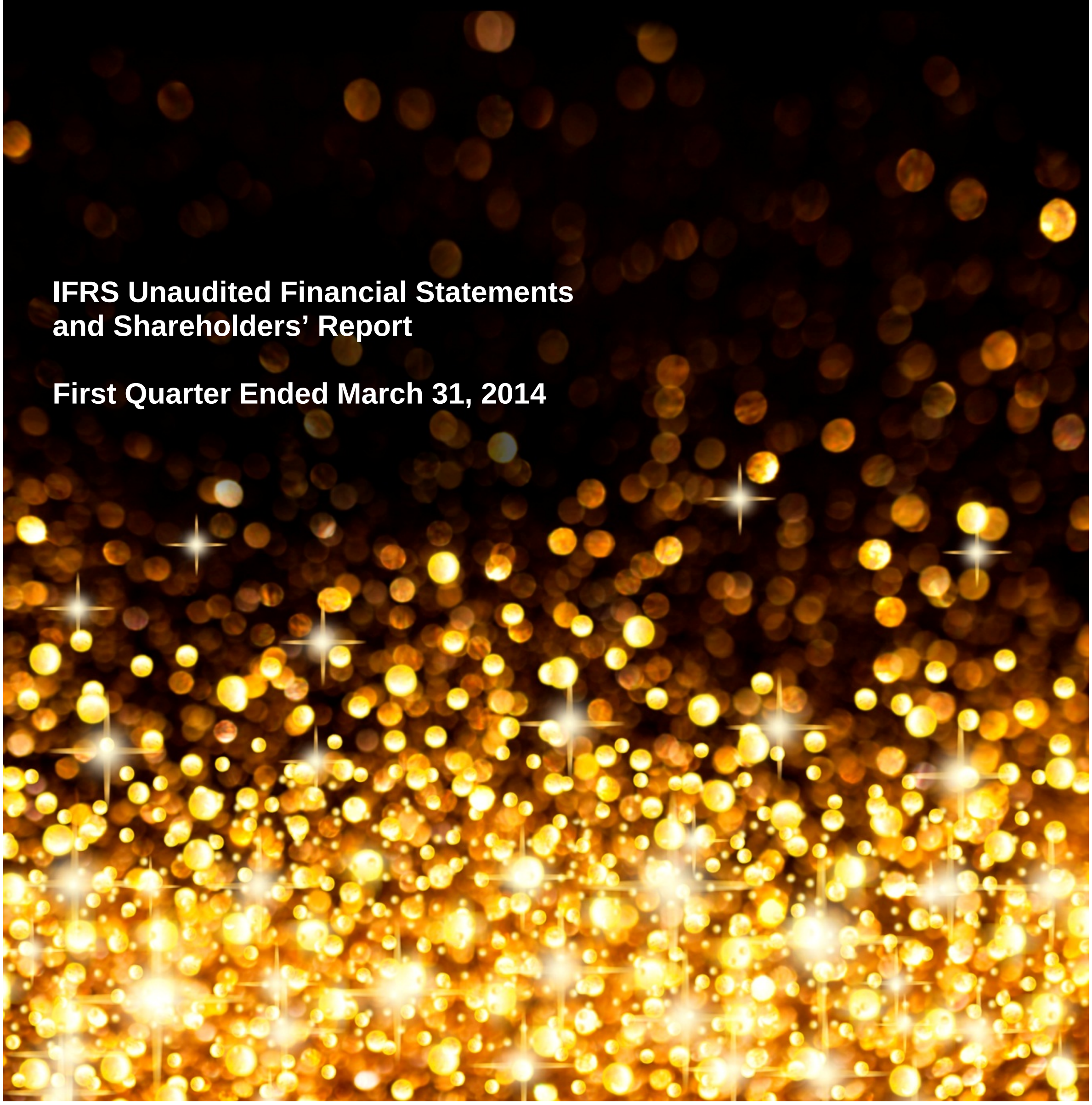
EURO Ressources SA

A Gold Resource Royalty Company



# IFRS Unaudited Financial Statements and Shareholders' Report

## First Quarter Ended March 31, 2014

# 2014 – UNAUDITED INTERIM FINANCIAL STATEMENTS

## Contents

# I Balance Sheets
**(Unaudited)**
**(In thousands of euros)**

| | Notes | March 31, 2014 | December 31, 2013 |
|---|---|---|---|
| **Non-current assets** | | **€ 15,500** | **€ 13,383** |
| Intangible assets | 4 | 9,357 | 9,478 |
| Available-for-sale financial assets | 5 | 6,143 | 3,905 |
| **Current assets** | | **17,363** | **13,670** |
| Trade receivables | 6 | 6,035 | 5,208 |
| Other current assets | 6 | 54 | 27 |
| Income tax receivable | 6 | 1,501 | 409 |
| Cash and cash equivalents | 7 | 9,773 | 8,026 |
| **Total assets** | | **€ 32,863** | **€ 27,053** |

| | Notes | March 31, 2014 | December 31, 2013 |
|---|---|---|---|
| **Equity** | | **€ 31,917** | **€ 26,750** |
| Share capital | 8.1 | 625 | 625 |
| Additional paid-in capital | 8.1 | 83 | 84 |
| Other reserves | | 27,606 | 2,249 |
| Net profit for the period | | 3,603 | 23,792 |
| **Non-current liabilities** | | **753** | **83** |
| Deferred tax liabilities | 10.3 | 753 | 83 |
| **Current liabilities** | | **193** | **220** |
| Trade payables | 9 | 78 | 123 |
| Other current liabilities | 9 | 115 | 97 |
| **Total equity and liabilities** | | **€ 32,863** | **€ 27,053** |

The accompanying notes are an integral part of these unaudited IFRS financial statements.

