



## **La Mancha Resources Inc.**

### Condensed Interim Consolidated Financial Statements

As at September 30, 2011 and 2010  
and for the Three- and Nine-Month Periods Ended  
September 30, 2011 and 2010

*(unaudited)*

The condensed interim consolidated financial statements which are included in this report  
have not been subject to a review by the Company's external auditors.



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# La Mancha Resources Inc.

## Condensed Interim Consolidated Statement of Financial Position

Amounts in thousands of Canadian dollars unless otherwise stated

(unaudited)

	Note	As at September 30 2011	As at December 31 2010
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		74,892	32,899
Short-term investments		16,597	5,485
Trade and other receivables		13,449	14,181
Income taxes recoverable		169	–
Inventories	4	21,927	29,359
Other current assets		685	803
Derivative financial instruments	8	1,321	611
<b>Total current assets</b>		<b>129,040</b>	<b>83,338</b>
<b>Non-current assets</b>			
Property, plant and equipment		73,958	78,633
Intangible assets		6,860	3,686
Restricted cash		2,043	2,046
Deferred income tax asset		2,215	2,122
Investments and other assets	5	6,938	7,741
<b>Total non-current assets</b>		<b>92,014</b>	<b>94,228</b>
<b>Total assets</b>		<b>221,054</b>	<b>177,566</b>

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

Signed on behalf of the Board

"Dominique Delorme"

"Johanne Duchesne"

**La Mancha Resources Inc.**  
**Condensed Interim Consolidated Statement of Financial Position**  
**(continued)**

*Amounts in thousands of Canadian dollars unless otherwise stated*  
*(unaudited)*

	As at September 30	As at December 31
Note	2011	2010
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank indebtedness	39	–
Accounts payable and accrued liabilities	14,464	17,553
Income taxes payable	12,901	4,162
Current portion of finance lease obligations	949	2,244
Derivative financial instruments	8 2,070	511
Provisions	393	302
Pension and other post-service benefit obligations	913	916
<b>Total current liabilities</b>	<b>31,729</b>	<b>25,688</b>
<b>Non-current liabilities</b>		
Deferred income tax liability	3,579	3,363
Finance lease obligations	964	1,534
Provisions	6,890	6,673
Pension and other post-service benefit obligations	2,186	1,876
<b>Total non-current liabilities</b>	<b>13,619</b>	<b>13,446</b>
<b>Total Liabilities</b>	<b>45,348</b>	<b>39,134</b>
<b>SHAREHOLDERS' EQUITY</b>		
Common stock	42,096	42,026
Stock Options	7 158	184
Contributed surplus	44,222	44,160
Accumulated other comprehensive income	3,727	(1,497)
Retained earnings	85,503	53,559
<b>Total shareholders' equity</b>	<b>175,706</b>	<b>138,432</b>
<b>Total liabilities and shareholders' equity</b>	<b>221,054</b>	<b>177,566</b>

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

## La Mancha Resources Inc.

### Condensed Interim Consolidated Statement of Earnings

For the Three- and Nine-Month Periods Ended September 30, 2011 and 2010

Amounts in thousands of Canadian dollars except per share amounts

(unaudited)

	Three-month period Ended September 30		Nine-month period Ended September 30	
	2011	2010	2011	2010
<b>Revenue</b>	52,146	32,320	141,148	114,701
Cost of sales	(28,444)	(21,909)	(81,053)	(73,802)
<b>Gross margin</b>	23,702	10,411	60,095	40,899
<b>Operating expenses</b>				
Exploration and evaluation expenses	(1,243)	(2,048)	(4,680)	(5,475)
General and administrative expenses	(2,882)	(2,504)	(8,675)	(8,512)
Other operating expenses	(905)	449	(1,862)	(1,325)
Joint venture management fee recoveries	423	1,164	604	1,351
<b>Total operating expenses</b>	(4,607)	(2,939)	(14,613)	(13,961)
<b>Mine operating earnings</b>	19,095	7,472	45,482	26,938
<b>Other income (expenses)</b>				
Finance income	546	137	1,354	493
Finance costs	(79)	(139)	(323)	(716)
Gain (loss) on investments (note 5)	(731)	347	(550)	726
Foreign exchange gain (loss)	(1)	12	(363)	(17)
Other income (expenses)	(101)	895	(197)	(75)
	(366)	1,252	(79)	411
<b>Earnings before income tax expense</b>	18,729	8,724	45,403	27,349
Income tax expense	(5,569)	(3,802)	(13,459)	(10,718)
<b>Net earnings for the period</b>	13,160	4,922	31,944	16,631
Earnings per share (note 6)				
Basic	0.092	0.035	0.224	0.117
Diluted	0.092	0.034	0.224	0.117

