

UNITED GUARDIAN INC
Form 10-Q
May 10, 2013

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2013

TRANSITION REPORT PURSUANT TO 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-10526

UNITED-GUARDIAN, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

11-1719724
(I.R.S. Employer Identification No.)

230 Marcus Boulevard, Hauppauge, New York 11788
(Address of Principal Executive Offices)

(631) 273-0900
(Registrant's Telephone Number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

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

Large accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)
Accelerated filer
Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

4,596,439 shares of common stock, par value \$.10 per share
(as of May 1, 2013)

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Part I. FINANCIAL INFORMATION

ITEM 1. Condensed Financial Statements

UNITED-GUARDIAN, INC.
STATEMENTS OF INCOME
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2013	2012
Net sales	\$ 3,952,161	\$ 3,888,692
Costs and expenses:		
Cost of sales	1,411,156	1,539,840
Operating expenses	561,568	602,863
Total costs and expenses	1,972,724	2,142,703
Income from operations	1,979,437	1,745,989
Other income:		
Investment income	54,182	69,591
Gain on sale of asset	---	2,750
Income from damage settlement	292,830	---
Total other income	347,012	72,341
Income before income taxes	2,326,449	1,818,330
Provision for income taxes	761,800	589,700
Net income	\$ 1,564,649	\$ 1,228,630
Earnings per common share (Basic and Diluted)	\$ 0.34	\$ 0.27
Weighted average shares – basic and diluted	4,596,439	4,596,439

See notes to condensed financial statements

UNITED-GUARDIAN, INC.
 STATEMENTS OF COMPREHENSIVE INCOME
 (UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2013	2012
Net income	\$ 1,564,649	\$ 1,228,630
Other comprehensive income:		
Unrealized gain on marketable securities during period	25,712	95,171
Income tax expense related to other comprehensive income	9,032	32,987
Other comprehensive income, net of tax	16,680	62,184
Comprehensive income	\$ 1,581,329	\$ 1,290,814

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS

ASSETS	MARCH 31, 2013 (UNAUDITED)	DECEMBER 31, 2012 (AUDITED)
Current assets:		
Cash and cash equivalents	\$ 2,029,112	\$ 1,748,382
Marketable securities	9,528,489	7,743,946
Accounts receivable, net of allowance for doubtful accounts of \$29,000 at March 31, 2013 and December 31, 2012	1,993,514	1,017,627
Receivable in connection with damage settlement	97,610	518,050
Inventories (net)	1,058,004	1,242,750
Prepaid expenses and other current assets	167,786	132,458
Prepaid income taxes	---	3,602
Deferred income taxes	216,588	216,588
Total current assets	15,091,103	12,623,403
Property, plant and equipment:		
Land	69,000	69,000
Factory equipment and fixtures	3,863,287	3,842,927
Building and improvements	2,730,413	2,725,993
Waste disposal plant	133,532	133,532
Total property, plant and equipment	6,796,232	6,771,452
Less: Accumulated depreciation	5,583,338	5,535,589
Total property, plant and equipment, net	1,212,894	1,235,863
TOTAL ASSETS	\$ 16,303,997	\$ 13,859,266

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

BALANCE SHEETS
(continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	MARCH 31, 2013 (UNAUDITED)	DECEMBER 31, 2012 (AUDITED)
Current liabilities:		
Accounts payable	\$ 141,842	\$ 151,385
Accrued expenses	787,312	676,123
Income taxes payable	752,724	---
Total current liabilities	1,681,878	827,508
Deferred income taxes	202,772	193,740
Stockholders' equity:		
Common stock \$.10 par value, authorized, 10,000,000 shares; 4,596,439 shares issued and outstanding at March 31, 2013 and December 31, 2012.	459,644	459,644
Accumulated other comprehensive income	195,659	178,979
Retained earnings	13,764,044	12,199,395
Total stockholders' equity	14,419,347	12,838,018
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 16,303,997	\$ 13,859,266

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 1,564,649	\$ 1,228,630
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	47,749	66,943
Realized (gain) loss on sale of investments	(452)	6,489
Realized (gain) on sale of asset	---	(2,750)
(Decrease) increase in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	(975,887)	124,047
Receivable from damage settlement	420,440	---
Inventories	184,746	210,859
Prepaid expenses and other current assets	(35,328)	(4,224)
Prepaid income taxes	3,602	---
Accounts payable	(9,544)	(272,883)
Accrued expenses and taxes payable	863,913	697,325
Net cash provided by operating activities	2,063,888	2,054,436
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(24,780)	(66,870)
Proceeds from sales of assets	---	2,750
Proceeds from sale of marketable securities	26,629	80,744
Purchase of marketable securities	(1,785,007)	(1,579,846)
Net cash used in investing activities	(1,783,158)	(1,563,222)
Net increase in cash and cash equivalents	280,730	491,214
Cash and cash equivalents at beginning of period	1,748,382	1,090,974
Cash and cash equivalents at end of period	\$ 2,029,112	\$ 1,582,188

See notes to condensed financial statements

UNITED-GUARDIAN, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS
(UNAUDITED)

1. Nature of Business

United-Guardian, Inc. (the "Company") is a Delaware corporation that, through its Guardian Laboratories division, conducts research, product development, manufacturing and marketing of cosmetic ingredients and other personal care products, pharmaceuticals, medical and health care products and proprietary specialty industrial products.

2. Basis of Presentation

Interim financial statements of the Company are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation SX. In the opinion of management, all adjustments, consisting solely of normal recurring accruals, considered necessary for the fair presentation of financial statements for the interim periods have been included. The results of operations for the current period are not necessarily indicative of results that ultimately may be achieved for any other interim period or for the year ending December 31, 2013. The interim unaudited financial statements and notes thereto should be read in conjunction with the audited financial statements and notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2012.

3. Stock-Based Compensation

The Company maintains a stock-based compensation plan for its employees and directors, which is more fully described in the Company's Annual Report on Form 10-K for the year ended December 31, 2012. The Company recognizes the fair value of all share-based payments to employees, including grants of employee stock options, as a compensation expense in the financial statements. As of March 31, 2013, the Company had no share-based awards outstanding and exercisable and did not grant any options during the three months ended March 31, 2013.