# II Income Statements

**(Unaudited)**

**(In thousands of euros, except per share amount)**

| | Notes | First quarter ended March 31, 2014 | 2013 |
|---|---|---|---|
| Revenues from ordinary activities | 11 | € 6,020 | € 9,588 |
| Operating expenses | 12 | (196) | (216) |
| Amortization expense | 4 | (132) | (152) |
| Operating profit | | 5,692 | 9,220 |
| Investment income | | 7 | 10 |
| Net foreign exchange loss | 13 | (32) | (37) |
| Net financial losses | | (25) | (27) |
| Profit before income tax | | 5,667 | 9,193 |
| Income tax expense | 10.1 | (2,064) | (3,352) |
| **Net profit** | | **€ 3,603** | **€ 5,841** |
| **Earnings per share (€/share)** | 8.2 | | |
| Basic | | **€ 0.059** | € 0.093 |
| Diluted | | **€ 0.059** | € 0.093 |

The accompanying notes are an integral part of these unaudited IFRS financial statements.

# III Statements of Comprehensive Income

**(Unaudited)**
**(In thousands of euros)**

| | Notes | First quarter ended March 31, 2014 | 2013 |
|---|---|---|---|
| **Net profit** | | € 3,603 | € 5,841 |
| **Items that may be subsequently reclassified to profit or loss** | | | |
| **Other comprehensive income (loss)** | | | |
| Net unrealized change in fair value of available-for-sale financial assets, net of tax | 5 | 1,580 | (5) |
| **Items that will not be reclassified to profit or loss** | | | |
| Currency translation adjustments | | (15) | 691 |
| **Other comprehensive income** | | 1,565 | 686 |
| **Total comprehensive income** | | **€ 5,168** | **€ 6,527** |

The accompanying notes are an integral part of these unaudited IFRS financial statements.

