



MANAGEMENT'S DISCUSSION AND ANALYSIS 2006

Notice to Reader:

The accompanying management's discussion and analysis for the year ended December 31, 2006 has been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. The Company's auditors have reviewed Management's Discussion and Analysis. Financial information is presented in United States dollars and Euros, where appropriate in accordance with International Financial Reporting Standards as adopted by the European Union. Readers are cautioned that these statements contain certain forward-looking information as described in Management's Discussion and Analysis.

MANAGEMENT OF THE COMPANY
List of the directors and officers as of March 29, 2007

Ian L. Boxall^{1,2}
Businessman
George Town, Grand Cayman, Cayman Islands

James H. Dunnett
Directeur-Général,
EURO Ressources S.A.
George Town, Grand Cayman, Cayman Islands

Donald R. Getty^{1,2}
President and Chief Executive Officer
Sunnybank Investments Ltd.
Edmonton, Alberta, Canada

Susanne A. Hermans
Vice-Président Finance
EURO Ressources S.A.
Littleton, Colorado, USA

Allan J. Marter
Président
EURO Ressources S.A.
Littleton, Colorado, USA

Jean-Pierre Prévôt
Directeur-Général Délégué
Co-Director of Rhums Prévôt (rum distilling),
Former President, Chamber of Commerce and Industry of French Guiana
Cayenne, French Guiana

David H. Watkins^{1,2}
President and Chief Executive Officer
Atna Resources Ltd.
Vancouver, British Columbia, Canada

- (1) Member of the Compensation Committee.
(2) Member of the Audit Committee.

Stock Exchange Listing

EURONEXT, Compartment C - continuous
Symbol: EUR

Toronto Stock Exchange
Symbol: EUR

Registrar and Transfer Agent

Enquiries regarding change of stock ownership, consolidation of accounts, lost certificates, change of address and other such matters should be directed to:

BNP Paribas GCT
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Equity Transfer and Trust Company
Attention: Shareholder Services
200 University Avenue, Suite 400
Toronto, ON, M5H 4H1
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Toll Free: 1-866-393-4891

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PricewaterhouseCoopers LLP
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Suite 2800
Montréal, Québec
Canada H3B 2G4

Co-Auditors

S&W Associés
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75116 Paris, France

Registered Office

EURO Ressources S.A.
23 rue du Roule
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Société anonyme with a share capital of €504,428.84
SIRET 390 919 082

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FELLOW SHAREHOLDERS

EURO Ressources S.A. (“EURO”) has made great strides during 2006, helped by the continued strength in the gold price which rose to a high of \$725 in May 2006. Just before that peak, in April 2006, our shares were accepted for trading on a continuous basis on the Paris bourse: since then we have recorded high liquidity, with over 100 million shares traded in Paris alone!

Our share price started the year at €0.43 in Paris and reached a high of €2.95 in April 2006. This rise in market liquidity and increased share price prompted Golden Star, the controlling shareholder of the Company at that time, to sell some of its shareholding so that by June 2006 it was no longer a majority shareholder. In December 2006, Golden Star Resources Ltd. sold approx 20 million shares, in the market and to various institutions, representing 40% of the Company’s shares, and now holds under 5%.

As part of this change, Golden Star resigned as a director and we now operate without a majority shareholder for the first time in the Company’s existence. This new found independence will allow us to develop our plan to grow by acquisition. Earlier this month we announced we had signed a letter of intent with Patricia Mines Corp. (“PAT”) for the proposed acquisition of PAT by EURO for cash.

PAT owns a 45% interest in the Island Gold Mine near Wawa in northern Ontario, Canada. This mine is operated by Richmond and is expected to achieve commercial production very shortly. It represents another significant gold asset with PAT’s 45% of forecast gold production amounting to around 30,000 ounces per annum, similar in size to our 10% royalty interest in the Rosebel mine which achieved 300,000 ounces of production in 2006.

We have also announced an agreement with Golden Star for the rapid exploration and prospective development of the Paul Isnard properties which we own in French Guiana. These properties were the core asset of the Company when its focus was on gold exploration and are of considerable emotional attachment to our longer-standing shareholders. We are very pleased that Golden Star will now take these properties forward: our royalty interest will be another potential source of exposure to gold production.

Our results for 2006 continue to reflect the recording of the fair value of our derivative gold hedges against income. This accounting treatment produces the perverse result that as gold prices rise, and the negative value of these forward sales increases, we record income losses although our economic circumstance improves and our cash-flow increases. During 2007 we will continue to review opportunities to alleviate this situation.

The prospects ahead look attractive. Although 2007 started with a three week strike at Rosebel which will have adversely impacted our royalty income for the first quarter of the year, our liquidity situation is sound. The prospective acquisition of PAT, the potential for other acquisitions, together with the possible expansion of Rosebel production later in 2007, provides an exciting canvas to participate in the continued strength in the price of gold.

