GOLDEN STAR

GOLDEN STAR 2014

DELIVERING ON OUR STRATEGY

COMPANY PROFILE

Golden Star is an established gold mining company that holds a 90% interest in the Wassa, Prestea and Bogoso gold mines in Ghana. In 2014, Golden Star produced 261,000 ounces of gold and is expected to produce 250,000 – 275,000 ounces in 2015.

The Company is pursuing brownfield development projects at its Wassa and Prestea mines that are expected to transform these mines into lower cost producers from 2016 onwards. As such, Golden Star offers investors leveraged exposure to the gold price in a stable African mining jurisdiction with significant development upside potential.

Golden Star is listed on the Toronto Stock Exchange (TSX: GSC), the New York Stock Exchange MKT (NYSE MKT: GSS) and the Ghanaian Stock Exchange (GSE: GSR).
For further information on the Company, please visit www.gsr.com.

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WASSA PEA
IRR 78%
NPV 5% $271M*

PRESTEA PEA
IRR 72%
NPV 5% $121M*

261,000 OUNCES OF GOLD SOLD IN 2014
(2013: **331,000** ounces)

COST OF SALES

PROFITABILITY IMPROVED as adjusted net loss attributable to shareholders reduced to **$12.2 million**[1] from **$21.5 million**[1] in 2013

ANNUAL COST OF SALES BEFORE DEPRECIATION AND AMORTIZATION REDUCED 19% RESPECTIVELY FROM THE PRIOR YEAR

G&A REDUCED BY
23%

Mine operating expenses reduced by **12%**, down **$41.7 million** from 2013 to **$297.5 million**

* Based on a gold price of $1,200 per ounce
1 See non-GAAP financial measures

SUMMARY OF CONSOLIDATED FINANCIAL RESULTS

Years ended December 31	2014	2013
Wassa gold sold	112,831	185,807
Bogoso gold sold	147,957	144,999
Total gold sold	**260,788**	**330,806**
Average realized price	1,261	1,414
Cash operating cost per ounce[1]	1,090	1,049
All-in sustaining cost per ounce[1]	1,252	1,326
Gold revenues	328,915	467,796
Cost of sales excluding depreciation and amortization	304,912	377,140
Depreciation and amortization	26,219	59,966
Mine operating margin/(loss)	(2,216)	30,690
General and administrative expense	16,367	21,515
(Gain)/loss on fair value of 5% of Convertible Debentures	538	(51,967)
Impairment charges	57,747	355,624
Income tax recovery	(254)	(12,331)
Adjusted net loss attributable to Golden Star Shareholders[1]	(12,234)	(21,493)
Net loss attributable to Golden Star shareholders	(73,079)	(265,892)
Cash provided by operations before working capital changes	3,088	30,328
Cash provided by operations	2,411	59,246
Capital expenditures	33,655	102,867

1 See non-GAAP financial measures

INTRODUCTION

The focus at Golden Star for 2014 was, and continues to be the implementation of the strategy we put in place in 2013 to transform the Company to a lower cost gold producer focused on non-refractory ore sources. We intend to deliver on this strategy by leveraging off our extensive operating infrastructure and our favourable position on the prolific Ashanti gold belt.

Production in 2014 was below what we initially anticipated due to lower than planned grades at Wassa, as well as power and rainfall issues impacting production at Bogoso; however, we delivered on a number of key objectives for the year. The push backs at the Bogoso and Chujah pits were completed, operating and general and administrative costs were dramatically reduced, capital expenditure was deferred where possible without impacting future production, and positive PEAs were delivered on both the Wassa Underground Project and the Prestea Underground Project. Thus significant progress has been made on advancing the strategic plan announced mid 2013, and in 2015 we move into the execution phase and start realizing the benefits.

HEALTH AND SAFETY

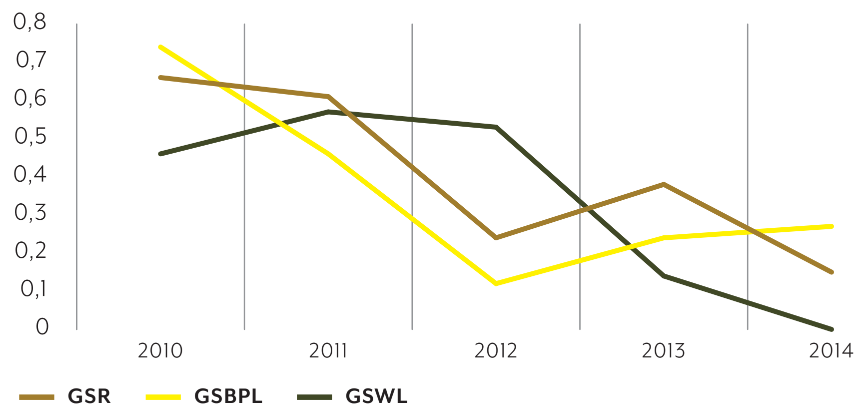
Golden Star prides itself on what we believe is a stellar health and safety record, however we were saddened by the drowning of one of our employees in the Bogoso pit in July of 2014. This incident occurred during a heavy rainfall and although it was preventable we are reminded that our diligence toward creating a safe working environment can never be taken for granted.

Notwithstanding this tragedy, the safety performance at both operations was very good during the year. At Bogoso the LTIFR was in line with 2013 at 0.27. Wassa recorded an exceptional performance with not one lost time injury in the year. Overall the Company's LTIFR was 0.15. This rate has declined over the last five years.

No incident of Ebola has been reported in Ghana. However we took stringent measures to prepare our operations for any potential outbreak. Appropriate medical facilities have been installed and staff and community awareness training is ongoing.

FINANCIAL REVIEW

We produced 261,000 ounces of gold in 2014 from our two operating mines at a cash operating cost of $1,090 per ounce. At Bogoso, gold sold increased from 145,000 ounces in 2013 to 148,000 ounces in 2014, after pushbacks were completed in May of 2014. Gold sold at Wassa decreased from 186,000 ounces in 2013 to 113,000 ounces in 2014 as mining in the high grade Father Brown pit ceased in May 2014. Production was below what we initially anticipated due to lower than planned ore grades achieved at Wassa as well as power and rainfall issues.



Revenue for the full year 2014 was $329 million, compared to revenue of $468 million in 2013. This was as a result of fewer ounces sold but also due to average realized gold prices being 11% lower than the prior year.

As a result of the elimination of higher cost contract miners, reduction in head count, reduced mine site expenditure, material savings in reagent costs and lower administrative costs, 2014 cost of sales was 19% lower than in 2013. Mine operating expenditure also declined from 2013. Despite this, mine operating margin decreased from $31 million in 2013 to negative $2 million for 2014, predominantly as a result of Wassa's reduced operating margin. Consolidated cash operating costs per ounce totaled $1,090 per ounce in 2014, up from $1,049 in 2013. However, fourth quarter cash operating costs were $919 per ounce, the lowest cash operating costs per ounce achieved since 2012. This bodes well for our ability to deliver on our guided cash operating costs of $860-980 per ounce for 2015.

Cost cutting extended to the corporate office where general and administrative expenditures were reduced by 23%.

The adjusted net loss to shareholders was reduced from $22 million in 2013 to $12 million in 2014. The improvement in profitability at Bogoso is the main contributor to a stronger overall performance. In the fourth quarter attributable income was $9 million which again bodes well for a solid financial performance in 2015.

Capital expenditures for the full year were $34 million, $16 million less than initially anticipated as capital savings were achieved and sustaining expenditure was deferred without impacting future production. We finished the year with $39 million in cash and a further $25 million available for drawdown on an existing debt facility.

WASSA

Gold produced and sold at Wassa totaled 113,000 ounces in 2014, a reduction from 186,000 ounces sold in 2013. Mining activities in 2014 are not directly comparable with 2013, when ore was sourced from both the Wassa and Father Brown pits. Mining at Father Brown pit ceased in May 2014 after a strategic decision was made not to invest an estimated $26 million on betterment stripping necessary to continue mining this pit.

Grade at the Wassa Main pit was lower than forecast for the year and this was the primary driver of lower production as both mining and processing operations performed satisfactorily. Grade is forecast to increase steadily through 2015 and average 1.4-1.5 g/t Au for the year. Wassa's 2014 performance was also impacted by power supply related issues throughout the year. However by year-end careful planning of maintenance and scheduled downtime had mitigated this impact on our processing capacity.

Mine operating expenses for Wassa totaled $115 million for 2014, $31 million lower than those incurred during 2013. This reduction in expenses is largely due to the termination of higher cost contract mining and long haul distances from the Father Brown pit as well as cost savings in other parts of the operations.

Wassa's cash operating cost per ounce for 2014 increased to $971 from $805 in 2013. In 2015, Wassa is forecast to produce gold at a cash operating cost of between $850 and $990 per ounce.

The results of the Wassa Feasibility Study were released at the end of the first quarter of 2015, indicating strong economics. This study indicates a very profitable underground mine that is mined in parallel with the open pit mine. Details of the results of the Feasibility Study will be available on our website.

This project is funded, in part with a loan of $25 million secured in late 2014, and in conjunction with internal cash flow. The equipment has been ordered, the exploration decline permit granted, and the first blast for the construction of the exploration decline is planned for June 2015. First production from stoping at Wassa Underground is expected in the first half of 2016 and the mine life is currently estimated at ten years thereafter.

We will continue to drill the southerly extension of the Wassa ore body which remains open in the future.

BOGOSO

Bogoso gold production and sales totaled 148,000 ounces for 2014, up from 145,000 ounces sold in 2013. In 2014, Bogoso benefitted from the investment made in the betterment stripping campaign that took place from 2012 through to early 2014. As a result of this, access to ore was improved and ore tonnes mined in the year increased 53% from the prior year. Bogoso finished the year with about 400,000 tonnes of ore on the stockpile allowing for stable processing to continue in 2015 and a reduction in costs going forward.

In line with our strategy, we are shifting away from refractory production. The refractory pits at Bogoso are expected to be mined out by the third quarter of 2015 after which the refectory processing plant will be placed on care and maintenance.

Retreatment of tailings at Bogoso continued during the year. Tailings retreatment is expected to continue at Bogoso until 2017.

Bogoso's mine operating expenses reduced by 5% from 2013. These savings were achieved in labour cost reductions, lower waste mining costs, improved maintenance practices and a reduction in reagent consumption.

For the year, Bogoso's cash costs were $1,180 per ounce, a 13% reduction from 2013. However in the fourth quarter cash operating cost per ounce were $926, the lowest costs achieved at Bogoso in the last four years. In 2015, Bogoso is expected to produce gold at a cash operating cost of between $870 and $960 per ounce.

PRESTEA

Prestea was historically an underground mine that was in existence for over 100 years and produced an estimated 9 million ounces of gold. The underground mine is currently on care and maintenance. Adjacent to the underground mine are numerous surface deposits of high grade oxide material. These surface deposits have been mined by artisanal miners for some years.

In line with our strategy to pursue growth from low cost ounces, the decision was taken to review the optimal mining method for Prestea Underground mine. In late 2014, a revised PEA for Prestea Underground was published that was based on the development of a non-mechanized mining operation. The associated capital expenditure for such an operation is low and the IRR superior. Based on the assumption of a gold price of $1,200 per ounce, the results indicate an IRR of 72%, NPV at a 5% discount rate of $121 million and a payback period of 2.5 years from the start of development.

We are currently evaluating the optimal source of funding for the estimated $41 million of capital required to bring this underground mine back into production. At the same time we are improving our understanding of this mine's potential by completing a Feasibility Study that should be released in mid 2015. Assuming we are successful in securing the necessary funding for this project, we expect to be in production from the underground mine in 2016.

In order to maximize the potential that Prestea can deliver to the Company, we are reviewing the potential of bringing these non-refractory reserves into production.

GOVERNANCE

At the Board level we advanced on the significant improvements made on corporate governance in 2013 with further refinements of risk management, our compensation and diversity policies and term limits and retirement policy for directors.

Ian McGregor, a long serving director retired and was replaced by Ms. Anu Dhir. Anu has extensive corporate and business development experience in mining in Africa and is a great addition to the Board. Daniel Owiredu, who is Executive Vice President and Chief Operating Officer joined the board as an Executive Director in May 2014. His local expertise and extensive network of in-country relationships have already proven invaluable to the Board. Chris Thompson, Director and previous Chairman of Golden Star, will not be standing for re-election in May. Chris initiated significant changes to the Company during his term as Chairman, and has continued to be a very active contributor to the Board. We thank Chris for his enthusiasm and insights as well as his ongoing commitment to the Company's success.

WAY FORWARD

The Company remains focused on the execution of its strategy of transforming Golden Star to a low cost non-refractory gold producer. 2015 will be the last year that we deliver meaningful production from refractory ore sources. We do not foresee a future in refractory production and for this reason we have taken these deposits out of our Mineral Reserve estimates.

Consolidated cash operating costs per ounce finished the year at their lowest point in over three years, an improvement that we estimate will continue into 2015. With the development of the underground mines at Wassa and Prestea, the average life of mine cash operating costs for the Company are expected to decline. With these two projects expected to enter production in 2016, the construction and development work we will undertake in 2015 is critical to our success.

We have entrenched our position as an established gold producer in Ghana by extending our life of mine plans to 2025. During 2015 we will continue to leverage off our favourable position as the largest holder of exploration permits on the Ashanti gold belt by developing the Prestea South pits and assessing further exploration potential around Wassa.

The Board and management thank you for your continued confidence in Golden Star. We look forward to 2015 being the year during which we move Golden Star forward on the road to being a low-cost profitable producer of gold in Ghana.

Samuel T. Coetzer
President and CEO

Tim Baker
Chairman

PROVEN AND PROBABLE MINERAL RESERVES

	December 31, 2014 PROVEN MINERAL RESERVE			December 31, 2014 PROBABLE MINERAL RESERVE			December 31, 2014 PROVEN + PROBABLE MINERAL RESERVE			December 31, 2013 PROVEN + PROBABLE MINERAL RESERVE		
	Tonnes (000)	Grade g/t Au	Ounces (000)	Tonnes (000)	Grade g/t Au	Ounces (000)	Tonnes (000)	Grade g/t Au	Ounces (000)	Tonnes (000)	Grade g/t Au	Ounces (000)
Wassa Open Pit	–	–	–	17,831	1.42	815	17,831	1.42	815	33,721	1.72	1,863
Wassa Underground	–	–	–	5,437	4.26	745	5,437	4.26	745	–	–	–
Stockpiles	820	0.73	19	–	–	–	820	0.73	19	497	0.67	11
Wassa Other	–	–	–	–	–	–	–	–	–	694	4.31	96
Subtotal Wassa	**820**	**0.73**	**19**	**23,268**	**2.09**	**1,560**	**24,089**	**2.04**	**1,579**	**34,911**	**1.75**	**1,970**
Bogoso	1,251	2.51	101	703	2.54	57	1,954	2.52	158	4,662	2.63	394
Dumasi	–	–	–	–	–	–	–	–	–	8,941	2.37	682
Mampon	–	–	–	320	4.43	46	320	4.43	46	1,133	5.24	191
Prestea South	315	2.00	20	1,381	2.30	102	1,697	2.24	122	3,139	2.59	261
Prestea Underground	–	–	–	–	–	–	–	–	–	1,434	9.61	443
Stockpiles	405	1.82	24	–	–	–	405	1.82	24	106	1.79	6
Subtotal Bogoso	**1,971**	**2.29**	**145**	**2,405**	**2.65**	**205**	**4,376**	**2.49**	**350**	**19,415**	**3.17**	**1,977**
GSR Total	**2,791**	**1.83**	**164**	**25,673**	**2.14**	**1,765**	**28,465**	**2.11**	**1,929**	**54,327**	**2.26**	**3,947**

Notes to the Mineral Reserve Statement:

(1) The stated Mineral Reserves have been prepared in accordance with the requirements of NI 43-101 – Standards of Disclosure for Mineral Projects and are classified in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum's "CIM Definition Standards – For Mineral Resources and Mineral Reserves". Mineral Reserve estimates reflect the Company's reasonable expectation that all necessary permits and approvals will be obtained and maintained. Mining dilution and mining recovery vary by deposit and have been applied in estimating the Mineral Reserves.

(2) The 2014 Mineral Reserves were prepared under the supervision of Dr. Martin Raffield, Senior Vice President Project Development and Technical Services for the Company. Dr. Raffield is a "Qualified Person" as defined by Canada's NI 43-101.

(3) The Mineral Reserves at December 31, 2014 were estimated using a gold price assumption of $1,200 per ounce.

(4) The slope angles of all pit designs are based on geo-technical criteria as established by external consultants. The size and shape of the pit designs are guided by consideration of the results from a pit optimization program.

(5) Cut-off grades have been estimated based on operating cost projections, mining dilution and recovery, royalty payment requirements and applicable metallurgical recovery estimates as follows: Wassa pit 0.77 g/t; Wassa underground 2.50 g/t; Bogoso refractory pits 1.60 g/t; Mampon and Prestea South oxide pits 1.00 g/t.

(6) Numbers may not add due to rounding.

MEASURED AND INDICATED MINERAL RESOURCES

	December 31, 2014 MEASURED MINERAL RESOURCES			December 31, 2014 INDICATED MINERAL RESOURCES			December 31, 2014 MEASURED + INDICATED MINERAL RESOURCES			December 31, 2013 MEASURED + INDICATED MINERAL RESOURCES		
	Tonnes (000)	Grade g/t Au	Ounces (000)	Tonnes (000)	Grade g/t Au	Ounces (000)	Tonnes (000)	Grade g/t Au	Ounces (000)	Tonnes (000)	Grade g/t Au	Ounces (000)
Wassa Open Pit	–	–	–	33,039	1.37	1,458	33,039	1.37	1,458	45,082	1.78	2,580
Wassa Underground	–	–	–	11,248	4.07	1,471	11,248	4.07	1,471	2,446	3.67	289
Wassa Other	–	–	–	5,199	3.53	590	5,199	3.53	590	3,807	3.74	458
Subtotal Wassa	**–**	**–**	**–**	**49,486**	**2.21**	**3,519**	**49,486**	**2.21**	**3,519**	**51,336**	**2.02**	**3,327**
Bogoso	1,975	2.56	163	2,022	2.67	173	3,997	2.62	336	4,553	2.94	431
Dumasi	3,505	2.49	281	10,685	2.39	820	14,190	2.41	1,102	13,123	2.45	1,032
Mampon	–	–	–	1,859	4.37	261	1,859	4.37	261	1,553	4.79	239
Prestea South	1,292	2.59	108	4,430	2.43	346	5,722	2.47	454	4,304	2.67	370
Prestea Underground	–	–	–	1,322	14.82	630	1,322	14.82	630	1,356	14.50	632
Bogoso Other	–	–	–	4,153	2.63	351	4,153	2.63	351	3,835	2.64	325
Subtotal Bogoso	**6,772**	**2.53**	**551**	**24,471**	**3.28**	**2,583**	**31,243**	**3.12**	**3,134**	**28,724**	**3.28**	**3,029**
GSR Total	**6,772**	**2.53**	**551**	**73,957**	**2.57**	**6,101**	**80,730**	**2.56**	**6,653**	**80,060**	**2.47**	**6,356**

INFERRED MINERAL RESOURCES

	December 31, 2014 INFERRED MINERAL RESOURCES			December 31, 2013 INFERRED RESOURCES		
	Tonnes (000)	Grade g/t Au	Ounces (000)	Tonnes (000)	Grade g/t Au	Ounces (000)
Wassa Open Pit	137	1.47	6	313	1.28	13
Wassa Underground	10,331	3.69	1,227	646	3.10	64
Wassa Other	1,127	4.97	180	1,006	5.88	190
Subtotal Wassa	**11,596**	**3.79**	**1,414**	**1,964**	**4.23**	**267**
Bogoso	1,293	2.43	101	288	2.08	19
Dumasi	–	–	–	–	–	–
Mampon	344	1.67	19	221	1.79	13
Prestea South	843	4.79	130	581	6.00	112
Prestea Underground	3,253	8.05	842	3,289	8.02	848
Bogosa Other	908	2.32	68	892	2.37	68
Subtotal Bogoso	**6,642**	**5.43**	**1,159**	**5,271**	**6.25**	**1,060**
GSR Total	**18,238**	**4.39**	**2,573**	**7,236**	**5.71**	**1,327**

Notes to the Measured and Indicated Mineral Resource and the Inferred Mineral Resources:

(1) The Mineral Resources were estimated in accordance with the requirements of NI 43-101.

(2) The Mineral Resources for Wassa Other include Father Brown, Benso and Chichiwilli.

(3) The Mineral Resources for Bogoso Other include Buesichem and Ablifa.

(4) The Wassa Underground Mineral Resource has been estimated below the $1,400 per ounce of gold pit shell using an economic gold grade cut-off of 2.08 g/t Au, which the Company believes would be the lower cut-off for underground.

(5) The Father Brown Underground Mineral Resource has been estimated below the $1,400 per ounce of gold pit shell using an economic gold grade cut-off of 2.81 g/t Au, which the Company believes would be the lower cut-off for underground.

(6) Prestea Underground Mineral Resource has been estimated below the $1,400 pit shell of Prestea South down to 3,800m elevation using a gold cut-off at 4.94 g/t Au.

(7) Mineral Resources were estimated using optimized pit shells at a gold price of $1,400 per ounce. Other than gold price, the same optimized pit shell and underground parameters and modifying factors used to determine the Mineral Reserves were used to determine the Mineral Resources.

(8) The Qualified Person reviewing and validating the estimation of the Mineral Resources is S. Mitchel Wasel, Golden Star Resources Vice President of Exploration.

(9) Numbers may not add due to rounding.

- MINING LEASE
- EXPLORATION LEASE
- EXPLORATION JV
- GOLD MINES / DEPOSITS

DIRECTORS

TIM BAKER
CHAIRMAN

Tim Baker was appointed Chairman of the Board in January 2013. Tim most recently served as the Chief Operating Officer and Executive Vice President of Kinross Gold Corporation from June 2006 to November 2010. He is a geologist with over 30 years of global project development and operational experience including in Chile and Tanzania where he was Executive General Manager for Placer Dome. Prior to this, Tim managed mining operations in the United States and Venezuela and held geological and production roles in Kenya and Liberia. Tim is also a Director of Antofagasta PLC and Sherritt International.

