

EURO RESSOURCES S.A.



QUARTERLY REPORT TO SHAREHOLDERS SECOND QUARTER 2006

Notice to Reader:

The accompanying unaudited interim financial statements for the quarter ended June 30, 2006 have 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 these statements. Financial information is presented in United States dollars and in accordance with International Financial Reporting Standards. Readers are cautioned that these statements contain certain forward-looking information as described in Management's Discussion and Analysis.

EURO RESSOURCES S.A.
CONSOLIDATED BALANCE SHEETS
(Stated in thousands of United States dollars)

	As of June 30, 2006	As of December 31, 2005
ASSETS		
CURRENT ASSETS		
Cash	\$ 980	\$ 1,054
Restricted Cash (Note 7)	136	416
Accounts receivable (net of doubtful accounts)	82	52
Rosebel Royalty due from Cambior Inc. (Note 5)	2,427	1,455
Other current assets	145	84
Total Current Assets	3,770	3,061
LONG TERM ASSETS		
Rosebel Royalty net of depletion (Note 5)	13,544	13,994
Property, plant and equipment net of depreciation	11	16
Future Tax Asset – Long Term (Note 12)	10,076	8,056
Total Assets	\$ 27,401	\$ 25,127
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 937	\$ 937
Liquidated Derivative liabilities	1,174	362
Current portion of Long Term Debt (Note 7)	3,209	2,521
Interest Payable	122	175
Current Portion of Fair Value of Derivative	4,600	2,297
Due to Golden Star Resources Ltd. (Notes 4 and 5)	315	39
Total Current Liabilities	10,357	6,331
LONG-TERM LIABILITIES		
Long Term Debt (Note 6)	3,000	5,000
Fair value of Derivatives (Note 6)	11,653	7,263
Due to Golden Star Resources Ltd. (Notes 4 and 5)	6,737	6,523
Total Liabilities	31,747	25,117
SHAREHOLDERS' FUNDS		
Share Capital (Note 8)	662	662
Contributed surplus	51,257	51,257
Contributed surplus – stock based compensation & warrants	131	68
Legal Reserves	40	40
Reserves Related to the Consolidation	(1,378)	(1,315)
Reserves related to Foreign Exchange Impact	(259)	(250)
Deficit	(54,799)	(50,452)
Total Shareholders' Deficit	(4,346)	10
Total Liabilities and Shareholders' Funds	\$ 27,401	\$ 25,127

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board:

By: /s/ James H. Dunnett
Directeur-Général

By: /s/ Donald R. Getty
Director

EURO RESSOURCES S.A.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT (Stated in thousands of United States dollars, except for share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
REVENUES				
Royalties and other	\$ 2,473	\$ 1,198	\$ 4,382	\$ 2,307
Realised Derivative Loss	(1,177)	(38)	(1,934)	(74)
Net Revenue	\$ 1,296	\$ 1,160	\$ 2,448	\$ 2,233
EXPENSES				
General and administrative (Note 6)	598	610	943	779
Other Expenses	-	33	-	33
Depreciation and amortization –				
Property, plant and equipment	8	29	11	32
Rosebel royalty	226	337	449	691
Deferred Financing Costs	11	(27)	22	(18)
Derivative Loss – Mark-to market adjustment (Note 6)	1,392	182	6,692	1,424
Debt accretion	109	222	215	438
Interest (Note 4 and 7)	258	87	542	169
Foreign exchange loss (gain)	(19)	(86)	(50)	(86)
Total Expenses	2,583	1,387	8,824	3,462
(Loss) Before Taxes	(1,287)	(227)	(6,376)	(1,229)
Future Income Tax Recovery	228	(11)	2,030	475
NET LOSS	\$ (1,059)	\$ (238)	\$ (4,346)	\$ (754)
Deficit - Beginning of Period	\$ (53,740)	\$ (52,071)	\$ (50,452)	\$ (51,555)
Deficit – End of Period	\$ (54,799)	\$ (52,309)	\$ (54,799)	\$ (52,309)
NET LOSS PER SHARE – Basic (Note 13)	\$ (0.021)	\$ (0.005)	\$ (0.088)	\$ (0.017)
Weighted Average Shares Outstanding (in millions of shares)	49.4	45.0	49.4	45.0

The accompanying notes are an integral part of these consolidated financial statements.

