GOLDEN STAR RESOURCES LTD
Form 10-Q
May 10, 2012

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

OR

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

Commission file number 1-12284

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

Canada (State or other Jurisdiction of Incorporation or Organization)	98-0101955 (I.R.S. Employer Identification No.)
10901 West Toller Drive, Suite 300 Littleton, Colorado (Address of Principal Executive Office)	80127-6312 (Zip Code)

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

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

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

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

Large accelerated filer:	o	Accelerated filer:	x
Non-accelerated filer:	o	Smaller reporting company:	o

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

Number of Common Shares outstanding as at May 8, 2012: 258,861,961

REPORTING CURRENCY, FINANCIAL AND OTHER INFORMATION

All amounts in this report are expressed in United States ("U.S.") dollars, unless otherwise indicated. Canadian currency is denoted as "Cdn$." Financial information is presented in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

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

NON-GAAP FINANCIAL MEASURES

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

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Form 10-Q contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, and within the meaning of applicable Canadian securities law, with respect to our financial condition, results of operations, business prospects, plans, objectives, goals, strategies, future events, capital expenditures, and exploration and development efforts.

Words such as "anticipates," "expects," "intends," "forecasts," "plans," "believes," "seeks," "estimates," "may," "will," and si expressions (including negative and grammatical variations) tend to identify forward-looking statements.

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

These statements include comments regarding: anticipated attainment of gold production rates; cash operating costs generally; gold sales; gold recovery rates; ore processing; permitting; geological, environmental, community and engineering studies; the timing for the completion of the final west reef feasibility study; receipt of environmental management plan approvals by the Ghana Environmental Protection Agency ("EPA"); changes in the tax regime in Ghana; exploration efforts, activities and costs; ore grades; our anticipated investing and exploration spending during 2012; identification of acquisition and growth opportunities; our expectations regarding Pampe non-refractory ore, the Bogoso tailings and the Bogoso non-refractory plant; retention of earnings from our operations; gold production and cash operating cost estimates for 2012; expected operational cash flow during 2012; our objectives for 2012; expected debt payments during 2012; our plans for repayment of the debentures; and sources of and adequacy of liquidity to meet capital and other needs in 2012 and beyond.

The following, in addition to the factors described under "Risk Factors" in Item 1A of our Form 10-K for the year ended December 31, 2011, 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 ore processed;
- unanticipated recovery or production problems;
- effects of illegal mining on our properties;
- changes in mining and processing costs, including changes to costs of raw materials, power, supplies, services and personnel;
- changes in metallurgy and processing;

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

These factors are not intended to represent a complete list of the general or specific factors that could affect us. Many of these factors are beyond our ability to control or predict. Although we believe the expectations reflected in our forward-looking statements are based on reasonable assumptions, such expectations may prove to be materially incorrect due to known and unknown risks and uncertainties. You should not unduly rely on any of our forward-looking statements. These statements speak only as of the date of this quarterly report on Form 10-Q. Except as required by law, we undertake no obligation to update any of these forward-looking statements to reflect future events or developments.

ITEM 1. FINANCIAL STATEMENTS

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Stated in thousands of U.S. dollars except shares and per share data)
(unaudited)

	For the three months ended March 31, 2012	2011
REVENUE		
Gold revenues	$131,020	$116,506
Cost of sales (Note 15)	117,145	107,751
Mine operating margin	13,875	8,755
Exploration expense	1,264	579
General and administrative expense	6,767	7,102
Derivative mark-to-market loss (Note 5)	162	4,249
(Gain)/loss on fair value of convertible debentures (Note 4)	892	(18,185)
Property holding costs	2,074	2,674
Foreign exchange loss	861	257
Interest expense	2,773	2,358
Interest and other income	(138)	(39)
Loss on sale of assets	15	—
Gain on sale of investments (Note 13)	(22,385)	—
Income before income tax	21,590	9,760
Income tax expense (Note 12)	(12,531)	(4,305)
Net income	$9,059	$5,455
Net income attributable to noncontrolling interest	(54)	(473)
Net income attributable to Golden Star shareholders	$9,113	$5,928
Net income per share attributable to Golden Star shareholders		
Basic (Note 17)	$0.035	$0.023
Diluted (Note 17)	$0.035	$0.023
Weighted average shares outstanding (millions)	258.7	258.6
Weighted average shares outstanding-diluted (millions)	258.9	259.8

