




la mancha
WE FOLLOW THE GOLDEN TRAIL

ANNUAL REPORT

LMA-TSX

09



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Catapulted to producer status three years ago when it acquired the gold assets of Areva, La Mancha has successfully solidified its asset base, built its team and proved itself up to the challenges of being a mine operator. In 2009, the Company truly emerged as a worthy successor to its predecessor's long history of mining in Africa, and as a promising international producer in its own right. The numbers speak for themselves. A record of 94,570 ounces of gold produced, for 32% production growth year over year and 80% growth in the past three years. Net earnings of \$11.4 million, or \$0.08 per share. A 150% increase in Inferred resources. And La Mancha shares 600% higher in a gold market that was up 17%¹. After two arduous years of transition and value creation, 2009 was, indeed, the year that La Mancha came into its own.

With the 2008 start-up of the Frog's Leg mine under our belt, we were able to squarely position La Mancha in 2009 as a growing junior producer capable of bringing projects to fruition and operating them responsibly. While the Frog's Leg mine continued to ramp up, we prepared a new mine plan that improved the project's overall value significantly. Meanwhile, we announced a positive feasibility study for La Mancha's next mine, White Foil, and prepared the project to enter production in 2010. On the exploration front, we firmly established the Bondoukou property in Côte d'Ivoire as a strong prospect in 2009, with multiple similarities to the fertile Ashanti belt in adjacent Ghana. And the year was not without its challenges. In particular, we faced drought conditions in Sudan that hampered milling operations and significantly curbed gold production at the Hassaï mine. We are responding by installing a new dust vacuum system that is expected to substantially improve conditions and productivity, and the ore stockpiled in 2009 is now slated for processing in 2010.

But without a doubt, the major story of 2009 for La Mancha was the discovery of the Hassaï VMS deposits. These volcanogenic massive sulphide (VMS) deposits lie beneath the open pits of the Hassaï mine. In September and November, back-to-back 43-101 resource estimates showed an initial inferred resource of over 2 million ounces of gold and 576 000 tonnes of copper in just two of the six VMS deposits. In the space of only a few months, the VMS 'discovery' had transformed La Mancha's profile and growth prospects.

Also underlying the dramatic developments of 2009 are La Mancha's financial results, which reflect our evolution of the past three years. After two years of investing in our operations and developing the Frog's Leg mine, La Mancha achieved profitability in the fourth quarter of 2008, and has not looked back. We are reporting annual net earnings of \$11.4 million (\$0.08 per share) for 2009 on revenues of \$105.4 million. Cash flow from operating activities for 2009 totalled \$30.9 million.

With the VMS resource estimate coming on top of the continued ramp-up of Frog's Leg and our solid financial performance, the market reacted. La Mancha shares rose steadily throughout the year to a high of \$2.25 before settling back slightly to close the year at \$1.58. This market activity brought us onto the radars of institutional and individual investors as well as mining analysts. La Mancha now enjoys positive recommendations from four investment firms in Canada and the UK.

As 2009 showed, we have successfully assimilated and developed the assets acquired from Areva in 2006. In this short three-year process, we also laid solid foundations for significant near- and mid-term organic growth.

1 S&P Gold Index return during the 2009 fiscal year

REPORT TO SHAREHOLDERS

In the near term, the Company anticipates gold production to grow by up to 48% in 2010, on the basis of rising Australian production from the continued ramp-up of Frog's Leg and the start-up of White Foil, and increased output in Sudan due to improved efficiency of the quartz line. The 2010 gold production forecast is for up to 140,000 ounces at a cash cost of approximately US \$540/oz.

In the mid-term, the rich potential of the Hassaï VMS deposits in Sudan will almost certainly have a major impact on La Mancha's operating profile. A scoping study for the project is now underway and on track for delivery in Q2 2010. We expect the study to define the scope of the project and trigger follow-up exploration. We are also anticipating that it will point the way to our first investment at Hassai in several years, possibly in the form of a CIP plant and water pipeline, enabling us to recover the gold resource contained in the tailings and eventually the VMS gold and copper, and thus extend the mine life for many years to come.

It was with great pleasure and pride that I accepted the role of leading La Mancha into 2010, with the mandate of building on the solid work of the past three years to take the Company another step forward. La Mancha will continue to demonstrate the solid work ethic that has brought us to this point, practicing grounded social and environmental policies honed over many years of responsible operations at our mine sites. On behalf of the Board, I thank you, our investors, for the support, and our employees for the worthwhile efforts, that together have made La Mancha the success that it is today.

Dominique Delorme, President and CEO

March 29, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

The following management discussion and analysis (“MD&A”) should be read in conjunction with the annual audited consolidated financial statements dated December 31, 2009, which were prepared in accordance with generally accepted accounting principles (GAAP) in Canada. The Company’s shares are

listed on the TSX under the symbol LMA, and its reporting currency is the Canadian dollar. All amounts herein are expressed in Canadian dollars unless otherwise stated. This MD&A is dated March 29, 2010.

Forward-Looking Statements

This report contains forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company’s business and operational results. By nature, these risks and uncertainties could cause actual results to differ materially from what has been indicated. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: failure to establish estimated resources and reserves, the grade and recovery of

ore mined varying significantly from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failure to obtain governmental, environmental or other project approvals, and other factors. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION – LA MANCHA’S BUSINESS

La Mancha is in the business of developing and operating gold mines and acquiring and financing exploration-stage mineral properties with the objective of attaining mine production. La Mancha currently operates two producing gold mines in Africa, and a third in Australia. La Mancha also has one other mining project under development in Australia (White Foil), scheduled to enter into production in 2010, and holds a portfolio of some 30 exploration projects in Africa, Australia and Argentina. Complete disclosure of the Company’s corporate and operational structures and its activities can be found at www.sedar.com and on the Company’s website at www.lamancha.ca. The term “Financial Statements” used in this report refers to the audited annual consolidated financial statements of La Mancha

Resources Inc. as at and for the years ended December 31, 2009 and 2008, prepared on the basis described above.

HIGHLIGHTS

- Production of 94,570 ounces, up 32% compared to 2008
- Cash costs per ounce stable at US \$510 per ounce
- Net earnings of \$11.4 million
- Cash flow from operating activities of \$30.9 million
- Cash and short term investments strong at \$21.5 million
- Fourth mine started up in March 2010

OVERALL PERFORMANCE

La Mancha Resources Inc. (TSX: LMA, hereinafter “La Mancha” or the “Company”) is pleased to announce that its consolidated gold production for 2009 reached a record 94,570 ounces of gold at an average cash cost of US \$510 per ounce, compared to 71,550 ounces of gold produced in 2008 at an average cash cost of US \$512 per ounce. This 32% production increase is due to the steady ramp-up of production at the Frog’s Leg mine in Australia, which more than compensated for lower African production. Consolidated cash costs per ounce remained stable year over year, and were in line with the initial guidance, with the positive influence of lower cash costs at the

Frog’s Leg mine and improvement at the Ity mine offsetting higher cash costs at the Hassaï mine.

Due to the enhanced production profile, stabilized cash costs, and stronger gold prices, revenues almost doubled to \$105.4 million, yielding a mine operating income of \$22.0 million compared to a mine operating loss of \$0.04 million in 2008.

The table below highlights La Mancha’s improved performance since 2007, the Company’s first full year of operation as a producer.

	TWELVE-MONTH PERIOD ENDED DEC. 31,			
	2007	2008	2009	VARIATION 2009 VS 2007
Attributable production (in oz)	53,900	71,550	94,570	+75%
Revenues (\$’000)	48,456	53,639	105,424	+118%
Realized sales price (USD/oz)	700	870	967	+38%
Cash cost (USD/oz)	485	512	510	+5%
Operating income / loss (\$’000)	(8,202)	(43)	22,027	↗
Net earnings / loss (\$’000)	(10,806)	(5,408)	11,379	↗
Operating cash flow (\$’000)	486	3,062	30,937	↗

With significantly increased production and improved gross margins, La Mancha’s three gold mines were profitable, recording consolidated net earnings of \$11.4 million, net of a loss of \$1.3 million from the disposition of financial securities. This compares to a net loss of \$5.4 million recorded in 2008.

In 2009, La Mancha increased its consolidated cash flows from operating activities to \$30.9 million despite exploration expenses budget of \$5.2 million. This compares to a consolidated cash flow from operating activities of \$3.1 million in 2008. Due to the strong performance of the Frog’s Leg mine, the Australian subsidiary has quickly become an important cash generating asset within the Company’s portfolio. In 2009, its first full year of production, the mine generated \$17.4 million in cash flow from operating activities, while the Company’s African mines contributed a combined total of \$21.5 million to La Mancha’s consolidated cash flow from operating activities.

The Company’s cash and cash equivalents and short-term investments stood at \$21.5 million as at December 31, 2009, marking an increase of \$9.3 million since December 31, 2008. Over the same period, the corporate debt, held by its Australian subsidiary, increased from \$13.3 million to \$16.1 million, due to an unfavourable evolution of the Canadian dollar with respect to the Australian dollar and to the fact that an additional \$1.6 was drawn to finance a treasury imbalance at the subsidiary level.

For the fourth quarter ended December 31, 2009, La Mancha produced 23,683 attributable ounces of gold while generating revenues of \$24.2 million, compared to production of 20,985 attributable ounces of gold and revenues of \$14.9 million for the corresponding period in 2008. For the fourth quarter ended December 31, 2009, the Company recorded a net loss of \$1.2 million, which included a \$1.1 million deferred tax expense adjustment at its Australian subsidiary, compared to net earnings of \$1.2 million for the corresponding period of 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

RESERVE AND RESOURCE UPDATE

As of December 31st, 2009, La Mancha's Measured and Indicated resources ("M&I resources") had increased to 1.85 million ounces of gold, as the Company was able to delineate more ounces than it mined during the year. Proven and Probable reserves ("P&P reserves") increased by more than 55,700 ounces of gold to 766,200 ounces at the end of 2009. The most spectacular year-over-year change was in inferred resources, which, boosted mainly by the volcanogenic massive sulphides (VMS) discovery, surged to over 1.4 million ounces of gold and 230,400 tonnes of copper. As of December 31st, 2008, the Company's P&P reserves and M&I resources stood respectively at 710,500 and 1.77 million ounces of gold.

OPERATIONS IN AUSTRALIA

Completing its first full year of production in 2009, the **Frog's Leg** mine generated 46,120 net ounces of gold to La Mancha at a cash cost of US \$457 per ounce, compared to 15,375 ounces generated from May 2008 (its inauguration) to December 31, 2008. Cash costs per ounce for 2009 were in line with the Company's initial guidance despite the strengthening of the Australian dollar against the US dollar throughout the year. No cash costs were reported in 2008, as the mine entered its commercial production phase on January 1, 2009.

Despite this significant year-over-year increase in production, the mine's performance was negatively impacted by its limited milling capacity, as evidenced by the 61,000 tonnes of ore stockpiled at the mine site as at December 31, 2009. The gold content of the ore accumulated at year-end

totalled 9,800 ounces. The new mining plan tabled in July 2009 should generate an increase in average monthly tonnage mined from 50,844 tonnes in 2009 to 65,965 tonnes in 2010 (for 100% of the mine). An upgraded 500,000-tonne-per-annum milling agreement was signed with the nearby Greenfields plant in the first quarter of 2010 to accommodate La Mancha's share of the mine's rapidly increasing ore extraction capacity.

AFRICAN OPERATIONS

The **Hassaï** mine produced a total of 61,790 ounces of gold in 2009 (24,715 ounces attributable to La Mancha) at a cash cost of US \$724 per ounce, compared to 73,175 ounces of gold in 2008 (29,270 ounces attributable to La Mancha) at a cash cost of US \$603 per ounce.

As anticipated, the transition from SBR-type ore to quartz ore continued in 2009, marked by a 60% increase in quartz mill throughput. However, this improvement was not enough to compensate for the 43% decrease in SBR-type material processed and the lower grade of the quartz and SBR-type ore processed throughout the year. The increase in cash cost per ounce is mainly due to the decrease in production as the fixed operating cost were absorbed by a smaller production.

The **Ity** mine produced a total of 51,710 ounces of gold in 2009 (23,735 ounces attributable to La Mancha) at a cash cost of US \$389 per ounce, compared to 54,460 ounces of gold in 2008 (24,995 ounces attributable to La Mancha) at a cash cost of US \$406 per ounce. Despite the higher gold grades from the new Mount Ity pit, production decreased slightly from the previous year due to a reduction in mill throughput and a lower gold recovery rate.

SELECTED YEAR-TO-DATE INFORMATION

The following financial data is derived from the Company's audited financial statements, prepared in accordance with Canadian GAAP, for the year-to-date periods specified.

FISCAL PERIOD	YEAR	YEAR	YEAR
	DEC. 31, 2009	DEC. 31, 2008	DEC. 31, 2007
	\$'000	\$'000	\$'000
Net sales	105,424	53,639	48,456
Net income			
In total	11,379	(5,408)	(10,806)
Per share - basic and fully diluted ¹	0.080	(0.038)	(0.076)
	AS OF	AS OF	AS OF
	DEC. 31, 2009	DEC. 31, 2008	DEC. 31, 2007
	\$'000	\$'000	\$'000
Total assets	167,704	149,468	131,579
Total long-term financial liabilities	24,368	20,552	7,234
Cash dividends declared	none	none	none

¹ Per share amounts are in dollars, not thousands of dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION

The results of operation are fundamentally driven by mining and processing operations at the Company's mines. The following table sets out the operating parameters for these mines for the full year period reported on.

		FULL YEAR ENDED	
		DEC. 31, 2009	DEC. 31, 2008
Hassaï	Tonnage milled ('000 tonnes) ¹	725	809
	Grade milled (g Au/t)	3.8	4.1
	Attributable gold production (oz)	24,715	29,270
	Cash costs (US\$ per ounce) ³	724	603
Ity	Tonnage milled ('000 tonnes) ¹	449	470
	Grade milled (g Au/t)	5.0	4.4
	Attributable gold production (oz)	23,735	24,995
	Cash costs (US\$ per ounce)	389	406
Frog's Leg	Tonnage milled ('000 tonnes) ²	298	159
	Grade milled (g Au/t)	5.2	3.3
	Attributable gold production (oz)	46,120	15,375
	Cash costs	457	n.a.
White Foil	Attributable gold production (oz)	-	1,910
Total	Attributable gold production (oz)	94,570	71,550
	Cash costs (US\$ per ounce)	510	512

1 100%

2 51%

3 The cash cost per ounce does not include depreciation of the stripping costs capitalized at the Hassaï mine in accordance with the Company's cash cost calculation policy.

The first stope at the Frog's Leg underground mine project was reached in April 2008, and the first production was therefore recorded during the second quarter of 2008.

REVENUES

The following table sets out sales by entity:

Quantities (oz)	FULL YEAR ENDED	
	DEC. 31, 2009	DEC. 31, 2008
Hassaï (40%)	24,369	29,708
Ity (45.9%)	24,742	23,919
Frog's Leg (51%)	44,663	13,443
White Foil	-	1,910
TOTAL SALES (oz)	93,774	68,980
Sales not recorded in revenues ¹ (oz)	-	13,841
SALES RECORDED IN REVENUES (oz)	93,774	55,139
Total revenues (\$'000)	105,424	53,639

1 As at December 31, 2008, White Foil revenues of AU \$2.0 million and Frog's Leg revenues of AU \$11.9 million, net of related production and processing costs, were recognized as pre-production revenues and deducted from the related capitalized development costs.

Revenues in 2009 were \$105.4 million, up 96.5% from \$53.6 million in 2008. This increase was as a result of two major factors: an increase in volume (impact of \$18.4 million in revenues compared to full year 2008) due to the commencement of commercial production at the Frog's Leg mine, and due to a strong rise in the gold price denominated in €/oz and AU\$/oz, due to both an increase in the USD gold price and a favourable foreign exchange rate against the USD (impact of \$33.4 million compared to full year 2008).

In 2009, 24,742 ounces of gold from the Ity mine (La Mancha's share) were sold at an average price of US \$971 (€697) per ounce, compared to

23,919 ounces of gold sold at an average price of US \$866 (€596) per ounce in 2008. Despite the higher gold grades from the new Mount Ity pit, production decreased slightly as compared to 2008 due to a reduction in mill throughput and a lower gold recovery rate.

In 2009, a total of 24,369 ounces of gold from the Hassaï mine (La Mancha's share) were sold at an average price of US \$972 (€697) per ounce, compared to 29,708 ounces of gold sold at an average price of US \$875 (€592) per ounce in 2008. The gold output was at the lower range of production guidance because of quartz-line technical failures associated with operating a ball mill on a dry line.

MANAGEMENT DISCUSSION AND ANALYSIS

On January 1, 2009, the Frog's Leg mine ended its development phase and was considered to have entered its commercial production phase in accordance with management's established criteria. In 2009, 44,663 ounces of gold from the Frog's Leg mine (La Mancha's share) were sold at an average price of US \$953 (AU \$1,210) per ounce. In 2008, revenues from the 13,443 ounces sold (average price of US \$852 (AU \$978)), net of related production and processing costs, were recognized as pre-production revenues and deducted from the related capitalized development costs.