EURO RESSOURCES S.A.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Stated in thousands of United States dollars)

	Three Months Ended		Six Months Ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
OPERATING ACTIVITIES:				
Net income/ (loss)	\$ (1,059)	\$ (238)	\$ (4,346)	\$ (754)
Reconciliation of net loss to net cash used in operations:				
Depreciation, property plant and equipment	8	3	11	32
Depletion of Rosebel Royalty	177	338	449	691
Amortization of deferred financing costs	-	-	22	-
Debt Accretion due Golden Star (Note 5)	108	222	215	438
Stock based compensation (Note 10)	-	-	63	57
Income Tax Expense	-	11	451	-
Future Tax Recovery	(219)	-	(2,481)	(475)
Mark-to-market derivative adjustment (Note 6)	1,392	182	6,692	1,424
	407	518	1,076	1,413
Changes in Assets and Liabilities				
Accounts receivable	34	15	(30)	89
Rosebel Royalty due from Cambior, Inc.	(590)	(15)	(972)	(1,103)
Other Current Assets	(87)	(23)	(61)	(20)
Reserves Related to Consolidation		235	(63)	-
Reserves Related to Foreign Exchange	(9)	-		
Due from Golden Star Resources Ltd.	-	-	-	395
Accounts payable and accrued liabilities	300	(11)	-	81
Liquidated Derivative Payable	417	(74)	812	36
Increase in interest payable	188	82	(53)	156
Net cash provided (used) in operating activities	660	727	709	1,047
INVESTING ACTIVITIES:				
Purchase Computer Equipment	-	-	(5)	(6)
Net Cash Provided by investing activities	-	-	(5)	(6)
FINANCING ACTIVITIES:				
Bank loan	-	-	-	5,889
Bank Loan - Repayments	(798)	-	(1,334)	-
Increase (Decrease) in amount due majority shareholder	-	(249)	276	(6,203)
Net cash provided (used) in financing activities	(798)	(249)	(1,058)	(314)
Effect on Cash of IFRS Adoption			-	(191)
Increase/(Decrease) in cash	(138)	478	(354)	536
Cash – beginning of year	1,254	59	1,470	1
Cash at end of period - cash	980	118	980	118
- restricted cash (Note 7)	136	419	136	419
Total Cash at end of period	\$ 1,116	\$ 537	\$ 1,116	\$ 537

The accompanying notes are an integral part of these consolidated financial statements.

EURO RESSOURCES S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Stated in thousands of United States dollars)

	Share Capital	Share Premium	Contributed Surplus	Other Reserves	Translation Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at December 31, 2004	\$611	\$44,582	\$17,454	\$0	\$0	\$(63,019)	\$(372)
Private Placement	46	879					925
Warrants Issued			52				52
GSR Debt Forgiveness			304				304
Options Issued			27				27
Options Exercised	5	84					89
Loss for the period						(1,480)	(1,480)
Balance at December 31, 2005	\$662	\$45,545	\$17,837	\$0	\$0	\$(64,499)	\$(455)
Adoption of IFRS Accounting	\$0	\$5,712	\$(17,769)	\$(1,275)	\$(250)	\$14,046	\$465
Balance at January 1, 2006	\$662	\$51,257	\$68	\$(1,275)	\$(250)	\$(50,453)	\$10
Stock options			63				63
Foreign Exchange Reserves					(9)		(9)
Consolidation Reserves				(63)			(63)
Loss for the period						(4,346)	(4,346)
Balance at June 30, 2006	\$662	\$51,257	\$131	\$(1,338)	\$(259)	\$(54,799)	\$(4,346)

EURO RESSOURCES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005 (Currency amounts are stated in United States dollars unless otherwise expressed)

These financial statements have been prepared in accordance with International Financial Reporting Standards.

1. Adoption of International Financial Reporting Standards

In June 2006, EURO Ressources (“EURO”) determined to adopt the International Financial Reporting Standards for Canadian reporting purposes from that date and with effect from 1st January 2006. Adoption of IFRS reporting is permitted under Canadian National Instrument 52-107 for foreign issuers: EURO is a foreign issuer.

International Financial Reporting Standards (IFRSs) are standards and Interpretations adopted by the International Accounting Standards Board (IASB).

