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QUARTERLY REPORT
SECOND QUARTER

10

LMA-TSX

Second Quarter 2010 Report

TABLE OF CONTENTS

Section A Second Quarter 2010 Highlights

HIGHLIGHTS

(unaudited)	Second Quarter ended June 30,		First 6 months ended June 30,	
(All amounts are in CDN dollars unless otherwise noted)	2010	2009	2010	2009
RESULTS (consolidated,in thousands of $)				
Revenues	54 541	28 365	82 381	53 025
Cash flow from operating activities	18 703	6 624	28 651	17 637
Net earnings (loss)	8 046	6 100	11 709	9 577
PER SHARE ($)				
Net earnings (loss)	0,06	0,04	0,08	0,07
Basic weighted average number of common shares outstanding (in thousands)	142 237	142 035	142 211	142 035
ATTRIBUTABLE GOLD PRODUCTION				
Number of ounces produced	42 857	27 755	64 511	46 451
Mine operating costs (US$ per ounce)	581	484	592	464

	June 30, 2010	December 31, 2009
FINANCIAL POSITION (in thousands of $)		
Cash and short-term investments	19 714	21 535
Total assets	152 469	167 704
Shareholders' equity	117 411	115 832
Total number of shares outstanding (in thousands)	142 374	142 184

	Second Quarter ended June 30,		First 6 months ended June 30,	
GOLD PRODUCTION STATISTICS	2010	2009	2010	2009
Australian Operations				
Frog's Leg (51%)				
Attributable Production (ounces)	24 706	15 933	34 495	22 226
Tonnage milled (t)	152 828	119 089	208 492	155 667
Grade milled (g Au/t)	5,4	4,5	5,5	4,8
Recovery rate (%)	94	93	94	93
Cash costs (US$ per ounce)	488	467	511	431
White Foil (100%)				
Attributable Production (ounces)	5 959	N/A	5 959	N/A
Tonnage milled (t)	89 678	N/A	89 678	N/A
Grade milled (g Au/t)	2,2	N/A	2,2	N/A
Recovery rate (%)	93	N/A	93	N/A
Cash costs (US$ per ounce)	882	N/A	882	N/A
African Operations				
Hassaï (40%)				
Attributable Production (ounces)	8 008	6 512	15 107	13 002
Tonnage milled (t)[1]	211 357	184 745	435 957	348 552
Grade milled (g Au/t)	4,3	4,3	3,9	4,6
Recovery rate (%)	68	63	68	63
Cash costs (US$ per ounce)	658	593	694	581
ITY (45.9%)				
Attributable Production (ounces)	4 184	5 310	8 950	11 223
Tonnage milled (t)[1]	65 439	116 920	164 571	240 327
Grade milled (g Au/t)	5,9	3,8	5,0	3,9
recovery rate (%)	73	80	73	80
Cash costs (US$ per ounce)	552	398	538	393

[1] On a 100% basis

Section B Management Discussion and Analysis

La Mancha Resources Inc. FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE- AND SIX-MONTH FISCAL PERIODS ENDED JUNE 30, 2010

The following management discussion and analysis ("MD&A") should be read in conjunction with the Company's MD&A and annual audited consolidated financial statements dated December 31, 2009, and the interim consolidated financial statements for the three- and six-month periods ended June 30, 2010, 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 August 6, 2010.

The interim consolidated financial statements as at June 30, 2010 and for the three- and six-month periods ended June 30, 2010 and 2009 have not been subjected to a review by the Company's external auditors. According to management, all adjustments accurately represent the results obtained in these periods. The adjustments made were of a normal recurring nature.

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.

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 two in Australia, including White Foil, which entered into mining operation in March 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 three- and six-month periods ending June 30, prepared on the basis described above.

SECOND QUARTER HIGHLIGHTS

- Net earnings of $8.0 million
- Cash flow from operating activities of $18.7 million
- Corporate debt gets fully repaid while cash position remains strong at $19.7 million
- Record quarterly gold production of 42,857 ounces, up 54% year over year
- Successful start-up of the White Foil mine operation with 5,959 ounces of gold produced during the quarter

OVERALL PERFORMANCE

La Mancha Resources Inc. (TSX: LMA, hereinafter "La Mancha" or the "Company") is pleased to report that its 2010 second quarter production totalled 42,857 ounces of gold compared to 27,755 ounces of gold for the same quarter last year. This 54% increase in production is the result of the continued growth in production rate at Frog's Leg, the start-up of the White Foil mine, which became La Mancha's fourth producing mine during the quarter, and the improved performance of the Hassaï mine.

Consolidated cash costs for the second quarter of 2010 were US $581 per ounce of gold. This represents a 20% increase compared to the US $484 per ounce for the same quarter of 2009. The year-over-year increase in cash costs can be explained by an upward industry trend in operating costs and by the higher cost structure at the new White Foil mine. It is worth noting, however, that the Company managed to buck the industry trend during the second quarter, reducing its cash costs relative to the first quarter of the year at its two main producing mines, Frog's Leg (-14%) and Hassaï (-10%).

La Mancha's second quarter revenues almost doubled to $54.5 million this year from $28.4 million last year, due mainly to significantly stronger production and, to a lesser degree, favourable changes in gold prices.
La Mancha generated a record $18.7 million in cash flow from operating activities in the second quarter of 2010, compared to $6.6 million in the corresponding quarter of 2009. This cash influx, together with the sale of non-strategic securities for $2.1 million during the quarter, enabled La Mancha to repay $13.9 million on the debt facility contracted with AREVA in 2007. As of June 30, 2010, the AREVA debt facility was fully repaid but remained available for its full amount (AUD 22.0 million). The said AREVA facility is set to expire on December 31, 2011. La Mancha's cash and short-term investments amounted to $19.7 million as at June 30, 2010.

La Mancha recorded net earnings of $8.0 million for the second quarter of 2010, as each mine continued to post positive results. This compares to net earnings of $6.1 million for the second quarter of 2009. Net earnings were impacted by an $887,000 withholding tax provision recorded in anticipation of a tax payment made in July in relation to the inter-company interest payments to be made by La Mancha Australia to La Mancha Inc**.** This exceptional charge was partially mitigated by a $477,000 capital gain recorded on the sale of non-strategic securities.

For the first half of 2010, La Mancha posted net earnings of $11.7 million while its attributable gold production totalled 64,511 ounces of gold. This compares to net earnings of $9.6 million and gold production of 46,451 ounces in the same period of 2009.

AUSTRALIAN OPERATIONS

The **Frog's Leg** mine generated 24,706 ounces of gold net to La Mancha at an average cash cost of US $488 per ounce (AU $551 per ounce) during the second quarter of 2010 compared to 15,933 ounces at an average cash cost of US $467 per ounce (AU $615 per ounce) generated in the corresponding period of 2009.