While sales for 2008 were completely unhedged, the Company implemented a hedging program in February 2009, through costless gold collar contracts designed to secure substantial cash flow from approximately 34% of its 2009 gold production. In 2009, the program was designed to guarantee a minimum

selling price of AU \$1,210 and €580 per ounce for approximately 50% of La Mancha's combined 2009 attributable production from the Frog's Leg and Ity mines. It is important to note that, while secured by a strong minimum selling price, the portion of production covered by the program allows La Mancha to fully benefit from any future rise to up to AU \$1,795 and €893 in the gold price per ounce for production from the Frog's Leg and Ity mines.

Three options were exercised during the year ended December 31, 2009, resulting from the decrease in the spot gold price denominated in AU\$/oz under the guaranteed selling price of AU \$1,210 secured through the hedging program. The Company recorded a gain of \$492 (AU \$548) in the consolidated statement of operations relating to these exercises.

Average realized gold prices were as follow:

GOLD PRICE PER OUNCE	FULL YEAR ENDED DEC. 31, 2009	FULL YEAR ENDED DEC. 31, 2008
Average market gold price for the period	US \$973 €698 AU \$1,237	US \$872 €590 AU \$1,030
Average gold price realized by La Mancha for the period	US \$967 €698 AU \$1,210	US \$870 €594 AU \$978

COST OF SALES

Cost of sales were \$64.4 million in 2009, up 78.5% from \$36.0 million in 2008, while revenues increased by 96.5%. Gross margin was 39% of revenues compared to 33% for the same period last year.

The average unit cash cost per ounce was US \$510 in 2009 compared to US \$512 in 2008. Consolidated cash cost benefited from a slight improvement in cash costs at the Ity mine, which fell 4% from the same period in 2008, and from the addition of the Frog's Leg cash cost, which was \$457/oz for the full year 2009. However, the cash cost at the Hassaï mine was US \$724 in 2009, up 20% from US \$603 in 2008.

The positive changes in unit cash cost arose primarily from the following factors:

- Higher gold grade and gold production from the new Mount Ity at Ity mine;
- The significant increase in gold grades at the Frog's Leg mine during 2009;
- Favourable fluctuations in currency exchange rates: the € decreased 5% on average against the USD from 2008 to 2009.

These changes were partially offset by a negative change in cash costs at the Hassaï mine due to:

- A decrease in ore processed as a consequence of less availability of the quartz line due to technical failures and the reduced availability of siliceous-baritic rock (SBR) ore to be treated on the SBR line compared to 2008. Consequently, cash costs increased due to a reduction of economies of scale arising from lower production.
- A lower gold grade in 2009 compared to the previous year.

The Frog's Leg cash cost per ounce produced is calculated in accordance with the Company's standards for reporting production costs. It includes the general and administrative expenses of the mine site in Kalgoorlie but

does not include any corporate expenses related to the Australian head office based in Perth.

EXPLORATION AND EVALUATION EXPENSES

In 2009, the Company incurred total exploration and evaluation expenses of \$5.2 million compared to \$6.6 million in 2008. These expenses were mainly related to:

- Geochemical analysis of samples and a drilling campaign for the Bondoukou area in Côte d'Ivoire following the 2008 ground survey;
- An ongoing drilling program in Côte d'Ivoire at the Morgan and Ambopleu areas near the Ity milling facilities. Resource work was performed in Gbetou area, and those related costs were capitalized;
- Ongoing exploration work in Sudan related to the new VMS exploration program at the Hadal Awatib pit, the Hassaï mine tailings and current SBR targets around Hassaï. In addition to this, exploration work was performed at the Kamoeb gold pit and those related costs were capitalized. This work led to a significant increase in gold and copper resources;
- The completion of additional geochemical and geophysical surveys at the La Ortigueta project in Argentina during the first quarter of 2009.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were \$12.7 million in 2009, compared to \$10.1 million in 2008. This increase is mainly related to Australian head office costs due to the growth of the Australian operations with the start of production at the Frog's Leg mine. Professional fees increased at the corporate level for human resources and recruitment assistance, tax and legal advisors, and accounting assistance for IFRS transition.

MANAGEMENT DISCUSSION AND ANALYSIS

Furthermore, La Mancha opened its new administrative office in Paris, France and the move of the corporate team was completed in early January 2010.

OTHER OPERATING EXPENSES

In 2009, other operating expenses amounted to \$1.6 million compared to \$1.3 million in 2008. This amount includes the following main items:

- \$1.2 million in operating costs related to maintenance and ongoing dewatering costs at the White Foil mine in Australia, compared to \$1.6 million in 2008;
- \$3,000 for the negative change in the fair value of the gold collar contracts. The change in the fair value includes two components: the time value and the intrinsic value. These collar contracts do not qualify for hedge accounting, and the change in their fair value is recorded in the consolidated statement of operations. This is a non-cash item that will gradually reach nil when the collar contracts expire. As at December 2009, the total fair value of these options corresponds to a net liability of \$3,000.

JOINT VENTURE MANAGEMENT FEE RECOVERIES

The Company's subsidiary in Australia earns a management fee for work performed on behalf of joint ventures managed by La Mancha. Joint venture recoveries were \$0.5 million during the fiscal year 2009, compared to \$0.3 million in the previous year. This amount is directly linked to joint venture expenditures.

INTEREST INCOME / EXPENSE

The Company recorded a net interest expense of \$0.8 million for fiscal 2009 compared to \$0.2 million the previous year. This consists of \$1.3 million of interest expense, mainly related to the loan agreement put in place with the majority shareholder for the financing of the Australian projects, net of \$0.5 million of interest income on cash deposits and short term investments.

RISKS AND UNCERTAINTIES

The Company is exposed to financial risk factors and risks associated with critical accounting estimates and judgments. These matters are described in detail in Notes 4 and 23 to the Company's annual audited consolidated financial statements.

Note 23 to the financial statements includes a description of the uncertainty with respect to the Long-term Notes held by the Company:

As at December 31, 2008, the Company held two Canadian non-bank sponsored asset backed commercial paper ("ABCP") notes for a \$12 million principal amount issued by two issuers. These two notes, which were due and payable to the Group on September 4, 2007, remained outstanding as a result of the inability of the issuers to complete a rollover on the due date because of the lack of liquidity for ABCP.

On January 12, 2009, the Superior Court of Ontario granted the Implementation Order for the Restructuring Plan of these ABCP. The Restructuring Plan was completed on January 21, 2009. Pursuant to the terms of the Restructuring Plan, the Group exchanged its short-term notes for long-term notes.

GAIN/LOSS ON MORTGAGE PAYABLE

Under the usufruct agreement relating to the Hualilan property in Argentina, the Argentinean subsidiary Minera Patagonia S.A. was responsible for a mortgage payable converted into gold ounces. Initially denominated in Argentinean pesos, the debt was based on the gold price, and the loss of \$1.1 million recorded at the end of December 2008 reflected the increase in the gold price. Following the loss of control, the group de-consolidated all the assets and liabilities associated with this entity, and recorded the residual net liability in "other current liabilities" on the balance sheet. Consequently, in 2009, no such item was recorded.

GAIN/LOSS ON INVESTMENTS

As at December 31, 2008, two notes for a total of \$12.0 million held by the Company remained outstanding as a result of the lack of liquidity for asset-backed commercial paper. In January 2009, the Restructuring Plan was completed and the Group exchanged its short-term notes for long-term notes.

During fiscal 2009, the Group recorded a \$127,000 gain on investments related to these notes due to lower discount rates on the MAV2 Class A-1 Notes, compared to a loss of \$3.06 million in 2008; this increase was partially offset by the higher discount rate on the MAV2 Class A-2 Notes resulting from the downgrade in the credit rating of the MAV2 Class A-2 notes from A to BBB (low). As at December 31, 2009, the fair value of the Group's ABCP was estimated at \$6.821 million.

This estimate could change materially in subsequent periods.

On August 19, 2009, following takeover of its joint venture partner Dioro Exploration NL by Avoca Resources Inc. of Australia, the Group received 1,118,013 shares of Avoca Resources Inc. in exchange for its 2,571,429 shares of Dioro Exploration NL, generating a non-cash loss of \$1.277 million, recorded as a loss on investments in the consolidated statement of operations.

Upon closing of the Restructuring Plan:

- a first payment of \$398,000 representing interest that had accrued on ABCP between August 2007 and August 31, 2008, net of expenses including restructuring costs and reserves, was made to the Group. Further payments of \$115,000 representing interest earned in the ABCP conduits for the period between September 1, 2008, and the closing were made to the Company during the second quarter of 2009 following the review of the financial data from September 1, 2008, by the monitor of the Restructuring Plan.
- the Group received the following notes issued by Master Asset Vehicle II ("MAV 2"): \$2.92 million of Class A-1 Notes, \$6.52 million of Class A-2 Notes, \$1.18 million of Class B Notes, \$329,000 of Class C Notes and \$949,000 of Class IA Tracking Notes (collectively the "Long-term Notes"). The Class A-1 Notes, Class A-2 Notes, and Class B Notes accrue interest at the Bankers' Acceptance ("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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Class A-1 and A-2 Notes were 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.

The Long-term Notes are considered as new financial instruments, and the Group has designated them as held-for-trading. Although there were some isolated transactions subsequent to January 21, 2009, there was no active market available for these Long-term Notes as of December 31, 2009. The Class A-1, A-2, B and C Notes legally mature in 2056. However, the expected maturity date is in 2016.

As at December 31, 2009, there is 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 that incorporates a probability-weighted approach applied to discounted future cash flows considering the best available data regarding market conditions for such investments as at December 31, 2009. The discount rates consider factors that include the BA rate, credit spread applicable to the credit rating, and premiums for lack of liquidity.

The Group has considered current market conditions surrounding the Long-term Notes such as liquidity, transparency and credit risk in developing the

assumptions used in estimating the fair value of the Long-term Notes. Due to their characteristics and the market conditions, the Group estimated the fair value of the Class C Notes and the Class IA Tracking Notes (the underlying assets of Tracking Notes have exposure to U.S. sub-primes mortgages) at nil as at December 31, 2009.

Based on the discounted cash flow model as at December 31, 2009, the fair value of the Company's Notes was estimated at \$6.82 million (2008 - \$7.14 million), which included accrued interest of \$nil (2008 - \$442,000). The change in fair value during the period ended December 31, 2009, was due to a fair value adjustment recovery of \$127,000 (2008: \$3.05 million expense) due to lower discount rates on the MAV2 Class A-1 Notes, partially offset by the higher discount rate on the MAV2 Class A-2 Notes resulting from the downgrade in the credit rating of the MAV2 Class A-2, and offset by interest payment received of \$441,000 (2008 - \$nil) and principal repayments of \$7,000 (2008: nil).

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 December 31, 2009, 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 \$371,000 (2008: \$545,000).

Note 26 to the financial statements describes the lawsuit filed before the commercial court of Buenos Aires against the Company by a former partner in the Hualilan II project.

SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

FISCAL QUARTER ENDED	NET SALES (\$ 000'S)	NET INCOME/ (LOSS) (\$ 000'S)	NET INCOME/ (LOSS) PER SHARE ¹	NET INCOME PER SHARE, FULLY DILUTED
December 31, 2009	24,237	(1,243)	(0.009)	(0.009)
September 30, 2009	28,162	3,045	0.021	0.021
June 30, 2009	28,365	6,100	0.043	0.043
March 31, 2009	24,660	3,477	0.025	0.025
December 31, 2008	14,935	1,188	0.008	0.008
September 30, 2008	12,151	(1,638)	(0.012)	(0.012)
June 30, 2008	13,132	(2,580)	(0.018)	(0.018)
March 31, 2008	13,421	(2,378)	(0.017)	(0.017)

1 – Per share amounts are in dollars, not thousands of dollars.

FOURTH QUARTER RESULTS

In the fourth quarter of 2009, La Mancha posted quarterly production of 23,683 ounces of gold, lower than in the third quarter of 2009 (24,439 ounces) but 12.9% higher than in the corresponding quarter of 2008 (20,985 ounces). The main factor behind this increase is the ramp-up of the newly-producing Frog's Leg mine in Australia, partially offset by the lower performance at the Ity mine in Côte d'Ivoire during the fourth quarter of 2009.

During the fourth quarter, the Frog's Leg mine generated 11,611 net ounces of gold to La Mancha, compared to 5,470 ounces generated in the corresponding

period of 2008. It should be noted that 60,955 tonnes of ore at 5.04 g Au/t were stockpiled at year-end.

Due to increased mill throughput on both the SBR and quartz circuits, Hassaï had a strong fourth-quarter performance, with 16,860 ounces of gold produced (6,744 ounces attributable to La Mancha), representing a 36% increase over third quarter 2009 production of 12,435 ounces of gold (4,974 ounces attributable to La Mancha). Hassaï production was 17,475 ounces in the fourth quarter of 2008 (6,990 ounces attributable to La Mancha).

MANAGEMENT DISCUSSION AND ANALYSIS

During the fourth quarter, production at the Ity mine reached 11,615 ounces of gold (5,328 ounces attributable to La Mancha) compared to 18,590 ounces of gold (8,525 ounces attributable to La Mancha) in the corresponding quarter in 2008, due to a lower recovery rate and a lower gold grade.

Gold sales for the fourth quarter of 2009 totalled 19,969 ounces compared to 18,101 ounces (14,592 ounces recorded in revenues) in 2008. Revenues for the fourth quarter of 2009 were \$24.2 million, up \$9.3 million from \$14.9 million for the same period in 2008. The realized gold price increased significantly, averaging €749/oz for the African mines and AU\$1240/oz for the Australian entity, compared to €601/oz and AU\$1157/oz respectively for the last quarter of 2008. However, mine operating income was penalized by

higher cash costs and increased general and administrative costs during the fourth quarter of 2009 relative to the same period in 2008.

Consequently, mine operating income for the fourth quarter of 2009 stood at \$1.3 million, similar to 2008. The Company recorded a pre-tax profit of \$1.4 million for the fourth quarter of 2009, compared to a pre-tax profit of \$0.2 million in the corresponding period of 2008. The net loss for the fourth quarter of 2009 was \$1.2 million compared to a profit of \$1.2 million in the fourth quarter of 2008. This takes into account a negative income deferred tax adjustment of \$1.1 million related to the Frog's Leg mine, while a \$2.2 million deferred tax asset income was recognized at the level of the Australian entity in the fourth quarter of 2008.

CASH FLOWS

Operating activities generated a cash flow of \$30.9 million in 2009, up from \$3.1 million in 2008. This was due to the increase in revenues resulting from the addition of a third producing mine (Frog's Legs), the strong increase in gold prices throughout the year and an improved performance at the Ity mine. Working capital demonstrated a positive year-over-year position due to favourable changes in inventories and accounts receivable. The decrease in inventories relative to the previous year was mainly due to the processing of the quartz ore stockpile at the Hassai mine.

Investing activities used \$25.9 million of cash flow in fiscal 2009, compared to \$22.5 million in the same period of 2008. These investments were mainly related to ongoing development at the Frog's Leg underground mine in Australia (\$11.2 million versus \$14.8 million for the same period in 2008,

including capital leases), deferred stripping costs, exploration costs and sustaining capital expenditures at the Hassai and Ity mines (\$7.6 million vs \$5.1 million for 2008). This aggregate also includes \$5.9 million in short term investments compared to \$3.4 million in 2008, representing cash operational surpluses invested for 3-month and 6-month periods by the Ivorian entity.

Financing activities generated cash flow of \$0.1 million 2009, after having generated \$13.5 million in 2008. Due to the increase in cash flow generation at the Frog's Leg mine, only a net amount of \$1.6 million was drawn on from the medium-term line of credit from the majority shareholder to finance working capital requirements during the year, while \$13.3 million was drawn on this credit line in 2008. The Australian entity also repaid \$1.6 million in capital lease obligations over the year.

LIQUIDITY

As at December 31, 2009, the Company's balance sheet includes current assets of \$71.9 million, up \$7.3 million from 2008. This increase is mainly explained by the \$9.3 million increase in cash and cash equivalents and short term investments, partially offset by the \$3.3 decrease in inventories. Working capital amounted to \$44.3 million, with current assets exceeding total liabilities by \$20.0 million after deducting long-term liabilities of \$24.4 million, which demonstrates an improving financial position.

The Restructuring Plan related to the ABCP crisis was implemented in January 2009. The Company received new Notes once again available for trading, but there was still no real active market for these notes as at the date of this MD&A. The Company considers that it has access to sufficient funds from its cash and cash equivalents balances, operating cash flows and borrowings to execute its operating and development plan in the normal course of business.