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

## Condensed Interim Consolidated Statement of Comprehensive Income

For the Three- and Nine-Month Periods Ended September 30, 2011 and 2010

*Amounts in thousands of Canadian dollars unless otherwise stated*

*(unaudited)*

	Three-month period Ended September 30		Nine-month period Ended September 30	
	2011	2010	2011	2010
Net earnings for the period	13,160	4,922	31,944	16,631
<b>Other comprehensive income</b>				
• Change in cumulative translation adjustments	101	10,222	5,281	(68)
• Change in unrealized gains and losses on available-for-sale investments, net of income taxes of \$24 (2010: \$(23))	31	(56)	(57)	53
• Amount reclassified to consolidated statement of earnings net of income taxes of \$nil (2010: \$52).		-		(122)
<b>Other comprehensive income for the period</b>	<b>132</b>	<b>10,166</b>	<b>5,224</b>	<b>137</b>
<b>Comprehensive income for the period</b>	<b>13,292</b>	<b>15,088</b>	<b>37,168</b>	<b>16,494</b>

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

## La Mancha Resources Inc.

### Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

Amounts in thousands Canadian dollars unless otherwise stated  
(unaudited)

	Common Shares (number of)	Common Shares	Options	Contri- buted Surplus	Retained Earnings	Cumulated translation adjustment	Accumulated other comprehensive income Assets available for sale	Total
<b>Balance on January 1, 2010</b>	<b>142,184,350</b>	<b>41,541</b>	<b>156</b>	<b>44,139</b>	<b>29,821</b>	-	<b>175</b>	<b>115,832</b>
Net earnings for the Nine-month period ended September 30, 2010	-	-	-	-	16,631	-	-	16,631
Other comprehensive loss	-	-	-	-	-	(68)	(69)	(137)
Issuance of shares in connection with mining properties	76,500	116	-	-	-	-	-	116
Exercise of options	380,000	345	(67)	-	-	-	-	278
Forfeiture of options	-	-	(21)	21	-	-	-	-
Stock-based compensation	-	-	117	-	-	-	-	117
<b>Balance on September 30, 2010</b>	<b>142,640,850</b>	<b>42,002</b>	<b>185</b>	<b>44,160</b>	<b>46,452</b>	<b>(68)</b>	<b>106</b>	<b>132,837</b>
<b>Balance on January 1, 2011</b>	<b>142,660,850</b>	<b>42,026</b>	<b>184</b>	<b>44,160</b>	<b>53,559</b>	<b>(1,603)</b>	<b>106</b>	<b>138,432</b>
Net earnings for the Nine-month period ended September 30, 2011	-	-	-	-	31,944	-	-	31,944
Other comprehensive income	-	-	-	-	-	5,281	(57)	5,224
Exercise of options	45,000	70	(2)	-	-	-	-	68
Forfeiture of options	-	-	(62)	62	-	-	-	-
Stock-based compensation	-	-	38	-	-	-	-	38
<b>Balance on September 30, 2011</b>	<b>142,705,850</b>	<b>42,096</b>	<b>158</b>	<b>44,222</b>	<b>85,503</b>	<b>3,678</b>	<b>49</b>	<b>175,706</b>

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

# La Mancha Resources Inc.

## Condensed Interim Consolidated Statement of Cash Flows

For the Three- and Nine-Month Periods Ended September 30, 2011 and 2010

Amounts in thousands of Canadian dollars unless otherwise stated

(unaudited)

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	2011	2010
<b>Cash flows from operating activities</b>				
<b>Net earnings for the period</b>	13,160	4,922	31,944	16,631
Adjusted for non cash items				
Depreciation and amortization	8,871	6,186	20,057	17,126
Loss on disposal of properties	-	17	129	8
Derivative Financial Instruments (note 8)	813	(1,724)	839	(126)
Net movements in provisions	204	295	456	644
Foreign exchange loss	1	(12)	363	17
Loss (gain) on investments (note 5)	731	(347)	550	(726)
Stock based compensation expense	12	30	38	116
Finance costs	79	139	323	716
Finance income	(546)	(137)	(1,354)	(493)
Income tax expense	5,569	3,802	13,459	10,718
<b>Changes in working capital:</b>				
Inventories	2,204	(3,674)	8,462	(1,458)
Accounts receivable	1,087	6,795	1,319	1,717
Prepaid expenses, deposits and other assets	(12)	362	160	636
Accounts payable and accrued liabilities	(1,982)	(4,867)	(3,558)	(2,090)
<b>Cash generated from operations</b>	<b>30,191</b>	<b>11,787</b>	<b>73,187</b>	<b>43,436</b>
Interest paid	(77)	(153)	(321)	(683)
Interest received	515	137	1,303	542
Income tax received (paid)	(2,501)	(2,159)	(4,890)	(5,040)
<b>Net cash generated from operating activities</b>	<b>28,128</b>	<b>9,612</b>	<b>69,279</b>	<b>38,255</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(1,564)	(2,857)	(4,038)	(8,997)
Acquisition of intangible assets	(40)	-	(107)	-
Exploration and evaluation costs capitalized	(785)	(255)	(2,938)	(432)
Mine development costs capitalized	(3,872)	(2,849)	(10,044)	(9,941)
Proceeds from sale of equipment	-	(7)	139	11
Short-term investments	1,744	5,875	(10,575)	9,634
Net change in restricted cash	-	-	-	(572)
<b>Net cash used in investing activities</b>	<b>(4,517)</b>	<b>(93)</b>	<b>(27,563)</b>	<b>(10,297)</b>
<b>Cash flows from financing activities</b>				
Repayment of borrowings	-	-	-	(15,625)
Repayment of finance lease obligations	(609)	(514)	(1,857)	(1,574)
Net change in bank indebtedness	(620)	(59)	41	48
Proceeds for issuance of common stock	-	190	68	277
<b>Net cash used in financing activities</b>	<b>(1,229)</b>	<b>(383)</b>	<b>(1,748)</b>	<b>(16,874)</b>
<b>Net increase in cash and cash equivalents</b>	<b>22,382</b>	<b>9,136</b>	<b>39,968</b>	<b>11,084</b>
Cash and cash equivalents at beginning of the period	52,533	13,965	32,899	13,087
Effect of exchange rates change on cash and cash equivalents	(23)	1,913	2,025	843
<b>Cash and cash equivalents at end of the period</b>	<b>74,892</b>	<b>25,014</b>	<b>74,892</b>	<b>25,014</b>