Tim holds a B.Sc. in Geology from Edinburgh University.

SAM COETZER
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Sam Coetzer was appointed President and Chief Executive Officer of Golden Star in January 2013 and has been a Director of Golden Star since December 2012. Sam joined Golden Star in March 2011 and served as Executive Vice President and Chief Operating Officer until December 2012. Sam is a mining engineer with over 26 years of international mining experience with Kinross, Xstrata, Xstrata Coal, and Placer Dome. Sam was the Senior Vice President of Red Back Integration at Kinross in 2010 prior to joining Golden Star.

ANU DHIR
DIRECTOR

Anu Dhir is the Managing Director of Miniqs Limited, a private group primarily interested in developing resource projects. Anu is also a Director of Frontier Rare Earths Limited and of Energulf Resources Inc. Prior to founding Miniqs Limited, Anu was Vice President, Corporate Development and Company Secretary at Katanga Mining Limited.

Anu holds a BA from the University of Toronto and a law degree (Juris Doctor) from Quinnipiac University, Connecticut, United States.

ROBERT DOYLE
DIRECTOR

Robert Doyle has more than 30 years of mining experience; from international resource exploration, development, and fundraising, to production. Most recently, Robert was Founder, and Chief Executive Officer of Medoro Resources, now known as Gran Colombia Gold Corp. Prior to this, Robert served as Executive Vice President and Chief Financial Officer of Pacific Rubiales Energy, Chief Financial Officer of Coalcorp Mining, and Chief Financial Officer of Bolivar Gold Corp. Currently, Robert serves as a Director and Chairman of the audit committee of Mandalay Resources Corp. and Lead Director and member of the audit, corporate governance and technical committees of Detour Gold Corporation.

Robert is a Chartered Accountant and a Chartered Director.

TONY JENSEN

DIRECTOR

Tony Jensen has over 30 years of mining industry experience and is President and Chief Executive Officer, and a Director of Royal Gold Inc. Prior to joining Royal Gold, Tony was the Mine General Manager of the Cortez Joint Venture and spent eighteen years with Placer Dome. Tony has extensive experience in operations in the United States and Chile where he held several senior management positions. Tony serves on the World Gold Council Board of Directors, and is a member of the National Mining Association Board and Finance Committee, as well as the Advisory Board of the South Dakota School of Mines and Technology.

Tony holds a B.Sc. degree in Mining Engineering from South Dakota School of Mines and also holds a Certificate in Finance from Golden Gate University in San Francisco.

CRAIG NELSEN

DIRECTOR

Craig Nelsen is a geologist with over 35 years of experience in the mining business. Craig was formerly Founder, CEO and Director of Avanti Mining. Formerly, Craig was Executive Vice President, Exploration of Gold Fields Limited; Founder, Chief Executive Officer and Chairman of the former Metallica Resources (now New Gold), and has also held a variety of strategic positions at Lac Minerals Ltd.

Craig holds a M.S. degree in geology from the University of New Mexico and a B.A. in geology from the University of Montana.

DANIEL OWIREDU

EXECUTIVE VICE PRESIDENT AND CHIEF OPERATING OFFICER

Daniel joined Golden Star in September 2006 as Vice President, Operations and was appointed Executive Vice President Operations and Chief Operating Officer in January 2013. He was subsequently appointed to the board in November 2014. Daniel has more than 30 years of experience in the mining sector in Ghana and West Africa. Most recently, Daniel was Deputy Chief Operating Officer Africa for AngloGold Ashanti where he successfully managed the construction and operation of the Bibiani mine as well as the operation of the Siguiri, Obuasi and Freda Rebecca mines. Daniel has made a significant contribution to mining in Ghana as the country's former President of the Chamber of Mines and more recently in his appointment as Chairman of the Board of the GCB Bank.

CHRIS THOMPSON

DIRECTOR

Chris Thompson has 40 years of experience in international mining. Formerly, Chris served as Chairman and Chief Executive Officer of Gold Fields Limited; Chairman of the World Gold Council; and Founder, President and Chief Executive Officer of Castle Group Inc. Chris has served as Director on over 25 public gold mining companies including Ram Power Corp., Teck Resources Limited, Jacobs Engineering Group, and Geosynfuels, a privately held energy company, and is a member of the advisory board of Pala Investments.

BILL YEATES

DIRECTOR

Bill Yeates was one of the founding partners of Hein & Associates LLP (Hein). He previously served on Hein's Executive Committee and was their National Director of Auditing and Accounting for many years. Bill retired from Hein in 2013 and has over 40 years of auditing experience working with public companies specializing in extractive industries. From 2005 to 2009, Bill served on the Financial Accounting Standards Advisory Council. He also has served on: the Professional Practice Executive Committee of the Center for Audit Quality; the Executive Committee of the Center for Public Company Audit Firms of the American Institute of Certified Public Accountants ("AICPA"); the SEC Practice Section Executive Committee and the SEC Regulations Committee of the AICPA.

Bill is a Chartered Professional Accountant. He holds an MBA in accounting and a B.Sc. in finance and marketing from the University of Colorado.

SENIOR MANAGEMENT

ANDRÉ VAN NIEKERK

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

André van Niekerk joined Golden Star in 2006. André spent close to five years in Ghana as the head of finance and business operations, after which he was transferred back to the corporate office to take the role of Controller. André was appointed to the role of EVP & CFO in 2014. Whilst based in Ghana, André was Vice Chairman of the Ghanaian Chamber of Mines Energy Committee and a member of the Chamber of Mines Finance Committee. Prior to joining Golden Star, André spent six years with KPMG serving clients in the mining and oil and gas industries.

BRUCE HIGSON-SMITH

SENIOR VICE PRESIDENT, CORPORATE STRATEGY

Bruce Higson-Smith joined Golden Star in September 2003 and served as Vice President, Corporate Development until his appointment as Senior Vice President Finance and Corporate Development in January 2012. Bruce is a mining engineer with over 30 years of experience in mining and underground mining operations in Africa. Prior to joining Golden Star, Bruce worked with Castle Group and Resource Capital Funds, where he was responsible for reviewing projects, conducting due diligence, negotiating and structuring mining transactions.

Bruce holds a B.Sc. in mining engineering and an ARSM from Imperial College. Bruce also holds an MBA in Finance.

MARTIN RAFFIELD

SENIOR VICE PRESIDENT, TECHNICAL SERVICES

Martin Raffield was appointed Senior Vice President, Technical Services in August 2011. Prior to this, he worked from June 2007 as Principal Consultant and Practice Leader for SRK Consulting in Denver. Martin started his career in 1992 in South Africa working in geotechnical engineering at a number of deep level gold mines for JCI. In 2000, he relocated to Canada with Placer Dome and held the positions of Chief Engineer and Mine Superintendent at their Campbell Mine. Martin moved to Breakwater Resources in 2006 and held the position of Manager of Mining until moving to SRK in 2007.

Martin holds a Ph.D. in geotechnical engineering from the University of Wales and is a Professional Engineer registered in Ontario, Canada.

ANGELA PARR

VICE PRESIDENT INVESTOR RELATIONS AND CORPORATE AFFAIRS

Angela Parr joined Golden Star in September 2013. She is an investor relations professional with over eleven years of experience in the natural resources sector. Over this time, she has worked for companies with diamond, gemstone, iron ore and gold mining operations across most of sub-Saharan Africa. Angela has represented companies with listings on the Johannesburg, London, Oslo and most recently New York stock exchanges. Angela started her career in investment banking in South Africa.

KAREN WALSH

VICE PRESIDENT PEOPLE AND ORGANIZATIONAL DEVELOPMENT

Karen Walsh joined Golden Star in July 2012 as Vice President People and Organizational Development. Prior to joining Golden Star, she spent six years consulting in the mining industry following her role as Vice President, Human Resources for Placer Dome Inc. Karen has a broad range of human resources expertise including recruiting, succession planning, cultural change initiatives, HR process optimization, project development feasibility studies, global leadership development and performance management.

MITCH WASEL

VICE PRESIDENT EXPLORATION

Mitch Wasel joined Golden Star in 1993 and initially spent six years involved in the Gross Rosebel project in Suriname. In 1999, Mitch transferred to Ghana where he has been involved with many exploration projects, most recently the development at Wassa and Prestea. In 2005 he took over as Exploration Manager, Africa and in 2007 Mitch was appointed Vice President Exploration. Prior to joining Golden Star, Mitch spent a decade working in gold and base metal exploration in north western Canada, including in the Northwest Territories, the Yukon and British Columbia.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of Golden Star Resources Ltd. and its subsidiaries ("Golden Star" or "the Company" or "we" or "our"). This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2014 and 2013, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A includes information available to, and is dated, February 18, 2015. Unless noted otherwise, all amounts shown are in thousands of dollars, all currency amounts are stated in U.S. dollars and all information presented in this MD&A is prepared in accordance with IFRS.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This report contains "forward-looking information" within the meaning of applicable Canadian securities laws and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, concerning the business, operations and financial performance and condition of Golden Star. Forward-looking information and statements include, but are not limited to, information or statements with respect to: the timing and amount of estimated future production and grades and associated cash operating costs per ounce; the timing for transforming and the ability to transform Wassa and Prestea into lower cost producers; placing Bogoso on care and maintenance; the results of the Wassa preliminary economic assessment ("PEA") for combined operations, including the post-tax internal rate of return and net present value (including assumed discount rates); the timing for first production from Wassa underground; the life of mine at Wassa and Wassa underground; pre-production capital costs, cash operating costs and all-in sustaining costs for Wassa underground, and future work to be completed at Wassa underground; the timing for completion of a feasibility study at Wassa underground; the timing for mining equipment to be delivered and construction of the decline to commence at Wassa underground and for the Prestea Underground Mine; the results of the Prestea PEA, including initial capital expenditures, cash operating costs per ounce and all-in sustaining costs; Bogoso cash flows for 2015; capital spending at Wassa and Bogoso for 2015; working capital, debt repayments and requirements for additional capital and sources of funding for operations and capital projects.

Generally, forward-looking information and statements can be identified by the use of forward-looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases (including negative or grammatical variations) or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative connotation thereof.

Forward-looking information and statements are made based upon certain assumptions and other important factors that, if untrue, could cause the actual results, performances or achievements of Golden Star to be materially different from future results, performances or achievements expressed or implied by such statements. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which Golden Star will operate in the future, including the price of gold, anticipated costs and ability to achieve goals. Certain important factors that could cause actual results, performances or achievements to differ materially from those set forth in the forward-looking information and statements include, among others, gold price volatility, discrepancies between actual and estimated production, mineral reserves and resources and metallurgical recoveries, mining operational and development risks, litigation risks, regulatory restrictions (including environmental regulatory restrictions and liability), activities by governmental authorities (including changes in taxation), currency fluctuations, the speculative nature of gold exploration, the global economic climate, dilution, share price volatility, the availability of capital on reasonable terms or at all, local and community impacts and issues, results of pending or future feasibility studies, competition, loss of key employees, additional funding requirements and defective title to mineral claims or property. Although Golden Star has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information and statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

Forward-looking information and statements are subject to known and unknown risks, uncertainties and other important factors that may cause the actual results, performance or achievements of Golden Star to be materially different from those expressed or implied by such forward-looking information and statements, including but not limited to: risks related to international operations, including economic and political instability in foreign jurisdictions in which Golden Star operates; risks related to current global financial conditions; risks related to joint venture operations; actual results of current exploration activities; environmental risks; future prices of gold; possible variations in mineral reserves and mineral resources, grade or recovery rates; mine development and operating risks; accidents, labor disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; risks related to indebtedness and the service of such indebtedness, as well as those factors discussed in the section entitled "Risk Factors" in Golden Star's Annual Information Form for the year ended December 31, 2013. Additional risk factors, if applicable, will be included in our annual information form for the year ended December 31, 2014, which will be filed on SEDAR at www.sedar.com. Although Golden Star has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information and statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. Forward-looking information and statements are made as of the date hereof and accordingly are subject to change after such date. Except as otherwise indicated by Golden Star, these statements do not reflect the potential impact of any non-recurring or other special items or of any dispositions, monetizations, mergers, acquisitions, other business combinations or other transactions that may be announced or that may occur after the date hereof. Forward-looking information and statements are provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. Golden Star does not undertake to update any forward-looking information and statements that are included in this MD&A, except as required by applicable securities laws.

CAUTIONARY NOTE REGARDING RESERVES AND RESOURCES

Scientific and technical information contained in this MD&A was reviewed and approved by Dr. Martin Raffield, Senior Vice-President, Technical Services for Golden Star who is a "qualified person" as defined by National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and by S. Mitchel Wasel, BSc Geology who is a Qualified Person pursuant to National Instrument 43-101. Mr. Wasel is Vice President Exploration for Golden Star and an active member of the Australasian Institute of Mining and Metallurgy. All mineral reserves and mineral resources have been calculated in accordance with the standards of the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") and NI 43-101. All mineral resources are reported inclusive of mineral reserves. Mineral resources which are not mineral reserves have not demonstrated economic viability. Information on data verification performed on the mineral properties mentioned in this MD&A that are considered to be material mineral properties to the Company are contained in Golden Star's Annual Information Form for the year ended December 31, 2013 and the following current technical reports for those properties available at www.sedar.com: (i) Wassa – "NI 43-101 Technical Report on a preliminary economic assessment of the Wassa open pit mine and underground project in Ghana" effective date October 30, 2014; (ii) Bogoso – "NI 43-101 Technical Report on Resources and Reserves Golden Star Resources Ltd., Bogoso Prestea Gold Mine, Ghana" effective date December 31, 2014; and (iii) Prestea Underground – "NI 43-101 Technical Report on Preliminary Economic Assessment for the Shrinkage Mining of the West Reef Resource, Prestea Underground Mine, Ghana" effective date December 18, 2013.

CAUTIONARY NOTE TO U.S. INVESTORS

This MD&A has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ materially from the requirements of United States securities laws applicable to U.S. companies. Information concerning our mineral properties has been prepared in accordance with the requirements of Canadian securities laws, which differ in material respects from the requirements of the Securities and Exchange Commission (the "SEC") set forth in Industry Guide 7. Under the SEC's Industry Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time of the reserve determination, and the SEC does not recognize the reporting of mineral deposits which do not meet the SEC Industry Guide 7 definition of "Reserve". In accordance with NI 43-101, the terms "mineral reserve", "proven mineral reserve", "probable mineral reserve", "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in accordance with CIM standards. While the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are recognized and required by NI 43-101, the SEC does not recognize them. You are cautioned that, except for that portion of mineral resources classified as mineral reserves, mineral resources do not have demonstrated economic viability. Inferred mineral resources have a high degree of uncertainty as to their existence and as to whether they can be economically or legally mined. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Therefore, you are cautioned not to assume that all or any part of an inferred mineral resource exists, that it can be economically or legally mined, or that it will ever be upgraded to a higher category. Likewise, you are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be upgraded into mineral reserves.

OVERVIEW OF GOLDEN STAR

Golden Star is an established gold mining company that holds a 90% interest in the Wassa, Prestea and Bogoso gold mines in Ghana. The Company is pursuing brownfield development projects at its Wassa and Prestea mines that are expected to transform these mines into lower cost producers from 2016 onwards. The Company is a reporting issuer or the equivalent in all provinces of Canada, in Ghana and in the United States, and files disclosure documents with securities regulatory authorities in Canada, Ghana and with the SEC in the United States.

SUMMARY OF OPERATING AND FINANCIAL RESULTS

		For the three months ended December 31,		For the years ended December 31,	
		2014	2013	**2014**	2013
OPERATING SUMMARY					
Wassa gold sold	oz	25,831	44,337	112,831	185,807
Bogoso gold sold	oz	46,254	31,093	147,957	144,999
TOTAL GOLD SOLD	oz	**72,085**	**75,430**	**260,788**	**330,806**
Average realized gold price	$/oz	1,201	1,273	1,261	1,414
Cash operating cost per ounce – Wassa[1]	$/oz	908	881	971	805
Cash operating cost per ounce – Bogoso[1]	$/oz	926	1,391	1,180	1,361
Cash operating cost per ounce[1]	$/oz	919	1,091	1,090	1,049
All-in sustaining cost per ounce[1]	$/oz	1,059	1,373	1,252	1,326
FINANCIAL SUMMARY					
Gold revenues	$'000	86,586	96,034	328,915	467,796
Cost of sales excluding depreciation and amortization	$'000	71,410	88,549	304,912	377,140
Depreciation and amortization	$'000	8,150	9,673	26,219	59,966
Mine operating margin/(loss)	$'000	7,026	(2,188)	(2,216)	30,690
General and administrative expense	$'000	2,819	5,097	16,367	21,515
(Gain)/loss on fair value of 5% Convertible Debentures	$'000	(1,501)	1,624	538	(51,967)
Impairment charges	$'000	57,747	159,704	57,747	355,624
Income tax recovery	$'000	(254)	(1,518)	(254)	(12,331)
Net loss attributable to Golden Star shareholders	$'000	(48,155)	(148,576)	(73,079)	(265,892)
Adjusted net income/(loss) attributable to Golden Star shareholders[2]	$'000	8,825	(6,466)	(12,234)	(21,493)
Net loss per share attributable to Golden Star shareholders – basic and diluted	$/share	(0.19)	(0.57)	(0.28)	(1.03)
Adjusted net income/(loss) per share attributable to Golden Star shareholders – basic and diluted[2]	$/share	0.03	(0.02)	(0.05)	(0.08)
Cash flow provided by/(used in) operations	$'000	4,316	(2,463)	59,246	
Cash provided by operations before working capital changes[3]	$'000	11,682	2,866	3,088	30,328
Cash provided by/(used in) operations per share – basic and diluted	$/share	0.03	(0.01)	0.23	
Cash provided by operations before working capital changes per share – basic and diluted[3]	$/share	0.05	0.01	0.01	0.12
Capital expenditures	$'000	9,219	22,513	33,655	102,867

1 See "Non-GAAP Financial Measures" below for a reconciliation of cash operating cost per ounce and all-in sustaining cost per ounce to cost of sales before depreciation and amortization.
2 See "Non-GAAP Financial Measures" below for a reconciliation of adjusted net income/(loss) attributable to Golden Star shareholders and adjusted net income/(loss) per share attributable to Golden Star shareholders to net income/(loss) attributable to Golden Star shareholders and net income/(loss) per share attributable to Golden Star shareholders.
3 See "Non-GAAP Financial Measures" below for an explanation of the calculation of cash provided by/(used in) operations before working capital changes and cash provided by/(used in) operations before working capital changes per share.

- **Consolidated cash operating cost per ounce was $1,090 in 2014, 4% higher compared to $1,049 in 2013.** Wassa's cash operating cost per ounce was $971 in 2014 compared to $805 in 2013. Bogoso's cash operating cost per ounce was $1,180 in 2014 compared to $1,361 in 2013. The decrease in cash operating cost per ounce at Bogoso was a result of lower strip ratio and lower mining costs at Chujah as the mine realized the benefits of the betterment stripping that was completed in May 2014. Although Bogoso achieved its lowest cash operating cost per ounce in four years, the reduction was more than offset by the increase in cash operating cost per ounce at Wassa. The higher cash operating cost per ounce at Wassa was due to the lower grades and lower throughput in 2014 as Father Brown mining was completed in May 2014. For the fourth quarter of 2014, consolidated cash operating cost per ounce totaled $919 compared to consolidated cash operating cost per ounce of $1,091 for the same period in 2013. Bogoso achieved its lowest quarterly cash operating cost per ounce in four years, averaging $926 for the fourth quarter of 2014, down from $1,391 per ounce during the same period in 2013. Wassa's cash operating cost per ounce totaled $908 in the fourth quarter of 2014, up from $881 in the same period in 2013 as a result of lower gold production due to lower grades and lower throughput. Mining at the Father Brown pit was completed in May 2014, and as a result, there was no higher grade ore processed from the Father Brown pit in the fourth quarter of 2014.
- **Gold sales of 260,788 ounces in 2014 were 21% lower than the 330,806 ounces sold in 2013.** The decrease in gold sales were due mainly to the lower throughput, lower grades processed and lower recovery achieved at Wassa as a result of the completion of mining of the Father Brown pit in May 2014. Bogoso gold sales increased by 2% in 2014 compared to 2013 whereas Wassa gold sales decreased by 39%. For the fourth quarter of 2014, gold sold decreased marginally to 72,085 ounces, from 75,430 ounces sold during the same period in 2013 due mainly to the lower throughput and lower grades processed in Wassa. Throughput at Wassa was affected in the fourth quarter of 2014 by the load shedding plan adopted in support for the Ghanaian Ministry of Power's effort to resolve the power supply deficit in Ghana. The completion of mining from the Father Brown pit in May 2014 also contributed to less ore processed and lower ore grades processed at Wassa.
- **Gold revenues totaled $328.9 million for the year ended December 31, 2014, compared with $467.8 million in 2013, due to a decline in realized gold prices and lower gold production.** The average realized gold price decreased from $1,414 per ounce in 2013 to $1,261 in 2014. Gold revenues for the fourth quarter of 2014 decreased to $86.6 million compared to $96.0 million in the same period in 2013, due to the decline in gold prices and fewer ounces sold. The average realized gold price decreased from $1,273 per ounce in the fourth quarter of 2013 to $1,201 in the fourth quarter of 2014.
- **Mine operating expenses totaled $297.5 million, down $41.7 million from $339.0 million incurred in 2013.** The decrease in mine operating expenses at Wassa was due to lower contract mining costs and lower haulage costs incurred in 2014 compared to 2013. The decrease in mine operating expenses at Bogoso was a result of 42% lower tonnage mined in 2014 compared to 2013. For the fourth quarter of 2014, mine operating expenses decreased to $70.9 million compared to $84.8 million in the same period in 2013, due to lower mining and haulage costs at Wassa and lower mining costs at Bogoso. The decrease in mine operating expenses at Wassa was due to lower contract mining costs and lower haulage costs incurred during the fourth quarter compared to the same prior year period as mining at the Father Brown pit was completed at the end of the second quarter of 2014. The decrease in mine operating expenses at Bogoso was a result of lower tonnage mined in the fourth quarter of 2014 compared to same period in 2013.
- **Depreciation and amortization expense for 2014 decreased to $26.2 million, from $60.0 million in 2013.** For the fourth quarter of 2014, depreciation and amortization expense decreased to $8.2 million, down from $9.7 million in the same period in 2013. The net book value of the Company's mining property and plant and equipment decreased due to impairment charges recorded during 2013, and resulted in a decrease in depreciation and amortization expense in the full year and fourth quarter of 2014.
- **General and administrative costs decreased by 24%, to $16.4 million in 2014 down from $21.5 million in 2013.** For the fourth quarter of 2014, general and administrative costs totaled $2.8 million, down from $5.1 million in the same period in 2013. The decrease in head office costs resulted in lower general and administrative costs for the fourth quarter and for the full year of 2014 compared to the same periods in 2013.
- **The Company recorded a non-cash fair value loss of $0.5 million on the 5% Convertible Debentures in 2014 compared to a non-cash fair value gain of $52.0 million in 2013.** This was calculated based on the discounted cash flows of the debt component and a Black-Scholes valuation of the conversion feature. The non-cash fair value gain in the prior year was a result of a change in the risk profile of the 5% Convertible Debentures as gold prices declined significantly during 2013. For the fourth quarter of 2014, the Company recorded a non-cash fair value gain of $1.5 million on the 5% Convertible Debentures compared to a non-cash fair value of $1.6 million recorded in 2013.

