSOLIDATED FINANCIAL DATA

Appendix A to this short form prospectus contains unaudited pro forma consolidated financial statements for Golden Star assuming the completion of the Arrangement. The unaudited pro forma consolidated balance sheet has been prepared on the assumption that the Arrangement occurred on September 30, 2005. The unaudited pro forma consolidated statements of operations have been prepared for the year ended December 31, 2004 and for the nine months ended September 30, 2005 on the assumption that the Arrangement occurred on January 1, 2004. The selected unaudited pro forma consolidated financial information set forth below should be read in conjunction with our pro forma consolidated financial statements contained in Appendix A and our historical audited consolidated financial statements for the year ended December 31, 2004 and our unaudited consolidated financial statements for the nine months ended September 30, 2005, which are incorporated by reference into this short form prospectus, and the historical audited annual financial statements and unaudited interim financial statement of St. Jude contained in Appendix B. All financial data presented below is in thousands of U.S. dollars, except per share data.

	Nine Months Ended September 30, 2005		Year Ended December 31, 2004	
	(Unaudited)		(Unaudited)	
Statement of Operations Data:				
Total Revenues	U.S.$	68,033	U.S.$	65,198
Net income (loss)		(8,732)		978
Basic net income (loss) per share		(0.049)		0.006
Diluted net income (loss) per share		(0.049)		0.005
Balance Sheet Data:				
Cash and cash equivalents	U.S.$	43,936		
Net working capital		64,784		
Total assets		495,242		
Long-term debt		56,714		
Shareholders equity		347,186		

CAPITALIZATION

The following table sets out our capitalization as at (i) December 31, 2004, (ii) September 30, 2005 prior to giving effect to the Arrangement and this offering, (iii) September 30, 2005 after giving effect to the Arrangement but before giving effect to this offering, and (iv) September 30, 2005 after giving effect to the Arrangement and this offering. This table should be read in conjunction with our consolidated audited consolidated financial statements for the financial year ended December 31, 2004 and our unaudited consolidated financial statements for the nine months ended September 30, 2005 incorporated by reference herein.

			As at September 30, 2005	
	(U.S.$000 s) As at Dec. 31, 2004(1)	(U.S.$000 s) Actual as at September 30, 2005	(U.S.$000 s) As Adjusted After Giving Effect to Arrangement (Before Offering)(2)	(U.S.$000 s) As Adjusted After Giving Effect to Arrangement and Offering(2)(3)
		(Unaudited)	(Unaudited)	(Unaudited)
Canadian GAAP				
Current Debt	$ 1,267	$ 4,465	4,465	$ 4,465
Long Term Debt	1,707	55,214	56,714	56,714
	2,974	59,679	61,179	61,179
Shareholders Equity				
Common Shares	342,494	343,952	470,638(4)(5)	538,069(4)(5)
Other(6)	2,040	5,518	5,518	5,518
Deficit	(126,574)	(134,770)	(134,770)	(134,770)
	217,960	214,700	341,386	408,817
Total:	$ 220,934	$ 274,379	$ 402,565	$ 469,996

			As at September 30, 2005	
	(U.S.$000 s) As at Dec. 31, 2004(1)	(U.S.$000 s) Actual as at September 30, 2005	(U.S.$000 s) As Adjusted After Giving Effect to Arrangement (Before Offering)(2)	(U.S.$000 s) As Adjusted After Giving Effect to Arrangement and Offering(2)(3)
		(Unaudited)	(Unaudited)	(Unaudited)
U.S. GAAP				

Current Debt	$	1,267	$	4,465	$	4,465	$	4,465
Long Term Debt		1,707		58,390		59,890		59,890
		2,974		62,855		64,355		64,355
Shareholders Equity								
Common Shares		339,524		340,982		467,668(4)(5)		535,099(4)(5)
Other(6)		3,356		5,178		5,178		5,178
Deficit		(154,654)		(176,306)		(176,306)		(176,306)
		188,226		169,854		296,540		363,971
Total:	$	191,200	$	232,709	$	357,719	$	425,150

(1) These numbers are derived from audited financial statements.

(2) Amounts shown assume that (i) the maximum of 37,150,764 Common Shares issuable pursuant to the Arrangement are issued, including Common Shares issuable upon the exercise of Golden Star

options and warrants issued in exchange for St. Jude options and warrants pursuant to the Arrangement and (ii) no other convertible securities of Golden Star (including outstanding options, warrants and convertible notes) are exercised or converted into Common Shares.

(3) Amounts shown assume (i) the issuance of 29,200,000 Common Shares in the offering and that the Underwriters Option is not exercised and (ii) that the offering proceeds are used to finance development of mining projects, as further described in Use of Proceeds . Amounts shown are before estimated expenses of the offering.

(4) Changes to share capital in the nine months ended September 30, 2005 reflect our issuance of an aggregate of (i) 212,940 Common Shares issued pursuant to the exercise of incentive stock options and (ii) 385,000 Common Shares issued pursuant to the exercise of Common Share purchase warrants.

(5) Amounts shown do not include (i) 100,000 Common Shares issued after September 30, 2005 pursuant to the exercise of incentive stock options, (ii) 4,892,451 Common Shares issuable on the exercise of outstanding stock options, (iii) 8,448,334 Common Shares issuable on the exercise of outstanding warrants, or (v) 11,111,111 Common Shares issuable upon conversion of senior convertible notes issued in April 2005.

(6) Other includes the cumulative foreign currency translation adjustment, accumulated comprehensive income and contributed surplus.

USE OF PROCEEDS

The net proceeds received by us from the sale of the Common Shares, after deducting the underwriters fees of Cdn.$3,679,200 or U.S.$ l million and the estimated expenses of the offering of Cdn.$ l , will be approximately Cdn.$ l million. If the Underwriters Option is exercised in full, we will receive additional net proceeds of approximately Cdn.$11,230,800 or U.S.$9,698,900 after deducting underwriters fees and before estimated offering expenses.

We intend to use the net proceeds of this offering to fund the development of our mineral projects including the Bogoso/ Prestea expansion project, and for general corporate purposes. We expect that approximately Cdn.$ l million will be used in the Bogoso/ Prestea expansion project, and the balance will be used for general corporate purposes. The amount and timing of the use of the proceeds will depend upon various factors, including gold prices, production costs, the quality of the ores that we produce and business growth including acquisitions and exploration.

