

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

The following discussion and analysis is prepared as at 27 October 2008 and should be read in conjunction with, and is qualified by, our consolidated 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 European Union.

INTRODUCTION

EURO Ressources S.A. ("EURO" or the "Company") is a French company and is listed on Euronext in Paris. In accordance with French regulations, the Company prepares its consolidated accounts in Euro which is the presentation currency for its consolidated 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, its term loans 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 is € = \$1.44487 for balance sheet items at 30 September 2008 (€ = \$1.47285 as at 31 December 2007). The average currency exchange rate for the nine months ended 30 September 2008, used to present the consolidated income and cash flow statements, is € = \$1.52254 (2007: € = \$1.35166). The average currency exchange rate for the quarter ended 30 September 2008, used to present the consolidated income and cash flow statements, is € = \$1.50671 (€ = 1.37417 for the third quarter in 2007).

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's principal business is to own certain gold exploration properties in French Guiana and royalties on operating gold mines. We own the "Rosebel royalty" on the Rosebel gold mine in Suriname, which mine is owned and operated by IAMGOLD Corporation. We receive quarterly payments from IAMGOLD on this royalty. We are actively seeking to acquire additional royalties.

We also own certain gold property interests in French Guiana primarily consisting of eight concessions and an exploration permit at Paul Isnard. Consequent on the review of environmental matters related to mining activity in French Guiana, currently being undertaken by the French Government, there is uncertainty as to the areas where mining activity may be permitted in French Guiana.

Three months ended 30 September 2008 compared to three months ended 30 September 2007

EURO had revenue of €3.20 million in the quarter ended 30 September 2008 compared to €2.02 million in the third quarter of 2007, an increase of 58.4%. Substantially all of this revenue is income from the Rosebel royalty. The Rosebel gold mine produced 86,955 ounces of gold in the third quarter of 2008, a 15.6 % increase from the 75,227 ounces of gold produced in the third quarter of 2007. The increase in revenue from Rosebel also reflects the increase in the average gold price to \$871.60/ounce for the third quarter 2008 compared to \$680.13/ounce for the same period last year.

The proportion of gold production from hard rock increased to 33.6% from 26.4% in the third quarter of 2007 giving an effective participation threshold price of \$316.81 this quarter compared to \$313.21 in the comparative period of 2007: the resultant payable amount per ounce of attributable gold production increased from \$366.92 to \$554.79, an increase of 51.2%. Currency fluctuations resulted in a reduction of 9.6% in the stated Euro value of the dollar denominated revenue as compared to the Euro value that would have applied using the exchange rate applicable to the third quarter of 2007.

EURO had no scheduled gold hedging maturities during the third quarter this year. During the third quarter of 2007, EURO had €1.11 million in net revenue after deduction from revenue of hedging costs of €0.91 million, which costs arose from scheduled maturity of derivative gold hedges during that period. In the third quarter of 2008 we liquidated the gold hedges scheduled to mature in the first quarter of 2009. The liquidated loss of €1.53 million associated with the early liquidation of this gold hedge is offset by the decrease over the period in the negative mark-to-market value for the outstanding gold hedges of €2.52 million resulting in a net financial gain in the third quarter of €0.99 million.

General and administrative expenses in the third quarter were €0.63 million, including €0.06 million associated with the IAMGOLD arbitration and €0.2 million of costs associated with the unsolicited takeover bid. Excluding these costs, there was a 28% reduction in G&A costs compared to the €0.53 million of similar expenses in the third quarter of 2007. Interest expense decreased in the third quarter of 2008 to €0.01 million (2007: €0.12 million), a 92% decrease reflecting the further reduction in principal outstanding to Macquarie Bank Limited during this quarter and the full repayment of the Golden Star loan.

The decrease in amortization expenses to €0.12 million (2007: €0.16 million) reflects the change in accounting estimate of the resources at Rosebel to include the full amount of the remaining ounces under the Rosebel Participation Right royalty, which resulted in a higher resource base for computing the amortization per ounce of production. Consequent on settlement in full of the contingent element of the purchase price of the Rosebel royalty in 2007, there was no debt accretion charge during this quarter (2007: €0.08 million).

Notwithstanding the economic effectiveness of the derivatives used to hedge certain of the future cash flow from the Rosebel royalty, which were implemented as a requirement of our loan from Macquarie, we have recognized against income the total unrealized mark-to-market position of our outstanding gold hedge position. These negative fair value losses do not affect our current cash-flow. If hedge accounting had been available, these prospective losses would have been brought to account against the matching income: also the contango costs inherent in the mark-to-market loss now reflected against income would not arise.

