



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

### **SECOND QUARTER ENDED JUNE 30, 2014**

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The following management's discussion and analysis (MD&A) of financial condition and results of operations of EURO Ressources S.A. (EURO or the Company) for the second quarter ended June 30, 2014 and dated August 12, 2014, has been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. This MD&A is intended to supplement and complement the unaudited condensed interim financial statements and notes (interim financial statements) thereto for the second quarter ended June 30, 2014. This MD&A should be read in conjunction with EURO's annual audited financial statements and related notes for December 31, 2013 and the related MD&A. All figures in this MD&A are in Euros (€ or euros), unless stated otherwise. Additional information on EURO can be found at [www.sedar.com](http://www.sedar.com). EURO's securities trade on the NYSE Euronext of Paris (EUR). The interim financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board.

#### **About EURO**

EURO is a French company whose principal asset is the Rosebel gold production royalty from the Rosebel mine in Suriname (the Rosebel royalty) owned and operated by IAMGOLD Corporation (IAMGOLD). EURO has approximately 62.5 million shares outstanding. IAMGOLD France S.A.S., an indirect wholly owned subsidiary of IAMGOLD, owned approximately 86% at June 30, 2014 (86% at December 31, 2013) of all outstanding shares of EURO.

EURO receives quarterly royalty payments from IAMGOLD. The Rosebel royalty applies to the first seven million ounces of gold produced from the Rosebel mine and is 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 June 30, 2014, the Rosebel mine produced 3.7 million ounces of gold and 3.3 million ounces of gold remain under the Rosebel royalty contract.

The Rosebel 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.

## STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements, with respect to the Company's financial condition, results of operations, business prospects, plans, objectives, goals, strategies, future events and capital expenditure. Words such as "anticipates", "expects", "intends", "plans", "forecasts", "projects", "budgets", "believes", "seeks", "estimates", "could", "might", "should", and similar expressions identify forward-looking statements. Although the Company believes that its plans, intentions and expectations reflected in these forward-looking statements are reasonable, the Company 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 MD&A. These statements may include comments regarding the closing of certain transactions including acquisitions and offerings and expectations of future participation rights payments.

## INTRODUCTION

The interim financial statements of the Company are presented in Euros. The functional currency of EURO is the United States dollar, since this is the currency in which its major transactions, such as income from royalties, and the related cash are denominated. Certain additional information are presented in these interim financial statements in United States dollars (US\$) and in Canadian dollars (C\$).

The currency exchange rate used to present the balance sheets in Euros was €1 for US\$1.3693 at June 30, 2014 (€1 for US\$1.3791 as at December 31, 2013). The average currency exchange rate for the six months ended June 30, 2014, used to present the Company's income statements, statements of comprehensive income and cash flow statements was €1 for US\$1.3725 (six months ended June 30, 2013: €1 for US\$1.3134). The average currency exchange rate for the second quarter ended June 30, 2014 was €1 for US\$1.3760 (second quarter ended June 30, 2013: €1 for US\$1.3062). Significant transactions are translated at the exchange rate on the date of the transaction.

## RESULTS OF OPERATIONS

### Second quarter ended June 30, 2014 compared to second quarter ended June 30, 2013

EURO recorded a net profit of €2.6 million (€0.041 per share) for the second quarter of 2014 compared to €3.7 million (€0.060 per share) for the second quarter of 2013.

EURO recorded revenues of €5.0 million for the second quarter of 2014, a decrease of 31% compared to revenues of €7.2 million during the second quarter of 2013. Revenues are mainly attributable to the Rosebel royalty of €4.9 million (second quarter of 2013: €7.1 million). The decrease in revenues is due to the decrease in gold production with 70,954 ounces of gold produced in the second quarter of 2014 as compared to 85,871 ounces of gold produced during the second quarter of 2013 for €1.2 million, the lower average gold price during the second quarter of 2014 of US\$1,288 per ounce of gold compared to US\$1,415 per ounce of gold during the same period in 2013 for €0.7 million, and the strengthened Euro currency for €0.3 million.

