



A Gold Resource Royalty  
Company

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

### **THIRD QUARTER ENDED SEPTEMBER 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 third quarter ended September 30, 2014 and dated November 13, 2014, has been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. The Company's auditors have not reviewed this management's discussion and analysis. This MD&A is intended to supplement and complement the unaudited condensed interim financial statements and notes ("interim financial statements") thereto for the third quarter ended September 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, owns approximately 86% at September 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 September 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**

EURO presents its interim financial statements in Euros ("€" or "Euro"). 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\$1.2630 at September 30, 2014 (€1 for US\$1.3791 as at December 31, 2013). The average currency exchange rate for the nine months ended September 30, 2014, used to present the Company's income statements, statements of comprehensive income and cash flow statements was €1 for US\$1.3619 (nine months ended September 30, 2013: €1 for US\$1.3171). The average currency exchange rate for the third quarter ended September 30, 2014 was €1 for US\$1.3407 (third quarter ended September 30, 2013: €1 for US\$1.3242). Significant transactions are translated at the exchange rate on the date of the transaction.

## **RESULTS OF OPERATIONS**

### **Third quarter ended September 30, 2014 compared to third quarter ended September 30, 2013**

EURO recorded a net profit of €3.5 million (€0.055 per share) for the third quarter of 2014 compared to €4.4 million (€0.070 per share) for the third quarter of 2013.

EURO recorded revenues of €6.3 million for the third quarter of 2014, a decrease of 14% compared to revenues of €7.3 million during the third quarter of 2013. Revenues are mainly attributable to the Rosebel royalty of €6.2 million (third quarter of 2013: €7.3 million). The decrease in revenues is mainly due to the decrease in gold production with 87,890 ounces of gold produced in the third quarter of 2014 as compared to 99,470 ounces of gold produced during the third quarter of 2013 for €0.8 million, the lower average gold price during the third quarter of 2014 of US\$1,282 per ounce of gold compared to US\$1,326 per ounce of gold during the same period in 2013 for €0.3 million.

Operating expenses for the third quarter of 2014 were €0.14 million, which is lower than €0.28 million during the same period in 2013 mainly due to lower administrative costs, legal fees and legal exchange and listing fees.

The decrease in amortization expense to €0.14 million (third quarter of 2013: €0.16 million) is due to the decrease in gold production at the Rosebel mine.

EURO recorded an income tax expense of €2.4 million for the third quarter of 2014 compared to €2.5 million during the third quarter of 2013. The decrease in 2014 is mainly due to lower revenues.

## Nine months ended September 30, 2014 compared to nine months ended September 30, 2013

EURO recorded a net profit of €9.6 million (€0.154 per share) for the nine months ended September 30, 2014 compared to €14.0 million (€0.224 per share) for the nine months ended September 30, 2013.

EURO recorded revenues of €17.3 million for the nine months ended September 30, 2014, a decrease of 29% compared to revenues of €24.2 million during the nine months ended September 30, 2013. Revenues are mainly attributable to the Rosebel royalty of €17.0 million (nine months ended September 30, 2013: €23.9 million). The decrease in revenues is mainly due to the lower average gold price during the nine months ended September 30, 2014 of US\$1,288 per ounce of gold compared to US\$1,456 per ounce of gold during the same period in 2013 for €3.2 million, the decrease in gold production with 243,157 ounces of gold produced in the nine months ended September 30, 2014 as compared to 279,461 ounces of gold produced during the same period in 2013 for €3.0 million, and the strengthened Euro currency for €0.6 million.

Operating expenses for the nine months ended September 30, 2014 were €0.6 million, which is lower than €0.8 million during the first nine months of 2013 mainly due to lower administrative costs, legal fees and operating taxes.

The decrease in amortization expense to €0.38 million (nine months ended September 30, 2013: €0.45 million) is due to the decrease in gold production at the Rosebel mine.

EURO recorded an income tax expense of €6.6 million including €0.4 million of tax on dividend distributions for the nine months ended September 30, 2014 compared to €8.9 million including €0.7 million of tax on dividend distributions during the nine months ended September 30, 2013. The decrease in 2014 is mainly due to lower revenues and to lower dividend distributions.

## OUTLOOK

The Rosebel royalty production guidance for 2014 has been decreased from a range between 347,000 and 368,000 ounces to a range between 332,000 and 337,000 ounces. For the full year 2014, the Rosebel royalty is now expected to provide cash flow to the Company of between €24.7 million and €25.0 million (US\$32.0 million and US\$32.5 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 impact of changes in the average gold price on EURO's annual revenues, based on an estimated production of 335,000 ounces, would be approximately US\$3.3 million for each change in gold price of US\$100 per ounce. 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, except per share data)	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Revenues from ordinary activities	€ 6.3	€ 7.3	€ 17.3	€ 24.2
Profit before income tax	€ 5.9	€ 6.9	€ 16.2	€ 22.9
Income tax expense	€ 2.4	€ 2.5	€ 6.6	€ 8.9
Net profit	€ 3.5	€ 4.4	€ 9.6	€ 14.0
Net profit per share, basic and diluted	€ 0.055	€ 0.070	€ 0.154	€ 0.224
Total assets			€ 28.6	€ 17.9

## Quarterly data

(In millions of Euros, except per share data)	2014			2013				2012
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenues from ordinary activities	€ 6.3	€ 5.0	€ 6.0	€ 5.1	€ 7.3	€ 7.2	€ 9.6	€11.1
Net cash flow from operating activities	€ 3.3	€ 2.7	€ 1.8	€ 4.3	€ 2.2	€ 3.1	€ 8.2	€ 6.9
Net profit	€ 3.5	€ 2.6	€ 3.6	€ 9.8	€ 4.4	€ 3.7	€ 5.8	€ 7.4
Net profit per share, basic and diluted	€0.055	€0.041	€0.059	€0.157	€0.070	€0.060	€0.093	€0.117

## LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at September 30, 2014 totaled €4.4 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 €11.9 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 nine months ended September 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 nine months 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 September 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 nine months 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. 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 considering 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 third quarter ended September 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 third quarter ended September 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 third quarter of 2014 of €0.083 million (first nine months of 2014: €0.251 million) compared to €0.056 million during the third quarter of 2013 (first nine months of 2013: €0.167 million). The related amount payable at September 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:

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