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

# La Mancha Resources Inc.

## Notes to Interim Consolidated Financial Statements

September 30, 2011 and 2010

*Amounts in thousands of Canadian dollars unless otherwise stated  
(unaudited)*

### 1. NATURE OF ACTIVITIES

La Mancha Resources Inc. (the "Company") was incorporated on October 10, 1996 under the Companies Act of the Province of British Columbia in Canada and is listed on the Toronto Stock Exchange. The address of the Company's headquarters and registered office is 550 Burrard St, suite 2900, Vancouver, British Columbia, Canada, V6C 0A3. Through its subsidiaries and joint ventures, collectively "the Group", the Company conducts gold mining operations and/or exploration activities in Argentina, Sudan, Ivory Coast and Australia.

A portion of the Group's activities is directed to the search for and the development of new mineral deposits. The producing of the mining properties acquired through the Group and significant capital investment will be required to achieve successful commercial production from such properties. In addition, significant capital investment may be required in order to maintain or expand the Group's operations. There is no assurance that the Group will have, or will be able to raise, the required funds to engage in these activities and this could have an impact on the recoverability of a portion of the assets which is partly dependent on this assumption.

### 2. INTERIM FINANCIAL INFORMATION

The Condensed financial information presented as at September 30, 2011 and for the three- and nine-month periods ended September 30, 2011 and 2010 is unaudited. However, in the opinion of management, all adjustments necessary to fairly present the results of these periods have been included. The adjustments which have been made are of a normal recurring nature.

The Group's accounting policies presented in Note 2, Basis of Preparation and Significant Accounting Policies of the condensed interim consolidated financial statements for the first quarter of 2011 have been applied in preparing the condensed interim consolidated financial statements for the three- and nine-months ended September 30, 2011, the comparative information for the three- and nine-months ended September 30, 2010 and the year ended December 31, 2010.

For the effects of the changeover to IFRS on equity on January 1, 2010 and December 31, 2010, and total comprehensive income for the year ended December 31, 2010, please refer to the condensed interim consolidated financial statements for the first quarter of 2011. Prior to January 1, 2010, the Group's consolidated financial statements were prepared in accordance with previous Canadian GAAP.

Note 11 discloses the impact of the transition to IFRS on the Company's reported financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

### 3. CHANGES IN ACCOUNTING POLICIES

#### IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED

##### International Financial Reporting Standards

The IASB issued the following Standards which are relevant but have not yet been adopted by the Group: IFRS 9, Financial Instruments, IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IFRS 13, Fair Value Measurements, amended IAS 27, Separate Financial Statements, and IAS 28, Investments in Associates and Joint Ventures, IAS 1 Presentation of Financial Statements, IAS 12 Income Taxes and IAS 19 Employee Benefits. The Group has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

# La Mancha Resources Inc.

## Notes to Interim Consolidated Financial Statements

September 30, 2011 and 2010

*Amounts in thousands of Canadian dollars unless otherwise stated  
(unaudited)*

### 3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED (CONTINUED)

##### International Financial Reporting Standards (continued)

The following is a brief summary of the new standards:

a) International Financial Reporting Standard 9, Financial Instruments ("IFRS 9")

International Financial Reporting Standard 9, Financial Instruments, ("IFRS 9") was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated as at fair value through profit and loss would generally be recorded in other comprehensive income.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

b) International Accounting Standard 12, Income Taxes, ("IAS 12")

The IASB issued on December 20, 2010 an amendment to IAS 12 Income taxes ("IAS 12") related to the recovery of underlying assets. It addresses Deferred Tax: Recovery of Underlying Assets. The amendments provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 Investment Property. For the purposes of measuring deferred tax, the amendments introduce a rebuttable presumption that the carrying amount of such an asset will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale. The exception also applies to investment property acquired in a business combination if the acquirer applies the fair value model in IAS 40 subsequent to the business combination. The amendments also incorporate the requirements of SIC-21 Income Taxes- Recovery of Revalued Non-Depreciable Assets into IAS 12, i.e., deferred tax arising on a non-depreciable asset measured using the revaluation model in IAS 16 should be based on the sale rate. The effective date of the amendments is for annual periods beginning on or after January 1, 2012. Earlier application is permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

c) International Financial Reporting Standard 11, Joint Arrangements ("IFRS 11") & related Standards

