



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THIRD QUARTER AND NINE MONTHS  
ENDED SEPTEMBER 30, 2012**

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Notice to Reader:

The accompanying management's discussion and analysis for the third quarter and nine months ended September 30, 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 November 9, 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 Euros was € for \$1.2930 for balance sheet items at September 30, 2012 (\$1.2939 as at December 31, 2011). The average currency exchange rate for the nine months ended September 30, 2012, used to present the Company's income and cash flow statements, was € for \$1.2808 (2011: \$1.4065), except for significant transactions, such as revenue and taxes, where they are translated at the exchange rate of the date of the transaction. The average exchange rate for the quarter ended September 30, 2012 was € for \$1.2502 (2011: \$1.4155).

### 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 September 30, 2012, the Rosebel mine has produced 3.0 million ounces of gold and there remains 4.0 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.

As a result of internal restructuring in 2012, IAMGOLD transferred all of its shares in EURO to its wholly owned subsidiary IAMGOLD France S.A.S., which owns today approximately 86% of all outstanding shares of EURO.

## **RESULTS OF OPERATIONS**

### **Three months ended September 30, 2012 compared to three months ended September 30, 2011**

EURO recorded a net profit of €5.67 million (€0.091 per share) for the third quarter of 2012 compared to €5.85 million (€0.094 per share) for the third quarter of 2011.

EURO recorded revenues of €10.22 million for the third quarter of 2012, an increase of 2.6% compared to revenues of €9.97 million for the third quarter of 2011. The revenues are essentially attributable to the Rosebel royalty with €10.16 million (2011: €9.90 million) earned from Rosebel. The Rosebel gold mine produced 100,056 ounces of gold during the third quarter of 2012, which compares to 99,125 ounces of gold during the third quarter of 2011, an increase of 1%. The 2.6% increase in revenues is mainly due to the weakened euro currency for €0.42 million, and to the 1% production increase for €0.1 million for the third quarter of 2012 as compared to the third quarter of 2011, partially offset by the decrease in the average gold price to \$1,652 per ounce for the third quarter of 2012 as compared to \$1,702 per ounce for the third quarter in 2011 for €0.3 million.

Operating expenses for the third quarter of 2012 were €0.26 million, a 13% increase compared to €0.23 million for the third quarter of 2011; the increase is due to the weakened euro currency for €0.03 million.

The 13% increase in amortization expense to €0.17 million for the third quarter of 2012 (2011: €0.15 million), is due to the weakened euro currency for €0.02 million.

EURO recorded an income tax expense of €3.89 million for the third quarter of 2012 (2011: €3.25 million). This increase is primarily due to the second rectifying Finance Act enacted in August 2012, which imposes a 3% (€0.54 million) additional tax on all dividend distributions.

### **Nine months ended September 30, 2012 compared to nine months ended September 30, 2011**

EURO recorded a net profit of €17.68 million (€0.283 per share) for the nine months ended September 30, 2012, compared to a net profit of €15.60 million (€0.250 per share) for the first nine months of 2011.

EURO recorded revenues of €30.36 million for the first nine months of 2012 compared to €25.34 million for the same period in 2011, with €30.09 million earned from the Rosebel royalty (€25.16 million during the same period in 2011). The 20% increase in revenues is substantially due to the increase in the average gold price for the nine months ended September 30, 2012 to \$1,652 per ounce of gold (2011: \$1,534 per ounce of gold) for €2.4 million, to the weakened euro currency for €2.3 million, and to a 0.4% increase in gold production with 297,093 ounces of gold production for the period ended September 30, 2012 as compared to 295,870 ounces produced during the same period in 2011 for €0.17 million.

Operating expenses for the nine months ended September 30, 2012 were €0.70 million, a 3% reduction compared to €0.73 million for the nine months ended September 30, 2011; this continues to reflect the general decline in activity for EURO.

The 13% increase in amortization expense to €0.49 million for the nine months ended September 30, 2012 (2011: €0.44 million) is substantially due to the weakened euro currency.

EURO recorded an income tax expense of €1.00 million for the nine months ended September 30, 2012 (2011: €7.76 million). The increase is mainly due to the increase in revenues for the nine months ended September 30, 2012 as compared to the same period in 2011, the weakened euro currency, and the second rectifying Finance Act enacted in August, 2012, which imposes a 3% (€0.54 million) additional tax on all dividend distributions.