4. Recent Accounting Pronouncements

In February 2013, FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This update requires the Company to report amounts being reclassified out of accumulated other comprehensive income by component. It also requires the Company to report either on the face of the financial statements or in the notes any significant amounts reclassified out of accumulated other comprehensive income, by the respective line items of net income, but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For those amounts not required to be reclassified directly to net income in their entirety, the Company is required to cross-reference other disclosures that provide further details about the amounts. The amendments are effective for reporting periods beginning after December 15, 2012. The Company adopted this amendment effective January 1, 2013. The adoption of this amendment did not have a material impact on the Company's results of operations.

5. Investments

The fair values of the Company's marketable securities are determined in accordance with GAAP, with fair value being defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company utilizes the three-tier value hierarchy, as prescribed by GAAP, which prioritizes the inputs used in measuring fair value, as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially for the full term of the financial statement.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following available-for-sale securities, which comprise all the Company's marketable securities, are re-measured to fair value on a recurring basis and are valued using Level 1 inputs, which are quoted prices (unadjusted) for identical assets in active markets.

March 31, 2013

	Cost	Fair Value	Unrealized Gain (Loss)
Available for sale:			
Corporate bonds (matures within 1 year)	\$203,920	\$203,060	\$ (860)
Fixed income mutual funds	8,750,307	9,000,212	249,905
Equity and other mutual funds	274,631	325,217	50,586
	\$9,228,858	\$9,528,489	

In order to be effective, an ordinary resolution requires the approval of a majority of the votes cast by shareholders who vote in respect of the resolution.

Unless otherwise indicated in the Proxy, it is management's intention to vote the proxies in favour of the appointment of the above auditor and to authorize the directors of the Company to fix the remuneration of PricewaterhouseCoopers LLP as auditors.

**AVAILABILITY OF
DOCUMENTS**

The following documents, filed or to be filed with various securities commissions or similar authorities in the USA and various provinces of Canada, may be obtained, after filing, by shareholders of the Company on request without charge from the Secretary of Golden Star Resources Ltd., 10901 West Toller Drive, Suite 300, Littleton, Colorado, USA 80127-6312 (Tel.: (303) 830-9000; Toll Free: (800) 553-8436; Fax: (303) 830-9094):

- a) the Company's Annual Report on Form 10-K or Annual Information Form for the year ended December 31, 2003, as may be amended, together with any document, or the pertinent pages of any document, incorporated by reference therein; and
- b) comparative audited consolidated financial statements of the Company and the notes thereto as at and for the fiscal years ended December 31, 2003, 2002 and 2001, together

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with the report of the auditors thereon, and any interim financial statements of the Company that may be subsequently filed.

ACCOMPANYING FINANCIAL INFORMATION AND INCORPORATION BY REFERENCE

The following financial statements and information of the Company accompany and form part of, and are specifically incorporated by reference into, this Management Information Circular: (a) Consolidated Balance Sheets as of December 31, 2003 and 2002, and Consolidated Statements of Operations, Consolidated Statement of Changes in Shareholders' Equity, and Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001; (b) the Notes to the Consolidated Financial Statements; (c) the Auditors' Report on such financial statements; (d) the report on Management's Responsibility for Financial Information; and (e) Management's Discussion and Analysis of Financial Condition and Results of Operations.

The reports of the Compensation and Audit Committees and the information under the heading Performance Graph shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent we specifically incorporate this information by reference, and shall not otherwise be deemed filed under the Securities Act or the Exchange Act.

2003 ANNUAL REPORT

The Annual Report for the fiscal year ended December 31, 2003 accompanies this Management Information Circular. The consolidated financial statements of the Company, the accompanying notes and report of the independent auditors, the selected financial data for each of the years ended December 31, 2003, 2002 and 2001 and management's discussion and analysis of the Company's financial condition and results of operations are included in the Annual Report.

2005 SHAREHOLDER PROPOSALS

To be eligible for inclusion in the Company's proxy statement for the year 2005 Annual Meeting of Shareholders, shareholder proposals prepared in accordance with the proxy rules must be received at the Company's corporate office, 10901 West Toller Drive, Suite 300, Littleton, Colorado, USA 80127-6312, Attention: Corporate Secretary, on or before January 21, 2005.

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OTHER MATTERS

Management of the Company is not aware of any other matters to come before the Meeting other than as set forth in the Notice of the Meeting. If any other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed proxy form to vote the shares represented thereby in accordance with their best judgment on such matter.

GENERAL

All matters to be brought before the Meeting, except for the resolution approving the adoption of the 2004 Shareholders Protection Rights Plan, require, for the passing of same, a simple majority of the votes cast in person or by proxy at the Meeting by the holders of Common Shares. To continue a shareholder protection rights plan for the Company beyond June 30, 2004, the Rights Plan Resolution must be passed by a simple majority of the votes cast by Independent Shareholders (as defined herein) who vote in respect thereof. At the date of this Circular, the Company believes that all holders of Common Shares are Independent Shareholders. If a majority of the Common Shares represented at the Meeting should be withheld from voting for the appointment of PricewaterhouseCoopers LLP as auditors of the Company, the Board will appoint another firm of chartered accountants based upon the recommendation of the audit committee, which appointment for any period subsequent to the next annual meeting of shareholders will be subject to approval by the shareholders at that meeting.

The contents and the sending of this Management Information Circular have been approved by the Board.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Company's officers, directors and more than 10% shareholders are required to file beneficial ownership reports under Section 16(a) of the Exchange Act. Dr. Jones filed a Form 3 late and reported one transaction late on a Form 4. Mr. Higson-Smith filed a Form 3 late and reported one transaction late on a Form 4. Based solely on the review of the section 16(a) reports filed by the directors and executive officers, and upon representations from those persons, the Company is not aware of any other delinquent filings.

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CERTIFICATE

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

DATED this 20th day of April, 2004.

ON BEHALF OF THE MANAGEMENT OF GOLDEN STAR RESOURCES LTD.