On May 12, 2011, the IASB issued IFRS 11 Joint Arrangements which supersedes IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Concurrent with the issuance of IFRS 11, the IASB also issued:

- IFRS 10, Consolidated Financial Statements; which replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.
- IFRS 12, Disclosure of Involvement with Other Entities;
- IAS 27, Separate Financial Statements (revised 2011), has been amended for the issuance of IFRS 10 for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements but retains the current guidance for separate financial statements; and

# La Mancha Resources Inc.

## Notes to Interim Consolidated Financial Statements

September 30, 2011 and 2010

*Amounts in thousands of Canadian dollars unless otherwise stated  
(unaudited)*

### 3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED (CONTINUED)

##### International Financial Reporting Standards (continued)

- IAS 28, Investments in Associates and Joint Ventures (revised 2011), has been amended for conforming changes based on the issuance of IFRS 10 and IFRS 11.

Each of the standards has an effective date for annual periods beginning on or after January 1, 2013, with earlier application permitted so long as each of the other standards are also early applied. However, entities are permitted to incorporate any of the disclosure requirements in IFRS 12 into their financial statements without early adopting IFRS 12.

Joint control: IFRS 11 defines a joint arrangement as an "arrangement of which two or more parties have joint control" and makes clear that joint control exists only when "decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively."

Joint operations and joint ventures: The new Standard establishes two types of joint arrangements: joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. In a joint operation, the parties to the joint arrangement (referred to as "joint operators") have rights to the assets and obligations for the liabilities of the arrangement. By contrast, in a joint venture, the parties to the arrangement (referred to as "joint venturers") have rights to the net assets of the arrangement.

IFRS 11 requires that a joint operator recognize its share of the assets, liabilities, revenues and expenses in accordance with applicable IFRSs while a joint venturer would account for its interest using the equity method of accounting under IAS 28 (revised 2011), Investments in Associates and Joint Ventures.

Distinction between joint operations and joint ventures: The existence of a separate vehicle is a necessary, but not sufficient, condition for a joint arrangement to be considered a joint venture.

In the absence of a separate vehicle, IFRS 11 makes it clear that the parties to the joint arrangement have direct rights and obligations to the assets and liabilities of the arrangement and hence the arrangement will be classified as a joint operation. In an arrangement with a separate vehicle, that may or may not be the case, all relevant facts and circumstances should be considered in determining whether the parties to the arrangement have rights to the net assets of the arrangement.

Separate financial statements: Joint operations are accounted for in the same manner in the separate financial statements as in the consolidated financial statements (i.e., the investor recognizes directly its shares of assets, liabilities, revenues and expenses related to the joint operations).

Joint ventures, like investments in associates and in subsidiaries, are accounted for in the separate financial statements of the venturer either at cost or under IFRS 9 (or IAS 39, as applicable) as permitted by IAS 27.

Disclosures: The disclosure requirements for entities involved with joint arrangements are established in IFRS 12. This Standard establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

Effective date and transition: IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with early application permitted (so long as IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011) are adopted at the same time). When adoption of IFRS 11 requires a change in accounting, the impact of the change is calculated as at the beginning of the earliest period presented and the comparative periods are restated.

# La Mancha Resources Inc.

## Notes to Interim Consolidated Financial Statements

September 30, 2011 and 2010

*Amounts in thousands of Canadian dollars unless otherwise stated*

*(unaudited)*

### 3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

#### IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED (CONTINUED)

##### International Financial Reporting Standards (continued)

- d) International Financial Reporting Standard 13, Fair Value Measurements ("IFRS 13")
- e) On 12 May 2011, the IASB issued IFRS 13 Fair Value Measurements, which is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 must be applied prospectively for annual periods beginning on or after January 1, 2013, with early adoption permitted.

Employee Benefits ("IAS 19")

In June 2011, the IASB amended IAS 19 – Employee Benefits, eliminating the corridor approach to recognizing changes in actuarial gains and losses. Entities will also need to segregate changes in the defined benefit obligation and in the fair value of plan assets into three components: service costs, net interest on the net defined benefit liabilities (assets) and remeasurements of the net defined benefit liabilities (assets). The amendments also enhance disclosure about the risks arising from defined benefit plans. The amendments to IAS 19 must be applied retrospectively (with certain exceptions) for annual periods beginning on or after January 1, 2013, with early adoption permitted.

- f) Presentation of Financial Statements ("IAS 1")

In June 2011, the IASB amended IAS 1 – Presentation of Financial Statements, providing guidance on items contained in other comprehensive income (OCI) and their classification within OCI. The amendments to IAS 1 must be applied retrospectively for annual periods beginning on or after July 1, 2012.

The adoption of these new IFRS standards and amendments is not expected to have a significant impact on the Group's consolidated financial statements.

