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 Canadian generally accepted accounting principles.

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 Quarterly Report. These statements include comments, both expressed and implied regarding financing, operating plans, reserves and resources.

RESTATEMENT

January 2005 the Company entered into cash settled gold forward sales contracts and implemented a hedge accounting policy for the accounting treatment of these forward sales contracts. In the first quarter of 2006 it was concluded that the Company's accounting for these forward sales contracts do not qualify for hedge accounting under Canadian generally accepted accounting principles.

As a result, the Company has restated its unaudited consolidated financial statements for each of the three quarters from March 31, 2005 to September 30, 2005.

The Company is now required to recognize mark-to market valuations of its open forward contract positions through its income at the end of each period. In the past, the Company had recognized gains, losses, revenues and expenses from its forward sales contracts in its income only in the period in which they settled. The effects of the change in accounting treatment are summarized in the tables below:

	Three Months		Year to Date	
	As Previously Reported June 30, 2005	As Restated June 30, 2005	As Previously Reported June 30, 2005	As Restated June 30, 2005
Revenue - Royalties, Interest and Other	$1,085	$1,085	$2,194	$ 2,194
Derivatives	-	$182	-	$1,424
Future Income Tax Recovery	-	60	-	$470
Net Income (Loss) for the Period	$197	$75	$436	$(518)
Retained Deficit (Beginning of Period)	$(62,780)	$(63,612)	$(63,019)	$(63,019)
Retained Deficit (End of Period)	$(62,583)	$(63,537)	$(62,583)	$(63,537)
Net Income (Loss) Per share	$0.004	$0.002	$0.010	$(0.012)
Net Income (Loss) per share (fully diluted)	$0.004	$0.002	$0.009	$(0.012)
Future Tax Asset	-	$60	-	$470
Derivative Liability	-	$(182)	-	$(1,424)

RESULTS OF OPERATIONS

Overview

Reflecting the restructuring of the Company and in order to avoid confusion with other public companies with similar names, on June 23, 2005, the Company's shareholders unanimously approved the Company's name change to EURO Ressources S.A. ("EURO").

EURO pursues a business policy of owning certain gold exploration properties in French Guiana and of acquiring and holding mineral royalties. We currently own a royalty (the "Rosebel Royalty") based on production at the Rosebel gold mine in Suriname which is owned and operated by Cambior Inc. This royalty is payable by Cambior, quarterly. We are actively seeking to acquire additional royalty rights.

During 2004 we completed a financial restructuring which among other things, waived our then existing debt to Golden Star arising from loan funding provided for our activities since late 1990s. Prior to 2005 we were engaged in the business of gold and diamond exploration in French Guiana.

Debt

Upon completion of the restructuring in late 2004, we purchased the Rosebel Royalty from Golden Star for an amount recorded as $13.5 million. In January 2005, we borrowed $6.0 million from a commercial bank and used those funds to pay the initial installment due to Golden Star for the purchase price. An additional $6.0 million was payable to Golden Star on June 30, 2005 in respect to the acquisition of the Rosebel Royalty. Golden Star has agreed to defer such payment; interest on such deferred amount will accrue at 12% per annum. There is no event of default arising from this deferment and we continue to benefit from ownership of the royalty. We have undertaken to pay available funds to Golden Star, as permitted by the covenants of the commercial loan agreement, until full payment of the amounts due to Golden Star. It remains the intention of the Company to seek additional capital from debt and equity sources.

Three months ended June 30, 2005 compared to three months ended June 30, 2004

Revenue for the three months ended June 30, 2005 of $1.085 million (2004: $22,000), consisted substantially of income from the Rosebel royalty, payable to the Company on production from the Rosebel Gold Mine. During the three months ended June 30, 2005, the Company recorded net income of $75,000 or 0.002 cents per share compared to a net loss of $(683,000) or 1.52 cents per share during the three months ended June 30, 2004. No tax has been provided against this profit as the Company has substantial operating tax losses currently available to be carried forward indefinitely against current and future taxable income.

General and administrative costs were $187,000 during the three months ended June 30, 2005 compared to $439,000 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 to $88,000 during the three months ended June 30, 2005 compared to $258,000 during the comparative period in 2004. We recognized a non-cash expense of $182,000 in connection with the mark-to-market valuation of our hedging contracts having a loss of this amount. The increase in depreciation and amortization expenses of $349,000 (2004: $4,000) during the three months ended June 30, 2005 records the amortization of the acquisition costs of the Rosebel Royalty in 2005. The charge of $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, 2005 compared to six months ended June 30, 2004

We recorded net loss of ($518,000) during the first six months of 2005, compared to a loss of $1.4 million for the first six months of 2004. Revenue from the Rosebel Royalty of $2.2 million; hedge costs of $74,000, was the major factor contributing to the increase in revenues as compared to the same period of 2004. During the first six months of 2005 costs increased by $0.3 million compared to the same period in 2004. Amortization of the royalty acquisition purchase price and accretion of additional liability for future amounts due Golden Star were the major factors responsible for the increase.

We recognized a non-cash expense of $1,424,000 in connection with the mark-to-market valuation of our hedging contracts having a loss of this amount over the first six months.

