

GOLDEN STAR RESOURCES LTD

Form 424B5

December 10, 2009

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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-155767

Golden Star Resources Ltd.

\$3.75 per Common Share

\$75,000,000

20,000,000 Common Shares

We are offering 20,000,000 of our common shares for \$3.75 per share. The price of the common shares was determined by negotiation between us and the underwriters named below.

On December 3, 2009 prior to the pricing of this offering, the closing price for our common shares on NYSE Amex Equities was \$4.19 per share and the closing price on the Toronto Stock Exchange was Cdn\$4.45 per share, and on December 9, 2009 the closing price of our common shares on the NYSE Amex was \$3.58 and on the Toronto Stock Exchange was Cdn\$3.73. Our common shares are traded on the NYSE Amex under the symbol GSS, on the Toronto Stock Exchange under the symbol GSC and on the Ghana Stock Exchange under the symbol GSR. Application has been made to the Toronto Stock Exchange and the NYSE Amex to approve the listing of the common shares. The listing of the common shares on the Toronto Stock Exchange and the NYSE Amex is subject to our fulfillment of all of the listing requirements of the Toronto Stock Exchange and the NYSE Amex, respectively. The Toronto Stock Exchange has conditionally approved the listing of the common shares, subject to the Company fulfilling the listing requirements of the Toronto Stock Exchange on or before March 4, 2010.

Unless otherwise indicated, all references to \$ or dollars in this prospectus supplement refer to United States dollars. References to Cdn\$ in this prospectus supplement refer to Canadian dollars.

Investing in the common shares involves a high degree of risk. See Risk Factors beginning on page S-7 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission or other regulatory body has approved or disapproved of these securities, or determined if this prospectus supplement or the related prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Price: \$3.75 per Common Share

	Price to the Public	Underwriters Fee	Net Proceeds to Golden Star(1)
Per Common Share	\$ 3.75	\$ 0.16875	\$ 3.58125
Total(2)	\$ 75,000,000	\$ 3,375,000	\$ 71,625,000

Notes:

- (1) Before deducting expenses of this offering, estimated to be \$750,000, which will be paid from the proceeds of the sale of the common shares.
- (2) We have granted to the Canadian underwriters (as described below) an option, which we refer to as the over-allotment option, to purchase up to 3,000,000 additional common shares at \$3.75 per common share. The over-allotment option will be exercisable, in whole or in part, for a period of 30 days following the closing of the offering. If the over-allotment option is exercised in full, the total price to the public,

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underwriters' fee and net proceeds to us (before estimated offering expenses) will be \$86,250,000, \$3,881,250 and \$82,368,750, respectively. See Plan of Distribution.

The common shares are being offered in the United States on a best efforts basis, with no minimum number or dollar amount requirement, by BMO Capital Markets Corp., Wellington West Capital Markets (USA) Inc. and Macquarie Capital Markets North America Ltd., to whom we refer as the U.S. agents, and in Canada on a firm commitment basis by BMO Nesbitt Burns Inc., Wellington West Capital Markets and Macquarie Capital Markets Canada Ltd., to whom we refer as the Canadian underwriters. Any common shares sold by the U.S. agents will reduce the amount of the Canadian underwriters' commitment. We refer to the Canadian underwriters and the U.S. agents, collectively, as the underwriters.

The underwriters expect to deliver the common shares to purchasers on December 17, 2009.

The date of this prospectus supplement is December 10, 2009.

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You should rely only on information contained or incorporated by reference in this prospectus supplement and the related prospectus. We have not authorized anyone to provide you with information different from that contained or incorporated in this prospectus supplement and the related prospectus. Information on any websites maintained by us does not constitute a part of this prospectus supplement or the related prospectus.

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

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ABOUT THIS PROSPECTUS

This prospectus supplement and the related prospectus have been filed with the Securities and Exchange Commission, which we refer to as the SEC, pursuant to a registration statement on Form S-3, which we refer to as the registration statement. To the extent the information contained in the prospectus supplement differs from the information contained in the accompanying prospectus, you should rely on the information contained in this prospectus supplement. We have also filed a short form prospectus, which we refer to as the Canadian prospectus, with the securities regulatory authorities in each of the provinces of Canada other than Quebec. Under the Canadian prospectus, the securities registered under the registration statement may be offered and sold in each of the provinces of Canada other than Quebec, subject to any applicable securities laws.

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

CURRENCY AND EXCHANGE RATE INFORMATION

We report in United States dollars. Accordingly, all references to \$, U.S.\$ or dollars in this prospectus supplement refer to United States dollars unless otherwise indicated. References to Cdn\$ or Canadian dollars are used to indicate Canadian dollar values, and references to GH¢ or Ghanaian Cedis are used to indicate values in Ghanaian Cedi.

The noon rate of exchange on December 9, 2009 as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was Cdn\$1.00 equals \$0.9477 and the conversion of United States dollars into Canadian dollars was \$1.00 equals Cdn\$1.0552. The noon rate of exchange on December 9, 2009 as reported by the Bank of Canada for the conversion of United States dollars into Ghanaian Cedis was \$1.00 equals GH¢1.4288 and the conversion of Ghanaian Cedis into United States dollars was GH¢1.00 equals \$0.6999. The noon rate of exchange on December 9, 2009 as reported by the Bank of Canada for the conversion of Canadian dollars into Ghanaian Cedi was Cdn\$1.00 equals GH¢1.3541 and the conversion of Ghanaian Cedi into Canadian dollars was GH¢1.00 equals Cdn\$0.7385.