### 4. INVENTORIES

	<b>As at September 30</b>	As at December 31
	<b>2011</b>	2010
Raw materials and consumable stores	5,700	5,619
Work in progress, including stockpiles	15,337	23,141
Finished goods	890	599
	<b>21,927</b>	<b>29,359</b>

# La Mancha Resources Inc.

## Notes to Interim Consolidated Financial Statements

September 30, 2011 and 2010

Amounts in thousands of Canadian dollars unless otherwise stated  
(unaudited)

### 5. INVESTMENTS AND OTHER ASSETS

	As at September 30	As at December 31
	2011	2010
Investments in Australian listed equity securities (see (a))	266	348
Investment in Asset Backed Term-Notes (see (b))	6,599	7,149
Deposits and prepaid expenses	73	244
	<b>6,938</b>	<b>7,741</b>

#### (a) Investments in Australian listed equity securities

These investments relate to Australian listed equity securities of mining companies for which no shares are held in excess of 9% of the issued shares of each. Fair value is ascertained by reference to the quoted bid price of the shares at period end.

	As at September 30	As at December 31
	2011	2010
Aggregate unrealized gains	141	200
Aggregate unrealized losses	(71)	(49)
Deferred income taxes	(21)	(45)
	<b>49</b>	<b>106</b>

#### (b) Investment in Asset-Backed Term-Notes

As at September 30, 2011, the Company continues to hold the following notes issued by Master Asset Vehicle II ("MAV 2"): \$2,918 of Class A-1 Notes, \$6,521 of Class A-2 Notes, \$1,184 of Class B Notes, and \$329 of Class C Notes (collectively the "Long-term Notes"). The Class A-1 Notes, Class A-2 Notes, and Class B Notes accrue interest at the Bankers' Acceptances ("BA") rate less 0.50%. The Class C Notes accrue interest at the BA rate plus 20%. The Class IA Tracking Notes bear interest at the rate equal to the net rate of return generated by the related specific underlying assets.

The Class A-1 and A-2 Notes have been originally rated A by DBRS. The Class B and C Notes have not been rated nor have the Class IA Notes received by the Company. On August 11, 2009, the rating agency DBRS downgraded the credit rating of the Class A-2 Notes from A to BBB (low) and placed them Under Review with Negative Implications. On February 9, 2010, DBRS confirmed the BBB (low) rating and removed the Under Review with Negative Implications status citing the passage of time and the recent stability in the credit environment. On September 21, 2010, DBRS upgraded the Class A-1 Notes to A (high) and confirmed the BBB (low) rating of the Class A-2 Notes.

The Term-notes have been designated as held-for-trading. Although there have been some isolated transactions subsequent to the completion of the Plan restructuring on January 21, 2009, there were no active market quotations available for these Long-Term Notes as of December 31, 2011. The Class A-1, A-2, B and C Notes legally mature in 2056. However, the expected maturity date is in 2017.

As at September 30, 2011, there remained a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the Long-Term Notes. The Company estimates the fair values of the Long-Term Notes using a valuation technique which incorporates a probability-weighted approach applied to discounted future cash flows considering the best available data regarding market conditions for such investments as at September 30, 2011. The discount rates consider factors that include the BA rate, credit spread applicable to the credit rating, and premiums for lack of liquidity.

Due to their characteristics and the market conditions, the Group estimated that the fair value of the Class C Notes is nil as at September 30, 2011. Due to credit events, the supporting assets of the IA Tracking Note Class 3 were

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sold to Deutsche Bank by the fund manager. Following the liquidation of the fund, a final payment to noteholders, representing cumulated interest, was issued on February 4, 2011. The carrying value of IA Tracking Note Class 3 recorded as at December 31, 2010 was nil. For the three- and nine-month periods ending September 30, 2011, no impact was recorded in the condensed interim statement of earnings following this liquidation.

### 5. INVESTMENTS AND OTHER ASSETS (CONTINUED)

#### (b) Investment in Asset-Backed Term-Notes (continued)

Based on the discounted cash flow model as at September 30, 2011, the fair value of the Company's Notes was estimated at \$6,599 (2010: \$7,149). For the three- and nine-month periods ended September 30, 2011, the Group recorded a \$731 and \$550 (2010: \$363 and \$259) in loss on investment in the condensed consolidated statement of earnings respectively. This decrease in fair value is due to a general increase in liquidity risks on the MAV Notes A-2 and B coupled to a decrease of the discount rates. In 2010, the Group also received principal repayments of \$2 during the year.

Since the fair value of the Long-Term Notes is determined using a probability-weighted approach employing the foregoing assumptions and is based on the Group's assessment of market conditions as at September 30, 2011, and despite the fact that the restructuring took place on January 21, 2009 the fair value reported may change materially in subsequent periods.

A 1% increase in the discount rate will decrease the fair value by approximately \$464 (2010:\$369).