This record quarterly gold production represents a year-over-year increase of 55%, while the cash costs per ounce in Australian dollars decreased by 10% over the same period. This strong performance, supported by a ramp-up in underground ore extraction and increased milling capacity, reaffirms the mine's capacity to meet its 2010 production target. During the first six months of the year, the mine generated 34,495 ounces of gold for La Mancha, passing the halfway mark toward the objective of generating between 60,000 and 70,000 ounces of gold for the year.

Second quarter underground gold ounces extracted increased by 55% year over year due to the mine's continued ramp-up while gold grades increased to reach levels in line with the average grade of the reserve.

The following table shows the steady quarter-over-quarter increase in both underground tonnage mined and gold grades .

Data provided for 100% of the mine	Three-month period ended June 30, 2009	Three-month period ended Sept. 30, 2009	Three-month period ended Dec. 31, 2009	Three-month period ended March 31, 2010	Three-month period ended June 30, 2010
Underground ore mined (t)	149,764	169,400	148,235	174,532	177,753
Apparent grade mined (g Au/t)	4.23	5.11	5.28	4.82	5.51
Apparent gold content of ore mined (oz)	20,349	27,808	25,178	27,060	31,460

During the quarter, the paste backfill plant was completed and put into operation, with the first stope filled in early May. The more effective mine stability that paste-fill provides over other backfill methods will enable higher extraction of ore at depths below the current resource. Exploration resource definition drilling is currently in progress to extend the Frog's Leg resource.

The 100%-owned **White Foil** mine officially became La Mancha's fourth producing asset and second mine to be put to production in less than two years, as the mine marked its first gold pour on April 16, 2010. During the second quarter, 5,959 ounces of gold were produced at a cash cost of US $882/oz.

Mining operations, which began on March 4, 2010, have generated a total of 192,246 tonnes of ore at an average grade of 2.03 g/t Au, while the first milling campaign at the Three-Mile-Hill treatment plant processed 89,678 tonnes of ore. Consequently, roughly 102,568 tonnes of ore at 1.85 g/t Au were stockpiled at quarter-end. While the next 100,000-tonne processing campaign at Three-Mile-Hill is scheduled for September, excess mill capacity at the nearby Greenfield plant may be filled with White Foil ore during the third and fourth quarter.

AFRICAN OPERATIONS

The **Hassaï** mine's gold production remains in line with the 2010 forecast, as output totalled 20,021 ounces of gold (8,008 ounces attributable to La Mancha) at an average cash cost of US $658 per ounce for the second quarter of 2010. This compares to 16,280 ounces of gold (6,512 ounces attributable to La Mancha) produced in the second quarter of 2009 at a cash cost of US $593 per ounce. Gold output increased due to a significant increase in mill throughput, notably due to ongoing improvements at the quartz mill circuit, and an increase in the gold recovery rate.

The construction of the dust vacuum system on the quartz processing circuit was completed in July. The system is now in operation and should further increase production by helping to reduce downtime at the plant.

Cash costs per ounce increased over the corresponding period of 2009, due mainly to the inflation pressure felt on the price of most of the consumables used on site and, to a lesser degree, to the increased royalty charges arising from higher gold prices. It is worth mentioning, however, that the second quarter marked a trend reversal, as cash costs decreased 10% over the first quarter of 2010 mainly due to the better grade milled.

The **Ity** mine produced a total of 9,116 ounces of gold (4,184 ounces attributable to La Mancha) at an average cash cost of US $552 per ounce during the second quarter of 2010, compared to 11,568 ounces of gold the previous year (5,310 ounces attributable to La Mancha) at an average cash cost of US $398 per ounce. As anticipated, production decreased despite the higher gold grades milled, due to a production shutdown in May to replace the old heap leaching area. The benefits of the new leaching pads, in operation by quarter end, should start being felt in the third quarter when the first leaching cycle ends.

The cash cost per ounce for the quarter increased, due mainly to the lower production volume caused by the aforementioned production shutdown and, to a lesser degree, to the continued unfavourable copper- and sulphide-rich ore, which necessitates more cyanide spraying and longer leaching cycles. As mentioned earlier this year, gold production is expected to improve in the second half of the year as mining moves away from the current mining area and the new leach area is put into operation.

VMS DEVELOPMENT PROJECT

Management remains confident that the results of the upcoming Preliminary Economic Assessment ("PEA") for the VMS project will be released during the third quarter of 2010. The main purpose of the PEA is to provide a first look at the economic viability of a VMS project at the Hassaï property based on a series of assumptions that include operating and development costs, and to provide a recommendation for the future of the project.

SELECTED YEAR-TO-DATE INFORMATION (unaudited)

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

Fiscal period	Six months ended June 30, 2010 $'000	Six months ended June 30, 2009 $'000
Net sales	82,381	53,025
Net income		
In total	11,709	9,577
Per share - basic and fully diluted[1]	0.082	0.067
	As at June 30, 2010 $'000	**As at Dec 31, 2009 $'000 (audited)**
Total assets	152,469	167,704
Total long-term financial liabilities	6,669	24,368
Cash dividends declared	none	none

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

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 projects for the three– and six-month periods reported on.

		Three months ended		Six months ended	
		June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Hassaï	Tonnage milled ('000 tonnes) [1]	211	185	436	349
	Grade milled (g Au/t)	4.3	4.3	3.9	4.6
	Attributable gold production (oz)	8,008	6,512	15,107	13,002
	Cash costs (US$ per ounce)	658	593	694	581
Ity	Tonnage milled ('000 tonnes)	65	117	165	240
	Grade milled (g Au/t)	5.9	3.8	5.0	3.9
	Attributable gold production (oz)	4,184	5,310	8,950	11,223
	Cash costs (US$ per ounce)	552	398	538	393
Frog's Leg	Tonnage milled ('000 tonnes)	153	119	208	156
	Grade milled (g Au/t)	5.4	4.5	5.5	4.8
	Attributable gold production (oz)	24,706	15,933	34,495	22,226
	Cash costs (US$ per ounce)	488	467	511	431
White Foil	Tonnage milled ('000 tonnes)	90	-	90	-
	Grade milled (g Au/t)	2.2	-	2.2	-
	Attributable gold production (oz)	5,959	-	5,959	-
	Cash costs (US$ per ounce)	882	-	882	-
Total	Attributable gold production (oz)	42,857	27,755	64,511	46,451
	Cash costs (US$ per ounce)	581	484	592	464

Revenues

The following table sets out sales by entity:

Quantities (oz)	**Three months ended**		**Six months ended**	
	June 30, 2010	**June 30, 2009**	**June 30, 2010**	**June 30, 2009**
Hassai (40%)	8,242	6,269	15,583	12,975
Ity (45.9%)	4,288	5,377	9,224	12,112
Frog's Leg (51%)	26,128	14,163	37,652	22,460
White Foil	5,959	-	5,959	-
TOTAL SALES (oz)	**44,617**	**25,809**	**68,418**	**47,547**
Total revenues ($'000)	**54,541**	**28,365**	**82,381**	**53,025**

Revenues for the second quarter of 2010 were $54.5 million, up 92.3% from $28.4 million for the same period last year. This variance resulted from two factors: first, a strong increase in volume (impact of $20.2 million in revenues compared to the same period last year) mainly due to the ramp-up of production at the Frog's Leg mine and the start of production at the White Foil mine, and to a lesser extent to the improved performance at the Hassaï mine in Sudan; and second, higher prices (impact of $5.9 million) due to the continuing rise in the gold price denominated in US$/oz and in €/oz, somewhat offset by unfavourable foreign exchange rates for the AU$ against the US$ and the CA$ for the period from June 2009 to June 2010.

During the second quarter of 2010, 4,288 ounces of gold from the Ity mine (La Mancha's share) were sold at an average price of US $1,204 (€957) per ounce, compared to 5,377 ounces of gold sold at an average price of US $918 (€674) for the same period last year. The volume sold decreased by 20% compared to the second quarter of 2009 because the processing plant was shut down in May while the leaching pads were being relocated.

During the second quarter of 2010, a total of 8,242 ounces of gold from the Hassaï mine (La Mancha's share) were sold at an average price of US $1,203 (€947) per ounce compared with 6,269 ounces of gold sold at an average price of US $920 (€675) per ounce in the same period of 2009. The higher volume sold is explained by a higher tonnage milled and a 23% increase in the volume of gold produced relative to last year.

During the second quarter of 2010, 26,128 ounces of gold from the Frog's Leg mine (La Mancha's share) were sold at an average price of US $1,188 (AU $1,320) per ounce compared with 14,163 ounces of gold sold at an average price of US $922 (AU $1,219) per ounce in the same period of 2009. This improvement is due to a 29% increase in tonnage milled thanks to greater toll milling availability and a higher grade milled (5.4 g AU/t in the second quarter of 2010 versus 4.5 g AU/t in the corresponding period of 2009).

Furthermore, the start of production at the White Foil mine during the second quarter of 2010 led to the sale of 5,959 ounces at an average price of US $921 (Au $1,346) per ounce.

The Company has extended the short-term hedging program put in place in 2009 into 2010 and the first quarter of 2011. This hedging program, at zero cost, is designed to secure significant cash flow from approximately 25% of the Company's 2010 gold production. It guarantees 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 mine 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 up to US $1,320 and €893 in the gold price per ounce for production from the Frog's Leg and African mines, respectively. For the first quarter of 2011, the minimum guaranteed selling prices are AU $1,232 and €780 per ounce for approximately 25% of quarterly attributable production based on 2010 production from the Frog's Leg and the two African mines respectively.

An option was exercised during the three-month period ended June 30, 2010, resulting from the increase in the spot gold price denominated in €/oz above the limited selling price of €893 through the hedging program; consequently the Company recorded a loss of $77,000 in the consolidated statement of operations.

Average realized gold prices were as follow:

Gold price per ounce	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Average market gold price for the period	US $1,196 €940 AU $1,355	US $922 €677 AU $1,215	US $1,152 €874 AU $1,296	US $915 €687 AU $1,291
Average gold price realized by La Mancha for the period	US $1,196 €950 AU $1,325	US $920 €674 AU $1,219	US $1,164 €879 AU $1,298	US $910 €687 AU $1,240

Cost of Sales

The cost of sales for the second quarter of 2010 was $34.5 million, up 101.7% from $17.1 million for the same period in 2009, while revenues increased by 92.3%. Gross margin was 36.7% of revenues compared to 39.7% for the previous year. This reflects the increase in the average cost of sales per ounce mainly due to the increase in unit cash cost.

The average unit cash cost was US $581 for the second quarter of 2010, up 20% from US $484 for the same period in 2009, but decreased by 5% versus the first quarter of the year. The negative changes in unit cash cost over the corresponding period of 2009 arose primarily from the following factors:

- the decrease in gold production at Ity mine due to significantly lower mill throughput with the temporary plant shutdown and a lower recovery rate, despite a higher gold grade;
- a strong increase in cyanide consumption due to a high level of copper present in the ore material at the Ity mine, and also a sharp increase in cyanide and electricity prices over the period at the Ity and Hassai mines;

- at the new producing White Foil mine, high cost structure generating high cash cost per ounce;
- at the Frog's Leg mine, higher mining costs as mining depth increases, and higher contracted toll milling costs;
- unfavourable fluctuation in currency exchange rates, with a 14% appreciation in the Australian dollar against the US dollar;
- during the second quarter of 2010, the cost of sales was also penalized by an impairment of $1.0 million related to the gold in old heaps at the Hassaï mine, which can no longer be recovered.

At the Frog's Leg underground mine, backfilling using paste fill commenced in April 2010 once the paste-fill plant was commissioned in the first quarter of 2010. Backfill costs are capitalized and amortized on a units-of-production basis over total reserves.

Exploration and Evaluation Expenses

During the second quarter of 2010, the Company incurred total exploration and evaluation expenses of $2.0 million compared to $1.2 million in 2009. These expenses were mainly related to:

- the drilling campaign underway at the Bondoukou area since the end of February, followed by exploration drilling at Fetekro and ground survey work in the Katiola and Sissedougou areas of Côte d'Ivoire; and
- ongoing exploration work in Australia, comprising a drilling campaign at the Kintore tenement and a drilling campaign to evaluate the further potential at depth at the Frog's Leg mine.

General and Administrative Expenses

For the second quarter of 2010, general and administrative expenses were $3.1 million, compared to $2.9 million for the same quarter the previous year.

Other Operating Income / Expense

During the second quarter of 2010, other operating expenses amounted to $1.5 million compared to other operating income of $1.2 million in 2009. This amount is mainly related to a non-cash loss of $1.6 million for the change in the fair value of the gold collar contracts, compared to a non-cash gain of $1.5 million the previous year. These collar contracts do not qualify for hedge accounting, and any change in the fair value, time value or intrinsic value is recorded in the consolidated statement of operations. These two components of the fair value of the collar contracts are non-cash items that will gradually fall to reach nil when the collar contracts expire.

The operating costs related to maintenance and ongoing dewatering costs at the White Foil mine in Australia have been included in the cost of sales since the start of mining operation in March 2010.

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 $0.12 million during the second quarter of 2010, compared to $0.04 million the previous year. This amount is directly linked to joint venture expenditures.