- **Income tax recovery for 2014 totaled $0.3 million compared to $12.3 million in 2013.** A deferred tax recovery of $32.9 million relating to the impairment charges was recorded on the Wassa long term assets for 2013, partially offset by the Wassa current tax expense of $20.6 million for the year ended December 31, 2013. Income tax recovery for the fourth quarter of 2014 totaled $0.3 million, as compared to $1.5 million income tax expense in the same period in 2013. The lower tax expense compared to the same prior year quarter was due to the lower net income generated by Wassa compared to 2013.
- **An Impairment charge of $57.7 million was recorded for 2014 compared to $355.6 million for 2013.** The impairment charge for 2014 was comprised of $30.0 million on Bogoso refractory assets, $18.0 million on materials and supplies inventory and $9.7 million on exploration and evaluation assets compared to the $355.6 million impairment of both Wassa and Bogoso assets in 2013.
- **Net loss attributable to Golden Star shareholders for 2014 totaled $73.1 million or $0.28 loss per share, compared with a net loss of $265.9 million or $1.03 loss per share for 2013.** An impairment charge of $57.7 million was recorded in 2014 compared to $355.6 million in 2013 and was partially offset by a $52.0 million gain on the fair value of the 5% Convertible Debentures in 2013. For the fourth quarter of 2014, net loss attributable to Golden Star shareholders totaled $48.2 million or $0.19 loss per share compared to a net loss of $148.6 million or $0.57 loss per share for the same period in 2013. The net loss was lower in the fourth quarter of 2014 as an impairment charge of $57.7 million was recorded during the fourth quarter of 2014 compared to impairment charge of $159.7 million in the same period of 2013.
- **Adjusted net loss attributable to Golden Star shareholders (see "Non-GAAP Financial Measures" section) was $12.2 million in 2014, compared to $21.5 million for 2013.** Adjusted net loss attributable to Golden Star shareholders for the fourth quarter totaled $8.8 million, compared to $6.5 million for the same period in 2013.
- **Cash provided by operations before working capital changes was $3.1 million for the year ended December 31, 2014, compared to $30.3 million in 2013 primarily as a result of the lower gold production in 2014.** Cash provided by operations decreased in 2014 compared to 2013 due to lower gold revenues resulting from lower realized gold prices and less gold ounces sold compared to 2013. Cash provided by operations before working capital changes totaled $11.7 million for the fourth quarter of 2014, compared to $2.9 million for the same period in 2013. Cash provided by operations increased for the fourth quarter of 2014 compared to the same prior year period due to lower mine operating expenses incurred.
- **Capital expenditures for 2014 totaled $33.7 million compared to $102.9 million in 2013.** During 2014, the major capital expenditures at Wassa included $7.9 million on development drilling below the Wassa Main pit. Capital expenditures at Bogoso in 2014 included $6.0 million on Prestea Underground and $5.9 million of capitalized betterment stripping costs at the Chujah pit. Capital expenditures at Wassa and Bogoso for the fourth quarter totaled $9.2 million compared to $22.5 million incurred in the same period in 2013. Capital expenditures were lower compared to 2013 as a result of the Company focusing 2014 capital spending on the development projects at Wassa and Prestea as well as the Chujah stripping that was completed in May 2014.

OUTLOOK FOR 2015

PRODUCTION AND COST GUIDANCE

	Gold production thousands of ounces	Cash operating costs $ per ounce	Capital spending $ millions
Wassa	105 – 120	850 – 990	41
Bogoso	145 – 155	870 – 960	15
CONSOLIDATED	**250 – 275**	**860 – 980**	**56**

Production and cash operating costs

Wassa – Production is expected to be maintained at approximately the same level as 2014. Steady improvement in feed grade to the processing plant is expected as pit depth increases, which should result in improvement of cash operating costs per ounce.

Bogoso – Production is expected to be similar to 2014. The refractory operation is expected to contribute approximately 130,000 to 135,000 ounces in 2015 prior to a planned suspension in late 2015 (See "Bogoso refractory operation" in Corporate Development section below). The remaining gold production at Bogoso is expected to be contributed by the tailings reclaim operation.

Capital expenditures

Wassa – The Company expects to spend $41 million in development capital expenditures, $27 million of which relates to development of the Wassa underground mine. The remaining amount is expected to be spent on sustaining capital expenditures such as plant upgrades and purchases of equipment.

Bogoso – The Company expects to spend $13 million in development capital expenditures and $2 million in sustaining capital expenditures. Capital expenditures of $13 million are expected to be incurred on development of the Prestea Underground Mine.

CORPORATE DEVELOPMENTS

GOLD PRICES

Spot gold prices decreased marginally from $1,202 per ounce at the beginning of 2014 to $1,199 per ounce at the end of year. The Company realized an average gold price of $1,261 per ounce for gold sales during 2014, 11% lower than the average realized price of $1,414 per ounce for 2013 due to the decline in average spot price of gold. The spot gold price on February 18, 2015 was $1,206 per ounce.

$25 MILLION MEDIUM TERM LOAN FACILITY FROM ECOBANK

During the third quarter of 2014, the Company through its subsidiary Golden Star (Wassa) Limited entered into an agreement with Ecobank Ghana Limited regarding a $25 million secured Medium Term Loan Facility ("Ecobank Loan II") in addition to the $50 million facility entered into in July 2013 ("Ecobank Loan I"). The loan will be available to finance the development of an underground mine at Wassa. The loan has a repayment term of 60 months from the date of initial drawdown and is secured by, among other things, Wassa's existing plant, machinery and equipment. The interest rate on the loan is three month LIBOR plus 11% per annum, payable monthly in arrears beginning a month following an initial drawdown. Payment of principal commences six months following the initial drawdown and is payable thereafter quarterly. The Company will be required to adhere to certain financial covenants from the end of 2016. The Company has twelve months to drawdown the loan. At December 31, 2014, the Company has not made any drawdown on this facility.

BOGOSO REFRACTORY OPERATION

The refractory operation at Bogoso will be suspended and placed on care and maintenance when the Bogoso North and Chujah pits are mined out in late 2015. This is in keeping with the Company's strategy of lowering the cash operating cost per ounce by focusing future mining and processing on non-refractory ore types which require lower processing costs than refractory ores.

The Company recorded impairment charges of $48.0 million on Bogoso assets at December 31, 2014 as a result of the planned suspension of refractory operation. Mining property related impairment charges totaled $30.0 million, which comprised of $11.7 million relating to mine property, $9.3 million relating to construction in progress and $9.0 million relating to property, plant and equipment. These impairment charges represent the excess of carrying values over the recoverable amounts of the Bogoso refractory assets. An additional $18.0 million of materials and supplies inventory at the Bogoso refractory operation were also written down. Based on a review of the inventory turnover and the expected inventory usage prior to the suspension of the refractory operation it was determined that the net realizable value exceeded the cost of the inventory, resulting in the $18 million write off.

The Company is currently developing a care and maintenance plan to maintain the refractory processing plant subsequent to suspension of the plant and are in the process of determining the associated care and maintenance, holding and employee severance costs. The Company currently estimates employee severance to be between $12 million to $16 million which is expected to be incurred and expensed in 2015.

WRITE DOWN OF EXPLORATION AND EVALUATION ASSETS

The Company recorded a write down of $9.7 million on exploration and evaluation assets as the Company has determined that it is unlikely that development on these exploration and evaluation assets will proceed at current expected gold prices.

POWER RESTRICTIONS IN GHANA

Since December 2014, the Volta River Authority ("VRA"), the Ghana government's subsidiary which controls Ghanaian power supply, has rationed electric power to all power users in Ghana, including the mining sector. Ghana's major power generating source, the Akosombo Hydroelectric Power Station on the Volta river has cut back its power output over the past several months due to historical low water levels in the Akosombo reservoir which feeds the Akosombo power plant. Rainfall over the last several months has not been sufficient to restore the reservoir water levels to a point that would allow continuous unrestricted operations. Additionally, the thermal power plants are running significantly below capacity causing a further power shortfall of almost 300 megawatts in Ghana.

Ghana has implemented both short and long-term remediation plans to bring the power supply back to capacity. These projects include increasing the gas supply, construction of power barges, construction of a power plant and pursuing solar, wind, liquefied natural gas and oil projects.

In light of the power supply deficit in Ghana, the Company supported the Ghanaian Ministry of Power's load shedding plan in December 2014. The reduction in power usage was achieved by a combination of (i) reducing the plant throughput at Wassa, (ii) limiting activities at the Prestea underground mine and (iii) operating our stand-by diesel generating capacity. By taking these actions, the Company was able to continue operations at Wassa and Bogoso but the high cost of diesel for our generators has contributed to higher operating costs.

DEVELOPMENT PROJECTS UPDATE

WASSA

Preliminary Economic Assessment ("PEA")

The PEA on the development of an underground mining operation at Wassa has been completed and published on SEDAR. It is the Company's objective to develop an underground mine at Wassa that will operate in conjunction with the existing open pit mine. A Mineral Resource estimate for Wassa, on which this PEA was based, was recently updated. Below is a summary of the results of the Wassa PEA:

- Assuming an open pit and underground mining scenario, total Measured and Indicated Mineral Resources at Wassa are now 35.7 million tonnes at 2.22 g/t Au for 2.5 million ounces of gold
- Substantial increase in Inferred Mineral Resources at Wassa to 9 million tonnes at an average grade of 3.88g/t for 1.1 million ounces of gold
- Post-tax internal rate of return of 129% estimated for Wassa mine, at $1,300 per ounce gold price
- Net present value of $350 million estimate for Wassa mine based on discount rate of 5% and $1,300 per ounce gold price
- Pre-production incremental capital expenditure for Wassa underground estimated at $41 million
- First production from Wassa underground expected in early 2016, with an estimated mine life of ten years thereafter for combined operation
- Estimated cash operating cost of $684 per ounce for the combined Wassa operations over the life of the mine
- Estimated all-in sustaining costs of $778 per ounce for combined Wassa operations over the life of the mine
- Work has commenced on a feasibility study and the construction of exploration decline is expected to commence in the second quarter of 2015

Prior to year end, Wassa received the necessary permits to commence development of an exploration decline which will facilitate definition drilling and obtaining a bulk sample of the higher grade ore below the Wassa Main pit. Should the feasibility study on a combined open pit and underground mining operation have a favourable outcome and the necessary underground mining permits be received, the decline will be the primary access to the underground operation.

Orders were placed in December 2014 for the underground mining equipment. This equipment is expected to be delivered in the first quarter of 2015 which will allow for construction of the decline to start in the second quarter of 2015.

BOGOSO

Prestea Underground Mine

The PEA on the development of the Prestea Underground Mine has been completed and published on SEDAR. The PEA is based on development of a non-mechanized mining operation at Prestea. The capital expenditure associated with a non-mechanized mine is substantially lower and delivers better internal rate of return than the previously contemplated mechanized mining option. Below is a summary of the results of the PEA for the Prestea Underground Mine:

- Post-tax internal rate of return of 72% at $1,200 per ounce gold price
- Net present value of $121 million estimate for Prestea mine based on discount rate of 5% and $1,200 per ounce gold price
- Initial capital expenditure of approximately $40 million required to first production
- Total project life of five years, after one year of development
- Estimated cash operating cost of $370 per ounce
- Estimated all-in sustaining costs of $518 per ounce
- Payback period of 2.5 years from the start of development

During 2014, the Company incurred capital expenditures totaling $8.6 million for the Prestea Underground Mine. The shrinkage mining feasibility study has been commenced and is expected to be completed during the second quarter of 2015. The Company expects to incur a total of $12.6 million of capital expenditures on the Prestea Underground Mine in 2015, which include expenditures relating to track rehabilitation, water pumping and shaft steel replacement.

WASSA OPERATIONS

Through a 90% owned subsidiary Golden Star (Wassa) Limited, the Company owns and operates the Wassa open pit mine, located approximately 35 kilometers east of the town of Bogoso, Ghana. Wassa has a non-refractory processing plant ("Wassa processing plant") consisting of a carbon-in-leach ("CIL") system with a capacity of 2.7 million tonnes per annum. Ore from the Wassa mine is processed at the Wassa processing plant.

		For the three months ended December 31,		For the years ended December 31,	
		2014	2013	**2014**	2013
WASSA FINANCIAL RESULTS					
Revenue	$'000	30,979	56,530	142,734	263,072
Mine operating expenses	$'000	26,559	39,168	114,667	145,484
Royalties	$'000	1,550	2,829	7,144	13,171
Operating costs from/(to) metals inventory	$'000	(3,107)	(98)	(4,326)	4,411
COST OF SALES EXCLUDING DEPRECIATION AND AMORTIZATION	$'000	**25,002**	**41,899**	**117,485**	**163,066**
Depreciation and amortization	$'000	4,439	5,442	14,619	40,883
MINE OPERATING MARGIN	$'000	**1,538**	**9,189**	**10,630**	**59,123**
Capital expenditures	$'000	5,941	8,634	16,406	33,570
WASSA OPERATING RESULTS					
Ore mined	t	653,061	557,869	2,656,064	2,053,259
Waste mined	t	2,830,078	3,667,459	12,398,568	13,258,797
Ore processed	t	651,462	711,348	2,629,029	2,695,284
Grade processed	g/t	1.32	2.02	1.41	2.29
Recovery	%	93.4	93.2	92.7	94.5
Gold sales	oz	25,831	44,337	112,831	185,807
Cash operating cost per ounce[1]	$/oz	908	881	971	805

1 See "Non-GAAP Financial Measures" below for a reconciliation of cash operating cost per ounce to cost of sales excluding depreciation and amortization.

THREE MONTHS ENDED DECEMBER 31, 2014 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2013

Production

Gold sales were 25,831 ounces for the fourth quarter of 2014, a 42% decrease from the 44,337 ounces sold during the same period of 2013. Production was impacted by a 35% reduction in ore grade processed and a 8% reduction in throughput compared to the same prior year period. Throughput was affected by the load shedding plan adopted in support for the Ghanaian Energy Commission's effort to resolve the power supply deficit in Ghana. The completion of mining at the Father Brown pit in May 2014 resulted in lower grade ore processed in the fourth quarter of 2014 as compared to the same prior year period.

Gold revenues

Gold revenues were $31.0 million for the fourth quarter of 2014, compared to $56.5 million for the same period in 2013. The decrease was due to a 42% decrease in gold production and a 6% decline in the average realized gold price from $1,275 per ounce for the quarter ended December 31, 2013 to $1,199 per ounce for the quarter ended December 31, 2014.

Cost of sales excluding depreciation and amortization

Cost of sales excluding depreciation and amortization for Wassa totaled $25.0 million during the fourth quarter of 2014, $16.9 million lower than the $41.9 million incurred during the same period of 2013. The lower cost of sales is mainly related to the $12.6 million decrease in mine operating expenses as a result of lower mining and lower haulage costs incurred following completion of mining at the Father Brown pit in the second quarter of 2014. Inventory build up and lower royalty expense also contributed to the lower cost of sales excluding depreciation and amortization for the fourth quarter of 2014. Royalty expense was lower as a result of lower gold revenue in the fourth quarter compared to same prior year period.

Depreciation and amortization

Depreciation and amortization for the fourth quarter of 2014 decreased to $4.4 million from $5.4 million during the same prior year period as a result of impairment charges recorded in 2013 which reduced the carrying value of Wassa's assets for the current year.

Cash operating cost per ounce

Wassa's cash operating cost per ounce for the fourth quarter of 2014 was $908, up 3% from $881 in the same prior year period. Despite cash operating costs for the fourth quarter of 2014 being lower than the same period period of 2013, cash operating cost per ounce was slightly higher due to lower gold production.

Capital expenditures

Capital expenditures for the fourth quarter of 2014 totaled $5.9 million compared with $8.6 million during the same period in 2013. Sustaining capital expenditures totaled $2.2 million during the three months ended December 31, 2014 compared to $5.9 million incurred the comparable period of 2013. Development capital expenditures totaled $3.7 million during the three months ended December 31, 2014 and $2.7 million in the same period of 2013. $1.5 million of development capital expenditures in the fourth quarter related to development drilling below the Wassa Main pit.

YEAR ENDED DECEMBER 31, 2014 COMPARED TO YEAR ENDED DECEMBER 31, 2013

Production

Gold sales were 112,831 ounces for 2014, a 39% decrease from the 185,807 ounces sold during 2013. Production was impacted by the lower grade ore processed and lower recovery as the Company completed mining at the higher grade Father Brown pit during the second quarter of 2014.

Gold revenues

Gold revenues were $142.7 million for 2014, compared to $263.1 million for 2013. The decrease was due to a 39% decrease in gold production and the decline in the average realized gold price from $1,416 per ounce for the year ended December 31, 2013 to $1,265 per ounce for the year ended December 31, 2014.

Cost of sales excluding depreciation and amortization

Cost of sales excluding depreciation and amortization for Wassa was $117.5 million for 2014, $45.6 million lower than the $163.1 million incurred during 2013. The lower cost of sales is mainly related to the $30.8 million decrease in mine operating expenses due to lower contract mining costs, lower haulage and salaries costs incurred as a result of completion of mining of the Father Brown pit during the second quarter of 2014. Inventory build up and lower royalty expense also contributed to the lower cost of sales excluding depreciation and amortization for 2014. Royalties were lower as a result of lower gold sales in 2014 compared to 2013.

Depreciation and amortization

Depreciation and amortization for 2014 decreased to $14.6 million from $40.9 million in 2013. The decrease is a result of impairment charges recorded in 2013 which reduced the carrying value of Wassa's assets for 2014.

Cash operating cost per ounce

Wassa's cash operating cost per ounce for 2014 totaled $971, up 21% from $805 in 2013. Wassa's cash operating costs of $109.5 million for the year ended December 31, 2014 were 27% lower than the $149.6 million incurred during 2013; however, due to lower grades, the 39% decrease in ounces of gold sold compared to 2013 more than offset the lower total cash operating costs, resulting in higher cash operating costs per ounce.

Capital expenditures

Capital expenditures for 2014 were $16.4 million compared with $33.6 million in 2013. Sustaining capital expenditures were $4.6 million for the year ended December 31, 2014 compared to $17.7 million incurred in 2013. Development capital expenditures were $11.8 million for the year ended December 31, 2014 and $15.9 million in 2013. Development capital expenditures in 2014 included $7.9 million in development drilling at the Wassa Main pit and $2.9 million on the tailings storage facility.

BOGOSO OPERATIONS

Through a 90% owned subsidiary Golden Star (Bogoso/Prestea) Limited, the Company owns and operates the Bogoso gold mining and processing operations located near the town of Bogoso, Ghana. Bogoso operates a gold ore processing facility with a capacity of 2.7 million tonnes of ore per annum, which uses bio-oxidation technology to treat refractory ore ("Bogoso refractory plant"). The Company plans to suspend the refractory mining operation and place the Bogoso refractory processing plant on care and maintenance in the second half of 2015. Bogoso also has a CIL processing facility located adjacent to the Bogoso refractory plant, which is suitable for treating non-refractory gold ores ("Bogoso non-refractory plant") with capacity of up to 1.5 million tonnes per annum.

Through Bogoso, the Company owns the Prestea Underground Mine, which is located on the Prestea property and consists of a currently inactive underground gold mine and associated support facilities.

		For the three months ended December 31,		For the years ended December 31,	
		2014	2013	**2014**	2013
BOGOSO FINANCIAL RESULTS					
Revenue	$'000	55,607	39,504	186,181	204,724
Mine operating expenses	$'000	44,362	45,649	182,864	193,490
Royalties	$'000	2,782	1,977	9,315	10,243
Operating costs from/(to) metals inventory	$'000	(736)	(976)	(4,752)	10,341
COST OF SALES EXCLUDING DEPRECIATION AND AMORTIZATION	$'000	**46,408**	**46,650**	**187,427**	**214,074**
Depreciation and amortization	$'000	3,711	4,231	11,600	19,083
MINE OPERATING MARGIN/(LOSS)	$'000	**5,488**	**(11,377)**	**(12,846)**	**(28,433)**
Capital expenditures	$'000	3,278	13,879	17,249	69,079
BOGOSO OPERATING RESULTS					
Ore mined refractory	t	729,921	539,882	2,690,760	1,755,039
Ore mined non-refractory	t	–	545	–	391,289
TOTAL ORE MINED	t	**729,921**	**540,427**	**2,690,760**	**2,146,328**
Waste mined	t	1,694,068	5,063,279	12,169,105	23,409,092
Refractory ore processed	t	665,123	563,204	2,542,273	2,352,314
Refractory ore grade	g/t	2.73	1.59	2.30	2.24
Gold recovery – refractory ore	%	72.2	60.6	70.3	68.7
Non-refractory ore processed	t	331,769	475,835	1,382,213	1,190,954
Non-refractory ore grade	g/t	1.02	1.07	0.96	1.39
Gold recovery – non-refractory ore	%	39.4	46.1	39.2	48.1
Gold sold refractory	oz	41,968	23,972	130,208	119,856
Gold sold non-refractory	oz	4,286	7,121	17,749	25,143
Gold sales (total)	oz	46,254	31,093	147,957	144,999
Cash operating cost per ounce[1]	$/oz	926	1,391	1,180	1,361

1 See "Non-GAAP Financial Measures" below for a reconciliation of cash operating cost per ounce to cost of sales excluding depreciation and amortization.