NON-GAAP FINANCIAL MEASURES

In this prospectus, or in the documents incorporated herein by reference, we use the terms total cash cost per ounce and cash operating cost per ounce. Total cash cost per ounce and cash operating cost per ounce should be considered as Non-GAAP Financial Measures as defined in Regulation S-K Item 10 under the United States Securities Exchange Act of 1934, as amended (the Exchange Act) and under applicable Canadian securities laws, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP in Canada and the United States. There are material limitations associated with the use of such non-GAAP measures. Since these measures do not incorporate revenues, changes in working capital and non-operating cash costs, they are not necessarily indicative of operating profit or cash flow from operations as determined under GAAP. Changes in numerous factors, including, but not limited to, mining rates, milling rates, gold grade, gold recovery, and the costs of labor, consumables and mine site general and administrative activities can cause these measures to increase or decrease. We believe that these measures are the same or similar to the measures of other gold mining companies, but may not be comparable to similarly titled measures in every instance. See Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 for an explanation of these measures.

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SUMMARY

You should read the following summary and the more detailed information about us and the common shares provided in this prospectus supplement, in the related prospectus and in documents incorporated by reference, including the sections of those documents captioned **Risk Factors** and our consolidated financial statements and notes thereto. References to **we**, **our** and **us** mean Golden Star Resources Ltd., its predecessors and consolidated subsidiaries, or any one or more of them, as the context requires.

Our Business

We are an international gold mining and exploration company, producing gold in Ghana, West Africa. We also conduct gold exploration in West Africa and in South America. We own controlling interests in several gold properties in southwest Ghana:

We own 90% of and operate the Bogoso/Prestea gold mining and processing operation, which consists of the adjoining Bogoso and Prestea properties located along the Ashanti Trend in southwestern Ghana. We have a nominal 3.5 million tonnes per year processing facility at Bogoso/Prestea that uses bio-oxidation technology to treat refractory sulfide ore. In addition, Bogoso/Prestea has a carbon-in-leach processing facility next to the sulfide plant which is suitable for treating oxide ores. Bogoso/Prestea produced and sold 170,499 ounces of gold in 2008 and 139,375 ounces of gold in the first nine months of 2009.

We own 90% of and operate the Wassa open-pit gold mine and carbon-in-leach processing plant, located approximately 35 kilometers east of Bogoso/Prestea. The design capacity of the carbon-in-leach processing plant at Wassa is nominally 3.0 million tonnes per annum but varies depending on the ratio of hard to soft ore. We also own the Hwini-Butre and Benso concessions, referred to as the HBB properties, located approximately 80 and 50 kilometers, respectively, south of Wassa. The Benso mine began shipping ore to Wassa late in 2008, and the Hwini-Butre mine began shipping ore to Wassa in April 2009. Wassa produced and sold 125,427 ounces of gold in 2008, and Wassa/HBB produced and sold 164,041 ounces of gold in the first nine months of 2009.

We also hold interests in several gold exploration projects in Ghana and elsewhere in West Africa including Sierra Leone, Burkina Faso, Niger and Côte d'Ivoire, and hold exploration properties in Brazil.

Please see **The Company** in this prospectus supplement for additional information about our operations.

Our principal executive offices are located at 10901 West Toller Drive, Suite 300, Littleton, Colorado 80127-4247, and our telephone number is (303) 830-9000. Our registered office is located at 66 Wellington St. W., Suite 4200, P.O. Box 20, Toronto Dominion Bank Tower, Toronto Dominion Centre, Toronto, Ontario M5K 1N6.

Recent Developments

On November 18, 2009, the Company entered into a settlement agreement in respect of the outstanding litigation regarding the Paul Isnard properties in French Guiana, pursuant to which the Company is to be transferred the rights to those properties subject to receiving required governmental approvals.

On November 19, 2009, the Company entered into an agreement pursuant to which it sold all of its rights, title and interest in the Bon Espoir, Iracoubo Sud and Paul Isnard properties for approximately \$2.1 million.

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On November 30, 2009, the Company entered into an agreement to sell its interest in the Saramacca joint venture, which holds the Saramacca properties in Suriname, to its joint venture partner for approximately \$8.0 million, with the proceeds of the sale to be held in escrow pending the receipt of required governmental approvals and certain additional customary conditions.

2009 Production and Cash Operating Costs

We estimate 2009 Bogoso/Prestea gold production will total 190,000 ounces at an average cash operating cost of \$685 per ounce, and we expect Wassa to produce approximately 215,000 ounces during 2009 at an average cash operating cost of \$460 per ounce, for total production of approximately 405,000 ounces at an average cash operating cost of approximately \$565 per ounce.

Business Strategy

Our business and development strategy has been focused primarily on the acquisition of producing and development stage gold properties in Ghana and on the exploration, development and operation of these properties. Our overall objective is to grow our business to become a mid-tier gold producer. We continue to evaluate potential acquisition and merger opportunities that could further increase our annual gold production, however we presently have no agreement or understanding with respect to any specific potential transaction.

In addition to our gold mining and development activities, we actively explore for gold in West Africa and South America. We invested approximately \$15.8 million on such activities during 2008 and plan to spend approximately \$10 million during 2009.

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The Offering

Securities offered	20,000,000 common shares.
Issue price	\$3.75 per share.
Common shares outstanding before this offering	237,309,561 common shares(1)
Common shares outstanding after this offering	257,309,561 common shares. If the over-allotment option were exercised in full, 260,309,561 common shares would be outstanding after the offering.
Risk factors	An investment in the common shares involves a high degree of risk. You should not consider this offer if you cannot afford to lose your entire investment. Please refer to Risk Factors beginning on page S-7 of this prospectus supplement for factors you should consider.
Use of proceeds	The proceeds of this offering, net of the underwriters' fee and after expenses, are estimated to be approximately \$70,875,000 million based on an offering price of \$3.75 per share, assuming no exercise of the over-allotment option, and are expected to be used to continue with committed capital projects, exploration activities and for general corporate purposes.
Trading symbols and listing	Our common shares are traded on the NYSE Amex under the symbol GSS, on the Toronto Stock Exchange under the symbol GSC and on the Ghana Stock Exchange under the symbol GSE. Application has been made to the NYSE Amex and the Toronto Stock Exchange to approve listing of the common shares. The listing of the common shares on the NYSE Amex and the Toronto Stock Exchange is subject to fulfillment of all of the listing requirements of the NYSE Amex and Toronto Stock Exchange, respectively.