CONTRACTUAL OBLIGATIONS

The following table sets out the Company's contractual obligations by period:

TYPE OF CONTRACTUAL OBLIGATIONS (\$'000S)	TOTAL	LESS THAN ONE YEAR	1 - 3 YEARS	4 - 5 YEARS	AFTER 5 YEARS
Pension benefit obligations	2,484	735	179	173	1,397
Capital lease obligations ¹	4,365	2,092	1,841	322	110
Long-term debt ²	16,285	0	16,285	0	0
Other long-term obligations ³	4,328	267	0	0	4,061
Total contractual obligations	27,462	3,094	18,305	495	5,568

1 Capital lease obligations relate to mining equipment for Australian mining projects.

2 This long-term debt relates to the loan from the majority shareholder to be reimbursed no later than December 31, 2011. Accrued interest is included.

3 These obligations relate to asset retirement obligations for the period after 5 years.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL RESOURCES

A medium-term credit line agreement was negotiated in March 2008 with the Company's majority shareholder to finance the Australian projects. This agreement granted a line of credit of up to a maximum of AU \$15 million. The credit line bears interest based on the 3 or 6 month LIBOR AU\$ rate plus 2.75% per year, depending on the maturity of each withdrawal. The loans are payable on maturity and can be extended for another period depending on availability of funds. In December 2008, the line of credit was increased to AU \$22.0 million to cover temporary working capital requirements in 2009. As of December 31, 2009, total withdrawals amounted to AU \$17.15 million, and available credit was AU \$4.85 million. Due to the ramp-up of the Frog's Leg mine, repayments should occur during 2010.

During 2009, La Mancha contracted four additional capital lease obligations of \$3.0 million for the underground mining equipment at the Frog's Leg mine project in Australia. Total lease liabilities in relation to Frog's Leg mine equipment in Australia stood at \$4.7 million as at December 31, 2009.

La Mancha's total commitments for exploration expenditures to maintain option agreements in good standing for 2010 are \$1.5 million in Australia. The exploration commitment related to Phase 2 of the La Ortiguita project in Argentina is US \$1.6 million for the period of July 2009-July 2011.

RELATED-PARTY TRANSACTIONS

The medium-term treasury agreement with the majority shareholder has been in force since the second quarter of 2008 and is valid until December 31, 2011. This agreement is not secured, does not contain any

financial covenants and may be terminated at any time in the event that the affiliation between the parties should be altered.

As described in Note 27 to the Financial Statements, the Company incurred shared administrative costs from or through its majority shareholder in 2009.

STATUS AND OUTLOOK OF MINING OPERATIONS

Continuing on its accelerated growth path, La Mancha expects to increase consolidated production by up to 48% in 2010. Total production is expected to be in the range of 120,000 to 140,000 attributable ounces at an estimated average cash cost of US \$539/oz.

The breakdown of La Mancha's attributable production is as follows:

ATTRIBUTABLE PRODUCTION (IN OZ)	2007 ACTUAL	2008 ACTUAL	2009 ACTUAL	2010 FORECASTED
AUSTRALIAN MINES				
Frog's Leg (51% owned)	–	15,375	46,120	62,000 – 70,000
White Foil (100% owned)	–	1,910	–	13,000 – 16,000
AFRICAN MINES				
Hassaï (40% owned)	34,760	29,270	24,715	25,000 – 30,000
Ity (45.9% owned)	19,140	24,995	23,735	20,000 – 24,000
Total	53,900	71,550	94,570	120,000 – 140,000

La Mancha expects its share of Frog's Leg 2010 mine production to increase by up to 31% compared to 2009 to reach 62,000 to 70,000 ounces of gold (attributable to La Mancha) at an estimated cash cost of US \$502 per ounce. The back filling required by the new mine design is the main reason for the expected cash cost increase over 2009.

The 100%-owned White Foil project became La Mancha's fourth gold mine when Phase 1 mining operations began on 4th March 2010. Mining operations are running on schedule to deliver ore for milling campaigns in April and September.

In January 2010, La Mancha announced that it had secured toll-milling capacity at the nearby Three-Mile-Hill treatment plant, located 26 km from the White Foil pit. The milling agreement provides La Mancha with a minimum milling capacity of 200,000 tonnes in 2010, shared equally between two milling campaigns scheduled for April and September. In parallel, the Company also secured a mining contract for the first bench of the pit, representing 279,000 tonnes of ore at an average grade of 2.65 g Au/t. The Company will look at the possibility of using a portion of its excess capacity at the Greenfields plant to process the portion of the White Foil ore that not could be processed at the Three-Mile-Hills treatment plant. Gold production

at White Foil for 2010 is expected to be between 13,000 and 16,000 ounces of gold at an estimated cash cost of US \$634 per ounce.

Production at the Hassaï mine is expected to be in the range of 62,500 to 75,000 ounces of gold (25,000 to 30,000 ounces attributable to La Mancha) in 2010 at an estimated cash cost of US \$689 per ounce. Due to the construction of the dust vacuum system, La Mancha expects to process the quartz ore at a rate of 2,000 tonnes per day in 2010, in line with the processing rates in the fourth quarter of 2009. To fill the excess SBR-line mill capacity, La Mancha expects to continue to supplement the freshly mined SBR-type ore with stockpiled tailings material.

Production at the Ity mine is expected to be in the range of 43,570 to 52,285 ounces of gold (20,000 to 24,000 ounces attributable to La Mancha) in 2010 at an estimated cash cost of US \$402 per ounce. An investment of CA \$9.9 million (CA \$4.5 attributable to La Mancha) is planned in the second quarter of 2010 to replace the old heap leaching area. This investment is necessary as the current heap leaching area limits the volume of ore that can be processed. As previously explained, La Mancha expects Ity mine production to remain stable in 2010, with strong performance offsetting the one-month production halt needed to replace the heap leaching pads.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company has extended the short term hedging program put in place in 2009 into 2010. This hedging program, at zero cost, is designed to secure significant cash flow from approximately 25% of its 2010 gold production. The program was designed to guarantee a minimum selling price of US \$930 and €632 per ounce for approximately 30% and 19% of 2010 attributable production respectively from the Frog's Leg and the two African mines.

It is important to note that while secured by a strong minimum selling price, the portion of production covered by the program allows La Mancha to fully benefit from any future rise of up to US \$1,320 and €893 in the gold price per ounce for production from the Frog's Leg and African mines, respectively.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company has established Disclosure Controls and Procedures (DCP) and Internal Control over Financial Reporting (ICFR) to ensure that information disclosed in the Financial Statements and the related MD&A are properly recorded, processed, summarized and reported to the Company's Board of Directors and Audit Committee. The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) have evaluated the design of La Mancha's DCP and ICFR and have concluded that the DCP and ICFR result in reasonable assurance that material information used internally and disclosed externally is reliable and reported in a timely manner in accordance with Generally Accepted Accounting Principles.

The CEO and the CFO have evaluated the DCP and concluded that the controls and procedures are effective at a reasonable assurance level for the period ended December 31, 2009.

The CEO and the CFO assessed the effectiveness of the Company's ICFR as of December 31, 2009, based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that the Company's ICFR was effective as of December 31, 2009.

There were no material changes to the Company's ICFR for the year ended December 31, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 4 to the Financial Statements sets out the critical accounting estimates and judgments employed by La Mancha in presenting its Financial Statements.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The Company adopted new accounting standards since January 1, 2009, namely CICA Standard 3064, *Goodwill and Intangible Assets*, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets, the CICA amended Standard 3862 *Financial Instruments-Disclosures*, which requires additional disclosures on the determination of fair value, CICA Abstract 173 *Credit risk and the fair value of financial assets and financial liabilities*, and CICA Abstract 174 *Mining exploration costs*, which provides additional

guidance on the accounting for capitalization of exploration costs and when an impairment test of these costs is required. Adoption of these sections had no significant effect on the Company's consolidated financial statements and the additional disclosures required are included in the Notes to the consolidated financial statements.

See Note 3 to the Financial Statements for a detailed description of these new standards.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) - CHANGEOVER PLAN

In October 2009, the AcSB reconfirmed that Canadian GAAP for publicly-accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. Accordingly, the conversion from Canadian GAAP to IFRS will be applicable to the Company's reporting for the first quarter of 2011, for which the current and comparative information will be prepared under IFRS.

Project Plan Status

As discussed in the 2008 annual MD&A, based on the current status of IFRS, the changeover is expected to neither require a significant effort by the Company nor have a material effect on its financial statements and processes. Nevertheless, the Company has established a changeover plan to adopt IFRS by 2011. An implementation team has been created to plan for and achieve a smooth transition. External resources have also been engaged to assist with certain aspects of the project, under the direction of Company

management. The IFRS implementation project consists of three primary phases: (1) the scoping and diagnostic phase; (2) the impact analysis, evaluation and design phase; and (3) the implementation and review phase.

Phase One: Scoping and Diagnostics

Phase One consisted of a high-level assessment to identify key differences between Canadian GAAP and IFRS which were most likely to impact the Company. The assessment was completed in the first half of 2009. This phase also included training of core internal resources who will be involved in the conversion project and the recruitment of external resources.

Phase Two: Impact Analysis, Evaluation and Design

Phase Two, which began in Q3 2009, involves a detailed assessment, from an accounting, reporting and business perspective, of the changes that will result from the conversion to IFRS. The project has been segregated into 13 work streams, based on accounting topics that are most relevant to the

MANAGEMENT DISCUSSION AND ANALYSIS

Company. The work streams identified are as follow: first time adoption, foreign exchange and functional currency, tangible and intangible assets, exploration and development costs (including reserves and resources), impairments, leases, provision and contingent liabilities/assets, share-based payments, employee benefits, consolidation, taxes, financial instruments, and financial statement presentation and disclosures. The work stream deliverables will include documentation on the rationale supporting accounting policy choices and new disclosure requirements, as well as their corresponding sources and implementation guidance.

As of today, preliminary conclusions have been reached for the majority of accounting policy choices and differences identified between IFRS and Canadian GAAP, as applied by the Company. Key areas where changes in accounting policies are expected are identified in the section “Expected Areas of Significance” below. Phase Two should be completed by the end of Q2 2010. The following summarizes the key elements of the Company’s IFRS changeover plan for which progress has been made in the different work streams identified above:

1. Accounting policies and procedures
2. Financial statement preparation
3. Training and communication
4. Business impacts
5. IT systems
6. Control environment

Phase Three: Implementation and Review

Phase Three involves executing the work completed in Phase Two by making changes to business and accounting processes and supporting information systems and preparing formal documentation of the final and approved IFRS-compliant accounting policies and procedures. A quantification of anticipated business impacts will be undertaken, as well as the drafting of the pro-forma financial statement formats and notes thereto that will be adopted under IFRS. This phase is expected to be completed by the end of Q4 2010.

Many of the differences identified between IFRS and Canadian GAAP are not expected to have a material impact on the Company’s reported results and financial position. However, there may be significant changes as a result of IFRS accounting principles and provisions for first-time adoption. The Company has not yet determined the full accounting effects of adopting IFRS, since some key accounting policy alternatives and implementation decisions are still being evaluated.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of January 1, 2010, based on standards that will be applicable as at December 31, 2011.

First-Time Adoption of IFRS

IFRS 1, “First-Time Adoption of International Financial Reporting Standards” (“IFRS 1”), provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company is analyzing the various accounting policy choices available and will implement those determined to be most appropriate in the circumstances. The Company expects that key IFRS 1 exemption decisions will be approved by senior management and reviewed by the Company’s audit committee during 2010.

Expected Areas of Significance

Set out below are the key areas where changes in accounting policies are expected. Impacts on the Company’s consolidated financial statements, if any, will be known upon completion of Phase Two.

Property, plant and equipment: IFRS and Canadian GAAP contain the same basic principles of accounting for property, plant and equipment. However, differences in application do exist. IAS 16 *Property, Plant and Equipment* requires a componentization approach, separately identifying and measuring significant (in relation to the total cost) individual components of assets that have different useful lives. Significant components will be depreciated based on their individual useful lives. IAS 16 also requires the depreciable amount to be the asset cost less its residual value, rather than using the greater of the asset cost less its residual value or asset cost less its salvage value.

Production stripping costs: Unlike Canadian GAAP, IFRS has no specific guidance related to the accounting for waste rock stripping costs at open pit mining operations. Under IFRS, reference must be made to the conceptual framework for assets. Accordingly, IFRS allows stripping costs that represent future economic benefit to be capitalized as a “deferred stripping cost”. Under Canadian GAAP, stripping costs are expensed unless they represent a betterment of the mineral property. The current Canadian GAAP approach is also currently acceptable under IFRS.

Impairment of assets: Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with fair values. IAS 36, *Impairment of Assets*, uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (based on discounted future cash flows). This may potentially result in more writedowns where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. Moreover, under IFRS, impairment testing is performed at the Cash Generating Unit (CGU) level. However, the extent of any new writedowns may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses.

Provisions: IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* defines site restoration and environmental provisions as legal or constructive obligations. Canadian GAAP limits the definition to legal obligations. IAS 37 requires the use of management’s best estimate of the Company’s cash outflows rather than fair value measurement on initial recognition under Canadian GAAP, and requires provisions to be updated at each balance sheet date using a current pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability). Canadian GAAP requires the use of a current credit-adjusted, risk-free rate for upward adjustments, and the original credit-adjusted, risk-free rate for downward revisions. Provisions are recorded under IFRS when an outflow of resources is more likely than not, instead of the higher “likely” threshold under Canadian GAAP. It is possible, therefore, that some contingent liabilities that would not have been recognized under Canadian GAAP may meet the criteria for recognition as a provision under IFRS.

MANAGEMENT DISCUSSION AND ANALYSIS

The differences described are those existing based on current Canadian GAAP and IFRS. This list should not be regarded as a complete list of changes that will result from transition to IFRSs. The intention is to highlight those areas the Company believes to be most significant. However, the analysis of possible changes is still in progress and not all decisions have been made where choices of accounting policies are available. The Company is not able to reliably quantify the impacts expected on its consolidated financial statements for these differences at this time.

The IASB has a number of on-going projects on its agenda that may result in changes to existing IFRS prior to the Company's conversion to IFRS in 2011.

Among other things, the standard-setting bodies are working on guidance for production stripping costs, and a discussion paper on extractive activities is expected to be issued in early 2010. Moreover, per the current Exposure Draft 9 – "Joint arrangements", equity accounting would be required for joint ventures, and proportionate consolidation would be eliminated as an accounting method. The Company continues to monitor these projects and the impact that any resulting IFRS changes may have on its anticipated accounting policies, financial position or results of operations under IFRS for 2011 and beyond.

OTHER REQUIRED DISCLOSURE

Outstanding Share Data

The Company had the following issued and outstanding securities as at December 31, 2009, and March 29, 2010:

	NUMBER OF SHARES	
Common shares		
December 31, 2009	142,184,350	
March 29, 2010	142,184,350	
	NUMBER OF OPTIONS	NUMBER OF COMMON SHARES IF ALL OPTIONS ARE EXERCISED
Stock options		
December 31, 2009	1,375,000	
March 29, 2010	1,375,000	1,375,000

Information available on SEDAR

In accordance with National Instrument 51-102, readers of this MD&A are hereby advised that important additional information about the Company is available on the SEDAR website at www.sedar.com.

Paris

March 29, 2010



LA MANCHA RESOURCES INC.

Consolidated Financial Statements

As at December 31, 2009 and 2008

And for the years ended December 31, 2009 and 2008

AUDITORS' REPORT

To the Shareholders of
La Mancha Resources Inc.