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Stated in thousands of U.S. dollars except shares and per share data)
(unaudited)

	For the three months ended March 31,	
	2012	2011
OTHER COMPREHENSIVE INCOME		
Net income	$9,059	$5,455
Unrealized (gain)/loss on investments net of taxes (Note 7)	4,165	(85)
Comprehensive income	$4,894	$5,540
Comprehensive income attributable to noncontrolling interest	$(54)	$(473)
Comprehensive income attributable to Golden Star shareholders	4,948	6,013

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

GOLDEN STAR RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
(Stated in thousands of U.S. dollars except shares issued and outstanding)
(unaudited)

	As of March 31, 2012	As of December 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$103,811	$ 103,644
Accounts receivable	11,971	10,077
Inventories (Note 6)	77,355	74,297
Deposits	9,114	6,474
Prepaids and other	2,071	2,048
Total Current Assets	204,322	196,540
RESTRICTED CASH	1,273	1,273
PROPERTY, PLANT AND EQUIPMENT (Note 8)	257,059	252,131
INTANGIBLE ASSETS	4,739	5,266
MINING PROPERTIES (Note 9)	270,305	270,157
AVAILABLE FOR SALE INVESTMENTS (Note 4 and 7)	14,368	1,416
OTHER ASSETS	—	895
Total Assets	$752,066	$ 727,678
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$43,433	$ 40,708
Accrued liabilities	49,326	51,380
Asset retirement obligations (Note 10)	8,626	8,996
Current tax liability (Note 12)	—	197
Current debt (Notes 11)	129,893	128,459
Total Current Liabilities	231,278	229,740
LONG TERM DEBT (Note 11)	15,104	10,759
ASSET RETIREMENT OBLIGATIONS (Note 10)	23,382	24,884
DEFERRED TAX LIABILITY (Note 12)	36,524	23,993
Total Liabilities	$306,288	$ 289,376
COMMITMENTS AND CONTINGENCIES (Note 13)	—	—
SHAREHOLDERS' EQUITY		
SHARE CAPITAL		
First preferred shares, without par value, unlimited shares authorized. No shares issued and outstanding	—	—
Common shares, without par value, unlimited shares authorized. Shares issued and outstanding: 258,861,961 at March 31, 2012; 258,669,487 at December 31, 2011 (Note 14)	$694,341	$ 693,899
CONTRIBUTED SURPLUS	21,956	19,815
ACCUMULATED OTHER COMPREHENSIVE INCOME	(2,187)	1,978
DEFICIT	(266,999)	(276,112)
Total Golden Star Equity	447,111	439,580
NONCONTROLLING INTEREST	(1,333)	(1,278)

Total Equity	445,778	438,302
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$752,066	$ 727,678

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

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

	For the three months ended March 31, 2012	2011
OPERATING ACTIVITIES:		
Net income	$9,059	$5,455
Reconciliation of net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	19,050	21,218
Amortization of loan acquisition cost	895	354
Gain on sale of investments	(22,385)	—
Loss on sale of assets	15	—
Non-cash employee compensation	2,579	1,341
Deferred income tax expense	12,531	3,307
Fair value of derivatives loss	162	4,249
Fair value (gain)/loss on convertible debt	892	(18,185)
Accretion of asset retirement obligations	703	933
Reclamation expenditures	(2,575)	(3,883)
	20,926	14,789
Changes in non-cash working capital:		
Accounts receivable	(1,969)	(1,025)
Inventories	(2,012)	(406)
Deposits	(1,305)	(945)
Accounts payable and accrued liabilities	3,018	(16,614)
Other	(774)	(1,664)
Net cash provided by/(used in) operating activities	17,884	(5,865)
INVESTING ACTIVITIES:		
Expenditures on mining properties	(12,537)	(8,840)
Expenditures on property, plant and equipment	(12,128)	(9,912)
Change in accounts payable and deposits on mine equipment and material	(3,696)	893
Cash used for equity investments	(938)	—
Proceeds from sale of assets (Note 7)	6,605	—
Net cash used in investing activities	(22,694)	(17,859)
FINANCING ACTIVITIES:		
Principal payments on debt	(2,150)	(2,765)
Proceeds from debt agreements and equipment financing	7,036	—
Other	91	132
Net cash provided by/(used in) financing activities	4,977	(2,633)
Increase/(decrease) in cash and cash equivalents	167	(26,357)
Cash and cash equivalents, beginning of period	103,644	178,018
Cash and cash equivalents end of period	$103,811	$151,661