(1) Common shares outstanding at December 9, 2009. Amount excludes (i) 7,452,065 common shares issuable upon exercise of currently outstanding options at exercise prices ranging from Cdn\$1.02 to Cdn\$9.07 per share; (ii) 25,000,000 common shares currently issuable upon conversion of our convertible notes at a conversion price of \$5.00 per share; and (iii) an additional 1,477,579 common shares available for issuance under our stock option plans.

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STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This prospectus supplement and the related prospectus and the documents incorporated by reference in this prospectus supplement contain certain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act, with respect to our financial condition, results of operations, business, prospects, plans, objectives, goals, strategies, future events, capital expenditures, and exploration and development efforts. Words such as anticipates, expects, intends, forecasts, plans, believe, seeks, estimates, may, will, and similar expressions (including negative and grammatical variations) identify forward-looking statements. Although we believe that our plans, intentions and expectations reflected in these forward-looking statements are reasonable, we cannot be certain that these plans, intentions or expectations will be achieved. Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained or incorporated by reference in this prospectus supplement. These statements include comments regarding: anticipated attainment of gold production rates; production and cash operating cost estimates for 2009; anticipated commencement dates of mining and production at Prestea South; expected PFIC status in 2009 and in the future; our anticipated investing and exploration spending during 2009; and identification of acquisition and growth opportunities.

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

significant increases or decreases in gold prices;

losses or gains in mineral reserves from changes in operating costs and/or gold prices;

failure of exploration efforts to expand mineral reserves around our existing mines;

unexpected changes in business and economic conditions;

inaccuracies in mineral reserves and non-reserves estimates;

changes in interest and currency exchange rates;

timing and amount of gold production;

unanticipated variations in ore grade, tonnes mined and crushed or milled;

unanticipated recovery or production problems;

effects of illegal mining on our properties;

changes in mining and processing costs, including changes to costs of raw materials, supplies, services and personnel;

changes in metallurgy and processing;

availability of skilled personnel, contractors, materials, equipment, supplies, power and water;

changes in project parameters or mine plans;

costs and timing of development of mineral reserves;

weather, including drought or excessive rainfall in West Africa;

results of current and future exploration activities;

results of pending and future feasibility studies;

acquisitions and joint venture relationships;

political or economic instability, either globally or in the countries in which we operate;

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changes in regulatory frameworks or regulations affecting our operations, particularly in Ghana, where our principal producing properties are located;

local and community impacts and issues;

availability and cost of replacing mineral reserves;

timing of receipt and maintenance of government approvals and permits;

unanticipated transportation costs including shipping incidents and losses;

accidents, labor disputes and other operational hazards;

environmental costs and risks;

changes in tax laws;

unanticipated title issues;

competitive factors, including competition for property acquisitions;

possible litigation; and

availability of capital at reasonable rates or at all.

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

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RISK FACTORS

An investment in the common shares involves a high degree of risk. You should consider carefully the following discussion of risks, in addition to the other information included or incorporated by reference in this prospectus supplement before purchasing any of the common shares. In addition to historical information, the information in this prospectus supplement and the related prospectus contains forward-looking statements about our future business and performance. See Statements Regarding Forward-Looking Information. Our actual operating results and financial performance may be very different from what we expect as of the date of this prospectus supplement. The risks below address the material factors that may affect our future operating results and financial performance.

Financial Risks

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

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

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

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

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

halt or delay the development of new projects; and

reduce funds available for exploration, with the result that depleted mineral reserves are not replaced.

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

We have incurred and may continue to incur substantial losses that could make financing our operations and business strategy more difficult and that may affect our ability to service our debts as they become due.

We experienced net losses of \$120.1 million in 2008 and \$3.1 million in the first nine months of 2009 and have experienced net losses in other prior fiscal years. In recent years, the start-up of the Bogoso sulfide plant, lower than expected ore grades or recoveries, higher than expected operating costs, and impairment write-offs of mine property and/or exploration property costs have been the primary factors contributing to such losses. In the future, these factors, as well as declining gold prices, could cause us to continue to be unprofitable. Future operating losses could make financing our operations and our business strategy, including pursuit of the growth opportunities anticipated at the HBB properties, or raising additional capital, difficult or impossible and could materially and adversely affect our operating results and financial condition. In addition, continuing operating losses could affect our ability to meet our debt payment obligations.

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

We had total consolidated debt and liabilities as of September 30, 2009 of \$243.6 million, including \$5.0 million payable to banks (\$2.3 million net of loan fees); \$22.1 million in equipment financing loans; \$99.2 million (\$125.0 million including the loan's equity portion) pursuant to the convertible debentures; \$62.7 million of current trade payables, accrued current and other liabilities; \$24.5 million of future taxes; \$0.25 million of derivative liabilities and a \$32.5 million accrual for environmental rehabilitation liabilities. Our indebtedness and other liabilities may increase as a result of general corporate activities. These liabilities could have important consequences, including the following:

increasing our vulnerability to general adverse economic and industry conditions;

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

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

limiting our flexibility in planning for, or reacting to, changes in our business and the industry; and

placing us at a disadvantage when compared to our competitors that have less debt relative to their market capitalization.

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

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

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

We currently have only two sources of operational cash flows, which could be insufficient by themselves to fund our continuing exploration and development activities.

While we have received significant infusions of cash from sales of equity and debt, our only current significant internal sources of funds are operational cash flows from Bogoso/Prestea and Wassa/HBB. The anticipated continuing exploration and development of our properties are expected to require significant expenditures over the next several years. Although we expect sufficient internal cash flow to cover all of these projects, such expenditures may exceed free cash flows generated by Bogoso/Prestea and Wassa/HBB in future years and therefore we may require additional external debt or equity financing. Our ability to raise significant new capital will be a function of macroeconomic conditions, future gold prices, our operational performance and our then current cash flow and debt position, among other factors. In light of the current limited global availability of credit, we may not be able to obtain adequate financing on acceptable terms or at all, which could cause us to delay or indefinitely postpone further exploration and development of our properties. As a result, we could lose our interest in, or could be forced to sell, some of our properties.