THREE MONTHS ENDED DECEMBER 31, 2014 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2013

Production

Bogoso gold sales were 46,254 ounces for the fourth quarter of 2014 compared to 31,093 ounces during the same period of 2013. Refractory gold sales increased to 41,968 ounces in the fourth quarter of 2014 from the 23,972 ounces sold in the same period of 2013 due to higher plant throughput, higher ore grade and higher recovery. The higher refractory ore grade in 2014 was due to higher ore grades mined at depth from the Chujah and Bogoso North pits.

Non-refractory gold sales decreased to 4,286 ounces in the fourth quarter of 2014, down 40% from the 7,121 ounces sold in the same period of 2013. The decrease in sales in the non-refractory operation was due to lower recovery and lower grade feed from the tailings reclaim material during this quarter compared to the same prior year period.

Gold revenues

Gold revenues for the fourth quarter of 2014 were $55.6 million, up $16.1 million from $39.5 million in the fourth quarter of 2013. Gold sold totaled 46,254 ounces in the fourth quarter of 2014, up 49% ounces from 31,093 ounces sold in the same period of 2013. The realized gold price was down 5%, averaging $1,202 per ounce in the fourth quarter of 2014, compared with $1,271 per ounce in the same period last year.

Cost of sales excluding depreciation and amortization

Bogoso's cost of sales excluding depreciation and amortization was $46.4 million for the fourth quarter of 2014, down slightly from $46.7 million for the same period of 2013. The decrease was mostly due to a $1.3 million decrease in mine operating expenses as a result of lower tonnage mined and reduced headcount in the fourth quarter of 2014 compared to the same period of 2013, offset by an $0.8 million increase in royalty expense.

Depreciation and amortization

Depreciation and amortization expense decreased to $3.7 million for the fourth quarter of 2014 from $4.2 million for the fourth quarter of 2013 is the result of impairment charges recorded in 2013 which reduced the carrying value of Bogoso's assets for 2014.

Cash operating cost per ounce

Bogoso achieved its lowest quarterly cash operating cost per ounce in four years, averaging $926 for the fourth quarter of 2014, down from $1,391 in the same period in 2013. The substantial decrease in cash operating cost per ounce was the result of the lower strip ratio producing lower mining costs at Chujah as the mine realized the benefits of the betterment stripping that was completed in May 2014 and higher gold production.

Capital expenditures

Capital expenditures for the fourth quarter of 2014 were $3.3 million compared to $13.9 million incurred during the same period in 2013. The decrease was mainly the result of the completion of the Chujah pushback in May 2014. Sustaining capital expenditures were $0.2 million in the fourth quarter of 2014 compared to $3.9 million during the fourth quarter of 2013. Development capital expenditures decreased to $3.1 million in the fourth quarter of 2014 compared to $10.0 million in the comparable period of 2013. $2.3 million of the development capital expenditures in the fourth quarter of 2014 related to spending on the Prestea Underground development project.

YEAR ENDED DECEMBER 31, 2014 COMPARED TO YEAR ENDED DECEMBER 31, 2013

Production

Bogoso gold sales were 147,957 ounces for 2014 compared to 144,999 ounces for 2013. Refractory gold sales increased to 130,208 ounces in 2014 from the 119,856 ounces sold in 2013 as a result of higher throughput, higher grade processed and higher recovery achieved during the year ended December 31, 2014. The increase in throughput was largely due to improvements in plant capital infrastructure.

Non-refractory gold sales dropped to 17,749 ounces in 2014, down 29% from the 25,143 ounces sold in 2013. Higher ounces gold production was achieved in 2013 as higher grade ore was mined from the Pampe operation, however this was replaced by lower grade tailings reclaim material in 2014.

Gold revenues

Gold revenues for 2014 were $186.2 million, down $18.5 million from $204.7 million in 2013. Gold sold totaled 147,957 ounces in the year ended December 31, 2014, up 2% from 144,999 ounces sold in 2013. The realized gold price was down 11%, averaging $1,258 per ounce in the year ended December 31, 2014, compared with $1,412 per ounce in the same period in 2013.

Cost of sales excluding depreciation and amortization

Bogoso's cost of sales excluding depreciation and amortization was $187.4 million for 2014, down from $214.1 million for 2013. Mine operating expenses totaled $182.9 million, 5% lower than the $193.5 million incurred during 2013 mainly as a result of lower mining costs due to lower tonnage mined and lower headcount in 2014 compared to 2013 Processing costs were lower as a result of lower chemical and reagent usage including notably lower lime usage. In 2014 Bogoso incurred $3.8 million in severance costs to rationalize the workforce by reducing the headcount by 143. As a result salaries and benefits decreased by $1.8 million in 2014. The build-up of ore stockpiles during the year ended December 31, 2014 totaled $4.8 million compared to a $10.3 million draw down during 2013, resulting in a $15.1 million decrease in cost of sales excluding depreciation and amortization.

Depreciation and amortization

Depreciation and amortization expense decreased to $11.6 million for 2014, compared to $19.1 million for 2013 as the result of impairment charges recorded in 2013 which reduced the carrying value of Bogoso's assets for 2014.

Cash operating cost per ounce

Cash operating cost per ounce was $1,180 for 2014, compared to $1,361 for 2013. Cash operating costs for the year ended December 31, 2014 were $174.6 million, down from $197.3 million during 2013 due mainly to lower mine operating expenses achieved as a result of lower headcount and lower strip ratio resulting in lower mining costs at Chujah as the mine realized the benefits of the betterment stripping that was completed in the second quarter of 2014.

Capital expenditures

Capital expenditures for 2014 were $17.2 million compared to $69.1 million during 2013. Sustaining capital expenditures were $1.6 million in 2014 compared to $21.7 million during 2013. Development capital expenditures were $15.7 million in 2014 compared to $47.4 million in 2013. Development capital expenditures in 2014 included $8.3 million on the Prestea Underground development project and $5.9 million on capitalized betterment stripping at the Chujah pit.

SUMMARIZED QUARTERLY FINANCIAL RESULTS

(Stated in thousands of U.S dollars except per share data)	Three months ended							
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Revenues	86,586	77,758	79,567	85,004	96,034	118,159	120,693	132,910
Cost of sales excluding depreciation and amortization	71,410	70,774	78,432	84,296	88,550	91,294	101,178	96,118
Net income/(loss)	(53,545)	1,165	(6,708)	(24,353)	(165,304)	4,539	(145,671)	7,922
Net income/(loss) attributable to shareholders of Golden Star	(48,155)	2,593	(5,153)	(22,364)	(148,576)	3,507	(128,828)	8,005
Net income/(loss) per share attributable to shareholders of Golden Star:								
– Basic and diluted	(0.19)	0.01	(0.02)	(0.09)	(0.57)	0.01	(0.50)	0.03

SELECTED ANNUAL INFORMATION

(Stated in thousands of U.S. dollars except per share data) As of	December 31, 2014	December 31, 2013	December 31, 2012
Cash and cash equivalents	39,352	65,551	78,884
Working capital[1]	(31,964)	11,201	69,217
Total assets	258,053	325,743	656,295
Long-term financial liabilities	85,798	83,387	110,507
(Deficit)/Equity	(54,193)	26,702	328,176

For the year ended	December 31, 2014	December 31, 2013	December 31, 2012
Revenue	328,915	467,796	550,540
Net (loss)/income attributable to Golden Star	(73,079)	(265,892)	7,186
Net (loss)/income per share attributable to Golden Star shareholders – basic and diluted	(0.28)	(1.03)	0.03

1 Working Capital is calculated as Current Assets minus Current Liabilities as disclosed on the Consolidated Balance Sheet.

LIQUIDITY AND FINANCIAL CONDITION

The Company held $39 million in cash and cash equivalents as of December 31, 2014, down from $65.6 million at December 31, 2013. During the year ended December 31, 2014, operations provided $2.4 million of cash, cash used for investing totaled $36.6 million and financing activities provided $8.0 million.

Working capital declined from $11.2 million at December 31, 2013 to a working capital deficit of $32.0 million at December 31, 2014. Accounts payable increased from $109.0 million million at December 31, 2013 to $123.5 million at December 31, 2014 mainly due to an increase in accounts payable at Bogoso. Cash and cash equivalents declined from $65.6 million at December 31, 2013 to $39.4 million at December 31, 2014.

Before working capital changes, operations provided $3.1 million of operating cash flow during 2014, compared with $30.3 million provided by operations in 2013. Cash provided by operations decreased primarily due to lower revenues resulting from lower gold production and lower realized gold price during 2014.

Working capital changes used $0.7 million during 2014, compared to $28.9 million provided by working capital in 2013. The working capital changes in 2014 related mainly to a decrease of current tax payable by $9.5 million, an increase in accounts receivable by $6.6 million and an increase in inventories by $4.8 million, offset by an increase in accounts payable and accrued liabilities by $18.1 million and a decrease in prepaids and other by $2.2 million. The increase in accounts payable is mainly related to an increase in the amounts payable to the VRA. The Company has reached an agreement with the VRA on a mutually acceptable plan to repay $30.4 million of payables. The repayment plan includes a deferral of approximately $22 million to 2016 and 2017 which is expected to improve the Company's working capital position when it is recorded as long-term in the first quarter of 2015.

Investing activities used $36.6 million during 2014, including $32.2 million on construction in progress, $0.1 million on mining property development and $0.5 million for the plant and facility upgrades. Investing activities used $101.4 million during 2013 which consisted mainly of $62.4 million on mining property development, $36.5 million on construction in progress and $3.8 million on plant and facility upgrades and purchases of mobile equipment.

Financing activities provided a net of $8.0 million in 2014 compared to a net of $28.8 million in 2013. During the year ended December 31, 2014, the Company drew down an additional $20.0 million under the $50 million Ecobank Loan I and made total principal repayments of $12.0 million on Ecobank Loan I, equipment loans and capital lease obligations. During 2013, the Company drew down a total of $30 million under the Ecobank Loan I and financed $7.7 million of new mobile equipment purchases through capital leases and the Company's equipment financing facility, offset by $7.9 million principal repayment of debt.

LIQUIDITY OUTLOOK

As of December 31, 2014, the Company had $39.4 million in cash, $25.0 million available for draw down under the Ecobank Loan II and funds available for mobile equipment purchases under the Company's equipment financing facilities.

Working capital declined from $11.2 million at December 31, 2013 to a working capital deficit of $32.0 million at December 31, 2014. Accounts payable increased from $109.0 million at December 31, 2013 to $123.5 million at December 31, 2014 mainly due to an increase in accounts payable at Bogoso. The increase in accounts payable is mainly related to an increase in the amounts payable to the VRA. The Company has reached an agreement with the VRA on a mutually acceptable plan to repay $30.4 million of payables. The repayment plan includes a deferral of approximately $22 million to 2016 and 2017 which is expected to improve the Company's working capital position.

The Company is currently developing a care and maintenance plan to maintain the Bogoso refractory processing plant subsequent to suspension of the plant and are in the process of determining the associated care and maintenance, holding and employee severance costs. The Company currently estimates employee severance to be between $12 million to $16 million which is expected to be incurred and expensed in 2015.

At Bogoso, payables have increased from $73.8 million at December 31, 2013 to $83.5 million at December 31, 2014 due to lower revenues and operating cash flows. The heavy rainfall experienced in June impeded access to the higher grade ore in Chujah resulting in lower than expected production. Additionally, the refractory processing plant at Bogoso experienced an extended power outage which affected production at the beginning of the third quarter. Subsequent to these production interruptions, Bogoso's gold production and operating cash flow improved as a result of improved access to higher grade ore mined at depth from the Chujah and Bogoso North pits. The improved Bogoso cash flow from operations resulted in a decrease of payables of approximately $4 million during the fourth quarter of 2014. Based on current gold prices, the Company expects Bogoso to have a positive cash flow from operations for 2015.

The Company intends to initially fund the development of the Wassa underground mine with the $25 million available from the Ecobank Loan II and cash flow from operations. The Company also completed the PEA on the development of the Prestea Mine in December 2014. The Company is currently seeking additional financing however there can be no assurance that such funding will be available at all or on terms acceptable to the Company.

In the short term, the Company expects to continue to fund operations and capital projects through operating cash flows, the Ecobank Loan II and cash on hand. If these sources are not sufficient, the Company could delay planned capital projects or curtail operational spending.

TABLE OF CONTRACTUAL OBLIGATIONS

	Payment due (in thousands) by period				
(Stated in thousands of U.S dollars)	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Debt[1]	16,198	104,554		–	129,658
Finance leases	983	2,104	776	–	3,863
Interest on long term debt	8,088	10,414	420	–	18,922
Purchase obligations	3,642	–	–	–	3,642
Rehabilitation provisions[2]	4,562	28,168	29,627	30,040	92,397
TOTAL	**33,473**	**145,240**	**39,729**	**30,040**	**248,482**

1 Includes $77.5 million of 5% Convertible Debentures maturing in June 2017, the $50.0 million draw down from the Ecobank Loan I and outstanding repayment amounts from equipment financing loans. Golden Star has the right to repay the $77.5 million principal amount of the 5% Convertible Debentures in cash or in common shares at the due date under certain circumstances. The presentation shown above assumes payment is made in cash and also assumes no conversions of the 5% Convertible Debentures into common shares by the holders prior to the maturity date.

2 Rehabilitation provisions indicates the expected undiscounted cash flows for each period.

RELATED PARTY TRANSACTIONS

There were no material related party transactions in 2014 and 2013 other than compensation of key management personnel which is presented in the table below. Key management personnel is defined as members of the Board of Directors and certain senior officers.

For the years ended December 31, (Stated in thousands of U.S dollars)	2014	2013
Salaries, wages, and other benefits	2,139	2,020
Bonus and severances	868	2,125
Share-based compensation	1,145	1,606
	4,152	**5,751**

OFF-BALANCE ARRANGEMENTS

The Company has no material off-balance sheet arrangements.

NON-GAAP FINANCIAL MEASURES

In this MD&A, we use the terms "cash operating cost", "cash operating cost per ounce", "all-in sustaining costs", "cash (used in)/provided by operations before working capital changes", "adjusted net (loss)/income attributable to Golden Star shareholders" and "adjusted net (loss)/income per share attributable to Golden Star shareholders".

"Cost of sales excluding depreciation and amortization" as found in the statements of operations includes all mine-site operating costs, including the costs of mining, ore processing, maintenance, work-in-process inventory changes, mine-site overhead as well as production taxes, royalties, and by-product credits, but excludes exploration costs, property holding costs, corporate office general and administrative expenses, foreign currency gains and losses, gains and losses on asset sales, interest expense, gains and losses on derivatives, gains and losses on investments and income tax expense/benefit.

"Cash operating cost" for a period is equal to "Cost of sales excluding depreciation and amortization" for the period less royalties and production taxes, minus the cash component of metals inventory net realizable value adjustments and severance charges, and "cash operating cost per ounce" is that amount divided by the number of ounces of gold sold during the period. We use cash operating cost per ounce as a key operating indicator. We monitor this measure monthly, comparing each month's values to prior periods' values to detect trends that may indicate increases or decreases in operating efficiencies. We provide this measure to investors to allow them to also monitor operational efficiencies of the Company's mines. We calculate this measure for both individual operating units and on a consolidated basis. Since cash operating costs 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 IFRS. Changes in numerous factors including, but not limited to, mining rates, milling rates, ore grade, gold recovery, costs of labor, consumables and mine site general and administrative activities can cause these measures to increase or decrease. We believe that these measures are similar to the measures of other gold mining companies, but may not be comparable to similarly titled measures in every instance.

"All-in sustaining costs" commences with cash operating costs and then adds sustaining capital expenditures, corporate general and administrative costs, mine site exploratory drilling and greenfield evaluation costs and environmental rehabilitation costs. This measure seeks to represent the total costs of producing gold from current operations, and therefore it does not include capital expenditures attributable to projects or mine expansions, exploration and evaluation costs attributable to growth projects, income tax payments, interest costs or dividend payments. Consequently, this measure is not representative of all of the Company's cash expenditures. In addition, the calculation of all-in sustaining costs does not include depreciation expense as it does not reflect the impact of expenditures incurred in prior periods. Therefore, it is not indicative of the Company's overall profitability.

The Company believes that "all-in sustaining costs" will better meet the needs of analysts, investors and other stakeholders of the Company in understanding the costs associated with producing gold, understanding the economics of gold mining, assessing the operating performance and also the Company's ability to generate free cash flow from current operations and to generate free cash flow on an overall Company basis. Due to the capital intensive nature of the industry and the long useful lives over which these items are depreciated, there can be a disconnect between net earnings calculated in accordance with IFRS and the amount of free cash flow that is being generated by a mine. In the current market environment for gold mining equities, many investors and analysts are more focused on the ability of gold mining companies to generate free cash flow from current operations, and consequently the Company believes these measures are useful non-IFRS operating metrics ("non-GAAP measures") and supplement the IFRS disclosures made by the Company. These measures are not representative of all of Golden Star's cash expenditures as they do not include income tax payments or interest costs. Non-GAAP measures are intended to provide additional information only and do not have standardized definitions under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. The table below reconciles these non-GAAP measures to the most directly comparable IFRS measures and previous periods have been recalculated to conform to the current definition.

The table below reconciles consolidated cost of sales excluding depreciation and amortization to cash operating cost per ounce and all-in sustaining costs per ounce:

	For the three months ended December 31,		For the years ended December 31,	
(Stated in thousands of U.S dollars)	**2014**	2013	**2014**	2013
COST OF SALES EXCLUDING DEPRECIATION AND AMORTIZATION	71,410	88,549	304,912	377,140
Severance charges	(815)	–	(2,844)	–
Royalties	(4,332)	(4,806)	(16,459)	(23,414)
Metals inventory net realizable value adjustment	–	(1,420)	(1,452)	(6,807)
CASH OPERATING COSTS	**66,263**	**82,323**	**284,157**	**346,919**
Royalties	4,332	4,806	16,459	23,414
Metals inventory net realizable value adjustment	–	1,420	1,452	6,807
Accretion of rehabilitation provision	437	148	1,746	592
General and administrative costs	2,819	5,097	16,367	21,515
Sustaining capital expenditures	2,460	9,777	6,212	39,334
ALL-IN SUSTAINING COSTS	**76,311**	**103,571**	**326,393**	**438,581**
Ounces sold	72,085	75,430	260,788	330,806
COST PER OUNCE MEASURES ($/OZ):				
Cash operating cost per ounce	919	1,091	1,090	1,049
All-in sustaining cost per ounce	1,059	1,373	1,252	1,326

The tables below reconcile cost of sales excluding depreciation and amortization to cash operating costs per ounce for each of the operating mines (stated in thousands of U.S dollar except cash operating cost per ounce):

For the three months ended December 31, 2014	Wassa	Bogoso	Combined
COST OF SALES EXCLUDING DEPRECIATION AND AMORTIZATION	25,002	46,408	71,410
Severance charges	–	(815)	(815)
Royalties	(1,550)	(2,782)	(4,332)
CASH OPERATING COSTS	**23,452**	**42,811**	**66,263**
Ounces sold	25,831	46,254	72,085
Cash operating cost per ounce	908	926	919

For the three months ended December 31, 2013	Wassa	Bogoso	Combined
COST OF SALES EXCLUDING DEPRECIATION AND AMORTIZATION	41,899	46,650	88,549
Royalties	(2,829)	(1,977)	(4,806)
Metals inventory net realizable value adjustment	–	(1,420)	(1,420)
CASH OPERATING COSTS	**39,070**	**43,253**	**82,323**
Ounces sold	44,337	31,093	75,430
Cash operating cost per ounce	881	1,391	1,091

For the year ended December 31, 2014	Wassa	Bogoso	Combined
COST OF SALES EXCLUDING DEPRECIATION AND AMORTIZATION	117,485	187,427	304,912
Severance charges	–	(2,844)	(2,844)
Royalties	(7,144)	(9,315)	(9,315)
Metals inventory net realizable value adjustment	(799)	(653)	(1,452)
CASH OPERATING COSTS	**109,542**	**174,615**	**284,157**
Ounces sold	112,831	147,957	260,788
Cash operating cost per ounce	971	1,180	1,090

For the year ended December 31, 2013	Wassa	Bogoso	Combined
COST OF SALES EXCLUDING DEPRECIATION AND AMORTIZATION	163,066	214,074	377,140
Royalties	(13,171)	(10,243)	(23,414)
Metals inventory net realizable value adjustment	(265)	(6,542)	(6,807)
CASH OPERATING COSTS	**149,630**	**197,289**	**346,919**
Ounces sold	185,807	144,999	330,806
Cash operating cost per ounce	805	1,361	1,049

"Cash provided by operations before working capital changes" is calculated by subtracting the "Changes in working capital" from "Net cash provided by operating activities" as found in the statements of cash flows.

We use cash operating cost per ounce and cash (used in)/provided by operations before working capital changes as key operating indicators. We monitor these measures monthly, comparing each month's values to prior periods' values to detect trends that may indicate increases or decreases in operating efficiencies. These measures are also compared against budget to alert management of trends that may cause actual results to deviate from planned operational results. We provide these measures to the investors to allow them to also monitor operational efficiencies of the mines owned by the Company. We calculate these measures for both individual operating units and on a consolidated basis.