From inception through 2005, EURO has prepared its financial statements for Canadian reporting purposes in accordance with Canadian Generally Accepted Accounting Standards. With effect from 1st January 2005 financial reporting in France required the adoption of the International Financial Reporting Standards for consolidated financial statements. Accordingly EURO prepared its 2005 consolidated financial statements filed in France under IFRS, but continued to prepare its Canadian filings under Canadian GAAP.

IFRS 1 “First-time Adoption of International Financial Reporting Standards” provides for a one time change of equity to reflect differences between accounting principles. EURO has recorded a net increase in equity due to IFRS adoption of \$465,000 which is shown in the following table. The change in adoption of IFRS had no effect on cash flow.

The main differences resulting from the adoption of IFRS, as compared to the previous Canadian GAAP are:

- Forgiveness of debt:
under IFRS, the forgiveness of debt is treated as revenue and recorded in income, whereas under Canadian GAAP, the forgiveness of debt was recorded in equity and did not impact the income statement.
- Loan implementation costs:
under IFRS loan implementation costs are not capitalized but are deducted from the loan proceeds and amortized over the life of the loan using an effective interest rate determined by inclusion of the loan implementation costs with interest.
- Future Tax Asset:
under French IFRS the future tax asset is calculated on an unconsolidated basis. Under Canadian GAAP, income or loss at the consolidated level is considered for calculation of the future tax asset.

Reconciliation of Equity between presentation under Canadian GAAP and IFRS

Stated in Thousands of United States dollars	Canadian GAAP 31-Dec-05	IFRS adjustments	IFRS 01-Jan-06
ASSETS			
CURRENT ASSETS			
Cash	\$1,056	(\$2)	\$1,054
Restricted Cash	\$417	(\$1)	\$416
Accounts receivable (net of doubtful accounts)	\$47	\$5	\$52
Due from Cambior Inc.	\$1,454	\$1	\$1,455
Deferred Tax Asset - Short Term	\$0	\$0	\$0
Other current assets	\$38	\$46	\$84
Total Current Assets	\$3,012	\$49	\$3,061
Property, Plant & Equipment (Net of depreciation)	\$7	\$9	\$16
Loan acquisition costs (Note 7)	\$143	(\$143)	\$0
Rosebel royalty (Net of amortization)	\$13,988	\$6	\$13,994
Deferred Tax Asset - Long Term	\$7,532	\$524	\$8,056
Total Assets	\$24,682	\$445	\$25,127
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$811	\$126	\$937
Liquidated Derivative Loss	\$362	\$0	\$362
Bank loan (Note 4)	\$2,667	(\$146)	\$2,521
Interest Payable Macquarie	\$175	\$0	\$175
Fair Value of Derivative (Short Term)	\$2,297	\$0	\$2,297
Due to Golden Star Resources Ltd. (Notes 2, 4 and 5)	\$39	\$0	\$39
Total Current Liabilities	\$6,351	(\$20)	\$6,331
LONG-TERM LIABILITIES			
Bank loan (Note 4)	\$5,000	\$0	\$5,000
Derivative Liability	\$7,263	\$0	\$7,263
Due to Golden Star Resources Ltd. (Notes 2, 4 and 5)	\$6,523	\$0	\$6,523
Total Liabilities	\$25,137	(\$20)	\$25,117
SHAREHOLDERS' FUNDS			
Share Capital (Note 8)	\$46,207	(\$45,545)	\$662
Additional Paid in Capital	\$17,739	\$33,518	\$51,257
Contributed Surplus	\$98	(\$30)	\$68
Legal Reserves	\$0	\$40	\$40
Reserves related to Consolidation	\$0	(\$1,315)	(\$1,315)
Reserves related to Foreign Exchange impact	\$0	(\$250)	(\$250)
Deficit	(\$64,499)	\$14,047	(\$50,452)
Total Shareholders' Equity (Deficit)	(\$455)	\$465	\$10
Total Liabilities and Shareholders' Funds	\$24,682	\$445	\$25,127

2. Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include the accounts of EURO Ressources S.A. (“EURO”) and its 100% owned subsidiary, Société de Travaux Publics et de Mines Aurifères en Guyane Sarl (“SOTRAPMAG”). All inter-company balances and transactions have been eliminated.

Cash

Cash consists primarily of restricted cash (Note 7) and checking account balances.

Interest Costs

Interest costs are charged to expense as incurred.