Peter J. Bradford

Allan J. Marter

Peter J. Bradford
President and Chief Executive Officer

Allan J. Marter
Senior Vice President and Chief Financial Officer

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APPENDIX A

GOLDEN STAR RESOURCES LTD.

COMPANY POLICY

AUDIT COMMITTEE CHARTER

(As adopted January 29, 2004)

There shall be a Committee of the Board of Directors (the Board) of Golden Star Resources Ltd., a Canadian corporation (the Corporation), to be known as the Audit Committee (the Committee) whose membership, authority and responsibilities shall be as set out in this amended and restated audit committee charter. The primary function of the Committee is to assist the Board in fulfilling its oversight responsibilities, primarily through overseeing management s conduct of the Corporation s accounting and financial reporting process and systems of internal accounting and financial controls; selecting, retaining and monitoring the independence and performance of the Corporation s outside auditors, including overseeing the audits of the Corporation s financial statements, and approving any non audit services; and providing an avenue of communication among the outside auditors, management and the Board.

MEMBERSHIP

1. The Committee shall have at least three (3) members at all times, each of whom must be a member of the Board and must be independent as required by applicable law and applicable stock exchange listing rules (the Listing Rules). A member of the Committee shall be considered independent if (a) he or she is not an employee of the Corporation; (b) he or she does not accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation or its subsidiaries other than in connection with serving on the Committee, any other Board committee or as a member of the Board; (c) he or she is not an affiliated person of the Corporation or any Corporation subsidiary as defined by rules of the Securities and Exchange Commission (SEC), including rules promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), and the Listing Rules; and (d) he or she meets all other requirements for independence imposed by law and the Listing Rules from time to time and any requirements imposed by any Canadian body having jurisdiction over the Corporation.

2. All members of the Committee shall have a practical knowledge of finance and accounting and be able to read and understand fundamental financial statements from the time of their respective appointments to the Committee. In addition, members may be required to participate in continuing education if required by applicable law or the Listing Rules.

3. At least one member of the Committee shall be a financial expert as defined by Item 401(h) of Regulation S-K, unless otherwise determined by the Board, and at least one member shall meet the financial sophistication standards under the Listing Rules.

4. Each member of the Committee shall be appointed by the Board and shall serve until the earlier to occur of the date on which he or she shall be replaced by the Board, resigns from the Committee, or resigns from the Board.

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MEETINGS

1. The Committee shall meet as frequently as required, but no less than four times annually and at least quarterly. The Board shall name a chairperson of the Committee, who shall prepare and/or approve an agenda in advance of each meeting and shall preside over meetings of the Committee. In the absence of the chairperson, the Committee shall select a chairperson for that meeting. A majority of the members of the Committee shall constitute a quorum and the act of a majority of the members present at a meeting where a quorum is present shall be the act of the Committee. The Committee may also act by unanimous written consent of its members. The Committee shall maintain minutes or other records of meetings and activities of the Committee.

2. The Committee shall, through its chairperson, report regularly to the Board following the meetings of the Committee, addressing such matters as the quality of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the outside auditors, the performance of any internal audit function and other matters related to the Committee's functions and responsibilities.

3. The Committee shall at least annually meet separately with each of the Corporation's senior management, the Corporation's chief financial officer and the Corporation's outside auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately.

RESPONSIBILITIES, DUTIES AND POWERS

1. The Committee's principal responsibility is one of oversight. The Corporation's management is responsible for preparing the Corporation's financial statements, and the Corporation's outside auditors are responsible for auditing and/or reviewing those financial statements. In carrying out these oversight responsibilities, the Committee is not providing any expert or special assurance as to the Corporation's financial statements or any professional certification as to the outside auditors' work.

2. The designation or identification of a member of the Committee as an audit committee financial expert does not impose on such person any duties, obligations, or liability that are greater than the duties, obligations, and liability imposed on such person as a member of the Committee and Board of Directors in the absence of such designation or identification; and (ii) the designation or identification of a member of the Committee as an audit committee financial expert does not affect the duties, obligations, or liability of any other member of the Committee or Board of Directors.

3. The Committee's specific responsibilities and powers are as set forth below.

General Duties And Responsibilities

Periodically review with management and the outside auditors the applicable law and the Listing Rules relating to the qualifications, activities, responsibilities and duties of audit committees and compliance therewith, and also take, or

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APPENDIX A

recommend that the Board take, appropriate action to comply with such law and rules.

Review and evaluate, at least annually, the adequacy of this charter and make recommendations for changes to the Board.

Establish procedures for: (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable business conduct, accounting or auditing matters.

Retain, at the Corporation's expense, independent counsel, accountants or others for such purposes as the Committee, in its sole discretion, determines to be appropriate to carry out its responsibilities.

Prepare annual reports of the Committee for inclusion in the proxy statements for the Corporation's annual meetings.

Investigate any matter brought to its attention related to reports of improper business conduct, financial, accounting and audit matters and have full access to all books, records, facilities and personnel of the Corporation.

Undertake such additional responsibilities as from time to time may be delegated to it by the Board, required by the Corporation's articles or bylaws or required by law or Listing Rules.

Auditor Independence

Be directly responsible for the appointment, compensation, retention, termination, and oversight, subject to the requirements of Canadian law, of the work of any outside auditor engaged by the Corporation for the purpose of preparing or issuing an audit report or performing other audit, review or attest services. The outside auditors shall report directly to the Committee.

Be vested with all responsibilities and authority required by Rule 10A-3 under the Exchange Act.

Pre-approve all engagement letters and fees for all auditing services (including providing comfort letters in connection with securities underwritings) and non-audit services performed by the outside auditors, subject to any exception under Section 10A of the Exchange Act and any rules promulgated thereunder. Pre-approval authority may be delegated to a Committee member or a subcommittee, and any such member or subcommittee shall report any decisions to the full Committee at its next scheduled meeting. The Committee shall not approve an engagement of outside auditors to render non-audit services that are prohibited by law or the Listing Rules.

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Obtain from the outside auditors assurance that they have complied with Section 10A, as amended, of the Exchange Act and the rules promulgated thereunder.

Review with the outside auditors, at least annually, the auditors' internal quality control procedures and any material issues raised by the most recent internal quality peer review of the outside auditors.