There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. Pending the use of the proceeds of this offering, we intend to invest the net proceeds of this offering in U.S. or Canadian treasury bills or short-term, investment grade, interest-bearing securities.

DESCRIPTION OF SHARE CAPITAL

Our authorized capital consists of an unlimited number of Common Shares and an unlimited number of first preferred shares issuable in series (the Preferred Shares). The following is a summary and may not describe every aspect of the Common Shares that may be important. Our constating documents and by-laws define the rights of holders of Common Shares and of Preferred Shares. As at December 9, 2005, 142,987,394 Common Shares and no Preferred Shares were issued and outstanding.

Common Shares

Dividend Rights

Holders of Common Shares may receive dividends when, as and if declared by the board of directors on the Common Shares, subject to the preferential dividend rights of any other classes or series of Golden Star shares. In no event may a dividend be declared or paid on the Common Shares if payment of the dividend would cause the realizable value of Golden Star s assets to be less than the aggregate of its liabilities and the amount required to redeem all of the shares having redemption or retraction rights, which are then outstanding.

Voting and Other Rights

Holders of Common Shares are entitled to one vote per share, and in general, all matters will be determined by a majority of votes cast other than fundamental changes to Golden Star.

Liquidation

In the event of any liquidation, dissolution or winding up of Golden Star, holders of Common Shares have the right to a ratable portion of the assets remaining after payment of liabilities and liquidation preferences of any Preferred Shares or other securities that may then be outstanding.

Redemption

Common Shares are not redeemable or convertible.

Rights Agreement

Rights to purchase Common Shares have been issued to holders of Common Shares under a rights agreement between us and CIBC Mellon Trust Company. One right is attached to each Common Share.

If the rights become exercisable following the occurrence of certain specified events, each right will entitle the holder, within certain limitations, to purchase one Common Share at an exercise price equal to three times the market price of the Common Share, as determined under the terms of the agreement. In certain events (including when a person or group becomes the beneficial owner of 20% or more of any class of our voting shares without complying with the permitted bid provisions of the rights agreement or without the approval of our board of directors), exercise of the rights would entitle the holders of the rights (other than the acquiring person or group) to acquire that number of Common Shares having an aggregate market price on the date of the event equal to twice the exercise price of the rights for an amount in cash equal to the exercise price. Accordingly, exercise of the rights may cause substantial dilution to a person who attempts to acquire Golden Star. The rights, which expire in 2007 (unless extended as provided in the rights agreement), may be redeemed at a price of Cdn.$0.00001 per right at any time until a person or group has acquired 20% of Common Shares, except as otherwise provided in the rights agreement. The rights agreement may have certain anti-takeover effects.

PRICE RANGE OF OUR COMMON SHARES

Our Common Shares are listed on the AMEX under the trading symbol GSS and on the TSX under the trading symbol GSC . As of December 9, 2005, 142,987,394 Common Shares were outstanding, and we had 932 shareholders of record. On December 9, 2005, the closing price per share for our Common Shares as reported by the AMEX was U.S.$2.42 and as reported by the TSX was Cdn.$2.79.

The following table sets forth, for the periods indicated, the reported high and low market closing prices per share of our Common Shares.

	American Stock Exchange		Toronto Stock Exchange	
	High	Low	High	Low
	(U.S.$)		(Cdn.$)	
2005:				
First Quarter	4.04	2.58	4.94	3.15
Second Quarter	3.23	2.35	4.02	3.01
Third Quarter	3.73	2.84	4.33	3.40
Fourth Quarter (through December 9, 2005)	3.22	2.12	3.78	2.54
2004:				
First Quarter	7.25	5.29	9.43	7.00
Second Quarter	7.07	4.27	9.20	5.90
Third Quarter	5.27	3.71	6.73	4.91
Fourth Quarter	5.61	3.50	7.10	4.32
2003:				
First Quarter	2.29	1.54	3.49	2.25
Second Quarter	2.80	1.68	3.77	2.43
Third Quarter	4.53	2.46	6.15	3.42
Fourth Quarter	8.30	3.77	10.77	5.10

We have not declared or paid cash dividends on our Common Shares since our inception. Future dividend decisions will consider our then-current business results, cash requirements and financial condition.

PLAN OF DISTRIBUTION

Underwriting

We have entered into a Canadian underwriting agreement dated December 1 , 2005 with BMO Nesbitt Burns Inc., Blackmont Capital Inc. and Wellington West Capital Markets Inc. (the Canadian Underwriters), under which the Canadian Underwriters have agreed to purchase 45%, 45% and 10%, respectively, of the 29,200,000 Common Shares offered by this short form prospectus. We have also entered into an agency agreement dated December 1 , 2005 with Harris Nesbitt Corp., Blackmont Capital Corp. and Wellington West Capital Markets (USA) Inc. (the U.S. Agents), to offer the Common Shares in the United States on a best efforts basis. The Canadian Underwriters are obligated to take up and pay for all of the securities, if any of the securities are purchased under the agreement. However, the obligations of the Canadian Underwriters under the Canadian underwriting agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events.

Subject to the terms of the Canadian underwriting agreement, we have agreed to issue and sell and the Canadian Underwriters have agreed to purchase on or about December 30, 2005, or such other date as

may be agreed upon, 100% of the Common Shares offered at a price of Cdn.$2.80 per Common Share for a total consideration of $81,760,000, payable in cash, net of the underwriters fee, against delivery of certificates. The price of the Common Shares was determined by negotiation between us and the underwriters. Any Common Shares sold by the U.S. Agents under the U.S. agency agreement will reduce the obligation of the Canadian Underwriters to take up and pay for Common Shares in an equal amount. The Canadian Underwriters may sell Common Shares to the U.S. Agents pursuant to the inter-dealer agreement described below. The Canadian underwriting agreement provides for us to pay the Canadian Underwriters a fee of Cdn.$0.126 per Common Share sold by them, which will be paid out of the gross proceeds from the offering.

The Canadian underwriting agreement also provides that we will indemnify the Canadian Underwriters against certain liabilities and expenses, including liabilities under applicable securities legislation, or will contribute to payments that the Canadian Underwriters may be required to make in respect thereof. We have been advised that, in the opinion of the SEC, indemnification for liabilities under the U.S. Securities Act of 1933 is against public policy as expressed in the U.S. Securities Act of 1933 and is therefore unenforceable.