Operating expenses for the second quarter of 2014 were €0.27 million, which is slightly lower than €0.29 million during the same period in 2013.

The decrease in amortization expense to €0.11 million (second quarter of 2013: €0.14 million) is due to the decrease in gold production at the Rosebel mine.

EURO recorded an income tax expense of €2.1 million including €0.4 million of tax on dividend distributions for the second quarter of 2014 compared to €3.0 million including €0.7 million of tax on dividend distributions during the second quarter of 2013. The decrease in 2014 is mainly due to lower revenues and to lower dividend distributions.

## Six months ended June 30, 2014 compared to six months ended June 30, 2013

EURO recorded a net profit of €6.2 million (€0.099 per share) for the six months ended June 30, 2014 compared to €9.6 million (€0.153 per share) for the six months ended June 30, 2013.

EURO recorded revenues of €11.0 million for the six months ended June 30, 2014, a decrease of 35% compared to revenues of €16.8 million during the six months ended June 30, 2013. Revenues are mainly attributable to the Rosebel royalty of €10.8 million (six months ended June 30, 2013: €16.6 million). The decrease in revenues is due to the lower average gold price during the six months ended June 30, 2014 of US\$1,291 per ounce of gold compared to US\$1,523 per ounce of gold during the same period in 2013 for €2.9 million, the decrease in gold production with 155,267 ounces of gold produced in the six months ended June 30, 2014 as compared to 179,991 ounces of gold produced during the same period in 2013 for €2.2 million, and the strengthened Euro currency for €0.7 million.

Operating expenses for the six months ended June 30, 2014 were €0.46 million, which is slightly lower than €0.51 million during the first half of 2013.

The decrease in amortization expense to €0.24 million (six months ended June 30, 2013: €0.29 million) is substantially due to the decrease in gold production at the Rosebel mine.

EURO recorded an income tax expense of €4.1 million including €0.4 million of tax on dividend distributions for the six months ended June 30, 2014 compared to €6.3 million including €0.7 million of tax on dividend distributions during the six months ended June 30, 2013. The decrease in 2014 is mainly due to lower revenues and to lower dividend distributions.

## OUTLOOK

In 2014, the Rosebel royalty is expected to provide cash flow to the Company of between approximately €25.8 million and €27.3 million (US\$33.5 million and US\$35.6 million). These pre-tax numbers assume a gold price of US\$1,300 per ounce and an exchange rate of €1 for US\$1.3. The Rosebel royalty production is anticipated to be approximately between 347,000 and 368,000 ounces in 2014. EURO's cash flow will primarily be affected by income tax payments, since there are no 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

### Quarterly financial information

| (In millions of euros,<br>except per share data) | Q2<br>2014 | Q2<br>2013 | YTD<br>2014 | YTD<br>2013 |
|--|------------|------------|-------------|-------------|
| Revenues from ordinary activities                | € 5.0      | € 7.2      | € 11.0      | € 16.8      |
| Profit before income tax                         | € 4.7      | € 6.7      | € 10.3      | € 15.9      |
| Income tax expense                               | € 2.1      | € 3.0      | € 4.1       | € 6.3       |
| Net profit                                       | € 2.6      | € 3.7      | € 6.2       | € 9.6       |
| Net profit per share, basic                      | € 0.041    | € 0.060    | € 0.099     | € 0.153     |
| Net profit per share, fully diluted              | € 0.041    | € 0.060    | € 0.099     | € 0.153     |
| Total assets                                     |            |            | € 23.4      | € 36.4      |

