

March 29, 2006

Auditors' Report

To the Shareholders of EURO Ressources S.A.

We have audited the consolidated balance sheets of **EURO Ressources S.A.** as at December 31, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Calgary, Alberta

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

	As of December 31, 2005	As of December 31, 2004
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,056	\$ 1
Restricted Cash (Note 6)	417	-
Accounts receivable (net of doubtful accounts)	47	68
Due from Golden Star Resources Ltd. (Note 3)	-	497
Rosebel Royalty due from Cambior Inc.(Note 4)	1,454	-
Future Tax Asset – Short Term (Note 12)	588	-
Other current assets	38	2
Total Current Assets	3,600	568
LONG TERM ASSETS		
Rosebel Royalty (Note 4) net of depletion	13,988	13,553
Deferred financing costs net of amortisation	143	-
Property, plant and equipment net of depreciation	7	18
Future Tax Asset – Long Term (Note 12)	6,944	-
Total Assets	\$ 24,682	\$ 14,139
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 811	\$ 654
Liquidated Derivative liabilities	362	-
Current portion of Long Term Debt (Note 6)	2,842	-
Due to Golden Star Resources Ltd. (Notes 3 and 6)	39	12,366
Total Current Liabilities	4,054	13,020
LONG-TERM LIABILITIES		
Long Term Debt (Note 6)	5,000	-
Fair value of Derivatives (Note 5)	9,560	-
Due to Golden Star Resources Ltd. (Notes 3 and 6)	6,523	1,186
Total Liabilities	25,137	14,206
SHAREHOLDERS' FUNDS		
Share Capital (Note 7)	46,207	45,498
Contributed surplus	17,739	17,443
Contributed surplus – stock based compensation and warrants	98	11
Deficit	(64,499)	(63,019)
Total Shareholders' Deficit	(455)	(67)
Total Liabilities and Shareholders' Funds	\$ 24,682	\$ 14,139

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)

	For the Years Ended December 31,	
	2005	2004
REVENUES		
Royalties, and other	\$ 4,891	\$ 97
Hedging	(546)	-
Net Revenue	\$ 4,345	\$ 97
EXPENSES		
General and administrative expenses	1,349	1,307
Depreciation, Depletion and Amortization -		
Property, plant and equipment	11	15
Rosebel Royalty	1,364	-
Deferred financing costs	48	-
Derivative loss – mark-to-market adjustment (Note 5)	9,560	-
Debt Accretion	537	-
Interest (Note 3 and 6)	472	824
Exploration	-	150
Foreign exchange loss	16	39
Total Expenses	13,357	2,335
Loss Before Taxes	\$ (9,012)	\$ (2,238)
Future Income Tax Recovery	7,532	-
NET LOSS	\$ (1,480)	\$ (2,238)
DEFICIT – BEGINNING OF YEAR	(63,019)	(60,781)
DEFICIT – END OF YEAR	\$(64,499)	\$(63,019)
NET LOSS PER SHARE – Basic and diluted (Note 11)	\$ (0.033)	\$ (0.056)
WEIGHTED AVERAGE SHARES OUTSTANDING (in millions of shares)	45.4	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)

	For the Years Ended December 31,	
	2005	2004
OPERATING ACTIVITIES:		
Net loss	\$ (1,480)	\$ (2,238)
Reconciliation of net loss to net cash used in operations:		
Depreciation, property, plant and equipment	11	15
Depletion of Rosebel Royalty	1,364	-
Amortization of deferred financing costs	48	-
Debt Accretion due Golden Star (Note 6)	537	11
Stock Based Compensation (Note 9)	27	-
Future Tax Recovery (Note 13)	(7,531)	-
Mark-to-market derivative adjustment (Note 5)	9,560	-
	2,536	(2,212)
Changes in Assets and Liabilities		
Accounts Receivable	(15)	-
Rosebel Royalty due from Cambior, Inc.	(1,454)	-
Due from Golden Star Resources Ltd.	497	-
Accounts Payable and accrued liabilities	157	-
Liquidated Derivative Payable	362	-
Increase in interest payable	175	481
Net cash provided (used) in operating activities	2,257	(1,731)
INVESTING ACTIVITIES:		
Purchase of Rosebel Royalty	-	(367)
Net cash used in investing activities	-	(367)
FINANCING ACTIVITIES:		
Bank Loan	9,000	-
Bank Loan – Repayments	(1,333)	-
Deferred financing costs	(191)	-
Issuance of Common Stock (Note 7)	924	-
Issuance of Warrants (Note 8)	52	-
Exercise of Stock Options	90	-
Increase in amount due to Golden Star Resources Ltd	-	(497)
Increase/ (Decrease) in amounts due to Golden Star Resources Ltd	(9,327)	2,582
Net cash provided (used) by financing activities	(785)	2,085
Increase (Decrease) in cash	1,472	(13)
Cash – beginning of year	1	14
Cash at end of year consists of - cash	1,056	1
- restricted cash	417	-
Cash - end of year (Note 6)	\$ 1,473	\$ 1

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

EURO RESSOURCES S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

(Currency amounts are stated in United States dollars unless otherwise expressed)

1. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. We have adopted the following 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 6) and chequing 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 will be amortized on a unit of production basis, having regard to the production at the Rosebel gold mine, payable in terms of the Participation right, 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 year.