# IV Cash Flow Statements

**(Unaudited)**
**(In thousands of euros)**

| | First quarter ended March 31, 2014 | 2013 |
|---|---|---|
| **Operating activities** | | |
| Net profit | € 3,603 | € 5,841 |
| Elimination of items which do not have an impact on the cash flow: | | |
| Depreciation and amortization expenses | 132 | 152 |
| Income tax expense | 2,064 | 3,352 |
| Gross cash flow from operating activities before net change in operating working capital and income tax paid | 5,799 | 9,345 |
| Change in trade receivables and other current assets | (854) | 1,757 |
| Change in trade payables and other current liabilities | (28) | (4) |
| Net change in operating working capital | (882) | 1,753 |
| Income tax paid | (3,154) | (2,945) |
| **Net cash flow from operating activities** | **1,763** | **8,153** |
| **Unrealized impact from changes in foreign currency exchange rates on cash and cash equivalents** | **(16)** | **314** |
| **Increase in cash and cash equivalents** | **1,747** | **8,467** |
| Cash and cash equivalents, beginning of the year | 8,026 | 10,001 |
| **Cash and cash equivalents, end of the period** | **€ 9,773** | **€ 18,468** |

The accompanying notes are an integral part of these unaudited IFRS financial statements.

# V Statements of Changes in Equity

**(Unaudited)**
**(In thousands of euros)**

| | Share capital | Additional paid-in capital | Available -for-sale fair value reserve | Currency translation adjustments | Retained earnings | Net profit for the period | Total equity |
|---|---|---|---|---|---|---|---|
| **Position as of January 1, 2013** | **€ 625** | **€ 104** | **€ (76)** | **€ 2,891** | **€ 22,889** | **€ -** | **€ 26,433** |
| Dividend in 2013 (note 8.3) | - | - | - | - | (22,499) | - | **(22,499)** |
| Repurchase of shares (note 8.1) | - | (20) | - | - | - | - | **(20)** |
| Total comprehensive income in 2013 | - | - | 82 | (1,038) | - | 23,792 | **22,836** |
| **Position as of December 31, 2013** | **625** | **84** | **6** | **1,853** | **390** | **23,792** | **26,750** |
| Appropriation of 2013 profit | **-** | **-** | **-** | **-** | **23,792** | **(23,792)** | **-** |
| **Position as of December 31, 2013 after appropriation of profit** | **625** | **84** | **6** | **1,853** | **24,182** | **-** | **26,750** |
| Repurchase of shares (note 8.1) | - | (1) | - | - | - | - | **(1)** |
| Total comprehensive income in the first quarter of 2014 | - | - | 1,580 | (15) | - | 3,603 | **5,168** |
| **Position as of March 31, 2014** | **€ 625** | **€ 83** | **€ 1,586** | **€ 1,838** | **€ 24,182** | **€ 3,603** | **€ 31,917** |

The accompanying notes are an integral part of these unaudited IFRS financial statements.

# VI Notes to Interim Financial Statements

***(Amounts in notes are in euros, and tabular amounts are in thousands of euros, except where otherwise indicated.)***

## 1) General information

### 1.1) EURO Ressources S.A.

These unaudited condensed interim financial statements of EURO Ressources (“EURO” or the “Company”) are prepared in accordance with International Financial Reporting Standards (“IFRS”) to comply with Canadian requirements. In France, only French rules can be applied for establishment of individual accounts of listed companies.

EURO is a *Société Anonyme*, domiciled in metropolitan France with its registered office located in Paris.

These interim unaudited financial statements have been approved for publication by the Board of Directors on May 9, 2014.

IAMGOLD France S.A.S., a wholly owned subsidiary of IAMGOLD Corporation (“IAMGOLD”), owned approximately 86% at March 31, 2014 (86% at December 31, 2013) of all outstanding shares of EURO.

### 1.2) Description of operations

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

## 2) Basis of accounting and presentation

### 2.1) Standards

These unaudited condensed interim financial statements (“interim financial statements”) of EURO as at and for the three months ended March 31, 2014 have been prepared in accordance with IAS 34, Interim Financial Reporting, and do not include all of the information required for full annual financial statements. Accordingly certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS as approved by the International Accounting Standard Board (“IASB”) have been omitted or condensed.

