



## **MANAGEMENT'S DISCUSSION AND ANALYSIS THIRD QUARTER ENDED SEPTEMBER 30, 2018**

The following management's discussion and analysis ("MD&A") of EURO Ressources S.A. ("EURO" or the "Company"), dated November 7, 2018, is intended to supplement and complement the unaudited condensed interim financial statements and notes thereto as at and for the nine months ended September 30, 2018. This MD&A has been prepared by management and approved by the Audit Committee and the Board of Directors of the Company, and should be read in conjunction with EURO's audited annual financial statements and related notes for December 31, 2017 and the related MD&A. Financial information is presented in Euros (€ or euros), unless stated otherwise and in accordance with International Financial Reporting Standards ("IFRS") as approved by the International Accounting Standards Board. Additional information on EURO can be found at [www.sedar.com](http://www.sedar.com). EURO's securities trade on the NYSE Euronext of Paris stock exchange under the symbol EUR. Readers are cautioned that this financial information contains certain forward-looking information as described in this MD&A.

### **About EURO**

EURO is a French company whose principal asset is a gold production royalty from the Rosebel gold mine in Suriname (the "Rosebel royalty"). The Rosebel gold mine is 95%-owned by IAMGOLD Corporation ("IAMGOLD"), and is operated by IAMGOLD. EURO has approximately 62.5 million shares outstanding. At September 30, 2018, IAMGOLD France S.A.S. ("IAMGOLD France"), a wholly owned subsidiary of IAMGOLD, owned approximately 89.71% of all issued outstanding shares of EURO. Per the regulation (Article L.233-7 of the French Commercial Code), IAMGOLD France declared it had exceeded, on September 23, 2018, the threshold of 90% of the voting rights of EURO. As at September 30, 2018, IAMGOLD France held 56,058,191 shares representing 112,116,382 voting rights or 94.25% of the voting rights of EURO. This threshold crossing results from a double voting rights allocation.

EURO receives quarterly royalty payments from IAMGOLD. The Rosebel royalty payments from IAMGOLD apply to the first seven million ounces of gold production at the Rosebel mine and the market price of gold based on the Afternoon London Price. As of September 30, 2018, the Rosebel mine produced 4.9 million ounces of gold and 2.1 million ounces of gold remain under the Rosebel royalty agreement. Per IAMGOLD, Rosebel's proven and probable gold reserves as at September 1<sup>st</sup>, 2018 were estimated to be 3.45 million ounces of gold (December 31, 2017: 3.51 million ounces of gold). These reserves do not include reserves of the Saramacca deposit of the Rosebel mine as they are not included in the definition of the property per the participation right agreement. The Rosebel royalty is calculated based on 10% of the excess gold market price above US\$300 per ounce for soft and transitional ore, and above US\$350 per ounce for hard rock ore, and, in each case, after deducting a fixed royalty of 2% of production paid in-kind to the Government of Suriname.

**STATEMENTS REGARDING FORWARD-LOOKING INFORMATION**

This MD&A contains forward-looking statements, with respect to the Company's financial condition, results of operations, business prospects, plans, objectives, goals, strategies, future events and capital expenditure. Words such as "anticipates", "expects", "intends", "plans", "forecasts", "projects", "budgets", "believes", "seeks", "estimates", "could", "might", "should", and similar expressions identify forward-looking statements. Although the Company believes that its plans, intentions and expectations reflected in these forward-looking statements are reasonable, the Company 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 MD&A. These statements may include comments regarding the closing of certain transactions including acquisitions and offerings and expectations of future participation rights payments.

**INTRODUCTION**

EURO presents its financial statements in Euros (€ or euros). Under IFRS, the functional currency of EURO is the United States dollar, since this is the currency in which its major transactions, such as income from royalties and the related cash are denominated.

The currency exchange rate used to present the balance sheets in euros was €1 for US\$1.16255 at September 30, 2018 (€1 for US\$1.2020 as at December 31, 2017). The average currency exchange rate for the first nine months ended September 30, 2018, used to present the Company's income statements, statements of other comprehensive income and cash flow statements, was €1 for US\$1.1964 compared to €1 for US\$1.1101 for the first nine months of 2017 (US\$1.1659 and US\$1.1705 for the third quarter of 2018 and 2017, respectively). Significant transactions are translated at the exchange rate of the date of the transaction.

**RESULTS OF OPERATIONS UNDER IFRS****Third quarter ended September 30, 2018 compared to the same period in 2017 (IFRS)**

Under IFRS, EURO reported a net profit of €3.2 million (€0.052 per share) for the third quarter of 2018 compared to €4.3 million (€0.069 per share) for the third quarter of 2017.