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 and has no influence over those operations, it is entirely reliant on the performance of the mine operator, controlled by Cambior Inc. Historically, the operational performance of the Rosebel Gold mine has not varied substantially by calendar quarter in 2005.

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 CICA Handbook Section 3870, "Stock Based Compensation and other Stock-based Payments" we use 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.

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 and from 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.

2. Formation and Description of Our Business

EURO was incorporated as Guyanor Ressources SA under the laws of France on April 20, 1993. The Company is a subsidiary of Golden Star Resources Ltd. which currently owns approximately 52.6% 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.

3. 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 will be applied at 12% p.a., thereafter and a 3% facility fee levied if the loan is not repaid in full by 31st January, 2006 (see Note 14). During the term of the loan from Macquarie Bank Limited. ("Macquarie") (see Note 6), repayment of principal amounts due to Golden Star may only be made from funds other than those arising from the Rosebel Royalty.

4. Rosebel Royalty Acquisition

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. and 332,000 oz. in 2005.

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 a base gold 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.

Acquisition of the Rosebel Royalty from Golden Star, required the payment of \$12 million (see Note 3). Additional payments will be made to Golden Star if cumulative attributable production exceeds 2 million ounces. For attributable production over 2 million ounces, up to 4 million ounces, the additional payment will 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 will be equal to the lesser of the amount received from Cambior and \$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 \$3.52 million (2004: \$1.19 million).

5. 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 6). 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, we entered into an amended credit facility with Macquarie in terms of which Macquarie advanced for a further tranche of \$3 million (see Note 6). 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 31st December, 2005, the gold forward derivative contract on the outstanding derivative contracts of 91,200 ounces had a negative mark-to-market of \$9.56 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 December 31, 2005:

	Maturity Date of Gold Forward Contracts				
	2006	2007	2008	2009	Total
Ounces Au	22,800	22,800	22,800	22,800	91,200
Average Price (US\$)	\$421	\$439.75	\$458.5	\$458.5	\$444.44

6. 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 31 December 2005, the interest rate and maturity of each amount was as follows:

Amount	Maturity date	Interest rate
\$4,666,667	29 January 2006	6.40%
\$3,000,000	31 March 2006	6.70%

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 \$417,000 as at 31 December 2005..

7. Share Capital

At 31st December, 2005 we had 49,402,884 (2004: 45,002,884) common shares outstanding with a par value of € 0.01 per share.

On 28th September 2005, notice of exercise was made to the Company in respect to 400,000 options granted to an ex-employee in terms of the Company's Stock Option Plan. The consideration for these shares was € 74,395 (\$89,385) representing € 4,000 (\$5,000) par value and € 70,395 (\$84,585) premium.

On 20th December, 2005, following shareholder approval granted on 8th December, 2005, EURO issued 4,000,000 shares to Macquarie Bank Limited as a result of a subscription agreement entered into with them. The consideration for these shares was € 800,000 (\$961,360) representing € 40,000 (\$48,068) par value and € 760,000(\$913,292) premium.

There were no other shares issued during 2005 and none in 2004.

Common Shares	As at December 31, 2005		As at December 31, 2004	
	€	\$	€	\$
Par	494	660	450	607
Premium	<u>45,345</u>	<u>45,547</u>	<u>44,553</u>	<u>44,891</u>
Total Share Capital	<u>€ 45,839</u>	<u>\$ 46,207</u>	<u>€ 45,002</u>	<u>\$ 45,498</u>

8. Warrants

On 20th December 2005 EURO issued 1,000,000 warrants to purchase an equal number of Common Shares of EURO to Macquarie Bank Limited as a result of the subscription agreement entered into with them. The consideration for these was € 50,000 (\$60,085) representing € 0.05 per warrant.

# 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.

9. Stock Based Compensation

Under the EURO Ressources S.A. Stock Option Plan (the “Plan”), EURO may grant options to its employees for up to 4,367,889 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:

- (i) the equivalent price in Euro (€) of the Canadian dollar (C\$) amount equal to the closing price of the shares on the Toronto Stock Exchange on the trading day immediately prior to the day the option is granted and
- (ii) 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 400,000 options granted during the first quarter of 2005 at a strike price of €0.24.81 (C\$0.40), all of which vested immediately. EURO recognized stock option expenses of \$27,000 for the first quarter of 2005. There were no options granted during the remainder of 2005. The fair value of the new grants in 2005 was established with a Black-Scholes model using a 40% expected volatility, a 3.2015% risk-free interest rate, a five year expected option life and 0% dividend yield.

