



## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED 31 MARCH 2010**

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### Notice to Reader:

The accompanying management's discussion and analysis for the quarter ended 31 March 2010 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, 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'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis is prepared as at May 7, 2010 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 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 = \$1.3456 for balance sheet items at 31 March 2010 (€1 = \$1.4332 as at 31 December 2009). The average currency exchange rate for the three months ended 31 March 2010, used to present the consolidated income and cash flow statements, is \$1.38559 (2009: €1 = \$1.30799).

### **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 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.

Effective December 2, 2008, IAMGOLD became the parent company of EURO when it acquired 43.4 million shares (being 71.6% of the Company) through a successful tender offer. The tender offer was then re-opened, and by December 31, 2008, IAMGOLD had acquired additional shares to own 52.8 million shares, or 84.5% of the Company. From January 1 2009 to March 31, 2010, IAMGOLD acquired additional shares of the company increasing its ownership to approximately 86%.

During the second quarter of 2009, EURO applied to the Toronto Stock Exchange for voluntary delisting of its ordinary shares, due to the low trading volume. The delisting from the Toronto Stock Exchange became effective after the close of business on the 17<sup>th</sup> of July, 2009. EURO's ordinary shares are still being traded on the NYSE Euronext in Paris under the symbol "EUR".

The Company's gold property interests in French Guiana primarily consist 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.

### **First quarter of 2010 compared to the first quarter of 2009**

We had revenue of €5.60 million in the quarter ended March 31, 2010 compared to €3.96 million in the first quarter of 2009, an increase of 42%. Substantially all of this revenue is income from the Rosebel royalty. The Rosebel gold mine produced 98,344 ounces of gold during the first quarter of 2010, a 12% increase from the 87,717 ounces of gold produced in the first quarter of 2009. EURO is very fortunate to be able to continue to benefit from the improvements in throughput, cut-off grade optimization and recovery that were completed by IAMGOLD towards the end of 2008. This increase in revenue also reflects the increase in the average price of gold for the quarter ended March 31, 2010 of \$1,109.12 per ounce of gold as compared to \$908.41 per average ounce of gold for the same period in 2009, an increase of 22%.

The proportion of gold production from hard rock decreased to 15% from 25% in the first quarter of 2010 giving an effective participation threshold price of \$307.53 for the quarter ended March 31, 2010, compared to \$312.34 in the comparative period of 2009: the resultant payable amount per ounce of attributable gold production increased from \$596.07 to \$801.59, an increase of 34%, largely due to the 22% increase in gold price and the 12% increase in gold production.

General and administrative expenses in the first quarter of 2010 were €0.25 million, as compared to €0.58 million for the first quarter of 2009, a decrease of 56%, in part due to the security costs at the Paul Isnard properties in French Guiana no longer being the company's responsibility, but also a general decrease in activities due to the fact that the company is not seeking new business opportunities at this time. This downward trend in general and administrative costs will continue.

The increase in amortization expenses in the first quarter of 2010 of €0.15 million (2009: €0.14 million), a 6% increase, reflects the higher gold production at the Rosebel mine as compared to the first quarter of 2009.

Since the last 5,700 ounces of gold were settled at the end of January 2010, the company has no more financial instrument expense related to gold for the quarter ended March 31, 2010. This compares to a financial instrument expense of €0.36 million for the quarter ended March 31, 2009, at what time there still were 8,550 ounces of gold remaining under the company's gold hedge contract.

We have recognized a temporary future tax credit for the first quarter 2010 of €0.13 million. Since there is no more tax losses carried forward, the deferred tax asset relates to temporary differences.

The profit for the first quarter of 2010 of €3.47 million (€0.06 per share) compares to a profit of €1.90 million (€0.03 per share) for the first quarter of 2009.

### **OUTLOOK**

Over the next twelve months, the Rosebel royalty is expected to provide cash flow to the Company of approximately \$28 million, provided the price of gold and production at Rosebel stay fairly consistent with the numbers achieved during 2009. We expect our cash-flow will be adequate to meet all corporate and related expenses.

## KEY FINANCIAL DATA

The financial information for the first quarter of 2010 and 2009 is presented in thousands of Euro, except per share data

	2010	2009
Total revenue	€5,607	€3,959
Loss on derivatives	-	(366)
Total revenue less loss on derivatives	5,607	3,593
Net profit (loss) before tax	5,214	2,856
Income tax (expense) recovery	(1,745)	(954)
Net profit (loss)	3,469	1,902
Earnings (loss) per share, basic	0.06	0.03
Earnings (loss) per share, fully diluted	0.06	0.03
Total assets	29,738	17,657
Cash dividends declared	Nil	Nil

### Quarterly data in thousands of Euro, except per share data

	2010 Q1	2009 Q4	2009 Q3	2009 Q2
Net Revenue	€5,607	€4,947	4,980	4,761
Cash provided by (used) in operating activities	5,622	4,548	4,446	3,363
Net profit (loss)	3,469	3,032	3,120	2,721
Net profit (loss) per share, basic	0.06	0.05	0.04	0.04
fully diluted – per share	0.06	0.05	0.04	0.04

	2009 Q1	2008 Q4	2008 Q3	2008 Q2
Net Revenue	3,593	€3,149	€4,210	€2,577
Cash provided by (used) in operating activities	2,611	1,146	2,445	1,406
Net profit (loss)	1,902	456	2,202	1,236
Net profit (loss) per share, basic	0.03	0.007	0.04	0.02
fully diluted – per share	0.03	0.007	0.04	0.02

## LIQUIDITY AND CAPITAL RESOURCES

Consolidated cash and cash equivalents at 31 March 2010 totaled €15.25 million. All of the cash is unrestricted. We expect to have sufficient cash flow to fund our on-going operational needs.

