



## **MANAGEMENT'S DISCUSSION AND ANALYSIS 2010**

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### Notice to Reader:

The accompanying management's discussion and analysis for the year ended December 31, 2010 has been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. The Company's auditors have reviewed the management's discussion and analysis. Financial information is presented in Euros and, where appropriate, in United States dollars, in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board. Readers are cautioned that these statements contain certain forward-looking information as described in management's discussion and analysis.

## MANAGEMENT OF THE COMPANY

List of the directors and officers as of March 16, 2011

**Ian L. Boxall**<sup>2</sup>

Businessman  
George Town, Grand Cayman, Cayman Islands

**Carol T. Banducci**<sup>3</sup>

Chief Financial Officer  
IAMGOLD Corporation  
Toronto, Ontario, Canada

**Susanne A. Hermans**

Vice-Président, Finance and Directeur-Général Délégué  
EURO Ressources S.A.  
Littleton, Colorado, USA

**Paul B. Olmsted**

Senior Vice President Corporate Development  
IAMGOLD Corporation  
Toronto, Ontario, Canada

**Larry E. Phillips**

Directeur-Général,  
EURO Ressources S.A.  
Senior Vice President Corporate Affairs  
IAMGOLD Corporation  
Toronto, Ontario, Canada

**Ian Smith**<sup>1,2</sup>

President and Chief Executive Officer  
Santa Fe Metals Corp.  
Vancouver, British Columbia, Canada

**Brian Trnkus**<sup>3</sup>

Vice President Finance and Corporate Controller  
Iamgold Corporation  
Toronto, Ontario, Canada

**David H. Watkins**<sup>1,2</sup>

President  
EURO Ressources S.A.  
Executive Chairman  
Atna Resources Ltd.  
Vancouver, British Columbia, Canada

(1) Member of the Compensation Committee.

(2) Member of the Audit Committee.

(3) Carol T. Banducci resigned as director on August 11, 2010. Brian Trnkus was appointed in her place for the remainder of the term.

**Stock Exchange Listing**

EURONEXT, Compartment C - continuous  
Symbol: EUR

**Registrar and Transfer Agent**

Questions regarding the change of stock ownership, consolidation of accounts, lost certificates, change of address and other such matters should be directed to:

**BNP Paribas GCT**

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**Equity Financial Trust Company**

Attention: Shareholder Services  
Toronto ON M5H 4H1  
Canada  
Toll Free: 1 (866) 393-4891  
Tel: (416) 361-0152  
Fax: (416) 361-0470  
E-Mail: [info@equitytransfer.com](mailto:info@equitytransfer.com)

**Auditors**

PricewaterhouseCoopers Audit  
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92208 Neuilly-sur-Seine cedex  
France

**Co-Auditors**

S&W Associés  
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75116 Paris  
France

**Registered Office**

EURO Ressources S.A.  
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France

**Société anonyme** with a share capital of €24,964.61  
SIRET 390 919 082

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

The following management's discussion and analysis ("MD&A") is prepared as at March 16, 2011 and should be read in conjunction with, and is qualified by, our financial statements and related notes for the periods indicated. The financial statements have been prepared in Euros and in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board ("IASB").

### INTRODUCTION

EURO Ressources S.A. ("EURO" or the "Company") is a French company and is listed on Euronext in Paris. The Company prepares its accounts in Euros which is the presentation currency for its financial statements. The functional currency of EURO is the United States dollar which is the denominational currency for its major transactions, such as income from Rosebel and gold hedge liabilities. Therefore, management has presented certain data in this MD&A in US dollars. All dollar amounts are United States dollars (US dollars or \$), unless otherwise designated.

The currency exchange rate used to present the financial statements in Euro was € for \$1.3287 for balance sheet items at December 31, 2010 (\$1.4332 as at December 31, 2009). The average currency exchange rate for the twelve months ended December 31, 2010, used to present the Company's income and cash flow statements, was \$1.32789 (2009 – \$1.39463).

### STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements, with respect to our financial condition, results of operations, business prospects, plans, objectives, goals, strategies, future events, capital expenditure, and exploration and development efforts. Words such as "anticipates", "expects", "intends", "plans", "forecasts", "projects", "budgets", "believes", "seeks", "estimates", "could", "might", "should", and similar expressions 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 Annual Report. These statements include comments regarding the establishment and estimates of mineral resources, exploration spending, the closing of certain transactions including acquisitions and offerings and expectations of future participation rights payments.