### 2.1.1) Revisions, amendments and interpretations to the published standards which took effect in 2014

These interim financial statements have been prepared following the same accounting policies and methods of computation as the annual audited financial statements for the fiscal year ended December 31, 2013, except for the following new accounting standards and amendment to standards and interpretations, which were effective January 1, 2014, and applied in preparing these financial statements. The Company evaluated the impact of the change to its financial statements as a result of the new standards. These are summarized as follows:

**Amendments to IAS 32, Financial Instruments**

The IASB has issued amendments to IAS 32, Financial Instruments: Presentation effective for the annual period beginning on January 1, 2014. These amendments clarify certain aspects of offsetting financial assets and liabilities and did not impact these interim financial statements.

#### IFRIC 21, Levies

The International Financial Reporting Interpretations Committee (IFRIC) 21, Levies provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an equity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The adoption of IFRIC 21 did not impact EURO's financial statements as at January 1, 2014.

### 2.1.2) Future accounting policies

The following new standard was not yet effective for the first quarter ended March 31, 2014, and has not been applied in preparing these financial statements. The Company will evaluate the impact to its financial statements as a result of the new standard. This new standard is summarized as follows:

#### IFRS 9, Financial Instruments

The IASB has issued IFRS 9, Financial Instruments, which will replace IAS 39, Financial Instruments: Recognition and Measurement, and some of the requirements of IFRS 7, Financial Instruments: Disclosures. The mandatory effective date of IFRS 9 is expected to be January 1, 2018. The objective of IFRS 9 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

### 2.2) Use of estimates

When preparing financial statements in accordance with IFRS, management is led to make certain estimates and retain certain assumptions that may have an impact on the amounts of assets and liabilities, income and expenses and contingent liabilities recognized at the balance sheet date. Management regularly reviews those estimates based on the information at its disposal. The assumptions retained for the purpose of determining EURO's present and future obligations take into account the applicable technological, commercial and contractual constraints.

Material items subject to such estimates and assumptions include the valuation of intangible assets, available-for-sale equity investments and non-current assets.

When events and circumstances evolve in a different manner than anticipated, the actual results may differ from those estimates.

### 2.3) Functional and presentation currencies

Financial statements of the Company are presented in Euros (€ or euros).

The functional currency of EURO is in United States dollars (US$), determined on the basis of the economic environment in which the Company operates. The US$ is the currency in which major transactions of the Company, such as income from royalties and the related cash, are denominated. Certain additional information are presented in these financial statements in US$ and in Canadian dollars (C$).

## 3) Management of financial risk

EURO is exposed to different types of financial risks:

- The market risk (principally: the market price for gold and marketable securities, and foreign currency risk),
- The credit risk, and
- The liquidity risk.

EURO has a risk management program, which monitors the volatility of financial markets and seeks to minimize the potentially unfavorable effects of that volatility for EURO's financial performance.

### 3.1) Market risk

### 3.1.1) Gold Price risk

Royalty variance

EURO is exposed to the risk of changes in the market price of gold. Revenues from the Rosebel royalty are determined with reference to the average of the London PM gold price for each calendar quarter. The Rosebel royalty production is anticipated to be approximately between 347,000 and 368,000 ounces in 2014. The impact of changes in the average gold price on EURO's annual revenues, based on an estimated production of 358,000 ounces, would be approximately US$3.5 million for each change in gold price of US$100 per ounce.

### 3.1.2) Foreign currency translation risk

EURO is exposed to foreign currency translation risk arising from various currency exposures, primarily with respect to the euro currency. Most revenues are denominated in United States dollars and the income tax expense is denominated in euros, which represent the largest foreign currency translation risk.

| (In thousands of euros) | First quarter ended March 31, 2014 | US$ | € | C$ | Exposure to currency translation risk – % |
|---|---|---|---|---|---|
| Revenues from ordinary activities | € 6,020 | € 5,881 | € 139 | € - | 2% |
| Operating expenses | € 196 | € 116 | € 63 | € 17 | 41% |
| Investment income | € 7 | € 7 | € - | € - | - |
| Income tax expense | € 2,064 | € - | € 2,064 | € - | 100% |

### 3.2) Credit risk

EURO is subject to a concentrated credit risk with almost 100% of its revenues receivable from one source, namely the Rosebel royalty. This royalty is payable by one company, IAMGOLD, which operates the Rosebel mine. Management considers that in view of the financial standing and nature of IAMGOLD's continuing operating activities, the risk of loss is minimal.