Interest Income / Expense

The Company recorded a net interest expense of $0.10 million for the second quarter of 2010 compared to a net interest expense of $0.15 million the previous year. This item consists of a $0.26 million interest expense mainly related to the loan agreement put in place with the majority shareholder at the end of March 2008 for the financing of the Australian projects, net of $0.17 million in interest income on cash deposits.

Gain (Loss) on Investments

As at December 31, 2009, the Company held a total of $11.9 million in long-term notes issued by Master Asset Vehicle II. During the second quarter of 2010, the Group recorded a reduction in fair value of $103,000 due to higher discount rates and lower interest rates, compared to a gain of $499,000 for the same period the previous year. As at June 30, 2010, the fair value of the Group's ABCP was estimated at $6.7 million.

This estimate could change materially in subsequent periods.

In April, 2010, the Company sold 1,100,982 shares of its remaining investment in Avoca Resources Inc. for a consideration of $2.1 million (AU $2.3 million), realizing a $476,000 gain on disposal, recorded in gain on investments.

Other Income (Expense)

During the second quarter of 2010, other expense amounted to $0.9 million compared to $41,000 in 2009. This amount relates to the withholding tax payable to Australian authorities on the interests on the La Mancha Inc. loan to the Australian subsidiary.

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 5 to the Financial Statements includes uncertainty with respect to the two long-term notes held by the Company:

As at June 30, 2010, the Company continues to hold the following notes issued by Master Asset Vehicle II ("MAV 2"): $2.918 million of Class A-1 Notes, $6.521 million of Class A-2 Notes, $1.184 million of Class B Notes, $329,000 of Class C Notes and $949,000 of Class IT Class 3 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 have been designated as held-for-trading. Although there have been some isolated transactions subsequent to the completion of the Plan restructuring on January 21, 2009, there were no active market quotations available for these Long-Term Notes as of June 30, 2010. The Class A-1, A-2, B and C Notes legally mature in 2056. However, the expected maturity date is in 2016.

As at June 30, 2010, there remained a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the Long-Term Notes. The Company estimates the fair values of the Long-Term Notes using a valuation technique which incorporates a probability-weighted approach applied to discounted future cash flows considering the best available data regarding market conditions for such investments as at June 30, 2010. The discount rates consider factors that include the BA rate, credit spread applicable to the credit rating, and premiums for lack of liquidity.

Due to their characteristics and the market conditions, the Group estimated that the fair value of the Class C Notes and the Class IA Tracking Notes (the underlying assets of Tracking Notes have exposure to U.S. sub-primes mortgages) is nil as at June 30, 2010.

Based on the discounted cash flow model as at June 30, 2010, the fair value of the Company's Notes was estimated at $6.7 million (2009 - $6.8 million). For the three and six month period ended June 30 2010, the Group recorded $(103,000) (2009: $499,000 and $27,000) in loss on investment on the consolidated statement of operations. The decrease of $104,000 in fair value during the three and six month periods ended June 30,2010 (2009: $384,000 and $(486,000)) was due to a fair value adjustment of $103,000 due to higher discount rates and lower interest rates, and to principal repayments of $1,000. The Company has recorded the fair value adjustment expense in gain (loss) on investments.

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 June 30, 2010, 2010, 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 would decrease the fair value by approximately $369,000.

Note 11 reports on a contingency event related to the company Minera Patagonia:

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 bankrupt on July 20, 2009.

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. On April 29, 2010, the commercial courts of the City of Buenos Aires accepted the request presented. The Group has until August 11, 2010, to present an answer to the court. At the time of reporting, management is evaluating the possible outcome of the court's decision.

Note 11 to the Financial Statements also reports on a lawsuit filed before the commercial court of Buenos Aires against the Company by a former partner in the Hualilan II project :

On September 23, 2009, the Group was served with a lawsuit of US$ 29.0 million 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. A request for clarification was sent by the Group to the court. In the following months, the court should order the opening of the evidence period. At the time of reporting, management has no information to evaluate the possible outcome of this lawsuit. No accrual has been recorded with respect to this case.

SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

Fiscal quarter ended	Net sales ($'000)	Net income/(loss) ($'000)	Net income/(loss) per share [1]	Net income per share, fully diluted
June 30,2010	54,541	8,046	0.057	0.056
March 31, 2010	27,840	3,663	0.026	0.026
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	0.024	0.024
December 31, 2008	14,935	1,188	0.008	0.008
September 30, 2008	12,151	(1,638)	(0.012)	(0.012)

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

CASH FLOWS

Operating activities generated cash flow of $18.7 million during the second quarter of 2010, up from $12.1 million in the corresponding period in 2009. This was due to the increase in revenues resulting from the ramp-up of the Frog's Leg mine and the addition of White Foil, the fourth producing mine, and to the increase in gold prices over the year. Working capital items as a whole remained stable compared to the same period last year. Inventories kept declining due to the milling of the quartz ore at the Hassai mine and the milling of new ore from the White Foil mine and stockpiled ore at the Frog's Leg mine at the end of the first quarter for the milling campaigns that took place in April 2010.

Investing activities used $3.7 million in cash flow in the second quarter of 2010 compared to $4.2 million in the same period of 2009. Capital expenditures amounted to $6.8 million versus $4.2 million in the second quarter of 2009. These investments are mainly related to ongoing development at the Frog's Leg underground mine in Australia ($3.4 million versus $2.9 million for the same period in 2009) and the increase in capital expenditures for the heap relocation project at Ity mine ($2.1 million versus $0.9 million for the second quarter of 2009) and the dust suppression project and plane overhaul at the Hassaï mine ($1.3 million versus $0.4 million for the second quarter of 2009). Furthermore, this aggregate includes proceeds of $2.1 million from the completion of the sale of the shares of Avoca Resources Inc. and net proceeds of $1.6 million in short-term investments, representing cash operational surpluses invested for three- and six-month periods by the Ivorian and Sudanese entities.

Financing activities used cash flow of $14.3 million during the second quarter of 2010, having used $3.9 million in the same period of 2009; thanks to the increase in cash flow generated at the Frog's Leg mine, an amount of $13.9 million was repaid on the medium-term line of credit from the majority shareholder, corresponding to the full reimbursement of this financial debt, as $3.6 million was already repaid on this credit line during the second quarter of 2009. The Australian entity also repaid $0.5 million in capital lease obligations over the quarter compared to $0.3 million in 2009. Furthermore, some stock options were exercised and generated proceeds of $88 during the quarter.