Thank you for your continued support.

/s/ James H. Dunnett

James H. Dunnett
Directeur-Général

OVERVIEW OF EURO

EURO is a company focused on gold royalty and similar interests in operating gold mines. It owns a 10% royalty interest on the Rosebel gold mine in Suriname operated by IAMGOLD. It is actively seeking acquire additional similar assets.

ROSEBEL ROYALTY - MINERAL RESOURCES

As at December 31, 2005 the reserve and resource components of the Rosebel gold mine mineral inventory disclosed by Cambior were reviewed by a Qualified Person who prepared a report for EURO in terms of Canadian National Instrument 43-101. The information subsequently provided by IAMGOLD has been similarly reviewed as at December 31, 2006, and no adjustment has been made to the mineral inventory as established at December 31, 2005 except to take account of the production during 2006.

More information regarding the resource calculation can be found at www.IAMGOLD.com

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

The following discussion and analysis is prepared as at March 30, 2007 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.

INTRODUCTION

The functional currency of EURO Ressources S.A. ("EURO" or "the Company") is the United States dollar and therefore, management's comments included in the MD&A have been presented in that functional currency, the United States dollar. All dollar amounts are US dollars unless otherwise stated.

EURO is a French company and is listed on Euronext in Paris. In accordance with French regulations, the consolidated financial statements of the company are presented in Euros. Therefore, management has presented certain key data in the MD&A in both US dollars and Euros.

The currency exchange rate used to present the financial statements in Euros is €1 = \$1.3202 for balance sheet items (€1 = \$1.2066 as at December 31, 2005). The average currency exchange rate for the year ended December 31, 2006 is used to present the consolidated income statements which is €1 = \$1.2558 (2005: €1 = \$1.1842).

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Annual Report 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. Such statements include comments regarding the intentions of third parties operating assets over which we may hold royalty interests. 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 royalty and similar interests on operating gold mines. We currently own a royalty (the "Rosebel Royalty") on the Rosebel gold mine in Suriname which is owned and operated by IAMGOLD Corporation ("IAMGOLD"). We receive quarterly payments from IAMGOLD on this royalty. We are actively seeking to acquire additional royalty rights. We continue to own certain gold exploration properties in French Guiana.

Prior to 2005, we were solely engaged in the business of gold and diamond exploration in French Guiana.

2006 compared to 2005

We recognized \$9.63 million of revenue in 2006 compared to \$5.13 million in 2005. Substantially all of this revenue is income from the Rosebel Royalty. Hedging costs associated with this revenue were \$4.18 million (2005: \$0.5 million) providing net revenue of \$5.45 million (2005: \$4.61 million). General and administrative expenses were \$2.54 million (2005: \$1.87 million). This increase reflects increases in legal and accounting expenses associated with the dual listing on the Euronext, and the Toronto Stock Exchange and compliance with dual regulations, as well as expenses related to potential new business and capital raising activities. The rise in interest expense of \$0.96 million (2005: \$0.49 million) reflects increased interest rates and a full year of interest on the loan from Golden Star Resources Ltd. (“Golden Star”).

The decrease in amortization expenses of \$0.89 million (2005: \$1.36 million) reflects lower gold production and an increase in the reserve base of the Rosebel Royalty with a corresponding decrease in amortization expense per ounce produced. The charge of \$ 0.4 million in debt accretion (2005: \$0.5 million) relates to the accounting treatment for the deferred component of the Rosebel Royalty purchase consideration.

Notwithstanding the economic effectiveness of the derivatives used to hedge certain of the future cash flow from the Rosebel Royalty in support of our loan repayment obligations, we have recognized fair value of these derivatives against income, being the total unrealized mark-to-market losses of our outstanding gold hedge position. The unrealized mark-to-market derivative losses of \$5.05 million (2005: \$9.56 million), before tax adjustment, do not affect or reflect current cash-flow. If hedge accounting had been available, these prospective losses would have been brought to account against the matching income, and the contango costs inherent in the mark-to-market loss now reflected against income would not arise.

We have recognized a future tax credit of \$9.73 million, being \$4.87 million against the derivative losses recorded in the year and \$4.50 million in respect of net operating losses recorded in prior years. The resultant net loss of \$3.19 million compares to a loss of \$0.71 million in 2005.

Q4 2006 COMPARED TO Q3 2006

In Q4 2006 we recognized \$2.73 million of revenue compared to \$2.55 million in Q3. This increase was reflects higher royalty revenue from royalties on our French Guiana properties offset by slightly lower gold prices (\$613.21 in Q4 vs. \$621.67 in Q3) and lower production at Rosebel (71,370 oz in Q4 vs. 77,837 oz in Q3) . Liquidated hedging costs associated with this revenue were \$1.12 million (Q3: \$1.14 million) providing net revenue of \$1.61 million (Q3: \$1.41 million).