## OUTLOOK

Over the next twelve months, the Rosebel royalty is expected to provide cash flow to the Company of approximately €5 - €7 million (US\$50 - US\$52 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 the dividend and 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 nine months and third quarters of 2012 and 2011 is presented in thousands of Euros, except per share data.

	<b>Q3 2012</b>	<b>Q3 2011</b>	<b>YTD 2012</b>	<b>YTD 2011</b>
Revenues	€10,224	€9,965	€30,363	€25,338
Other income	201	-	201	-
Profit before tax	9,562	9,103	28,678	23,352
Income tax expense	(3,889)	(3,253)	(11,001)	(7,757)
Net profit	5,673	5,850	17,677	15,595
Earnings per share, basic	0.091	0.094	0.283	0.250
Earnings per share, fully diluted	0.091	0.094	0.283	0.250
Total assets	21,869	27,043	21,869	27,043
Total non-current liabilities	118	131	118	131

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

	<b>2012 Q3</b>	<b>2012 Q2</b>	<b>2012 Q1</b>	<b>2011 Q4</b>
Revenues	10,224	€10,138	€10,001	€11,685
Cash provided by (used in) operating activities	5,957	(378)	9,577	9,071
Net profit	5,673	5,533	6,471	7,555
Earnings per share, basic	0.091	0.089	0.104	0.121
Earnings per share, diluted	0.091	0.089	0.104	0.121

	2011 Q3	2011 Q2	2011 Q1	2010 Q4
Revenues	€9,965	€7,478	€7,895	€9,750
Cash provided by (used in) operating activities	5,744	(722)	8,800	4,228
Net profit	5,850	4,465	5,280	8,096
Earnings per share, basic	0.094	0.071	0.084	0.130
Earnings per share, diluted	0.094	0.071	0.084	0.130

## LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents at September 30, 2012 totaled €3.55 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 nine months 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 September 30, 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 nine months of 2012.

During the Annual Shareholders Meeting held on June 26, 2012 in Paris, shareholders approved a dividend distribution in the amount of €18.12 million (€0.29 per share), which was paid on September 18, 2012.

This was the first dividend distribution for EURO and any future distributions of dividends will be proposed by the Board of Directors after taking into account various factors, including EURO's operating results, financial condition, current and anticipated cash needs, and will be subject to shareholders' approval.

As at September 30, 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**

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 nine months of 2012 were €0.17 million (first nine months of 2011: €0.16 million) and payable at September 30, 2012 were €0.02 million (December 31, 2011: €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”).

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 September 30, 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 September 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”) amended its Option agreement with AUPLATA related to the Paul Isnard Properties at the end of 2011(see OPTION AGREEMENT WITH COLUMBUS for further explanation).
- 3) In 2011 and during the first nine months of 2012, the price of gold has remained high, which could justify expedient exploration and exploitation on these properties.

As a consequence, as at September 30, 2012, EURO maintains the reinstatement of the PER net value of \$750,000 (€80,000) in its books. The change in value is due to the foreign exchange translation recorded at the end of each reporting period.

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

On October 22, 2010, SOTRAPMAG was transferred to AUPLATA and EURO reversed an impairment provision previously recorded for an intangible asset related to the royalty on gold production from the Paul Isnard concessions in the amount of \$750,000.

## **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 12.6% of existing shares (excluding warrants and options) as of September 30, 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 5 million ounces.

On July 25, 2012, EURO signed an amendment to the Option agreement with COLUMBUS. The amendment gives COLUMBUS one additional year to consider exercising the Option. Prior to the amendment, the Option would expire 120 days following the date on which COLUMBUS obtained the Paul Isnard Properties. Since COLUMBUS has now obtained a 100% beneficial interest in the Paul Isnard Properties and is in the process of transferring legal title, under the original agreement COLUMBUS would have been required to elect to exercise the Option sometime in late 2012.

The original agreement stated that if COLUMBUS completed a subsequent equity offering, before 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.

The Option agreement remains unchanged except for the key terms of the amendment listed below which have been approved by the TSX-V on August 22, 2012:

- EURO received on August 31, 2012, 650,000 additional shares of COLUMBUS, valued at C\$255,000 (€201,000), in consideration of the amendment to the Option agreement. .
- Increase in the number of shares to be paid to EURO of 2,409,376 additional shares (due to the May 2012 COLUMBUS equity issue), upon exercise of the Option (total of shares in COLUMBUS related to the future exercise of the Option now being 15,274,976 or 14.9% of outstanding shares, excluding warrants and options).
- The deemed share price for future share price adjustment consideration now being C\$0.45 per share.

## **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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