(See Note 20 for supplemental cash flow information)
The accompanying notes are an integral part of the consolidated financial statements

GOLDEN STAR RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(All currency amounts in tables and text are in thousands of U.S. Dollars unless noted otherwise)

1. NATURE OF OPERATIONS
Through our 90% owned subsidiary Golden Star (Bogoso/Prestea) Ltd ("GSBPL") we own and operate the Bogoso/Prestea gold mining and processing operation ("Bogoso/Prestea") located near the town of Bogoso, Ghana. Through our 90% owned subsidiary Golden Star (Wassa) Ltd ("GSWL") we also own and operate the Wassa gold mine ("Wassa"), located approximately 35 kilometers east of Bogoso/Prestea. Wassa mines ore from pits near the Wassa plant and also processes ore mined at our Hwini-Butre ("HBB") mine located south of Wassa. We hold interests in several gold exploration projects in Ghana and elsewhere in West Africa including Sierra Lone, Niger and Côte d'Ivoire, and in South America we hold and manage exploration properties in Brazil.
2. BASIS OF PRESENTATION AND LIQUIDITY RISK
Golden Star Resources Ltd ("Golden Star" or "Company") is a Canadian federally-incorporated, international gold mining and exploration company headquartered in the United States ("U.S.").
These unaudited interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the interim periods presented.
These consolidated financial statements include the accounts of the Company and its subsidiaries, whether owned directly or indirectly. All inter-company balances and transactions have been eliminated. Subsidiaries are defined as entities in which the company holds a controlling interest, is the general partner or where it is subject to the majority of expected losses or gains.
The results reported in these interim financial statements are not necessarily indicative of the results that may be reported for the entire year. Accordingly, these interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011, as filed on Form 10-K.
As of March 31, 2012, the Company had a negative working capital position of $27.0 million, which includes cash of $103.8 million and a current liability of $123.8 million for our convertible debentures (face value of $125.0 million) due in November 2012. If the debentures are not refinanced, the liability must be met by either (i) payment in cash or (ii) payment in common shares or a combination of shares and cash, based on (a) a share issue value which is 95% of the weighted average trading price of our common shares on the NYSE Amex stock exchange for the 20 consecutive trading days ending five days preceding the maturity date and (b) a maximum share issuance of 46.7 million shares. If the value of the 46.7 million shares is less than $125.0 million, we would be required to pay cash, in addition to the shares issued, in an amount equal to the difference between the aggregate value of the shares issued and the $125.0 million.
3. RECENT ACCOUNTING PRONOUNCEMENTS
RECENTLY ADOPTED STANDARDS
Presentation of Comprehensive Income: In June 2011, the FASB issued Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220)-Presentation of Comprehensive Income (ASU 2011-05), to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for us in the first quarter of fiscal 2012 and should be applied retrospectively. Our presentation of comprehensive income complies with this new guidance.
Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements: In May 2011, the FASB issued Accounting Standards Update No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820)-Fair Value Measurement (ASU 2011-04), to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for level 3 fair value measurements. ASU 2011-04 is effective for us in 2012 and should be applied

prospectively.

4. FINANCIAL INSTRUMENTS

The following tables illustrate the classification of the Company's financial instruments within the fair value hierarchy as of March 31, 2012. The three levels of the fair value hierarchy are:

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

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

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

	Financial assets measured at fair value as at March 31, 2012			
	Level 1	Level 2	Level 3	Total
Available for sale investments	$14,368	$—	$—	$14,368
	$14,368	$—	$—	$14,368

Available for sale investments in Level 1 are based on the quoted market price for the equity investment. It is possible that some of these investments could be sold in large blocks at a future date via a negotiated agreement and such agreements may include a discount from the quoted price.