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

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

Our hedging activities might be unsuccessful and incur losses.

During September 2009, we entered into structured gold option agreements to address a significant increase in gold price volatility. All of these contracts had terms of 180 days or less. As of December 9, 2009, we had option agreements on 11,539 ounces of gold, all of which expire prior to December 31, 2009. These hedges and any further hedging activities might not protect adequately against declines in the price of gold. In addition, although a hedging program could protect us from a decline in the price of gold; it might also prevent us from benefiting fully from price increases. For example, as part of a hedging program, we could be obligated to sell gold at a price lower than the then-current market price.

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

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

We are subject to litigation risks

All industries, including the mining industry, are subject to legal claims, with and without merit. We are currently involved in litigation relating to crop compensation. We believe this action is frivolous and entirely without merit, and we are vigorously defending against this action on numerous grounds. We are also involved in various routine legal proceedings incidental to our business. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, the resolution of any particular legal proceeding could have a material effect on our future financial position and results of operations.

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Operational Risks

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

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

power shortages;

mechanical and electrical equipment failures;

parts availability;

unexpected changes in ore grades;

unexpected changes in ore chemistry and gold recoverability;

environmental hazards;

discharge of pollutants or hazardous chemicals;

industrial accidents;

labor disputes and shortages;

supply and shipping problems and delays;

shortage of equipment and contractor availability;

unusual or unexpected geological or operating conditions;

cave-ins of underground workings;

slope failures and failure of pit walls or dams;

fire;

marine and transit damage and/or loss;

changes in the regulatory environment; and

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

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

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

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

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

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

Our pit at Dumasi will require us to implement a resettlement action plan and reach agreements with the residents that live close to the pits. These negotiations could be difficult or unsuccessful and may materially affect our ability to access these mineral reserves and mineral resources.

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

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

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

Mine development projects, including our recent development at Benso and Hwini-Butre, typically require a number of years and significant expenditures during the development phase before production is possible.

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

estimation of mineral reserves and mineral resources;

mining rate, dilution and recovery;

anticipated metallurgical characteristics of the ore and gold recovery rates;

environmental and community considerations, permitting and approvals;

future gold prices; and

anticipated capital and operating costs.

Estimates of proven and probable mineral reserves and operating costs developed in feasibility studies are based on reasonable assumptions including geologic and engineering analyses and might not prove to be accurate.

The management of mine development projects and start up of new operations are complex. Completion of development and the commencement of production may be subject to delays, as occurred in connection with the Bogoso sulfide expansion project. Any of the following events,

among others, could affect the profitability or economic feasibility of a project:

unanticipated changes in grade and tonnage of ore to be mined and processed;

unanticipated adverse geotechnical conditions;

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incorrect data on which engineering assumptions are made;

costs of constructing and operating a mine in a specific environment;

cost of processing and refining;

availability of economic sources of power;

availability of qualified staff;

adequacy of water supply;

adequate access to the site including competing land uses (such as agriculture and illegal mining);

unanticipated transportation costs and shipping incidents and losses;

significant increases in the cost of diesel fuel, cyanide or other major components of operating costs;

government regulations (including regulations relating to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, protection of the environment and agricultural lands, including bonding requirements);

fluctuations in gold prices; and

accidents, labor actions and force majeure events.

Adverse effects on the operations or further development of a project could also adversely affect our business (including our ability to achieve our production estimates), financial condition, results of operations and cash flow.

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

Because mines have limited lives based on proven and probable mineral reserves, we must continually replace and expand mineral reserves as our mines produce gold. We are required to estimate mine life in connection with our estimation of reserves, but our estimates may not be correct. In addition, mine life would be shortened if we expand production or if we lose reserves due to changes in gold price or operating costs. Our ability to maintain or increase our annual production of gold will be dependent in significant part on our ability to bring new mines into production and to expand or extend the life of existing mines.

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

Gold exploration, including the exploration of the Prestea Underground and other projects, involves a high degree of risk. Exploration projects are frequently unsuccessful. Few prospects that are explored are ultimately developed into producing mines. We cannot assure you that our gold exploration efforts will be successful. The success of gold exploration is dependent in part on the following factors:

the identification of potential gold mineralization based on surface analysis;

availability of prospective land;

availability of government-granted exploration and exploitation permits;

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

the funding available for exploration and development.

Substantial expenditures are required to determine if a project has economically mineable mineralization. It could take several years to establish proven and probable mineral reserves and to develop and construct mining and processing facilities. As a result of these uncertainties, we cannot assure you that current and future

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exploration programs will result in the discovery of mineral reserves, the expansion of our existing mineral reserves and the development of mines.

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

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

Title to our mineral properties could be challenged.

We seek to confirm the validity of our rights to title to, or contract rights with respect to, each mineral property in which we have a material interest. We have mining leases with respect to our Bogoso/Prestea, Wassa, Prestea Underground and HBB properties. Title insurance generally is not available, and our ability to ensure that we have obtained a secure claim to individual mineral properties or mining concessions is limited. We generally do not conduct surveys of our properties until they have reached the development stage, and therefore, the precise area and location of such properties could be in doubt. Accordingly, our mineral properties could be subject to prior unregistered agreements, transfers or claims, and title could be affected by, among other things, undetected defects. In addition, we might be unable to operate our properties as permitted or to enforce our rights with respect to our properties.

We depend on the services of key executives.

We are dependent on the services of key executives including our President and Chief Executive Officer and a small number of highly skilled and experienced executive personnel. Due to the relatively small size of our management team, the loss of one or more of these persons or our inability to attract and retain additional highly skilled employees could have an adverse effect on our business and future operations.

Our insurance coverage could be insufficient.

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

adverse environmental conditions;

industrial accidents;

labor disputes;

unusual or unexpected geological conditions;

ground or slope failures;

cave-ins;

changes in the regulatory environment;

marine transit and shipping damage and/or losses;

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

political risks including expropriation and civil war.