## Quarterly data

| (In millions of Euros, except per share data) | 2014   |        | 2013   |        |        |        | 2012   |        |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
|   | Q2     | Q1     | Q4     | Q3     | Q2     | Q1     | Q4     | Q3     |
| Revenues from ordinary activities             | € 5.0  | € 6.0  | € 5.1  | € 7.4  | € 7.2  | € 9.6  | €11.1  | €10.2  |
| Net cash flow from operating activities       | € 2.7  | € 1.8  | € 4.3  | € 2.2  | € 3.1  | € 8.2  | € 6.9  | € 6.0  |
| Net profit                                    | € 2.6  | € 3.6  | € 9.8  | € 4.4  | € 3.7  | € 5.8  | € 7.4  | € 5.7  |
| Net profit per share, basic                   | €0.041 | €0.059 | €0.157 | €0.070 | €0.060 | €0.093 | €0.117 | €0.091 |
| Net profit per share, diluted                 | €0.041 | €0.059 | €0.157 | €0.070 | €0.060 | €0.093 | €0.117 | €0.091 |

## LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at June 30, 2014 totaled €0.7 million as compared to €8.0 million at December 31, 2013. The decrease is mainly due to the payment of dividends on June 30, 2014 (€0.19 per share totaling €11.3 million) and tax payments, partially offset by revenues of royalties cashed during the period. All of the cash and cash equivalents are unrestricted. EURO expects to have sufficient cash flow to fund its ongoing operational needs.

During the six months ended June 30, 2014, EURO has continued to invest 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.

## SHARE CAPITAL

During 2013, EURO put in place a share repurchase plan. This share repurchase plan was submitted and initially approved by the combined general meeting of June 25, 2013. At the annual extraordinary general meeting of shareholders held on June 24, 2014, an authorization was granted to the Board of Directors to reduce the share capital by cancellation of common shares for another period of 18 months as from this meeting. 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, 2015. 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). There were no repurchases of shares in the first half of 2014.

On February 21, 2014, the Board of Directors approved the cancellation of the 5,180 treasury shares repurchased in 2013. Accordingly, the nominal value for an amount of €52 corresponding to the par value of the shares cancelled was reallocated from the additional paid-in capital to the share capital account.

As at June 30, 2014, and the date of this report, the Company had 62,491,281 common shares outstanding with a par value of €0.01 per share. There were no shares issued during the first half of 2014 and 2013.

In May 2014, the Board of Directors recommended a maximum dividend in the amount of €13.1 million (€0.21 per share), subject to the Company having sufficient disposable funds, and that the date of payment would be determined later by the Board of Directors. On June 24, 2014, 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 ongoing operational needs. On June 24, 2014, 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 €11.9 million (€0.19 per share), which was paid to shareholders on June 30, 2014.

Any future distributions of interim dividends in 2014 shall 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.

### **CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The Company's management makes judgments in its process of applying its accounting policies in the preparation of its interim financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments, estimates and assumptions of the Company are mainly related to gold reserves, gold recoveries, future gold prices and future mining activities.

### **REVISIONS, AMENDMENTS AND INTERPRETATIONS TO THE PUBLISHED STANDARDS WHICH TOOK EFFECT IN 2014**

The Company's 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 new accounting standards and amendment to standards and interpretations, and applied in preparing these interim financial statements as described in note 2.1.1 of the Company's interim financial statements for the second quarter ended June 30, 2014.

### **FUTURE ACCOUNTING POLICIES**

For a discussion of future accounting policies that may impact the Company, refer to note 2.1.2 of the Company's interim financial statements for the second quarter ended June 30, 2014.

### **RELATED PARTY TRANSACTIONS**

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). Other than revenues from royalties related to the Rosebel mine, IAMGOLD charged management fees and other fees to EURO during the second quarter of 2014 of €0.086 million (first six months of 2014: €0.17 million) compared to €0.056 million during the second quarter of 2013 (first six months of 2013: €0.11 million). The related amount payable at June 30, 2014 was €0.03 million (December 31, 2013: €0.02 million).

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

The Directeur-Général and the Directeur-Général Délégué have reasonable assurance that material information relating to the Company are known to them. The Directeur-Général and the Directeur-Général Délégué 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:

Benjamin Little  
Directeur-Général  
Tel: +1 416 933 4954  
Email: [blittle@euroressources.net](mailto:blittle@euroressources.net)

Line Lacroix  
Directeur-Général Délégué  
Tel: +1 450 677 2056  
Email: [llacroix@euroressources.net](mailto:llacroix@euroressources.net)