The mark-to-market of our hedge position in the quarter includes the impact of a decrease in the gold price and, in particular, the reduction of the ounces remaining in our hedged position. There was a decrease in the average gold price in the current quarter over the prior quarter this year, from \$926.00 to \$861.10 for the third quarter of 2008, compared to an increase in the comparative quarter to quarter averages in 2007 from \$650.50 to \$743.00. The total of outstanding hedged ounces was reduced during the quarter by liquidation in advance of scheduled maturity to 17,100 ounces at 30 September 2008 compared to 22,800 ounces at 30 June 2008. All our derivative gold hedges with scheduled maturity in 2008 have been liquidated and our gold hedge with scheduled maturity in the first quarter of 2009 has also been liquidated, with deferred settlement due on 31 October 2008.

EURO has recognized a reduction in future tax credit in the third quarter 2008 of €1.21 million, which is compared to a future tax credit increase of €0.57 million in the same quarter last year. The net profit for the third quarter of 2008 of €2.20 million compares to a net loss of €1.52 million in the third quarter of 2007.

Nine months ended 30 September 2008 compared to nine months ended 30 September 2007

EURO recorded a net profit of €4.23 million during the first nine months of 2008, compared to a net loss of €0.18 million for the first nine months of 2007. Revenue from royalties was substantially higher for the first nine months of 2008 at €9.22 million compared to €5.29 million for the first nine months of 2007, with €8.86 million earned from the Rosebel royalty (€5.05 million during the same period last year). The 74% increase in revenue from 2007 to 2008 arises from a higher average gold price (a 34.8% increase to \$897.15 for the first nine months of 2008, compared to \$665.58 for the same period last year) and a 25% increase in total Rosebel gold production (241,480 ounces for the first nine months of 2008, compared to 192,647 for the same period last year). Production in the first quarter of 2007 was impacted by a strike at Rosebel during the first quarter.

OUTLOOK

Over the next twelve months, the Rosebel royalty is expected to provide revenue to the Company of around \$17 - 20 million as compared to our outlook for nearly \$12 million during the same time period in 2007, assuming Rosebel achieves an annual rate of production of between 350,000 and 400,000 ounces of gold and gold prices are maintained around \$800/ounce. Additional fair value derivative losses, primarily reflecting increased gold prices, may adversely affect our stated earnings; however this accounting treatment will not directly impact cash-flow. EURO expects that cash-flow from the Rosebel royalty will be surplus to its needs for all corporate and related expenses, and scheduled debt service.

EURO had previously stated its intent to liquidate all remaining gold hedging (scheduled maturity: 2009) by year-end 2008. However, following the unsolicited takeover offer from IAMGOLD, this objective has been suspended so as to provide EURO with maximum short-term liquidity

KEY FINANCIAL DATA

The financial information in the following tables is presented in thousands of Euro, except per share data.

	2008 Q3	2007 Q3
Total revenue	€ 3,207	€ 2,024
Loss on derivatives	(5)	(910)
Total revenue less loss on derivatives	3,202	1,114
Net profit (loss) before tax	3,417	(2,092)
Income tax recovery (expense)	(1,215)	571
Net profit (loss)	€ 2,202	€ (1,521)
Earnings (loss) per share, basic	€ 0.036	€ (0.030)
Earnings (loss) per share, fully diluted	€ 0.036	€ (0.030)
Total assets	€18,397	€ 19,361
Total long-term financial liabilities	€ 3,244	€ 13,536
Cash dividends declared	Nil	Nil

	2008 Q3	2008 Q2	2008 Q1	2007 Q4
Total revenues less loss on derivatives	€3,207	€2,866	€2,155	€1,462
Cash provided by (used) in operating activities	2,445	1,406	1,065	813
Net profit (loss)	2,202	1,236	791	(582)
Net profit (loss) per share, basic	€0.04	€0.02	€0.01	€(0.01)
fully diluted – per share	€0.04	€0.02	€0.01	

	2007 Q3	2007 Q2	2007 Q1	2006 Q4
Total revenues less loss on derivatives	€1,114	€875	€345	€1,277
Cash provided by (used) in operating activities	463	(404)	145	107
Net profit (loss)	(1,521)	1,670	(330)	(790)
Net profit (loss) per share, basic	€(0.03)	€0.03	€(0.01)	€(0.01)
fully diluted – per share		€0.03		

LIQUIDITY AND CAPITAL RESOURCES

Consolidated cash and cash equivalents at 30 September 2008 totaled €0.6 million. EURO expects to have sufficient cash flow to fund its on-going operational needs and to provide sufficient resources to investigate acquisition opportunities. Of note, our net cash flow from operating activities has continued to increase from €2.45 million in the third quarter of 2008, €1.41 million in the second quarter and €0.40 million in the third quarter of 2007, as a result of increased production from the Rosebel mine and higher gold prices.