Such occurrences could result in:

damage to mineral properties or production facilities and equipment;

personal injury or death;

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loss of legitimate title to properties;

environmental damage to our properties or the properties of others;

delays in mining, processing and development;

monetary losses; and

possible legal liability.

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

Governmental and Regulatory Risks

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

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

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

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

licensing;

production;

taxes;

disposal of process water or waste rock;

toxic substances;

development and permitting;

exports and imports;

labor standards;

mine and occupational health and safety;

environmental protection and corporate responsibility, and

mine reclamation and closure plans.

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Compliance with these regulations increases the costs of the following:

planning;

designing;

drilling;

operating;

developing;

constructing; and

closure, reclamation and rehabilitation.

We believe that we are in substantial compliance with current laws and regulations in Ghana and elsewhere. However, these laws and regulations are subject to frequent change and reinterpretation. Amendments to current laws and regulations governing operations and activities of mining companies or more stringent implementation or interpretation of these laws and regulations could have a material adverse impact on us. These factors could cause a reduction in levels of production and delay or prevent the development or expansion of our properties in Ghana.

The implementation of changes in regulations that limit the amount of proceeds from gold sales that could be withdrawn from Ghana could also have a material adverse impact on us, as Bogoso/Prestea and Wassa are currently our only sources of internally generated operating cash flows.

Environmental bonding requirements are under review in Ghana and bonding requirements may be increased.

As part of its periodic assessment of mine reclamation and closure costs, the Ghana Environmental Protection Agency (the EPA) reviews the adequacy of reclamation bonds and guarantees. In certain cases it has requested higher levels of bonding based on its findings. If the EPA were to require additional bonding at our properties, it may be difficult, if not impossible, to provide sufficient bonding given the current disruptions in the world financial markets. If we are unable to meet any such increased requirements or negotiate an acceptable solution with the Ghanaian government, our operations and exploration and development activities in Ghana may be materially adversely affected.

The Government of Ghana has the right to increase its interest in certain subsidiaries.

In accordance with the Minerals and Mining Act, 2006 (Act 703), the Government of Ghana has a 10% carried interest in the mineral operations of Ghanaian mining companies. The carried interest comes into existence at the time the government issues a mining license. As such, the Government of Ghana currently has a 10% carried interest in our subsidiaries that own the Bogoso/Prestea mine, the Wassa/HBB properties and the Prestea Underground property.

Under Act 703, the Government has the right to acquire a special share or golden share in such subsidiaries at any time for no consideration or such consideration as the Government of Ghana and such subsidiaries might agree, and a pre-emptive right to purchase all gold and other minerals produced by such subsidiaries. A golden share carries no voting rights and does not participate in dividends, profits or assets.

While the Government of Ghana has not sought to exercise any of these rights at our properties, any such attempts to do so in the future could adversely affect our financial results.

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In addition, the Government of Ghana has recently announced its intention to increase the royalty rate to up to 6%. As Golden Star has paid a royalty rate of 3% of our revenues from Bogoso/Prestea and Wassah/BBB for the last three years, any increase in the royalty rate would adversely affect our financial results.

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

Our assets and operations are affected by various political and economic uncertainties in the countries where we operate, including:

war, civil unrest, terrorism, coups or other violent or unexpected changes in government;

political instability and violence;

expropriation and nationalization;

renegotiation or nullification of existing concessions, licenses, permits, and contracts;

illegal mining;

changes in taxation policies (such as the temporary mill levy imposed by the Government of Ghana in July 2009, which will require payments equal to 5% of profits before tax);

unilaterally imposed increases in royalty rates;

restrictions on foreign exchange and repatriation; and

changing political conditions, currency controls, and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

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

We continue to experience illegal mining activity on our mining and exploration properties. Most of this activity is on our Prestea South and Hwini-Butre properties. While we are proactively working with local, regional and national governmental authorities to obtain protection of our property rights, any action on the part of such authorities may not occur, may not fully address our problems or may be delayed.

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

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

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

ability to operate and financial results.

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

We are required to annually test our internal control over financial reporting to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which requires annual management and auditor assessments of

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the effectiveness of our internal control over financial reporting. Failure to maintain effective internal controls could have a material adverse effect on our business and share price.

Market Risks

The market price of our common shares has experienced volatility and could continue to do so in the future.

Our common shares are listed on the NYSE Amex, the Toronto Stock Exchange and the Ghana Stock Exchange. Companies with market capitalizations similar to ours have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Our share price is also likely to be significantly affected by short-term changes in gold prices or in our financial condition or results of operations as reflected in our quarterly earnings reports. Other factors unrelated to our performance that could have an effect on the price of our common shares include the following:

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

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

the size of the public float in our common shares may limit the ability of some institutions to invest in our securities; and

a substantial decline in our stock price that persists for a significant period of time could cause our securities to be delisted from NYSE Amex, the Toronto Stock Exchange and/or the Ghana Stock Exchange, further reducing market liquidity.

As a result of any of these factors, the market price of our common shares at any given point in time might not accurately reflect our long-term value. The stock markets in general have recently suffered major declines. Securities class action litigation often has been brought against companies following periods of market price volatility that affects the market price of particular securities without regard to the performance of the company whose stock price is affected. We could in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

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

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

There are certain U.S. federal income tax risks associated with ownership of Golden Star common shares.

Holders of our common shares or options to purchase our common shares or convertible debentures, referred to as "equity securities", who are U.S. taxpayers should consider that we could be considered to be a "passive foreign investment company" ("PFIC") for U.S. federal income tax purposes. Although we believe that we were not a PFIC in 2008, are not a PFIC for 2009, and do not expect to become a PFIC in the foreseeable

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future, the tests for determining PFIC status depend upon a number of factors, some of which are beyond our control, and can be subject to uncertainties, and we cannot assure you that we will not be a PFIC. We undertake no obligation to advise holders of our equity securities as to our PFIC status for any year.