Subject to the terms of the U.S. agency agreement, we have appointed the U.S. Agents to offer the Common Shares for sale to the public in the United States on a best efforts basis at a price of Cdn.$2.80 per Common Share. The U.S. agency agreement provides for us to pay the U.S. Agents a fee of Cdn.$0.126 per Common Share sold by them, which will be paid out of the gross proceeds from the offering. The U.S. Agents have not committed to purchase a minimum amount of Common Shares under the U.S. agency agreement. The obligations of the U.S. Agents under the U.S. agency agreement may be terminated at their discretion upon the occurrence of certain stated events.

The U.S. agency agreement also provides that we will indemnify the U.S. Agents against certain liabilities and expenses, including liabilities under the U.S. Securities Act of 1933, or will contribute to payments that the U.S. Agents may be required to make in respect thereof. We have been advised that, in the opinion of the SEC, indemnification for liabilities under the U.S. Securities Act of 1933 is against public policy as expressed in the U.S. Securities Act of 1933 and is therefore unenforceable.

We have agreed to pay the legal fees of the underwriters as well as certain other out-of-pocket expenses.

The underwriters have entered into an inter-dealer agreement among themselves that permits, subject to the terms and conditions set forth in such agreement, one group of underwriters to purchase Common Shares from or through the other group and to offer them for resale. The price and currency of settlement of any Common Shares so purchased will be determined by agreement between the selling and purchasing groups of underwriters at the time of any such transaction. Any such Common Shares purchased by the underwriters will be offered on the terms set forth in this prospectus.

The underwriters have informed us that they do not expect to confirm sales of our Common Shares offered by this prospectus to any accounts over which they exercise discretionary authority.

The prospectus qualifies for distribution 29,200,000 Common Shares.

Underwriters Option

We granted the Canadian Underwriters the Underwriters Option to purchase up to an additional 4,200,000 Common Shares at the price to the public as set forth on the cover page of this short form prospectus less the underwriters fee, exercisable at any time until 48 hours prior to the closing of the offering. We will be obligated, pursuant to the Underwriters Option, to sell these additional Common Shares to the Canadian Underwriters to the extent the Underwriters Option is exercised. This short form prospectus also qualifies the distribution of the Underwriters Option and the additional 4,200,000 Common Shares issuable upon the exercise of the Underwriters Option. Under the inter-dealer agreement, the Canadian Underwriters may allocate any portion of additional Common Shares purchased to the U.S. Agents to sell in the United States.

Stabilization

In connection with the offering, the underwriters may engage in stabilizing transactions, underwriters transactions and syndicate covering transactions in accordance with Regulation M under the United States Securities Exchange Act of 1934, as amended. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Stabilizing transactions and syndicate-covering transactions may have the effect of raising or maintaining the market price of our Common Shares or preventing or retarding a decline in their market price. As a result, the price of our Common Shares may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the TSX, the AMEX or otherwise and, if commenced, may be discontinued at any time.

Pursuant to policy statements of the Ontario Securities Commission, the underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions including a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities; and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution, provided that the bid or purchase was not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Common Shares. All of these transactions must also be effected in accordance with Regulation M under the United States Securities Exchange Act of 1934, as amended.

Determination of Offering Price

The offering price of the Common Shares offered by this short form prospectus was determined by negotiation between us and the underwriters. Among the factors considered in determining the offering price of the Common Shares was:

- the market price of our Common Shares;
- our history and our prospects;
- the industry in which we operate;
- gold prices and trends;
- our past and present operating results;
- the previous experience of our executive officers; and
- the general condition of the securities markets at the time of this offering.

The offering price stated on the cover page of this short form prospectus should not be considered an indication of the actual value of the Common Shares. That price is subject to change as a result of market conditions and other factors, and we cannot assure you that the Common Shares can be resold at or above the offering price.

RISK FACTORS

An investment in the Common Shares involves a high degree of risk. You should consider carefully the following discussion of risks, in addition to the other information included or incorporated by reference in this short form prospectus including Golden Star s *pro forma* consolidated financial statements set forth in Appendix A before purchasing any of the Common Shares. In addition to historical information, the information in this short form prospectus contains forward-looking statements about our future business and performance. See Forward-Looking Statements . Our actual operating results and financial performance may be very different from what we expect as of the date of this short form prospectus. Risk factors relating to our business assume the Arrangement is completed and include risks related to the business of St. Jude. The risks below address the material factors that may affect our future operating results and financial performance.

Risks Relating to the Pending Acquisition of St. Jude

The Arrangement with St. Jude may not be consummated.

The Arrangement with St. Jude is subject to a number of conditions including the approval of the Arrangement by the requisite two-thirds of the votes cast by St. Jude shareholders and convertible securityholders, voting as a single class, the approval of the Supreme Court of British Columbia, Canada, the receipt of certain regulatory approvals and third party consents and the absence of any material adverse change to the business, financial condition, results of operations, assets or liabilities of St. Jude. If the conditions to the Arrangement are not satisfied or, if permissible, waived on or before December 21, 2005 or such later date as may be agreed by us and St. Jude, we or St. Jude may terminate the Arrangement Agreement, in which case the Arrangement will not be completed. Neither we nor St. Jude are obligated to extend the period for the satisfaction or, if permissible, waiver of the conditions to the Arrangement beyond December 21, 2005.

Should the Arrangement not be completed, we would not realize the anticipated benefits to us of the Arrangement including the additional growth opportunities provided by St. Jude s properties. You should recognize that the conditions to the Arrangement may not be satisfied and the Arrangement may not be completed.

The integration of Golden Star and St. Jude may not occur as planned.

The Arrangement would involve the integration of companies that previously operated independently. The Arrangement has been proposed with the expectation that its successful completion would, over time, result in enhanced growth opportunities and the synergies resulting from the combination of increased earnings and reduced costs. These anticipated benefits would depend in part on whether the operations of Golden Star and St. Jude can be integrated in an efficient and effective manner and whether St. Jude s Hwini-Butre, South Benso and other properties can be developed. Most operational and certain staffing decisions with respect to the combined company have not yet been made. These decisions and the integration of the two companies will present challenges to management, including the integration of systems and personnel of the two companies, and special risks, including possible unanticipated liabilities and costs.

Financial Risks

A substantial or prolonged decline in gold prices would have a material adverse effect on us.