We have audited the consolidated balance sheets of La Mancha Resources Inc. (the "Company") as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive income, changes in Shareholders' Equity 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 consolidated 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, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*¹

Montreal, Canada

March 19, 2010

¹ Chartered accountant auditor permit no 18190

CONSOLIDATED BALANCE SHEETS

AMOUNTS IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED

	NOTE	AS AT DECEMBER 31	
		2009	2008
ASSETS			
Current assets			
Cash and cash equivalents	5	13,087	8,576
Short-term investments	6	8,448	3,628
Accounts receivable	7	11,096	11,545
Inventories	8	35,741	39,072
Income taxes recoverable		323	88
Future income tax asset	15(a)	400	1,082
Other current assets	9	1,554	558
Derivative financial instruments	23	1,211	–
Total current assets		71,860	64,549
Capital assets			
Property, plant and equipment	11(a)	76,944	64,636
Finite-life intangible assets	11(b)	562	482
Total capital assets		77,506	65,118
Other Long-term assets			
Restricted cash	10	1,903	1,026
Future income tax asset	15(a)	7,011	10,540
Derivative financial instruments	23	334	–
Investments and other assets	12	9,090	8,235
Total other long-term assets		18,338	19,801
Total assets		167,704	149,468

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

Signed on behalf of the Board

“Dominique Delorme”

“Johanne Duchesne”

CONSOLIDATED BALANCE SHEETS (CONTINUED)

AMOUNTS IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED

	NOTE	2009	2008
AS AT DECEMBER 31			
LIABILITIES			
Current liabilities			
Bank indebtedness		–	3
Accounts payable and accrued liabilities	13	16,356	14,567
Income taxes payable		4,065	3,179
Other current liabilities	14	2,521	2,521
Current portion of capital lease obligations	17	2,092	847
Derivative financial instruments	23	1,162	–
Provisions for other liabilities and charges	18	573	414
Pension and other post-service benefit obligations	19	735	608
Total current liabilities		27,504	22,139
Long-term liabilities			
Future income tax liability	15(a)	96	344
Long term debt	16	16,112	13,253
Capital lease obligations	17	2,273	1,514
Derivative financial instruments	23	383	–
Provisions for other liabilities and charges	18	3,755	3,529
Pension and other post-service benefit obligations	19	1,749	1,912
Total long-term liabilities		24,368	20,552
Total Liabilities		51,872	42,691
COMMITMENTS AND CONTINGENCIES			
	26		
SHAREHOLDERS' EQUITY			
Common stock	21(a)	41,541	41,379
Stock options	21(c)	156	95
Contributed surplus		44,139	44,139
Retained earnings		27,560	16,181
Accumulated other comprehensive income		2,436	4,983
Total shareholders' equity		115,832	106,777
Total liabilities and shareholders' equity		167,704	149,468

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

AMOUNTS IN THOUSANDS CANADIAN DOLLARS UNLESS OTHERWISE STATED

	Common Shares (number of)	Common Shares	Options and Warrants	Contributed Surplus	Retained Earnings	Cumulated translation adjustment	Accumulated other comprehensive income (loss) Assets available for sale	Total
Balance on January 1, 2008	142,007,850	41,368	330	43,838	21,589	(3,302)	1,028	104,851
Net loss for the year					(5,408)			(5,408)
Change in cumulative translation adjustments						9,876		9,876
Change in unrealized gains and losses on available-for-sale investments							(2,619)	(2,619)
Issuance of shares in connection with acquisition of mining properties (note 11)	27,000	11						11
Forfeiture of options and warrants			(301)	301				—
Stock-based compensation			66					66
Balance on December 31, 2008	142,034,850	41,379	95	44,139	16,181	6,574	(1,591)	106,777
Net earnings for the year					11,379			11,379
Change in cumulative translation adjustments						(4,313)		(4,313)
Change in unrealized gains and losses on available-for-sale investments							2,660	2,660
Amount reclassified to the consolidated statement of operations (note 12(a))							(894)	(894)
Issuance of shares in connection with acquisition of mining properties (note 11)	49,500	39						39
Exercise of options	100,000	123	(37)					86
Stock-based compensation			98					98
Balance on December 31, 2009	142,184,350	41,541	156	44,139	27,560	2,261	175	115,832
Total of retained earnings and accumulated other comprehensive income							29,996	

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
AMOUNTS IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED

	FOR THE YEARS ENDED DECEMBER 31	
	2009	2008
Net earnings (loss)	11,379	(5,408)
Other comprehensive income		
• Change in cumulative translation adjustments	(4,313)	9,876
• Change in unrealized gains and losses on available for sale investments, net of income taxes of \$(1,140) (2008: \$1,122).	2,660	(2,619)
• Amount reclassified to the consolidated statement of operations (note 12(a)), net of income taxes of \$383 (2008: nil).	(894)	–
Comprehensive income	8,832	1,849

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

CONSOLIDATED STATEMENT OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
AMOUNTS IN THOUSANDS OF CANADIAN DOLLARS EXCEPT NUMBER OF SHARES AND PER SHARE AMOUNTS

	NOTE	FOR THE YEARS ENDED DECEMBER 31	
		2009	2008
Revenue	28	105,424	53,639
Cost of sales		(64,384)	(36,048)
Gross margin		41,040	17,591
Operating expenses			
Exploration and evaluation expenses		(5,181)	(6,568)
General and administrative expenses		(12,686)	(10,068)
Other operating expenses		(1,591)	(1,290)
Joint venture management fee recoveries		445	292
Total operating expenses		(19,013)	(17,634)
Mine operating earnings (loss)	28	22,027	(43)
Other income (expenses)			
Interest income (expense)	20/28	(801)	(199)
Loss on mortgage payable		–	(1,089)
Loss on investments	12(a)/23(a)	(1,150)	(3,057)
Foreign exchange gain		191	111
Other income (expense)		(99)	7
		(1,859)	(4,227)
Earnings (loss) before income tax expense		20,168	(4,270)
Income tax expense		(8,789)	(1,138)
	15(b)/28		
Net earnings (loss) for the year	28	11,379	(5,408)
Weighted average number of common shares outstanding			
Basic	22	142,072,954	142,020,351
Diluted	22	142,094,412	142,020,351
Earnings (loss) per share			
Basic		0.0801	(0.038)
Diluted		0.0801	(0.038)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008
AMOUNTS IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED

	FOR THE YEARS ENDED DECEMBER 31		
	NOTE	2009	2008
Cash flows from operating activities			
Net earnings (loss) for the year		11,379	(5,408)
Non cash items			
Depreciation and amortization	28	11,148	6,923
Future income tax expense		4,170	(2,379)
Loss (gain) on disposal of property		(28)	24
Derivative Financial Instruments		30	–
Net movements in provisions for liabilities and charges		396	1,741
Foreign exchange loss (gain)		(191)	(111)
Loss on mortgage payable		–	1,089
Loss on investments		1,150	3,057
Stock-based compensation expenses	21(c)	98	66
Changes in working capital:			
Inventories		(420)	(3,107)
Accounts receivables		659	(2,599)
Prepaid expenses, deposits and other assets		(1,082)	(109)
Accounts payable and accrued liabilities		2,544	3,044
Income tax receivable/payable		1,084	831
Net cash generated from operating activities		30,937	3,062
Cash flows from investing activities			
Acquisitions of property, plant and equipment		(7,174)	(7,952)
Proceeds from sales of property, plant and equipment		29	–
Exploration and evaluation costs capitalized		(12,072)	(11,258)
Net change in restricted cash		(758)	129
Acquisitions of investments		(5,918)	(3,398)
Net cash used in investing activities		(25,893)	(22,479)
Cash flows from financing activities			
Proceeds from borrowings		5,214	14,041
Repayment of borrowings		(3,592)	–
Repayments of capital lease obligations		(1,621)	(424)
Net change in bank indebtedness		5	(124)
Proceeds from issuance of stock		86	–
Net cash provided by financing activities		92	13,493
Net increase (decrease) in cash and cash equivalents		5,136	(5,924)
Cash and cash equivalents at beginning of the period		8,576	13,062
Effect of exchange rates change on cash and cash equivalents		(625)	1,438
Cash and cash equivalents at end of the year	5	13,087	8,576
Supplemental disclosures of Cash Flow Information			
Cash paid during the year for:			
Interest		1,152	467
Income tax		1,868	2,565

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AMOUNT IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED
YEARS ENDED DECEMBER 31, 2009 AND 2008

1. NATURE OF ACTIVITIES

La Mancha Resources Inc. (the "Company") was incorporated on October 10, 1996 under the Company Act of the Province of British Columbia in Canada. Through its subsidiaries and joint ventures, collectively "the Group", the Company conducts gold mining operations and/or exploration in Argentina, Sudan, Côte d'Ivoire and Australia.

A portion of the Group activities is directed to the search for and the development of new mineral deposits and 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 operations of the Group. 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and reflect the following significant accounting policies. These policies have been consistently applied to all the years presented, unless otherwise stated (see note 3 for the impact of new accounting pronouncements adopted in 2009).

The preparation of financial statements 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 (note 4).

Certain items in these consolidated financial statements have been reclassified or shown separately to conform to the presentation adopted in the current year.

2.2 BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its subsidiaries and the proportionate share of each of the assets, liabilities, revenues, expenses and cash flows of its joint ventures. Inter-company transactions and related balances are eliminated upon consolidation. The Group's principal subsidiaries and joint ventures and their percentages of ownership interest are summarized as follows:

	PERCENTAGE OF INTEREST
	%
Compagnie Minière Or S.A., domiciled in France ("Cominor")	100.0
Ariab Mining Company, domiciled in Sudan ("AMC")	40.0 ¹
Société des Mines d'Ity, domiciled in Côte d'Ivoire ("SMI")	45.9 ¹
La Mancha Resources Australia Pty Ltd, domiciled in Australia ("LMRA")	100.0
Compania Minera Esperanza S.A., domiciled in Argentina ("Esperanza")	100.0
Minera Patagonia S.A., domiciled in Argentina ("Patagonia")	Nil ²

¹ Joint venture interest.

² As further described in Note 14, following the loss of control over the entity, Minera Patagonia S.A. is excluded from the consolidation.

A) SUBSIDIARIES

Subsidiaries are all entities over which the Company has the power to determine its strategic operating, investing and financing policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company when these subsidiaries constitute businesses as defined under Canadian GAAP. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable

to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-Group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated but considered as an impairment indicator of the asset transferred.

(B) TRANSACTIONS AND NON-CONTROLLING INTERESTS

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interests result in gains and losses for the Group that are recorded in the consolidated statement of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AMOUNT IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED
YEARS ENDED DECEMBER 31, 2009 AND 2008

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) JOINT VENTURES

The Group's interests in jointly controlled entities and operations are accounted for using proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognizes the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other partners. The Group does not recognize its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets, or an impairment loss.

2.3 FOREIGN CURRENCY TRANSLATION

(A) REPORTING CURRENCY

Financial information is presented in Canadian dollars for all periods shown, using the exchange rate applicable at the balance sheet date for monetary assets and liabilities, and the average exchange rate of the corresponding periods for the consolidated statements of operations and cash flows. Gains and losses on foreign exchange are recorded in the consolidated statement of operations.

(B) GROUP COMPANIES

The results and financial position of the Group entities that have a functional currency different from the reporting currency are translated into the reporting currency as follows:

- (i) Assets and liabilities for each balance sheet date presented are translated at the closing rate at the date of that balance sheet;
- (ii) Income and expenses reflected in the consolidated statement of operations are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) All resulting translation differences are recognized in other comprehensive income ("OCI").

On consolidation, translation differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recorded in shareholders' equity in OCI. When a foreign operation is sold or there is a reduction in the net investment in the foreign operation, a proportionate share of translation differences that were previously recorded in OCI are recognized in the consolidated statement of operations as part of the gain or loss on sale.

2.4 CAPITAL ASSETS

(A) PROPERTY, PLANT AND EQUIPMENT

(i) Exploration and evaluation expenditures

Exploration and evaluation expenditures comprise costs which are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods;
- compiling pre-feasibility and feasibility studies; and
- costs incurred in acquiring mineral rights.

Exploration and evaluation expenditures in relation to separate areas of interest incurred after the acquisition of mineral rights are capitalized in the year in which they are incurred and are carried at cost less accumulated impairment losses where the following conditions are satisfied:

- the rights of tenure of the area of interest are current; and
- at least one of the following conditions are also met:
 - the exploration and evaluation expenditures are expected to be recuperated through successful development and exploration of the area of interest, or alternatively, by its sale; or
 - If exploration and evaluation expenses are undertaken for an extension at depth or adjacent to the current producing mine, with qualified reserves showing economic viability (positive net present value), these costs could be capitalized. This principle is applicable even if production has been temporarily halted. If exploration and evaluation expenses are undertaken for an extension at depth or adjacent to the previously producing mine, these expenses could be capitalized if, and only if, the economic viability is shown and if the decision to initiate production has been confirmed by management in the provisional action plan.

Exploration and evaluation expenditures that do not meet the conditions for capitalization described above are expensed as incurred.

(ii) Mine development costs

Where a decision is made to proceed with development, accumulated Exploration and Evaluation expenditures are tested for impairment and transferred to Mine Development costs. These costs are amortized over the life of the reserves using the unit of production method associated with the area of interest once mining operations have commenced. Amortization is calculated using the quantity of gold produced (material extracted) from the mine in the period as a percentage of the total quantity of gold (material) to be extracted in current and future periods based on ore reserves. The calculation includes consideration of appropriate estimate of the future costs to be incurred in developing the estimated economic reserves.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AMOUNT IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED
YEARS ENDED DECEMBER 31, 2009 AND 2008

(iii) Stripping costs

Stripping (i.e. overburden and other waste removal) costs incurred in the development of a mine before production commences are capitalized as part of the cost of constructing the mine and included in mining development and subsequently amortized over the life of the operation, using the unit of production method. The Group records stripping costs incurred subsequently, during the production stage of its operations as variable production costs, unless the stripping activity can be shown to represent betterment to the mineral property in which case they are capitalized and amortized over the reserves that directly benefit from the specific stripping activity.

(iv) Other Property, plant and equipment

Other types of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of operations during the financial period in which they are incurred.

Land is not depreciated. Depreciation is calculated using the straight-line method to allocate cost to residual values over their estimated useful lives, as follows:

- Machinery and equipment 3 to 15 years
- Buildings 20 to 50 years
- The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the consolidated statement of operations.

Work in progress consists primarily of equipment that is not amortized until the assets are available for use at which time they will be amortized over their expected useful lives.

(B) FINITE-LIFE INTANGIBLE ASSETS

Finite-life intangible assets are comprised of software licenses and are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate cost to residual values over their estimated useful lives, as follows:

- Software 1 to 3 years

2.5 IMPAIRMENT OF LONG-LIVED ASSETS

Impairment tests are performed when there is an indication that the carrying value of property, plant and equipment may not be recoverable. If impairment is required, the asset is written down to its fair value. Such impairments are not subsequently reversed.

Properties at the exploration and evaluation stage are reviewed by management on a property-by-property basis at each financial statement date to determine if they have become impaired. For those properties, the ultimate recoverability of the amounts capitalized is dependent upon the

delineation of economically recoverable ore reserves, the ability to obtain the necessary financing to complete their development and the ability to realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Group's investments in various projects are based on current conditions. However, it is reasonably possible that changes could occur in the near term which could adversely affect management's estimates and may result in future write-downs of capitalized property carrying values.

For property, plant and equipment other than exploration and evaluation stage properties, an asset group is the smallest identifiable group of assets and liabilities generating cash inflows which are largely independent of the cash inflows from other assets or groups of assets and liabilities. The estimates used for impairment reviews are based on detailed mine plans and operating budgets, modified as appropriate to meet the requirements of CICA Section 3063, *Impairment of Long-lived Assets*. Future cash flows are based on:

- estimates of the quantities of the reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future gold prices; and
- future cash costs of production, capital expenditure, shut-down, restoration and environmental clean-up.

The cash flow forecasts are based on best estimates of expected future revenue and costs. These may include net cash flows expected to be realized from extraction, processing and sale of mineral resources that do not currently qualify for inclusion in proved or probable ore reserves. Such non-reserve material is included where there is a high degree of confidence in its economic extraction. This expectation is usually based on preliminary drilling and sampling of areas of mineralisation that are contiguous with existing reserves. Typically, the additional evaluation to achieve reserve status for such material has not yet been done because this would involve incurring costs earlier than is required for the efficient planning and operation of the mine. The expected future cash flows of asset groups reflect long-term mine plans which are based on detailed research, analysis and iterative modelling to optimise the level of return from investment, output and sequence of extraction. The plan takes into account all relevant characteristics of the ore body, including waste to ore ratios, ore grades, haul distances, chemical and metallurgical properties of the ore impacting on process recoveries and capacities of processing equipment that can be used. The mine plan is therefore the basis for forecasting production output in each future year and the related production costs.

The Group's cash flow forecasts are based on assessments of expected long-term gold prices. These assessments may differ from current price levels and are updated periodically.

Cost levels incorporated in the cash flow forecasts are based on the current long-term mine plan for the asset group. For impairment reviews, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business.

The discount rate applied is based upon the Group's weighted average cost of capital with appropriate adjustment for the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecasted cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AMOUNT IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED
YEARS ENDED DECEMBER 31, 2009 AND 2008

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 DETERMINATION OF ORE RESERVES

The Group's ore reserves and mineral resources are estimated based on information compiled by the Group's qualified employees. The Group uses the Canadian Institute of Mining, Metallurgy and Petroleum Institute (CIM) standards for reporting of the exploration results, mineral resources and ore reserves. Reserves determined in this way are used in the calculation of depreciation, amortization and impairment charges, and for forecasting the timing of the payment of shut-down, restoration, and clean-up costs. Changes to ore reserves are applied from the beginning of the current accounting period.

In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction. There are numerous uncertainties inherent in estimating ore reserves, and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of gold, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserve values being updated.

2.7 EMBEDDED DERIVATIVE FINANCIAL INSTRUMENTS

Any embedded derivative financial instrument requiring separate accounting identified by the Company is recorded on the balance sheet at fair value and changes in the fair value of such embedded derivative instruments is recognized immediately in the consolidated statement of operations.

2.8 INVESTMENTS

Investments in publicly traded equity securities are designated as available-for-sale investments and are classified under Investments and other assets on the Consolidated Balance Sheets. These investments are initially recorded at their fair value on the date of acquisition, plus related transaction costs. Investments in publicly listed securities are adjusted to fair value at each balance sheet date. The corresponding unrealized gains and losses are recorded in Other Comprehensive Income and are reclassified to the consolidated statement of operations when realized or when management assesses a decline in fair value to be other than temporary.