Revenues were €5.4 million during the third quarter of 2018, lower compared to revenues of €6.4 million for the third quarter of 2017. Revenues were mainly attributable to the Rosebel royalty of €5.3 million (third quarter of 2017: €6.3 million). The decrease in revenues was due to the combination of two items: lower gold production of 70,803 ounces in the third quarter of 2018 compared to 78,951 ounces in the third quarter of 2017 (€0.6 million), and the impact of a lower average gold price in the third quarter of 2018 of US\$1,213 per ounce of gold compared to US\$1,278 per ounce of gold in the third quarter of 2017 (€0.4 million). Royalties from third parties in French Guiana were €0.11 million during the third quarter of 2018 (third quarter of 2017: €0.15 million).

During the third quarter of 2018, the Company recorded operating expenses of €0.09 million compared to €0.12 million during the same period in 2017. The decrease is mainly explained by lower administrative costs and other fees in 2018.

The amortization expense of €0.12 million during the third quarter of 2018 was lower than the amortization expense of €0.13 million recorded during the third quarter of 2017, mainly due to lower production.

EURO recorded an income tax expense of €2.0 million in the third quarter of 2018 compared to €1.9 million in the third quarter of 2017. The increase was mainly due to translation adjustments.

**Nine months ended September 30, 2018 compared to the same period in 2017 (IFRS)**

Under IFRS, EURO reported a net profit of €10.9 million (€0.175 per share) for the nine months ended September 30, 2018 compared to €12.6 million (€0.201 per share) for the nine months ended September 30, 2017.

During the nine months ended September 30, 2018, EURO accounted for revenues of €17.0 million, a decrease compared to revenues of €19.4 million for the same period in 2017. Revenues were mainly attributable to the Rosebel royalty of €16.7 million (nine months ended September 30, 2017: €19.1 million). The decrease in revenues was due to the combination of three items: the impact of lower gold production of 213,174 ounces in the first nine months of 2018 compared to 234,523 ounces in the first nine months of 2017 (€1.7 million), and of a stronger euro (€1.3 million), partially offset by the impact of a higher average gold price in the first nine months of 2018 of US\$1,283 per ounce of gold compared to US\$1,251 per ounce of gold in the first nine months of 2017 (€0.6 million). Royalties from third parties in French Guiana were €0.26 million during the first nine months of 2018 (first nine months of 2017: €0.30 million).

Operating expenses for the nine months ended September 30, 2018 were €0.38 million similar to the amount recorded during the same period in 2017. In 2017, operating expenses included a reimbursement of €0.1 million by the Government of France of operating taxes paid in prior years, partially offset by higher administrative costs and other fees.

The amortization expense of €0.35 million during the nine months ended September 30, 2018 was lower than the amortization expense of €0.50 million recorded during the same period in 2017, mainly due to lower production, higher reserves at the Rosebel mine and the impact of a stronger annual average euro in 2018.

EURO recorded a foreign exchange gain of €0.26 million in the first nine months of 2018 compared to a loss of €0.31 million in the first nine months of 2017, mainly due to the weakening of the closing foreign exchange rate of the Euro compared to the United States dollar in 2018 compared to a strengthening in 2017. This rate was used for the revaluation of dividends payable, bank accounts and income tax receivable.

EURO recorded an income tax expense of €5.9 million in the nine months ended September 30, 2018 compared to €5.8 million in the same period of 2017. The increase is mainly explained by higher translation adjustments in 2018 partially offset by the absence of the tax on dividends in 2018.

**OUTLOOK**

IAMGOLD reduced its 2018 Rosebel production guidance to be between 295,000 ounces and 311,000 ounces compared to between 311,000 and 326,000 ounces. The decrease reflects lower mining tonnages and head grades experienced in the third quarter of 2018. In 2018, the updated Rosebel royalty is expected to provide revenues to the Company of between approximately €22.6 million and €23.8 million (US\$26.7 million and US\$28.1 million). These pre-tax numbers assume an average annual gold price of US\$1,250 per ounce and an exchange rate of €1 for US\$1.18. The impact of changes in the average gold price on EURO's annual revenues, based on an estimated production of 303,000 ounces, would be approximately US\$3.0 million for each US\$100 per ounce change in the gold price. The impact of a 5% change in the average foreign exchange rate on EURO's annual revenues would be approximately €1.2 million. EURO's cash flow is expected to be primarily affected by income tax payments and eventual payment of dividends. The Company maintains certain cash available to pursue opportunities that would enhance the Company's long-term business.

**KEY FINANCIAL DATA****Quarterly financial information**

| (In millions of euros, except per share data) | Third quarter ended |         | Nine months ended  |         |
|---|---------------------|---------|--------------------|---------|
|   | September 30, 2018  | 2017    | September 30, 2018 | 2017    |
| Revenues                                      | € 5.4               | € 6.4   | € 17.0             | € 19.4  |
| Profit before income tax                      | € 5.3               | € 6.2   | € 16.8             | € 18.3  |
| Income tax expense                            | € 2.0               | € 1.9   | € 5.9              | € 5.8   |
| Net profit                                    | € 3.2               | € 4.3   | € 10.9             | € 12.6  |
| Basic earnings per share (€ per share)        | € 0.052             | € 0.069 | € 0.175            | € 0.201 |
| Total assets                                  |                     |         | € 40.2             | € 36.1  |