### RESULTS OF OPERATIONS

#### Overview

EURO currently owns a royalty (the "Rosebel royalty") on the Rosebel gold mine in Suriname which is owned and operated by IAMGOLD Corporation ("IAMGOLD"). EURO receives quarterly payments from IAMGOLD on this royalty.

The Rosebel royalty due by IAMGOLD applies to the first 7 million ounces of gold produced from the mine and the payments comprising the Rosebel royalty which IAMGOLD is required to pay are calculated on the basis of gold production at the Rosebel mine and the market price of gold based on the London pm fixing price.

This amount is calculated based on 10% of the excess gold market price above US\$300 per ounce for soft and transitional ore, and above US\$350 per ounce for hard rock ore, and, in each case, after deducting a fixed royalty of 2% of production paid in-kind to the Government of Suriname.

Effective December 2, 2008, IAMGOLD became the parent company of EURO when it acquired 43.4 million shares (being 71.6% of the Company) through a successful tender offer. The tender offer was then re-opened, and by December 31, 2008, IAMGOLD had acquired additional shares to own 52.8 million shares, or 84.5% of the Company. From January 1, 2009 to December 31, 2010, IAMGOLD acquired additional shares of the Company increasing its ownership to approximately 86%.

During the second quarter of 2009, EURO applied to the Toronto Stock Exchange for voluntary delisting of its ordinary shares, due to the low trading volume. The delisting from the Toronto Stock Exchange became effective after the close of business on July 17, 2009. EURO's ordinary shares are still being traded on the NYSE Euronext in Paris under the symbol "EUR".

On October 22, 2010, EURO transferred its 100% owned subsidiary SOTRAPMAG to Auplata S.A. ("AUPLATA"). The transfer of SOTRAPMAG occurred pursuant to the executed settlement agreement (November 10, 2009) with Golden Star Resources Ltd. ("GOLDEN STAR"), whereas EURO agreed to transfer ownership of SOTRAPMAG and of EURO's interest in the Paul Isnard PER to GOLDEN STAR. In December of 2009, GOLDEN STAR notified EURO that ownership of SOTRAPMAG and EURO's interest in the Paul Isnard PER was to be transferred to AUPLATA.

### **2010 compared to 2009**

EURO recorded a net profit €18.52 million (€0.296 per share) for 2010 compared to a net profit of €10.77 million (€0.172 per share) for 2009.

EURO recorded revenue of €28.58 million for 2010, an increase of 47% as compared to €19.45 million in 2009. Substantially all of this revenue is income from the Rosebel royalty. The Rosebel gold mine produced a record 416,000 ounces of gold, a 1% increase from the 412,000 ounces of gold produced in 2009. This increase is primarily explained by the record average gold price for the year of \$1,225 per ounce as compared to \$972 per ounce for 2009, an increase of 26%. The weakened Euro currency was another contributing factor to explain the increase in revenue with a foreign exchange impact of 5% for the year ended December 31, 2010.

Operating expenses for 2010 were €1.04 million, as compared to €1.76 million in 2009. This decrease of 41% is largely due to the security costs at Paul Isnard no longer being EURO's responsibility since the beginning of 2010, whereas in 2009 EURO incurred €0.32 million related to these costs. Since the beginning of 2010, the property taxes (C.V.A.E.) are being reported with the income taxes, and therefore, are no longer part of the operating expenses, whereas, in 2009 EURO incurred €0.37 million related to these property taxes.

In April 2010, EURO entered into a foreign exchange forward contract with its financial institution to mitigate the impact of foreign exchange on the issuance premium that was paid in May 2010.

A foreign exchange forward contract is a binding obligation to buy or sell certain amount of foreign currency at a pre-agreed rate of exchange, on a certain future date. It is the simplest manner for covering foreign exchange risk because it locks in an exchange rate.

As required by French law, the issuance premium was to be paid in Euros. As the Rosebel royalty is received in US dollars and EURO cash balances are carried in US dollars, a foreign exchange forward contract was entered into to ensure EURO would have sufficient liquidity to meet the issuance premium. The forward price agreed to was €1 for \$1.3570 and on the day of maturity the exchange rate was €1 for \$1.2201. Given the unanticipated devaluation of the Euro at that time, a realized financial instrument expense of €1.8 million (equivalent of \$2.39 million) was recorded in the income statement, (2009: €).

EURO recorded an income tax expense of €7.47 million for 2010.

The Company has recognized a deferred tax liability for 2010 in the amount of 0.14 million, all of which pertains to temporary differences, mostly due to the CVAE (property tax). In 2009, EURO recorded a deferred tax asset of €0.88 million, of which €0.85 million pertained to the gold forward sales contract.

