

GOLDEN STAR RESOURCES LTD
Form 10-Q
August 09, 2010

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 June 30, 2010

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)

Edgar Filing: GOLDEN STAR RESOURCES LTD - Form 10-Q

(State or other Jurisdiction of

(I.R.S. Employer

Incorporation or Organization)

Identification No.)

10901 West Toller Drive, Suite 300

Littleton, Colorado

80127-6312

(Address of Principal Executive Office)

(Zip Code)

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

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 No

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

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:

Accelerated filer:

Non-accelerated filer:

Smaller reporting company

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

Number of Common Shares outstanding as at August 6, 2010: 258,146,960

REPORTING CURRENCY, FINANCIAL AND OTHER INFORMATION

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

Financial information is presented in accordance with accounting principles generally accepted in Canada (Cdn GAAP or Canadian GAAP). Differences between accounting principles generally accepted in the US (US GAAP) and Canadian GAAP, as applicable to Golden Star Resources Ltd., are explained in Note 26 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 Cdn GAAP or US 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, 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 2010; production capacity, production rates, and production costs; cash operating costs generally; gold sales; mining operations and recovery rates; plans with respect to the tailings recovery system at Bogoso; ore delivery; ore processing; permitting; geological, environmental, community and engineering studies; receipt of environmental management plan approvals by the EPA; review and approval of environmental permit applications and environmental impact statements by the EPA; exploration efforts and activities; ore grades; our anticipated investing and exploration spending during 2010; identification of acquisition and growth opportunities; anticipated power costs in 2010, the ability to meet total power requirements; retention of earnings from our operations; expected operational cash flow during the remainder of 2010; our objectives for 2010; our plans with respect to financial reporting changes; the progress of pending litigation; expected debt payments during 2010; usage of the funds borrowed under our credit facility; and sources of and adequacy of liquidity to meet capital and other needs in 2010 and beyond.

The following, in addition to the factors described under Risk Factors in Item 1A of our December 31, 2009 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;

Edgar Filing: GOLDEN STAR RESOURCES LTD - Form 10-Q

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 of ore mined and tonnes processed;

unanticipated gold 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;

recent changes under the Ghanaian Mining Act, 2006 regarding royalty rates;

difficulties in executing our mine plans due to delays in receiving necessary permits;

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, issues and expectations;

availability and cost of replacing Mineral Reserves;

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 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 undertake no obligation to update forward-looking statements except as may be required by applicable laws.

ITEM 1. FINANCIAL STATEMENTS

GOLDEN STAR RESOURCES LTD.

CONSOLIDATED BALANCE SHEETS

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

(unaudited)

	As of June 30 2010	As of December 31 2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 4)	\$ 181,232	\$ 154,088
Accounts receivable (Note 4)	20,328	7,021
Inventories (Note 6)	55,896	52,198
Deposits (Note 7)	4,412	4,774
Prepays and other (Note 13)	2,336	1,415
Total Current Assets	264,204	219,496
RESTRICTED CASH (Notes 4 and 17)	1,211	3,804
DEFERRED EXPLORATION AND DEVELOPMENT COSTS (Note 10)	12,820	12,949
PROPERTY, PLANT AND EQUIPMENT (Note 11)	232,333	231,855
INTANGIBLE ASSETS (Note 9)	8,427	9,480
MINING PROPERTIES (Note 12)	261,244	276,114
OTHER ASSETS (Notes 4 and 8)	650	181
Total Assets	\$ 780,889	\$ 753,879
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable (Note 4)	\$ 23,604	\$ 28,234
Accrued liabilities (Note 4)	41,857	34,178
Asset retirement obligations (Note 14)	7,520	1,938
Current tax liability (Note 16)	1,059	616
Current debt (Notes 4, 5 and 15)	12,280	9,970
Total Current Liabilities	86,320	74,936
LONG TERM DEBT (Notes 4, 5, and 15)	119,528	114,595
ASSET RETIREMENT OBLIGATIONS (Note 14)	22,051	30,031
FUTURE TAX LIABILITY (Note 16)	17,319	13,997
Total Liabilities	245,218	233,559
MINORITY INTEREST	338	
COMMITMENTS AND CONTINGENCIES (Note 17)		
SHAREHOLDERS EQUITY		
SHARE CAPITAL		
First preferred shares, without par value, unlimited shares authorized. No shares issued and outstanding		
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 258,146,960 at June 30, 2010; 257,362,561 at December 31, 2009 (Note 19)	691,991	690,423
CONTRIBUTED SURPLUS	17,336	15,759
EQUITY COMPONENT OF CONVERTIBLE DEBENTURES	34,542	34,542
ACCUMULATED OTHER COMPREHENSIVE INCOME	365	24

