



## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED MARCH 31, 2012**

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### Notice to Reader:

The accompanying management's discussion and analysis for the quarter ended March 31, 2012 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 the management's discussion and analysis. Financial information is presented in Euros and, where appropriate, in United States dollars and Canadian dollars, in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board. Readers are cautioned that this financial information contains certain forward-looking information as described in management's discussion and analysis.

## 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 May 7, 2012 and should be read in conjunction with, and is qualified by, the Company's interim financial statements and related notes for the periods indicated. The interim financial statements have been prepared in Euros and in accordance with International Financial Reporting Standards as adopted by the International Accounting Standards Board.

### 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 the Rosebel royalty. Therefore, management has presented certain data in this MD&A in US dollars. All dollar amounts are United States dollars (US dollars or \$) or Canadian dollars ("C\$"), unless otherwise designated.

The currency exchange rate used to present the financial statements in Euro was € for \$1.3356 for balance sheet items at March 31, 2012 (\$1.2939 as at December 31, 2011). The average currency exchange rate for the three months ended March 31, 2012, used to present the Company's income and cash flow statements, was \$1.3108 (2011 – \$1.3667), except for significant transactions, such as revenue and taxes, where they are translated at the exchange rate of the date of the transaction.

### 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.

### 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 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, 2012, the Rosebel mine has produced 2.8 million ounces of gold and there remains 4.2 million ounces of gold under the royalty contract.

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.

Through a successful tender offer in late 2008, IAMGOLD owns today approximately 86% of all outstanding shares of EURO.

## **RESULTS OF OPERATIONS**

### **First quarter of 2012 compared to first quarter of 2011**

EURO recorded a net profit of €6.47 million (€0.104 per share) for the first quarter of 2012 compared to €5.28 million (€0.084 per share) for the first quarter of 2011.

EURO recorded revenues of €10.00 million for the first quarter of 2012, an increase of 27% compared to revenues of €7.89 million for the first quarter of 2011. The revenues are essentially attributable to the Rosebel royalty with €0.88 million (2011: €7.82 million) earned from Rosebel. The Rosebel gold mine produced 97,551 ounces of gold during the first quarter of 2012, which compares to 105,137 ounces of gold during the first quarter of 2011, a decrease of 7%. The 27% increase in revenues is primarily due to the 22% increase in the average gold price of \$1,691 per ounce for the first quarter of 2012, as compared to \$1,386 per ounce for the first quarter in 2011 partly offset by lower ounces of gold produced.

Operating expenses for the first quarter of 2012 were €0.21 million, a 9% reduction compared to €0.23 million for the first quarter of 2011; this continues to reflect the general decline in activity for EURO.

The 2% decrease in amortization expense to €0.157 million for the first quarter of 2012 (2011: €0.160 million), is due to the 7% decrease in production, and the weakened Euro currency.

EURO recorded an income tax expense of €3.19 million for the first quarter of 2012 (2011: 2.23 million).

## **OUTLOOK**

Over the next twelve months, the Rosebel royalty is expected to provide cash flow to the Company of approximately €38 - €40 million (US\$52 - US\$55 million). These pre-tax numbers assume that EURO is using a gold price of \$1,700 per ounce and an exchange rate of €1 for US\$1.4. The Rosebel royalty production is anticipated to be approximately between 390,000 and 415,000 ounces in 2012. 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 following financial information for the first quarters of 2011 and 2012 is presented in thousands of Euros, except per share data.

	<b>Q1 2012</b>	<b>Q1 2011</b>
Revenues	10,001	7,895
Profit before tax	9,656	7,507
Income tax expense	(3,185)	(2,227)
Net profit	6,471	5,280
Earnings per share, basic	0.104	0.084
Earnings per share, fully diluted	0.104	0.084
Total assets	32,924	37,213
Total non-current liabilities	133	128

### Quarterly data (in thousands of Euros, except per share data)

	<b>2012 Q1</b>	<b>2011 Q4</b>	<b>2011 Q3</b>	<b>2011 Q2</b>
Revenues	€10,001	€11,685	€9,965	€7,478
Cash provided by (used in) operating activities	9,577	9,071	5,744	(722)
Net profit	6,471	7,555	5,850	4,465
Earnings per share, basic	0.104	0.121	0.094	0.071
Earnings per share, diluted	0.104	0.121	0.094	0.071

	<b>2011 Q1</b>	<b>2010 Q4</b>	<b>2010 Q3</b>	<b>2010 Q2</b>
Revenues	€7,895	€7,750	€7,374	€5,853
Cash provided by operating activities	8,800	4,228	7,560	4,374
Net profit	5,280	8,096	4,478	2,478
Earnings per share, basic	0.084	0.130	0.072	0.040
Earnings per share, diluted	0.084	0.130	0.072	0.040

## LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at March 31, 2012 totaled €4.93 million (December 31, 2011: €5.58 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 first quarter of 2012, 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

As at March 31, 2012 and the date of this report, the Company had 62,496,461 common shares outstanding with a par value of €0.01 per share.