### 6. EARNINGS PER SHARE

Basic and diluted earnings per share have been calculated as follows:

	Three-month period ended September 30		Nine-month period ended September 30	
	2011	2010	2011	2010
<b>Basic:</b>				
Net earnings for the period	13,160	4,922	31,944	16,631
Basic weighted average number of common shares outstanding	142,705,850	142,503,747	142,687,553	142,309,678
Earning per share - basic	0.092	0.035	0.224	0.117
<b>Diluted:</b>				
Net earnings for the period	13,160	4,922	31,944	16,631
Basic weighted average number of common shares outstanding	142,705,850	142,503,747	142,687,553	142,309,678
Dilutive effect of stock options	229,266	173,967	234,049	170,429
Diluted weighted average number of common shares outstanding	142,935,116	142,677,714	142,921,602	142,480,107
Earning per share - diluted	0.092	0.034	0.224	0.117

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### 7. SHARE-BASED PAYMENTS

#### Options

The Group's stock option plan is for its directors, senior officers, employees or employees of one of its subsidiaries as well as for consultants. Options granted under the plan expire over a maximum period of ten years and are exercisable as determined by the Board of Directors of the Company at the time the options are granted. The exercise price of the options under the plan is also fixed on the grant date and shall not, on any account, be less than the market price of the common shares at the grant date, calculated as the volume weighted average trading price of the common shares on the principal stock exchange on which the common shares are trading for the five trading days immediately preceding the grant date.

The maximum number of shares that may be issued pursuant to options granted under the plan will be 10% of the issued and outstanding common shares of the Company, as calculated on the relevant grant date.

On March 29, 2011, the Company granted 30,000 stock options to employees, exercisable at \$2.23. One half of the options vest in 2013 and the other half vest in 2014 and expire in March 2016. The grant date fair values of \$0.9602 per option are based on the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 2.77%, expected volatility of 69%, expected dividend of nil and expected life of 5 years. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last two years.

	<b>Nine-month period ended September 30, 2011</b>		
	<b>Number</b>	<b>Carrying value</b>	<b>Weighted average exercise price \$ per share</b>
Beginning of period	945,000	184	0.84
Granted	30,000	–	2.23
Forfeited	(350,000)	(62)	(0.73)
Exercised	(45,000)	(2)	(1.50)
Stock based compensation	–	38	–
End of the period	580,000	158	0.93

In accordance with the Company's stock option plan, the options held by executive of the Company expire 30 calendar days following the end of a contractual agreement. A total of 350,000 options were forfeited during the first quarter of 2011 in connection with the end of a contractual agreement.

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### 7. SHARE-BASED PAYMENTS (CONTINUED)

#### Options (continued)

As at September 30, 2011, the options outstanding under the plan are as follows:

Range of exercise prices	Number of options	Options outstanding			Options exercisable	
		Weighted-average remaining contractual life	Weighted-average exercise Price (\$)	Weighted-average grant date fair value (\$)	Number of options	Weighted average exercise price (\$)
\$0.30	20,000	2.9	\$0.30	\$0.10	20,000	\$0.30
\$0.46	220,000	2.5	\$0.46	\$0.15	220,000	\$0.46
\$0.66	120,000	3.6	\$0.66	\$0.25	60,000	\$0.66
\$0.86	80,000	1.6	\$0.86	\$0.46	80,000	\$0.86
\$1.64	40,000	4.3	\$1.64	\$0.67	—	—
\$1.98	50,000	3.5	\$1.98	\$0.81	—	—
\$2.23 to \$2.50	50,000	4.1	\$2.34	\$0.85	—	—
	580,000	3.0	\$0.93	\$0.37	380,000	\$0.57

### 8. RISK MANAGEMENT

#### Hedges

As at September 30, 2011, the Group held gold collar derivative contracts for its African and Australian operations. These collars are detailed as follow:

	Ounces covered	Average Strike price		Maturity	
		Put	Call	From	To
African operations:	13,006	€959/oz	€1,417/oz	October 2011	September 2012
Australian operations:	19,525	AU\$1,368/oz	AU\$1,911/oz	October 2011	September 2012

The terms of the collar derivative contracts specify that the settlement is in cash, and is based on the average London Bullion Market Association price ("Vanilla" options) for the month in which the derivatives settle.

For the three- month period, one option was exercised generating a loss of \$16 (2010: \$304) and for the nine-month period ending September 30, 2011, three options were exercised generating cumulated losses of \$152 (2010: \$385) recorded in other operating expenses in the condensed interim consolidated statement of earnings.

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### 8. RISK MANAGEMENT (CONTINUED)

#### Hedges (continued)

The following table sets forth the changes in the fair value of the hedging instruments accounted for in the consolidated financial statements:

	As at September 30 2011		As at December 31 2010	
<b>Derivatives hedging instruments:</b>				
Gold call options sold	1,321		611	
Gold put options bought	(2,070)		(511)	
Total	(749)		100	
<b>Classification of derivative hedging instruments:</b>				
	As at September 30 2011		As at December 31 2010	
<b>Assets</b>				
Current assets portion	1,321		611	
Long-term assets portion	–		–	
Total assets	1,321		611	
<b>Liabilities</b>				
Current liabilities portion	(2,070)		(511)	
Long-term liabilities portion	–		–	
Total liabilities	(2,070)		(511)	
Total net	(749)		100	
<b>Changes in fair value of hedging instruments</b>				
	For the three-month period ended September 30 2011		For the nine-month period ended September 30 2010	
• Changes in time value of hedging instruments recorded in the consolidated statement of operations	(813)	728	(767)	(95)
• Changes in intrinsic value of hedging instruments recorded in the consolidated statement of operations	0	996	(72)	221
Total at the end of the period	(813)	1,724	(839)	126

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### 9. SEGMENTED INFORMATION

Management has determined the operating segments based on the reports reviewed by the board of Directors that are used to make strategic decisions. Inter-Segment transactions are eliminated from the revenue and cost of sales in the condensed interim statement of earnings.