Edgar Filing: GOLDEN STAR RESOURCES LTD - Form 10-Q

DEFICIT		(208,901)	(220,428)
Total Shareholders' Equity		535,333	520,320
Total Liabilities and Shareholders' Equity		\$ 780,889	\$ 753,879

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

GOLDEN STAR RESOURCES LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)

(Stated in thousands of US dollars except shares and per share data)

(unaudited)

	For the three months		For the six months ended	
	ended June 30 2010	ended June 30 2009	ended June 30 2010	ended June 30 2009
REVENUE				
Gold revenues	\$ 120,307	\$ 91,868	\$ 223,571	\$ 179,513
Cost of sales (Note 20)	98,504	87,760	185,640	172,277
Mine operating margin	21,803	4,108	37,931	7,236
OTHER EXPENSES, (GAINS) AND LOSSES				
Exploration expense	451	237	678	347
General and administrative expense	4,145	3,745	9,114	7,159
Abandonment and impairment				290
Derivative mark-to-market losses (Note 13)	1,878	396	747	84
Property holding costs	1,197	660	2,298	2,002
Foreign exchange (gain)/loss	204	(2,542)	571	(4,213)
Interest expense	4,167	3,824	8,296	7,534
Interest and other income	(98)	(43)	(295)	(83)
Loss on sale of assets	71	125	347	304
Income/(loss) before minority interest	9,788	(2,294)	16,175	(6,188)
Minority interest	(338)		(338)	
Net income/(loss) before income tax	9,450	(2,294)	15,837	(6,188)
Income tax (expense)/benefit (Note 16)	(1,838)	2,674	(4,310)	5,422
Net income/(loss)	\$ 7,612	\$ 380	\$ 11,527	\$ (766)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Unrealized gains/(losses) on investments	(592)	14	340	41
Comprehensive income/(loss)	\$ 7,020	\$ 394	\$ 11,867	\$ (725)
Deficit, beginning of period	(216,513)	(238,093)	(220,428)	(236,947)
Deficit, end of period	(208,901)	(237,713)	(208,901)	(237,713)
Net income/(loss) per common share - basic (Note 22)	\$ 0.030	\$ 0.002	\$ 0.045	\$ (0.003)
Net income/(loss) per common share - diluted (Note 22)	\$ 0.029	\$ 0.002	\$ 0.044	\$ (0.003)
Weighted average shares outstanding (millions)	257.9	236.2	257.7	236.1

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

GOLDEN STAR RESOURCES LTD.**CONSOLIDATED STATEMENTS OF CASH FLOWS****(Stated in thousands of US dollars)****(unaudited)**

	Delaware
Prospect Street Broadband LLC	Delaware
Prospect Street Energy LLC	Delaware
Prospect Administration LLC	Delaware

ITEM 29. NUMBER OF HOLDERS OF SECURITIES

The following table sets forth the approximate number of record holders of our common stock at March 1, 2012.

Title of Class	Number of Record Holders
Common Stock, par value \$.001 per share	80

ITEM 30. INDEMNIFICATION

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our charter contains such a provision which eliminates directors and officers liability to the maximum extent permitted by Maryland law, subject to the requirements of the 1940 Act.

Our charter authorizes us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to obligate ourselves to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee, from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. Our bylaws obligate us, to the maximum extent permitted by Maryland law and subject to the requirements of the 1940 Act, to indemnify any present or former director or officer or any individual who, while a director or officer and at our request, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in any such capacity from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her service in any such capacity and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of us in any of the capacities described above and any of our employees or agents or any employees or agents of our predecessor. In accordance with the 1940 Act, we will not indemnify any person for any liability to which such person would be subject by reason of such person's willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

Edgar Filing: GOLDEN STAR RESOURCES LTD - Form 10-Q

Maryland law requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of

C-5

his or her service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification, and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

The Investment Advisory Agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Prospect Capital Management LLC (the Adviser) and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of the Adviser's services under the Investment Advisory Agreement or otherwise as an Investment Adviser of the Company.

The Administration Agreement provides that, absent willful misfeasance, bad faith or negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, Prospect Administration LLC and its officers, manager, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising from the rendering of Prospect Administration LLC's services under the Administration Agreement or otherwise as administrator for the Company.

The Administrator is authorized to enter into one or more sub-administration agreements with other service providers (each a Sub-Administrator) pursuant to which the Administrator may obtain the services of the service providers in fulfilling its responsibilities hereunder. Any such sub-administration agreements shall be in accordance with the requirements of the 1940 Act and other applicable U.S. Federal and state law and shall contain a provision requiring the Sub-Administrator to comply with the same restrictions applicable to the Administrator.

ITEM 31. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER

A description of any other business, profession, vocation or employment of a substantial nature in which the Adviser, and each managing member, director or executive officer of the Adviser, is or has been during the past two fiscal years, engaged in for his or her own account or in the capacity of director, officer, employee, partner or trustee, is set forth in Part A of this Registration Statement in the section entitled Management. Additional information regarding the Adviser and its officers and directors is set forth in its Form ADV, as filed with the Securities and Exchange Commission (SEC File No. 801-62969), and is incorporated herein by reference.