The price of our Common Shares, our financial results and our exploration, development and mining activities have previously been, and would in the future be, significantly adversely affected by a substantial or prolonged decline in the price of gold. The price of gold is volatile and is affected by numerous factors beyond our control such as the sale or purchase of gold by various central banks and financial institutions, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional demand, and the political and economic conditions of major gold-producing countries throughout the world. Any drop in the price of gold adversely impacts our revenues, profits and cash flows. In particular, a sustained low gold price could:

cause suspension of our mining operations at Bogoso/ Prestea and Wassa if such operations become uneconomic at the then-prevailing gold price, thus further reducing revenues;

cause us to be unable to fulfill our obligations under agreements with our partners or under our permits and licenses which could cause us to lose our interests in, or be forced to sell, some of our properties;

cause us to be unable to fulfill our debt payment obligations;

halt or delay the development of new projects;

reduce funds available for exploration, with the result that depleted reserves are not replaced; and

reduce or eliminate the benefit of enhanced growth opportunities anticipated from the St. Jude acquisition.

Furthermore, the need to reassess the feasibility of any of our projects because of declining gold prices could cause substantial delays or might interrupt operations until the reassessment can be completed. Mineral reserve calculations and life-of-mine plans using significantly lower gold prices could result in reduced estimates of mineral reserves and non-reserve mineral resources and in material write-downs of our investment in mining properties and increased amortization, reclamation and closure charges.

We may incur substantial losses in the future that could make financing our operations and business strategy more difficult.

We had a net loss of U.S.$8.2 million during the nine months ended September 30, 2005 and annual earnings of U.S.$2.6 million, U.S.$22.0 million and U.S.$4.9 million in 2004, 2003 and 2002, respectively. We reported net losses of U.S.$20.6 million in 2001 and U.S.$14.9 million in 2000. Numerous factors, including declining gold prices, lower than expected ore grades or higher than expected operating costs (including increased commodity prices), and impairment write-offs of mine property and/or exploration property costs, could cause us to be unprofitable in the future. The acquisition of St. Jude, which has no operating properties, may result in increased future losses. Any future operating losses could make financing our operations and our business strategy, including pursuit of growth opportunities anticipated in the St. Jude acquisition, or raising additional capital, difficult or impossible and could materially and adversely affect our operating results and financial condition.

Our obligations could strain our financial position and impede our business strategy.

We have total consolidated debt and liabilities as of September 30, 2005 of U.S.$105.3 million, including U.S.$12.2 million payable to financial institutions, U.S.$50 million in senior convertible notes maturing on April 15, 2009, U.S.$32.6 million of current trade payables, accrued current and other liabilities and an U.S.$10.5 million accrual for environmental rehabilitation liabilities. For additional information on our environmental rehabilitation liabilities, see note 13 to our consolidated financial statements contained in our Annual Report on Form 10-K, as amended, for our most recently completed fiscal year and the subsequent Quarterly Report on Form 10-Q for our most recently completed fiscal quarter. We expect that our indebtedness and other liabilities will increase as a result of our corporate development activities. These liabilities could have important consequences, including the following:

increasing our vulnerability to general adverse economic and industry conditions;

limiting our ability to obtain additional financing to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements;

requiring us to dedicate a significant portion of our cash flow from operations to make debt service payments, which would reduce our ability to fund working capital, capital expenditures, operating and exploration costs and other general corporate requirements;

limiting our flexibility in planning for, or reacting to, changes in our business and the industry; and placing us at a disadvantage when compared to our competitors that have less debt relative to their market capitalization.

Our estimates of mineral reserves and non-reserves could be inaccurate, which could cause production and costs to differ from estimates.

There are numerous uncertainties inherent in estimating proven and probable mineral reserves and non-reserve measured, indicated and inferred mineral resources, including many factors beyond our control. The accuracy of estimates of mineral reserves and non-reserves is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation, which could prove to be unreliable. These estimates of mineral reserves and non-reserves may not be accurate, and mineral reserves and non-reserves may not be able to be mined or processed profitably. In addition, our estimates of non-reserve resources for St. Jude s properties may be lower than St. Jude s estimates.

Fluctuation in gold prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate could require revision of the estimate. The volume and grade of mineral reserves mined and processed and recovery rates might not be the same as currently anticipated. Any material reductions in estimates of our mineral reserves and non-reserves, or of our ability to extract these mineral reserves and non-reserves, could have a material adverse effect on our results of operations and financial condition.

We currently have only two major sources of operational cash flows, which will likely be insufficient to fund our continuing exploration and development activities.

While we have received significant infusions of cash from sales of equity and debt, our only current significant internal sources of funds are operational cash flows from Bogoso/ Prestea and Wassa. The newly constructed Wassa processing plant and open pit mine were completed and placed in service on April 1, 2005 and currently process through the mill a mixture of ore from the open pit and materials from the prior owner s heap leach pads. Production at Wassa was 45,063 ounces in the second and third quarters of 2005 and is expected to average approximately 140,000 ounces per year after 2005. However, Wassa s production goal may not be achieved. The anticipated continuing exploration and development of our properties will require significant expenditures over the next several years, which we expect to increase if we complete the acquisition of St. Jude. We expect that these expenditures will exceed free cash flows generated by Bogoso/ Prestea and Wassa during that period, and therefore we expect in the future to require additional external debt or equity financing. Lower gold prices during the five years prior to 2002 adversely affected our ability to obtain financing, and recurring lower gold prices could have similar effects in the future. In the future, we may not be able to obtain adequate financing on acceptable terms. If we are unable to obtain additional financing on acceptable terms, we might need to delay or indefinitely postpone further exploration and development of our properties, and as a result, we could lose our interest in, or could be forced to sell, some of our properties.

Implementation of a gold hedging program might be unsuccessful and incur losses.

Euro Ressources S.A., our 57.2% owned subsidiary, has entered into a cash-settled forward sales agreement with its lender designed to reduce in part the impact of gold price fluctuations on expected future Rosebel royalty revenues it receives from Cambior Inc., as required by its loan agreement. While there is a risk of loss if the derivative positions were to be liquidated early and during a period of unfavorable gold prices, loan covenants prohibit liquidation of the position prior to the end of the loan repayment.

We have purchased and expect to continue to purchase put options (puts) and call options (calls) from time to time during the construction phase of the new processing plant at Bogoso in Ghana. Puts give us the right but not the obligation to sell gold in the future at a fixed price. While puts do not limit the upside potential of higher gold prices, early liquidation of puts during a period of unfavorable gold prices could result in a loss. Calls are contractual commitments which require us to sell gold at a fixed price on specified future dates. If the spot market gold price exceeds the call option price on the specified sale date we would receive the call price rather than the higher spot market price for the gold ounces covered by the call option. Current call options are set at U.S.$525 per ounce. There will be no cost to us unless the spot market price of gold exceeds this level on the call options specified sales dates. Of our 2006 production, approximately 16% is subject to calls at U.S.$525 per ounce, and approximately 40% is protected by puts at a floor price of U.S.$406 per ounce.