Mineral Properties and Deferred Exploration

Acquisition, exploration and development costs of mineral properties are capitalized.

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.

Rosebel Royalty

The Gross Rosebel Participation Right (the “Rosebel Royalty”) acquired from Golden Star Resources Ltd. (“Golden Star”) has been capitalized as the net present value of the estimated future consideration to be paid to Golden Star, calculated at an annual discount rate of 12% equal to 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.

Amortization and Depletion

In determining the Amortization and Depletion to be applied to the Rosebel Royalty during any financial period, the net book value of the asset is amortized on a unit of production basis, having regard to the production at the Rosebel gold mine, attributable in terms of the Rosebel Royalty, and the resources and reserves used in computing the acquisition value.

Hedges and Derivatives

We record the mark-to-market assets and liabilities on our derivative gold hedges against income in the period they arise.

Property, Plant and Equipment

Fixed assets are stated at cost. Depreciation is computed using the straight-line method at rates calculated to amortize the cost of the assets less their residual values over their estimated useful lives.

Foreign Currency Translation

As our functional currency is the United States dollar, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the end of the period. Non-monetary assets and long term liabilities are translated at the rates of exchange prevailing when the assets were acquired or the liabilities assumed. Revenue and expense items are translated at the average rate of exchange during the period.

Translation gains or losses are included in the determination of net income for the period. The accounts of subsidiaries are translated using the same method.

Income Taxes

Future tax assets are estimated future tax consequences of transactions and events recognized in the financial statements of the current and previous periods.

Future tax arises when the actual tax consequence of a particular transaction (tax payable or recoverable) arises in a different period from the period in which the transaction itself is included in the financial statements.

EURO recognizes future tax assets and liabilities based on the difference between the financial reporting and tax basis of assets and liabilities using the enacted tax rates expected to be in effect when the taxes are paid or recovered. We provide a valuation allowance against future tax assets for which we do not consider realization of such assets to meet the required “more likely than not” standard.

Use of Estimates

Preparation of our consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that can affect reported amounts of assets, liabilities, revenues and expenses. The more significant areas requiring the use of estimates include asset impairments, stock based compensation, depreciation, depletion and amortization of assets.

Accounting for these areas is subject to estimates and assumptions regarding, among other things, gold reserves, gold recoveries, future gold prices, future operating costs, asset usage rates, and future mining activities. Management bases its estimates on historical experience and on other assumptions we believe to be reasonable under the circumstances. However, actual results may differ from our estimates.

Measurement Uncertainty

The nature of the Company’s income is subject to uncertainties relating to the production levels at the Rosebel Gold mine and to the price of gold. Since the Company is not the operator of the Rosebel Gold mine, it has no influence over those operations or operational production and is entirely reliant on the performance of the mine operator, which is controlled by Cambior Inc. Historically, the operational performance of the Rosebel Gold mine has not varied substantially by calendar quarter.

The price of gold is subject to change. It trades in an international market subject to many influences, none of them within the control of the Company. Historically the price of gold has varied considerably.

Stock Based Compensation

In accordance with the requirements of IFRS 02, “Share-based Payment”, EURO uses the fair value method to expense the fair value of options granted to employees and directors. The fair value of options granted is established at the date of the grant, using the Black-Scholes option-pricing model. Compensation expense for options with immediate vesting is recognized in the period of the grant. Compensation expense for options with graded vesting is recognized on a straight line basis over the vesting periods.

Net Loss per Share

Basic loss per share is calculated by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The calculation of diluted income per common share uses the treasury stock method to compute the dilutive effects of stock options and warrants.

Fair Value of Financial Instruments

The Company’s financial instruments are comprised of cash, accounts receivable, accounts payable and accrued liabilities and amounts due to its lenders and to Golden Star. The fair value of cash, accounts receivable, amounts receivable from Cambior under the Rosebel Royalty, accounts payable and accrued liabilities equals their carrying value due to the short-term nature of these items. The value of the long term amounts owed to Golden Star represents the present value of contingent additional future payments for the royalty purchase, such payments being due upon ounces produced at the Rosebel mine in excess of the first 2.0 million ounces.