2.9 INVENTORIES

Raw materials and consumable stores are valued at the lower of purchase price and replacement cost.

Partly processed inventories, such as stockpiles, heaps, ponds and cathodes, as well as saleable products are valued at the lower of cost of production using the weighted average method, and their net realizable value. For this purpose the costs of production include:

- labour costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore, including stripping costs;
- amortization of exploration and evaluation costs, and depreciation of property, plant and equipment used in the extraction and processing of ore; and
- production overheads, based on normal operating capacity.

Stockpiles represent ore that has been extracted and is available for further processing. If there is significant uncertainty as to when the stockpiled ore will be processed, it is expensed as incurred. Where the future processing of this ore can be predicted with confidence, e.g. because it exceeds the mine's cut-off grade, it is valued at the lower of cost and its net realizable value taking into account estimated costs to complete the processing.

The volume of ore in stockpiles is estimated from one reporting period to the next and is subject to periodic measurement. Significant adjustments can result from these periodic measurements.

Finished goods are valued at the lower of cost and net realizable value on a weighted-average cost basis.

2.10 TRADE RECEIVABLES

Trade receivables are recognized at cost, less any allowance for doubtful accounts. An allowance for doubtful accounts of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is recognized in the consolidated statement of operations.

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, term deposits and other short-term highly liquid investments with original maturities of three months or less.

Restricted cash consists of cash subject to restrictions that prevent its use for current purposes.

2.12 BORROWINGS

Borrowings are recognized initially at fair value. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of operations over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group is not contractually obliged to settle the liability for at least 12 months after the balance sheet date.

2.13 FUTURE INCOME TAXES

Future income taxes are recognized for the tax consequences of temporary differences by applying substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect on future income taxes for a change in tax rates is recognized in income in the period that includes the date of substantive enactment.

Future income tax assets are recognized to the extent that it is more likely than not that future taxable income will be available against which the temporary differences can be utilized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AMOUNT IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED
YEARS ENDED DECEMBER 31, 2009 AND 2008

Future income taxes are recorded on temporary differences arising from the difference between the accounting basis and the income tax cost basis of investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.14 EMPLOYEE BENEFITS

(A) DEFINED BENEFIT PLANS

The Group records liabilities for its commitments for retirement, early retirement, severance pay, medical insurance, job-related awards, accident and disability insurance, and other related commitments, whether for active personnel or for retired personnel.

Benefit costs for defined benefit plans are estimated using the projected benefit method. Under this method, accrued pension benefits are allocated among service periods based on the plan vesting formula. If service in subsequent years results in accrued benefit levels that are substantially higher than those of previous years, the Group must allocate the accrued benefits on a straight-line basis.

The amount of future benefit payments to employees is determined based on salary trend assumptions, retirement age and mortality, discounted to present value based on interest rates for long-term bonds from high-quality issuers.

(B) DEFINED CONTRIBUTION PLANS

The Group sponsors defined contribution pension plans in Canada, Australia and Côte d'Ivoire. The pension expense for these plans is equal to the Group's contribution.

(C) BONUS PLANS

The Group recognizes a liability and an expense for bonuses. The Group recognizes a provision when it is contractually obliged.

2.15 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

(A) ASSET RETIREMENT OBLIGATIONS

Shut-down and site-restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated shut-down and restoration costs are provided for in the period when the obligation arising from the related disturbance occurs based on the net present value of estimated future costs. When the provision is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset and subsequently amortized over the life of the asset. Provisions for shut-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. Costs are estimated based on a closure plan. Although the ultimate cost to be incurred is uncertain, the Group estimates their respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Movements in the provision for shut-down and site restoration costs which relate to a specific asset, other than the accretion of the discount, are capitalised within property, plant and equipment and then depreciated over the useful lives of the assets to which they relate. The costs include those resulting from new disturbance, updated cost estimates and changes to the estimated lives of operations. Accretion of the discount applied in establishing the net present value of the provisions is charged to the consolidated statement of operations in each period.

For costs that are not related to a specific asset, provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date. These costs are charged to the consolidated statement of operations. Movements in the environmental clean-up provisions are presented as an operating cost.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the consolidated statement of operations.

(B) PROVISIONS FOR LITIGATIONS

Provisions for litigations result of pending or threatened litigation which could translate into possible losses. This accounting treatment recognizes that the likely incurrence of a liability is related to a condition or situation existing at the end of the reporting period and not to the confirming future event.

(C) OTHER PROVISIONS

Other provisions include provisions for risk which result of an uncertainty in recovering a portion of the value added tax on purchases at the Sudanese subsidiary.

2.16 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of gold, and is recognized net of sales tax. Sales revenue is recognized when persuasive evidence of an arrangement exists, upon the transfer of the ownership risks and benefits to the buyer which is generally simultaneous with delivery, when the price is fixed or determinable, and when the Company has reasonable assurance with respect to the measurement and collectibility.

2.17 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of operations on a straight-line basis over the term of the lease.

Leases in which a significant portion of the risks and rewards of ownership are transferred by the lessor to the Group are classified as capital leases. The value of the asset is recorded in the Property, plant and equipment and the counter part of the obligation is recorded as Capital leases obligations. Amortizations of assets recorded are charged to the consolidated statement of operations under cost of sales (see note 2.4)

2.18 DIVIDENDS

Dividends are recorded as liabilities when declared by the Board of Directors of the Company.

2.19 STOCK-BASED COMPENSATION

The Group records stock-based compensation, including awards of stock options, using the fair value based method of accounting. Under this method, stock options granted to employees, consultants, and directors are recorded at fair value on the date of grant and the associated expense is recognized over the vesting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AMOUNT IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED
YEARS ENDED DECEMBER 31, 2009 AND 2008

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 EARNINGS PER SHARE

Basic earnings or loss per share are computed using the weighted average number of common shares outstanding during the periods. Provided that they are not anti-dilutive, diluted earnings per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants and any unamortized stock-based compensation amounts are used to repurchase common shares at the prevailing market rate.

2.21 PROPERTY OPTION AGREEMENT

From time to time, the Company may acquire or dispose of a property pursuant to the terms of an option agreement. Due to the fact that options are exercisable entirely at the discretion of the option holder, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

2.22 FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

All financial instruments are classified into one of the following five categories: held-for-trading, held-to maturity, investments, loans and receivables, available-for-sale financial assets or other financial liabilities.

All financial instruments, including derivatives, are included on the consolidated balance sheet and are measured at fair market value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost.

Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held for-trading financial investments are measured at fair value and all gains and losses are included in net earnings in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet, unless if gains and losses are other than temporary in which case they are included in the consolidated statement of operations.

The standards require derivative instruments to be recorded as either assets or liabilities measured at their fair value unless exempted from derivative treatment as a normal purchase and sale. Certain derivatives embedded in other contracts must also be measured at fair value. All changes in the fair value of derivatives are recognized in earnings unless specific hedge criteria are met, which requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. Derivatives that qualify as hedging instruments must be designated as either a "cash flow hedge", when the hedged item is a future cash flow, or a "fair value hedge", when the hedged item is a recognized asset or liability. The effective portion of unrealized gains and losses related to a cash flow hedge are included in other comprehensive income.

For a fair value hedge, both the derivative and the hedged item are recorded at fair value in the consolidated balance sheet and the unrealized gains and losses from both items are included in net earnings.

Any derivative instrument that does not qualify for hedge accounting is marked-to-market at each reporting date and the gains or losses are included in net earnings.

The Group's financial instruments are classified as follows:

Cash and cash equivalents	Held-for-trading
Short-term investments	Held-for-trading
Accounts receivable	Loans and receivables
Deposits and advances	Loans and receivables
Restricted cash	Held-for-trading
Investment in Asset-Backed Commercial Paper	Held-for-trading
Investments in publicly listed equity securities	Available-for-sale
Bank indebtedness	Other financial liabilities
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Capital lease obligations	Other financial liabilities

The Group may periodically use derivative financial instruments, such as forward foreign exchange contracts, gold and energy hedging instruments; to manage risks related to fluctuations in exchange rates and commodity prices. Derivative financial instruments are not used for speculative purposes. When the Company utilizes derivatives in hedge accounting relationships, the Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or anticipated transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in offsetting cash flows of hedged items.

When hedging instruments become ineffective before their maturity or the hedging relationship is terminated, deferred gains or losses on such instruments continue to be deferred and charged to earnings in the same period as for the corresponding gains or losses for the hedged items; gains and losses realized subsequently as a result of marking-to-market are charged directly to earnings. If the hedged item ceases to exist due to its maturity, expiry, cancellation or exercise before the hedging instrument expires, deferred gains or losses are charged to earnings.

2.23 COMPREHENSIVE INCOME

Comprehensive income, which consists of net earnings and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net earnings calculated in accordance with generally accepted accounting principles and includes unrealized gains and losses on financial assets classified as available for sale, unrealized foreign currency translation gains and losses arising from self-sustaining foreign operations and changes in the fair value of the effective portion of qualifying cash flow hedging instruments.

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3. NEW ACCOUNTING STANDARDS

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

Goodwill and intangible assets

Issued in February 2008, Section 3064, "Goodwill and intangible assets", replaced Section 3062, "Goodwill and other intangible assets", and Section 3450, "Research and development costs" effective January 1, 2009. Various changes were made to other sections of the CICA Handbook for consistency purposes including but not limited to the withdrawal of EIC 27 "Revenues and expenditures during the pre-operating period" and updates to AcG-11 "Enterprises in the development stage". The Company adopted this new standard on January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The adoption of this Section had no significant effect on the Company's consolidated financial statements.

Financial Instruments – Disclosures

In June 2009, the CICA amended Section 3862 "Financial Instruments – Disclosures" to improve fair value and liquidity risk disclosures. Section 3862 now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

- Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 – inputs used in a valuation technique are not based on observable market data in determining fair values of the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The Company adopted these amendments prospectively on January 1, 2009. The additional disclosures required as a result of the adoption of these amendments are included in Note 23 to the consolidated financial statements.

Credit risk and the fair value of financial assets and financial liabilities

Issued in January 2009, Emerging Issues Committee ("EIC") Abstract 173 "Credit risk and the fair value of financial assets and financial liabilities", from Emerging Issues Committee ("EIC"), states that an entity's own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial liabilities and financial assets, respectively, including derivative instruments. The Group adopted this new Abstract on January 1, 2009. The adoption of this Abstract did not have a significant impact on the Group's consolidated financial statements.

Mining exploration costs

Issued in March 2009, the CICA issued EIC Abstract 174 – "Mining Exploration Costs" which supercedes EIC Abstract 126 "Accounting by Mining Enterprises for Exploration Costs", to provide additional guidance for mining exploration enterprises on the accounting for capitalization of exploration costs and when an impairment test of these costs is required. The Group adopted this new Abstract on January 1, 2009. The adoption of this Abstract did not have a significant impact on the Company's consolidated financial statements.

FUTURE ACCOUNTING CHANGES

Business combinations

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces Section 1581, Business Combinations. The new Section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new Section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100 percent of the equity interest in the acquiree is owned at the acquisition date. The measurement of equity consideration given in a business combination will no longer be based on the average of the fair value of the shares a few days before and after the day the terms and conditions have been agreed to and the acquisition announced, but rather at the acquisition date. Subsequent changes in fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting. Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. This new Section will only have an impact on the consolidated financial statements for acquisitions that will be made in periods subsequent to the date of adoption.

Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Section 1601, *Consolidated Financial Statements*, and Handbook Section 1602, *Non-Controlling Interests*, which together replace Section 1600, *Consolidated Financial Statements*. Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The new Sections require that, for each business combination, the acquirer measure any non controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new Sections also require non-controlling interest to be presented as a separate component of shareholders' equity. Under Section 1602, non-controlling interest in income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interests based on relative ownership interests. These Sections apply to interim and annual consolidated financial

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3. NEW ACCOUNTING STANDARDS (CONTINUED)

statements relating to fiscal years beginning on or after January 1, 2011, and should be adopted concurrently with Section 1582. Earlier adoption is permitted. The Company is currently assessing the future impact of these new Sections on its consolidated financial statements.

International Financial Reporting Standards

The Accounting Standards Board of Canada ("AcSB") plans to converge Canadian GAAP for publicly accountable enterprises with International Financial Reporting Standards ("IFRS") over a transition period that will end effective January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. The changeover date is for interim and annual

financial statements relating to fiscal years beginning at the latest on January 1, 2011.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements. As a result, the Company has established a changeover plan to convert to these new standards according to the timetable set with these new rules. An implementation team has been created and third party advisors have been engaged to provide training to our staff. The Company will convert to these new standards according to the timetable set with these new rules. The Company is currently assessing the future impact of these new standards on its consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Many of the amounts included in the financial statements involve the use of judgment and/or estimation. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ significantly from the amounts included in the financial statements. Information about such judgments and estimation is contained in the accounting policies and/or the notes to the financial statements, and the key areas are summarized below. Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are as follows:

- determination of ore reserves and estimation of ore stockpiles;
- uncertain tax and royalties positions;
- capitalization and impairment of exploration and evaluation costs;
- review of asset carrying values and impairment charges;
- estimation of amount and timing of future expenditures associated with shut-down, site restoration and environmental clean-up;
- estimation of the fair value of unquoted securities.
- pension and other employee benefits
- future income taxes

5. CASH AND CASH EQUIVALENTS

	AS AT DECEMBER 31	
	2009	2008
Cash	12,287	6,716
Bankers' acceptances	800	900
Term deposits	—	960
	13,087	8,576

As at December 31, 2009, bankers' acceptances totalling \$800 (2008: \$900) were issued by one Canadian bank, bearing interest at a weighted average rate of 0.25% (2008:1.5%) and maturing on January 11, 2010.

As at December 31, 2008, term deposits totalling \$960 were issued by one French bank, bearing interest at a weighted average rate of 2.0%. These term deposits were available to be withdrawn on demand without any penalty to the original capital amount.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. SHORT-TERM INVESTMENTS

	AS AT DECEMBER 31	
	2009	2008
Term deposits	8,448	3,628
	8,448	3,628

As at December 31, 2009, term deposits totalling \$51 (2008: \$50) were issued by one Canadian bank, bearing interest at a weighted average rate of 4.3% (2008: 4.0%) and maturing between July and November 2010. Furthermore, term deposits totalling \$8,397 (2008: \$3,578) were issued

by one Ivorian subsidiary of a French bank, bearing interest at a weighted average rate of 5.5% (2008: 5.0%) and maturing between March and May 2010. These investments represent cash operational surpluses invested on a temporary basis.

7. ACCOUNTS RECEIVABLE

	AS AT DECEMBER 31	
	2009	2008
Trade receivables	4,553	5,847
VAT and sales taxes receivable	5,448	5,111
Amounts due from the majority shareholder (see Note 27)	73	129
Other receivables	1,022	458
	11,096	11,545

The carrying values of trade and other receivables approximate their fair value.

8. INVENTORIES

	AS AT DECEMBER 31	
	2009	2008
Raw materials and consumable stores	5,331	6,574
Work in progress, including stockpiles	20,966	30,397
Finished goods	9,444	2,101
	35,741	39,072

For the period ended December 31, 2009, the Group recorded an expense of \$57,319 (2008: \$27,699) as part of the cost of sales in the consolidated statement of operations.

9. OTHER CURRENT ASSETS

	AS AT DECEMBER 31	
	2009	2008
Deposits and advances	396	384
Prepaid expenses	1,158	174
	1,554	558

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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10. RESTRICTED CASH

Restricted cash represents funds deposited with a banking institution as security for banking guarantees given on LMRA's behalf. In connection with its mining operations and the related rehabilitation commitment, as operator/manager of the White Foil mine and Mungari joint ventures (Frog's Leg mine), LMRA has provided financial assurance to the Department of Industry and Resources in Western Australia. As at December 31, 2009, letters of guarantee totalling \$939 (2008: \$872) have been issued by LMRA's banks on behalf of the Group and the joint venture. In respect of this amount, \$426 (2008: \$396) is payable by the joint venture partners for which LMRA has

recourse against them by way of cross-company guarantees which may be resorted to in the event that they were to fail on their obligations.

Following the start-up of the Frog's Leg project, a banking guarantee of \$795 (2008: nil) was provided in relation to future purchases of mining equipment.

In addition, LMRA has provided financial assurance to its landlord in connection with an occupancy lease. As at December 31, 2009, a letter of guarantee totalling \$169 (2008: \$154) has been issued by LMRA's banks on its behalf.

11. CAPITAL ASSETS

(a) PROPERTY, PLANT AND EQUIPMENT

	AS AT DECEMBER 31	
	2009	2008
Cost		
Land and buildings	4,658	4,791
Machinery and equipment ¹	88,750	90,794
Work in progress	3,551	1,147
Capitalized exploration and evaluation costs	2,114	2,233
Capitalized mine development costs	95,551	81,766
	194,624	180,731
Accumulated amortization		
Land and buildings	(1,857)	(1,856)
Machinery and equipment ¹	(66,618)	(70,618)
Work in progress	-	-
Capitalized exploration and evaluation costs	-	-
Capitalized mine development costs	(49,205)	(43,621)
	(117,680)	(116,095)
Net book value	76,944	64,636

For the period ended December 31, 2009, the Group recorded depreciation and amortization of \$11,148 (2008: \$6,923) as part of the cost of sales in the consolidated statement of operations.