### **Three months ended December 31, 2010 compared to three months ended December 31, 2009**

The net profit for the fourth quarter of 2010 of €8.09 million (€0.130 per share) compares to a net profit of €3.03 million (€0.049 per share) for the fourth quarter of 2009.

EURO had revenue of €9.75 million in the quarter ended December 31, 2010 compared to €5.35 million in the fourth quarter of 2009, an increase of 82%. Substantially all of this revenue comes from the Rosebel royalty. The Rosebel gold mine produced a record 125,506 ounces of gold during the fourth quarter of 2010, a 20% increase from the 104,170 ounces of gold produced in the fourth quarter of 2009, a major factor relating to the increase in revenue. This increase is also due in large part to the increase in the average gold price for the quarter ended December 31, 2010 of \$1,366.78 per ounce of gold, as compared to \$1,099.63 per ounce of gold for the same period in 2009, an increase of 24%. The weakened Euro currency was an additional contributing factor for the increase in revenue, with a foreign exchange impact for the quarter of 8%.

The proportion of gold production from hard rock increased to 20% for the fourth quarter of 2010 as compared to 15% for the fourth quarter of 2009. The effective participation threshold price of \$309.87 for the quarter ended December 31, 2010 compares to \$307.38 in the comparative period of 2009. However, the resultant participation threshold amount per ounce of attributable gold production increased from \$792.23 to \$1,056.91, an increase of 33%, due in large part to the 24% increase in gold price for the quarter ended December 31, 2010.

Operating expenses in the fourth quarter of 2010 were €0.24 million, as compared to €0.18 million for the fourth quarter of 2009, an increase of 33% due in large part to an adjustment made to the security costs at Paul Isnard in the fourth quarter of 2009, whereby GOLDEN STAR paid EURO €0.067 million, as per the settlement agreement with GOLDEN STAR in late 2009.

The increase in amortization expense to €0.19 million (2009: €0.15 million), a 27% increase reflects the higher gold production at the Rosebel mine for the fourth quarter of 2010 as compared to the fourth quarter of 2009.

Since the last 5,700 ounces of gold from the gold hedge contract were settled at the end of January 2010, the Company has no more financial instrument expense related to gold for the quarter ended December 31, 2010. This compares to a financial instrument expense related to gold of €0.40 million for the quarter ended December 31, 2010, at what time there were 5,700 ounces of gold remaining under the Company's gold hedge contract.

### **OUTLOOK**

Over the next twelve months, the Rosebel royalty is expected to provide cash flow to the Company of approximately €27 million (US\$36 million), provided the price of gold and production at Rosebel stay fairly consistent with the numbers achieved during 2010. The Rosebel royalty production is anticipated to be approximately between 360,000 and 380,000 ounces in 2011. EURO's cash flow will primarily be affected by income tax payments, since there are no more tax losses carried forward to offset any future revenue. EURO expects its cash-flow will be adequate to meet all corporate and related expenses.

## KEY FINANCIAL DATA

The financial information for the years 2008 - 2010 is presented in thousands of Euro, except per share data.

	2010	2009	2008
Total revenue	€28,584	€9,452	€12,437
Loss on derivatives	(1,803)	(1,178)	(961)
Net Revenue	26,781	18,274	11,476
Profit before tax	25,997	16,418	6,991
Income tax expense	(7,476)	(5,644)	(2,307)
Net profit	18,521	10,774	4,684
Earnings per share, basic	0.296	0.172	0.078
Earnings per share, fully diluted	0.296	0.172	0.078
Total assets	31,835	26,208	18,366
Total long-term liabilities	143	-	-
Payment of issuance premium	(17,499)	-	-
Issuance premium payment per share	€0.28		

## Quarterly data in thousands of EURO, except per share data

	2010 Q4	2010 Q3	2010 Q2	2010 Q1
Net Revenue	€9,750	€7,374	€4,051	€5,607
Cash provided by operating activities	4,228	7,560	4,374	5,622
Net profit	8,096	4,478	2,478	3,469
Net profit per share, basic	0.130	0.072	0.040	0.056
Net profit per share, diluted	0.130	0.072	0.040	0.056
	2009 Q4	2009 Q3	2009 Q2	2009 Q1
Net Revenue	€4,947	€4,980	€4,761	€3,593
Cash provided by in operating activities	4,548	4,446	3,363	2,611
Net profit	3,032	3,120	2,721	1,902
Net profit per share, basic	0.049	0.050	0.044	0.030
Net profit per share, diluted	0.049	0.050	0.044	0.030

## LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at December 31, 2010 totaled €13.29 million. All of the cash and cash equivalents are unrestricted. EURO expects to have sufficient cash flow to fund its on-going operational needs.