If we are a PFIC for any year, any person who holds our equity securities who is a U.S. person for U.S. income tax purposes, referred to as a U.S. holder and whose holding period for those equity securities includes any portion of a year in which we are a PFIC generally would be subject to a special adverse tax regime in respect of excess distributions. Excess distributions include certain distributions received with respect to PFIC shares in a taxable year. Gain recognized by a U.S. holder on a sale or other transfer of our equity securities (including certain transfers that would otherwise be tax free) also would be treated as an excess distributions. Such excess distributions and gains would be allocated ratably to the U.S. holder's holding period. For these purposes, the holding period of shares acquired either through an exercise of options or the conversion of convertible debentures includes the holder's holding period in the option or convertible debt.

The portion of any excess distribution (including gains treated as excess distributions) allocated to the current year would be includible as ordinary income in the current year. The portion of any excess distribution allocated to a prior years would be taxed at the highest marginal rate applicable to ordinary income for each such year (regardless of the taxpayer's actual marginal rate for that year and without reduction by any losses or loss carryforwards) and would be subject to interest charges to reflect the value of the U.S. income tax deferral.

Elections may be available to mitigate the adverse tax rules that apply to PFICs (the so-called QEF and mark-to-market elections), but these elections may accelerate the recognition of taxable income and may result in the recognition of ordinary income. The QEF and mark-to-market elections are not available to U.S. holders with respect to options to acquire our common shares or convertible debentures. We have not decided whether we would provide to U.S. holders of our common shares the annual information that would be necessary to make the QEF election.

Additional special adverse rules also apply to investors who are U.S. holders who own our common shares if we are a PFIC and have a non-U.S. subsidiary that is also a PFIC. Special adverse rules that impact certain estate planning goals could apply to our equity securities if we are a PFIC.

The conversion feature of the convertible debentures could limit increases in the trading price of our common shares.

The conversion price of the convertible debentures is \$5.00 and represented a 31% premium over the closing price of our common shares on the NYSE Amex on October 23, 2007, the day prior to commencement of the convertible debenture offering, and a 40% premium over the closing price of our common shares on NYSE Amex on December 9, 2009. In the event our share price is greater than the conversion price, this conversion feature may limit the increase in the price of our common shares, since any increase in the stock price above the conversion price will make it more likely that the convertible debentures will be converted, thereby exerting a downward pressure on the market price of the common shares.

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

As of December 9, 2009, there were options outstanding to purchase up to 7,452,065 common shares at exercise prices ranging from Cdn.\$1.02 to Cdn.\$9.07 per share. In addition, 1,477,579 additional common shares are available for issuance under our stock option plans. Furthermore, 25.0 million common shares are currently issuable upon conversion of the convertible debentures (additional shares may be issuable in certain circumstances). During the life of the options, convertible debentures and other rights, the holders are given an opportunity to profit from a rise in the market price of common shares, with a resulting dilution in the interest of the other shareholders. Our ability to obtain additional financing during the period such rights are outstanding

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could be adversely affected, and the existence of the rights could have an adverse effect on the price of our common shares. The holders of the options, convertible debentures and other rights can be expected to exercise or convert them at a time when we would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable than those provided by the outstanding rights.

Current global financial conditions may impact our ability to obtain financing and may negatively affect our asset values and results of operations.

Current global financial conditions have been characterized by increased volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both the rapid decline in value of sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact our ability to obtain equity or debt financing in the future on favorable terms. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, our operations could be adversely impacted and the trading price of the common shares may be adversely affected.

Risks Relating to This Offering

You are subject to future dilution by the exercise of options and conversion of convertible debentures.

As of December 9, 2009, we had 237,309,561 common shares outstanding. As of that date, 25 million common shares were issuable upon conversion of the convertible debentures at a conversion price of \$5.00 per share, and there were options outstanding to purchase up to 7,452,065 common shares at exercise prices ranging from Cdn\$1.02 to Cdn\$9.07 per share. In addition, 1,477,579 additional common shares are available for issuance under our stock option plans. If currently outstanding options or warrants to purchase our common shares are exercised, or additional stock options are granted and shares issued, your investment would be further diluted.

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THE COMPANY

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

Our principal office is located at 10901 West Toller Drive, Suite 300, Littleton, Colorado 80127, and our registered office is located at 66 Wellington St. W., Suite 4200, P.O. Box 20, Toronto Dominion Bank Tower, Toronto-Dominion Centre, Toronto, Ontario M5K 1N6. Golden Star's fiscal year ends on December 31.

General

We are an international gold mining and exploration company, producing gold in Ghana, West Africa. We also conduct gold exploration in West Africa and South America. We own controlling interests in several gold properties in Southern Ghana.

Bogoso/Prestea

We own 90% of and operate the Bogoso/Prestea gold mining and processing operation, which consists of the adjoining Bogoso and Prestea properties located along the Ashanti Trend in southwestern Ghana. We hold the property under mining leases granted by the Government of Ghana, terminating from 2017 to 2031. Bogoso/Prestea consists of several open pit mines. We have a nominal 3.5 million tonnes per year processing facility at Bogoso/Prestea that uses bio-oxidation technology to treat refractory sulfide ore. In addition, Bogoso/Prestea has a carbon-in-leach processing facility next to the sulfide plant which is suitable for treating oxide ores. Bogoso/Prestea produced and sold 170,499 ounces of gold in 2008 and 139,375 ounces of gold during the first nine months of 2009.

Wassa/HBB

We own 90% of and operate the Wassa open-pit gold mine and carbon-in-leach processing plant located approximately 35 kilometers east of Bogoso/Prestea. The design capacity of the carbon-in-leach processing plant at Wassa is nominally 3.0 million tonnes per annum but varies depending on the ratio of hard to soft ore. We also own the Hwini-Butre and Benso concessions, known as the HBB properties, located approximately 80 and 50 kilometers, respectively, by road south of Wassa. The Benso mine began shipping ore to Wassa late in 2008, and the Hwini-Butre mine began shipping ore to Wassa in April 2009. Wassa produced and sold 125,427 ounces of gold in 2008, and Wassa/HBB produced and sold 164,041 ounces of gold during the first nine months of 2009. We hold the Wassa/HBB properties under mining leases expiring in 2022 (Wassa), 2012 (Hwini-Butre) and 2011 (Benso).

