

GOLDEN STAR RESOURCES LTD
Form 10-Q
November 09, 2011

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

✓ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended September 30, 2011

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934

Commission file number 1-12284

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

Canada 98-0101955
(State or other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

10901 West Toller Drive, Suite 300 80127-6312
Littleton, Colorado (Zip Code)
Registrant's telephone number, including area code (303) 830-9000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such report) and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer: x Accelerated filer: o

Non-accelerated filer: o Smaller reporting company: o

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

Number of Common Shares outstanding as at November 7, 2011: 258,624,486

REPORTING CURRENCY, FINANCIAL AND OTHER INFORMATION

All amounts in this report are expressed in United States (“U.S.”) dollars, unless otherwise indicated. Canadian currency is denoted as “Cdn\$.”

Financial information is presented in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). Differences between U.S. GAAP and International Financial Reporting Standards (“IFRS”), as applicable to Golden Star Resources Ltd., are explained in Note 21 to the Consolidated Financial Statements.

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

NON-GAAP FINANCIAL MEASURES

In this Form 10-Q, we use the terms “total cash cost per ounce” and “cash operating cost per ounce” which are considered Non-GAAP financial measures as defined in SEC Regulation S-K Item 10 and applicable Canadian securities law and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP. See Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations for a definition of these measures as used in this Form 10-Q.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Form 10-Q contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, and within the meaning of applicable Canadian securities law, with respect to our financial condition, results of operations, business prospects, plans, objectives, goals, strategies, future events, capital expenditures, and exploration and development efforts. Words such as “anticipates,” “expects,” “intends,” “forecasts,” “plans,” “believes,” “seeks,” “estimates,” “may,” “will,” and similar expressions (including negative and grammatical variations) tend to identify forward-looking statements.

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

These statements include comments regarding: anticipated attainment of gold production rates; production and cash operating cost estimates for 2011 and 2012; production capacity, production rates, and production costs; cash operating costs generally; gold sales; mining operations and gold recovery rates; ore delivery; ore processing; permitting; geological, environmental, community and engineering studies; receipt of environmental management plan approvals by the Ghana Environmental Protection Agency (“EPA”); exploration efforts and activities; ore grades; our anticipated investing and exploration spending during 2011; identification of acquisition and growth opportunities; timing of completion of our Bogoso tailings recovery project; our expectations regarding Pampe oxide ore and the Bogoso oxide plant; completion of mining at Benso and anticipated increases in mining at Hwini-Butre and Wassa thereafter; retention of earnings from our operations; expected operational cash flow during the remainder of 2011; our objectives for 2011; expected debt payments during 2011; and sources of and adequacy of liquidity to meet capital and other needs in 2011 and beyond.

The following, in addition to the factors described under “Risk Factors” in Item 1A of our December 31, 2010 Form 10-K, are among the factors that could cause actual results to differ materially from the forward-looking statements:

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

services and personnel;

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

These factors are not intended to represent a complete list of the general or specific factors that could affect us. We undertake no obligation to update forward-looking statements except as may be required by applicable laws.

ITEM 1. FINANCIAL STATEMENTS

U.S. GAAP FINANCIAL STATEMENTS

The following financial statements and footnotes presented immediately below, are prepared in conformity with U.S. GAAP except for Note 21.

IFRS RECONCILIATIONS

To facilitate comparison of our U.S. GAAP financial statements to the financial statements of other mining companies which report their financial results under IFRS, we have prepared a reconciliation showing our results on an IFRS basis. This reconciliation is presented below in footnote 21.

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS

(Stated in thousands of U.S. dollars except shares issued and outstanding)
(unaudited)

	As of September 30 2011	As of December 31 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	\$ 114,294	\$ 178,018
Accounts receivable (Note 4)	16,384	11,885
Inventories (Note 6)	64,625	65,204
Deposits	8,368	5,865
Prepays and other	2,097	1,522
Total Current Assets	205,768	262,494
RESTRICTED CASH	2,405	1,205
PROPERTY, PLANT AND EQUIPMENT (Note 8)	241,292	228,367
INTANGIBLE ASSETS	5,793	7,373
MINING PROPERTIES (Note 9)	254,172	250,620
OTHER ASSETS (Note 7)	2,362	3,167
Total Assets	\$ 711,792	\$ 753,226
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 4)	\$ 23,139	\$ 34,522
Accrued liabilities (Note 4)	51,857	53,935
Derivatives (Notes 4 and 5)	6,813	—
Asset retirement obligations (Note 10)	11,445	23,485
Current tax liability (Note 12)	714	1,128
Current debt (Notes 11)	7,327	10,014
Total Current Liabilities	101,295	123,084
LONG TERM DEBT (Notes 4 and 11)	133,259	155,878
ASSET RETIREMENT OBLIGATIONS (Note 10)	22,311	21,467
DEFERRED TAX LIABILITY (Note 12)	24,932	15,678
Total Liabilities	\$ 281,797	\$ 316,107
COMMITMENTS AND CONTINGENCIES (Note 13)		
SHAREHOLDERS' EQUITY		
SHARE CAPITAL		
First preferred shares, without par value, unlimited shares authorized. No shares issued and outstanding	—	—
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 258,624,486 at September 30, 2011; 258,511,236 at December 31, 2010 (Note 14)	693,784	693,487
CONTRIBUTED SURPLUS	19,258	16,560
ACCUMULATED OTHER COMPREHENSIVE INCOME	1,679	1,959
DEFICIT	(283,352)	(274,036)
Total Golden Star Equity	431,369	437,970
NONCONTROLLING INTEREST	(1,374)	(851)
Total Equity	429,995	437,119

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 711,792	\$ 753,226
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The accompanying notes are an integral part of the consolidated financial statements

GOLDEN STAR RESOURCES LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)

(Stated in thousands of U.S. dollars except shares and per share data)

(unaudited)

	For the three months		For the nine months	
	ended		ended	
	September 30		September 30	
	2011	2010	2011	2010
REVENUE				
Gold revenues	\$125,880	\$103,651	\$352,193	\$327,222
Cost of sales (Note 15)	106,385	97,952	316,661	291,444
Mine operating margin	19,495	5,699	35,532	35,778
Exploration expense	1,824	1,625	3,972	4,174
General and administrative expense	5,996	3,859	20,350	12,973
Derivative mark-to-market (gain)/loss (Note 5)	13,245	(19,280)	(4,368)	4,473
Property holding costs	1,778	1,557	6,141	3,855
Foreign exchange loss	666	313	1,385	884
Interest expense	2,193	2,395	6,663	6,879
Interest and other income	(61)	(48)	(163)	(343)
(Gain)/loss on sale of assets	(338)	3	(336)	(1,650)
Income/(loss) before income tax	(5,808)			