LIQUIDITY

As at June 30, 2010, the Company's balance sheet showed current assets of $66.2 million, down $5.6 million from year-end. This decrease is mainly explained by a net loss on the translation of the financial statements of self-sustaining foreign operations due to the change in the CA$ exchange rate against the € (1.30 as at June 30, 2010 versus 1.50 as at Dec. 31, 2009), and the decrease in cash due to the full reimbursement of the Australian financial debt to the major shareholder, partially offset by the increase in cash generated by operations. Working capital amounted to $37.9 million, with current assets exceeding total liabilities by $31.2 million after deducting long-term liabilities of $6.7 million.

The Restructuring Plan related to the ABCP issue was implemented in January 2009. The Company received new Notes once again available for trading. The Company considers that it has access to sufficient funds from its cash and cash equivalent balances, operating cash flows and borrowings to execute its operating and development plan in the normal course of business.

CAPITAL RESOURCES

A medium-term credit line agreement with the Company's majority shareholder provides for a line of credit of up to a maximum of AU $22 million to finance the Australian projects. The credit line bears interest based on the LIBOR three- or six-month index plus 2.75% per year, depending on the maturity of each withdrawal. During the second quarter of 2010, the ramp-up of the Frog's Leg mine allowed all of the withdrawals to be repaid, corresponding to an amount of $13.9 million. This credit line remains in force until December 31, 2011.

Total lease liabilities for the Frog's Leg mine equipment in Australia stood at $3.1 million as at June 30, 2010.

STATUS AND OUTLOOK OF MINING OPERATIONS

La Mancha still expects to produce between 120,000 and 140,000 ounces of gold in 2010, as stated in its 2009 annual MD&A.

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.

There were no material changes to the Company's ICFR during the most recently-ended interim period that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

CHANGES IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION

The Company has been subject to new accounting standards since January 1, 2010, namely CICA Section 1582, *Business Combinations,* which expands the definition of a business subject to an acquisition and provides significant new guidance, and CICA Section 1602 and 1601, respectively *Consolidated Financial Statements* and *Non–Controlling Interests*. The adoption of these sections had no significant effect on the Company's 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

As described in the last annual MD&A, the Company has established a changeover plan to adopt IFRS by 2011. Based on work performed to date and the current status of IFRS, many of the differences identified between IFRS and Canadian Gaap are not expected to have a material effect on the Company's reported results and processes. At this time, the Company cannot quantify the full impact that the future adoption of IFRS will have on the financial statements.

Project Plan Status

The IFRS changeover plan consists of three major phases. Progress made to date and expected timelines with respect to each of these phases are summarized below ; this information reflects our most recent assumptions and expectations; circumstances may arise, such as changes in IFRS, regulations or economic conditions, which could change these assumptions or expectations:

Phase	Description	Status	Expected timeline
Phase 1 Scoping and Diagnostics	• Perform a high-level assessment to identify the key differences between Canadian GAAP and IFRS most likely to impact the Company; • establish project strategy, infrastructure and timeframe; • train core internal resources involved in the conversion project; • recruit supporting external resources.	Completed in the first half of 2009	N/A
Phase 2: Impact Analysis, Evaluation and Design	Perform 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 Company. The following summarizes the key elements of the Company's IFRS changeover plan:		
	1. Accounting policies and procedures Preliminary conclusions are currently under review for the majority of accounting policy choices and differences identified between IFRS and Canadian GAAP, as applied by the Company: • expected impacts on transition date are described in the section "First-Time	In progress	Original expected deadline: Q2 Q3/Q4 2010

	Adoption of IFRS" below; • key areas where changes in accounting policies are expected are identified in the section "Expected Areas of Significance" below.		
	2. Financial statement preparation • Develop a model for the Company's IFRS financial statements. • Identify information gaps and necessary changes in reporting, processes, systems and controls. • Design a process to prepare the IFRS comparative information.	In progress	Q3/Q4 2010
	3. Training and communication Engage subject matter expert to assist in the transition and provide the appropriate training to affected employees	Ongoing	Q3/Q4 2010
	4. Business impacts Determine how the changes affect other stakeholders	In progress	Q3 2010
	5. IT systems Determine the changes necessary to information technology and data systems, including how to accumulate the data necessary for the fiscal 2010 comparatives	In progress	Q3 2010
	6. Control environment Reflect significant changes to the existing accounting policies and practices on: • internal control over financial reporting; and • disclosure controls and procedures, including investor relations and external communications plans.	In progress	Q3 2010
Phase 3: Implementation and Review	• Implement the conclusions reached in the Phase 2 review by making changes to business and accounting processes and supporting information systems; • Prepare the formal documentation on the final and approved IFRS-compliant accounting policies and procedures; • Prepare financial statements and related note disclosures to comply with IFRS, including 2010 comparative figures.	Starting Q3 2010	Q4 2010 / Q1 2011
Post implementation	Prepare IFRS financial statements for the interim periods and the year ending December 31, 2011.	Starting in 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 based on the information available at this time. In addition, the effects on the Company's commercial activities in terms of financial covenants, contractual agreements, incentive plans, budgeting and financial risk management strategies, for example, have been assessed as relatively minor to date. 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. The major areas where additional work is currently being performed are as follow:

- Property, plant and equipment
- Provisions, contingent liabilities and contingent assets
- Current and future income tax assets and liabilities
- Financial instruments

Thus far, the quantitative impacts resulting from conclusions reached, other than the cumulative translation adjustments reclassification described in the section below, are not significant. Most adjustments required on changeover 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. Transitional adjustments relating to those standards where comparative figures are not required to be restated will only be made as of the first day of the year of adoption.

The Company's IFRS project continues to be on target to meet the changeover date.

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 to the general requirement for full retrospective application of IFRS. The Company should complete the analysis of the few remaining accounting policy choices that are not concluded upon yet during the next quarter and will implement those determined to be most appropriate in the circumstances.

The exemption that has been identified to date as having the most relevance for the Company relates to cumulative foreign currency translation differences, whereby the balance of the cumulative translation adjustments of $2.261 million as at January 1, 2010, will be reset to zero. In addition, the Company is expecting to elect the following optional exemptions:

- business combinations: IFRS 3 "Business Combinations" will not be applied retrospectively to business combinations completed before January 1, 2010;
- borrowing costs: IAS 23 "Borrowing Costs" will be applied prospectively beginning January 1, 2010.
- decommissioning liabilities included in the cost of property, plant and equipment: IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Liabilities" requirements with respect to changes in such liabilities that occurred before January 1, 2010, will not be applied;
- share-based payment transactions: IFRS 2 "Share-based Payment" will not be applied to equity instruments that were granted on or before November 7, 2002, or to equity instruments that were granted after November 7, 2002, and vested before January 1, 2010.

The need to elect the "fair value or revaluation as deemed cost" exemption, which allows the Company to measure an item of property, plant and equipment at the date of transition to IFRS at its fair value and use that fair value as its deemed cost at that date, is still under analysis as it will be influenced by the conclusions reached on other property, plant and equipment subject.