### 3.3) Liquidity risk

Prudent management of liquidity risk requires the retention of adequate liquidity to meet expected expenditures and possible contingencies. EURO believes that its recurring operational income is adequate to cover spending requirements. The Company invests its surplus cash to maximize profits and to mitigate any potential risk. EURO has specific guidelines that are followed under its short-term investment policy. EURO reviews its strategies for investments on a quarterly basis and ensures that ratings of financial institutions have remained excellent and that there are no better investment opportunities. The objective is to ensure reasonable shareholders' return and appropriate safeguard of the Company's assets.

## 4) Intangible assets

The carrying amounts of the intangible assets of EURO are set out in the tables below:

| | December 31, 2012 | Increase | Translation adjustment | December 31, 2013 |
|---|---|---|---|---|
| Costs | | | | |
| Rosebel[1] | € 11,636 | € - | € (504) | € 11,132 |
| Paul Isnard[2] | - | 4,195 | (134) | 4,061 |
| | 11,636 | 4,195 | (638) | 15,193 |
| Accumulated amortization | | | | |
| Rosebel | (5,401) | (569) | 255 | (5,715) |
| Total carrying amount | **€ 6,235** | **€ 3,626** | **€ (383)** | **€ 9,478** |

| | December 31, 2013 | Increase | Translation adjustment | March 31, 2014 |
|---|---|---|---|---|
| Costs | | | | |
| Rosebel[1] | € 11,132 | € - | € 12 | € 11,144 |
| Paul Isnard[2] | 4,061 | - | 4 | 4,065 |
| | 15,193 | - | 16 | 15,209 |
| Accumulated amortization | | | | |
| Rosebel | (5,715) | (132) | (5) | (5,852) |
| Total carrying amount | **€ 9,478** | **€ (132)** | **€ 11** | **€ 9,357** |

1 The Rosebel royalty paid by IAMGOLD applies to the first 7 million ounces of gold produced from the mine and the related payments 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. As of March 31, 2014, the Rosebel mine has produced 3.6 million ounces of gold and there remains approximately 3.4 million ounces of gold under the royalty contract. The royalty 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.

2 The net smelter returns production royalty (“NSR royalty”) covers future production of the Paul Isnard concessions and an area of interest surrounding the concessions in French Guiana. Royalty income will be calculated applying the percentage of royalty to the net smelter return established based on revenues from sales of ounces of gold calculated per the average monthly gold price (in United States dollars) less applicable deduction per the agreement. The percentage of this NSR royalty will be 1.8% on the first 2 million ounces of gold followed by 0.9% on the next 3 million ounces of gold.

## 5) Available-for-sale financial assets

EURO holds marketable securities related to a mining company, which is part of a volatile market. Share market price exposure risk is related to the fluctuation in the market price of marketable securities. This investment is classified as an available-for-sale financial asset and is recorded at fair value. The fair value of available-for-sale marketable securities included in Level 1 is determined based on a market approach. The closing price is a quoted market price from the exchange market that is the principal active market for that particular security.

| | March 31, 2014 | December 31, 2013 |
|---|---|---|
| Marketable securities – Investment in COLUMBUS (15.7% of outstanding shares) | **€ 6,143** | **€ 3,905** |

Unrealized gains/losses related to change in market price of marketable securities classified as available-for-sale are recorded in the accumulated other comprehensive income within equity. During the first quarter of 2014, the Company reviewed the value of its marketable securities for objective evidence of impairment based on both quantitative and qualitative criteria and determined that an impairment charge was not required.