During the fourth quarter of 2009, EURO began investing some of its cash surplus in money market investments that were compliant with its short-term investment strategy to ensure reasonable return with an appropriate level of risk.

## HEDGING

At the end of January 2010, the Company settled its last remaining 5,700 ounces of gold related to a forward sales contract. The Company has no more financial instruments related to gold.

In April 2010, EURO entered into a foreign exchange forward contract with its financial institution to mitigate the impact of foreign exchange on the issuance premium that was paid in May 2010.

A foreign exchange forward contract is a binding obligation to buy or sell certain amount of foreign currency at a pre-agreed rate of exchange, on a certain future date. It is the simplest manner for covering foreign exchange risk because it locks in an exchange rate.

As required by French law, the issuance premium was to be paid in Euros. As the Rosebel royalty is received in US dollars and EURO cash balances are carried in US dollars, a foreign exchange forward contract was entered into to ensure EURO would have sufficient liquidity to meet the issuance premium. The forward price agreed to was €1 for \$1.3570 and on the day of maturity the exchange rate was €1 for \$1.2201. Given the unanticipated devaluation of the Euro at that time, a realized financial instrument expense of €1.8 million (equivalent of \$2.39 million) was recorded in the income statement.

## SHARE CAPITAL

As at December 31, 2010 and the date of this report, the Company had 62,496,461 common shares outstanding with a par value of €0.01 per share.

On May 25, 2010, the Company distributed to all shareholders of record an issuance premium in the amount of €7.499 million, which represented €0.28 per share.

The issuance premium related to the shareholders' paid-in-capital anytime there was an issuance of capital by the Company less the par value. This distribution was tax free for all shareholders. The amount of the distribution of issuance premium represented the accumulation of excess cash.

Any future distributions of issuance premium will be proposed by the Board of Directors after taking into account various factors, including the Company's operating results, financial condition, current and anticipated cash needs, and will be subject to shareholder approval.

As at December 31, 2010 and the date of this report, the Company's share capital was (in thousands of Euro):

Par	€ 625
Premium	<u>29,477</u>
Total Share Capital	<u>€30,102</u>

## CRITICAL ACCOUNTING ESTIMATES

Preparation of EURO's financial statements requires the use of estimates and assumptions that can affect reported amounts of assets, liabilities, revenues and expenses. Accounting policies



relating to current and future values, depreciation, depletion or amortization, future royalty payments, equipment, and expense accruals are subject to estimates and assumptions regarding reserves, gold recoveries, future gold prices and future mining activities.

Until the end of last year, the Company had written off substantially all of its investments in exploration properties in French Guiana based upon its previous assessments of the amounts recoverable from these properties. However, through the completed settlement agreement with GOLDEN STAR in late 2009, it was determined that the recoverable value of the Permis Exclusif de Recherches (“PER”) needed to be updated as at December 31, 2009 to reflect the estimated value ascribed to it (\$750,000), see “**ASSETS HELD FOR SALE**” for further explanation. The concessions were initially also valued at \$750,000, but they had no book value. In late 2010, the concessions were transferred to AUPLATA in exchange for a non-monetary asset, a royalty on gold production. The estimated value for the concessions has also remained at \$750,000 for the reasons described in the paragraph “**COMPLETED TRANSFER OF SOTRAPMAG TO AUPLATA**”

## **RELATED PARTY TRANSACTIONS**

Mr. Larry E. Phillips, Executive Vice President, Corporate Affairs of IAMGOLD was appointed a Director on December 31, 2008 and as Directeur-Général on January 14, 2009. IAMGOLD holds directly and indirectly approximately 86% of all outstanding shares.

In connection with the Management Services Agreement with IAMGOLD that was ratified at the ordinary general meeting of shareholders held on July 27, 2010, EURO has incurred management fees for the year 2010 of €0.22 million and €0.018 were payable as at December 31, 2010.

Compensation to the key management officers of the Company for the fiscal year 2010 was as follows:

Ms Susanne Hermans received \$150,000 in 2010 in respect of 2010.

The other officers did not receive any compensation during 2010. Compensations of officers that are also senior executives of IAMGOLD are included in management fees paid to IAMGOLD.