The Group's operations are concentrated on gold mining and exploration and are managed on a country by country basis. These segments are described below:

- **Ivory Coast** reflects the Group's joint venture interest in the operations of SMI, which operates the Ity gold mine in western Ivory Coast and holds contiguous exploration interests;
- **Sudan** reflects the Group's joint venture interest in the operations of AMC, which operates the Hassaï mines in north-eastern Sudan and holds contiguous exploration interests;
- **Australia** reflects the Group's operations of LMRA. LMRA's mining operations are from its two principal properties in Western Australia, Frog's Leg and White Foil. The Frog's Leg underground mine started commercial production in January 2009. Extraction of ore at the White Foil mine resumed in March 2010, and processing began during the second quarter of 2010. LMRA also holds exploration interests in Western Australia and, to a lesser extent, in Queensland;
- **Argentina** reflects the exploration activities carried out by Compania Minera Esperanza S.A.

The Other activities reflect the Group's corporate risk management, treasury and support activities, unallocated assets located in France and Canada, and inter-segment eliminations.

Revenue is allocated based on the country in which the gold is produced. Each of the Ivory Coast, Sudan and Australia segments has one major customer that accounts for the majority of its revenue. Assets are attributed to where they are located. The Group analyzes the performance of its operating segments based on their net earnings.

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### 9. SEGMENTED INFORMATION (CONTINUED)

The tables below summarize the selected financial information by segment:

	<b>Three-month period ended September 30, 2011</b>					
	Ivory Coast	Sudan	Australia	Argentina	Other	Total
Revenue	9,420	10,675	31,748	-	1,281	53,124
Inter-segment revenue	-	-	-	-	(978)	(978)
Revenue from external sources	9,420	10,675	31,748	-	303	52,146
Mine operating earnings (loss)	4,955	3,953	11,966	(64)	(1,715)	19,095
Finance income	35	83	319	-	109	546
Finance expense	-	-	(78)	-	(1)	(79)
Income tax expense	(1,310)	(643)	(3,556)	-	(60)	(5,569)
Net earnings/(loss)	3,629	3,393	8,602	(64)	(2,400)	13,160
Depreciation and amortization	805	1,173	6,884	0	9	8,871
Capital expenditures	596	1,797	3,938	(72)	3	6,261
	<b>Nine-month period ended September 30, 2011</b>					
Revenue	15,737	34,462	89,390	-	3,543	143,132
Inter-segment revenue	-	-	-	-	(1,984)	(1,984)
Revenue from external sources	15,737	34,462	89,390	-	1,559	141,148
Mine operating earnings (loss)	5,839	13,731	31,320	(935)	(4,473)	45,482
Finance income	90	155	905	5	199	1,354
Finance expense	-	-	(317)	-	(6)	(323)
Income tax expense	(1,669)	(2,160)	(8,642)	-	(988)	(13,459)
Net earnings/(loss)	4,201	11,726	23,121	(930)	(6,174)	31,944
Depreciation and amortization	2,471	2,965	14,564	0	56	20,057
Capital expenditures	1,475	4,871	10,861	(93)	13	17,127
	<b>As at September 30, 2011</b>					
	Ivory Coast	Sudan	Australia	Argentina	Other	Total
Property, Plant and equipment and intangible assets	12,228	18,445	48,618	368	1,159	80,818
Total assets	29,786	59,895	93,421	581	37,371	221,054
Total liabilities	(6,590)	(7,414)	(25,476)	(6)	(5,862)	(45,348)

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### 9. SEGMENTED INFORMATION (CONTINUED)

	Three-month period ended September 30, 2010					
	Côte d'Ivoire	Sudan	Australia	Argentina	Other	Total
Revenue	4,667	7,064	19,578	-	1,478	32,787
Inter-segment revenue	-	-	-	-	(467)	(467)
Revenue from external sources	4,667	7,064	19,578	-	1,011	32,320
Mine operating earnings (loss)	1,507	1,527	5,788	(68)	(1,282)	7,472
Finance income	-	7	112	-	18	137
Finance expense	-	-	(139)	-	-	(139)
Income tax expense	(395)	(297)	(1,919)	-	(1,191)	(3,802)
Net earnings/(loss)	1,112	1,237	3,798	(68)	(1,157)	4,922
Depreciation and amortization	641	667	4,880	-	(2)	6,186
Capital expenditures	1,123	1,802	2,692	300	44	5,961
	Nine-month period ended September 30, 2010					
Revenue	15,749	25,839	71,429	-	2,927	115,944
Inter-segment revenue	-	-	-	-	(1,243)	(1,243)
Revenue from external sources	15,749	25,839	71,429	-	1,684	114,701
Mine operating earnings (loss)	6,167	5,860	21,926	(600)	(6,415)	26,938
Finance income	149	13	298	-	33	493
Finance expense	-	-	(716)	-	-	(716)
Income tax expense	(1,665)	(994)	(6,257)	-	(1,802)	(10,718)
Net earnings/(loss)	4,651	4,879	15,605	(594)	(7,910)	16,631
Depreciation and amortization	1,922	1,972	13,162	-	70	17,126
Capital expenditures	5,010	3,858	10,066	310	126	19,370
	As at December 31, 2010					
	Ivory Coast	Sudan	Australia	Argentina	Other	Total
Property, Plant and equipment and intangible assets	12,585	15,587	52,564	388	1,195	82,319
Total assets	27,911	43,616	91,212	1,003	13,824	177,566
Total liabilities	(6,984)	(5,946)	(21,476)	(7)	(4,721)	(39,134)