Development Projects

Prestea South

Prestea South development continues to be on hold pending receipt of environmental permits. Prestea South oxide ore will be transported to Bogoso when mining begins and processed through the Bogoso oxide plant and Prestea South sulfide ore will be processed through the Bogoso sulfide plant. Subject to the receipt of environmental permits, we expect to begin mining Prestea South ores in 2010.

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Prestea Underground

We own 81% of the Prestea Underground, a currently inactive underground gold mine and associated support facilities located on the Prestea property. We hold the Prestea Underground property under a mining lease expiring in 2031.

Exploration

In addition to our gold mining and development activities, we actively explore for gold. We hold interests in several gold exploration projects in Ghana and elsewhere in West Africa including Sierra Leone, Burkina Faso, Niger and Côte d'Ivoire. We are evaluating gold properties in Brazil. We invested approximately \$15.8 million on such activities during 2008 and plan to spend approximately \$10 million during 2009. The main focus through the third quarter of 2009 has been primarily on resource definition drilling in and around mining leases in Ghana and on the evaluation of portions of the HBB properties outside of current mining areas. In the fourth quarter, we are continuing exploration on the HBB and Bogoso/Prestea properties and in Brazil.

2009 Production and Cash Operating Costs

We estimate 2009 Bogoso/Prestea gold production will total 190,000 ounces at an average cash operating cost of \$685 per ounce, and we expect Wassa to produce approximately 215,000 ounces during 2009 at an average cash operating cost of \$460 per ounce, for total production of approximately 405,000 ounces at an average cash operating cost of approximately \$565 per ounce.

Interest of Government of Ghana

In accordance with the *Ghanaian Minerals and Mining Act, 2006 (Act 703)*, the Government of Ghana has a 10% free carried interest in the mineral operations of mining companies, under which it receives 10% of any future dividends from the subsidiaries owning our properties in Ghana, following repayment of all capital, and has no obligation to contribute development or operating expenses. The carried interest comes into existence at the time the Government issues a mining lease. As such, the Government of Ghana currently has a 10% carried interest in our subsidiaries that own the Bogoso/Prestea mine and the Wassa/HBB mine.

The Government of Ghana also has the right to acquire a special share or "golden share" in such subsidiaries at any time for no consideration or such consideration as the Government of Ghana and such subsidiaries might agree, and a pre-emptive right to purchase all gold and other minerals produced by such subsidiaries. A "golden share" carries no voting rights and does not participate in dividends, profits or assets.

The Government of Ghana also receives a royalty based on total revenues earned from properties subject to mining leases. For the last three years, we have paid a royalty equal to 3% of our revenues from Bogoso/ Prestea and Wassa/HBB. The Government of Ghana has recently announced its intent to increase this royalty up to 6%. See Risk Factors- Governmental and Regulatory Risks.

Business Strategy

Our business and development strategy has been focused primarily on the acquisition of producing and development stage gold properties in Ghana and on the exploration, development and operation of these properties. Our overall objective is to grow our business to become a mid-tier gold producer. We continue to evaluate potential acquisition and merger opportunities that could further increase our annual gold production, however we presently have no agreement or understanding with respect to any specific potential transaction.

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Recent Developments

On November 18, 2009, the Company entered into a settlement agreement in respect of the outstanding litigation regarding the Paul Isnard properties in French Guiana, pursuant to which the rights to those properties are to be transferred to the Company subject to receiving the required governmental approvals.

On November 19, 2009, the Company entered into an agreement pursuant to which it sold all of its rights, title and interest in the Bon Espoir, Iracoubou Sud and Paul Isnard properties in French Guiana for approximately U.S.\$2.1 million.

On November 30, 2009, the Company entered into an agreement to sell its interest in the Saramacca joint venture in Suriname to its joint venture partner for approximately U.S.\$8.0 million, with the proceeds of the sale to be held in escrow pending the receipt of required governmental approvals and certain additional customary conditions.

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USE OF PROCEEDS

The net proceeds received by us from the sale of the common shares, after deducting the underwriters' fees of \$3,375,000 and the estimated expenses of the offering of \$750,000 will be approximately \$70,875,000. If the over-allotment option is exercised in full, we will receive net proceeds of approximately \$82,368,750 after deducting underwriters' fees and before estimated offering expenses.

We intend to use the net proceeds of this offering to continue with committed capital projects, exploration activities and for general corporate purposes. The amount and timing of the use of proceeds will depend on various factors, including gold prices, production costs, the quality of ores we produce and business growth, including acquisitions and exploration.

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

Table of Contents**PRICE RANGE OF OUR COMMON SHARES**

Our common shares are listed on the NYSE Amex under the trading symbol GSS, on the Toronto Stock Exchange under the trading symbol GSC and on the Ghana Stock Exchange under the trading symbol of GSR. As of December 9, 2009, 237,309,561 common shares were outstanding, and we had approximately 986 shareholders of record. On December 3, 2009 prior to the pricing of the offering, the closing price per share for our common shares as reported by NYSE Amex was \$4.19 and as reported by the Toronto Stock Exchange was Cdn\$4.45, and on December 9, 2009 the closing price of our common shares on the NYSE Amex was \$3.58 and on the Toronto Stock Exchange was Cdn\$3.73.

The following table sets forth, for the periods indicated, the reported high and low market closing prices per share of our common shares traded on the respective exchanges.