We continue to show a working capital deficiency, reflecting the mark-to-market fair value of our gold hedge position recorded as a current liability, whilst we do not record the contingent Rosebel royalty revenue for corresponding future periods as a receivable. We anticipate that the Rosebel royalty will be paid timeously based on IAMGOLD's forecast gold production at Rosebel, which will provide adequate liquidity to meet our obligations as they become due.

EURO has continued to investigate additional acquisitions of gold mineral interests and may require additional capital to complete any such transaction. In addition to using established cash-flow, EURO may need to arrange a combination of equity and debt transactions as sources of capital to fund any such transaction. There is no assurance that EURO will identify suitable acquisitions or, that EURO could obtain additional funding at acceptable prices.

HEDGING

As required by the loan agreement from Macquarie, we entered into a cash-settled forward sales agreement in January 2005 which obligated us to sell 5,700 ounces of gold to the financial institution at the end of each calendar quarter, beginning 31 March 2005 and every three months thereafter until 30 June 2007. During the third quarter 2005, we entered into a further similar cash settled forward sales contract which obligates us to sell a further 5,700 ounces of gold to Macquarie at the end of each calendar quarter, beginning in the third quarter of 2007 until 31 December 2009. In both contracts, cash settlement occurs on the 29th day of the month following the calendar quarter.

In terms of these cash settled forward sales contracts, when the average price for the London PM gold fix for the calendar quarter is less than the contract price, the financial institution will pay an amount to EURO equal to the difference between the average price for that quarter and the contract times 5,700 ounces. If the prior calendar quarter average price exceeds the contract price per ounce we will pay the financial institution an amount equal to the difference between the average price and the contract price per ounce times 5,700 ounces. The contract price for the initial cash settled forward sales contract was \$421.00. It is \$458.50 for the second series of sales.

The hedge is structured to reflect and offset the variable nature of the gold price used in calculating the amount due to the Company in terms of the Rosebel royalty. Since the Rosebel royalty is calculated quarterly on the average gold price and 10% of attributable production, the 5,700 ounces of each quarterly contract represent a hedge of 57,000 ounces of attributable production per quarter.

Following the liquidation of hedges at their scheduled maturity and the liquidation of hedges in advance of their scheduled maturity, we had 17,100 ounces in gold derivative contracts outstanding at 30 September 2008, all at a contract price of \$458.50, with the following maturities:

2009

Period of Maturity	Q2	Q3	Q4	Total
Gold ounces hedged	5,700	5,700	5,700	17,100

DEBT AND CONTRACTUAL OBLIGATIONS

The amounts shown below are undiscounted to show full expected cash requirements, in thousands of dollars in respect to debt and contractual obligations.

(in thousands of dollars)

	Payments due by period				
	Total	< 1 Year	1- 3 Years	4- 5 Years	> 5 Years
Macquarie Bank Limited	\$1,267	\$1,267	-	-	-

SHARE CAPITAL

As at 30 September 2008 and the date of this report, we had 60,591,460 common shares outstanding with a par value of €0.01 per share. As at 30 September 2008 and the date of this report, our share capital was:

Par	€ 606
Premium	<u>45,559</u>
Total Share Capital	<u>€46,165</u>

CRITICAL ACCOUNTING ESTIMATES

Preparation of our consolidated 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 and amortization of bank loans, future royalty payments, equipment, and expense accruals are subject to estimates and assumptions regarding reserves, gold recoveries, future gold prices and future mining activities.

We have written off substantially all of our investments in exploration properties based upon our previous assessments of the amounts recoverable from these properties. We continue to retain title to certain properties after impairment write-offs as future events and discoveries may ultimately prove that they have significant value.

RELATED PARTY TRANSACTIONS

Mr. James H. Dunnett, Directeur-Général, provides advisory services to the Company through Xystus Holdings Corp. Ltd., of which Mr. Dunnett is chief executive and which is a 7.86% shareholder of EURO.

PAUL ISNARD

On 23 March 2007, EURO signed a memorandum of understanding with Golden Star regarding, amongst other things, an amendment to the previous agreement with Golden Star for their acquisition of the Paul Isnard concessions and exploration permit held by EURO in French Guiana. This amendment provided for the sale of the Paul Isnard properties in exchange for a royalty consideration payable to EURO. Golden Star was required to complete a feasibility study on Paul Isnard within one year of signing the memorandum, however Golden Star has not completed the required feasibility study.