In the first six months of 2004, we eliminated most of the costs related to maintaining an office and staff in Cayenne and to exploration and property holding costs in French Guiana. The Cayenne office was closed in late 2004 and all employees were either transferred to Golden Star or their employment was terminated. In 2005, property holding costs have been substantially reduced through the sale of certain properties and the optioning of the remaining properties to Golden Star.

While corporate operating costs have been substantially reduced in 2005 compared to 2004, the entity holding costs such as stock transfer charges, exchange listing fees, board costs, audit and legal costs continue.

Outlook

During 2005, the Rosebel Royalty is expected to provide cash flow to the Company in excess of $4.0 million, assuming that production at the Rosebel mine continues at current levels and the gold price averages around $425 per ounce. We expect this will be adequate to meet all corporate and related expenses, including debt service.

We continue to actively review opportunities to raise additional debt or equity funding to provide capital for the acquisition of additional royalty interests and to repay or restructure existing corporate obligations.

KEY FINANCIAL DATA

All data in table in thousands of dollars.

	2005 Quarter 2	**2005** Quarter 1	**2004** Quarter 4	**2004** Quarter 3
Total revenues	$ 1,047	$ 1,073	$ 22	$ 24
Cash provided (used) in operating activities	1,153	(125)	(129)	(742)
Net profit / (loss)	75	(593)	(129)	(742)
Total assets	15,934	16,370	14,139	153
Total long-term financial liabilities	7,095	7,602	1,186	-
Cash dividends declared	-	-	-	-

	2004 Quarter 2	**2004** Quarter 1	**2003** Quarter 4	**2003** Quarter 3
Total revenues	$ 22	$ 29	$ 64	$ 10
Cash (used) in operating activities	(683)	(684)	(854)	(540)
Net profit / (loss)	(683)	(684)	(854)	(540)
Total assets	152	152	156	167
Total long-term financial liabilities	-	-	-	-
Cash dividends declared	-	-	-	-

LIQUIDITY AND CAPITAL RESOURCES

Consolidated cash as of June 30, 2005 totaled $568,000, versus nil at December 31, 2004. Prior to the end of the second quarter, we reimbursed Golden Star for the short-term operational funding provided to us. At the end of July, we received our second quarter royalty payment of $1.1 million from Cambior as per the terms of the Rosebel Royalty. We anticipate that future quarterly royalty payments will be sufficient to meet all of our operational and debt service requirements.

RELATED PARTY TRANSACTIONS

On January 8, 2005 EURO borrowed $6.0 million from a commercial bank and paid the full amount to Golden Star as the first installment for the Rosebel royalty which EURO purchased in December 2004. EURO Ressources is seeking additional funding to pay the remaining $6.0 million installment due Golden Star. Covenants in the January 2005 loan agreement preclude EURO from incurring any additional debt without the bank's approval.

Golden Star continued to provide funding to EURO for its operating expenses into the second quarter of 2005. At the end of April 2005 EURO received its first royalty payment from Cambior Inc. and prior to the end of the second quarter, EURO reimbursed Golden Star for the funding provided for these operating expenses. We expect to fund all of our future operational cash needs from cash on hand and future royalty receipts.

HEDGING

As required by the loan agreement, we entered into a cash-settled forward sales agreement in January 2005 which obligates 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.

When the average price for the London PM gold fix for the prior calendar quarter is less than $421 per ounce, the financial institution will pay an amount to EURO equal to the difference between the average price and $421 times 5,700 ounces. If the prior calendar quarter average price exceeds $421 per ounce we will pay the financial institution an amount equal to the difference between the average price and $421 per ounce times 5,700 ounces.

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 second quarter was approximately 88,000 ounces. Gold prices averaged $427.39 per ounce during the second quarter of 2005 resulting in a payment due to the bank of $36,444 in respect to the second quarter hedging.

See "Restatement" above

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 ($'000) Due by Period				
	Total	< 1 Year	1- 3 Years	4- 5 Years	> 5 Years
Golden Star Resources Ltd.	**9,962**	6,012	0	2	3,948
Macquarie Bank	**6,155**	2,822	3,333	0	0
Total	**$ 16,117**	$ 8,834	$ 3,333	$ 2	$ 3,948

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements reflect the application of Canadian GAAP. The accounting policies reflected therein are generally those applied by similarly situated mining resource companies in Canada. Our accounting policies under Canadian GAAP are described in Note 4 of our consolidated financial statements as found in our 2004 Annual Report.

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 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.

Decisions to write off, or not to write off, all or a portion of our investment in various properties, especially exploration properties, subject to impairment analysis are based on our judgment as to the actual value of the properties and are therefore subjective in most cases. We have written off substantially all of our investments in exploration properties based upon our 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.

SHARE CAPITAL

At June 30, 2005 we had 45,002,884 common shares with a par value of €0.01 per share. There were no new shares issued during the six months ending June 30, 2005.

Common Shares - as of June 30, 2005

Par	$ 607
Premium	44,891
Total Share Capital	$ 45,498

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.

This Management's Discussion and Analysis of Financial Condition and Results of Operation includes information available to July 31, 2005. As of July 31, 2005 there were 45,002,884 common shares outstanding.

ADDITIONAL INFORMATION

Additional information relating to EURO Ressources S.A. is available on SEDAR at www.sedar.com. Further requests for information should be addressed to:

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