Cash operating cost per ounce and cash provided by operations before working capital changes should be considered as non-GAAP financial measures as defined in the Canadian securities laws and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. 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 IFRS. Changes in numerous factors including, but not limited to, mining rates, milling rates, ore grade, gold recovery, costs of labor, consumables and mine site general and administrative activities can cause these measures to increase or decrease. We believe that these measures are similar to the measures of other gold mining companies, but may not be comparable to similarly titled measures in every instance.

ADJUSTED NET INCOME/(LOSS) ATTRIBUTABLE TO GOLDEN STAR SHAREHOLDERS

The table below shows the reconciliation of net income/(loss) attributable to Golden Star shareholders to adjusted net income/ (loss) attributable to Golden Star shareholders and adjusted net (loss)/income per share attributable to Golden Star shareholders:

	For the three months ended December 31,		For the years ended December 31,	
(Stated in thousands of U.S dollars except per share data)	**2014**	2013	**2014**	2013
Net income/(loss) attributable to Golden Star shareholders	(48,155)	(148,576)	(73,079)	(265,892)
ADD BACK:				
Gain on fair value of 5% Convertible Debentures	(1,501)	(1,624)	538	(51,967)
Severance charges	815	–	2,844	–
Impairment charges	57,747	159,704	57,747	355,624
Tax recovery related to impairment charges	–	–	–	(26,328)
	8,906	**9,504**	**(11,950)**	**11,437**
Adjustments attributable to non-controlling interest	(81)	(15,970)	(284)	(32,930)
Adjusted net income/(loss) attributable to Golden Star shareholders	8,825	(6,466)	(12,234)	(21,493)
ADJUSTED NET INCOME/(LOSS) PER SHARE ATTRIBUTABLE TO GOLDEN STAR SHAREHOLDERS				
Basic and diluted	0.03	(0.02)	(0.05)	(0.08)
Weighted average shares outstanding – basic and diluted (millions)	259.4	259.1	259.4	259.1

In order to indicate to stakeholders the Company's earnings excluding the non-cash (gain)/loss on the fair value of the Convertible Debentures, non-cash impairment charges and severance charges, the Company calculates "adjusted net income/(loss) attributable to Golden Star shareholders" and "adjusted net income/(loss) per share attributable to Golden Star shareholders" to supplement the consolidated financial statements.

Adjusted net income/(loss) attributable to Golden Star shareholders and adjusted net income/(loss) per share attributable to Golden Star shareholders should be considered as non-GAAP financial measures as defined in the Canadian securities laws and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. There are material limitations associated with the use of such non-GAAP measures. Since these measures do not incorporate all non-cash expense and income items, 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 IFRS. Changes in numerous factors including, but not limited to, our share price, risk free interest rates, gold prices, mining rates, milling rates, ore grade, gold recovery, costs of labor, consumables and mine site general and administrative activities can cause these measures to increase or decrease. The Company believes that these measures are similar to the measures of other gold mining companies, but may not be comparable to similarly titled measures in every instance.

OUTSTANDING SHARE DATA

As of February 18, 2015, there were 259,490,083 common shares of the Company issued and outstanding, 14,935,047 stock options outstanding, 1,962,208 deferred share units outstanding, 3,220,665 share appreciation rights outstanding, 2,345,850 performance share units outstanding and 5% Convertible Debentures which are convertible into 46,963,636 common shares. The share appreciation rights and performance share units are cash settled instruments.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The critical accounting estimates and assumptions are disclosed in Note 4 of the audited consolidated financial statements for the year ended December 31, 2014.

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies and standards, interpretations and amendments not yet effective are disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2014.

FINANCIAL INSTRUMENTS

(Stated in thousands of U.S dollars)	Fair value at December 31, 2014	Basis of measurement	Associated risks
Cash and cash equivalents	39,352	Loans and receivables	Interest/Credit/ Foreign exchange
Accounts receivable	14,832	Loans and receivables	Foreign exchange/Credit
Trade and other payables	79,528	Amortized cost	Foreign exchange/Interest
5% Convertible Debentures	47,846	Fair value through profit and loss	Interest
Ecobank Loan I, net of loan fees	42,925	Amortized cost	Interest
Equipment financing facility	8,345	Amortized cost	Interest
Finance leases	3,863	Amortized cost	Interest

Loans and receivables – Cash and cash equivalents and accounts receivables mature in the short term and approximate their fair values.

Amortized costs – Trade and other payables, the Ecobank Loan I, the equipment financing facility, the finance leases and other liabilities approximate their carrying values as the interest rates are comparable to current market rates.

Fair value through profit or loss – The debt component of the 5% Convertible Debentures is valued based on discounted cash flows and the conversion feature is valued using a Black Scholes model. The risk free interest rate used in the fair value computation is the interest rate on US treasury rate with maturity similar to the remaining life of the convertible debenture. The discount rate used is determined by adding the risk premium to the risk free interest rate. A market-based volatility rate was also applied to the fair value computation. For the three and twelve months ended December 31, 2014, revaluation gains of $1.5 million and loss of $0.5 million were recorded respectively while revaluation loss of $1.6 million and gain of $52.0 million were included in earnings for the three and twelve ended December 31, 2013.

DISCLOSURES ABOUT RISKS

Our exposure to market risk includes, but is not limited to, the following risks: changes in interest rates on our debt, changes in foreign currency exchange rates, commodity price fluctuations, liquidity risk and credit risk.

INTEREST RATE RISK

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our 5% Convertible Debentures and the outstanding loans under our equipment financing facility bear interest at a fixed rate and are not subject to changes in interest payments. The Ecobank Loans I and II bear annual interest based on the three month LIBOR plus 9% and three month LIBOR plus 11% respectively. Based on the current $43.8 million outstanding balance, a hundred basis points change in the three month LIBOR rate will result in a $0.4 million per annum change in interest expense. We have not entered into any agreements to hedge against unfavorable changes in interest rates, but may in the future actively manage its exposure to interest rate risk.

FOREIGN CURRENCY EXCHANGE RATE RISK

Currency risk is risk that the fair value of future cash flows will fluctuate because of changes in foreign currency exchange rates. In addition, the value of cash and cash equivalents and other financial assets and liabilities denominated in foreign currencies can fluctuate with changes in currency exchange rates.

Since our revenues are denominated in U.S. dollars and our operating units transact mainly in U.S. dollars, we are typically not subject to significant impacts from currency fluctuations. However, certain purchases of labor, operating supplies and capital assets are denominated in Canadian dollars, Ghana cedis, Euros, British pounds, Australian dollars and South African rand. To accommodate these purchases, we maintain operating cash accounts in non-US dollar currencies and appreciation of these non-US dollar currencies against the U.S. dollar results in a foreign currency gain and a decrease in non-U.S. dollar currencies results in a loss. In the past, we have entered into forward purchase contracts for South African rand, euros and other currencies to hedge expected purchase costs of capital assets. During 2014 and 2013, we had no currency related derivatives. As at December 31, 2014, and December 31, 2013, we held $1.5 million and $5.1 million, respectively, of US dollar equivalents in foreign currency.

COMMODITY PRICE RISK

Gold is our primary product and, as a result, changes in the price of gold can significantly affect our results of operations and cash flows. A $10 per ounce change in gold price would result in approximately a $2.6 million and $2.1 million change based on our 2014 revenues and operating cash flows respectively. To reduce gold price volatility, we have at various times entered into gold price derivatives. The Company did not have outstanding gold price derivatives at the end of 2014 and 2013.

LIQUIDITY RISK

Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. We manage the liquidity risk inherent in these financial obligations by preparing quarterly forecasts and annual long-term budgets which forecast cash needs and expected cash availability to meet future obligations. Typically these obligations are met by cash flows from operations and from cash on hand. Scheduling of capital spending and acquisitions of financial resources may also be employed, as needed and as available, to meet the cash demands of our obligations.

Our ability to repay or refinance our future obligations depends on a number of factors, some of which may be beyond our control. Factors that influence our ability to meet these obligations include general global economic conditions, credit and capital market conditions, results of operations and the price of gold.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Our credit risk is primarily associated with liquid financial assets and derivatives. We limit exposure to credit risk on liquid financial assets by holding our cash, cash equivalents, restricted cash and deposits at highly-rated financial institutions. We mitigate the credit risks of our derivatives by entering into derivative contracts with only high quality counter parties. Risks associated with gold trade receivables is considered minimal as we sell gold to a credit-worthy buyer who settles promptly within two days of receipt of gold bullion.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

The Company's management, with the participation of its President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's President and Chief Executive Officer and Executive Vice President and Chief Financial Officer have concluded that, as of the end of the period covered by this MD&A, the Company's disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported, within the appropriate time periods and is accumulated and communicated to management, including the President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, with the participation of its President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that accurately and fairly reflect, in reasonable detail, the transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS and that the Company's receipts and expenditures are made only in accordance with authorizations of management and the Company's directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Company's consolidated financial statements.

The Company's management, including the President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, believes that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

The Company's management, under the supervision of the President and Chief Executive Officer and the Executive Vice President and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as at December 31, 2014. In making this assessment, it used the criteria set forth in the Internal Control-integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on our assessment, management has concluded that, as at December 31, 2014, the Company's internal control over financial reporting is effective based on those criteria.

The Company's internal control over financial reporting as at December 31, 2014 has been audited by PricewaterhouseCoopers Chartered Professional Accountants, Licensed Public Accountants who also audited the Company's Consolidated Financial Statements for the year ended December 31, 2014. PwC LLP as stated in their report that immediately precedes the Company's audited consolidated financial statements for the year ended December 31, 2014, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no change in the Company's design of internal controls and procedures over financial reporting that has materially affected, or is reasonable likely to materially affect, the Company's internal control over financial reporting during the period covered by this MD&A.

RISK FACTORS AND ADDITIONAL INFORMATION

The risk factors for the year ended December 31, 2014, are substantially the same as those disclosed and discussed in our annual information form for the year ended December 31, 2013. Additional risk factors, if applicable, will be included in our annual information form for the year ended December 31, 2014, which will be filed on SEDAR at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Golden Star Resources Ltd. (the "Company") and all information in this financial report are the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, include management's best estimates and judgments.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The Board carries out this responsibility principally through its Audit Committee. The Board of Directors appoints the Audit Committee, and all of its members are independent directors. The Audit Committee meets periodically with management and the auditors to review internal controls, audit results, accounting principles and related matters. The Board of Directors approves the consolidated financial statements on recommendation from the Audit Committee.

PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, was appointed by the shareholders at the last annual meeting to examine the consolidated financial statements and provide an independent professional opinion. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.

Samuel T. Coetzer
President and Chief Executive Officer

André van Niekerk
Executive Vice President and Chief Financial Officer

Toronto, Canada
February 18, 2015

TO THE SHAREHOLDERS OF GOLDEN STAR RESOURCES LTD.

We have completed an integrated audit of Golden Star Resources Ltd.'s (the Company) 2014 and 2013 consolidated financial statements and its internal control over financial reporting as at December 31, 2014. Our opinions, based on our audits, are presented below.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of the company, which comprise the consolidated balance sheets as at December 31, 2014 and 2013 and the consolidated statements of operations, comprehensive loss, cash flows, and changes in shareholders' equity for the years ended December 31, 2014 and 2013, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2014 and 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and 2013 in accordance with IFRS as issued by the IASB.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We have also audited the company's internal control over financial reporting as at December 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our audit opinion on the company's internal control over financial reporting.

DEFINITION OF INTERNAL CONTROL OVER FINANCIAL REPORTING

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

INHERENT LIMITATIONS

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

OPINION

In our opinion, the company maintained, in all material respects, effective internal control over financial reporting as at December 31, 2014, based on criteria established in Internal Control – Integrated Framework (2013) issued by COSO.

PricewaterhouseCoopers LLP

February 18, 2015

Chartered Professional Accountants, Licensed Public Accountants

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

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

For the years ended December 31,	Notes	2014	2013
REVENUE		**328,915**	**467,796**
Cost of sales excluding depreciation and amortization	16	304,912	377,140
Depreciation and amortization		26,219	59,966
MINE OPERATING (LOSS)/MARGIN		**(2,216)**	**30,690**
OTHER EXPENSES/(INCOME)			
Exploration expense		556	1,667
General and administrative		16,367	21,515
Property holding costs		–	7,018
Finance expense, net	17	7,375	9,841
Other income		(1,104)	(2,163)
Loss/(gain) on fair value of 5% Convertible Debentures	5	538	(51,967)
Impairment charges	22	57,747	355,624
LOSS BEFORE TAX		**(83,695)**	**(310,845)**
Income tax recovery	9	(254)	(12,331)
NET LOSS		**(83,441)**	**(298,514)**
Net loss attributable to non-controlling interest		(10,362)	(32,622)
NET LOSS ATTRIBUTABLE TO GOLDEN STAR SHAREHOLDERS		**(73,079)**	**(265,892)**
NET LOSS PER SHARE ATTRIBUTABLE TO GOLDEN STAR SHAREHOLDERS			
Basic and diluted	15	(0.28)	(1.03)
Weighted average shares outstanding-basic and diluted (millions)		259.4	259.1

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Stated in thousands of U.S. dollars)

For the years ended December 31,	2014	2013
OTHER COMPREHENSIVE LOSS		
NET LOSS	**(83,441)**	**(298,514)**
Unrealized loss on investments, net of taxes	–	(7,626)
Transferred to net loss, net of taxes	–	1,370
COMPREHENSIVE LOSS	**(83,441)**	**(304,770)**
Comprehensive loss attributable to non-controlling interest	(10,362)	(32,622)
COMPREHENSIVE LOSS ATTRIBUTABLE TO GOLDEN STAR SHAREHOLDERS	**(73,079)**	**(272,148)**

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS

(Stated in thousands of U.S. dollars)

As of	Notes	December 31, 2014	December 31, 2013
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		39,352	65,551
Accounts receivable		14,832	8,200
Inventories	6	54,279	67,725
Prepaids and other		4,767	6,852
TOTAL CURRENT ASSETS		**113,230**	**148,328**
RESTRICTED CASH		2,041	2,029
MINING INTERESTS	7	142,782	165,193
EXPLORATION AND EVALUATION ASSETS	8	–	9,747
INTANGIBLE ASSETS		–	446
TOTAL ASSETS		**258,053**	**325,743**
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	10	123,451	108,983
Current portion of rehabilitation provisions	11	4,562	7,783
Current tax liability	9	–	9,506
Current portion of long term debt	12	17,181	10,855
TOTAL CURRENT LIABILITIES		**145,194**	**137,127**
LONG TERM DEBT	12	85,798	83,387
REHABILITATION PROVISIONS	11	81,254	78,527
TOTAL LIABILITIES		**312,246**	**299,041**
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		695,266	694,906
CONTRIBUTED SURPLUS		31,532	29,346
DEFICIT		(725,623)	(652,544)
TOTAL GOLDEN STAR EQUITY		**1,175**	**71,708**
NON-CONTROLLING INTEREST		(55,368)	(45,006)
TOTAL EQUITY		(54,193)	26,702
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**258,053**	**325,743**

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

Signed on behalf of the Board,

Timothy C. Baker, Director **William L. Yeates, Director**

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in thousands of U.S. dollars)

For the years ended December 31,	Notes	2014	2013
OPERATING ACTIVITIES			
Net loss		(83,441)	(298,514)
Reconciliation of net loss to net cash provided by operating activities:			
Depreciation and amortization		26,267	60,008
Gain on sale of assets		(117)	(1,271)
Write-off of unsuccessful exploration costs		–	1,333
Impairment charges		57,747	355,624
Share-based compensation	14	2,515	3,013
Deferred income tax recovery	9	–	(32,936)
Loss/(gain) on fair value of 5% Convertible Debentures	5	538	(51,967)
Accretion of rehabilitation provisions		1,746	592
Amortization of deferred financing fees		248	103
Reclamation expenditures		(3,554)	(5,657)
Other		1,139	–
Changes in working capital	21	(677)	28,918
NET CASH PROVIDED BY OPERATING ACTIVITIES		**2,411**	**59,246**
INVESTING ACTIVITIES			
Additions to mining properties		(73)	(62,415)
Additions to plant and equipment		(499)	(3,780)
Additions to construction in progress		(32,232)	(36,454)
Additions to exploration and evaluation assets		–	(218)
Capitalized interest		(851)	–
Change in accounts payable and deposits on mine equipment and material		(2,894)	(5,695)
Proceeds from sale of assets		–	7,200
Other investing activities		(12)	–
NET CASH USED IN INVESTING ACTIVITIES		**(36,561)**	**(101,362)**
FINANCING ACTIVITIES			
Principal payments on debt		(12,049)	(7,876)
Proceeds from debt agreements		20,000	36,507
Exercise of options		–	152
NET CASH PROVIDED BY FINANCING ACTIVITIES		**7,951**	**28,783**
Decrease in cash and cash equivalents		(26,199)	(13,333)
Cash and cash equivalents, beginning of period		65,551	78,884
CASH AND CASH EQUIVALENTS, END OF PERIOD		**39,352**	**65,551**

See Note 21 for supplemental cash flow information.

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

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

	Number of Common Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income/(Loss)	Deficit	Non-Controlling Interest	Total Shareholders' Equity
BALANCE AT DECEMBER 31, 2012	**259,015,970**	**694,652**	**26,304**	**6,256**	**(386,652)**	**(12,384)**	**328,176**
Shares issued under options	90,000	254	(102)	–	–	–	152
Options granted net of forfeitures	–	–	2,444	–	–	–	2,444
DSUs granted	–	–	700	–	–	–	700
Unrealized loss on investments	–	–	–	(7,626)	–	–	(7,626)
Transferred to net loss, net of taxes	–	–	–	1,370	–	–	1,370
Net loss	–	–	–	–	(265,892)	(32,622)	(298,514)
BALANCE AT DECEMBER 31, 2013	**259,105,970**	**694,906**	**29,346**	**–**	**(652,544)**	**(45,006)**	**26,702**
Shares issued under DSUs	384,113	360	(360)	–	–	–	
Options granted net of forfeitures	–	–	2,053	–	–	–	2,053
DSUs granted	–	–	493	–	–	–	493
Net loss	–	–	–	–	(73,079)	(10,362)	(83,441)
BALANCE AT DECEMBER 31, 2014	**259,490,083**	**695,266**	**31,532**	**–**	**(725,623)**	**(55,368)**	**(54,193)**

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

1. NATURE OF OPERATIONS

Golden Star Resources Ltd. ("Golden Star" or "the Company" or "we" or "our") is a Canadian federally-incorporated, international gold mining and exploration company headquartered in Toronto, Canada. The Company's shares are listed on the Toronto Stock Exchange (the "TSX") under the symbol GSC, the New York Stock Exchange (the "NYSE MKT") under the symbol GSS and the Ghana stock exchange under the symbol GSR. The Company's registered office is located at 150 King Street West, Sun Life Financial Tower, Suite 1200, Toronto, Ontario, M5H 1J9, Canada.

Through a 90% owned subsidiary, Golden Star (Wassa) Limited, we own and operate the Wassa open-pit gold mine, Wassa underground development project and a carbon-in-leach ("CIL") processing plant (collectively, "Wassa"), located approximately 35 kilometers from the town of Bogoso, Ghana. Through our 90% owned subsidiary Golden Star (Bogoso/Prestea) Limited, we own and operate the Bogoso gold mining and processing operation ("Bogoso") located near the town of Bogoso, Ghana. Golden Star also has a 90% interest in the Prestea Underground mine in Ghana. We hold interests in several gold exploration projects in Ghana and other parts of West Africa, and in South America we hold and manage exploration properties in Brazil.

At Bogoso, the Company processes both refractory and non-refractory ore. The Company has made a decision to suspend the refractory operation in late 2015 in conjunction with its business strategy to focus on lower cost mining opportunities at Wassa underground and Prestea underground.

2. BASIS OF PRESENTATION

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and with interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting.

These consolidated financial statements were approved by the Board of Directors of the Company on February 18, 2015.

BASIS OF PRESENTATION

These consolidated financial statements include the accounts of the Company and its subsidiaries, whether owned directly or indirectly. The financial statements of the subsidiaries are prepared for the same period as the Company using consistent accounting policies for all periods presented. All inter-company balances and transactions have been eliminated. Subsidiaries are entities controlled by the Company. Non-controlling interests in the net assets of consolidated subsidiaries are a separate component of the Company's equity.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and discharge of all liabilities in the normal course of business.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments which are measured at fair value through profit or loss.

3. SUMMARY OF ACCOUNTING POLICIES

CASH AND CASH EQUIVALENTS

Cash includes cash deposits in any currency residing in chequing and sweep accounts. Cash equivalents consist of money market funds and other highly liquid investments purchased with maturities of three months or less. Investments with maturities greater than three months and up to one year are classified as short-term investments, while those with maturities in excess of one year are classified as long-term investments. Cash equivalents and short-term investments are stated at amortized cost, which typically approximates market value.

INVENTORIES

Inventory classifications include "stockpiled ore," "in-process inventory," "finished goods inventory" and "materials and supplies". The stated value of all production inventories include direct production costs and attributable overhead and depreciation incurred to bring the materials to their current point in the processing cycle. General and administrative costs for corporate offices are not included in any inventories.

Stockpiled ore represents coarse ore that has been extracted from the mine and is stored for future processing. Stockpiled ore is measured by estimating the number of tonnes (via truck counts or by physical surveys) added to, or removed from the stockpile, the number of contained ounces (based on assay data) and estimated gold recovery percentage. Stockpiled ore value is based on the costs incurred (including depreciation and amortization) in bringing the ore to the stockpile. Costs are added to the stockpiled ore based on current mining costs per tonne and are removed at the average cost per tonne of ore in the stockpile.

In-process inventory represents material that is currently being treated in the processing plants to extract the contained gold and to transform it into a saleable product. The amount of gold in the in-process inventory is determined by assay and by measure of the quantities of the various gold-bearing materials in the recovery process. The in-process gold is valued at the average of the beginning inventory and the cost of material fed into the processing stream plus in-process conversion costs including applicable mine-site overheads, depreciation and amortization related to the processing facilities.