We continue to review whether or not, in light of the potential for gold prices to fall, it would be appropriate to establish a more general hedging program. To date, we have decided not to implement a more general hedging program on gold production from our own properties.

We are subject to fluctuations in currency exchange rates, which could materially adversely affect our financial position.

Our revenues are in United States dollars, and we maintain most of our working capital in United States dollars or United States dollar-denominated securities. We typically convert our United States funds to foreign currencies as payment obligations become due. Accordingly, we are subject to fluctuations in the rates of currency exchange between the United States dollar and these foreign currencies, and these fluctuations could materially affect our financial position and results of operations. A significant portion of the operating costs at Bogoso/ Prestea and Wassa is based on the Ghanaian currency, the Cedi. We are required to convert into Cedis only 20% of the foreign exchange proceeds that we receive from selling gold, but the Government of Ghana could require us to convert a higher percentage of gold sales proceeds into Cedis in the future. In addition, we currently have future obligations that are payable in South African Rand and Euros, and receivables collectible in Euros. We obtain construction and other services and materials and supplies from providers in South Africa and other countries. The costs of goods and services could increase due to changes in the value of the United States dollar or the Cedi, Euros, the South African Rand or other currencies, such as the recent decrease in the value of the United States dollar relative to other currencies. In addition, these changes may increase the salary costs of expatriate employees who are currently paid in United States dollars. Consequently, operation and development of our properties might be more costly than we anticipate.

We have purchased and expect to purchase additional South African Rand and Euro forward contracts in the near future to hedge the expected purchase of capital assets in South Africa in connection with the Bogoso sulfide expansion project. We may engage in additional currency hedges in the future in connection with other projects. Implementation of a currency hedging program may not adequately protect us from the effects of fluctuation in currency exchange rates.

Risks inherent in acquisitions that we might undertake could adversely affect our current business and financial condition and our growth.

We plan to continue to pursue the acquisition of producing, development and advanced stage exploration properties and companies, and have recently completed the acquisition and joint venture of exploration and development properties in Ghana and Sierra Leone, and expect to complete the acquisition of St. Jude by year-end 2005. The search for attractive acquisition opportunities and the completion of suitable transactions are time consuming and expensive and divert management attention from our existing business and may be unsuccessful. Our success in our acquisition activities depends on our ability to complete acquisitions on acceptable terms and integrate the acquired operations successfully with those of Golden Star. Any acquisition would be accompanied by risks. For example, there may be a significant change in commodity prices after we have committed to complete a transaction and established the purchase price or exchange ratio, a material orebody may prove to be below expectations or the acquired business or assets may have unknown liabilities which may be significant. We may lose the services of our key employees or the key employees of any business we acquire or have difficulty integrating operations and personnel. The integration of an acquired business or assets may disrupt our ongoing business and our relationships with employees, suppliers and contractors. Any one or more of these factors or other risks could cause us not to realize the anticipated benefits of an acquisition of properties or companies, and could have a material adverse effect on our current business and financial condition and on our ability to grow.

We are subject to litigation risks.

All industries, including the mining industry, are subject to legal claims, with and without merit. We are involved in various routine legal proceedings, which include labor matters such as unfair termination claims, supplier matters and property issues incidental to our business, and we are involved in a dispute with respect to a portion of our interest in the Prestea Underground. A portion of St. Jude s interest in the HB Concession was threatened by an internal dispute among shareholders of a company that previously held an interest in the concession. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have a material effect on our financial position and results of operations.

Operational Risks

The technology, capital costs and cost of production of refractory mineral reserves and non-reserves at Bogoso/ Prestea remain subject to a number of uncertainties, including funding uncertainties.

Based upon the completion of our Bogoso sulfide project feasibility study in 2001, the refractory material at Bogoso/ Prestea, which is ore that cannot be satisfactorily processed by basic gravity concentration or simple cyanidation, has been included in our proven and probable mineral reserves, which are prepared in accordance with National Instrument 43-101 of the Canadian securities regulators. While the sulfide project feasibility study indicated that refractory mineral reserves can be profitably mined and processed at current gold prices, the capital cost to upgrade the Bogoso processing plant with a bio-oxidation or BIOX circuit to process refractory ore, together with related mining equipment, and facilities, is significant, and U.S.$20.3 million has been spent on the project through September 30, 2005. While the processing technology envisioned in the feasibility study has been successfully utilized at other mines and, despite our testing, engineering and analysis, the technology may not perform successfully at commercial production levels on the Bogoso/ Prestea refractory sulfide ores, in which case our production estimates may not be achieved.

We are subject to a number of operational hazards that can delay production or result in liability to us.

Our activities are subject to a number of risks and hazards including:

- environmental hazards;
- discharge of pollutants or hazardous chemicals;
- industrial accidents;
- labor disputes and shortages;
- supply and shipping problems and delays;
- shortage of equipment and contractor availability;
- difficulty in applying technology such as bio-oxidation processing;
- unusual or unexpected geological or operating conditions;
- slope failures;
- cave-ins of underground workings;
- failure of pit walls or dams;

fire;

changes in the regulatory environment; and

natural phenomena such as inclement weather conditions, floods and earthquakes.

These or other occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, delayed production, monetary losses and possible legal liability. We could incur liabilities as a result of pollution and other casualties. Satisfying such liabilities could be very costly and could have a material adverse effect on our financial position and results of operations.

Our mining operations are subject to numerous environmental laws, regulations and permitting requirements that can delay production and adversely affect operating and development costs.

Compliance with existing regulations governing the discharge of materials into the environment, or otherwise relating to environmental protection, in the jurisdictions where we have projects may have a material adverse effect on our exploration activities, results of operations and competitive position. New or expanded regulations, if adopted, could affect the exploration or development of our projects or otherwise have a material adverse effect on our operations.

A significant portion of our recently acquired Dunkwa property and portions of our Wassa property, as well as some of our exploration properties in Ghana, are located within forest reserve areas. Although Dunkwa and Wassa have been identified by the Government of Ghana as eligible for mining permits subject to normal procedures and a site inspection, permits for projects in forest reserve areas may not be issued in a timely fashion, or at all, and such permits may contain special requirements with which it is burdensome or expensive to comply.