There were no shares issued during the first quarter of 2012.

As at March 31, 2012 and the date of this report, the Company's share capital was (in millions of Euro):

Par	€0.6
Additional Paid-In-Capital	<u>0.1</u>
Total Share Capital	<u>€0.7</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.

## RELATED PARTY TRANSACTIONS

In early 2009, EURO entered into a management services agreement with IAMGOLD, its majority shareholder. Management fees incurred during the first quarter of 2012 were €0.056 million (first quarter of 2011: €0.054 million) and payable at March 31, 2012 were €0.018 million (December 31, 2011: €0.019 million).

## ASSETS HELD FOR SALE

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").

In 2009, EURO agreed to transfer ownership of SOTRAPMAG and of EURO's interest in the PER to Auplata S.A. ("AUPLATA") in exchange of a royalty on gold production from the Paul Isnard Properties. The royalty will be equal to the difference between the market price of an ounce of gold and US\$400 multiplied by 10% of gold production up to two million ounces and by 5% of gold production between two and five million ounces. The completion date of the transfers to AUPLATA was initially expected by June 2010 pending the approval of the transfer of SOTRAPMAG and of the PER by the French authorities.

### **Paul Isnard PER**

In January 2010, EURO was notified by the French Authorities 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 expires on May 30, 2013. This application also encompasses a transfer of the PEX to SOTRAPMAG, once granted. The PEX covers 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 at March 31, 2012, the PEX had not been granted yet.

As a result of the settlement agreement for the transfer of Paul Isnard Properties, the recoverable value of the PER was updated as at December 31, 2009. At the end of March 2012, it was determined that this value is still justified based on the following reasons:

- 1) The mining plan ("*schéma minier*") in French Guiana has been approved.
- 2) COLUMBUS Gold Corporation ("COLUMBUS") entered into an Option agreement in 2011 with AUPLATA related to the Paul Isnard Properties (see OPTION AGREEMENT WITH COLUMBUS for further explanation).
- 3) In 2011 and in the first quarter of 2012, the price of gold reached high levels, which could justify expedient exploration and exploitation on these properties.

As a consequence, as at March 31, 2012, EURO maintains the reinstatement of the PER net value of \$750,000 (€61,000) in its books.

### **Royalty on gold production from Paul Isnard concessions**

On October 22, 2010, SOTRAPMAG was transferred to AUPLATA. EURO recorded an intangible asset related to the royalty on gold production from the Paul Isnard concessions in the amount of \$750,000. The carrying value as at March 31, 2012 was €62,000.

### **OPTION AGREEMENT WITH COLUMBUS**

Before the end of 2011, AUPLATA and COLUMBUS amended their respective agreement allowing COLUMBUS to accelerate its ability to earn a 100% direct or indirect interest in the Paul Isnard Properties. This amendment to the agreement was approved by the TSX Venture exchange on December 23, 2011 and by the French authorities on April 13, 2012.

On December 5, 2011, EURO entered into an option agreement (the "Option") with COLUMBUS that would allow for the restructuring of the Paul Isnard Royalty ("Royalty on gold production from the Paul Isnard concessions and the Paul Isnard PER") (the "Option"). The Option provides COLUMBUS with the ability to purchase from EURO the existing Paul Isnard Royalty in return for cash, shares of COLUMBUS and a retained net smelter royalty (as more detailed below). The Option is only exercisable when COLUMBUS has earned a 100% direct or indirect interest in the Paul Isnard Properties. EURO maintains the right to compel Columbus to exercise the Option. The Option expires on July 30, 2015 if not exercised. The approval or non-approval of the PEX by the French authorities does not change the terms and conditions of the Option agreement.

In 2011 COLUMBUS has paid an option fee of C\$250,000 (€186,000), which was comprised of the following:

- C\$166,667 (€124,000) in shares of COLUMBUS at the 20-day volume weighted average price ("VWAP"), and
- C\$83,333 (€62,000) in cash.

Under the VWAP, as of December 21, 2011, each share of COLUMBUS was valued at C\$0.703 (€0.524), which translated to EURO receiving 237,017 shares in COLUMBUS, representing less than 0.3% of all outstanding shares.

In addition, until the Option is exercised or has expired, COLUMBUS must pay an annual C\$50,000 maintenance fee at the anniversary date of the signed Option agreement.

Once the Option has been exercised, COLUMBUS must make the following payments:

- C\$4.2 million cash,
- 12,865,600 shares of COLUMBUS (approximately 12.25% of existing shares as of March 31, 2012) subject to possible upward adjustments based on certain events and the VWAP at the time of exercise, and
- A 1.8% net smelter royalty on the first 2 million ounces of gold followed by a 0.9% net smelter royalty on the next 3 million ounces of gold. This royalty is capped at five million ounces.

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

The Directeur-Général and Vice-Président Finance have reasonable assurance that material information relating to the Company are known to them. The Directeur-Général and the 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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