

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

The following discussion and analysis 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 United States dollars and in accordance with International Financial Reporting Standards.

STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Quarterly 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. 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 mid-year Report. These statements include comments regarding exploration plans and the closing of certain transactions including acquisitions.

RESULTS OF OPERATIONS

Overview

EURO's principal business is owning certain gold exploration properties in French Guiana and owning royalties on operating gold mines. We currently own a royalty (the “Rosebel Royalty”) in the Rosebel gold mine in Suriname which is owned and operated by Cambior Inc. We receive quarterly payments from Cambior Inc. on this royalty. We are actively seeking to acquire additional royalty rights.

Prior to 2005 we were engaged in the business of gold and diamond exploration in French Guiana. During 2004 we completed a financial restructuring which among other things, waived our then existing debt to Golden Star who then owned in excess of 50% of our common shares (now 43.3%) and who had funded most of our activities with loans since the late 1990s.

Debt

Upon completion of the restructuring in late 2004 we purchased the Rosebel Royalty from Golden Star for \$13.5 million. In January 2005 we borrowed \$6.0 million from Macquarie and used the funds as the initial installment due to Golden Star for the purchase price. An additional \$3.0 million was paid to Golden Star in September, 2005 from proceeds of an amended loan from Macquarie. The remaining \$3 million owing to Golden Star bears interest at 12% per annum. The principal may not be repaid by EURO from proceeds of the Rosebel Royalty while amounts are owing to Macquarie. It is the expectation of the Company to seek additional capital from debt and equity sources to repay this debt at an earlier date.

Three months ended June 30, 2006 compared to three months ended June 30, 2005

We recorded record revenues during the 3 months ended 30th June 2006. Revenue from royalties represented nearly all of our revenue of \$2.5 million with \$2.4 million earned from the Rosebel Royalty. Net of settlement of the gold hedging maturing during the period, revenue increased to

\$1.30 million from \$1.16 million. We recorded a loss of \$1.06 million during the three months ended 30th June, 2006, compared to a \$0.24 million loss for the first three months of 2005.

The continued rise in the price of gold (\$627.71 average for the calendar quarter, 2005 : \$427.39) provided an increase in revenue for the period however we recorded additional mark-to-market charges against income of \$1.393 million (2005: \$0.18 million) arising from the accounting treatment for our gold hedging contracts. This non-cash charge does not affect the liquidity of the Company and reflects additional revenue that will be brought to account in future periods from the increased royalties arising from the higher gold price.

General and administrative costs were \$598,000 during the three months ended June 30, 2006 compared to \$610,000 during the same period last year. This decrease in general and administrative costs reflects the reorganization completed in Q3 2004, which also reduced Interest costs for the three months ended June 30,2006 were \$258,000 compared to \$87,000 for the same period last year. This rise in interest expense reflects the interest payable to Golden Star, which is 12% p.a. on the \$3 million outstanding principal.

The decrease in depreciation and amortization expenses of \$245,000 (2005: \$339,000) during the three months ended June 30, 2005 reflects the increase in reserves of the Rosebel royalty and the decrease in amortization expense. The charge of \$109,000 (2005:\$222,000) for debt accretion relates to the accounting treatment for the deferred component of the Rosebel Royalty purchase consideration.

Six months ended June 30, 2006 compared to six months ended June 30, 2005

We recorded a net loss of \$4.35 million during the first six months of 2006, compared to a \$0.75 million loss for the first six months of 2005. Revenue from royalties represented nearly all of our revenue of \$4.4 million with \$4.3 million earned from the Rosebel Royalty. Net of settlement of the gold hedging maturing during the period, net revenue increased to \$2.45 million from \$2.23 million.

Cambior reported that Rosebel gold production was higher during the quarter ended 30th June, 2006 than during the previous quarter which was impacted by heavy rains in January and February causing the mining of lower grade ore. However, gold production achieved at Rosebel for the six months ended 30th June 2006 remained lower than Cambior's forecast 2006 annual production of approx. 335,000 ounces. During the latest quarter, some production was lost due to an illegal strike, however, gold grade of material milled improved slightly from the first quarter of 2006.

The continued rise in the price of gold (\$590.89 average for the six months, 2005 : \$427.37) provided an increase in revenue for the period however we recorded additional mark-to-market charges against income of \$6.7 million (2005: \$1.4 million) arising from the accounting treatment for our gold hedging contracts. This non-cash charge does not affect the liquidity of the Company and reflects additional revenue that will be brought to account in future periods from the increased royalties arising from the higher gold price.

KEY FINANCIAL DATA

All data in table in thousands of dollars except for per share information.

First and Second Quarter for 2006 are presented under IFRS, subsequent to our adoption of IFRS reporting on January 1, 2006. All other quarters are presented under Canadian GAAP

	2006 Quarter 2	2006 Quarter 1	2005 Quarter 4	2005 Quarter 3
	\$'000	\$'000	\$'000	\$'000
Total Revenues	1,296	1,142	1,132	1,093
Cash provided (used) in operating activities	660	299	512	641
Net profit / (loss)	(1,059)	(3,288)	2,136	(3,098)
Net profit / (loss) per share, basic and fully diluted – cents/share	(0.021)	(0.023)	0.047	(0.069)

	2005 Quarter 2	2004 Quarter 1	2004 Quarter 4	2004 Quarter 3
	\$'000	\$'000	\$'000	\$'000
Total Revenues	1,047	1,073	22	24
Cash provided (used) in operating activities	1,229	(125)	(129)	(643)
Net profit (loss)	75	(593)	(129)	(742)
Net profit / (loss) per share, basic and fully diluted – cents/share	0.002	(0.013)	(0.00)	(0.02)

LIQUIDITY AND CAPITAL RESOURCES

Consolidated cash as of June 30, 2006 totaled \$1.1 million versus 0.5 million at June 30, 2005.

HEDGING

As required by the loan agreement with Macquarie Bank Ltd., 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 current quarter was approximately 75,000 ounces. The London PM gold fix averaged \$590.89 per ounce during the first six months of 2006 resulting in a derivative loss of \$6.69 million in respect to gold hedging for the first six months of 2006.

We have the following derivative contracts outstanding at June 30, 2006

	Maturity Date of Gold Forward Contracts				
	2006	2007	2008	2009	Total
Ounces Au	11,400	22,800	22,800	22,800	79,800
Average Price (US\$)	\$421	\$439.75	\$458.5	\$458.5	\$448

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.	7,481	315	1,200	2,634	3,332
Macquarie Bank Ltd.	6,333	2,667	3,666	0	0
Total	\$ 13,814	\$ 2,982	\$ 4,866	\$ 2,634	\$ 3,332

SHARE CAPITAL

As at June 30, 2006 and the date of this report, we had 49,402,884 common shares outstanding with a par value of €0.01 per share. There were no new shares issued during the first quarter of 2006.

Common Shares - as of June 30, and the date of this report

Par	\$ 662
Premium	<u>51,257</u>
Total Share Capital	<u>\$ 51,919</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 have been reviewed by a Qualified Person who has 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.

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 31st December 2005 was approved by the shareholders on 30th June 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.

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 Cambior's website at www.cambior.com. Further requests for information should be addressed to:

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