Finished goods inventory is saleable gold in the form of doré bars that have been poured but not yet shipped from the mine site. Included in the costs are the direct costs of the mining and processing operations as well as direct mine-site overheads, amortization and depreciation.

Materials and supplies inventories consist mostly of equipment parts and other consumables required in the mining and ore processing activities.

All inventories are valued at the lower of average cost or net realizable value.

EXPLORATION AND EVALUATION ASSETS

The initial acquisition costs of exploration and mining properties are capitalized.

Exploration and evaluation costs relating to mineral interests are charged to earnings in the year which they are incurred. When it is determined that a mining property has the reserve potential to be economical, subsequent exploration expenditures are capitalized. Determination as to reserve potential is based on the results of studies, which indicate whether production from a property is likely to be economically feasible. These expenditures include such costs as materials used, surveying costs, drilling costs, consulting fees, payments made to contractors and depreciation of plant and equipment used for exploration and evaluation activities. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Company assesses exploration and evaluation costs for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation costs in respect of that project are deemed to be impaired and the exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as mining properties. Exploration and evaluation costs are also tested for impairment before the assets are transferred to mining properties.

After proven and probable reserves have been established, subsequent exploration and development costs are capitalized until such time as a property is in commercial production. Once commercial production is reached, accumulated capitalized acquisition, exploration and development costs become subject to amortization on a units-of-production basis when gold production begins.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment assets, including machinery, processing equipment, mining equipment, mine site facilities, buildings, vehicles and expenditures that extend the life of such assets, are initially recorded at cost including acquisition and installation costs. Property, plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses.

The costs of self-constructed assets include direct construction costs and direct overhead during the construction phase. Indirect overhead costs are not included in the cost of self-constructed assets.

Depreciation for mobile equipment and other assets having estimated lives shorter than the estimated life of the ore reserves is calculated using the straight-line method at rates which depreciate the cost of the assets, less their anticipated residual values, if any, over their estimated useful lives. Mobile mining equipment is amortized over a five year life. Assets, such as processing plants, power generators and buildings, which have an estimated life equal to or greater than the estimated life of the ore reserves, are amortized over the life of the proven and probable reserves of the associated mining property using a units-of-production amortization method, less their anticipated residual values, if any. The net book value of property, plant and equipment assets is charged against income if the mine site is abandoned and it is determined that the assets cannot be economically transferred to another project or sold.

The residual values, useful lives and method of depreciation of property, plant and equipment are reviewed at each reporting period end, and adjusted prospectively if appropriate.

Gains and losses on the disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net in the consolidated statement of operations.

MINING PROPERTIES

Mining property assets, including property acquisition costs, tailings storage facilities, mine-site development and drilling costs where proven and probable reserves have been established, pre-production waste stripping, condemnation drilling, roads, feasibility studies and wells are recorded at cost. The costs of self-constructed assets include direct construction costs, direct overhead costs and allocated interest during the construction phase. Indirect overhead costs are not included in the cost of self-constructed assets.

Mining property assets are amortized over the life of the proven and probable reserves to which they relate, using a units-of-production amortization method. At open pit mines the costs of removing overburden from an ore body in order to expose ore during its initial development period are capitalized.

BETTERMENT STRIPPING (WASTE REMOVAL) COSTS

As part of its operations, the Company incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred as part of development stage mining activities incurred by the Company are capitalized as part of mining properties.

Stripping costs incurred during the production stage are incurred in order to produce inventory or to improve access to ore which will be mined in the future. Where the costs are incurred to produce inventory, the production stripping costs are accounted for as a cost of producing those inventories. Where the costs are incurred to improve access to ore to be mined in the future, the costs are recognized as a stripping activity asset (a non-current asset) if improved access to the ore body is probable, the component of the ore body can be accurately identified and the costs associated with improving the access can be reliably measured. If these criteria are not met the cost is expensed to the consolidated statement of operations as incurred.

The betterment stripping asset is subsequently depreciated using the units-of-production amortization method over the life of the identified component of the ore body that became more accessible as a result of the betterment stripping activity.

INTANGIBLE ASSETS

Externally acquired intangible assets are initially recognized at cost and subsequently amortized on a straight-line basis over their useful economic lives. Intangible assets are recognized on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights.

The intangible asset represented a right to receive, from the Ghana national grid, an amount of electric power equal to one fourth of a particular plant's power output over and above any rationing limit that might be imposed in the future by the Ghana national power authority. The intangible asset was amortized over five years ending in 2014.

BORROWING COSTS

Borrowing costs attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized until such time as the assets are substantially ready for their intended use. Other borrowing costs are recognized as an expense in the period in which they are incurred.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company assesses at each reporting period whether there is an indication that an asset or group of assets may be impaired. When impairment indicators exist, the Company estimates the recoverable amount of the asset and compares it against the asset's carrying amount. The recoverable amount is the higher of its fair value less cost of disposal ("FVLCD") and the asset's value in use ("VIU"). If the carrying amount exceeds the recoverable amount, an impairment loss is recorded in the consolidated statement of operations.

In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset not already reflected in the estimates of future cash flows. The cash flows are based on best estimates of expected future cash flows from the continued use of the asset and its eventual disposal.

FVLCD is best evidenced if obtained from an active market or binding sale agreement. Where neither exists, the fair value is based on the best estimates available to reflect the amount that could be received from an arm's length transaction.

Future cash flows are based on estimated quantities of gold and other recoverable metals, expected price of gold (considering current and historical prices, price trends and related factors), production levels and cash costs of production, capital and reclamation costs, all based on detailed engineered life-of-mine plans.

Numerous factors including, but not limited to, unexpected grade changes, gold recovery variances, shortages of equipment and consumables, equipment failures, and collapse of pit walls could impact our ability to achieve forecasted production schedules from proven and probable reserves. Additionally, commodity prices, capital expenditure requirements and reclamation costs could differ from the assumptions used in the cash flow models used to assess impairment. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically.

If an impairment loss reverses in a subsequent period, the carrying amount (post reversal) of the related asset is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset previously. Reversals of impairment losses are recognized in the statement of operations in the period the reversals occur.

Material changes to any of the factors or assumptions discussed above could result in future asset impairments.

REHABILITATION PROVISIONS

The Company records a liability and corresponding asset for the present value of the estimated costs of legal and constructive obligations for future site reclamation and closure where the liability is probable and a reasonable estimate can be made of the obligation. The estimated present value of the obligation is reassessed on a periodic basis or when new material information becomes available. Increases or decreases to the obligation usually arise due to changes in legal or regulatory requirements, the extent of environmental remediation required, methods of reclamation, cost estimates, inflation rates, or discount rates. Changes to the provision for reclamation and remediation obligations related to operating mines, which are not the result of current production of inventory, are recorded with an offsetting change to the related asset. The present value is determined based on current market assessments of the time value of money using discount rates based on the risk-free rate maturing approximating the timing of expected expenditures to be

incurred, and adjusted for country related risks. The periodic unwinding of the discount is recognized in the consolidated statement of operations as a finance expense.

PROPERTY HOLDING COST

Property holding costs are costs incurred to retain and maintain properties. Such costs are expensed in the period incurred.

FOREIGN CURRENCY TRANSACTIONS

The Company's presentation currency of its consolidated financial statements is the U.S. dollar, as is the functional currency of its operations. The functional currency of all consolidated subsidiaries is the U.S. dollar. All values are rounded to the nearest thousand, unless otherwise stated.

Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at period end exchange rates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was determined. Income and expense items are translated at the exchange rate in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in net loss, except those arising on the translation of available-for-sale investments that are recorded in other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated at the exchange rate in effect at the transaction date.

INCOME TAXES

Income taxes comprise the provision for (or recovery of) taxes actually paid or payable (current taxes) and for deferred taxes.

Current taxes are based on taxable earnings in the year. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date in the respective jurisdictions.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred income tax assets and liabilities are recognized for the expected future tax consequences attributable to temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Deferred income tax assets and liabilities are computed using enacted or substantially enacted income tax rates in effect when the temporary differences are expected to reverse. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in the period of substantial enactment. The provision for or the recovery of deferred taxes is based on the changes in deferred tax assets and liabilities during the period.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized to the extent that it is probable that taxable earnings will be available against which deductible temporary differences can be utilized.

NET INCOME/(LOSS) PER SHARE

Basic income/(loss) per share of common stock is calculated by dividing income available to Golden Star's common shareholders by the weighted average number of common shares issued and outstanding during the period. In periods with earnings, the calculation of diluted net income per common share uses the treasury stock method to compute the dilutive effects of stock options and warrants, and other potentially dilutive instruments. In periods of loss, diluted net loss per share is equal to basic income per share.

REVENUE RECOGNITION

Revenue from the sale of metal is recognized when the significant risks and rewards of ownership have passed to the purchaser. This occurs when the amount of revenue can be measured reliably, the metal has been delivered, title has passed to the buyer and it is probable that the economic benefits associated with the transaction will flow to the entity. All of our gold is transported to a South African gold refiner who locates a buyer and arranges for sale of our gold on the same day that the gold is shipped from the mine site. The sales price is based on the London P.M. fix on the day of shipment. Title and risk of ownership pass to the buyer on the day doré is shipped from the mine sites.

SHARE-BASED COMPENSATION

Under the Company's Third Amended and Restated 1997 Stock Option Plan, common share options may be granted to executives, employees, consultants and non-employee directors. Compensation expense for such grants is recorded in the consolidated statements of operations, with a corresponding increase recorded in the contributed surplus account in the consolidated balance sheets. The expense is based on the fair value of the option at the time of grant, measured by reference to the fair value determined using a Black-Scholes valuation model, and is recognized over the vesting periods of the respective options on a graded basis. Consideration paid to the Company on exercise of options is credited to share capital.

Under the Company's Deferred Share Unit ("DSU") plan, DSUs may be granted to executive officers and directors. Compensation expense for such grants is recorded in the consolidated statements of operations with a corresponding increase recorded in the contributed surplus account in the consolidated balance sheets. The expense is based on the fair values at the time of grant and is recognized over the vesting periods of the respective DSUs. Upon exercise the Company's compensation committee may, at its discretion, issue cash, shares of a combination thereof.

The Company's Share Appreciation Rights ("SARs") plan allows SARs to be issued to executives and directors. These awards are settled in cash on the exercise date equal to the Company's stock price less the strike price. Since these awards are settled in cash, the Company marks-to-market the associated expense for each award at the end of each reporting period. The Company accounts for these as liability awards and marks-to-market the fair value of the award until final settlement.

PERFORMANCE SHARE UNITS

Under the Company's Performance Share Units ("PSU") plan, PSUs may be granted to executives, employees and non-employee directors. Each PSU represents one notional common share that is redeemed for cash based on the value of a common share at the end of the three year performance period, to the extent performance and vesting criteria have been met. The cash award is determined by multiplying the number of units by the performance adjusting factor, which range from 0% to 200%. The performance factor is determined by comparing the Company's share price performance to the share price performance of a peer group of companies. As the Company is required to settle this award in cash, it will record an accrued liability and a corresponding compensation expense.

LEASES

Leases that transfer substantially all of the benefits and risks of ownership to the Company are recorded as finance leases and classified as property, plant and equipment with a corresponding amount recorded with current and long-term debt. All other leases are classified as operating leases under which leasing costs are expensed in the period incurred.

FINANCIAL INSTRUMENTS

The Company recognizes all financial assets initially at fair value and classifies them into one of the following three categories: fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") or loans and receivables, as appropriate. The Company has not classified any of its financial assets as held to maturity.

The Company recognizes all financial liabilities initially at fair value and classifies them as either FVTPL or loans and borrowings, as appropriate. The Company has not classified any of its derivatives as designated as hedging instruments in an effective hedge.

Convertible debentures

The Company's convertible debentures are considered financial instruments at FVTPL. The convertible debentures contain embedded derivatives that significantly modify the cash flows that otherwise would be required by the contract. The convertible debentures are recorded at fair value determined based on unadjusted quoted prices in active markets when available, otherwise by valuing the embedded derivative conversion feature and the debt component separately. The conversion feature is valued using a Black-Scholes model and the value of the debt is determined based on the present value of the future cash flows. Changes in fair value are recorded in the consolidated statement of operations. Upfront costs and fees related to the convertible debentures were recognized in the statement of operations as incurred and not deferred.

Derivatives

At various times the Company utilizes foreign exchange and commodity price derivatives to manage exposure to fluctuations in foreign currency exchange rates and gold prices, respectively. The Company does not employ derivative financial instruments for trading purposes or for speculative purposes. Our derivative instruments are recorded on the balance sheet at fair value with changes in fair value recorded in the consolidated statement of operations. The Company did not have any foreign exchange derivatives outstanding at December 31, 2014.

OTHER COMPREHENSIVE INCOME/(LOSS)

Other comprehensive income/(loss) ("OCI") consists of unrealized gains/(losses) on AFS investments. Unrealized gains or losses on securities are net of any reclassification adjustments for realized gains or losses included in net income/(loss) or impairments to the investment which are considered permanent.

CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following new and revised standards, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IFRIC 21 *Accounting for Levies Imposed by Government* clarifies that the obligating event that give rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The adoption of this interpretation did not result in any impact to the Company's financial statements.

IAS 32 *Financial Instruments: Presentation* was amended to clarify requirement for offsetting of financial assets and financial liabilities. The adoption of this amendment did not result in any impact to the Company's financial statements.

IAS 36 *Impairment of Assets* was amended to remove the requirement of disclosing recoverable amount when a cash generating unit ("CGU") contains goodwill or indefinite life intangible assets but there has been no impairment. This amendment also requires additional disclosure of recoverable amount of an asset of CGU when an impairment loss has been recognized or reversed; and detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed. The adoption resulted in additional disclosures as included in Note 22 of these financial statements.

IAS 39 *Financial Instruments: Recognition and Measurement* was amended to provide relief from discontinuing hedge accounting when novation of a hedge instrument to a central counterparty meets specified criteria. The adoption of this amendment did not result in any impact to the company's financial statements.

STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

IFRS 15 *Revenue from Contracts with Customers* supersedes IAS 18 *Revenue,* IAS 11 *Construction Contracts* and related interpretations. This standard is effective for first interim periods within years beginning on or after January 1, 2017. The Company is still assessing the impact of this standard.

IFRS 9 *Financial Instruments*, issued in November 2009 replaces IAS 39 *Financial Instruments: Recognition & Measurement*. IFRS 9 introduces new requirements for classification, measurement and impairment of financial assets and hedge accounting. IFRS 9 establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 was originally issued in November 2009, reissued in October 2010, amended in November 2013 and completed in July 2014. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is still assessing the impact of this standard.

4. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of our consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that can affect reported amounts of assets, liabilities, revenues and expenses and the accompanying disclosures. Estimates and assumptions are continuously evaluated and are based on management's historical experience and on other assumptions we believe to be reasonable under the circumstances. However, uncertainty about these judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

INVENTORY VALUATION

Inventories are recorded at the lower of average cost or net realizable value ("NRV"). The allocation of costs to ore in stockpiles and the determination of NRV involve the use of estimates. Stockpiled ore represents coarse ore that has been extracted from the mine and is stored for future processing. Stockpiled ore is measured using estimates such as the number of tonnes (via truck counts or by physical surveys) added to, or removed from the stockpile, the number of contained ounces (based on assay data) and estimated gold recovery percentage. Timing and recovery of stockpiled ore can vary significantly from the estimates.

The net realizable value of materials and supplies is recorded based on the expected usage of the inventory items, salvage value and condition of the inventory items, all of which are based management estimates and judgments.

MINERAL RESERVES

Determining mineral reserves and resources is a complex process involving numerous variables and is based on a professional evaluation using accepted international standards for the assessment of mineral reserves. Estimation is a subjective process, and the accuracy of such estimates is a function of the quantity and quality of available data, the assumptions made and judgments used in engineering and geological interpretation. Mineral reserve estimation may vary as a result of changes in the price of gold, production costs, and with additional knowledge of the ore deposits and mining conditions.

Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's results and financial position, particularly a change in the rate of depreciation and amortization of the related mining assets.

BETTERMENT STRIPPING COSTS

Significant judgment is required to distinguish between development stripping, production stripping which relates to extraction of inventory and development stripping which relates to the creation of a betterment stripping and stripping activity asset. Once the Company has identified its stripping for each surface mining operation, it identifies the separate components for the ore bodies in each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgment is required to identify these components and to determine the expected volumes (waste and ore) to be stripped in each component.

Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and betterment stripping for each component. The Company considers the ratio of the expected volume of ore to be mined for a specific component of the ore body to be the most suitable production measure.

UNITS OF PRODUCTION DEPRECIATION

The mineral properties and a large portion of the property, plant and equipment is depreciated/amortized using the units of production method over the expected operating life of the mine based on estimated recoverable ounces of gold, which are the prime determinants of the life of a mine. Estimated recoverable ounces of gold include proven and probable reserves. Changes in the estimated mineral reserves will result in changes to the depreciation charges over the remaining life of the operation. A decrease in the mineral reserves would increase depreciation and amortization expense and this could have a material impact on the operating results. The amortization base is updated on an annual basis based on the new mineral estimates.

CARRYING VALUE OF ASSETS AND IMPAIRMENT CHARGES

The Company undertakes a review of its assets at each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount of the asset or CGU is made, which is considered to be the higher of its FVLCD and VIU. An impairment loss is recognized when the carrying value of the asset or CGU is higher than the recoverable amount. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, discount rates, future production and sale volumes, metal prices, reserves and resource quantities, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the asset or CGU. In determining a CGU, management has examined the smallest identifiable group of assets that generates cash inflows that are largely independent of cash inflows from other assets or group of assets.

REHABILITATION PROVISIONS

Environmental reclamation and closure liabilities are recognized at the time of environmental disturbance, in amounts equal to the discounted value of expected future reclamation and closure costs. The estimated future cash costs of such liabilities are based primarily upon environmental and regulatory requirements of the various jurisdictions in which we operate as well as any other constructive obligations that exist. The liability represents management's best estimates of cash required to settle the liability, inflation, assumptions of risks associated with future cash flows and the applicable risk-free interest rates for discounting the future cash outflow. The liability is reassessed and remeasured at each reporting date.

FAIR VALUE OF CONVERTIBLE DEBENTURES

The debt component of the 5% Convertible Debentures is valued based on discounted cash flows and the conversion feature is valued using a Black-Scholes model. The inputs to these models are taken from observable markets where possible, but if this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

INCOME TAXES

We deal with uncertainties and judgments in the application of complex tax regulations in the various jurisdictions where our properties are located. The amount of taxes paid is dependent upon many factors, including negotiations with taxing authorities in the various jurisdictions and resolution of disputes arising from our international tax audits. We recognize potential liabilities and record tax liabilities for anticipated tax audit issues in our various tax jurisdictions based on our best estimate of additional taxes payable. We adjust these reserves in light of changing facts and circumstances, however, due to the complexity of some of these uncertainties, the ultimate resolution may result in payment that is materially different from our estimates of our tax liabilities. If our estimate of tax liability proves to be less than the ultimate assessment, an additional charge to expense would result. If the estimate of tax liabilities proves to be greater that the ultimate assessment, a tax benefit is recognized.

A deferred tax asset is recognized to the extent that it is probable that taxable earnings will be available against which deductible temporary differences can be utilized.

5. FINANCIAL INSTRUMENTS

The following tables illustrate the classification of the Company's recurring fair value measurements for financial instruments within the fair value hierarchy and their carrying values and fair values as at December 31, 2014 and December 31, 2013:

		December 31, 2014		December 31, 2013	
	Level	Carrying value	Fair value	Carrying value	Fair value
FINANCIAL LIABILITIES					
FAIR VALUE THROUGH PROFIT OR LOSS					
5% Convertible Debentures	3	47,846	47,846	47,308	47,308

There were no non-recurring fair value measurements of financial instruments as at December 31, 2014.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company's policy is to recognize transfers into and transfers out of the fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the year ended December 31, 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The Company's finance department is responsible for performing the valuation of financial instruments, including Level 3 fair values. The valuation processes and results are reviewed and approved by the Executive Vice President and Chief Financial Officer at least once every quarter, in line with the Company's quarterly reporting dates. Valuation results are discussed with the Audit Committee as part of its quarterly review of the Company's consolidated financial statements.

The valuation techniques that are used to measure fair value are as follows:

5% CONVERTIBLE DEBENTURES

The debt component of the 5% Convertible Debentures is valued based on discounted cash flows and the conversion feature is valued based on a Black-Scholes model. The risk free interest rate used in the fair value computation is the interest rate on US treasury bills with maturity similar to the remaining life of the 5% Convertible Debentures. The discount rate used is determined by adding our risk premium to the risk free interest rate. A market-based volatility rate has been applied to the fair value computation. Inputs used to determine the fair value on December 31, 2014 and December 31, 2013 were as follows:

	December 31, 2014	December 31, 2013
5% CONVERTIBLE DEBENTURES		
Risk free interest rate	0.9%	1.3%
Risk premium	25.1%	21.0%
Volatility	40.0%	40.0%
Remaining life (years)	2.4%	3.4%

The following table presents the changes in the Level 3 investments for the year ended December 31, 2014:

	Fair value
BALANCE, DECEMBER 31, 2013	**47,308**
Loss in the period included in earnings	538
BALANCE, DECEMBER 31, 2014	**47,846**

If the risk premium increases by 5%, the fair value of the 5% Convertible Debentures would decrease and the related gain in the consolidated statement of operations would increase by $5.1 million for the year ended December 31, 2014. In general, an increase in risk premium would increase the gain on fair value of the 5% Convertible Debentures.

6. INVENTORIES

Inventories include the following components:

As of	December 31, 2014	December 31, 2013
Stockpiled ore	21,035	10,389
In-process	8,093	9,926
Materials and supplies	25,151	47,410
TOTAL	**54,279**	**67,725**

The cost of inventories expensed for the years ended December 31, 2014 and 2013 was $288.5 million and $353.7 million, respectively.