### 10. COMMITMENTS AND CONTINGENCIES

#### Compania Minera Patagonia S.A.

On December 30, 2009, a petition to extend the bankruptcy to the Group and a former Director was filed in front of the Commercial Court of the City of Buenos Aires. The Group was served with process of the extension of bankruptcy requested by the trustee on April 29, 2010. La Mancha filed its response to the complaint on August 11, 2010. On May 5, 2011, the trustee in bankruptcy requested the closure of the bankruptcy proceedings due to the lack of assets. No decision has yet been rendered by the court on this request. At the time of reporting, management is awaiting the court's final decision.

Once the liquidation procedures will be completed and the Company is relieved from any obligation, the liability will be reversed into the consolidated statement of earnings.

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### 10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### Compania Minera El Colorado

On September 23, 2009, the Group was served with a lawsuit of US\$29,000 before the Commercial Court of the City of Buenos Aires by a former partner in the Hualian II project, the Compañía Minera El Colorado ("El Colorado") of Argentina. On March 23, 2011, the court held an evidence hearing to determine the facts that are disputed and to attempt a settlement. Due to the absence of any possible settlement, the evidence period was opened. On July 1<sup>st</sup>, 2011, the accountant appointed by the court filed his expert report. On July 11, 2011, the Group filed the documentation requested. On September 28, 2011 the court held a testimony hearing from El Colorado officers. The court is presently evaluating the appropriateness of these testimonies.

At the time of reporting, management has no information to evaluate the possible outcome of this lawsuit. No accrual has been recorded with respect to this case.

#### La Ortiguita Gold Project

The Group is committed through a joint venture agreement with TNR Gold Corp., owner of La Ortiguita's mining property rights. The Group has acquired a 42.66% interest by making some cash payments, share issuances and by completing a program of expenditures on the mining property between the years 2005 through 2009.

On September 30, 2009, the Group concluded an agreement with TNR Gold Corp. for a second phase of the agreement. At the end of this second phase, the Group may acquire an additional 32.34% interest, for a total of 75% interest.

In order to complete the second phase of the agreement, the Group was committed to spend an additional \$776 (US\$800) before July 15, 2011 as part of the expenditure program. As of September 30, 2011, the Group has completed its expenditure program for the years 2010-2011 with an accumulated amount of \$878 (US\$894) in expenditures.

The Group may elect at any time to terminate the agreement with TNR Gold before completing all the scheduled commitments. In this case, the Group will acquire no additional earned interest and will have no further obligations toward TNR Gold with respect to this agreement. In the event of a commercial production of the property, the joint venture will have to pay to TNR Gold a Net Smelter Royalty of 1.5% on the total production.

As at September 30, 2011, the Group is in discussion with its partner TNR Gold for the set-up of a joint venture to fund the next expenditure programs on the property. Upon finalization of this joint venture agreement, the Group will hold 75% interest in La Ortiguita's mining property

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### Atlas Guerci mining property

On September 3rd, 2010, the Group signed an agreement with Minera El Quevar S.A. of Argentina for the transfer of its rights on the mineral property of Atlas Guerci, located in the Santa Cruz province. At term, the Group will receive total payments amounting to \$1,358 (US\$1,300) for the transfer of 100% of its rights.

Per the agreement, payments are to be made over the next five years transferring a percentage of the property. As of September 30, 2011, the Group has received for the three- and nine-month periods an amount of \$74 (US\$75) and \$98 (US\$100), which was recorded as a reduction of the cost of the property, plant and equipment in the consolidated balance sheet.

As of September 30, 2011, the future payments to be received are scheduled as follows:

	Cash payment	% of ownership transferred
September 3 <sup>rd</sup> , 2012	\$156 (US\$150)	60%
September 3 <sup>rd</sup> , 2013	\$261 (US\$250)	60%
September 3 <sup>rd</sup> , 2014	\$366 (US\$350)	60%
September 3 <sup>rd</sup> , 2015	\$444 (US\$425)	100%

The buyer may elect at any time to terminate the agreement with the Group before completing all the scheduled payments. In this case, the Group will only transfer the acquired percentage to the buyer in accordance with the payments made. Upon the transfer of 100% of the rights of the property, the buyer also has the option to acquire the Net Smelter Royalty of 2.0% before the start of production for \$2,089 (US\$2,000).