1 Includes \$6,897 (2008: \$3,003) of equipment under capital lease contracts less accumulated depreciation of \$1,343 (2008: \$387). See Note 17 – for details of Capital lease obligations.

Capitalized exploration and evaluation costs

Capitalized exploration and evaluation costs are comprised of wholly owned mining rights, undivided interests in properties and deferred exploration and evaluation costs, as follows:

	AS AT DECEMBER 31	
	2009	2008
Argentina		
• Atlas Project	400	400
• La Ortigueta	916	827
Côte d'Ivoire		
• Zia – North East	383	430
• Gbeitouo	415	-
• Other projects	-	576
	2,114	2,233

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Argentina

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. The Group issued, in July 2009, a cash payment of US\$43 dollars (2008: US\$33) and 49,500 shares (2008: 27,000 shares) at

a price of \$0.79 (2008: \$0.40) per share to TNR Gold Corp to complete the first phase of the agreement.

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.

As of December 31 2009, the future commitments are schedule as follows:

	CASH PAYMENTS	SHARES TO BE ISSUED	EXPENDITURES PROGRAM (PER YEAR)
July 15, 2010	US\$43	76,500	US\$800
July 15, 2011	–	–	US\$800

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. Upon exercise of the second option by the Group, a joint venture will be formed to fund all programs on the property. 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.

study showed a positive economic potential for this project. During 2009, further exploration works were conducted on the Zia extension area. This project is planned to enter in its development phase by the end of 2013. The Group also started an exploration campaign in the Gbeitouo area. Preliminary results of this campaign also showed a positive economic potential for this project. Further works are planned in 2010 to confirm preliminary results.

Côte d'Ivoire

During the second quarter of 2008, the Group started an exploration campaign in the North-East portion of the Zia extension area, adjacent to the former Flotouo-Zia pit. The preliminary results of this campaign and pre-feasibility

Capitalized mine development costs

Capitalized mine development costs include accumulated exploration and development costs for producing mines and projects where a development decision has been made.

The following assets were in a development stage:

	AS AT DECEMBER 31	
	2009	2008
PROJECTS IN DEVELOPMENT PHASE:		
Australia		
• White Foil	9,448	10,258
Sudan		
• Kamoeb	1,158	929
• Hadal Awatib North	10	–
• Hadal Awatib East (link)	2,424	–
	13,040	11,187
PROJECTS IN PRODUCTION PHASE:		
Australia		
• Frog's Leg	28,688	19,718
Sudan		
• Um Ashar	–	328
• Hassai North West extension	18	193
Côte d'Ivoire		
• Ity	3,434	5,067
• Ity – renewal of mining permit	1,166	1,652
	33,306	26,958
	46,346	38,145

Australia

As at January 1, 2009, the criteria established by management for commencement of the production phase was reached for the Frog's Leg mine. Beginning January 1, 2009, the capitalized mine development costs have been amortized in accordance with the Group's policy (see 2.4 (a)).

As of December 31, 2009, for the Frog's Leg underground mine project the Group recorded an amortization of \$4,125 (2008: nil) under cost of sales in the consolidated statement of operations. For the same period, an amount of \$11,342 was capitalized in regards of the additional costs incurred for the on-going underground mine development project.

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11. CAPITAL ASSETS (CONTINUED)

(a) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Capitalized mine development costs (continued)

Sudan

In Sudan, some costs were incurred for the development of secondary deposits adjoining the main mining site of Hassai. These costs are amortized according to the life of the Ore body for each deposit. In 2009, the group has recorded an amortization of \$535 (2008: \$516). In 2009, the Group started the development of the Hassai North-West extension, the Hadal Awatib North and the Hadal Awatib East (link) areas. Stripping costs totalling \$2,867 (2008: nil) were capitalized during the year.

The production of these new areas is scheduled as follows;

Hassai North West extension	January 2010
Hadal Awatib North	Beginning of 2013
Hadal Awatib East (link)	January 2010

Côte d'Ivoire

In Côte d'Ivoire, some costs were incurred for the development of secondary deposits adjoining the main mining site of Ity. These costs are amortized according to the life of the Ore body for each deposit. In 2009, the group has recorded an amortization of \$140 (2008: \$342).

As of December 31, 2009, the Group recorded an amount of \$1,910 (2008: \$2,170) of Capitalized mine development costs corresponding to the renewal of mining permit of the Ity mine less accumulated depreciation of \$744 (2008: \$518) for a net book value of \$1,166 (2008: \$1,652).

(b) FINITE-LIFE INTANGIBLE ASSETS

	AS AT DECEMBER 31	
	2009	2008
Cost		
Software	1,188	630
Accumulated amortization		
Software	(626)	(148)
Net book value	562	482

12. INVESTMENTS AND OTHER ASSETS

	AS AT DECEMBER 31	
	2009	2008
Investments in Australian listed equity securities (a)	2,144	770
Investment in Asset-Backed Term-Notes/Commercial Paper (see note 23 (a))	6,821	7,143
Deposits and others	125	322
	9,090	8,235

(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. On August 19, 2009, as a result of the process of

takeover of its joint venture partner Dioro Exploration NL by Avoca Resources Inc. of Australia, the Group received in exchange of its 2,571,429 shares of Dioro Exploration NL, 1,118,013 shares of Avoca Resources Inc., generating a non-cash loss of \$894 (net of tax of \$383), recorded in loss on investments in the consolidated statement of operations.

	AS AT DECEMBER 31	
	2009	2008
Aggregate unrealized gains	290	35
Aggregate unrealized losses	(40)	(2,308)
Deferred income taxes	(75)	682
	175	(1,591)

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13. ACCOUNTS PAYABLE AND ACCRUED LIABILITY

	AS AT DECEMBER 31	
	2009	2008
Trade payables	5,007	5,787
Amounts due to the majority shareholder (see note 27)	675	721
Social security and other taxes	3,175	3,230
Accrued expenses and other payables	7,499	4,829
	16,356	14,567

14. OTHER CURRENT LIABILITIES

On November 20, 2008 the commercial courts of the City of Buenos Aires accepted a petition for bankruptcy filed by the mortgage holder against Minera Patagonia S.A. The company was finally declared bankrupted on July 20, 2009. The trustee named by the court was ordered to present a plan for the dissolution of Minera Patagonia S.A. and the distribution of its assets.

Following the loss of control over the entity, the Group de-consolidated all the assets and liabilities associated with Minera Patagonia S.A. and presented the liability as other current liabilities in the amount of \$2,521 (2008: \$2,521).

On December 30, 2009, a petition to extend the bankruptcy to the Group and a former Director was filed in front of the commercial courts of the City of Buenos Aires. As at December 31, 2009, the court had not received all the relevant evidence to support the extension of bankruptcy to the Group and its former Director.

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 operations.

15. INCOME TAX

(a) FUTURE INCOME TAX

Items giving rise to future income tax assets and liabilities are as follow

	AS AT DECEMBER 31	
	2009	2008
Future income tax assets		
Pension benefit obligations	261	156
Other provisions	1,155	971
Non-capital losses	9,296	10,188
Other	1,223	1,878
	11,935	13,193
Future income tax liabilities		
Property, plant and equipment	(4,590)	(1,375)
Pension benefit obligations	-	(20)
Other	(30)	(520)
	(4,620)	(1,915)
Net future income tax asset	7,315	11,278
The net future income tax asset is comprised of		
Current future income tax assets	400	1,082
Long-term future income tax assets	7,011	10,540
Long-term future income tax liabilities	(96)	(344)
	7,315	11,278

Future income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable income is more likely than not.

Future income tax liabilities have not been recognized for the withholding tax and other taxes that would be payable on the un-remitted earnings of certain subsidiaries. As at December 31, 2009, withholding tax and other taxes over un-remitted earnings totalled \$569 (2008: \$410).

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15. INCOME TAX (CONTINUED)

(a) FUTURE INCOME TAX EXPENSE (CONTINUED)

Canada

As at December 31, 2009, the Company had, for Canadian tax purposes, operating loss carry-forwards expiring as follows:

EXPIRY DATE	AMOUNT
2014	1,482
2025	7,595
2026	1,477
2027	4,151
2029	567

As at December 31, 2009, management considered that it is not "more likely than not" that these losses will be utilized and accordingly a full valuation allowance has been recognized against these tax losses.

Sudan

In April 2009, AMC concluded an agreement with the Sudanese tax department on the settlement of the income tax for the year ended December 31, 2007. The Sudanese tax department accepted to settle the disputed amounts for a lump sum of \$100 (€60) (representing the Group's share) which was recorded under income tax expense in the consolidated statement of operations and to terminate the claim file.

In December, 2008, the Company was advised by the Sudanese tax chamber that, for fiscal year 2008, the tax rate payable was increased to 15%. During the year ended December 31, 2009, the Group has paid the taxes for 2008 using the same rate of 15%.

For the period ended December 31, 2009, the Group has calculated and recorded a provision for income tax payable using a tax rate of 15%.

(b) INCOME TAX EXPENSE

	YEAR ENDED DECEMBER 31	
	2009	2008
Current tax	(4,619)	(3,517)
Future tax	(4,170)	2,379
Income tax expense	(8,789)	(1,138)

The tax on the Group's earnings (loss) before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to earnings (loss) of the consolidated companies.

The reconciliation of income tax expense is presented as follows:

	YEAR ENDED DECEMBER 31	
	2009	2008
Earnings (loss) before income tax	20,168	(4,270)
Combined Canadian federal and provincial rate	31.90%	31.90%
Tax recovery (expense) calculated at the Canadian rates	(6,434)	1,362
Tax rate differences of foreign operations	1,359	1,222
Limitation on future tax asset	(2,202)	(2,665)
Other permanent differences	(1,439)	(960)
Non-deductible expenses	(73)	(97)
Income tax expense	(8,789)	(1,138)

16. LONG-TERM DEBT

The current agreement provides for a line of credit up to a maximum of AU\$22,000 until December 31, 2011. The credit line bears interest based on the 3 or 6 months LIBOR AU\$ rate plus 2.75% per year, depending on the duration of each withdrawal. The loans are payable on maturity and can be renewed for another period. This agreement is not secured and may be terminated at any time in the event that the affiliation between the parties should be altered.

As at December 31, 2009, the Company has drawn \$16,112 (AU\$17,150) with a maturity ranging from January to March 2010 renewable until the expiration of this new agreement. Accrued interest payable at period end amounted to \$173 (AU\$183). For the period, the Group recorded an interest expense of \$969 (2008: \$576) in the consolidated statement of operations with respect to the borrowings under these agreements. There is no covenant associated with the line of credit.

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17. CAPITAL LEASE OBLIGATIONS

ASSETS UNDER CAPITAL LEASE OBLIGATIONS	YEAR ENDED DECEMBER 31	
	2009	2008
Mining equipment	4,365	2,361
Less: Current portion of capital lease obligations	(2,092)	(847)
	2,273	1,514

Capital lease obligations relate to mining equipment for the joint venture mining project of Frog's Leg, Australia. The Group is jointly liable to a level of 51% of the total capital lease obligations of \$9,527 (2008: \$5,274). The debt has a weighted-average effective interest rate of approximately 9.84% (2008: 9.44%) and a final maturity range from February 2011 to May 2013. During 2009, the Group recorded interest expense on capital lease obligations of \$223 (2008: \$142).

As at December 31, 2009, obligations under capital lease for future minimum lease payments are as follows:

	CAPITAL LEASE OBLIGATION
2010	2,423
2011	1,929
2012	392
2013	113
Total minimum lease payments	4,857
Less amounts representing interest	(492)
	4,365

18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	ASSET RETIREMENT OBLIGATIONS	LITIGATION	OTHER	TOTAL
As at January 1, 2008	1,888	181	338	2,407
Charged to Consolidated Statement of Operations:				
Additional provisions	1,426	31	125	1,582
Unused amounts reversed	–	(9)	(240)	(249)
Increase in provision – accretion	166	–	–	166
Paid during the year	(42)	–	–	(42)
Foreign exchange rate changes	(5)	34	50	79
As at December 31, 2008	3,433	237	273	3,943
Charged to Consolidated Statement of Operations:				
Additional provisions	173	3	323	499
Unused amounts reversed	–	(32)	–	(32)
Increase in provision – accretion	146	–	–	146
Paid during the year	(112)	–	(254)	(366)
Foreign exchange rate changes	199	(26)	(35)	138
As at December 31, 2009	3,839	182	307	4,328

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18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (CONTINUED)

	AS AT DECEMBER 31	
	2009	2008
ANALYSIS OF TOTAL PROVISIONS		
Long-term	3,755	3,529
Current	573	414
	4,328	3,943

As at December 31, 2009, the total undiscounted amount of estimated cash flows necessary to settle the provision for asset retirement obligations is approximately \$4,849 (2008: \$4,643). The disbursements to settle these provisions are expected to be made between 2013 and 2026. The Group's share of SMI's obligations is discounted at an estimated annual rate of 5%

while LMRA's obligations are discounted at an estimated annual rate of 5.47%. Although the Group does not have any obligation to perform site-restoration in Sudan, a provision was recorded for its operation to secure the acidic ore tailing at term

	YEAR ENDED DECEMBER 31	
	2009	2008
ASSET RETIREMENT OBLIGATIONS		
Australia	3,154	2,821
Côte d'Ivoire	418	397
Sudan	267	215
	3,839	3,433

19. PENSION AND OTHER POST-SERVICE BENEFIT OBLIGATIONS

The Group, in accordance with laws and practices prevailing in the countries that it operates in, is committed to pay retirement bonuses or one-time post-service benefits to their retiring or departing employees, based on their compensation and seniority. Defined benefit plans are recognized in

accordance with the accounting policy defined in Note 2.14. Each year, the Group determines its commitments at year-end. These plans are not funded. The amounts for pension and other post-service benefits recognized in the balance sheet are determined as follows:

	AS AT DECEMBER 31	
	2009	2008
Accrued benefit obligation - beginning of year	2,520	1,825
Current service cost	791	942
Interest cost - accretion	165	169
Benefit paid	(864)	(693)
Past service cost	85	3
Actuarial gain	(7)	(4)
Foreign exchange rate changes	(206)	278
Accrued benefit obligation - end of year	2,484	2,520

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19. PENSION AND OTHER POST-SERVICE BENEFIT OBLIGATIONS (CONTINUED)

	AS AT DECEMBER 31	
	2009	2008
Long-term	1,749	1,912
Current	735	608
	2,484	2,520

The amounts recognized in the consolidated statement of operations are as follows:

	YEAR ENDED DECEMBER 31	
	2009	2008
Current service cost	791	942
Interest cost	165	169
Net actuarial gains recognized during the year	(7)	(4)
Past service cost	85	3
	1,034	1,110

ACTUARIAL ASSUMPTIONS:

These calculations include the following assumptions: probability of retaining employees in the Group, future salary increases and a retirement age between 55 and 60 years old depending on location and applicable laws.

The expected average remaining service life of the employees is estimated at between 6 and 14 years.

	2009			2008		
	CÔTE D'IVOIRE	FRANCE	SUDAN	CÔTE D'IVOIRE	FRANCE	SUDAN
Accrued benefit obligation as of December 31:						
Discount rate	8.0%	5.5%	9.0%	8.0%	5.5%	9.0%
Future salary increases	5.0%	2% to 4.5%	9.0%	5.0%	2% to 4.5%	9.0%
Benefit costs for years ended December 31:						
Discount rate	8.0%	5.5%	9.0%	8.0%	5.0%	9.0%
Future salary increases	5.0%	2% to 4.5%	9.0%	5.0%	2% to 4.5%	9.0%

Assumptions regarding future mortality experience are set based on advice from published statistics and experience in each territory.

20. INTEREST INCOME (EXPENSE)

	YEAR ENDED DECEMBER 31	
	2009	2008
Interest expense:		
Related party borrowings	(992)	(576)
Capital leases – interest	(223)	(142)
Other	(129)	(77)
	(1,344)	(795)
Interest income:		
Income from cash and cash equivalents	543	538
Other	–	58
	543	596
Net interest income/(expense)	(801)	(199)

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21. SHARE CAPITAL

(EQUITY INSTRUMENTS ARE IN ACTUAL QUANTITIES AND NOT IN THOUSANDS)

(a) AUTHORIZED

An unlimited number of common shares without par value.

(b) WARRANTS

	YEAR ENDED DECEMBER 31, 2009			YEAR ENDED DECEMBER 31, 2008		
	NUMBER	CARRYING VALUE \$	WEIGHTED AVERAGE EXERCISE PRICE \$/SHARE	NUMBER	CARRYING VALUE \$	WEIGHTED AVERAGE EXERCISE PRICE \$/SHARE
Beginning of period	–	–	–	8,266,583	276	\$2.00
Expired	–	–	–	(8,266,583)	(276)	–
End of the period	–	–	–	–	–	–

All warrants expired on September 28, 2008.