3. Formation and Description of Our Business

EURO was incorporated as Guyanor Ressources SA under the laws of France on April 20, 1993. The Company was a subsidiary of Golden Star Resources Ltd. From inception until 19th June 2006: Golden Star currently owns approximately 43.3% of the Company’s outstanding common shares. The Company’s shares are publicly traded with our common shares listed on both the Toronto Stock Exchange and on Euronext in Paris, France, under the symbol “EUR”.

From the Company’s inception until late 2004, the Company was primarily focused on exploration for gold and diamonds in French Guiana. During 2004, the Company’s shareholders approved a financial restructuring that included the forgiveness of the then existing debt owed to Golden Star. The shareholders also approved the acquisition of the Rosebel Royalty from Golden Star and income from the Rosebel Royalty accrued to the Company with effect from the beginning of 2005. The Company intends to focus on the acquisition of similar royalty interests in operating gold mines.

Since April 2005, the cashflow from the Rosebel Royalty has provided adequate resources for the Company’s operations and debt servicing. Previously, the Company’s principal source of funding had been through public equity offerings and loans from Golden Star.

On June 23, 2005, the Company’s name was changed to EURO Ressources S.A. and its registered office relocated to Paris, France.

4. Due to and from Golden Star Resources Ltd.

These amounts largely represent outstanding amounts of principal and interest directly related to the acquisition of the Rosebel Royalty. Historically, the amounts due to Golden Star represented general and operating costs incurred by Golden Star on EURO’s behalf, not yet reimbursed at balance sheet

date. During the second quarter of 2005, we reimbursed Golden Star for substantially all of the general and operating costs advanced to that date and no further advances of this nature have been made since that time.

At the end of the third quarter 2005, EURO paid Golden Star \$3 million of the \$6 million loan then outstanding and revised the loan terms. Interest was waived on the \$3 million repaid and amended to 6% p.a., payable quarterly, until 31st December 2005 on the balance of \$3 million. Interest at 12% p.a., currently applies and a 3% facility fee was levied on 31st January, 2006 (see Note 15). During the term of the loan from Macquarie Bank Limited. (“Macquarie”) (see Note 7), repayment of principal amounts due to Golden Star may only be made from funds other than those arising from the Rosebel Royalty.

5. Rosebel Royalty

In December 2004, we purchased the Rosebel Royalty from Golden Star and recorded an acquisition cost of \$13.2 million: we incurred an additional \$0.4 million of other related costs. As a result of this purchase, as at December 31, 2004, we recorded a current liability for the Rosebel Royalty of \$12.0 million and a long term liability of \$1.2 million, both payable to Golden Star. The Rosebel Royalty arose from Golden Star’s sale to Cambior Inc. of its shares in the Rosebel gold mine: the Rosebel Royalty is part of the purchase consideration payable by Cambior.

The Rosebel Royalty applies to the first 7 million ounces of attributable production from the Rosebel mine. Attributable gold production in 2004 was 277,000 oz, 332,000 oz. in 2005 and 148,500 oz. in the first six months of 2006.

The Rosebel Royalty requires Cambior Inc. to make quarterly payments equal to the product of (1) 10% of the amount by which the quarterly gold price exceeds the Base Price and (2) the attributable gold production from the Rosebel mine. The Base Price is set at \$300 per ounce for gold produced from “soft and transitional” rock and at \$350 per ounce for gold from “hard” rock. Attributable gold production is calculated after deducting a 2% royalty payable to the Government of Suriname.

Recent quarterly attributable gold production as reported by Cambior is shown in the table below:

Rosebel Attributable Gold Production *

	Quarter 1 2005	Quarter 2 2005	Quarter 3 2005	Quarter 4 2005	Total 2005	Quarter 1 2006	Quarter 2 2006	Total 2006
	OZS	OZS	OZS	OZS	OZS	OZS	OZS	OZS
Ore Type								
Soft Rock ozs	56,863	49,137	50,268	47,091	203,359	44,223	46,208	90,430
Transitional Ore ozs	25,946	35,622	25,524	28,621	115,713	22,671	23,458	46,130
Hard Rock ozs	1,425	3,062	4,574	4,463	13,523	6,738	5,191	11,929
Total Attributable ozs	84,233	87,821	80,366	80,175	332,594	73,631	74,857	148,489
% Production by ore category								
Soft/Transitional Ore	98.3%	96.5%	94.3%	94.4%	95.9%	90.8%	93.1%	92.0%
Hard Rock	1.7%	3.5%	5.7%	5.6%	4.1%	9.2%	6.9%	8.0%