| | First quarter ended March 31, 2014 | 2013 |
|---|---|---|
| Net unrealized change in fair value of available-for-sale financial assets, net of tax | | |
| Unrealized gains (losses) | € 2,248 | € (8) |
| Income tax impact | (668) | 3 |
| **Other comprehensive income (loss)** | **€ 1,580** | **€ (5)** |

## 6) Trade receivables and other current assets

| | March 31, 2014 | December 31, 2013 |
|---|---|---|
| Trade receivables[1] | € 6,035 | € 5,208 |
| Tax and social security receivables | 40 | 27 |
| Prepaid expenses | 14 | - |
| Income tax receivable | 1,501 | 409 |
| | **€ 7,590** | **€ 5,644** |

[1] Trade receivables included €5.8 million due from IAMGOLD at March 31, 2014 (€5.1 million at December 31, 2013).

## 7) Cash and cash equivalents

| | March 31, 2014 | December 31, 2013 |
|---|---|---|
| Cash[1] | € 9,342 | € 7,595 |
| Cash equivalents[1,2] | 431 | 431 |
| | **€ 9,773** | **€ 8,026** |

[1] Almost 100% of EURO's available cash is held in United States dollars.

[2] There is no difference between the fair value and the carrying amount.

Through the first quarter of 2014, EURO continued to invest some of its excess liquidity in money market investments that were compliant with its short-term investment strategy to ensure reasonable return with an appropriate level of risk.

## 8) Share capital

### 8.1) Common shares

| | Number of shares | Nominal value per share | Share capital (In thousands of euros) | Additional paid-in capital (In thousands of euros) |
|---|---|---|---|---|
| As at December 31, 2012 | 62,496,461 | €0.01 | € 625 | € 104 |
| Repurchase of shares[1,2] | (5,180) | | - | (20) |
| As at December 31, 2013 | 62,491,281 | €0.01 | € 625 | € 84 |
| Repurchase of shares[1] | (91) | | - | (1) |
| **As at March 31, 2014** | **62,491,190** | **€0.01** | **€ 625** | **€ 83** |

[1] During 2013, EURO put in place a share repurchase plan. This share repurchase plan was submitted and approved by the Combined General Meeting of June 25, 2013. The acquisition, disposal or transfer of these shares may be achieved by any means on the market or over the counter, including block trades (without limit), until December 24, 2014. In 2013, EURO repurchased 5,180 of its own shares, at an average price of €2.36 per share for a total amount of €20,000 (including commission and legal fees). In the first quarter of 2014, EURO repurchased 91 of its own shares, at an average price of €2.72 per share for a total amount of €195. The total amount was allocated to additional paid-in capital.

[2] On February 21, 2014, the Board approved the cancellation of 5,180 treasury shares repurchased. Accordingly, share capital was reduced based on the nominal value for an amount of €52 corresponding to the par value of the shares cancelled, which was allocated to the share premium account.

### 8.2) Earnings per share

Earnings per share are calculated based on the net profit attributable to holders of common shares of EURO divided by the average number of shares in issue during the fiscal period (excluding treasury shares).

| | Quarter ended March 31, 2014 | Quarter ended March 31, 2013 |
|---|---|---|
| Net profit attributable to holders of common shares | **€ 3,603** | € 5,841 |
| Basic and diluted weighted average number of common shares | **61,132,767** | 62,496,461 |
| **Earnings per share (€/share)** | | |
| Basic | **€ 0.059** | € 0.093 |
| Diluted | **€ 0.059** | € 0.093 |

### 8.3) Dividends

Future distributions of dividends will be proposed by the Board of Directors after taking into account various factors, including EURO's net profit, financial condition, current and anticipated cash needs, and will be subject to shareholders' approval. The amount of distributable dividends is based on the annual financial statements prepared in accordance with French GAAP.

In May 2013, the Board of Directors recommended a maximum dividend in the amount of €24,999,000 (€0.40 per share), subject to the Company having sufficient disposable funds on August 6, 2013. On June 25, 2013, the shareholders approved said recommendation and granted all necessary power to the Board of Directors to adjust, if necessary, this maximum amount with the Company's on-going operational needs. On June 25, 2013, based on the resolution adopted by the shareholders, the financial situation of the Company and the Company's ongoing operational needs, the Board of Directors determined the amount of the dividend to be €22,499,000 (€0.36 per share). The dividend in the amount of €0.36 per share was paid to shareholders on August 6, 2013.