	NYSE Amex		Toronto Stock Exchange	
	High	Low	High	Low
	(\$)		(Cdn\$)	
2009				
First Quarter	1.82	1.01	2.32	1.21
Second Quarter	2.33	1.20	2.53	1.50
Third Quarter	3.56	1.83	3.81	2.12
Fourth Quarter (through December 9, 2009)	4.23	3.04	4.48	3.33
2008				
First Quarter	4.31	3.29	4.16	2.74
Second Quarter	3.80	2.64	3.85	3.28
Third Quarter	2.67	1.18	2.67	1.25
Fourth Quarter	1.57	0.46	1.75	0.56
2007				
First Quarter	4.56	2.82	5.37	3.32
Second Quarter	4.90	3.60	5.54	3.78
Third Quarter	4.28	2.92	4.38	3.12
Fourth Quarter	4.28	2.81	4.18	2.82

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

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The following table sets out our capitalization as at (i) December 31, 2008, (ii) September 30, 2009 prior to giving effect to this offering, and (iii) September 30, 2009 after giving effect to this offering. This table should be read in conjunction with our audited consolidated financial statements for the financial year ended December 31, 2008 and our unaudited consolidated financial statements for the nine months ended September 30, 2009 incorporated by reference in this prospectus supplement.

	(U.S.\$000 s)	As at September 30, 2009	
		(U.S.\$000 s)	(U.S.\$000 s)
	As at Dec. 31, 2008	Actual (Unaudited)	As Adjusted After Giving Effect to Offering(1) (Unaudited)
Canadian GAAP			
Current Debt	\$ 12,778	\$ 10,256	10,256
Long Term Debt	112,649	113,359	113,359
	125,427	123,615	123,615
Shareholders' Equity			
Common Shares	615,463	616,444	688,069
Other(3)	49,651	51,254	51,254
Deficit	(236,947)	(240,055)	(240,055)
	428,167	427,643	499,268
Total:	\$ 553,594	\$ 551,258	\$ 622,883

	(U.S.\$000 s)	As at September 30, 2009	
		(U.S.\$000 s)	(U.S.\$000 s)
	As at Dec. 31, 2008	Actual (Unaudited)	As Adjusted After Giving Effect to Offerin(2) (Unaudited)
U.S. GAAP			
Current Debt	\$ 12,778	\$ 10,256	\$ 10,256
Long Term Debt	131,876	167,053	167,053
	144,654	177,309	177,309
Shareholders' Equity			
Common Shares	615,097	616,078	687,703
Other(4)	15,433	17,036	17,036
Deficit	(251,379)	(282,542)	(282,542)
	379,151	350,572	422,197
Total:	\$ 523,805	\$ 527,881	\$ 599,506

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- (1) Amounts shown assume (i) the issuance of 20,000,000 common shares at a price of \$3.75 per share in the offering, (ii) that the over-allotment option is not exercised, and (iii) that the offering proceeds are used as described in Use of Proceeds . Amounts shown are after deducting the underwriters fee but before estimated expenses of the offering.
- (2) Amounts shown do not include (i) 386,700 common shares issued after September 30, 2009 pursuant to the exercise of stock options, (ii) 7,452,065 common shares issuable upon the exercise of currently outstanding options at exercise prices ranging from Cdn\$1.02 to Cdn\$9.07 per share, or (iii) 25,000,000 common shares issuable upon conversion of our \$125 million aggregate principal amount of 4% convertible senior unsecured debenture due November 30, 2012.
- (3) Other includes contributed surplus, accumulated other comprehensive income and the equity component of the convertible debentures.
- (4) Other includes contributed surplus and accumulated comprehensive income.

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Table of Contents**PLAN OF DISTRIBUTION****Underwriting**

We have entered into an agency agreement dated as of December 4, 2009 with the U.S. agents, to offer the common shares in the United States on a best efforts basis. We have also entered into a Canadian underwriting agreement dated as of December 4, 2009 with the Canadian underwriters, under which the Canadian underwriters have agreed to purchase 55%, 35% and 10%, respectively, of the 20,000,000 common shares offered by this prospectus supplement. The obligations of the Canadian underwriters under the Canadian underwriting agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Canadian underwriters are, however, obligated to take up and pay for all of the securities, if any of the securities are purchased under the Canadian underwriting agreement.

Subject to the terms of the Canadian underwriting agreement, we have agreed to sell and the Canadian underwriters have agreed to purchase on or about December 17, 2009, or such other date as may be agreed upon but not later than January 15, 2010, 100% of the common shares offered at a price of \$3.75 per share for a total consideration of \$71,625,000, payable in cash, net of the underwriters' fee, against delivery of certificates representing the common shares. The price of the common shares was determined by negotiation between us and the underwriters. Any common shares sold by the U.S. agents under the U.S. agency agreement will reduce the obligation of the Canadian underwriters to take up and pay for common shares in an equal amount. The Canadian underwriters may sell common shares to the U.S. agents pursuant to the inter-dealer agreement described below. The Canadian underwriting agreement provides for us to pay the Canadian underwriters a fee of \$0.16875 per common share sold by them, which will be paid out of the gross proceeds from the offering.

The following table summarizes the compensation and estimated expenses we will pay. The underwriters' fee will be paid to the Canadian underwriters and, with respect to shares sold by the U.S. agents under the U.S. agency agreement, to the U.S. agents.

	Per Common Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriters' Fee paid by us	\$ 0.16875	\$ 0.16875	\$ 3,375,000	\$ 3,881,250
Estimated expenses payable by us	\$ 0.03750	\$ 0.03261	\$ 750,000	\$ 750,000

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

Subject to the terms of the U.S. agency agreement, we have appointed the U.S. agents to offer the common shares for sale to the public in the United States on a best efforts basis at a price of \$3.75 per common share. The U.S. agency agreement provides for us to pay the U.S. agents a fee of \$0.16875 per common share sold by them, which will be paid out of the gross proceeds from the offering. The U.S. agents have not committed to purchase a minimum amount of common shares under the U.S. agency agreement. The obligations of the U.S. agents under the U.S. agency agreement may be terminated at their discretion upon the occurrence of certain stated events.

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

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We have agreed to pay the legal fees of the underwriters up to a maximum of \$250,000 (inclusive of taxes and disbursements).