* Net of 2% royalty payment to the Government of Surinam

The Rosebel Royalty acquisition from Golden Star required initial cash payments totaling \$12 million (see Note 4) with additional payments to be made to Golden Star when cumulative attributable production in terms of the Rosebel Royalty exceeds 2 million ounces. For attributable

production over 2 million ounces, up to 4 million ounces, the additional payment is to be equal to the lesser of the amount received from Cambior and \$2.50 per ounce. For additional attributable production up to the balance of the 7 million ounces, the additional payment is to be equal to the lesser of the amount received from Cambior or \$5.00 per ounce.

As at 31 December, 2005 we increased the carrying value of the Rosebel Royalty and long term portion of the contingent payable to Golden Star by \$1.8 million to reflect the updated mineral inventory. The present value of these contingent payments is reflected as a Long term Liability to Golden Star of \$3.73 million at June 30, 2006 (2005: \$1.62 million).

6. Hedges and Derivatives

In January 2005, we entered into a gold derivative position as part of a \$6 million loan agreement with Macquarie (see Note 7). At that date, EURO entered into a forward gold sale derivative contract for 57,000 ounces at a fixed price of \$421 over a period of ten quarters.

During the third quarter 2005, we entered into an amended credit facility with Macquarie in terms of which Macquarie advanced for a further tranche of \$3 million (see Note 7). In support of this increased indebtedness, we entered into additional gold forward derivative contracts for 57,000 ounces at a fixed price of \$458.50 with maturities over 10 consecutive calendar quarters commencing 1st July 2007 through 31st December 2009. Settlement occurs at the end of the month following the calendar quarter: the method of calculation of the hedge gain/loss replicates the pricing formula used in the Rosebel Royalty.

As at June 30, 2006 the gold forward derivative contract on the outstanding derivative contracts of 79,800 ounces had a negative mark-to-market of \$16.25 million (2005: 1.42 million). EURO has not applied hedge accounting for this derivative loss and derivative mark-to-market assets and liabilities are recorded in income in the period they arise.

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	\$447.79

7. Long Term Debt

In January 2005, EURO drew down \$6.0 million under a credit facility from Macquarie repayable in nine equal payments of \$666,667 beginning July 29, 2005 and quarterly thereafter. The interest rate is set at 2.5% over LIBOR, payable at the end of each 1, 2 or 3 month period as EURO may choose. As at June 30, 2006 the interest rate and maturity of each amount was as follows:

Amount	Maturity date	Interest rate
\$3,333,000	31 July 2006	7.62%
\$3,000,000	31 July 2006	7.53%

The loan is collateralized by all of the Company's assets, including the Rosebel Royalty. The lender has full security over proceeds of the Rosebel Royalty and distributions by the Company are restricted by the covenants of the loan.

On 29th September 2005, EURO drew an additional \$3 million under a revised facility with Macquarie: the additional principal is repayable in 5 equal quarterly installments of \$600,000 each commencing October of 2007. The interest rate remains unchanged: a facility fee of \$45,000 was paid to the bank in respect to this additional facility.

Rosebel Royalty payments made by Cambior, Inc. are paid to a proceeds account maintained with Macquarie. These funds are restricted to use for general corporate working capital purposes and totaled \$139,000 as at June 30, 2006.

8. Share Capital

At June 30, 2006 we had 49,402,884 (2004: 45,002,884) common shares outstanding with a par value of €0.01 per share.

There were no shares issued during the first six months of 2006.

Common Shares	As at June 30, 2006		As at December 31, 2005	
	Par	€ 494	\$ 662	€ 494
Premium	<u>37,928</u>	<u>51,257</u>	<u>37,928</u>	<u>51,257</u>
Total Share Capital	<u>€38,422</u>	<u>\$ 51,919</u>	<u>€38,422</u>	<u>\$ 51,919</u>

9. Warrants

No warrants were issued or exercised during the first six months of 2006.

# Warrants	Exercisable from	Warrants outstanding	Exercise Price	Term (years)	Expiration Date
500,000	20 December 2005	500,000	€0.45 (US\$0.53)	2	20 December 2007
500,000	20 December 2006	500,000	€0.45 (US\$0.53)	1	20 December 2007

The fair value of the Warrants was established with a Black Scholes model using €0.45 (\$0.53) strike price, a 30% expected volatility, a 3.2% risk-free interest rate, a two year expected warrant life and 0% dividend yield.