Mining and processing gold from the south end of the Prestea property, the new tailings dam at Bogoso and other activities will require mining and other permits from the Government of Ghana. These permits may not be issued on a timely basis or at all, and such permits, when issued, may be subject to requirements or conditions with which it is burdensome or expensive to comply. Such permitting issues could adversely affect our projected production commencement dates, production amounts and costs.

Due to an increased level of non-governmental organization activity targeting the mining industry in Ghana, the potential for the Government of Ghana to delay the issuance of permits or impose new requirements or conditions upon mining operations in Ghana may be increased. Any changes in the Government of Ghana s policies may be costly to comply with and may delay mining operations. The exact nature of other environmental control problems, if any, which we may encounter in the future cannot be predicted, primarily because of the changing character of environmental requirements that may be enacted within various jurisdictions. To the extent that we are subject to any such changes, they may have a material adverse effect on our operations in Ghana.

As a result of the foregoing risks, project expenditures, production quantities and rates and cash operating costs, among other things, could be materially and adversely affected and could differ materially from anticipated expenditures, production quantities and rates, and costs. In addition, estimated production dates could be delayed materially. Any such events could materially and adversely affect our business, financial condition, results of operations and cash flows.

The development and operation of our mining projects involve numerous uncertainties that could affect the feasibility or profitability of such projects.

Mine development projects, including our recent development at Wassa and expansion at Bogoso/ Prestea, and the potential development of St. Jude s projects if reserves are determined, typically require a number of years and significant expenditures during the development phase before production is possible.

Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits and receipt of adequate financing. The economic feasibility of development projects is based on many factors such as:

- estimation of mineral reserves and mineral resources;
- anticipated metallurgical recovery rates;
- environmental considerations and permitting;
- future gold prices; and
- anticipated capital and operating costs.

Our mine development projects could have limited relevant operating history upon which to base estimates of future operating costs and capital requirements. Estimates of proven and probable mineral reserves and operating costs determined in feasibility studies are based on geologic and engineering analyses and might not prove to be accurate.

The management of mine development projects and start up of new operations are complex, and we do not have a history of simultaneously managing an ongoing operation, the start-up of a new operation and a significant development project. Completion of development and the commencement of production may be subject to delays, as occurred at Wassa. Any of the following events, among others, could affect the profitability or economic feasibility of a project:

- unanticipated changes in grade and tonnage of ore to be mined and processed;
- unanticipated adverse geotechnical conditions;
- incorrect data on which engineering assumptions are made;
- costs of constructing and operating a mine in a specific environment;
- availability and cost of processing and refining facilities;
- availability of economic sources of power;
- adequacy of water supply;
- adequate access to the site including competing land uses (such as agriculture and illegal mining);
- unanticipated transportation costs;
- significant increases in the cost of diesel fuel, cyanide or other major components of operating costs;
- government regulations (including regulations relating to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment and agricultural lands);
- fluctuations in gold prices; and
- accidents, labor actions and force majeure events.

Adverse effects on the operations or further development of a project could also adversely affect our business, financial condition, results of operations and cash flow. Because of these uncertainties, and others identified in these Risk Factors , our production estimates at Bogoso/ Prestea and Wassa may not be achieved.

We need to continually obtain additional mineral reserves for gold production and a failure to do so would adversely affect our business and financial position in the future.

Because mines have limited lives based on proven and probable mineral reserves, we must continually replace and expand our mineral reserves as our mines produce gold. At current average production rates, we estimate that Bogoso/ Prestea has over ten years of mine life and Wassa has approximately five years of mine life, but our estimates might not be correct and the mine life would be shortened if we expand production. Our ability to maintain or increase our annual production of gold will be dependent in significant part on our ability to bring new mines into production and to expand or extend the life of existing mines.

Gold exploration is highly speculative, involves substantial expenditures, and is frequently non-productive.

Gold exploration, including the exploration of the Prestea Underground and St. Jude s Hwini-Butre, South Benso and other projects, involves a high degree of risk and exploration projects are frequently unsuccessful. Few prospects that are explored end up being ultimately developed into producing mines. To the extent that we continue to be involved in gold exploration, the long-term success of our operations will be related to the cost and success of our exploration programs. We cannot assure you that our gold exploration efforts will be successful. The success of gold exploration is determined in part on the following factors:

the identification of potential gold mineralization based on superficial analysis;

availability of prospective land;

availability of government-granted exploration permits;

the quality of our management and our geological and technical expertise; and

the capital available for exploration and development.

Substantial expenditures are required to determine if a project has economically mineable mineralization. It could take several years to establish proven and probable mineral reserves and to develop and construct mining and processing facilities. As a result of these uncertainties, we cannot assure you that current and future exploration programs will result in the discovery of mineral reserves, the expansion of our existing mineral reserves and the development of mines.

We face competition from other mining companies in connection with the acquisition of properties.

We face strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious metals. Many of these companies have greater financial resources, operational experience and technical capabilities. As a result of this competition, we might be unable to maintain or acquire attractive mining properties on terms we consider acceptable or at all. Consequently, our revenues, operations and financial condition could be materially adversely affected.

Title to our mineral properties could be challenged.

We seek to confirm the validity of our rights to title to, or contract rights with respect to, each mineral property in which we have a material interest. We have mining leases with respect to our Bogoso/ Prestea, Wassa and Prestea Underground properties. However, we cannot guarantee that title to our properties will not be challenged. St. Jude s rights to a portion of the Hwini-Butre property was threatened by an internal dispute among the shareholders of a company that previously held an interest in the concession. Title insurance generally is not available, and our ability to ensure that we have obtained a secure claim to individual mineral properties or mining concessions could be severely constrained. We generally do not conduct surveys of our properties until they have reached the development stage, and therefore, the precise area and location of such properties could be in doubt. Accordingly, our mineral properties could be subject to prior unregistered agreements, transfers or claims, and title could be affected by, among other things, undetected defects. In addition, we might be unable to operate our properties as permitted or to enforce our rights with respect to our properties.

We depend on the services of key executives.

We are dependent on the services of key executives including our President and Chief Executive Officer and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of our management team, the loss of these persons or our inability to attract and retain additional highly skilled employees could adversely affect the exploration and development of our properties, which could have a material adverse effect on our business and future operations. We have obtained key person insurance only with respect to our President and Chief Executive Officer.