(c) STOCK 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.

Options may be granted by the Board of Directors to any eligible person, subject to the following limitations: (1) the number of common shares in aggregate issuable to insiders, as defined in the relevant securities legislation, and including associates and affiliates of the insider, at any time cannot exceed 10% of the issued and outstanding common shares; (2) the

number of common shares in aggregate issued to insiders within any one-year period cannot exceed 10% of the issued and outstanding common shares; and (3) the number of options that may be granted to an eligible person within any one-year period cannot exceed 5% of the issued and outstanding common shares. Eligible person means any, employee, officer, director, or consultant of the Group and any related entity.

In 2009, the Company granted a total of 410,000 (2008: 680,000) stock options to officers, exercisable at a weighted average price of \$0.94 (2008:\$0.45) per share. One half of the options vest in 2011 and the other half vest in 2012. A total of 150,000 expires in 2014 and 260,000 options expire in 2015. The weighted average grant date fair value of \$0.3649 (2008:\$0.1494) per option is based on the Black-Scholes option pricing model with the following weighted-average assumptions: weighted average risk-free interest rate of 2.4%(2008:3.0%), expected volatility of 61% (2008:50%), expected dividend of nil and expected life of 6 years.

In accordance with the Company's stock option plan, the options held by employees and directors of the Company expire 30 calendar days after their resignation.

	YEAR ENDED DECEMBER 31, 2009			YEAR ENDED DECEMBER 31, 2008		
	NUMBER	CARRYING VALUE \$	WEIGHTED AVERAGE EXERCISE PRICE \$/SHARE	NUMBER	CARRYING VALUE \$	WEIGHTED AVERAGE EXERCISE PRICE \$/SHARE
Beginning of period	1,065,000	95	0.66	1,016,000	54	1.20
Granted	410,000	–	0.94	680,000	–	0.45
Exercised	(100,000)	(37)	(0.87)	–	–	–
Forfeited	–	–	–	(631,000)	(25)	1.29
Stock-based compensation	–	98	–	–	66	–
End of the period	1,375,000	156	0.73	1,065,000	95	0.66

As at December 31, 2009, the value of the options granted during the year were recorded as Stock-based compensation expenses on the consolidated statement of operations based on a pro-rata of the vesting period.

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21. SHARE CAPITAL (CONTINUED)

(c) STOCK OPTIONS (CONTINUED)

As at December 31, 2009, options outstanding under the plan are as follows:

RANGE OF EXERCISE PRICES	NUMBER OF OPTIONS	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
			WEIGHTED-AVERAGE EXERCISE PRICE (\$)	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE (\$)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (\$)
\$0.30	40,000	4.6	\$0.30	\$0.10	–	–
\$0.46	640,000	4.2	\$0.46	\$0.15	–	–
\$0.66	220,000	5.4	\$0.66	\$0.25	–	–
\$0.86 to \$0.87	180,000	3.4	\$0.86	\$0.45	40,000	\$0.86
\$1.16	150,000	4.6	\$1.16	\$0.45	–	–
\$1.50	105,000	1.4	\$1.50	\$0.04	105,000	\$1.50
\$1.64	40,000	6.0	\$1.64	\$0.67	–	–
	1,375,000	4.2	\$0.73	\$0.24	145,000	\$1.32

22. EARNINGS PER SHARE

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

	YEAR ENDED DECEMBER 31	
	2009	2008
Basic weighted-average number of common shares outstanding	142,072,954	142,020,351
Dilutive effect of stock options	21,458	–
Diluted weighted-average number of common shares outstanding	142,094,412	142,020,351

For the year ended December 31, 2008; all options outstanding were anti-dilutive, as the Company reported a net loss.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FAIR VALUES

The fair value of financial instruments is estimated using the following methods and assumptions for each class of financial instruments.

Cash and cash equivalents, short-term investments, accounts receivables, restricted cash, bank indebtedness accounts payable – The carrying amounts are equal to the fair values or approximate fair values due to the short maturity of these financial instruments.

Investments in publicly listed equity securities – The fair value of the investment in listed equity securities is determined using the bid price at period end.

Investment in Asset-backed Term-Notes/Commercial paper – The fair value of the Asset-backed Term-Notes/Commercial paper, as further

discussed below in the credit risk analysis, is determined by using a probability-weighted approach employing assumptions and is based on the Group's assessment of market conditions at period end.

Long-term debt – The long-term debt bears interest at floating rates and therefore it is management's opinion that the carrying value approximates its fair value.

Capital lease obligations – The capital lease obligations bear interest at fixed rates. These obligations are carried at amortized cost using the effective rate method.

Accordingly, at period end, the book value of all of the Company's financial instruments approximates or is equal to fair value.

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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

FAIR VALUE HIERARCHY

The following table summarizes the financial instruments measured at fair value in the consolidated balance sheet as at December 31, 2009, classified using the fair value hierarchy described in Note 3:

FINANCIAL ASSET OR LIABILITY	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Cash	12,287	–	–	12,287
Bankers' acceptances	–	800	–	800
Term deposits	–	8,448	–	8,448
Investments in Australian listed equity securities	–	2,144	–	2,144
Investment in Asset-Backed Term-Notes/Commercial Paper	–	–	6,821	6,821
Derivative financial instruments - assets	–	–	1,545	1,545
Derivative financial instruments - liabilities	–	–	(1,545)	(1,545)
Total	12,287	11,392	6,821	30,500

RECONCILIATION OF INSTRUMENTS MEASURED AT FAIR VALUE BASED ON LEVEL 3 INPUTS

YEAR ENDED DECEMBER 31, 2009	
Asset-Backed Term-Notes/Commercial Paper	
Opening Balance	7,143
Fair value adjustment included in the consolidated statement of operations	127
Principal repayments	(7)
Interest payments received	(442)
Closing balance	6,821
Derivative financial instruments - assets	1,545
Derivative financial instruments - liabilities	(1,545)
	6,821

The Company's derivatives transactions are accounted for on a fair value basis and are comprised of non-speculative gold collars to hedge gold price exposures. These derivatives are valued using either industry standard or internally developed valuation models. Where applicable, these models use market-based observable inputs including interest-rate-yield curves, volatility of certain prices or rates and credit spreads. In certain cases, market based observable inputs are not available and, in those cases, judgment is used to develop assumptions used to determine fair values.

RISK MANAGEMENT

The Group, through its financial assets and liabilities, has exposure to the following financial risks: credit risk, liquidity risk, and market risk. Market risk consists of price risk (including commodity price risk, and quoted market price risk), foreign exchange risk, and interest rate risk. The following analysis provides a measurement of risks as at the balance sheet date of December 31, 2009.

From time to time the Group uses derivative instruments to manage its exposure to foreign exchange risk and fluctuations in commodity prices. Risk management is carried out by the Group's financial management. The Group's financial management identifies, evaluates and hedges financial risks. The Group's overall risk management policies follows the majority shareholder's policies covering specific areas, such as foreign exchange risk, commodity

price risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. When needed, the Group's financial management will cooperate with the majority shareholder's treasury department to assist and book coverage for identified risks.

CREDIT RISK

Counterparty risk associated with financial instruments is monitored by the Group's financial management. The majority shareholder's treasury department provides support for the commitments and the implementation of a series of procedures that specify the limits and characteristics of the counterparty for each type of instrument.

The Company's exposure to credit risk arises from the following financial assets: cash and cash equivalents, short-term investments, receivables, asset backed Terms-Notes/Commercial papers, and restricted cash.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. From time to time, the Company will invest its excess liquidity in high quality and liquid short-term financial instruments limiting its exposure to credit risks. The carrying amount of financial assets represents the maximum credit exposure.

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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The maximum exposure to credit risk at the reporting date was:

	AS AT DECEMBER 31	
	2009	2008
Cash	12,287	6,716
Bankers' acceptances	800	900
Term deposits	–	960
Short-term investments	8,448	3,628
Trade receivables	4,553	5,847
Other receivables	6,543	5,698
Deposits and advances	396	384
Investment in Asset-Backed Term-Notes/Commercial Paper	6,821	7,143
Restricted cash	1,903	1,026
	41,751	32,302

The Bankers' acceptance, Term deposits, Short-term investments, and restricted cash mature between 18 and 365 days from the date of the investment with an average interest rate of 5.1% (2008: 4.5%).

The Group has a higher concentration of credit risk, with regard to its trade receivables, given the small number of customers; however, this risk is compensated by very short terms of payment and a close monitoring of each delivery.

The Other receivables are mainly made up of taxes receivable and receivables from government authorities. As these receivables arise from legislative measures they do not represent a high credit risk.

As at December 31, 2009, no trade receivables were past their due date and no allowance for doubtful account was recorded in the consolidated statement of operations.

(A) INVESTMENT IN ASSET-BACKED TERM-NOTES/COMMERCIAL PAPER

As at December 31, 2008, the Company held two Canadian non-bank sponsored asset backed term-notes/commercial paper ("ABCP") notes for a \$12,000 principal amount of issued by two issuers. These two notes which were due and payable to the Group on September 4, 2007 remained outstanding as a result of the inability of the issuers to complete a rollover on the due date because of the lack of liquidity for ABCP.

On January 12, 2009, the Superior Court of Ontario granted the Implementation Order for the Restructuring Plan of these ABCP. On January 21, 2009, the Restructuring Plan was completed. Pursuant to the terms of the Restructuring Plan, the Group exchanged its short-term notes for long-term notes.

Upon closing of the Restructuring Plan:

- a first payment of \$398, representing interest that had accrued on ABCP between August 2007 and August 31, 2008, net of expenses including restructuring costs and reserves, was made to the Group. Further payments of \$115 representing interest earned in the ABCP conduits for the period between September 1, 2008 and the closing were made to the Company during the second quarter of 2009 following the review of the financial data from September 1, 2008 by the monitor of the Restructuring Plan.
- the Group received the following notes issued by Master Asset Vehicle II ("MAV 2") \$2,927 of Class A-1 Notes, \$6,521 of Class A-2 Notes, \$1,184 of Class B Notes, \$329 of Class C Notes and \$949 of Class IA Tracking

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.

The Long-term Notes are considered as new financial instruments and the Group has designated them as held-for-trading. Although there have been some isolated transactions subsequent to January 21, 2009, there was no active market available for these Long-term Notes as of December 31, 2009. The Class A-1, A-2, B and C Notes legally mature in 2056. However, the expected maturity date is in 2016.

As at December 31, 2009, there is 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 December 31, 2009. The discount rates consider factors that include the BA rate, credit spread applicable to the credit rating, and premiums for lack of liquidity.

The Group has considered current market conditions surrounding the Long-term notes such as liquidity, transparency and credit risk in developing the assumptions used in estimating the fair value of the Long-term Notes. Due to their characteristics and the market conditions, the Group estimated that the fair value of the Class C Notes and the Class IA Tracking Notes (the underlying assets of Tracking Notes have exposure to U.S. sub-primes mortgages) is nil as at December 31, 2009.

Based on the discounted cash flow model as at December 31, 2009, the fair value of the Company's Notes was estimated at \$6,821 (2008 - \$7,143)

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which included accrued interest of \$nil (2008 - \$442). The change in fair value during the period ended December 31, 2009 was due to a fair value adjustment recovery of \$127 (2008: \$3,057 expense) due to lower discount rates on the MAV2 Class A-1 Notes partially offset by the higher discount rate on the MAV2 Class A-2 Notes resulting from the downgrade in the credit rating of the MAV2 Class A-2, and offset by interest payments received of \$442 (2008 - \$nil) and principal repayments of \$7 (2008: nil).

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 December 31, 2009, 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 \$371 (2008:\$545).

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in Note 25 - Capital Disclosures. It also manages liquidity risk by continuously monitoring actual and projected cash flows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business. Since the reverse takeover of September 28, 2006, the Company had financed its exploration and mining activities through operating cash flows and the utilisation of its liquidity reserves. Furthermore, as discussed in Note 17, a credit facility was established in 2008 to help fund the development of the Frog's Leg Project in Australia

The following are the contractual maturities of financial liabilities as at December 31 2009:

	CARRYING AMOUNT	0 TO 12 MONTHS	1 TO 2 YEARS	2 TO 5 YEARS	MORE THAN 5 YEARS
Accounts payable and accrued liabilities	16,356	16,356	-	-	-
Obligations under capital leases	4,365	2,092	1,841	322	110
Long-term debt ¹	16,285	-	16,285	-	-

¹ Includes accrued interest.

The interest on floating rate debt and the amounts denominated in foreign currency have been established based on the spot rate at the end of the period.

MARKET RISK

Quoted market price risk

The Group's principal financial assets subject to quoted market price risk are its Investments in Australian listed equity securities for which no shares are held in excess of 9% of the investee. The carrying value of these securities equals their fair value.

The maximum exposure to market risk at the reporting date was:

	AS AT DECEMBER 31	
	2009	2008
Investments in Australian listed equity securities	2,144	770
	2,144	770

Based on the balance as at December 31 2009, a 10% increase (decrease) in the quote bid price of the shares on that date would have resulted in an increase (decrease) of approximately \$150 (net of tax of \$64) (2008:\$54) in other comprehensive income (loss).

Commodity price risk

The Group is exposed to commodity price risk mainly arising from gold sales and energy supply and may use derivative financial instruments, including forward sales agreements and options, to reduce its exposure to commodity price volatility.

Effective in the first quarter of 2009, the Group entered into a series of gold costless collar ("collar") contracts to manage its exposure to gold price volatility. A costless collar is a combination of two option contracts that limit the holder's exposure to changes in prices within a specific range. The "costless" nature of this derivative is achieved by buying a put option (the right to sell) for consideration equal to the premium received from selling a call option (the right to purchase).

The collars are recorded at their current fair value at the end of each reporting period. The fair values are based on estimates using present value techniques and other valuation models such as the Black-Scholes model. The credit risk associated with the counterparties issuing the options is taken into account in the evaluation of the fair value of the hedging instruments.

These collars did not qualify for hedge accounting as documentation was not completed. Consequently, changes in intrinsic value and in time value of these collar contracts, if any, are recorded in other operating income (expense) in the consolidated statement of operations.

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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

As at December 31, 2009, 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:	11,686	€628/oz	€893/oz	January 2010	January 2011
Australian operations:	2,800	AU\$1,210/oz	AU\$1,795/oz	–	January 2010
Australian operations ¹ :	21,715	US\$930/oz	US\$1,320/oz	February 2010	January 2011

¹ For the collars nominated in US\$, foreign exchange forward contracts are associated with each option to cover the Group's exposure from currency fluctuation of the AU\$ against the US\$. The exchange forward contracts range from AU\$1.0989 for US\$1.0000 to AU\$1.1970 for US\$1.0000.

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 ("Asian" options) for the month in which the derivatives settle.

For the period ending December 31, 2009, three options were exercised generating a gain of \$492 (AU\$548) (2008: nil) recorded under operating income (expense) in the consolidated statement of operations.

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

	FAIR VALUE
Derivatives hedging instruments:	
Gold call options sold	1,542
Gold put options bought	(1,545)
Total as at December 31, 2009	(3)
Classification of derivative hedging instruments:	
Assets	
Current assets portion	1,208
Long-term assets portion	334
Total as at December 31, 2009	1,542
Liabilities	
Current liabilities portion	(1,162)
Long-term liabilities portion	(383)
Total as at December 31, 2009	(1,545)

	FOR THE PERIOD ENDED DECEMBER 31
CHANGES IN FAIR VALUE OF HEDGING INSTRUMENTS	
Changes in time value of hedging instruments recorded in the consolidated statement of operations	(3)
Changes in intrinsic value of hedging instruments recorded in the consolidated statement of operations	–
Total at the end of the period	(3)

The Group does not enter into derivative transactions for speculative purposes.

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency transactions, primarily with respect to the US dollar. Foreign exchange transaction risk arises primarily from future commercial transactions that are denominated in a currency that is not the functional currency of the Group's business unit that is party to the transaction.

Furthermore, to manage its foreign exchange risk arising from future commercial transactions, the Group can use currency forwards and swaps.

As at December 31, 2009 the Group holds one Euro based swap contract on currency against the CA\$ amounting to CA\$1,690; for which a fair value of \$3 was recorded as a derivatives hedging instrument. Otherwise, the Group is not party to any other hedging instruments.

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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The Group is exposed to the following significant currency risks as at December 31, 2009:

	CANADIAN DOLLAR FUNCTIONAL CURRENCY BUSINESS UNITS		EURO FUNCTIONAL CURRENCY BUSINESS UNITS		
	US\$	ARG\$	CA\$	US\$	SUDANESE DINAR
Cash and cash equivalents	77	126	–	1	376
Accounts receivable	70	1,444	–	–	1,896
Accounts payable and accrued liabilities	(48)	(22)	–	(19)	(9,844)
	99	1,548	–	(18)	(7,572)
Equivalent in CA\$	104	420	–	(19)	(3,333)

The Euro functional business units also have balances denominated in Francs CFA. However, given the fixed rate peg of this currency to the Euro, management does not consider that these balances are exposed to currency risk.