Internal Control

Review annually the adequacy and quality of the Corporation's financial and accounting staffing, the need for and scope of internal audit reviews, and the plan, budget and the designations of responsibilities for any internal audit.

Review the performance and material findings of internal audit reviews.

Review annually with the outside auditors any significant matters regarding the Corporation's internal controls and procedures over financial reporting that have come to their attention during the conduct of their annual audit, and review whether internal control recommendations made by the auditors have been implemented by management.

Review major risk exposures (whether financial, operating or otherwise) and the guidelines and policies that management has put in place to govern the process of monitoring, controlling and reporting such exposures.

Review and evaluate at least annually the Corporation's policies and procedures for maintaining and investing cash funds and for hedging (metals, foreign currency, etc.)

Review annually management's report on internal controls and the auditor's attestation regarding management's assessment of internal controls, when and as required by Section 404 of the Sarbanes-Oxley Act.

Evaluate whether management is setting the appropriate tone at the top by communicating the importance of internal controls and ensuring that all supervisory and accounting employees understand their roles and responsibilities with respect to internal controls.

Annual And Interim Financial Statements

Review, evaluate and discuss with the outside auditors and management the Corporation's audited annual financial statements and other information that is to be included in the Corporation's annual report on Form 10-K, including the disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, and the results of the outside auditors' audit of the Corporation's annual financial statement, including the accompanying footnotes and the outside auditors' opinion, and determine whether to recommend to the

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Board that the financial statements be included in the Corporation's annual report on Form 10-K for filing with the SEC.

Review, evaluate and discuss the nature and extent of any significant changes in Canadian and U.S. accounting principles or the application of accounting principles.

Require the outside auditors to review the Corporation's interim financial statements, and review and discuss with the outside auditors and management the Corporation's interim financial statements and other information to be included in the Corporation's quarterly reports on Form 10-Q, including the disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, prior to filing such reports with the SEC.

Review and discuss with the Corporation's management and outside auditors significant accounting and reporting principles, practices and procedures applied in preparing the financial statements and any major changes to the Corporation's accounting or reporting principles, practices or procedures, including those required or proposed by professional or regulatory pronouncements and actions, as brought to its attention by management and/or the outside auditors.

Review and discuss all critical accounting policies identified to the Committee by management and the outside auditors.

Review significant accounting and reporting issues, including recent regulatory announcements and rule changes and Canadian and U.S. GAAP matters and understand their impact on the financial statements.

Discuss alternative treatments of financial information under generally accepted accounting principles, the ramifications of each treatment and the method preferred by the Corporation's outside auditors.

Review the results of any material difficulties, differences or disputes with management encountered by the outside auditors during the course of the audit or reviews and be responsible for overseeing the resolution of such difficulties, differences and disputes.

Review the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (Communications with Audit Committees), relating to the conduct of the audit.

Receive from the outside auditors, review and discuss a formal written statement delineating all relationships between the outside auditors and the Corporation, consistent with the Independence Standards Board, Standard No. 1, regarding relationships and services, which may impact the objectivity and independence of the outside auditors, and other applicable standards. The statement shall include a description of all services provided by the outside auditors and the related fees.

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APPENDIX A

The Committee shall actively discuss any disclosed relationships or services that may impact the objectivity and independence of the outside auditors.

Review the scope, plan and procedures to be used on the annual audit and receive confirmation from the outside auditors that no limitations have been placed on the scope or nature of their audit scope, plan or procedures.

Related Party Transactions

Review any transaction involving the Corporation and a related party at least once a year or upon any significant change in the transaction or relationship. For these purposes, a related party transaction includes any transaction required to be disclosed pursuant to Item 404 of Regulation S-K.

Earnings Press Releases

Review and discuss with management and the outside auditors prior to release all earnings press releases of the Corporation, as well as any financial information and earnings guidance, if any, provided by the Corporation to analysts and rating agencies.

Compliance With Law And Regulations

Meet at least annually with management to review compliance with laws and regulations (including insider reporting) in all operating jurisdictions, the effectiveness of the Corporation's systems for monitoring compliance with laws and regulations and the results of the investigation and follow-up (including disciplinary action) on any fraudulent acts or accounting regularities.

Periodically obtain updates from management regarding compliance matters.

Compliance With Corporate Business Conduct Or Ethics Policies

Review with management, the outside auditors and legal counsel, as the Committee deems appropriate, actions taken to ensure compliance with any code of ethics or conduct for the Corporation established by the Board.

Review at least annually the Corporation's Business Conduct Policy and any other code of ethics adopted to comply with Section 406 of the Sarbanes-Oxley Act.

Evaluate whether management is setting the appropriate tone at the top by communicating the importance of the Corporation's ethics and conduct codes.

GOLDEN STAR RESOURCES LTD.

**SECOND AMENDED AND RESTATED 1997 STOCK OPTION PLAN
(Effective Date of Amendment April 8, 2004)**

1. PURPOSE

- 1.1 The purpose of the 1997 Stock Option Plan (the Plan) is to advance the interests of Golden Star Resources Ltd. (the Corporation) by encouraging equity participation in the Corporation by selected key employees, consultants and directors of the Corporation or subsidiaries of the Corporation through the acquisition of common shares without par value (Shares) in the Corporation. Any reference herein to the Corporation or any subsidiary of the Corporation shall be deemed to refer to any predecessor or successor corporation thereto.

It is the further purpose of this Plan to permit the granting of awards that will constitute performance-based compensation for certain executive officers, as described in section 162(m) of the United States Internal Revenue Code of 1986, as amended (the Code), and regulations promulgated thereunder.

As of the effective date of the Plan, the 1992 Employees Stock Option Plan and the 1992 Non-Discretionary Directors Stock Option Plan (collectively, the 1992 Plans) will be terminated subject to the assumption under the Plan of outstanding options granted under the 1992 Plans.

