



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FIRST QUARTER ENDED  
MARCH 31, 2013**

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Notice to Reader:

The accompanying management's discussion and analysis for the first quarter ended March 31, 2013, 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") was prepared as at May 9, 2013 and should be read in conjunction with, and is qualified by, the Company's 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.

EURO presents its financial statements in Euros (€ or Euro). The functional currency of EURO is the US 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 financial statements in US dollars ("\$" or "US\$") and in Canadian dollars ("C\$").

The currency exchange rate used to present the financial statements in Euro was €1 for \$1.2805 for balance sheet items at March 31, 2013 (\$1.3194 as at December 31, 2012). The average currency exchange rate for the three months ended March 31, 2013, used to present the Company's income and cash flow statements, was €1 for \$1.3206 (first quarter of 2012 – \$1.3108), except for significant transactions, where they were 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 on the Rosebel gold mine in Suriname (the "Rosebel royalty") 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, 2013, the Rosebel mine had produced 3.24 million ounces of gold and there remains 3.76 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.

## **RESULTS OF OPERATIONS**

### **First quarter of 2013 compared to first quarter of 2012**

EURO recorded a net profit of €5.84 million (€0.093 per share) for the first quarter of 2013 compared to €6.47 million (€0.104 per share) for the first quarter of 2012.

EURO recorded revenues of €9.59 million for the first three months of 2013, a decrease of 4% compared to revenues of €10.00 million for the first three months of 2012. Revenues are essentially attributable to the Rosebel royalty with €9.51 million (first quarter of 2012: €9.89 million) earned from Rosebel. The 4% decrease in revenues is substantially due to the decrease in the average gold price for the first quarter of 2013 to \$1,632 per ounce of gold (first quarter of 2012: \$1,691 per ounce of gold) for €0.41 million, and to the decrease in gold production with 94,120 ounces of gold produced in the first quarter of 2013, as compared to 97,551 ounces of gold produced during the first quarter of 2012, for €0.34 million, offset by the weakened euro currency for €0.39 million.

Operating expenses for the first quarter of 2013 were €0.22 million, compared to €0.21 million for the first three months of 2012.

The decrease in amortization expense to €0.15 million (first quarter of 2012: €0.16 million), is substantially due to the decrease in gold production at the Rosebel mine.

EURO recorded net foreign exchange losses of €0.04 million during the first three months of 2013, compared to a net foreign exchange gain of €0.01 million during the first three months of 2012, related to the revaluation of bank accounts and other significant balance sheet accounts denominated in euros.

EURO recorded an income tax expense of €3.35 million for the first three months of 2013 (first quarter of 2012: €3.19 million). The increase is mainly due to weakened euro currency partially offset by lower revenues.

## **OUTLOOK**

Over 2013, the Rosebel royalty is expected to provide cash flow to the Company of approximately €38 million – €40 million (US\$48 million – US\$50 million). These pre-tax numbers assume that EURO is, using a gold price of \$1,600 per ounce and an exchange rate of €1 for US\$1.25. The Rosebel royalty production is anticipated to be approximately between 384,000 and 405,000 ounces in 2013. 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

Financial information for the first quarters of 2013 and 2012 is presented in millions of Euros, except per share data.

	2013	2012
Revenues	€9.59	€10.00
Profit before income tax	9.19	9.66
Income tax expense	(3.35)	(3.19)
Net profit	5.84	6.47
Earnings per share, basic	0.093	0.104
Earnings per share, fully diluted	0.093	0.104
Total assets	35.80	32.92

### Quarterly data in millions of Euros, except per share data

	2013 Q1	2012 Q4	2012 Q3	2012 Q2
Revenues	€9.59	€11.09	10.22	€10,14
Cash provided by (used in) operating activities	8.15	6.88	5.96	(0.38)
Net profit	5.84	7.41	5.67	5.53
Net profit per share, basic	0.093	0.117	0.091	0.089
Net profit per share, diluted	0.093	0.117	0.091	0.089

	2012 Q1	2011 Q4	2011 Q3	2011 Q2
Revenues	€10.00	€11.69	€9.97	€7.48
Cash provided by (used in) operating activities	9.58	9.07	5.74	(0.72)
Net profit	6.47	7.56	5.85	4.47
Net profit per share, basic	0.104	0.121	0.094	0.071
Net profit per share, diluted	0.104	0.121	0.094	0.071

## LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at March 31, 2013 totaled €18.47 million (December 31, 2012: €10.00 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 2013, 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, 2013 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 2013.

Any 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.

As at March 31, 2013 and the date of this report, the Company's share capital was (in millions of Euros):

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**

IAMGOLD France S.A.S. is an indirect wholly owned subsidiary of IAMGOLD and is the majority shareholder of EURO (approximately 86% of all outstanding and diluted shares). Management fees incurred with IAMGOLD during the first three months of 2013 were €0.06 million (first three months of 2012: €0.06 million) and payable at March 31, 2013 were €0.02 million (December 31, 2012: €0.02 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").

### **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, 2013, the PEX had not been granted yet. The

recoverable value of the PER as of March 31, 2013 was \$750,000 (€586,000) for the following reasons:

- 1) The mining plan (“*schéma minier*”) in French Guiana has been approved.
- 2) In 2012 and the first quarter of 2013, the price of gold has remained high, which could justify expedient exploration and exploitation on these properties.
- 3) COLUMBUS has acquired a 100% indirect interest in the Paul Isnard Properties (see “OPTION AGREEMENT WITH COLUMBUS”)

### **Intangible asset related to the royalty on gold production from Paul Isnard concessions**

On October 22, 2010, SOTRAPMAG was transferred to AUPLATA and EURO recorded an intangible asset related to the royalty on gold production from the concessions in the amount of \$750,000 (€585,000).

### **OPTION AGREEMENT WITH COLUMBUS**

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”). On July 25, 2012, EURO signed an amendment to the Option with COLUMBUS and received 650,000 additional shares in consideration of granting the extension. 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.

On February 4, 2013, COLUMBUS provided EURO with the Earn-in Notice, confirming that on January 16, 2013, it had taken a 100% direct interest in all of the outstanding shares of SOTRAPMAG and had acquired a 100% indirect interest in the Paul Isnard Properties.

In 2011 and 2012 EURO received the following shares and cash from COLUMBUS in connection with the Option agreement:

- 887,017 shares (which represents less than 0.3% of all outstanding shares of COLUMBUS, excluding warrants and options).
- C\$133,333 (€98,000), including C\$50,000 (€39,000) for first annual maintenance fee.

At March 31, 2013, these 887,017 shares were valued at C\$266,105 (€205,000).

The original agreement stated that if COLUMBUS completed a subsequent equity offering, before the exercise of the Option, at a share price that was less than the original deemed share price (C\$0.65 per share), there would be an automatic adjustment upward of the total Option exercise shares received by COLUMBUS. COLUMBUS completed an equity offering in May 2012 at C\$0.55 per share and as a consequence, COLUMBUS upon exercise of the Option, will give EURO additional shares.

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

- C\$4.2 million cash,
- 15,274,976 shares of COLUMBUS (approximately 14.9% of existing shares (excluding warrants and options) subject to possible upward adjustments based on certain events and the volume weighted average price 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 5 million ounces.

On January 16, 2013, the royalty agreement initially signed on October 22, 2010 between COLUMBUS and AUPLATA was transferred to COLUMBUS. AUPLATA remains jointly and severally liable with COLUMBUS for all obligations resulting from the royalty agreement. No consideration was given to EURO in connection with the transfer of the royalty agreement.

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.

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

The Directeur-Général and the 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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