Consequent on the review of environmental matters related to mining activity in French Guiana, currently being undertaken by the French Government, there is uncertainty as to the areas where mining activity may be permitted in French Guiana. Until such time as this review is concluded, anticipated before year-end 2008, it is not expected that significant further activity will be undertaken on Paul Isnard.

On 29 September 2008 litigation commenced in Canada between EURO and Golden Star concerning the Paul Isnard property held by EURO. EURO has asked the Court to confirm Golden Star's repudiation of the Option Agreement on Paul Isnard and is seeking damages from Golden Star. Golden Star has filed a countersuit seeking transfer of the Paul Isnard properties to Golden Star. As an alternative to the transfer of the Paul Isnard properties, Golden Star seeks monetary damages. EURO considers Golden Star's claim to be without merit.

ARBITRATION

In October 2007, IAMGOLD determined to withhold a portion of the Rosebel royalty then due to EURO. This deduction was made without discussion or consultation with EURO and purports to be a revision to the basis of the royalty payments made by Cambior from the inception of production at Rosebel and a revision to the payments made by IAMGOLD since its acquisition of Cambior in late 2006. Further deductions were made against the royalty payable in January, April and July 2008 in respect to production in the fourth quarter of 2007 and the first two quarters of 2008.

In unilaterally making these deductions, IAMGOLD has sought to attribute as a royalty determined in ounces of gold, cash payments made to the Suriname Government and Grassalco under the operating agreement for Rosebel. It has then used this arbitrary calculation of ounces to reduce the attributable ounces of production on which the Rosebel royalty is calculated and paid to EURO. Management believes there is no basis for such a computation under the Participation Agreement between Cambior (now IAMGOLD) and EURO. Consequently, EURO has objected to this unilateral deduction and sought arbitration as provided for in the Participation Agreement.

As at 30 September 2008, the total withheld and recorded by EURO as a receivable in these financial statements is \$0.93 million (~~€~~0.6 million). The table below summarizes by period the deductions made by IAMGOLD. EURO has made no risk provision against these amounts in the financial statements.

	2005	2006	2007	2008
Amount withheld	\$15,035	\$174,665	\$271,676	\$477,370

Management is confident that the amounts withheld by IAMGOLD will be recovered at the conclusion of the arbitration process, anticipated to be completed during 2008.

UNSOLICITED TAKEOVER BID BY IAMGOLD CORPORATION

On 29 August 2008 IAMGOLD filed with the Autorité de marchés financiers (the French financial services regulator)(the "AMF") an unsolicited takeover bid to acquire up to 100% of the outstanding shares of EURO for €1.20 per share. The offer is conditional on IAMGOLD receiving tenders from EURO's shareholders such that the total, together with the approx 4.95% shareholding held by IAMGOLD, would represent a minimum of 50% plus one share of EURO's fully diluted shares.

During September, management commenced the process of retaining financial advisors to assist in evaluating EURO's response and to consider alternative transactions to IAMGOLD's unsolicited proposed offer. On 24 September, EURO announced that it had engaged Rothschild & Cie (Transaction R) in Paris and Scotia Capital and Capital West Partners in Canada as its financial advisors.

On 9 October, EURO announced that the board of directors of EURO had reached a unanimous recommendation for its shareholders that they should not tender their shares to IAMGOLD's unsolicited tender offer. At the same time, EURO filed a draft rely note ("Note en Réponse") with the AMF that describes in detail the factors that the board of directors considered in reaching their decision and making their recommendation. On 22 October, EURO finalized and received a visa from the AMF for its Note en Réponse.

The closing date for shareholders to tender to IAMGOLD's offer is 21 November 2008. In the event of a third party offer or an Improved Offer from IAMGOLD made prior to 14 November 2008, this final date will be modified and extended. In the event that there is no such additional transaction and IAMGOLD is successful in meeting the minimum condition, the takeover offer will be re-opened for further acceptance for shareholders who did not tender prior to the original closing date of 21 November 2008.

DISCLOSURE CONTROLS AND PROCEDURE

The Company has limited employees and subsidiary activities. Accordingly, the Directeur-Général and Vice Président, Finance have reasonable assurance that material information relating to the Company and its consolidated subsidiaries are known to them and the Directeur-Général and Vice Président Finance have concluded that the Company's disclosure controls and procedures are effective.

ADDITIONAL INFORMATION

Additional information relating to EURO Ressources S.A. is available on SEDAR at www.sedar.com. Information related to the Rosebel Royalty can be found at IAMGOLD's website at www.iamgold.com. Further requests for information should be addressed to:

James H. Dunnett,
Directeur-Général
Tel: +1 604 710 2242
Email: jhdunnett@aol.com

Susanne A. Hermans,
Vice-Président, Finance
Tel: +1 303 204 7771
Email: shermans@euroressources.net