The period of weak gold prices prior to 2002 resulted in the depletion in the number of trained and experienced professionals and managers in our industry. Higher gold prices have resulted in an increased demand for these people, and it could therefore be more difficult to attract or retain such experienced professionals and managers without significantly increasing the cost to us.

Our insurance coverage could be insufficient.

Our business is subject to a number of risks and hazards generally, including:

- adverse environmental conditions;
- industrial accidents;
- labor disputes;
- unusual or unexpected geological conditions;
- ground or slope failures;
- cave-ins;
- changes in the regulatory environment;
- natural phenomena such as inclement weather conditions, floods and earthquakes; and
- political risks including expropriation and civil war.

Such occurrences could result in:

- damage to mineral properties or production facilities;
- personal injury or death;
- loss of legitimate title to properties;
- environmental damage to our properties or the properties of others;
- delays in mining;
- monetary losses; and
- possible legal liability.

Although we maintain insurance in amounts that we believe to be reasonable, our insurance might not cover all the potential risks associated with our business. We might also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage might not continue to be available or might not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to us or to other companies in the mining industry on acceptable terms. We might also become subject to liability for pollution or other hazards which we cannot insure against or which we might elect not to insure against because of premium costs or other reasons. Losses from these events might cause us to incur significant costs that could have a material adverse effect upon our financial performance and results of operations.

Governmental and Regulatory Risks

As a holding company, limitations on the ability of our operating subsidiaries to make distributions to us could adversely affect the funding of our operations.

We are a holding company that conducts operations through foreign (principally African) subsidiaries and joint ventures, and substantially all of our assets consist of equity in these entities. Accordingly, any limitation on the transfer of cash or other assets between the parent corporation and these entities, or among these entities, could restrict our ability to fund our operations efficiently, or to repay our convertible notes or other debt. Any such limitations, or the perception that such limitations might exist now or in the future, could have an adverse impact on our valuation and stock price.

We are subject to changes in the regulatory environment where we operate which may increase our costs of compliance.

Our mining operations and exploration activities are subject to extensive regulation governing various matters, including:

- licensing
- production
- taxes
- water disposal
- toxic substances
- development and permitting
- exports
- imports
- labor standards
- occupational health and safety
- mine safety
- environmental protections

Compliance with these regulations increases the costs of the following:

- planning
- designing
- drilling
- operating
- developing
- constructing

closure and reclamation

We believe that we are in substantial compliance with current laws and regulations in Ghana and elsewhere. However, these laws and regulations are subject to frequent change and reinterpretation. Due to the substantial increase in mining development in Ghana in recent years, the Government of Ghana has been reviewing the adequacy of reclamation bonds and guarantees throughout the country and in some cases has requested higher levels of bonding than previously had been required. Our bonds may be increased. Amendments to current laws and regulations governing operations and activities of mining companies or more stringent implementation or interpretation of these laws and regulations could have a material adverse impact on us, cause a reduction in levels of production and delay or prevent the development or expansion of our properties in Ghana.

Government regulations limit the proceeds from gold sales that could be withdrawn from Ghana. Changes in regulations that increase these restrictions could have a material adverse impact on us, as Bogoso/ Prestea and Wassa are currently our only sources of internally generated operating cash flows.

The Government of Ghana has the right to increase its ownership and control of certain subsidiaries.

The Government of Ghana currently has a 10% carried interest in our subsidiaries that own our Bogoso/ Prestea mine, Wassa mine and Prestea Underground property and in the subsidiaries of St. Jude that own the Hwini-Butre, South Benso and other properties in Ghana. The Government of Ghana also has: (a) the right to acquire up to an additional 20% equity interest in each of these subsidiaries for a price to be determined by agreement or arbitration; (b) the right to acquire a special share or golden share in such subsidiaries at any time for no consideration or such consideration as the Government of Ghana and such subsidiaries might agree; and (c) a pre-emptive right to purchase all gold and other minerals produced by such subsidiaries. The Government of Ghana may seek to exercise one or more of these rights, which could reduce our equity interest. A reduction in our equity interest could reduce our income or cash flows from Bogoso/ Prestea or Wassa, reducing amounts available to us for reinvestment and adversely affecting our ability to take certain actions.

We are subject to risks relating to exploration, development and operations in foreign countries.

Certain laws, regulations and statutory provisions in certain countries in which we have mineral rights could, as they are currently written, have a material negative impact on our ability to develop or operate a commercial mine. For countries where we have exploration or development stage projects, we intend to negotiate mineral agreements with the governments of these countries and seek variances or otherwise be exempted from the provisions of these laws, regulations and/or statutory provisions. We cannot assure you, however, that we will be successful in obtaining mineral agreements or variances or exemptions on commercially acceptable terms.

Our assets and operations are affected by various political and economic uncertainties, including:

- the risks of war, civil unrest, coups or other violent or unexpected changes in government;
- political instability and violence;
- expropriation and nationalization;
- renegotiation or nullification of existing concessions, licenses, permits, and contracts;
- illegal mining;
- changes in taxation policies;
- restrictions on foreign exchange and repatriation; and
- changing political conditions, currency controls, and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Illegal mining occurs on our properties, is difficult to control, can disrupt our business and can expose us to liability.

We continue to experience heightened illegal mining activity on the Prestea property involving illegal miners numbering in the thousands. Most of this activity is in the Beta Boundary area south of Prestea and includes areas where we have established reserves. It is difficult to quantify the exact impact of this activity on our reserves and non-reserve mineral resources. The impact of this illegal mining, to the extent known at this time, on our currently reported mineral reserve and non-reserve mineral resources was

included in our year-end 2004 reserve figures. While we are proactively working with local, regional and national governmental authorities to obtain protection of our property rights on a timelier basis, any action on the part of such authorities may not occur, may not fully address our problems or may be delayed.

In addition to the impact on our mineral reserve and non reserve mineral resources, the presence of illegal miners could lead to project delays and disputes and delays regarding the development or operation of commercial gold deposits. The work performed by the illegal miners could cause environmental damage or other damage to our properties, or personal injury or death for which we could potentially be held responsible. Illegal miners work on other of our properties from time to time, and they may in the future increase their presence and have increased negative impacts such as those described above on such other properties.

Our activities are subject to complex laws, regulations and accounting standards that can adversely affect operating and development costs, the timing of operations, the ability to operate and financial results.