ITEM 32. LOCATION OF ACCOUNTS AND RECORDS

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940, and the rules thereunder are maintained at the offices of:

- (1) the Registrant, Prospect Capital Corporation, 10 East 40th Street, 44th Floor, New York, NY 10016;
- (2) the Transfer Agent, American Stock Transfer & Trust Company;
- (3) the Custodian, U.S. Bank National Association; and
- (4) the Adviser, Prospect Capital Management LLC, 10 East 40th Street, 44th Floor, New York, NY 10016.

ITEM 33. MANAGEMENT SERVICES

Not Applicable.

ITEM 34. UNDERTAKINGS

1. The Registrant undertakes to suspend the offering of shares until the prospectus is amended if (1) subsequent to the effective date of its registration statement, the net asset value declines more than ten percent from its net asset value as of the effective date of the registration statement; or (2) the net asset value increases to an amount greater than the net proceeds as stated in the prospectus.

2. The Registrant undertakes if the securities being registered are to be offered to existing stockholders pursuant to warrants or rights, and any securities not taken by stockholders are to be reoffered to the public, to supplement the prospectus, after the expiration of the subscription period, to set forth the results of the subscription offer, the transactions by underwriters during the subscription period, the amount of unsubscribed securities to be purchased by underwriters, and the terms of any subsequent reoffering thereof. If any public offering by the underwriters of the securities being registered is to be made on terms differing from those set forth on the cover page of the prospectus, we will file a post-effective amendment to set forth the terms of such offering.

Edgar Filing: GOLDEN STAR RESOURCES LTD - Form 10-Q

3. The Registrant undertakes:
- (a) to file, during any period in which offers or sales are being made, a post-effective amendment to the registration statement:
 - (1) to include any prospectus required by Section 10(a)(3) of the 1933 Act;
 - (2) to reflect in the prospectus any facts or events after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and
 - (3) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;
 - (b) that, for the purpose of determining any liability under the 1933 Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of those securities at that time shall be deemed to be the initial bona fide offering thereof;
 - (c) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering;

C-7

(d) that, for the purpose of determining liability under the 1933 Act to any purchaser, each prospectus filed pursuant to Rule 497(b), (c), (d) or (e) under the 1933 Act as part of a registration statement relating to an offering, other than prospectuses filed in reliance on Rule 430A under the 1933 Act, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use; and

(e) that, for the purpose of determining liability of the Registrant under the 1933 Act to any purchaser in the initial distribution of securities: The undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser: (1) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 497 under the 1933 Act; (2) the portion of any advertisement pursuant to Rule 482 under the 1933 Act relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and (3) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement on Form N-2 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, in the State of New York, on the 8th day of March, 2012.

PROSPECT CAPITAL CORPORATION

By: */s/ JOHN F. BARRY III*
John F. Barry III
Chief Executive Officer and Chairman of the Board of Directors

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated on March 8, 2012. This document may be executed by the signatories hereto on any number of counterparts, all of which constitute one and the same instrument.

Signature	Title
<i>/s/ JOHN F. BARRY III</i> John F. Barry III	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)
<i>/s/ M. GRIER ELIASEK</i> M. Grier Eliasek	Chief Operating Officer and Director
<i>/s/ BRIAN H. OSWALD</i> Brian H. Oswald	Chief Financial Officer, Treasurer and Secretary (Principal Financial and Accounting Officer)
<i>/s/ WILLIAM J. GREMP*</i> William J. Grempe	Director
<i>/s/ ANDREW C. COOPER*</i> Andrew C. Cooper	Director
<i>/s/ EUGENE S. STARK*</i> Eugene S. Stark	Director
*By: <i>/s/ M. GRIER ELIASEK</i> M. Grier Eliasek <i>as Attorney-in-Fact</i>	

INDEX TO EXHIBITS

- (d)(10) Second Supplemental Indenture dated as of March 8, 2012, to the Indenture dated as of February 16, 2012, by and between the Registrant and American Stock Transfer & Trust, LLC, as Trustee
 - (d)(11) Joinder Supplemental Indenture dated as of March 8, 2012, by and among the Registrant, American Stock Transfer & Trust, LLC, as Original Trustee, and U.S. Bank National Association, as Series Trustee
 - (d)(12) Form of 6.900% Prospect Capital InterNote® due 2022 (included as part of Exhibit (d)(10))
 - (l)(4) Opinion and Consent of Venable LLP, as special Maryland counsel for the Registrant
 - (l)(5) Opinion and Consent of Skadden, Arps, Slate, Meagher & Flom LLP, as special New York counsel for the Registrant
-