2. ADMINISTRATION OF THE PLAN

- 2.1 The Plan will be administered by a specifically designated independent committee (Independent Committee) of the Board of Directors of the Corporation (the Board of Directors), except that with respect to options granted to non-employee directors of the Corporation, the Board of Directors shall serve as the Committee, and, where applicable, any reference herein to the Independent Committee shall be deemed to refer to the Board of Directors. The Independent Committee shall consist of such two or more directors of the Corporation as the Board of Directors may designate from time to time, all of whom shall be and remain directors of the Corporation. To the extent necessary to comply with Code section 162(m) or Rule 16b-3 under the Securities Exchange Act of 1934 (the Exchange Act), as amended (Rule 16b-3), each member of the Independent Committee shall be intended to be an outside director within the meaning of Code section 162(m) or a non-employee director within the meaning of Rule 16b-3. The Independent Committee is authorized to interpret and to implement the Plan and all Plan agreements and may from time to time amend or rescind rules and regulations required for carrying out the Plan. The Independent Committee shall have the authority to exercise all of the powers granted to it under the Plan, to make any determination necessary or advisable in administering the Plan and to correct any defect, supply any

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omission and reconcile any inconsistency in the Plan. Any such interpretation or construction of any provision of the Plan shall be final and conclusive. Notwithstanding the foregoing, the Board of Directors may resolve to administer the Plan with respect to all of the Plan or certain participants and/or awards made or to be made under the Plan. To the extent that the Board of Directors determines to administer the Plan, all references herein to the Independent Committee shall be deemed to refer to the Board of Directors.

All administrative costs of the Plan shall be paid by the Corporation. No member of the Independent Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted under it.

3. PARTICIPATION

- 3.1 Options may be granted under the Plan to persons who are directors or key employees (including officers, whether or not directors, and part-time employees) of, or independent consultants to, the Corporation or any of its subsidiaries who, by the nature of their positions or jobs, are in the opinion of the Independent Committee in a position to contribute to the success of the Corporation or any of its subsidiaries or who, by virtue of their length of service to the Corporation or to any of its subsidiaries are, in the opinion of the Independent Committee, worthy of special recognition. Designation of a participant in any year shall not require the designation of such person to receive an option in any other year. The Independent Committee shall consider such factors as it deems pertinent in selecting participants and in determining the amount and terms of their respective options.
- 3.2 Subject to applicable regulatory approval, options may also be granted under the Plan in exchange for outstanding options granted by the Corporation, whether such outstanding options are granted under the Plan, under any other stock option plan of the Corporation or under any stock option agreement with the Corporation. Options granted under the 1992 Plans which are outstanding upon the effectiveness of the Plan will be assumed and will be deemed to be governed by the Plan as of such date.
- 3.3 Options may also be granted under the Plan in substitution for outstanding options of another corporation in connection with a plan of arrangement, amalgamation, merger, consolidation, acquisition of property or shares, or other reorganization between or involving such other corporation and the Corporation or any of its subsidiaries.

4. NUMBER OF SHARES RESERVED UNDER THE PLAN

- 4.1 The number of Shares reserved for issuance under the Plan is limited as follows:
- (a) the maximum number of Shares issuable pursuant to the exercise of options granted under the Plan shall be 9,000,000 (including such number of Shares issuable upon exercise of options granted under the 1992 Plan as of the effective date of the Plan) provided, however, if, after the effective date of the Plan, any Shares covered by an option granted under the Plan, or to which such an option

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relates, are forfeited, or if an option has expired, terminated or been cancelled for any reason whatsoever (other than by reason of exercise), then the Shares covered by such option shall again be, or shall become, Shares with respect to which options may be granted hereunder;

- (b) the number of Shares that may be reserved from time to time under the Plan for issuance to Insiders (as defined below) of the Corporation shall be limited to that number which is equal to the difference between (i) 10% of the outstanding number of Shares from time to time, and (ii) the number of Shares that are reserved for issuance to Insiders pursuant to stock options granted under other stock option plans or arrangements of the Corporation;
- (c) the total number of Shares issuable within any one-year period to all Insiders of the Corporation pursuant to the exercise of vested options granted under the Plan or pursuant to any other share compensation arrangements of the Corporation shall not exceed 10% of the Outstanding Issue;
- (d) the total number of Shares reserved for issuance to any one optionee pursuant to options granted under the Plan or other stock option plans or arrangements of the Corporation shall not exceed 5% of the outstanding number of Shares from time to time; and
- (e) the total number of Shares issuable within any one-year period to an Insider and, if applicable, such Insider's associates (as defined under the *Securities Act* (Ontario) pursuant to the exercise of vested options granted under the Plan or any other share compensation arrangements of the Corporation shall not exceed 5% of the Outstanding Issue.

Insiders has the meaning set forth in the Toronto Stock Exchange's policy issued March 22, 1994 entitled Employee Stock Option and Stock Purchase Plans, Options for Services and Related Matters.

Outstanding Issue, for the purposes of the Plan, is determined on the basis of the number of Shares that are outstanding immediately prior to the Shares issuance in question, excluding Shares issued pursuant to the Plan or the Corporation's other share compensation arrangements over the preceding one-year period. The maximum number of Shares set forth in Section 4.1(a) shall be appropriately adjusted in the event of any subdivision or consolidation of the Shares or in the discretion of the Independent Committee, to reflect any other corporate event or change in the Shares.

5. NUMBER OF OPTIONED SHARES PER OPTIONEE

- 5.1 Subject to Section 4.1 hereof, the maximum number of Shares subject to options granted to any one participant under the Plan in any one calendar year shall not exceed 400,000 (subject to adjustment in the event of any subdivision or consolidation of the Shares). Subject to these limitations, however, the determination regarding the number of

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optioned Shares that may be granted to each optionee pursuant to an option will be made by the Independent Committee and will take into consideration the optionee's present and potential contribution to the success of the Corporation.

6. PRICE

6.1 The exercise price per optioned Share shall be determined by the Independent Committee at the time the option is granted, but such price shall not be less than the fair market value per Share on the date of grant. For the purposes of the Plan, fair market value per Share shall mean the closing price of the Shares on the stock exchange or other market on which the Shares principally traded on the day immediately preceding the date of grant.

7. EXERCISE OF OPTIONS

7.1 The period during which an option may be exercised (the Option Period) shall be determined by the Independent Committee at the time the option is granted and may be up to 10 years from the date the option is granted, except as the same may be reduced pursuant to the provisions of Sections 8 and 9 hereof.