During the 4<sup>th</sup> quarter of 2009, EURO began investing some of its surplus cash in marketable securities that were compliant with its short-term investment strategy to ensure maximum return with an appropriate level of risk.

## HEDGING

At the end of January 2010, the company settled its last remaining 5,700 ounces of gold related to a forward sales contract. The company has no more financial instruments.

## SHARE CAPITAL

As at 31 March 2010 and the date of this report, the company had 62,496,461 common shares outstanding with a par value of €0.01 per share.

As at 31 March 2010 and the date of this report, the company's share capital was:

Par	€ 625
Premium	<u>46,976</u>
Total Share Capital	<u>€ 47,601</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 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.

Until last year, the company had written off substantially all of its investments in exploration properties based upon its previous assessments of the amounts recoverable from these properties. However, in view of the pending transfer of the concessions and PER to Golden Star, the company has reversed a portion of the depreciation on the PER to reflect the estimated sale price (see paragraph on "Assets held for sale").

## RELATED PARTY TRANSACTIONS

Mr. Larry E. Phillips, Senior Vice President, Corporate Affairs of IAMGOLD was appointed a Director on 31 December 2008 and as Directeur-Général on 14 January 2009. IAMGOLD holds directly and indirectly approximately 86% of all outstanding shares.

## ASSETS HELD FOR SALE

On November 18, 2009, the Company entered into a settlement agreement with Golden Star to bring an end to the litigation between the two parties regarding the Paul Isnard properties which are held by EURO and Société de Travaux Publics et de Mines Aurifères en Guyane S.A.R.L. ("SOTRAPMAG"), EURO's wholly-owned subsidiary in French Guiana.

The Paul Isnard properties are comprised of eight mineral concessions held by SOTRAPMAG and the Paul Isnard Permis Exclusif de Recherches (“PER”) (collectively, the “Paul Isnard Properties”). The renewal of the PER was granted in January 2010 until the end of November 2010.

Pursuant to the terms of the Settlement Agreement, EURO has agreed to transfer ownership of SOTRAPMAG and of EURO’s interest in the PER, to Golden Star, and EURO will receive a royalty on gold production from the Paul Isnard Properties. The royalty, as historically agreed between the parties, is equal to the difference between the market price of gold and US\$400.00 multiplied by 10% of gold production up to two million ounces and by 5% of gold production between two and five million ounces.

EURO will transfer Paul Isnard Properties in exchange for a non-monetary asset, royalty on gold production. According to IAS 38, the cost of such an intangible asset should be measured at fair value. If the acquired asset cannot be measured at fair value, its cost is measured at the fair value of the asset given up. The royalty cannot be measured at fair value because the resources reported are categorized as “inferred” and do not necessarily present economic viability. EURO has decided to measure the royalty at the fair value of the Paul Isnard Properties transferred to Golden Star.

Golden Star notified EURO in December 2009 that ownership of SOTRAPMAG and of EURO’s interest in the PER was to be transferred to Auplata S.A. The completion date of the transfers to Auplata S.A. is expected by June. Based on the transaction between Golden Star and Auplata for the selling of Paul Isnard Properties and two other exploration properties in French Guyana, the value of Paul Isnard properties has been estimated by the Company to be US\$1,500,000 (US\$ 750,000 for the PER and US\$ 750,000 for the concessions).

As a result of the settlement agreement with Golden Star for the transfer of Paul Isnard Properties, the recoverable value of the PER had to be updated as at December, 31 2009. The concessions have no book value. As a consequence, as at December 31, 2009, EURO had reversed the depreciation on the PER by US\$750,000.

## **PROPOSED DISTRIBUTION OF ISSUANCE PREMIUM**

Since there are no more restrictions on EURO’s cash, the Board of Directors proposed on April 9, 2010, a distribution of issuance premium in the amount of €0.28 per common share payable on May 25, 2010.

The issuance premium relates to the paid-in-capital paid by shareholders anytime there was an increase of capital of EURO, minus the par value. This distribution is tax free for all shareholders. The amount of the proposed distribution of issuance premium represents the accumulation of excess cash. The distribution of issuance premium will be subject to shareholder approval on May 17, 2010, and any future distributions of issuance premium will be proposed by the Board of Directors after taking into account various factors, including the company’s operating results, financial condition, current and anticipated cash needs, and will be subject to shareholder approval.

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

The Company has no employee and limited 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 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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