A total of $18.0 million and $1.6 million of materials and supplies inventories were written off in 2014 and 2013 respectively, due to obsolescence and an additional $3.8 million and $10.8 million of net realizable value adjustments were recorded in 2014 and 2013 respectively.

7. MINING INTERESTS

The following table shows the breakdown of the cost, accumulated depreciation and net book value of plant and equipment, and mining properties:

	Plant and equipment	Mining properties	Construction in progress	Total
COST				
AS OF DECEMBER 31, 2012	**397,514**	**555,436**	**94,870**	**1,047,820**
Additions	33,870	69,725	–	103,595
Transfers	23,632	26,043	(49,675)	–
Change in rehabilitation provision estimate	–	28,056	–	28,056
Disposals and other	(946)	–	–	(946)
AS OF DECEMBER 31, 2013	**454,070**	**679,260**	**45,195**	**1,178,525**
Additions	499	73	32,232	32,804
Transfers	6,717	32,824	(39,541)	–
Capitalized interest	–	–	851	851
Change in rehabilitation provision estimate	–	1,314	–	1,314
Disposals and other	(7,212)	–	(21)	(7,233)
AS OF DECEMBER 31, 2014	**454,074**	**713,471**	**38,716**	**1,206,261**
ACCUMULATED DEPRECIATION				
AS OF DECEMBER 31, 2012	242,114	364,106	–	606,220
Depreciation and amortization	24,124	31,151	–	55,275
Disposals and other	(840)	–	–	(840)
Impairment charges (Note 22)	117,563	235,114	–	352,677
AS OF DECEMBER 31, 2013	**382,961**	**630,371**	**–**	**1,013,332**
Depreciation and amortization	19,249	6,307	–	25,556
Disposals and other	(5,409)	–	–	(5,409)
Impairment charges (Note 22)	9,043	11,651	9,306	30,000
AS OF DECEMBER 31, 2014	**405,844**	**648,329**	**9,306**	**1,063,479**
CARRYING AMOUNT				
AS OF DECEMBER 31, 2012	155,400	191,330	94,870	441,600
AS OF DECEMBER 31, 2013	71,109	48,889	45,195	165,193
AS OF DECEMBER 31, 2014	**48,230**	**65,142**	**29,410**	**142,782**

As at December 31, 2014, equipment under finance leases had net carrying amounts of $2.7 million. The total minimum lease payments are disclosed in Note 12 – Debt.

No depreciation is charged to construction in progress assets.

8. EXPLORATION AND EVALUATION ASSETS

The following table presents changes in exploration and evaluation assets:

	Exploration and evaluation assets
COST	
AS OF DECEMBER 31, 2012	**10,862**
Exploration expenditures incurred	218
Write-off of unsuccessful exploration costs	(1,333)
AS OF DECEMBER 31, 2013	**9,747**
Write-off of unsuccessful exploration costs (Note 22)	(9,747)
AS OF DECEMBER 31, 2014	–

9. INCOME TAXES

We recognize deferred tax assets and liabilities based on the difference between the financial reporting and tax basis of assets and liabilities using the tax rates enacted or substantively enacted when the temporary differences are expected to reverse.

Our net deferred tax liabilities at December 31, 2014 and December 31, 2013 include the following components:

As of	December 31, 2014	December 31, 2013
DEFERRED TAX ASSETS		
Non-capital loss carryovers	17,444	227
Other	140	4
DEFERRED TAX LIABILITIES		
Mine property costs	11,943	227
Other	5,641	4
NET DEFERRED TAX LIABILITIES	–	–

The movement in the net deferred tax liabilities were as follows:

	2014	2013
Balance at the beginning of the year	–	32,937
Recognized in net earnings	–	(32,937)
BALANCE AT THE END OF THE YEAR	–	–

The composition of our unrecognized deferred tax assets by tax jurisdiction is summarized as follows:

As of	December 31, 2014	December 31, 2013
DEDUCTIBLE TEMPORARY DIFFERENCES		
Canada	2,433	8,060
U.S.	–	–
Ghana	52,679	73,583
	55,112	**81,643**
TAX LOSSES		
Canada	44,312	17,321
U.S.	158	180
Ghana	204,063	194,607
	248,533	**212,108**
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS		
Canada	46,745	25,381
U.S.	158	180
Ghana	256,742	268,190
	303,645	**293,751**

The income taxes expense/(recovery) includes the following components:

For the years ended December 31,	2014	2013
CURRENT TAX (RECOVERY)/EXPENSE		
Current tax on net earnings	–	20,123
Adjustments in respect to prior years	(254)	483
	(254)	**20,606**
DEFERRED TAX (RECOVERY)/EXPENSE		
Originating and reversal of temporary differences in the current year	–	(32,831)
Adjustments in respect to prior years	–	(106)
Change in tax rates	–	–
	–	**(32,937)**
INCOME TAX EXPENSE/(RECOVERY)	**(254)**	**(12,331)**

A reconciliation of expected income tax on net (loss)/income before minority interest at statutory rates with the actual income tax expenses/(recovery) is as follows:

For the years ended December 31,	2014	2013
Net (loss)/income before tax	(83,695)	(310,844)
Statutory tax rate	26.5	26.5
TAX (BENEFIT)/EXPENSE AT STATUTORY RATE	**(22,179)**	**(82,374)**
Foreign tax rates	(19,578)	(36,479)
Change in tax rates	–	(1,119)
Non-taxable portion of capital gain	–	1,110
Expired loss carryovers	17,161	12,268
Other	(41)	1,520
Non-deductible expenses	842	1,005
Loss carryover not previously recognized	–	18,574
Non-deductible convertible debenture conversion feature	–	(13,771)
Ghana property basis not previously recognized	–	(3,665)
Change in future tax assets due to exchange rates	3,399	1,081
Change in unrecognized deferred tax assets	20,142	89,519
INCOME TAX EXPENSE/(RECOVERY)	**(254)**	**(12,331)**

At December 31, 2014, the Company had a tax pool and loss carryovers expiring as follows:

	Canada	Ghana	Other
2015	7,356	–	–
2016	–	8,721	–
2018	–	46,540	–
2019	–	32,912	–
2026	18,159	–	–
2027	14,465	–	–
2028	13,056	–	–
2029	19,796	–	–
2030	17,694	–	–
2031	33,196	–	–
2032	16,069	–	–
2033	8,581	–	–
2034	4,844	–	–
Indefinite	26,472	527,938	648
TOTAL	**179,688**	**616,111**	**648**

$593.0 million of the Ghana tax pool is usable against taxable income generated at Bogoso, with the remaining amount usable against taxable income generated at Wassa.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include the following components:

As of	December 31, 2014	December 31, 2013
Trade and other payables	79,528	61,188
Accrued liabilities	38,969	41,352
Payroll related liabilities	4,954	6,443
TOTAL	**123,451**	**108,983**

Subsequent to December 31, 2014, the Company has reached an agreement with the electricity provider in Ghana, Volta River Authority, on a mutually acceptable plan to repay $30.4 million of payables included above. The repayment plan includes a deferral of approximately $22 million to 2016 and 2017.

11. REHABILITATION PROVISIONS

At December 31, 2014, the total undiscounted amount of the estimated future cash needs was estimated to be $92.4 million. A discount rate assumption of 2% and an inflation rate assumption of 2% were used to value the rehabilitation provisions. The changes in the carrying amount of the rehabilitation provisions are as follows:

For the years ended December 31,	2014	2013
BEGINNING BALANCE	**86,310**	**63,319**
Accretion of rehabilitation provisions	1,746	592
Changes in estimates	1,314	28,056
Cost of reclamation work performed	(3,554)	(5,657)
BALANCE AT THE END OF THE PERIOD	**85,816**	**86,310**
Current portion	4,562	7,783
Long term portion	81,254	78,527
TOTAL	**85,816**	**86,310**

For the year ended December 31, 2014, the Company has recorded a change of estimates of $1.3 million on its rehabilitation provisions of the mine sites. The impact of the changes of estimates were an increase of $1.6 million to the reclamation provisions for Wassa and a decrease of $0.3 million to the reclamation provisions for Bogoso. The rehabilitation provision for Wassa was $18.2 million (2013 – $18.5 million). The Company expects the payments for reclamation to be incurred between 2015 and 2029. An increase in estimate of $1.6 million was recorded during 2014 due to a revision in the timing of payments. The rehabilitation provision for Bogoso was $67.6 million (2013 – $67.8 million). The reclamation payments are expected to be settled between 2015 and 2025.

12. DEBT

The following table displays the components of our current and long term debt instruments:

As of	December 31, 2014	December 31, 2013
CURRENT DEBT:		
Equipment financing credit facility	4,512	5,218
Ecobank Loan I net of loan fees	11,686	4,752
Finance leases	983	885
TOTAL CURRENT DEBT	**17,181**	**10,855**
LONG TERM DEBT:		
Equipment financing credit facility	3,833	8,150
Ecobank Loan I net of loan fees	31,239	24,101
Finance leases	2,880	3,828
5% Convertible Debentures at fair value (see Note 5)	47,846	47,308
TOTAL LONG TERM DEBT	**85,798**	**83,387**

EQUIPMENT FINANCING CREDIT FACILITY

Bogoso and Wassa maintain an equipment financing facility with Caterpillar Financial Services Corporation, with Golden Star as the guarantor of all amounts borrowed. The facility provides credit financing for new and used mining equipment. Amounts drawn under this facility are repayable over five years for new equipment and over two years for used equipment. The interest rate for each draw-down is fixed at the date of the draw-down using the US Federal Reserve Bank 2-year or 5-year swap rate or London Interbank Offered Rate ("LIBOR") plus 2.38%. Each outstanding equipment loan is secured by the title of the specific equipment purchased with the loan until the loan has been repaid in full.

ECOBANK LOANS

Ecobank loan I

In 2013, the Company through its subsidiary Golden Star (Wassa) Limited closed a $50 million secured Medium Term Loan Facility ("Ecobank Loan I") with Ecobank Ghana Limited and subsequently drew down $50 million of the facility. The loan has a term of 60 months from the date of initial drawing and is secured by, among other things, Wassa's existing plant, machinery and equipment. The interest rate is three month LIBOR plus 9% per annum, payable monthly in arrears. Principal amounts are payable quarterly in arrears.

Ecobank loan II

In the third quarter of 2014, the Company through its subsidiary Golden Star (Wassa) Limited closed an additional $25 million secured Medium Term Loan Facility ("Ecobank Loan II") with Ecobank Ghana Limited. Drawdowns under the loan will be available to finance the development of a potential underground mine at Wassa. This additional $25 million loan has a term of 60 months from the date of initial drawdown and is secured by, among other things, Wassa's existing plant, machinery and equipment. The interest rate on the loan is three month LIBOR plus 11%, per annum, payable monthly in arrears beginning a month following the initial drawdown. Payment of principal commences six months following the initial drawdown and is thereafter payable quarterly in arrears. The Company will be required to adhere to certain financial covenants from the end of 2016. The Company has until the third quarter of 2015 to make drawdowns on the loan. At December 31, 2014, the Company had not made any drawdowns on this facility.

FINANCE LEASES

During the year ended December 31, 2014, the Company financed mining equipment at Wassa and Bogoso through equipment financing leases. These finance leases are payable in equal installments over a period of 60 months and have implicit interest rates of 6.9%. Each outstanding finance lease is secured by the title of the specific equipment purchased with the lease until the lease has been repaid in full.

CONVERTIBLE DEBENTURES

The 5% Convertible Debentures were issued on May 31, 2012, in the amount of $77.5 million, in exchange for $74.5 million of our 4% convertible senior unsecured debentures (the “4% Convertible Debentures”) in privately negotiated transactions with certain holders of the 4% Convertible Debentures exempt from the registration requirements of the U.S. Securities Act of 1933, as amended.

The 5% Convertible Debentures are governed by the terms of an indenture dated May 31, 2012, by and between the Company and The Bank of New York Mellon, as Indenture Trustee.

Interest on the 5% Convertible Debentures is payable semi-annually in arrears on May 31 and November 30 of each year until maturity on June 1, 2017. The 5% Convertible Debentures are, subject to certain limitations, convertible into common shares at a conversion rate of 606.0606 common shares per $1,000 principal amount of the 5% Convertible Debentures (equal to an initial conversion price of $1.65 per share), or approximately 25% above the closing price of the Company’s common shares on the NYSE MKT on May 17, 2012, the last full trading day prior to entry into the purchase agreement. The 5% Convertible Debentures are not redeemable at the Company’s option, except in the event of certain change in control transactions where 90% or more of the outstanding 5% Convertible Debentures have accepted a mandatory offer from us to purchase them.

On maturity, the Company may, at its option, satisfy the repayment obligation by paying the principal amount of the 5% Convertible Debentures in cash or, subject to certain limitations, by issuing that number of the Company’s common shares obtained by dividing the principal amount of the 5% Convertible Debentures outstanding by 95% of the weighted average trading price of the Company’s common shares on the NYSE MKT for the 20 consecutive trading days ending five trading days preceding the maturity date (the “Current Market Price”). If the Company elects to repay the principal amount of the 5% Convertible Debentures at maturity by issuing common shares, and the Company is limited under the terms of the indenture from issuing a number of common shares sufficient to fully repay the 5% Convertible Debentures outstanding at maturity, the Company is required to pay the balance owing in cash, based on the difference between the principal amount of the 5% Convertible Debentures outstanding and the value of the common shares (based on the Current Market Price) delivered in repayment of the 5% Convertible Debentures.

The 5% Convertible Debentures are direct senior unsecured indebtedness of the Company, ranking equally and ratably with all other senior unsecured indebtedness, and senior to all subordinated indebtedness of the Company. None of the Company’s subsidiaries has guaranteed the 5% Convertible Debentures, and the 5% Convertible Debentures do not limit the amount of debt that the Company or our subsidiaries may incur.

The 5% Convertible Debentures are accounted for at fair value and marked to market each reporting period and the corresponding gain/loss on fair value is recorded in the Statement of Operations.

Schedule of payments on outstanding debt as of December 31, 2014:

	2015	2016	2017	2018	Maturity
EQUIPMENT FINANCING LOANS					
Principal	4,512	2,761	931	141	2013 to 2018
Interest	417	180	34	4	
ECOBANK LOAN I					
Principal	11,686	11,686	11,686	8,765	2018
Interest	3,557	2,610	1,506	392	
FINANCE LEASES					
Principal	983	1,016	1,088	776	2018
Interest	239	172	100	24	
5% CONVERTIBLE DEBENTURES					
Principal	–	–	77,490	–	June 1, 2017
Interest	3,875	3,875	1,937	–	
TOTAL PRINCIPAL	17,181	15,463	91,195	9,682	
TOTAL INTEREST	8,088	6,837	3,577	420	
	25,269	**22,300**	**94,772**	**10,102**	

13. COMMITMENTS AND CONTINGENCIES

Our commitments and contingencies include the following items:

ENVIRONMENTAL BONDING IN GHANA

The Ghana Environmental Protection Agency ("EPA") requires environmental compliance bonds that provide assurance for environmental remediation at our Bogoso and Wassa mining operations. To meet this requirement the Company has environmental bonds totaling $9.6 million and $8.1 million for Wassa and Bogoso respectively with a commercial bank in Ghana. These bonds are guaranteed by Golden Star Resources Ltd. There is also a cross guarantee between Wassa and Bogoso. The Company also held cash deposits of $1.0 million and $1.0 million for each operation, which are recorded as restricted cash on the consolidated balance sheets.

GOVERNMENT OF GHANA'S RIGHTS TO INCREASE ITS PARTICIPATION

Under Act 703, the Government of Ghana has the right to acquire a special share in our Ghanaian subsidiaries at any time for no consideration or such consideration as the Government of Ghana and such subsidiaries might agree, and a pre-emptive right to purchase all gold and other minerals produced by such subsidiaries. A special share carries no voting rights and does not participate in dividends, profits or assets. If the Government of Ghana acquires a special share, it may require us to redeem the special share at any time for no consideration or for consideration determined by us. To date, the Government of Ghana has not sought to exercise any of these rights at our properties.

ROYALTIES

Government of Ghana

The Ghana Government receives a royalty equal to 5% of mineral revenues.

Dunkwa Properties

As part of the acquisition of the Dunkwa properties in 2003, we agreed to pay the seller a net smelter return royalty on future gold production from the Mansiso and Asikuma properties. As per the acquisition agreement, there will be no royalty due on the first 200,000 ounces produced from Mampon which is located on the Asikuma property. The amount of the royalty is based on a sliding scale which ranges from 2% of net smelter return at gold prices at or below $300 per ounce and progressively increases to 3.5% for gold prices in excess of $400 per ounce. Since this property is currently undeveloped, we are not required to pay a royalty on this property.

EXPLORATION AGREEMENTS

Obuom

In October 2007, we entered into an agreement with AMI Resources Inc. (“AMI”), which gives AMI the right to earn our 54% ownership position in the Obuom property in Ghana. Should AMI eventually obtain full rights to our position on the property and develop a gold mining operation at Obuom, we would receive from AMI a 2% net smelter return royalty on 54% of the property’s gold production.

OPERATING LEASES AND CAPITAL COMMITMENTS

The Company is a party to certain contracts relating to operating leases, office rent and capital commitments. Future minimum payments under these agreements as at December 31, 2014 are as follows:

Less than 1 year	3,924
Between 1 and 5 years	1,228
More than 5 years	–
TOTAL	**5,152**

14. SHARE-BASED COMPENSATION

Non-cash employee compensation expenses recognized in general and administrative expense in the statements of operations are as follows:

For the years ended December 31,	2014	2013
SHARE-BASED COMPENSATION	**2,515**	**3,013**

SHARE OPTIONS

We have one stock option plan, the Third Amended and Restated 1997 Stock Option Plan (the “Plan”) approved by shareholders in May 2010, under which options are granted at the discretion of the Board of Directors. Options granted are non-assignable and are exercisable for a period of ten years or such other period as is stipulated in a stock option agreement between Golden Star and the optionee. Under the Plan, we may grant options to employees, consultants and directors of the Company or its subsidiaries for up to 25,000,000 shares, of which 2,341,338 are available for grant as of December 31, 2014. The exercise price of each option is not less than the closing price of our shares on the Toronto Stock Exchange on the day prior to the date of grant. Options typically vest over periods ranging from immediately to four years from the date of grant. Vesting periods are determined at the discretion of the Board of Directors.

The fair value of option grants is estimated at the grant dates using the Black-Scholes option-pricing model. Fair values of options granted during the year ended December 31, 2014 and 2013 were based on the weighted average assumptions noted in the following table:

For the years ended December 31,	2014	2013
Expected volatility	77.85%	59.77%
Risk-free interest rate	1.43%	0.44%
Expected lives	6.01 years	4.47 years
Dividend yield	0%	0%

Expected volatilities are based on the mean reversion tendency of the volatility of Golden Star's shares. Golden Star uses historical data to estimate share option exercise and employee departure behavior and this data is used in determining input data for the Black-Scholes model. Groups of employees that have dissimilar historical behavior are considered separately for valuation purposes. The expected term of the options granted represents the period of time that the options granted are expected to be outstanding; the range given above results from certain groups of employees exhibiting different post-vesting behaviors. The risk-free rate for periods within the contractual term of the option is based on the Canadian Chartered Bank administered interest rates in effect at the time of the grant.

The weighted average fair value per option granted during the year ended December 31, 2014 was $0.57 (year ended December 31, 2013 – $0.76). As at December 31, 2014, there was $0.7 million of share-based compensation expense (December 31, 2013 – $0.8 million) relating to the Company's share options to be recorded in future periods.

A summary of option activity under the Company's Stock Option Plan during the years ended December 31, 2014 and 2013 are as follows:

	Options ('000)	Weighted-average exercise price (Cdn$)	Weighted-average remaining contractual term (years)
OUTSTANDING AS OF DECEMBER 31, 2012	**12,337**	**2.74**	**6.2**
Granted	2,814	1.66	5.4
Exercised	(90)	1.70	5.2
Forfeited	(1,799)	2.90	4.9
Expired	(414)	4.11	–
OUTSTANDING AS OF DECEMBER 31, 2013	**12,848**	**2.45**	**5.5**
Granted	3,975	0.86	9.2
Forfeited	(1,710)	2.07	5.3
Expired	(178)	6.95	–
OUTSTANDING AS OF DECEMBER 31, 2014	**14,935**	**2.01**	**5.7**
Exercisable as of December 31, 2013	9,046	2.70	5.4
Exercisable as of December 31, 2014	10,808	2.33	5.0

The number of options outstanding by strike price as of December 31, 2014 is shown in the following table:

	Options outstanding			Options exercisable	
Range of exercise price (Cdn$)	**Number outstanding at December 31, 2014 ('000)**	Weighted-average remaining contractual life (years)	Weighted-average exercise price (Cdn$)	**Number outstanding at December 31, 2014 ('000)**	Weighted-average exercise price (Cdn$)
0.50 to 1.50	4,209	8.6	0.89	1,486	0.96
1.51 to 2.50	6,506	4.7	1.85	5,101	1.86
2.51 to 3.50	2,513	4.9	2.99	2,513	2.99
3.51 to 7.00	1,707	3.4	3.94	1,708	3.94
	14,935	**5.7**	**2.01**	**10,808**	**2.33**

The number of options outstanding by strike price as of December 31, 2013 is shown in the following table:

	Options outstanding			Options exercisable	
Range of exercise price (Cdn$)	Number outstanding at December 31, 2013 ('000)	Weighted-average remaining (years)	Weighted-average exercise price (Cdn$)	Number outstanding at December 31, 2013 ('000)	Weighted-average exercise price (Cdn$)
0.50 to 1.50	717	6.5	1.13	429	1.17
1.51 to 2.50	7,257	5.6	1.86	4,017	1.88
2.51 to 3.50	2,754	5.9	2.99	2,480	3.00
3.51 to 7.00	2,120	4.0	4.20	2,120	4.20
	12,848	**5.5**	**2.45**	**9,046**	**2.70**

SHARE BONUS PLAN

In December 1992, the Company established an Employees' Stock Bonus Plan (the "Bonus Plan") for any full-time or part-time employee (whether or not a director) of the Company or any of our subsidiaries who has rendered meritorious services which contributed to the success of the Company or any of its subsidiaries. The Bonus Plan provides that a specifically designated committee of the Board of Directors may grant bonus common shares on terms that it might determine, within the limitations of the Bonus Plan and subject to the rules of applicable regulatory authorities. The Bonus Plan, as amended, provides for the issuance of 900,000 common shares of bonus stock, of which 710,854 common shares were issued as at December 31, 2012. There were no bonus shares issued during the years ended December 31, 2014 and 2013.