## **COMPLETED TRANSFER OF SOTRAPMAG TO AUPLATA**

The Paul Isnard properties are comprised of eight mineral concessions held by SOTRAPMAG and the Paul Isnard Permis Exclusif de Recherches (“PER”), held by EURO, (collectively, the “Paul Isnard Properties”).

On November 18, 2009, the Company entered into a settlement agreement with GOLDEN STAR to bring an end to the litigation between the two parties regarding the Paul Isnard properties. Pursuant to the terms of the Settlement Agreement, EURO has agreed to transfer ownership of SOTRAPMAG and of EURO’s interest in the PER, to GOLDEN STAR in exchange of a royalty on gold production from the Paul Isnard Properties. The royalty, as historically agreed between the parties, is equal to 10% for production of up to 2,000,000 ounces of gold of the excess of the market price of gold over US\$400, and 5% for the cumulative production of between 2,000,000 and 5,000,000 ounces of gold.

In December 2009, GOLDEN STAR notified EURO that ownership of SOTRAPMAG and EURO’s interest in the PER was to be transferred to AUPLATA.

EURO shall transfer Paul Isnard Properties in exchange for a non-monetary asset, royalty on gold production. According to IAS 38, the cost of such an intangible asset should be measured at fair value. If the acquired asset cannot be measured at fair value, its cost is measured at the fair value of the asset given up. The royalty cannot be measured at fair value because the resources reported are categorized as “inferred” and do not necessarily present economic viability. In 2009 EURO measured the royalty at the fair value of the Paul Isnard properties transferred to AUPLATA, based on the sale between GOLDEN STAR and AUPLATA, whereby AUPLATA paid GOLDEN STAR for the Paul Isnard properties and two other exploration properties in French

Guiana. Based on that sale, the value of Paul Isnard properties was estimated by the Company to be \$1,500,000 (\$750,000 for the PER and \$ 750,000 for the concessions). In 2010, the data related to the value of the Paul Isnard properties was reviewed and it was determined that the amounts from last year could still be justified for the following reasons:

- 1) The mining schema (“schéma minier”) in French Guiana is still pending and the areas in French Guiana where exploration and exploitation are permitted are still under review.
- 2) A third party has entered into an option agreement with AUPLATA related to the Paul Isnard properties.
- 3) In 2010, the price of gold has reached record levels, which could justify expedient exploration and exploitation on these properties.

On October 22, 2010, SOTRAPMAG was effectively transferred to AUPLATA. EURO has recorded an intangible asset related to the royalty on AUPLATA in the amount of \$750,000.

The Permis Exclusif de Recherches (“PER”), which will be replaced by the Permis d’Exploitation (“PEX”), (see section below for further explanation) will be transferred to SOTRAPMAG once it has been granted by the French authorities.

### **ASSETS HELD FOR SALE**

In January 2010, EURO was notified by the Ministry of ecology, energy, sustainable development and the sea, in charge of green technologies and climate negotiations, that the PER could not be renewed after November 2010. For this reason, EURO in agreement with AUPLATA applied for an operating permit (Permis d’exploitation (“PEX”)), which was filed on November 30, 2010. This application also encompasses a transfer of the PEX to SOTRAPMAG, once granted. The PEX will cover a much smaller area (14.4 square kilometers), but the area that it covers has been subject to a prefeasibility study. No application for a PEX can be made if it cannot be demonstrated that substantial work has been performed and that there is economic viability.

As a result of the settlement agreement with GOLDEN STAR for the transfer of Paul Isnard Properties, the recoverable value of the PER was updated as at December 31, 2009. In 2010, it was determined that this value still is justified based on the reasons outlined in the above section titled **COMPLETED TRANSFER OF SOTRAPMAG TO AUPLATA**. As a consequence, as at December 31, 2010, EURO still has continued to reverse the depreciation on the PER by \$750,000.

### **DISCLOSURE CONTROLS AND PROCEDURE AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Company has no employees and, prior to the disposition of SOTRAPMAG in October 2010, limited subsidiary activities. Accordingly, the Directeur-Général and Vice-Président Finance have reasonable assurance that material information relating to the Company are known to them and the Directeur-Général and Vice-Président Finance have concluded that the Company's disclosure controls and procedures and internal control over financial reporting are effective.

### **ADDITIONAL INFORMATION**

Additional information relating to EURO Ressources S.A. is available on SEDAR at [www.sedar.com](http://www.sedar.com). Information related to the Rosebel royalty can be found at IAMGOLD’s website at [www.iamgold.com](http://www.iamgold.com). Further requests for information should be addressed to:

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