**Quarterly data**

| (In millions of euros, except per share data)      | 2018   |        |        | 2017   |        |        |        | 2016   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
|  | Q3     | Q2     | Q1     | Q4     | Q3     | Q2     | Q1     | Q4     |
| Revenues   | € 5.4  | € 6.0  | € 5.6  | € 6.7  | € 6.4  | € 6.5  | € 6.5  | € 7.2  |
| Net cash flow from operating activities            | € 4.2  | € 5.5  | € 5.1  | € 4.0  | € 3.4  | € 2.6  | € 5.4  | € 4.9  |
| Net profit   | € 3.2  | € 3.7  | € 3.9  | € 6.1  | € 4.3  | € 4.2  | € 4.1  | € 4.1  |
| Basic and diluted earnings per share (€ per share) | €0.052 | €0.059 | €0.063 | €0.097 | €0.069 | €0.067 | €0.066 | €0.066 |

**LIQUIDITY AND CAPITAL RESOURCES**

Cash at September 30, 2018 totaled €21.7 million as compared to €15.5 million at December 31, 2017. The increase was mainly due to cash flow from operating activities partially offset by dividends paid. EURO expects to have sufficient cash flow to fund its on-going operational needs.

**MARKETABLE SECURITIES**

EURO holds marketable securities related to mining companies which are part of a volatile market. Share market price exposure risk is related to the fluctuation in the market price of marketable securities. Under IFRS, investments in marketable securities are recorded at fair value with changes in fair value recorded in other comprehensive income.

As at September 30, 2018, marketable securities were comprised of 19,095,345 shares of Columbus Gold Corp. ("Columbus") (12.0% of outstanding shares; December 31, 2017: 12.0%) and 3,819,069 shares of Allegiant Gold Ltd. ("Allegiant") (6.3% of outstanding shares; December 31, 2017: 0%).

Following the approval of a spin-out arrangement by Columbus' shareholders on November 27, 2017, EURO received on January 30, 2018, a common share of Allegiant for every five Columbus shares held. This transaction resulted in a gain of €1.7 million accounted for per IFRS in other comprehensive income, based on the fair value of shares received of C\$0.68 per share on the date of the transaction.

During the nine month period ended September 30, 2018, the Company recognized an unrealized loss following the decrease of the fair value of these marketable securities. Under IFRS, this loss of €7.2 million was recorded in other comprehensive income.

**SHARE CAPITAL**

As at September 30, 2018, and the date of this MD&A, the Company had 62,491,281 common shares outstanding with a par value of €0.01 per share. There were no shares issued during the first nine month period of 2018.

**DIVIDENDS**

The annual ordinary general meeting of shareholders held May 23, 2018 approved dividends in the amount of €9.4 million (€0.15 per share) which were paid to the Company's shareholders on June 14, 2018.

**CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The Company's management makes judgments in applying its accounting policies in the preparation of its financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The significant accounting judgments, estimates and assumptions of the Company are reflected in note 3.9 of the Company's annual financial statements for the year ended December 31, 2017.

**SIGNIFICANT ACCOUNTING POLICIES**

The Company's unaudited condensed interim financial statements have been prepared following the same accounting policies and methods of computation as the annual audited financial statements for the fiscal year ended December 31, 2017, except for the new accounting standards and interpretations, which were effective January 1, 2018, and were applied in preparing these unaudited condensed interim financial statements as described in note 2.1.1 of the Company's unaudited condensed interim financial statements for the third quarter of 2018.

**NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

For a discussion of new accounting standards that may impact the Company in the future, refer to note 2.4 of the Company's unaudited condensed interim financial statements for the third quarter ended September 30, 2018.

**RELATED PARTY TRANSACTIONS**

Revenues from royalties related to the Rosebel mine during the third quarter of 2018 were €5.3 million (first nine months of 2018: €17.0 million) compared to €6.3 million during the third quarter of 2017 (first nine months of 2017: €19.1 million). The related amount receivable at September 30, 2018 was €5.3 million (December 31, 2017: €6.4 million) and was included in trade receivables.

During the third quarter of 2018, the Company accounted for IAMGOLD's support fees totaling €0.02 million (first nine months of 2018: €0.06 million) compared to €0.03 million during the third quarter of 2017 (first nine months of 2017: €0.09 million). These charges are included in administrative costs in operating expenses. The related amount payable at September 30, 2018 was €0.02 million and was included in trade payables and other current liabilities (December 31, 2017: €0.03 million).

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

The Directeur-Général and the Directeur-Général Délégué have reasonable assurance that material information relating to the Company are known to them. The Directeur-Général and the Directeur-Général Délégué have concluded that the Company's disclosure controls and procedures and internal control over financial reporting are effective.

**ADDITIONAL INFORMATION**

Additional information relating to EURO Ressources S.A. is available on SEDAR at [www.sedar.com](http://www.sedar.com). Information related to the Rosebel royalty can be found at IAMGOLD's website at [www.iamgold.com](http://www.iamgold.com). Further requests for information should be addressed to:

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