7.2 In order to ensure that the Corporation will receive the benefits contemplated in exchange for the options granted hereunder, no option shall be exercisable until it has vested. The vesting schedule for each option shall be specified in an option agreement as provided for in Section 12 hereof; provided, however, that the Independent Committee shall have the right with respect to any one or more optionees to accelerate the time at which an option may be exercised. Notwithstanding the foregoing provisions of this Section 7.2, if there is a Change of Control, as defined below, then all options outstanding shall become immediately exercisable.

For purposes of this Plan, a Change of Control shall mean the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition, in one or a series of related transactions, of all or substantially all of the assets of the Corporation to any person or group (as such terms are used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), (ii) any person or group, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have beneficial ownership of all shares that any such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 50% of the total voting power of the voting stock of the Corporation, including by way of merger, consolidation or otherwise or (iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors (together with any new directors whose election by such Board of Directors whose nomination for election by the shareholders of the Corporation was approved by a vote of a majority of the directors of the Corporation, then still in office, who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors, then in office.

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- 7.3 Options shall be exercisable, either all or in part, at any time after vesting. If less than all of the Shares included in the vested portion of any option are purchased, the remainder may be purchased, subject to the option's terms, at any subsequent time prior to the expiration of the Option Period.
- 7.4 Except as set forth in Sections 8 and 9 hereof, no option may be exercised unless the optionee is at the time of such exercise an employee or director of, or consultant to, the Corporation or any of its subsidiaries and shall have continuously served in any one or more of such capacities since the grant of the option. Absence on leave, with the approval of the Independent Committee, shall not be considered an interruption of service for any purpose of the Plan.
- 7.5 The exercise of any option will be contingent upon receipt by the Corporation of payment for the full purchase price of the Shares being purchased in cash by way of certified cheque or bank draft or by way of proceeds of any loan made by the Corporation to the optionee pursuant to Section 10 hereof. No optionee or his or her legal representatives, legatees or distributees will be, or will be deemed to be, a holder of any Shares subject to an option under the Plan, unless and until certificates for such Shares are issued to him, her or them under the terms of the Plan.
- 7.6 No option granted under the Plan shall be an incentive stock option within the meaning of Code section 422.

8. TERMINATION OF EMPLOYMENT

8.1 If an optionee ceases to be employed by, or provide services to, the Corporation or any of its subsidiaries for any reason (other than death), or shall receive notice from the Corporation or any of its subsidiaries of the termination of his or her employment or services (such optionee being referred to in this Section 8.1 as a Former Optionee), the Former Optionee may only exercise each option held, to the extent that it has vested and not been exercised before such termination, until the earlier of:

- (a) the date which is 30 days after the Former Optionee ceased to be employed by, or provide services to, the Corporation or any of its subsidiaries; and
- (b) the expiry of the Option Period for the option (the Option Expiry Date);

provided, however, that:

- (c) if the Former Optionee was a director of the Corporation or any of its subsidiaries, each option held will continue to be exercisable until the earlier of:
 - (i) the date which is 12 months after the Former Optionee ceases to be such a director for any reason (other than death), and
 - (i) the Option Expiry Date, and

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- (d) each option held may continue to be exercisable for such longer period than that provided for in this Section 8.1 if and as may be determined by the Independent Committee and any such determination by the Independent Committee may be made retroactively effective in order to reinstate the effectiveness of an option held by a Former Optionee that is otherwise rendered unexercisable pursuant to the other provisions of this Section 8.1; provided, however, that any such determination by the Independent Committee shall be subject to the following:
 - (i) such determination shall be made within three months after the date that the Former Optionee ceased to be employed by, or provide services to, the Corporation or any of its subsidiaries;
 - (ii) such determination shall be subject to applicable regulatory approvals; and
 - (iii) such longer exercise period determined by the Independent Committee for any option shall not extend beyond the Option Expiry Date for such option.

9. DEATH OF OPTIONEE

9.1 In the event of the death of an optionee while in service or in the post-termination period described in Section 8, each option theretofore granted to him or her shall be exercisable until the earlier of:

- (a) the expiry of the period within which the option may be exercised after such death, which period may be up to one year after such death and is to be specified in his or her option agreement, and
- (b) the Option Expiry Date;

provided, however, that the option is only exercisable in such event:

- (c) by the person or persons to whom the optionee's rights under the option shall pass by the optionee's will or by the laws of descent and distribution, and
- (d) to the extent that the option has vested and not been exercised prior to the Optionee's death.

10. LOANS TO EMPLOYEES

10.1 An interest free loan will be made available to optionees who are employees of the Corporation or any of its subsidiaries at the time the loan is made, the proceeds of which loan may only be used directly for the exercise of options granted under the Plan to the optionee.

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The optionee shall pledge the subject shares as security for timely repayment of the loan and the Corporation's sole recourse for repayment and recovery of the loan shall be against the pledged shares. Until the loan is repaid, the pledged shares will be held by a trustee designated by the Corporation. The term of the loan shall be five years from the date of the loan, provided that the due date for the loan shall not in any event extend beyond that date which is ten years from the date of grant of the particular option, and, provided further, that the loan shall be repaid within 30 days of the earlier of the date upon which the optionee ceases to be an employee of the Corporation or any of its subsidiaries for any reason (other than death), or the date upon which the optionee receives notice from the Corporation or any of its subsidiaries of the termination of his or her employment. If the option has not been exercised by the optionee prior to his or her death, the loan provisions shall not be available for the exercise of the option pursuant to Section 9 hereof after his or her death.

11. INTENTIONALLY OMITTED

12. OPTION AGREEMENT

12.1 Upon the grant of an option to an optionee, the Corporation and the optionee shall enter into an option agreement setting out the number of optioned Shares granted to the optionee and incorporating the terms and conditions of the Plan and any other requirements of regulatory bodies having jurisdiction over the securities of the Corporation and such other terms and conditions as the Independent Committee may determine are necessary or appropriate, subject to the Plan's terms.