	Financial liabilities measured at fair value as at March 31, 2012			
	Level 1	Level 2	Level 3	Total
Convertible debentures	$123,750	$—	$—	$123,750
	$123,750	$—	$—	$123,750

The convertible senior unsecured debentures are recorded at fair value. The debentures are valued based on recent observable trading of the debentures. The $123.8 million fair value includes $1.4 million of accrued interest as of March 31, 2012.

	Financial assets measured at fair value as at December 31, 2011			
	Level 1	Level 2	Level 3	Total
Available for sale investments	$1,416	$—	$—	$1,416
Warrants	—	555	—	555
	$1,416	$555	$—	$1,971

	Financial liabilities measured at fair value as at December 31, 2011			
	Level 1	Level 2	Level 3	Total
Convertible debentures	$121,625	$—	$—	$121,625
	$121,625	$—	$—	$121,625

During the period ended March 31, 2012, an unrealized loss of $0.9 million (2011: gain of $18.2 million) was recorded in the Statement of Operations relating to the change in fair value of the convertible debentures.

5. DERIVATIVE GAINS AND LOSSES

The derivative mark-to-market (gains)/losses recorded in the Statement of Operations are comprised of the following amounts:

	For the three months ended March 31,

	2012	2011
Riverstone Resources, Inc. - warrants	$162	$(274)
Gold price derivatives	—	4,523
Derivative (gain)/loss	$162	$4,249

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	For the three months ended March 31,	
	2012	2011
Realized (gain)/loss	$(393)	$—
Unrealized (gain)/loss	555	4,249
Derivative (gain)/loss	$162	$4,249

RIVERSTONE RESOURCES INC. - WARRANTS

In the first quarter of 2008, we received two million warrants from Riverstone Resources Inc. ("Riverstone") as partial payment for the right to earn an ownership interest in our exploration projects in Burkina Faso. These warrants were exercisable through January 2012 at Cdn$0.45. In January 2012, the Riverstone warrants were exercised.

GOLD PRICE DERIVATIVES

In January 2011, we entered into a series of put and call contracts covering 76,800 ounces of future gold production between February and December 2011. The contracts were spread evenly in each week over this period and structured as cashless collars with a floor of $1,200 per ounce and a cap of $1,457 per ounce. In early February 2011, we entered into a second set of put and call contracts covering 75,200 ounces of future gold production between February and December 2011. The contracts were spread evenly in each week during this period and structured as cashless collars with a floor of $1,200 per ounce and a cap of $1,503 per ounce. As of March 31, 2012, there were no outstanding gold price contracts.

6. INVENTORIES

	As of March 31, 2012	As of December 31, 2011
Stockpiled ore	$17,648	$16,773
In-process	12,534	8,912
Materials and supplies	47,173	48,612
Finished goods	—	—
Total	$77,355	$74,297

There were approximately 58,000 and 48,000 recoverable ounces of gold in the ore stockpile inventories shown above at March 31, 2012, and December 31, 2011, respectively. Stockpile inventories are short-term surge piles expected to be processed within the next 12 months. A total of $0.2 million and $1.4 million of material and supply inventories were written off in 2012 and 2011 respectively due to obsolescence and counts. $0.1 million and $1.7 million of net realizable value adjustments were recorded at Bogoso in 2012 and 2011 respectively. The net realizable value adjustments in 2012 are related to the non-refractory plant in process inventory.