Expected Areas of Significance

No areas of significance other than those already described in the last annual MD&A have been identified, namely Property, plant and equipment, Provisions, Impairment of assets and Production stripping costs.

Even if, as described in the last annual MD&A, significant differences exist between IFRS and Canadian GAAP with respect to Impairment of assets, these differences will not have any impact on the Company unless management becomes aware of any impairment indicators on any of its cash generating units.

The "Extractive Activities" discussion paper was published in April 2010 and was open for comments until July 30, 2010. Current IFRS 6 requirements allow mining entities to retain their existing policies for the capitalization of exploration and evaluation costs until more definitive guidance is developed. Moreover, the current Canadian GAAP approach to account for production stripping costs, which requires expensing them unless they represent a betterment of the mineral property, is also currently acceptable under IFRS. The Company has concluded that, until the publication of more definitive guidance on these matters, the preferred option would be to retain the existing policy.

The differences identified above are those existing based on Canadian GAAP and IFRS as of today. This list should not be regarded as a complete list of changes that will result from transition to IFRS. It is intended to highlight those areas the Company believes to be most significant. However, the analysis of possible changes is still underway, and not all decisions have been made where choices of accounting policies are available. Until the analyses and choices are finalized, the Company is not able to reliably quantify the impacts expected on its consolidated financial statements for these differences.

We would also note that the standard-setting bodies that promulgate IFRS and, to a lesser extent, Canadian GAAP, continue to have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements in future years. Many of these projects may become required after 2011. However, it may be possible to early-adopt them to reduce the number of accounting policy changes in the future. Such projects and interpretations that may be relevant for the Company, other than Extractive activities as discussed above, include Production stripping costs, Liabilities, Financial instruments and hedge accounting and Financial statements presentation. 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.

Depending on the timing of publication of the final standards that may arise from these projects and their impact on the Company, opportunities to early-adopt any new standard will be assessed during 2010 and 2011. The future impacts of IFRS will also depend on the particular circumstances prevailing in those years. The Company has processes in place to ensure that such potential changes are monitored and evaluated.

OTHER REQUIRED DISCLOSURE

Outstanding Share Data

The Company had the following issued and outstanding securities as at June 30, 2010, and August 6, 2010:

Common shares	**Number of shares**	
June 30, 2010	142,374,350	
August 6, 2010	142,450,850	
Stock options	**Number of options**	Number of common shares if all options are exercised
June 30, 2010	1,305,000	
August 6, 2010	1,305,000	1,305,000

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
August 6, 2010

Section C Consolidated Financial Statements

La Mancha Resources Inc.

Interim Consolidated Financial Statements
As at June 30, 2010
and for the Three- and Six-Month Periods Ended
June 30, 2010 and 2009

(unaudited)

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

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Table of contents

La Mancha Resources Inc.

Interim Consolidated Balance Sheets

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

	Note	As at June 30 2010	As at December 31 2009
ASSETS			
Current assets			
Cash and cash equivalents		13,965	13,087
Short-term investments		5,749	8,448
Accounts receivable		14,854	11,096
Inventories	4	29,607	35,741
Income taxes recoverable		114	323
Future income tax asset		477	400
Other current assets		1,230	1,554
Derivative financial instruments	9	253	1,211
Total current assets		**66,249**	**71,860**
Capital assets			
Property, plant and equipment		73,734	76,944
Finite-life intangible assets		555	562
Total capital assets		**74,289**	**77,506**
Other Long-term assets			
Restricted cash		2,389	1,903
Future income tax asset		2,407	7,011
Derivative financial instruments	9	–	334
Investments and other assets	5	7,135	9,090
Total other long-term assets		**11,931**	**18,338**
Total assets		**152,469**	**167,704**

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

Signed on behalf of the Board

"Dominique Delorme"

"Johanne Duchesne"

La Mancha Resources Inc.
Interim Consolidated Balance Sheets (continued)
Amounts in thousands of Canadian dollars unless otherwise stated
(unaudited)

	Note	As at June 30 2010	As at December 31 2009
LIABILITIES			
Current liabilities			
Bank indebtedness		105	–
Accounts payable and accrued liabilities		17,610	16,356
Income taxes payable		3,148	4,065
Other current liabilities		2,521	2,521
Current portion of capital lease obligations		1,889	2,092
Derivative financial instruments	9	1,835	1,162
Provisions for other liabilities and charges		498	573
Pension and other post-service benefit obligations		783	735
Total current liabilities		**28,389**	**27,504**
Long-term liabilities			
Future income tax liability		90	96
Long term debt	6	–	16,112
Capital lease obligations		1,258	2,273
Derivative financial instruments	9	–	383
Provisions for other liabilities and charges		3,654	3,755
Pension and other post-service benefit obligations		1,667	1,749
Total long-term liabilities		**6,669**	**24,368**
Total Liabilities		**35,058**	**51,872**
COMMITMENTS AND CONTINGENCIES	11		
SHAREHOLDERS' EQUITY			
Common stock		41,654	41,541
Stock options	8	216	156
Contributed surplus		44,139	44,139
Retained earnings		39,269	27,560
Accumulated other comprehensive income		(7,876)	2,436
Total shareholders' equity		**117,411**	**115,832**
Total liabilities and shareholders' equity		**152,469**	**167,704**

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

La Mancha Resources Inc.

Interim Consolidated Statements of Changes in Shareholders' Equity

Amounts in thousands Canadian dollars unless otherwise stated

(unaudited)

	Common Shares (number of)	Common Shares	Options and Warrants	Contri-buted Surplus	Retained Earnings	Accumulated other comprehensive income: Cumulated translation adjustment	Accumulated other comprehensive income: Assets available for sale	Total
Balance on December 31, 2008	**142,034,850**	**41,379**	**95**	**44,139**	**16,181**	**6,574**	**(1,591)**	**106,777**
Net loss for the six month period ended June 30, 2009					9,577			9,577
Change in cumulative translation adjustment						1,023		1,023
Change in unrealized gains and losses on available-for-sale investments							590	590
Stock-based compensation			38					38
Balance on June 30, 2009	**142,034,850**	**41,379**	**133**	**44,139**	**25,758**	**7,597**	**(1,001)**	**118,005**
Balance on December 31, 2009	**142,184,350**	**41,541**	**156**	**44,139**	**27,560**	**2,261**	**175**	**115,832**
Net earnings for the six month period ended June 30, 2010					11,709			11,709
Change in cumulative translation adjustment						(10,290)		(10,290)
Change in unrealized gains and losses on available-for-sale investments							(13)	(13)
Exercise of options	190,000	113	(26)					87
Stock-based compensation			86					86
Balance on June 30, 2010	**142,374,350**	**41,654**	**216**	**44,139**	**39,269**	**(8,029)**	**162**	**117,411**
Total of retained earnings and accumulated other comprehensive income							**31,402**	