13. ADJUSTMENT IN SHARES SUBJECT TO THE PLAN

13.1 The option exercise price and the number of Shares to be purchased by an optionee upon the exercise of an option will be adjusted, with respect to the then unexercised portion thereof, by the Independent Committee from time to time (on the basis of such advice as the Independent Committee considers appropriate, including, if considered appropriate by the Independent Committee, a certificate of auditors of the Corporation) in the event and in accordance with the provisions and rules set out in this Section 13. Any dispute that arises at any time with respect to any adjustment pursuant to such provisions and rules will be conclusively determined by the Independent Committee, and any such determination will be binding on the Corporation, the optionee and all other affected parties.

(a) In the event that a dividend is declared upon the Shares payable in Shares (other than in lieu of dividends paid in the ordinary course), the number of Shares then subject to any option shall be adjusted by adding to each such Share the number of Shares which would be distributable thereon if such Share had been outstanding on the date fixed for determining shareholders entitled to receive such stock dividend.

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- (b) In the event that the outstanding Shares are changed into or exchanged for a different number or kind of Shares or other securities of the Corporation or of another corporation, whether through an arrangement, amalgamation or other similar procedure or otherwise, or a share recapitalization, subdivision or consolidation, then there shall be substituted for each Share subject to any option the number and kind of Shares or other securities of the Corporation or another corporation into which each outstanding Share shall be so changed or for which each such Share shall be exchanged.
 - (c) In the event that there is any change, other than as specified above in this Section 13, in the number or kind of outstanding Shares or of any securities into which such Shares shall have been changed or for which they shall have been exchanged, then, if the Independent Committee, in its sole discretion, determines that such change equitably requires an adjustment to be made in the number or kind of Shares, such adjustment shall be made by the Independent Committee and be effective and binding for all purposes.
 - (d) In the event that the Corporation distributes by way of a dividend, or otherwise, to all or substantially all holders of Shares, property, evidences of indebtedness or shares or other securities of the Corporation (other than Shares) or rights, options or warrants to acquire Shares or securities convertible into or exchangeable for Shares or other securities or property of the Corporation, other than as a dividend in the ordinary course, then, if the Independent Committee, in its sole discretion, determines that such action equitably requires an adjustment in the option exercise price or number of Shares subject to any option, or both, such adjustment shall be made by the Independent Committee and shall be effective and binding for all purposes.
- 13.2 In the case of any such substitution or adjustment as provided for in this Section 13, the exercise price in respect of each option for each Share covered thereby prior to such substitution or adjustment will be proportionately and appropriately varied, such variation shall generally require that the number of Shares or securities covered by the option after the relevant event multiplied by the varied option exercise price be equal to the number of Shares covered by the option prior to the relevant event multiplied by the original option exercise price.
- 13.3 No adjustment or substitution provided for in this Section 13 shall require the Corporation to issue a fractional share in respect of any option. Fractional shares shall be eliminated.
- 13.4 The grant of an option shall not affect in any way the right or power of the Corporation to effect adjustments, reclassifications, reorganizations, arrangements or changes of its capital or business structure, or to amalgamate, merge, consolidate, dissolve or liquidate, or to sell or transfer all or any part of its business or assets.

14. TRANSFERABILITY

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14.1 All benefits, rights and options accruing to any optionee in accordance with the terms and conditions of the Plan shall not be assignable other than as specifically provided in Section 9 in the event of the death of the optionee. During the lifetime of an optionee, all benefits, rights and options shall not be transferable and may only be exercised by the optionee.

15. EMPLOYMENT

15.1 Nothing contained in the Plan shall confer upon any optionee any right with respect to employment or continuance of employment with, or the provision of services to, the Corporation or any of its subsidiaries, or interfere in any way with the right of the Corporation or any of its subsidiaries to terminate the optionee's employment or services at any time. Participation in the Plan by an optionee is voluntary.

16. RECORD KEEPING

16.1 The Corporation shall maintain a register in which shall be recorded:

- (a) the name and address of each optionee; and
- (b) the number of Shares subject to an option granted to an optionee and the number of Shares subject to the option remaining outstanding.

17. SECURITIES REGULATION AND TAX WITHHOLDING

17.1 Where the Independent Committee determines it is necessary or desirable to effect exemption from registration or distribution of the Shares under securities laws applicable to the securities of the Corporation, an optionee shall be required, upon the acquisition of any Shares pursuant to the Plan, to acquire the Shares with investment intent (i.e., for investment purposes) and not with a view to their distribution, and to present to the Independent Committee an undertaking to that effect in a form acceptable to the Independent Committee. The Board of Directors and the Independent Committee may take such other action or require such other action or agreement by such optionee as may from time to time be necessary to comply with applicable securities laws. This provision shall in no way obligate the Corporation to undertake the registration or qualification of any options or the Shares under any securities laws applicable to the securities of the Corporation.

17.2 The Board of Directors and the Corporation may take all such measures as they deem appropriate to ensure that the Corporation's obligations under the withholding provisions under income and tax laws applicable to the Corporation and other provisions of applicable laws are satisfied with respect to the issuance of Shares pursuant to the Plan or the grant or exercise of options under the Plan, including retention of Shares that would otherwise be issued to the optionee or requiring the optionee to fund the amount required to be withheld.

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17.3 Issuance, transfer or delivery of certificates for Shares purchased pursuant to the Plan may be delayed, at the discretion of the Independent Committee, until the Independent Committee is satisfied that the applicable requirement of securities and income tax laws have been met.

18. AMENDMENT AND TERMINATION

18.1 The Board of Directors reserves the right to amend or to terminate the Plan at any time if and when it is advisable in the absolute discretion of the Board of Directors; provided, however, that no such amendment or termination shall adversely affect any outstanding options granted under the Plan without the consent of the optionee. Furthermore, to the extent any amendment would require shareholder approval under Code section 162(m), such amendment shall be effective upon the required approval of the shareholders of the Corporation. Any amendment to the Plan shall also be subject to any necessary approvals of any stock exchange or regulatory body having jurisdiction over the securities of the Corporation and, where applicable, shareholders approval.

18.2 Subject to regulatory approval, where applicable, the Independent Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any option theretofore granted, prospectively or retroactively; provided, however, that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would impair the rights of any optionee or any holder or beneficiary of any option theretofore granted shall not to that extent be effective without the consent of the affected optionee, holder or beneficiary.