## 9) Trade payables and other current liabilities

| | March 31, 2014 | December 31, 2013 |
|---|---|---|
| Trade payables | € 78 | € 123 |
| Tax and social security liabilities | 73 | 65 |
| Intercompany with IAMGOLD | 30 | 20 |
| Directors' fees | 12 | 12 |
| Other current liabilities | 115 | 97 |
| **Total current liabilities** | **€ 193** | **€ 220** |

## 10) Income tax

### 10.1) Tax reconciliation

The income tax expense differs from the amount that would have been computed by applying the income tax rate for corporations in France of 34.43% in 2014 (2013: 34.43%) to profit before income tax. The reasons for the differences are as follows:

| | First quarter ended March 31, 2014 | 2013 |
|---|---|---|
| **Profit before income tax** | **€ 5,667** | **€ 9,193** |
| Theoretical tax calculated at the income tax rate for corporations in France | (1,951) | (3,165) |
| Tax effects of C.V.A.E. (value added tax) | (51) | (83) |
| Translation adjustments and other | (62) | (104) |
| **Income tax expense** | **€ (2,064)** | **€ (3,352)** |

### 10.2) Current and deferred income tax expense

| | First quarter ended March 31, 2014 | 2013 |
|---|---|---|
| Current income tax expense | € (2,062) | € (3,353) |
| Deferred income tax recovery (expense) on temporary differences | (2) | 1 |
| | **€ (2,064)** | **€ (3,352)** |

### 10.3) Deferred tax liabilities

Deferred tax liabilities pertain to temporary differences, mostly due to changes in market price of marketable securities and to the value added tax (*Cotisation sur la Valeur Ajoutée des Entreprises (“C.V.A.E.”))*. There are no tax losses carried forward. The movements related to the deferred tax liabilities are as follows:

| | 2014 | 2013 |
|---|---|---|
| At January 1 | € (83) | € (109) |
| Tax charge relating to components of other comprehensive income | (668) | 3 |
| Deferred income tax recovery (expense) per the income statement | (2) | 1 |
| Translation adjustment | - | 4 |
| **At March 31** | **€ (753)** | **€ (101)** |

## 11) Revenues from ordinary activities

| | First quarter ended March 31, 2014 | 2013 |
|---|---|---|
| Royalties related to the operation of the Rosebel mine | € 5,881 | € 9,514 |
| Royalties related to mining operations by third parties in French Guiana | 139 | 74 |
| | **€ 6,020** | **€ 9,588** |

## 12) Operating expenses

| | First quarter ended March 31, 2014 | 2013 |
|---|---|---|
| Administrative costs | € 96 | € 118 |
| Directors’ fees | 17 | 16 |
| Audit fees | 24 | 22 |
| Legal fees | 11 | 31 |
| Legal exchange and listing fees | 36 | 7 |
| Operating taxes | 12 | 22 |
| | **€ 196** | **€ 216** |

## 13) Foreign exchange gain (loss)

| | First quarter ended March 31, 2014 | 2013 |
|---|---|---|
| Foreign exchange gain (loss) related to the: | | |
| Revaluation of bank accounts denominated in euros | € (20) | € (33) |
| Revaluation and payment of taxes | (13) | - |
| Revaluation of other balance sheet accounts | 1 | (4) |
| | **€ (32)** | **€ (37)** |

## 14) Related parties

IAMGOLD France S.A.S., an indirect wholly owned subsidiary of IAMGOLD, is the majority shareholder of EURO (approximately 86% of all outstanding and diluted shares). Management fees incurred from IAMGOLD during the first quarter of 2014 were €0.05 million (first quarter of 2013: €0.06 million) and payable at March 31, 2014 were €0.03 million (December 31, 2013: €0.02 million).