10. Stock Based Compensation

Under the EURO Ressources S.A. Stock Option Plan (the "Plan"), EURO may grant options to its employees for up to 4,500,288 common shares. An option's term is ten years. The options may take the form of non-qualified stock options, the exercise price of each option shall not be less than 80% of the average closing price on the Euronext, of the Bourse de Paris during the 20 consecutive trading days immediately preceding the date of grant of the option.

Options under the Plan are granted from time to time at the discretion of the Board of Directors and vest over periods ranging from immediately to three years.

There were 600,000 options granted during the first six months of 2006 at a strike price of €0.9780 (US\$1.25), 150,000 of which vested immediately, with 150,000 options to vest on each of 1st January, 2007, 2008 and 2009. EURO recognized stock option expenses of \$63,020 for the first six months of 2006. The fair value of the new grants of vested options in 2006 was established with a Black-Scholes model using a 10.6% expected volatility, a 4.47% risk-free interest rate, a five year expected option life and 0% dividend yield.

	Options (000)	Wtd. Average Exercise Price	US \$ Equivalent
Outstanding at December 31, 2005	687	€0.82	US\$1.03
Granted	600	€0.98	US\$1.25
Exercised	-	-	-
Forfeited	(167)	€1.68	US\$2.11
Options exercisable at June 30, 2006	670	€0.51	US\$0.64
Non vested options at June 30, 2006	450	€0.98	US\$1.25

11. Mineral Properties and Deferred Exploration

The mineral properties in which we have an interest (either directly or through our subsidiaries) consist of the Paul Isnard properties located in French Guiana. Our interests in the properties are held in the form of exploration permits, concessions, joint venture agreements and property purchase agreements. During 2004, the exploration rights to our Paul Isnard property were optioned to Golden Star in an earn-in agreement over 100% of the 290 square kilometer property. The principal elements of the agreement are:

During 2005 and in 2006, Golden Star has continued to review the existing data and has undertaken no new exploration activities. The PER for Paul Isnard was renewed in February 2006 over a reduced area of 140 square kilometers.

EURO entered into a farmout agreement in 2003 with COMPAGNIE DE TRAVAUX MINIERES DE GUYANE SARL (Cotmig) in terms of which Cotmig may exploit alluvial and par alluvial deposits within the Paul Isnard concessions. The operating permit limits these activities to 100 tonnes of ore per day. Cotmig pays a royalty of 4% of the net proceeds of gold production which royalty amounted to approx \$0.1 million in 2005 and approx \$22,000 in Q2 2006.

In 2002, EURO entered into an agreement with Compagnie Miniere Esperance SA (CME) for the sale of its interests in Société Des Mines St-Elie SARL. (“SMSE”). In terms of that agreement CME pays an additional purchase consideration related to gold sold from production on properties then owned by SMSE. Production commenced in late 2005 and we recorded an amount of approx \$18,000 as income in Q2 2006.

12. Income Tax

We have recorded an additional deferred tax asset in the period ending June 30, 2006 calculated on the net loss for the period at the current French corporate tax rate of 33.3%.

13. (Loss) per Common Share

The following table reconciles basic and diluted losses per common share:

	Three months ended		Six months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Net income/(loss)	<u>\$ (1,059)</u>	<u>\$ (238)</u>	<u>\$(4,346)</u>	<u>\$ (754)</u>
Per share data - millions of common shares				
Weighted average number of common shares	49.4	45.0	49.4	45.0
Dilutive Securities:				
Options	0.4	0.9	0.4	0.9
Warrants	<u>0.7</u>	<u>---</u>	<u>0.6</u>	<u>---</u>
Weighted average number of dilutive common shares	<u>50.5</u>	<u>45.9</u>	<u>50.4</u>	<u>45.9</u>
Basic Income (Loss) Per Share	\$ (0.021)	\$ (0.005)	\$ (0.088)	\$ (0.017)

14. Related Party Transactions

Consequent on Golden Star's continuing ownership of 43.3% of the common shares of EURO, transactions between Golden Star and EURO are related party transactions. During the period to 30 June, 2006, Golden Star's interest in EURO was reduced from over 50%.

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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