The derivative fair value mark-to-market loss for the quarter of \$ 1.14 million reflected the increase in the gold price during the quarter from \$599.25 at September 30, 2006 to \$635.70 at December 31, 2007. The Q3 mark-to-market gain of \$2.77 million reflected the decrease in gold price to \$599.25 from \$613.50 at June 30, 2006

General and administrative expenses were unchanged at \$0.5 million (Q3: \$0.5 million) reflecting ongoing legal and accounting expenses, both for ongoing management and business development.

The charge of \$115,500 (Q3:\$112,000) for debt accretion relates to the accounting treatment for the deferred component of the Rosebel Royalty purchase consideration. Interest of \$192,000 in Q4 compares with \$187,000 in Q3.

OUTLOOK

During 2007, the Rosebel Royalty is expected to provide cash flow to the Company of about \$10 million at current gold prices of around \$650 per ounce, offset by liquidated hedging expense of approx. \$4.8 million. 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. We expect this cash-flow will be adequate to meet all corporate and related expenses, including debt service.

KEY FINANCIAL DATA

All financial data in tables is in thousands except per share data

Annual Data

Financial Year Ended 31 December

	2006 \$	2005 \$	2004 \$	2006 Euros	2005 Euros
Total Revenue	\$9,636	\$ 5,127	\$ 97	€7,671	€4,330
Loss on derivatives	(4,182)	(517)	-	(3,330)	(437)
Total Revenue less loss on derivatives	5,454	4,610	97	4,341	3,893
Net Loss	(3,192)	(713)	(2,238)	(2,542)	(602)
Net (loss) per share, basic	(0.06)	(0.01)	(0.05)	(0.05)	(0.01)
Total assets	27,050	25,611	14,139	20,489	21,226
Total long-term financial liabilities	19,682	19,458	1,186	14,908	16,126
Cash dividends declared	nil	nil	nil	nil	Nil

Quarterly data in thousands of US\$ except per share information

	2006 Q 4	2006 Q 3	2006 Q 2	2006 Q 1
Total Revenues less loss on derivatives	\$1,606	\$1,410	\$1,296	\$1,142
Cash provided by/(used) in operating activities	135	642	660	299
Net profit/(loss)	(991)	2,146	(1,059)	(3,288)
Net profit/(loss) per share, basic	\$(0.02)	\$0.04	\$(0.01)	\$(0.02)
fully diluted – per share		\$0.04		

	2005 Q 4	2005 Q 3	2005 Q 2	2005 Q 1
Total Revenues less loss on derivatives	\$1,397	\$1,093	\$1,047	\$1,073
Cash provided by/(used) in operating activities	96	641	1,229	(125)
Net profit/(loss)	2,903	(3,098)	75	(593)
Net profit/(loss) per share, basic	\$0.05	\$(0.07)	\$0.00	\$(0.01)
fully diluted – per share	\$0.01		\$0.00	

The financial information below is presented in thousands of Euros except per share data. The quarterly data is an approximation using the yearly average rate for the year. Under French regulation, there is no requirement to present quarterly financial results.

Quarterly data in thousands of Euros except per share information

	2006 Q 4	2006 Q 3	2006 Q 2	2006 Q 1
Total Revenues less loss on derivatives	€1,277	€1,122	€1,032	€909
Cash provided by/(used) in operating activities	107	511	526	238
Net profit/(loss)	(790)	1,709	(844)	(2,618)
Net profit/(loss) per share, basic	€(0.01)	€0.03	€(0.02)	€(0.02)
fully diluted – per share		€0.03		

	2005 Q 4	2005 Q 3	2005 Q 2	2005 Q 1
Total Revenues less loss on derivatives	€1,180	€923	€884	€906
Cash provided by/(used) in operating activities	77	516	989	(101)
Net profit/(loss)	2,452	(2,616)	63	(501)
Net profit/(loss) per share, basic	€0.04	€(0.06)	€0.00	€(0.01)
fully diluted – per share	€0.01		€0.00	

LIQUIDITY AND CAPITAL RESOURCES

Consolidated cash at December 31, 2006 was \$1.7 million, including \$0.5 million restricted cash. We expect to have sufficient cash flow to fund our on-going operational needs and provide sufficient resources to advance acquisition opportunities.

As a consequence of not recording the contingent Rosebel Royalty for 2007 as a current receivable, we report a working capital deficiency. Since we anticipate that the Rosebel Royalty will be paid on the forecast production at Rosebel, and our hedging program assures certain minimum revenue on the first 5,700 ounces of production each quarter, we have adequate liquidity to meet our obligations as they become due.