19. NO REPRESENTATION OR WARRANTY

19.1 The Corporation makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

20. NECESSARY APPROVALS

20.1 The obligation of the Corporation to issue and to deliver any Shares in accordance with the Plan is subject to any necessary or desirable approval of any regulatory authority having jurisdiction over the securities of the Corporation. If any Shares cannot be issued to any optionee for whatever reason, the obligation of the Corporation to issue such Shares shall terminate and any option exercise price paid to the Corporation shall be returned to the optionee.

21. GENERAL PROVISIONS

21.1 Nothing contained in the Plan shall prevent the Corporation or any subsidiary thereof from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of options (subject to shareholder approval if such approval is required), and such arrangements may be either generally applicable or applicable only in specific cases.

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21.2 The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan and any option agreement shall be determined in accordance with the laws of the State of New York.

21.3 If any provision of the Plan or any option is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any person or option, or would disqualify the Plan or any option under any law deemed applicable by the Independent Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Independent Committee, materially altering the intent of the Plan or the option, such provision shall be stricken as to such jurisdiction, person or option and the remainder of the Plan and any such option shall remain in full force and effect.

21.4 Neither the Plan nor any option shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Corporation or any subsidiary thereof and an optionee or any other person.

21.5 Headings are given to the Sections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

22. TERM OF THE PLAN

22.1 The Plan shall be effective as of the date of its approval by the shareholders of the Corporation, subject to receipt of all necessary regulatory approvals.

22.2 No option shall be granted under the Plan after June 10, 2007. Unless otherwise expressly provided in the Plan or in an applicable option agreement, any option granted hereunder may, and the authority of the Board of Directors or the Independent Committee to amend, alter, adjust, suspend, discontinue, or terminate any such option or to waive any conditions or rights under any such option shall, continue after June 10, 2007.

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**GOLDEN STAR RESOURCES LTD.
ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS MAY 20, 2004
PROXY
THIS PROXY IS SOLICITED BY MANAGEMENT OF THE CORPORATION**

The undersigned holder of common shares in the capital stock of Golden Star Resources Ltd. (the Company) hereby nominates and appoints Peter J. Bradford, President and Chief Executive Officer of the Company, or failing him, Allan J. Marter, Senior Vice President, Chief Financial Officer and Secretary of the Company, or instead of them or any of them, _____, as the proxy of the undersigned to attend, act and vote in respect of all common shares registered in the name of the undersigned at the Annual General and Special Meeting (the Meeting) of shareholders of the Company to be held at 2:00 p.m. (Toronto time) on Thursday, May 20, 2004 in the Gallery Facility, at the Toronto Stock Exchange Broadcast and Conference Centre, 2130 King Street West, in Toronto, Ontario, Canada M5J 1E3, and at any and all adjournments thereof. Without limiting the general powers hereby conferred, the said proxy is directed to vote as follows, provided that, if no choice is specified herein, or if any instructions given are not clear, the shares shall be voted as if the shareholder had specified an affirmative vote:

1. To elect the following persons as directors of the Company:

James E. Askew	For	<input type="radio"/>	Withhold	<input type="radio"/>
Peter J. Bradford	For	<input type="radio"/>	Withhold	<input type="radio"/>
David K. Fagin	For	<input type="radio"/>	Withhold	<input type="radio"/>
Ian MacGregor	For	<input type="radio"/>	Withhold	<input type="radio"/>
Lars-Eric Johansson	For	<input type="radio"/>	Withhold	<input type="radio"/>
Michael P. Martineau	For	<input type="radio"/>	Withhold	<input type="radio"/>

2. To ratify, confirm and approve the Shareholder Protection Rights Plan.

For **Against**

3. To approve the amendments to the Company's Amended and Restated 1997 Stock Option Plan, as more particularly set out in the management information circular for the Meeting.

For **Against**

4. To appoint PricewaterhouseCoopers LLP as the auditors of the Company and to authorize the Board of Directors to fix the auditors' remuneration:

For **Withhold**

The undersigned hereby revokes any instrument of proxy heretofore given with reference to the said meeting or any adjournment thereof.

The proxyholder may in his discretion vote with respect to amendments or variations to matters identified in the Notice of Meeting or to other matters which may properly come before the meeting or any adjournment thereof.

DATED this _____ day of _____, 2004.

Signature

Name of shareholder (*Please Print*)

Address

Number of common shares held

(PLEASE SEE NOTES ON REVERSE SIDE)

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NOTES

1. The shares represented by this proxy will be voted in accordance with the instructions given herein. IF NO CHOICE IS SPECIFIED HEREIN, OR IF ANY INSTRUCTIONS GIVEN ARE NOT CLEAR, THE SHARES SHALL BE VOTED AS IF THE SHAREHOLDER HAD SPECIFIED AN AFFIRMATIVE VOTE, ALL IN THE SAME MANNER AND TO THE SAME EXTENT AS THE SHAREHOLDER COULD DO IF THE SHAREHOLDER WERE PERSONALLY PRESENT AT THE MEETING.
2. A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) OTHER THAN THE PERSON DESIGNATED IN THIS PROXY TO ATTEND AND ACT FOR THE SHAREHOLDER AND ON THE SHAREHOLDER'S BEHALF AT THE MEETING. Such right may be exercised by printing in the space provided the name of the person to be appointed, in which case only the person so named may vote the shares at the meeting.
3. This proxy will not be valid unless it is dated and signed by the shareholder or the shareholder's attorney authorized in writing or, if the shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and ceases to be valid one year from its date. If the proxy is executed by an attorney for an individual shareholder or by an officer or an attorney of a corporate shareholder, the instrument so empowering the officer or attorney, as the case may be, or a notarial copy thereof, must accompany the proxy instrument.
4. To be effective, the instrument of proxy must be received by 2:00 p.m. (Toronto time) on Tuesday, May 18, 2004 at the address set forth in the accompanying return envelope (Attention: Proxy Department, CIBC Mellon Trust Company, #6, 200 Queens Quay East, Toronto, Ontario, Canada M5A 4K9).