There were 100,000 options granted during 2004, all of which vested immediately. The stock option expense recognized was \$11,000 for 2004. The fair value of the new grants was established with a Black Scholes model using € 0.1723 (C\$0.28) strike price, a 20% expected volatility, a 3.63% 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, 2004	1,027	€ 0.82	US\$1.01
Granted	400	€ 0.27	US\$0.30
Exercised	(400)	€ 0.19	US\$0.23
Forfeited	(340)	€ 1.23	US\$1.54
Options outstanding and exercisable at December 31, 2005	687	€ 0.49	US\$0.69

10. 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:

- o Golden Star can earn a 50% interest in Paul Isnard by making three annual payments of \$0.5 million to us and by spending a total of at least \$2.0 million on exploration activities during the three year period ended September 23, 2007. The first of Golden Star’s three \$0.5 million annual Paul Isnard earn-in payments was made in 2004.

- Golden Star can earn up to a 70% interest in the Paul Isnard property by delivering a feasibility study and paying an additional \$3.5 million to us within three years of the Option Agreement dated September 23, 2004.
- If Golden Star decides within five years of the September 23, 2004 date of the Option Agreement to proceed with development of the Paul Isnard property, it can purchase the remaining interest of EURO by making a payment of \$5 million and paying a net smelter return royalty
- The Net Smelter royalty applies to the first 2,000,000 ounces of Paul Isnard gold production. The royalty is set at nil if gold prices are below \$325 per ounce, 1% if gold prices are greater than \$375 per ounces but less than \$425 per ounce and 1.5% if gold prices equal or exceed \$425 per ounce.

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.

11. (Loss) per Common Share

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

	Twelve months ended	
	December 31 <u>2005</u>	December 31 <u>2004</u>
Net loss	\$ (1,480)	\$ (2,238)
Share information in millions of shares		
Weighted average number of common shares	45.3	45.0
Dilutive Securities:		
Options and Warrants	<u>0.1</u>	-
Weighted average number of dilutive common shares	<u>45.4</u>	<u>45.0</u>
Basic and diluted Loss Per Share	\$ (0.033)	\$ (0.050)

12. Income Tax

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

EURO's future tax assets and liabilities include the following components:

In thousands US Dollars	31 December 2005	31 December 2004
Non-capital loss carryovers	\$ 4,318	\$ 5,393
Capital loss carryovers	\$ 5,275	\$ 6,091
Derivatives	\$ 3,186	-
Valuation allowance	\$ (5,275)	\$ (11,484)
Future Tax Assets	\$ 7,504	-

During 2005, EURO released \$4.318 of valuation allowance related to EURO's net future tax assets. The release of the valuation allowance is related to projected future income.

A reconciliation of expected income tax on net income at statutory rates with the actual expense (recovery) for income taxes is as follows:

In thousands US Dollars	31 December 2005	31 December 2004
Net income (loss)	(\$9,012)	(\$2,238)
Statutory Tax Rate	0.3333	0.3333
Tax Expense (recovery) at statutory rate	\$(3,004)	\$ (746)
Non deductible expenses	\$ 179	-
Loss carryover not previously recognized	\$ (361)	-
Change in valuation allowance	\$ (4,318)	\$ 746
Income Tax expense (recovery)	\$ (7,504)	-

At December 31, 2005, EURO had loss carryovers expiring as follows (in thousands):

Indefinite	\$9,593
Total	\$9,593

13. Related Party Transactions

Consequent on Golden Star's ownership of 52.6% of the common shares of EURO, transactions between Golden Star and EURO are related party transactions.

On January 8, 2005, EURO borrowed \$6.0 million from Macquarie and paid the full amount to Golden Star as the first installment for the Rosebel royalty which EURO purchased in December 2004. This acquisition was approved by the shareholders of EURO on 26 November 2004.

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.

During the third quarter, we drew an additional \$3 million under the revised commercial bank loan and used this amount to reduce the loan due to Golden Star to \$3 million. During the term of the

commercial bank loan, this amount due to Golden Star may only be paid from funds other than those arising from the Rosebel Royalty. EURO Ressources is seeking additional funding to pay the remaining \$3.0 million loan due to Golden Star.

Golden Star continued to provide management services to EURO in terms of the Management Services Agreement previously approved by shareholders on until the termination of that agreement in June 2005. Golden Star has continued to provide certain services to EURO since that time and has charged \$5,000 per month. Payment of these amounts is outstanding and remains subject to shareholder approval.

14. Subsequent Events

EURO did not repay the remaining debt owing to Golden Star by 31st January 2006 and consequently the 3% Facility Fee, as described in Note 3 has become payable.