We intend to seek additional acquisitions of gold mineral interests and will likely require additional capital to complete any such transaction. In addition to established cash-flow, we anticipate

arranging a combination of equity and debt transactions as sources of capital. There remains no assurance we can obtain additional funding at acceptable prices.

HEDGING

As required by the loan agreement with Macquarie Bank Limited, 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 March 31, 2005 and every three months thereafter until June 30, 2007. Settlement occurs at the end of the month following the calendar quarter. 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 December 31, 2009.

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 is \$421. 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, to the extent of attributable production of 57,000 ounces per quarter. Attributable gold production in the fourth quarter was 71,370 ounces. The London PM gold fix averaged \$613.21 per ounce during the fourth quarter of 2006 resulting in a derivative loss of \$1.10 million in respect to gold hedging for that quarter.

We have the following derivative contracts outstanding at December 31, 2006:

	Maturity Date of Gold Forward Contracts			
	2007	2008	2009	Total
Ounces Au	22,800	22,800	22,800	68,400
Average Contract Price	\$439.75	\$458.5	\$458.5	\$452.25

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.

	Payments (\$'000) Due by Period				
	Total	< 1 Year	1- 3 Years	4- 5 Years	> 5 Years
Golden Star Resources Ltd.	\$7,460	\$ 495	-	\$3,000	\$3,965
Macquarie Bank Limited.	5,000	2,600	2,400	-	-
Total	\$12,460	\$3,095	\$2,400	\$3,000	\$3,965

SHARE CAPITAL

As at December 31, 2006 and the date of this report, we had 50,442,884 common shares outstanding with a par value of €0.01 per share. There were 1,040,000 new shares issued during the twelve months ended December 31, 2006.

Common Shares – as of December 31, 2006 and the date of this report

	\$	€
Par	676	504
Premium	<u>51,861</u>	<u>38,387</u>
Total Share Capital	<u>\$ 52,537</u>	<u>€38,891</u>

Following the change of name of the Company to EURO Ressources SA, the symbol for the Company's shares was changed to EUR on both the Toronto Stock Exchange and the Euronext of the Paris Bourse, where the Company's shares continue to trade. Previously, during 2004, our former Class A and Class B common shares were merged into a single class of common stock.

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.

The Rosebel Royalty acquired from Golden Star has been capitalized as the net present value of the future consideration to be paid to Golden Star, calculated at an annual discount rate of 12%, being the marginal borrowing rate for the Company. In determining the payments to be made, the reserve and resource components of the Rosebel gold mine were reviewed by a Qualified Person who prepared the Company's report in terms of Canadian National Instrument 43-101. Based on this report, the calculation has utilized 100% of the Proven and Probable reserves, 67% of the Indicated resources and 33% of the Inferred resources.

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.

CHANGE IN APPLICATION OF ACCOUNTING POLICY

In preparing our 2005 financial statements we changed the application of our hedge accounting policies to record fair value mark-to-market assets and liabilities on our gold hedges against income in the period they arise.

Historically we have formally documented all relationships between the hedging instruments and hedged items with the intention of presenting our derivatives as an effective hedge and accounting for them as qualifying for hedge accounting. As a consequence of this change, we amended and restated our quarterly results for the first three quarters of 2005.

RELATED PARTY TRANSACTIONS

Until the termination of the agreement in June 2005, Golden Star continued to provide management services to EURO in terms of the Management Services Agreement previously approved by shareholders. Subsequently, notwithstanding any formal agreement, Golden Star continued to provide certain limited services to EURO and charged \$5,000 per month. Payment of these amounts to December 31, 2005 was approved by the shareholders on June 30, 2006.

DISCLOSURE CONTROLS AND PROCEDURE

The Company has limited employees and subsidiary activities. Accordingly the Directeur-Général and Vice President Finance have reasonable assurance that material information relating to the Company and its consolidated subsidiaries are known to them.

SUBSEQUENT EVENTS

On March 14, 2007, EURO entered into a letter agreement with Patricia Mining Corporation ("PAT"), whereby PAT has granted to EURO an exclusivity period in which to complete due diligence in respect of a proposed acquisition of PAT for cash consideration of C\$1.10 per share. PAT has also agreed not to solicit other proposals, subject to the exercise by PAT's board of directors of its fiduciary duties.

On March 23, 2007, EURO concluded a memorandum of understanding with Golden Star regarding:

- i) an amendment to the previous agreement with Golden Star for the acquisition of the Paul Isnard concessions and exploration permit held by EURO in French Guiana, and
- ii) the granting to EURO of an option to settle the remaining contingent payments payable in terms of the Rosebel acquisition agreement, and
- iii) the agreement by Golden Star, subject to certain conditions, to provide an underwriting commitment of \$5 million to support a rights issue by EURO, and
- iv) the agreement by EURO to repay the outstanding principal and interest due to Golden Star by EURO from the proceeds of a rights issue underwritten per (iii).

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:

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