The AU\$ functional business units do not normally maintain financial instruments denominated in currencies other than the Australian dollar. The foreign exchange risk for this unit is limited to purchases of mining equipment and mining supplies. As of December 31, 2009, the Australian subsidiary did not have any pending purchases and/or pending orders in a currency other than its functional currency.

Based on the financial instruments outstanding as at December 31, 2009, a 20% increase (decrease) in exchange rates of the respective foreign currencies on that date would have resulted in a decrease (increase) of approximately \$249 (2008:\$549) in the consolidated statement of income.

Furthermore, the Company is also exposed to foreign exchange risk in regard to the net investments in its Euro and AU\$ self-sustaining foreign operations. These foreign exchange variations are presented in the Other Comprehensive Income. For the period ended December 31, 2009, the Company reported a foreign exchange gain (loss) of \$(10,796) net of tax (2008: \$9,462) recorded in Other Comprehensive Income. Based on the balance as at December 31, 2009, a 20% increase (decrease) in exchange rates of the respective foreign

currencies on that date would have resulted in an increase (decrease) of approximately \$7,262 (2008:\$8,661) in Other Comprehensive Income.

Interest rate risk

The Group's exposure to interest rate risk arises from its credit facility with its majority shareholder.

The large majority of the cash, cash equivalents, and short-term investments are invested in Canadian dollar and Euro equivalent denominated short term instruments while the restricted cash is invested in Australian dollar denominated short term bank deposits.

The Long-term Class A-1, A2 and B Notes issued by MAV 2 bear interest based on the BA rate.

This credit facility bears interest based on the published LIBOR interest index.

The interest income and expenses arising from these instruments is therefore subject to interest rate fluctuations.

Based on the balances outstanding during the period ended December 31, 2009, a 1% increase (decrease) in the interest rate index would have resulted in an increase (decrease) of approximately \$17 (2008:\$47) in earnings before income taxes.

24. CAPITAL DISCLOSURES

The Group is currently not subject to externally imposed capital requirements. The Group defines its capital as being constituted by its shareholders' equity. The Group manages its capital structure based on the relationship between the net debt, itself constituted by short-term and long-term financial debt, including capital lease obligations, for both current and long term portions, net of cash and cash equivalents, short-term investments, and capital.

The Group's capital management objectives are to:

- have sufficient capital to be able to meet the Group's mining properties exploration and mining development plan in order to ensure the growth of its activities.

- have sufficient access to liquidity to fund the exploration expenses and investing activities and the working capital requirements.

For the period ended December 31, 2009, the Group invested \$22,694 (2008 - \$20,509) in its Australian and African mining projects and expensed \$5,181 (2008: \$6,568) in its exploration programs.

Furthermore, during 2008, the Group obtained a medium term credit line agreement with its majority shareholder to facilitate the funding of the construction and start-up costs of the Frog's Leg mine project in Australia. This debt does not contain any financial covenants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AMOUNT IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED
YEARS ENDED DECEMBER 31, 2009 AND 2008

24. CAPITAL DISCLOSURES (CONTINUED)

The company monitors capital on the basis of the net debt-to equity ratio. These ratios at December 31, 2009 and December 31, 2008 were as follows:

	AS AT DECEMBER 31	
	2009	2008
Bank indebtedness	–	3
Long-term debt	16,112	13,253
Capital lease obligations	4,365	2,361
Financial liabilities	20,477	15,617
Cash, cash equivalents and short-term investments	21,535	12,204
Net debt (Cash surplus)	(1,058)	3,413
Shareholders' equity	115,832	106,777
Net debt/Shareholders' equity	(0.01): 1.0	0.03: 1.0

The Company's objective is to maintain a level of Net debt in line with the generated cash flow expected from its current and futures operations.

25. INVESTMENTS IN JOINT VENTURES

The Group's gold mining operations in Sudan are carried out through its 40% joint venture interest in AMC while its operations in Côte d'Ivoire are carried out through its 45.9% joint venture interest in SMI. In addition, the Group, through LMRA, carries out some exploration and mining operations in Australia through its interests in the following unincorporated joint ventures:

		AS AT DECEMBER 31	
		2009	2008
Cutters Ridge JV	Exploration	51.00	51.00
Kintore East JV	Exploration	79.67	76.45
Polaris JV	Exploration	71.46	68.22
Mungari East JV (Frog's Leg)	Mining and Exploration	51.00	51.00
West Kalgoorlie JV	Exploration	51.00	51.00
Yuinmery	Exploration	80.27	71.67
Avoca JV	Exploration	57.64	–

The following amounts represent the Group's share of the assets and liabilities, revenues and expenses, and cash flows of the joint ventures included in the balance sheet, statement of operation and cash flows:

	AS AT DECEMBER 31	
	2009	2008
Assets:		
Current assets	50,561	50,987
Long-term assets	63,782	52,726
Liabilities:		
Current liabilities	(15,210)	(12,267)
Long-term liabilities	(7,391)	(6,078)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AMOUNT IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED
YEARS ENDED DECEMBER 31, 2009 AND 2008

25. INVESTMENTS IN JOINT VENTURES (CONTINUED)

	YEAR ENDED DECEMBER 31	
	2009	2008
Revenue	102,862	51,045
Expenses	(77,998)	(42,514)
Net earnings	24,864	8,531
Cash flows from:		
Operating activities	52,457	10,515
Investing activities	(19,771)	(18,869)
Financing activities	-	-

26. COMMITMENTS AND CONTINGENCIES

In the normal conduct of operations, there are pending claims by and against the Group. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. In the opinion of management, based on advice and information provided by its legal counsel, final determination of these litigations will not materially affect the Group's consolidated financial position or consolidated statement of operations.

Operating lease commitments and tenement lease obligations

In Australia, LMRA is also engaged in capital commitments related to tenement lease obligations where LMRA is required to incur expenditures during the lease period in order to keep the leases current. While these amounts have

been shown as obligations, it is possible to avoid such obligations in exchange for the leases being surrendered. The period of these obligations does not exceed 21 years. The total amount contracted for by LMRA is 10,722 (2008: \$12,602), of which \$7,836 (AUD\$8,341) represents LMRA's share of such obligations arising from properties held through joint ventures.

The Group is committed on the following types of lease obligations:

- Commercial leases on plant and mining equipments
- Commercial leases on office equipments
- Lease of office spaces

As at December 31, 2009, the future aggregate minimum operating lease payments over the next five years and thereafter under non-cancellable operating leases are as follows:

	OPERATING LEASES	TENEMENT OBLIGATION
2010	970	1,410
2011	321	1,281
2012	321	1,219
2013	321	652
2014	239	431
Thereafter	147	2,843
	2,319	7,836

The Group also leases various plant and machinery under cancellable operating lease agreements. The Group is required to give a three- to six-month notice for the termination of these agreements.

Compania Minera El Colorado

On September 23, 2009, the Group was served with a lawsuit of AR\$50,000 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. At the time of reporting, management has no information to evaluate the possible outcome of this new lawsuit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AMOUNT IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED
YEARS ENDED DECEMBER 31, 2009 AND 2008

27. RELATED-PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in these financial statements, the Group entered into the following transactions with its majority shareholder:

(i) Purchases of service

	YEAR ENDED DECEMBER 31	
	2009	2008
Shared administrative costs and other purchases – majority shareholder	1,407	2,506

The Company incurred some administrative expenses from its majority shareholder. Services and other purchases, which are recorded at exchange amount, are at commercially reasonable terms and are usually negotiated with related parties on a cost-plus basis or on a lump sum basis.

(ii) Joint venture recoveries

The amounts in the consolidated statement of operations for joint venture recoveries represent the partners' share of accounting and administration services rendered to the joint ventures by LMRA. Those services are measured at cost.

(iii) Current balances with related parties

	AS AT DECEMBER 31	
	2009	2008
Receivables to related parties – majority shareholder (note 7)	73	129
Payables to related parties – majority shareholder (note 13)	(675)	(721)
	(602)	(592)

28. SEGMENT REPORTING

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:

- **Côte d'Ivoire** reflects the Group's joint venture interest in the operations of SMI, which operates the Ity gold mine in western Côte d'Ivoire 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, White Foil and Frog's Leg. The start-up of the White Foil mining operations was delayed in order to review the mining plan and milling opportunities. As at January 1, 2009, the Frog's Leg mine completed its development phase and was considered to have started its production phase in compliance

with management criteria. The sales generated from the Frog's Leg mine are now presented in the consolidated statement of operations as revenue. 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 Côte d'Ivoire and Sudan segments has one major customer that accounts for the majority of its revenue. Assets are attributed to where they are located. The Company analyzes the performance of its operating segments based on their net income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AMOUNT IN THOUSANDS OF CANADIAN DOLLARS UNLESS OTHERWISE STATED
YEARS ENDED DECEMBER 31, 2009 AND 2008

28. SEGMENT REPORTING (CONTINUED)

The tables below summarize the selected financial information by segment:

FOR THE YEAR ENDED DECEMBER 31, 2009						
	CÔTE D'IVOIRE	SUDAN	AUSTRALIA	ARGENTINA	OTHER	TOTAL
Revenue	27,355	27,022	48,485	–	2,562	105,424
Mine operating earnings (loss)	11,737	2,773	15,448	(573)	(7,358)	22,027
Interest income (expense)	148	8	(1,130)	7	166	(801)
Income tax expense	(3,417)	(500)	(4,256)	–	(616)	(8,789)
Net earnings (loss)	8,468	2,281	8,656	(530)	(7,496)	11,379
Depreciation and amortization	3,336	1,908	5,762	2	140	11,148
Capital expenditures	(2,942)	(5,093)	(14,659)	–	(5)	(22,699)

AS AT DECEMBER 31, 2009						
	CÔTE D'IVOIRE	SUDAN	AUSTRALIA	ARGENTINA	OTHER	TOTAL
Capital assets	11,010	14,282	50,734	3	1,477	77,506
Total assets	30,506	41,689	80,511	508	14,490	167,704

FOR THE YEAR ENDED DECEMBER 31, 2008						
	CÔTE D'IVOIRE	SUDAN	AUSTRALIA	ARGENTINA	OTHER	TOTAL
Revenue	22,318	27,344	1,501	–	2,476	53,639
Mine operating earnings (loss)	8,346	3,129	(4,932)	(1,112)	(5,474)	(43)
Interest income (expense)	3	190	(559)	–	167	(199)
Income tax expense	(2,368)	(473)	2,240	–	(537)	(1,138)
Net earnings (loss)	5,981	2,846	(3,251)	(1,112)	(9,872)	(5,408)
Depreciation and amortization	2,741	2,623	1,426	–	133	6,923
Capital expenditures	(2,736)	(2,952)	(14,821)	–	(230)	(20,739)

AS AT DECEMBER 31, 2008						
	CÔTE D'IVOIRE	SUDAN	AUSTRALIA	ARGENTINA	OTHER	TOTAL
Capital assets	12,927	12,798	37,837	1,227	329	65,118
Total assets	29,210	47,403	58,775	1,227	12,853	149,468

MINERAL RESERVES AND RESOURCES ^{1, 2, 3}

SHARE OF LA MANCHA RESSOURCES

DECEMBER 31, 2009	TONNES (T)	%	CU (T)	GRADE (G/T)	AU OUNCES (OZS)
GOLD OPERATIONS					
Hassaï Mines (40%) resources shown inclusive of reserves					
Proven Reserves	—			—	—
Probable Reserves	1,014,800			5.03	164,140
SubTotal	1,014,800			5.03	164,140
Measured Resource	1,484,400			1.91	91,094
Indicated Resources	3,636,400			3.82	446,332
Total Measured and Indicated	5,120,800			3.27	537,426
Inferred Resources	1,786,800			3.02	173,821
Ity Mine (45.9%) resources shown inclusive of reserves					
Proven Reserves	834,690			5.55	148,844
Probable Reserves	59,373			6.82	13,027
SubTotal	894,063			5.63	161,870
Measured Resource	1,507,356			4.26	206,412
Indicated Resources	1,190,187			2.54	97,170
Total Measured and Indicated	2,697,543			3.50	303,583
Inferred Resources	3,449,385			1.60	177,725
Frog's Leg (51%) resources shown inclusive of reserves					
Proven Reserves	162,915			6.51	34,102
Probable Reserves	2,053,909			5.00	330,128
SubTotal	2,216,825			5.11	364,230
Measured Resource	262,650			7.55	63,750
Indicated Resources	1,807,440			6.60	383,520
Total Measured and Indicated	2,070,090			6.72	447,270
Inferred Resources	655,860			5.21	109,905
White Foil (51%) resources shown inclusive of reserves					
Proven Reserves					
Probable Reserves	980,454			2.41	76,031
SubTotal	980,454			2.41	76,031
Measured Resource					
Indicated Resources	7,538,000			2.19	531,000
Total Measured and Indicated	7,538,000			2.19	531,000
Inferred Resources	471,000			1.58	24,000
PROJECT					
VMS (40%)⁴					
Indicated Resources	1,159,200	1.27	14,720	0.93	34,680
Total Measured and Indicated	1,159,200	1.27	14,720	0.93	34,680
Inferred Resources	19,392,000	1.19	230,400	1.33	831,200
Fetekro (65%)					
Inferred Resources	2,388,104			2.43	186,574
Total Gold resources shown inclusive of reserves					
Proven and probable Reserves	5,106,142			4.67	766,271
Measured and indicated Resources	18,585,633			3.10	1,853,959
Inferred Resources	28,143,149			1.68	1,503,225
Total Cu					
Measured and indicated Resources	1,159,200	1.27	14,720		
Inferred Resources	19,392,000	1.19	230,400		

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

- Reported mineral reserves have been calculated in accordance with definitions and guidelines adopted by the Canadian Institute of Mining, Metallurgy and Petroleum. Unlike proven and probable mineral reserves, mineral resources (of all categories) do not have demonstrated economic viability.
- In mining operations, measured and indicated resources are considered uneconomic at the price used for reserves calculations.
- All calculations dated at 31/12/2009 except Fetekro dated 31/12/2006.
- The VMS resources was calculated with a cut-off grade of 0,8% eq Cu.

MINERAL RESERVES AND RESSOURCES

SHARE OF LA MANCHA RESSOURCES

MINERAL RESERVES AND RESOURCES

Mineral reserves and resources have been estimated by La Mancha's technical personnel for each property in accordance with definitions and guidelines adopted by the Canadian Institute of Mining, Metallurgy and Petroleum (CIM « Standards on Mineral Resources and Reserves »). There are numerous uncertainties inherent in estimating proven and probable mineral reserves, including many factors beyond the Company's control. Reserve estimation is a subjective process, and the accuracy of any reserve estimate is a function of the quality of available data and engineering and of geological interpretation and judgment. Results from drilling, testing and production, as well as material changes in metal prices subsequent to the date of an estimate, may justify revision of such estimates.

La Mancha qualified persons¹ responsible for the mineral reserve and resource calculations for each mine or project are as follows:

FOR THE YEAR ENDED DECEMBER 31, 2009		
GOLD OPERATIONS	NAME	TITLE
Hassaï	Bosc, Remi Plyley, Bill	Independent Geologist, Arethuse Geology Sdn Bhd Chief operating officer, La Mancha Resources
Ity	Camus, Yann Plyley, Bill	Consultant Geologist, Systèmes Géostat International Inc.(Geostat) Chief operating officer, La Mancha Resources
Frog's Leg	Eddie, Trevor Plyley, Bill	Chief Geologist, La Mancha Resources Australia Chief operating officer, La Mancha Resources
White Foil	Plyley, Bill	Chief operating officer, La Mancha Resources
GOLD PROJECTS		
Fetekro	Eddie, Trevor	Chief Geologist, La Mancha Resources Australia
VMS	Bosc, Remi	Independent Geologist, Arethuse Geology Sdn Bhd

¹ Qualified person : an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation, mineral project assessment, or any combination of these, has experience relevant to the subject matter of the mineral project and the technical reports, and is a member in good standing of a professional association.

METALLURGICAL RECOVERY AND CUT-OFF GRADE

In calculating mineral reserves, cut-off grades are established using long-term gold price and foreign exchange assumptions, the average metallurgical recovery rates and estimated production costs over the life of the related operation. For an underground operation, a cut-off grade is calculated for each mining method, as production costs vary from one method to another. For a surface operation, production costs are determined for each block included in the relevant operation.

The following table indicates the cut-off grade calculations and the average metallurgical recoveries at La Mancha's gold mining operations of the proven and probable mineral reserves.

MINE	AVERAGE METALLURGICAL RECOVERY (GOLD %)	CUT-OFF GRADES (G AU / T)	GOLD PRICE USED (US\$ / OZ)
Hassaï Mine	66 to 86 ¹	0.8 to 1.5 ¹	650
Ity Mine	80	2.0	650
Frog's Leg	94.9	3.0	675
White Foil	91	1.2	810

¹ Varies depending on ore type