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

Interim Consolidated Statement of Comprehensive Income

For the Three- and Six-Month Periods Ended June 30, 2010 and 2009

Amounts in thousands of Canadian dollars unless otherwise stated

(unaudited)

	Three-month period ended June 30		Six-month period ended June 30	
	2010	2009	**2010**	2009
Net earnings	8,046	6,100	11,709	9,577
Other comprehensive income				
• Change in cumulative translation adjustments	(4,744)	1,382	(10,290)	1,023
• Change in unrealized gains and losses on available for sale investments, net of income taxes of $(100) (2009: $(253))	44	524	109	590
• Portion of unrealized gains transferred to gains on investments in the consolidated statement of operations, net of income taxes of $52 (2009: $nil).	(245)	–	(122)	–
Comprehensive income	**3,101**	**8,006**	**1,406**	**11,190**

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

La Mancha Resources Inc.

Interim Consolidated Statement of Operations

For the Three- and Six-Month Periods Ended June 30, 2010 and 2009

Amounts in thousands of Canadian dollars except per share amounts

(unaudited)

	Three-month period Ended June 30		Six-month period Ended June 30	
	2010	2009	**2010**	2009
Revenue	54,541	28,365	82,381	53,025
Cost of sales	(34,531)	(17,118)	(51,893)	(30,744)
Gross margin	20,010	11,247	30,488	22,281
Operating expenses				
Exploration and evaluation expenses	(1,987)	(1,193)	(3,427)	(2,795)
General and administrative expenses	(3,080)	(2,875)	(6,008)	(5,556)
Other operating expenses	(1,495)	1,235	(1,774)	675
Joint venture management fee recoveries	116	35	187	73
Total operating expenses	(6,446)	(2,798)	(11,022)	(7,603)
Mine operating earnings	**13,564**	**8,449**	**19,466**	**14,678**
Other income (expenses)				
Interest income	167	107	356	212
Interest expense	(262)	(259)	(577)	(808)
Gain (loss) on investments (note 5 (a))	373	499	379	27
Foreign exchange loss	(33)	(25)	(29)	–
Other expense	(929)	(41)	(970)	(41)
	(684)	281	(841)	(610)
Earnings before income tax expense	**12,880**	**8,730**	**18,625**	**14,068**
Income tax expense	(4,834)	(2,630)	(6,916)	(4,491)
Net earnings for the period	**8,046**	**6,100**	**11,709**	**9,577**
Weighted average number of common shares outstanding				
Basic (note 7)	142,237,427	142,034,850	142,211,035	142,034,850
Diluted (note 7)	142,538,068	142,034,850	142,377,636	142,034,850
Earning per share				
Basic	0,057	0,043	0.082	0,067
Diluted	0,056	0,043	0,082	0,067

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

La Mancha Resources Inc.

Interim Consolidated Statement of Cash Flows

For the Three- and Six-Month Periods Ended June 30, 2010 and 2009

Amounts in thousands of Canadian dollars unless otherwise stated

(unaudited)

	Three-month period ended June 30		Six-month period ended June 30	
	2010	2009	**2010**	2009
Cash flows from operating activities				
Net earnings for the period	8,046	6,100	11,709	9,577
Non cash Items				
Depreciation and amortization	6,991	2,395	10,911	5,136
Future income tax expense	3,227	1,597	4,285	2,056
Net movements in provisions for liabilities & charges	237	(200)	350	110
Loss (gain) on disposal of properties	(5)	4	(1)	4
Derivative Financial Instruments (note 9)	1,611	(1,493)	1,598	(1,240)
Foreign exchange gain	33	25	29	–
Loss (gain) on investments (note 5)	(373)	(499)	(379)	(27)
Stock based compensation expense	52	19	86	38
Changes in working capital:				
Inventories	3,141	(1,087)	2,216	250
Accounts receivable	(4,258)	36	(4,360)	1,743
Prepaid expenses, deposits and other assets	330	(561)	274	(1,532)
Accounts payable and accrued liabilities	(400)	1,179	2,183	1,229
Income tax receivable/payable	71	(891)	(250)	293
Net cash generated from operating activities	**18,703**	**6,624**	**28,651**	**17,637**
Cash flows from investing activities				
Acquisition of property, plant and equipment	(2,834)	(1,411)	(6,109)	(2,689)
Exploration and evaluation costs capitalized	(3,997)	(2,824)	(7,269)	(6,025)
Proceeds from sale of equipment	9	–	9	–
Proceeds from sale of investments (note 5(a))	3,727	–	3,759	–
Net change in restricted cash	(572)	–	(572)	17
Net cash used in investing activities	**(3,667)**	**(4,235)**	**(10,182)**	**(8,697)**
Cash flows from financing activities				
Proceeds from borrowings	–	–	–	1,322
Repayment of borrowings	(13,932)	(3,592)	(15,625)	(3,592)
Repayment of capital lease obligations	(525)	(295)	(1,060)	(594)
Net change in bank indebtedness	80	10	107	256
Proceeds for issuance of share stock	87	–	87	
Net cash used in financing activities	**(14,290)**	**(3,877)**	**(16,491)**	**(2,608)**
Net increase (decrease) in cash and cash equivalents	**746**	**(1,488)**	**1,978**	**6,332**
Cash and cash equivalents at beginning of the period	13,648	16,602	13,088	8,576
Effect of exchange rates change on cash and cash equivalents	(429)	(188)	(1,101)	18
Cash and cash equivalents at end of the period	**13,965**	**14,926**	**13,965**	**14,926**
Supplemental disclosure of Cash Flow Information				
Cash paid during the period for:				
Interest	(216)	(338)	(507)	(537)
Income tax	(1,535)	(869)	(2,882)	(948)

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

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, Australia, Côte d'Ivoire and Sudan.

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 be able to raise, the required funds to engage in these activities and this could have an impact on the recoverability of a portion of the assets which is partly dependent on this assumption.

2. INTERIM FINANCIAL INFORMATION

The financial information presented as at June 30, 2010 and for the three- and six-month periods ended June 30, 2010 and 2009 is unaudited. However, in the opinion of management, all adjustments necessary to fairly present the results of these periods have been included. The adjustments which have been made are of a normal recurring nature. These unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and use the same accounting policies and methods used in the preparation of the Company's most recent annual consolidated financial statements, except for the adoption of new accounting standards as disclosed in Note 3. These unaudited interim financial statements do not include all disclosures required for annual financial statements and should therefore be read in conjunction with the Company's most recent audited annual consolidated financial statements.