DEFERRED SHARE UNITS ("DSUs")

On March 9, 2011 the Board adopted a Deferred Share Unit Plan ("DSU Plan") which was subsequently approved by shareholders at the May 2011 annual meeting of shareholders. The DSU Plan provides for the issuance of Deferred Share Units ("DSUs"), each representing the right to receive one Golden Star common share upon redemption. DSUs may be redeemed only upon termination of the holder's services to the Company, and may be subject to vesting provisions. DSU awards are granted at the sole discretion of the Company's compensation committee. The DSU Plan allows directors, at their option, to receive all or any portion of their director retainer by accepting DSUs in lieu of cash.

The compensation committee may also award DSUs to executive officers and/or directors in lieu of cash as a component of their long term performance compensation, the amount of such awards being in proportion to the officer's or director's achievement of pre-determined performance goals. As with DSU awards for directors' retainers, DSUs received as performance compensation are redeemable only upon termination of the holder's services to the Company. The Company may, at its option, provide cash in lieu of common shares upon a holder's redemption, the cash value being established by the share price on the DSU original award date, less all applicable tax withholding.

For the year ended December 31, 2014, the DSUs that were granted vested immediately and a compensation expense of $0.5 million was recognized for these grants (year ended December 31, 2013 – $0.7 million). As of December 31, 2014, there was no unrecognized compensation expense related to DSUs granted under the Company's DSU Plan.

A summary of DSU activity during the years ended December 31, 2014 and 2013:

For the years ended December 31,	2014	2013
Number of DSUs, beginning of period	1,381,593	388,059
Grants	964,728	993,534
Exercises	(384,113)	–
NUMBER OF DSUs, END OF PERIOD	**1,962,208**	**1,381,593**

SHARE APPRECIATION RIGHTS ("SARs")

On February 13, 2012, the Company adopted a Share Appreciation Rights Plan, and granted 1,543,043 share appreciation rights ("SARs") that vest after a period of three years.

As of December 31, 2014, there was approximately $0.6 million of total unrecognized compensation cost related to unvested SARs. For the year ended December 31, 2014, the Company recognized $nil recovery related to these cash settled awards (year ended December 31, 2013 – $0.1 million recovery).

A summary of the SARs activity during the years ended December 31, 2014 and 2013:

For the years ended December 31,	2014	2013
Number of SARs, beginning of period ('000)	3,027	1,079
Grants	460	2,090
Forfeited	(267)	(142)
NUMBER OF SARs, END OF PERIOD ('000)	**3,220**	**3,027**

PERFORMANCE SHARE UNITS

On January 1, 2014, the Company adopted a Performance Share Unit ("PSU") Plan. Each PSU represents one notional common share that is redeemed for cash based on the value of a common share at the end of the three year performance period, to the extent performance and vesting criteria have been met. The PSUs vest at the end of a three year performance period based on the Company's total shareholder return relative to a performance peer group of gold companies as listed in the PSU Plan. The cash award is determined by multiplying the number of units by the performance adjustment factor, which range from 0% to 200%. The performance adjustment factor is determined by comparing the Company's share price performance to the share price performance of a peer group of companies. As the Company is required to settle this award in cash, it will record an accrued liability and a corresponding compensation expense. For the year ended December 31, 2014, the Company recorded $nil compensation expense.

A summary of the PSU activity during the year ended December 31, 2014:

For the year ended December 31,	2014
Number of PSUs, beginning of period ('000)	–
Grants	2,648
Forfeited	(302)
NUMBER OF PSUS, END OF PERIOD ('000)	**2,346**

15. LOSS PER COMMON SHARE

The following table provides reconciliation between basic and diluted earnings per common share:

For the years ended December 31,	2014	2013
Net loss attributable to Golden Star shareholders	(73,079)	(265,892)
WEIGHTED AVERAGE NUMBER OF BASIC AND DILUTED SHARES (MILLIONS)	**259.4**	**259.1**
NET LOSS PER SHARE ATTRIBUTABLE TO GOLDEN STAR SHAREHOLDERS:		
BASIC AND DILUTED	**(0.28)**	**(1.03)**

16. COST OF SALES EXCLUDING DEPRECIATION AND AMORTIZATION

Cost of sales excluding depreciation and amortization include the following components:

For the years ended December 31,	2014	2013
Contractors	58,732	102,951
Electricity	47,621	46,748
Fuel	28,622	31,028
Raw materials and consumables	90,716	108,285
Salaries and benefits	53,087	53,209
Transportation costs	2,503	4,078
General and administrative	9,780	9,357
Other	12,334	11,829
Betterment stripping costs capitalized	(5,864)	(28,511)
Mine operating expenses	297,531	338,974
Operating costs (to)/from metal inventory	(9,078)	14,752
Royalties	16,459	23,414
	304,912	**377,140**

17. FINANCE EXPENSE, NET

Finance income and expense include the following components:

For the years ended December 31,	2014	2013
Interest income	(30)	(36)
Interest expense	7,560	5,633
Net foreign exchange (gain)/loss	(1,901)	3,652
Accretion of rehabilitation provision	1,746	592
	7,375	**9,841**

18. RELATED PARTY TRANSACTIONS

There were no material related party transactions for the years ended December 31, 2014 and 2013 other than the items disclosed below.

KEY MANAGEMENT PERSONNEL

Key management personnel is defined as members of the Board of Directors and certain senior officers. Compensation of key management personnel are as follows:

For the years ended December 31,	2014	2013
Salaries, wages, and other benefits	2,139	2,020
Bonus and severances	868	2,125
Share-based compensation	1,145	1,606
	4,152	**5,751**

19. PRINCIPAL SUBSIDIARIES

The consolidated financial statements include the accounts of the Company and all of its subsidiaries at December 31, 2014. The principal operating subsidiaries are Wassa and Bogoso, in which the Company has a 90% ownership interest in each.

Set out below is summarized financial information for each subsidiary that has non-controlling interests that are material to the group. The amounts are disclosed on a 100% basis and disclosure for each subsidiary are based on those included in the consolidated financial statements before inter-company eliminations.

SUMMARIZED STATEMENT OF FINANCIAL POSITION

	Wassa		Bogoso	
As of December 31,	**2014**	2013	**2014**	2013
Non-controlling interest percentage	10%	10%	10%	10%
Current assets	93,472	100,711	46,126	58,594
Current liabilities	79,224	73,147	907,052	850,879
	14,248	**27,564**	**(860,926)**	**(792,285)**
Non-current assets	76,876	72,123	69,166	96,716
Non-current liabilities	51,068	49,080	72,794	76,240
	25,808	**23,043**	**(3,628)**	**20,476**
Net assets	40,056	50,607	(864,554)	(771,809)
ACCUMULATED NON-CONTROLLING INTERESTS	**(11,824)**	**(12,912)**	**67,192**	**57,918**

SUMMARIZED INCOME STATEMENT

	Wassa		Bogoso	
For the years ended December 31,	**2014**	2013	**2014**	2013
Revenue	142,734	263,072	186,181	204,724
Net loss	(10,875)	(23,592)	(92,747)	(302,633)
COMPREHENSIVE LOSS	**(10,875)**	**(23,592)**	**(92,747)**	**(302,633)**

SUMMARIZED CASH FLOWS

	Wassa		Bogoso	
For the years ended December 31,	**2014**	2013	**2014**	2013
Cash flows provided by/(used in) operating activities	991	18,146	(13,326)	7,251
Cash flows used in investing activities	(14,744)	(33,570)	(21,817)	(69,079)
Cash flows provided by financing activities	3,425	29,272	37,742	48,778

20. OPERATIONS BY SEGMENT AND GEOGRAPHIC AREA

The Company has reportable segments as identified by the individual mining operations. Segments are operations reviewed by the executive management. Each segment is identified based on quantitative and qualitative factors.

For the years ended December 31,	Wassa	Bogoso	Other	Corporate	Total
2014					
Revenue	142,734	186,181	–	–	328,915
Mine operating expenses	114,667	182,864	–	–	297,531
Operating costs to metal inventory	(4,326)	(4,752)	–	–	(9,078)
Royalties	7,144	9,315	–	–	16,459
Cost of sales excluding depreciation and amortization	117,485	187,427	–	–	304,912
Depreciation and amortization	14,619	11,600	–	–	26,219
Mine operating margin/(loss)	10,630	(12,846)	–	–	(2,216)
Impairment charges	9,747	48,000	–	–	57,747
Income tax expense	(254)	–	–	–	(254)
Net loss attributable to non-controlling interest	(1,087)	(9,275)	–	–	(10,362)
Net loss attributable to Golden Star	(10,894)	(44,027)	(512)	(17,646)	(73,079)
Capital expenditures	16,406	17,249	–	–	33,655
2013					
Revenue	263,072	204,724	–	–	467,796
Mine operating expenses	145,484	193,490	–	–	338,974
Operating costs from metal inventory	4,411	10,341	–	–	14,752
Royalties	13,171	10,243	–	–	23,414
Cost of sales excluding depreciation and amortization	163,066	214,074	–	–	377,140
Depreciation and amortization	40,883	19,083	–	–	59,966
Mine operating margin/(loss)	59,123	(28,433)	–	–	30,690
Impairment charges	106,917	245,760	–	2,947	355,624
Income tax recovery	(12,331)	–	–	–	(12,331)
Net loss attributable to non-controlling interest	(2,359)	(30,263)	–	–	(32,622)
Net (loss)/income attributable to Golden Star	(44,289)	(247,443)	(1,975)	27,815	(265,892)
Capital expenditures	33,570	69,079	218	–	102,867

	Wassa	Bogoso	Other	Corporate	Total
December 31, 2014					
Total assets	130,010	115,497	834	11,712	258,053
December 31, 2013					
Total assets	138,653	155,709	753	30,628	325,743

Currently our gold production is shipped to a South African gold refinery. The refinery arranges for sale of the gold on the day it is shipped from the mine sites and we receive payment for gold sold two working days after the gold leaves the mine site. The global gold market is competitive with numerous banks and refineries willing to buy gold on short notice. Therefore, we believe that the loss of our current customer would not materially delay or disrupt revenue.

21. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended December 31, 2014, $9.3 million was paid for income taxes (year ended December 31, 2013 – $23.5 million). The Company paid $7.9 million for interest during the year ended December 31, 2014 (year ended December 31, 2013 – $6.3 million).

Changes in working capital for the years ended December 31, 2014 and 2013 are as follows:

For the years ended December 31,	2014	2013
(Increase)/decrease in accounts receivable	(6,632)	3,695
(Increase)/decrease in inventories	(4,820)	11,238
Decrease in prepaids and other	2,193	3,867
Increase in accounts payable and accrued liabilities	18,088	13,006
Decrease in current tax liability	(9,506)	(2,888)
TOTAL CHANGES IN WORKING CAPITAL	**(677)**	**28,918**

22. IMPAIRMENT CHARGES

The following table shows the breakdown of the impairment charges for the years ended December 31, 2014 and 2013, respectively:

For the years ended December 31,	2014	2013
Bogoso	30,000	245,760
Wassa	–	106,917
Property plant and equipment, mining properties and intangible assets	30,000	352,677
Materials and supplies inventories	18,000	–
Exploration and evaluation assets	9,747	–
Available for sale investments	–	2,947
	57,747	**355,624**

MINING INTERESTS

The recoverable amounts of the Company's CGUs are determined where facts and circumstances provide indicators of impairment. The recoverable amounts of the CGUs are determined based on each CGU's future cash flows based on the latest feasibility studies and life-of-mine cash flow projections. The estimated cash flows incorporate management's best estimate of future metal prices, production based on current estimates of recoverable reserves and resources, exploration potential, future operating costs, future capital expenditures, and foreign exchange rates. The gold price assumption used is based on consensus analyst pricing. Projected cash flows are then discounted using a weighted average cost of capital which includes estimates for risk-free interest rates, market return on equity, share volatility, debt-to-equity ratios and risks specific to the CGUs. Management's estimates of the recoverable amounts are classified as Level 3 in the fair value hierarchy.

At December 31, 2014, the Company assessed and concluded that there were no indicators of impairment for Wassa. For Bogoso, the remaining economical reserves for the refractory operation resulting in the planned suspension of the refractory operation in late 2015 is an indicator of potential impairment for the Bogoso refractory assets. As a result, the Company assessed the recoverable amounts of these Bogoso refractory assets.

At December 31, 2013, the carrying value of the net assets of the Company exceeded its market capitalization, which is an indicator of potential impairment. In addition, gold prices declined significantly during 2013 and remained at those lower levels. As a result, the Company assessed the recoverable amounts of both the Bogoso and Wassa CGUs.

Bogoso

An impairment charge of $30.0 million ($30.0 million, net of tax) was recorded against Bogoso's refractory assets at December 31, 2014. The impairment charge comprised of $11.7 million related to mine property, $9.3 million related to construction in progress and $9.0 million related to property, plant and equipment. These impairment charges represent the excess of carrying values over the total recoverable amount of $34.0 million, calculated on a value-in-use basis of the Bogoso refractory assets.

An impairment charge of $245.8 million ($245.8 million, net of tax) was recorded during 2013, primarily due to the overall decline in gold prices during the prior year which shortened Bogoso's mine life, resulting in Bogoso's carrying value exceeding its FVLCD of $103.1 million. The 2013 impairment charge at Bogoso comprised of $98.3 million related to property, plant, equipment, $146.3 million related to mine property and $1.2 million related to intangible assets.

Wassa

The 2013 impairment charge of $106.9 million ($83.5 million, net of tax) was comprised of $19.4 million related to property plant and equipment, and $87.5 million related to mine property. This was due to Wassa's carrying value exceeding the FVLCD of $65.9 million from its re-optimized life of mine plan.

Assumptions and sensitivities

The recoverable amounts were assessed using the gold price ranges and discount rates as presented in the table below:

As at	**December 31, 2014**	December 31, 2013
Gold prices per ounce	$1,250	$1,250 to $1,300
Discount rates	11.50%	8.25% to 9.25%

The discount rate of 11.5% used for impairment assessment of the Bogoso refractory assets at December 31, 2014 was based on a pre-tax weighted average discount rate.

Sensitivities

The projected cash flows are significantly affected by changes in assumptions including gold prices, future capital expenditures, production cost estimates and discount rates.

For the impairment charge recorded in the year ended December 31, 2014, a 1% change in discount rate used would change the impairment charge of Bogoso refractory assets by $0.1 million. A 5% change to the gold price assumption used would change the impairment charge of Bogoso refractory assets by $7.7 million.

MATERIALS AND SUPPLIES INVENTORY

As the Bogoso refractory operation is expected to be suspended in late 2015, $18.0 million of materials and supplies inventories at the Bogoso refractory operation were written down. Based on a review of the inventory turnover and the expected inventory usage prior to the suspension of the refractory operation it was determined that the net realizable value exceeded the cost of these inventories, resulting in the $18.0 million write off.

EXPLORATION AND EVALUATION ASSETS

The Company recorded a write down of $9.7 million on exploration and evaluation assets as the Company has determined that it is unlikely that development on these assets will proceed at currently expected gold prices.

AVAILABLE FOR SALE INVESTMENTS

The impairment charge of $2.9 million for the year ended December 31, 2013 relate to the significant drop in the quoted market price of the True Gold Mining Inc shares held by the Company. The Company sold this available for sale investment in the third quarter of 2013.

23. FINANCIAL RISK MANAGEMENT

Our exposure to market risk includes, but is not limited to, the following risks: changes in interest rates on our debt, changes in foreign currency exchange rates and commodity price fluctuations.

INTEREST RATE RISK

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our 5% Convertible Debentures and the outstanding loans under our equipment financing facility bear interest at a fixed rate and are not subject to changes in interest payments. The Ecobank Loan I bears interest based on the three month LIBOR plus 9% per annum, and the Ecobank Loan II bears interest based on the three month LIBOR plus 11% per annum. Based on our current $43.8 million outstanding balance on Ecobank Loan I, a 100 basis points change in the three month LIBOR rate will result in $0.4 million per annum change in interest expense. We have not entered into any agreements to hedge against unfavorable changes in interest rates, but may in the future actively manage our exposure to interest rate risk.

FOREIGN CURRENCY EXCHANGE RATE RISK

Currency risk is risk that the fair value of future cash flows will fluctuate because of changes in foreign currency exchange rates. In addition, the value of cash and cash equivalents and other financial assets and liabilities denominated in foreign currencies can fluctuate with changes in currency exchange rates.

Since our revenues are denominated in U.S. dollars and our operating units transact much of their business in U.S. dollars, we are typically not subject to significant impacts from currency fluctuations. However, certain purchases of labor, operating supplies and capital assets are denominated in Ghana cedis, euros, British pounds, Australian dollars and South African rand. To accommodate these purchases, we maintain operating cash accounts in non-US dollar currencies and appreciation of these non-US dollar currencies against the U.S. dollar results in a foreign currency gain and a decrease in non-U.S. dollar currencies results in a loss. In the past, we have entered into forward purchase contracts for South African rand, euros and other currencies to hedge expected purchase costs of capital assets. During 2014 and 2013, we had no currency related derivatives. At December 31, 2014 and December 31, 2013, we held $1.5 million and $5.1 million, respectively, of foreign currency.

COMMODITY PRICE RISK

Gold is our primary product and, as a result, changes in the price of gold can significantly affect our results of operations and cash flows. Based on our gold production in the year, a $10 per ounce change in gold price would result in approximately a $2.6 million and $2.1 million change in our sales revenues and operating cash flows, respectively. To reduce gold price volatility, we have at various times entered into gold price hedges. As at December 31, 2014, the Company does not have any outstanding gold price derivative contracts.

LIQUIDITY RISK

Liquidity risk is the risk that we will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. We manage the liquidity risk inherent in these financial obligations by preparing monthly financial summaries, quarterly forecasts and annual long-term budgets which forecast cash needs and expected cash availability to meet future obligations. Typically these obligations are met by cash flows from operations and from cash on hand. Scheduling of capital spending and acquisitions of financial resources may also be employed, as needed and as available, to meet the cash demands of our obligations.

Our ability to repay or refinance our future obligations depends on a number of factors, some of which may be beyond our control. Factors that influence our ability to meet these obligations include general global economic conditions, credit and capital market conditions, results of operations, mineral reserves and resources and the price of gold.

The following table shows our contractual obligations as at December 31, 2014:

	Payment due (in thousands) by period				
(Stated in thousands of U.S dollars)	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Debt	16,198	104,554	8,906	–	129,658
Finance leases	983	2,104	776	–	3,863
Interest on long term debt	8,088	10,414	420	–	18,922
Purchase obligations	3,642	–	–	–	3,642
Rehabilitation provisions[1]	4,562	28,168	29,627	30,040	92,397
TOTAL	**33,473**	**145,240**	**39,729**	**30,040**	**248,482**

1 Rehabilitation provisions indicates the expected undiscounted cash flows for each period.

As at December 31, 2014, the Company has current assets of $113.2 million compared to current liabilities of $145.2 million. Subsequent to December 31, 2014, the Company has reached an agreement with the Volta River Authority on a mutually acceptable plan to repay $30.4 million of payables. The repayment plan includes a deferral of approximately $22 million to 2016 and 2017 which significantly improves the Company's working capital position. The Company expects to meet its short-term financing needs through cash flow from operations, the $25 million undrawn Ecobank Loan II, and future long term financing as required. These alternatives should provide the Company with the flexibility to fund any potential cash flow shortfall. There can be no assurance however that additional required financing will be available at all or on terms acceptable to the Company.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Our credit risk is primarily associated with liquid financial assets and derivatives. We limit exposure to credit risk on liquid financial assets by holding our cash, cash equivalents, restricted cash and deposits at highly-rated financial institutions. During 2014, all of our excess cash was invested in funds that hold only U.S. treasury bills. Risks associated with gold trade receivables is considered minimal as we sell gold to a credit-worthy buyer who settles promptly within two days of receipt of gold bullion.

24. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

In the management of capital, the Company includes the components of equity, long-term debt, net of cash and cash equivalents, and investments.

As of	December 31, 2014	December 31, 2013
Equity	(54,193)	26,702
Long-term debt	85,798	83,387
	31,605	110,089
Cash and cash equivalents	39,352	65,551
	70,957	**175,640**

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In doing so, the Company may issue new shares, restructure or issue new debt and acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Company's treasury policy specifies that cash is to be held in banks with a rating of A or higher by Moody's or Standard & Poor's. In addition, the Company's investment policy allows investment of surplus funds in permitted investments consisting of US treasury bills, notes and bonds, government sponsored agency debt obligations, corporate debt or municipal securities with credit rating of at least AA. All investments must have a maximum term to maturity of one year.

CORPORATE AND REGISTERED OFFICE

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REGISTRAR AND TRANSFER AGENT

QUESTIONS REGARDING THE CHANGE OF STOCK OWNERSHIP, CONSOLIDATION OF ACCOUNTS, LOST CERTIFICATES, CHANGE OF ADDRESS AND OTHER SUCH MATTERS SHOULD BE DIRECTED TO:

CANADIAN STOCK TRANSFER COMPANY
ATTENTION: SHAREHOLDER SERVICES
P.O. BOX 1900
VANCOUVER, BRITISH COLUMBIA
CANADA V6C 3K9

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STOCK EXCHANGE LISTINGS

TORONTO STOCK EXCHANGE SYMBOL: GSC
NYSE MKT STOCK EXCHANGE SYMBOL: GSS
GHANA STOCK EXCHANGE SYMBOL: GSR

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