7. AVAILABLE FOR SALE INVESTMENTS

The following table presents changes in available for sale investments in the first three months of 2012 and the full year 2011:

	As of March 31, 2012		As of December 31, 2011	
	Riverstone		Riverstone	
	Fair Value	Shares	Fair Value	Shares
Balance at beginning of period	$1,416	2,000,000	$928	1,300,000
Acquisitions	17,117	23,676,301	469	700,000
OCI - unrealized gain/(loss)	(4,165)	—	19	—
Balance at end of period	$14,368	25,676,301	$1,416	2,000,000

The acquisition of the Riverstone shares was accomplished through two transactions. The first was an exercise of the two million warrants at an exercise price CDN$0.45 for cash consideration of $0.9 million. The fair value of the shares acquired was $1.3 million. The second transaction was the sale of the Company's Burkina Faso subsidiary to Riverstone. The sale

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generated $6.6 million of cash plus 21.7 million Riverstone shares. We recognized the shares at their face value of $15.8 million on February 2, 2012, when the sale was finalized. It is possible that some of these investments could be sold in large blocks at a future date via a negotiated agreement and such agreements may include a discount from the quoted price. The Company currently does not intend to actively trade in its holdings and it is classified as long term. Subsequent to February 2, 2012, the quoted market price of Riverstone's common stock has decreased, such that for the period ended March 31, 2012, the Company has recognized through Comprehensive Income a loss of $4.2 million related to its holdings.

8. PROPERTY, PLANT AND EQUIPMENT

	As of March 31, 2012			As of December 31, 2011		
	Property, Plant and Equipment at Cost	Accumulated Depreciation	Property, Plant and Equipment Net Book Value	Property, Plant and Equipment at Cost	Accumulated Depreciation	Property, Plant and Equipment Net Book Value
Bogoso/Prestea	$179,771	$(109,552)	$70,219	$179,216	$(109,519)	$69,697
Bogoso refractory plant	193,590	(60,986)	132,604	186,607	(58,873)	127,734
Wassa/HBB	108,945	(55,179)	53,766	106,631	(52,430)	54,201
Corporate & other	1,344	(874)	470	1,378	(879)	499
Total	$483,650	$(226,591)	$257,059	$473,832	$(221,701)	$252,131

There was no interest capitalized in new additions to property, plant and equipment in the periods shown above.
9. MINING PROPERTIES

	As of March 31, 2012			As of December 31, 2011		
	Mining Properties	Accumulated Amortization	Mining Properties, Net Book	Mining Properties	Accumulated Amortization	Mining Properties, Net Book
Bogoso/Prestea	$122,359	$(61,495)	$60,864	$119,700	$(60,186)	$59,514
Bogoso refractory	70,286	(36,338)	33,948	70,090	(34,839)	35,251
Mampon	16,095	—	16,095	16,095	—	16,095
Wassa/HBB	322,163	(189,184)	132,979	314,801	(180,486)	134,315
Other	29,600	(3,181)	26,419	27,312	(2,330)	24,982
Total	$560,503	$(290,198)	$270,305	$547,998	$(277,841)	$270,157

There was no interest capitalized in new additions to mining properties in the periods shown above.
10. ASSET RETIREMENT OBLIGATIONS
At the end of each period, Asset Retirement Obligations (“ARO”) are equal to the present value of all estimated future costs required to remediate any environmental disturbances that exist as of the end of the period, using discount rates applicable at the time of initial recognition of each component of the liability. Included in this liability are the costs of closure, reclamation, demolition and stabilization of the mines, processing plants, infrastructure, tailings storage facilities, waste dumps and ongoing post-closure environmental monitoring and maintenance costs. While the majority of these costs will be incurred near the end of the mines' lives, it is expected that certain on-going reclamation costs will be incurred prior to mine closure. These costs are recorded against the asset retirement obligation liability as incurred. At March 31, 2012, and March 31, 2011, the total undiscounted amount of the estimated future cash needs was estimated to be $70.3 million and $84.1 million, respectively. Discount rates used to value the ARO range between 8% and 10%. The schedule of payments required to settle the December 31, 2011, ARO liability extends through 2029.

The changes in the carrying amount of the ARO during the three months ended March 31, 2012, and March 31, 2011, are as follows:

	For the three months ended March 31,	
	2012	2011
Beginning balance	$33,880	$44,952
Accretion expense	703	933
Additions and change in estimates	—	3,748
Cost of reclamation work performed	(2,575)	(3,883)
Balance at March 31	$32,008	$45,750
Current portion	$8,626	$23,220
Long term portion		