Our business, mining operations and exploration and development activities are subject to extensive Canadian, United States, Ghanaian and other foreign, federal, state, provincial, territorial and local laws and regulations governing exploration, development, production, exports, taxes, labor standards, waste disposal, protection of the environment, reclamation, historic and cultural resource preservation, mine safety and occupational health, toxic substances, reporting and other matters, as well as accounting standards. Compliance with these laws, regulations and standards or the imposition of new such requirements could adversely affect operating and development costs, the timing of operations, the ability to operate and financial results.

Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and share price.

We are required to annually test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and a report by our independent auditor addressing these assessments. Any failure to implement, improve and expand our systems, processes, or controls efficiently could have a material adverse effect on our business and our ability to achieve and maintain an effective internal control environment. During the course of our testing we may identify deficiencies which we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. In addition, if we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. While we have satisfied the requirements of Section 404 for the year ended December 31, 2004, failure in the future to achieve and maintain an effective internal control environment could have a material adverse effect on our business and share price. As a reporting issuer in Canada and not reporting in the United States, St. Jude has not previously been subject to Section 404. If the acquisition of St. Jude is completed, we will be required to expand our internal control procedures to include the business and financial information of St. Jude in order to satisfy the requirements of Section 404. Our failure to do so effectively and in a timely manner could have a material adverse effect on our business and share price.

Market Risks

The market price of our Common Shares could experience volatility and could decline significantly.

Our Common Shares are listed on the TSX and AMEX. Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Our share price is also likely to be significantly affected by short-term changes in gold prices or in our financial condition or results of operations as reflected in our quarterly earnings reports. Other factors unrelated to our performance that could have an effect on the price of our Common Shares include the following:

the extent of analytical coverage available to investors concerning our business could be limited if investment banks with research capabilities do not continue to follow our securities;

the trading volume and general market interest in our securities could affect an investor s ability to trade significant numbers of Common Shares;

the relatively small size of the public float will limit the ability of some institutions to invest in our securities; and

a substantial decline in our stock price that persists for a significant period of time could cause our securities to be delisted from the TSX and the AMEX, further reducing market liquidity.

As a result of any of these factors, the market price of our Common Shares at any given point in time might not accurately reflect our long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. We could in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management s attention and resources.

Investors could have difficulty or be unable to enforce certain civil liabilities on us, certain of our directors and our experts.

Golden Star is a Canadian corporation. Substantially all of our assets are located outside of Canada and the United States, and our head office is located in the United States. It might not be possible for investors to collect judgments obtained in Canadian courts predicated on the civil liability provisions of Canadian or U.S. securities legislation. It could also be difficult for you to effect service of process in connection with any action brought in the United States upon such directors and experts. Execution by United States courts of any judgment obtained against us or, any of the directors, executive officers or experts named in this short form prospectus in the United States courts would be limited to our assets or the assets of such persons or corporations, as the case might be, in the United States. The enforceability in Canada of United States judgments or liabilities in original actions in Canadian courts predicated solely upon the civil liability provisions of the federal securities laws of the United States is doubtful.

There may be certain tax risks associated with investments in Golden Star.

Potential investors that are United States taxpayers should consider that we could be considered to be a passive foreign investment company (PFIC) for U.S. federal income tax purposes. Although we believe that we currently are not a PFIC and do not expect to become a PFIC in the future, the tests for determining PFIC status are dependent upon a number of factors, some of which are beyond our control, and we can not assure you that we would not become a PFIC in the future. If we were deemed to be a PFIC, then a United States taxpayer who disposes of Common Shares at a gain, or who received a so-called excess distribution on the Common Shares, generally would be required to treat such gain or excess distribution as ordinary income and pay an interest charge on a portion of the gain or distribution.

The existence of outstanding rights to purchase or acquire Common Shares could impair our ability to raise capital.

As of December 9, 2005 approximately 13.3 million Common Shares are issuable on exercise of warrants, options or other rights to purchase Common Shares at prices ranging from $1.02 to $9.07. If the Arrangement with St. Jude is consummated, we would have additional options and warrants issued in exchange for St. Jude options and warrants outstanding for the issuance of up to approximately 6.0 million additional Common Shares. In addition, 11.1 million Common Shares are currently issuable upon conversion of our senior convertible notes issued in April 2005. During the life of the warrants, options, notes and other rights, the holders are given an opportunity to profit from a rise in the market price of

Common Shares, with a resulting dilution in the interest of the other shareholders. Our ability to obtain additional financing during the period such rights are outstanding could be adversely affected, and the existence of the rights could have an adverse effect on the price of its Common Shares. The holders of the warrants, options, notes and other rights can be expected to exercise or convert them at a time when we would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable than those provided by the outstanding rights.

Risks Relating to This Offering

You will suffer immediate dilution of your investment and are subject to future dilution by the exercise of options and warrants.

On December 9, 2005, we had approximately 142,987,394 million shares outstanding. Prior to the closing of this offering, pursuant to the Arrangement, assuming it is consummated, we will issue approximately 31,114,313 million Common Shares and options and warrants to acquire an additional 6,036,451 million Common Shares. As of December 9, 2005, 11.1 million Common Shares were issuable upon conversion of the senior convertible notes, there were options outstanding to purchase up to 4,892,451 Common Shares at prices from Cdn$1.02 to Cdn.$9.07 per share under our stock option plans and warrants outstanding to purchase up to 8,448,334 Common Shares at a weighted average exercise price of Cdn.$4.60 per share. If currently outstanding options or warrants to purchase our Common Shares are exercised, your investment would be further diluted.

LEGAL PROCEEDINGS

Our joint venture partner in the Prestea Underground, entered receivership in March 2003. The joint venture agreement regarding Prestea Underground specifies that upon a party entering into receivership, any remaining interest held in the partnership by the insolvent partner would immediately vest with the solvent partner. The transfer and vesting of the prior partner s ownership interest in our subsidiary, BGL, was challenged by a judgment creditor of our prior partner in an action brought before the High Court in Accra, Ghana on February 28, 2005. In June 2005, the High Court issued a preliminary finding in favor of the judgment creditor. Nevertheless, continued project spending by us diluted the prior partner s original ownership position to less than 10% by September 30, 2005, resulting in the residual value immediately converting into a 2.5% net profits interest in potential future earnings from the Prestea Underground mine. While the High Court s ruling has effectively given the 2.5% net profits interest to the bankruptcy trustee, the trustee still must establish the fair value of the interest and then find a buyer. At a recent bankruptcy hearing, none of the creditors were willing to fund a valuation study.