On January 1, 2010, following the corporate office move, the functional currency was changed from the Canadian dollar to the Euro. The Group's reporting currency remains the Canadian dollar.

3. CHANGES IN ACCOUNTING POLICIES

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

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 Group adopted this new section on January 1, 2010. The adoption of this new section did not have a significant impact on the Group's consolidated financial statements.

Amounts in thousands of Canadian dollars unless otherwise stated

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS ADOPTED (continued)

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 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 Group adopted this new section on January 1, 2010. The adoption of this new section did not have a significant impact on the Group's consolidated financial statements.

4. INVENTORIES

	As at June 30	As at December 31
	2010	2009
Raw materials and consumable stores	5,796	5,331
Work in progress, including stockpiles	23,240	20,966
Finished goods	571	9,444
	29,607	**35,741**

5. INVESTMENTS AND OTHER ASSETS

	As at June 30	As at December 31
	2010	2009
Investments in Australian listed equity securities (see (a))	382	2,144
Investment in Asset Backed Term-Notes (see (b))	6,717	6,821
Deposits and prepaid expenses	36	125
	7,135	**9,090**

(a) Investments in Australian listed equity securities

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

	As at June 30	As at December 31
	2010	**2009**
Aggregate unrealized gains	231	290
Aggregate unrealized losses	–	(40)
Deferred income taxes	(69)	(75)
	162	**175**

5. INVESTMENTS AND OTHER ASSETS (CONTINUED)

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

Between April 1st and April 12, 2010, the Group sold 1,100,982 shares of its remaining investment in Avoca Resources Inc. for a consideration of $2,124 (AU$2,340) realizing a gain on disposal of $476. For the three- and six -month periods ended June 30, 2010, the Group recorded a gain on disposal of $476 and $482 (2009: $nil) in gain on investments in the consolidated statement of operation related to its disposal of all of its investment in Avoca Resources Inc.

(b) Investment in Asset-Backed Term-Notes

As at June 30, 2010, the Company continues to hold the following notes issued by Master Asset Vehicle II ("MAV 2"): $2,918 of Class A-1 Notes, $6,521 of Class A-2 Notes, $1,184 of Class B Notes, $329 of Class C Notes and $949 of Class IT class 3 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 have been designated as held-for-trading. Although there have been some isolated transactions subsequent to the completion of the Plan restructuring on January 21, 2009, there were no active market quotations available for these Long-Term Notes as of June 30, 2010. The Class A-1, A-2, B and C Notes legally mature in 2056. However, the expected maturity date is in 2016.

As at June 30, 2010, there remained a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the Long-Term Notes. The Company estimates the fair values of the Long-Term Notes using a valuation technique which incorporates a probability-weighted approach applied to discounted future cash flows considering the best available data regarding market conditions for such investments as at June 30, 2010. The discount rates consider factors that include the BA rate, credit spread applicable to the credit rating, and premiums for lack of liquidity.

Due to their characteristics and the market conditions, the Group estimated that the fair value of the Class C Notes and the Class IA Tracking Notes (the underlying assets of Tracking Notes have exposure to U.S. sub-primes mortgages) is nil as at June 30, 2010.

Based on the discounted cash flow model as at June 30, 2010, the fair value of the Company's Notes was estimated at $6,717 (2009 - $6,821). For the three- and six-month period ended June 30 2010, the Group recorded $(103) (2009: $499 and $27) in gain (loss) on investment in the consolidated statement of operations. The decrease of $104 in fair value during the three- and six-month periods ended June 30,2010 (2009: $384 and $(486)) was due to a fair value adjustment of $103 due to higher discount rates and lower interest rates, and to principal repayments of $1. The Company has recorded the fair value adjustment expense in gain (loss) on investments.

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 June 30, 2010, 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 would decrease the fair value by approximately $369.

Amounts in thousands of Canadian dollars unless otherwise stated

6. 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 June 30, 2010, the Group has zero long-term debt payable (2009:$16,112). Accrued interest payable remaining at period end amounted to $206 (AU$229). For the three- and six-month periods ended June 30, 2010, the Group recorded an interest expense of $137 and $325 (2009: $254 and $537) respectively in the consolidated statement of operations with respect to the borrowings under these agreements. There is no covenant associated with the line of credit.

7. EARNINGS PER SHARE

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

	Three-month period ended June 30		**Six-month period ended June 30**	
	2010	2009	2010	2009
Basic weighted average number of common shares outstanding	142,237,427	142,034,850	142,211,035	142,034,850
Dilutive effect of stock options	300,641	–	166,601	–
Diluted weighted average number of common shares outstanding	142,538,068	142,034,850	142,377,636	142,034,850

8. SHARE CAPITAL

Options

On March 29, 2010, the Company granted 100,000 stock options to employees, exercisable at $1.98 per share and 20,000 stock options to consultants, exercisable at $2.50 per share. The options vest in March 2012 and expire in March 2015. The weighted average grant date fair values of $0.74 and $0.59 respectively, per option are based on the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 2.9%, expected volatility of 65%, expected dividend of nil and expected life of 5 years.

	Six-month period ended June 30, 2010		
	Number	**Carrying value $**	**Weighted average exercise price $ per share**
Beginning of period	1,375,000	156	0.73
Granted	120,000	–	2.07
Exercised	(190,000)	(26)	(0.46)
Stock based compensation	–	86	–
End of the period	1,305,000	216	0.89

Amounts in thousands of Canadian dollars unless otherwise stated

8. SHARE CAPITAL (CONTINUED)

Options (continued)

As at June 30, 2010, the options outstanding under the plan are as follows:

	Options outstanding				Options exercisable	
Range of exercise prices	Number of options	Weighted-average remaining contractual life	Weighted-average exercise Price ($)	Weighted-average grant date fair value ($)	Number of options	Weighted average exercise price ($)
$0.30	40,000	4.1	$0.30	$0.10	–	–
$0.46	450,000	3.8	$0.46	$0.15	130,000	$0.46
$0.66	220,000	4.9	$0.66	$0.25	–	–
$0.86 to $0.87	180,000	2.9	$0.86	$0.45	130,000	$0.86
$1.16	150,000	4.1	$1.16	$0.45	–	–
$1.50	105,000	0.9	$1.50	$0.04	105,000	$1.50
$1.64	40,000	5.5	$1.64	$0.67	–	–
$1.98	100,000	4.7	$1.98	$0.74	–	
$2.50	20,000	4.7	$2.50	$0.59	–	
	1,305,000	3.8	$0.89	$0.30	365,000	$0.90

9. RISK MANAGEMENT

Hedges

As at June 30, 2010, 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:	8,085	€730/oz	€1,033/oz	July 2010	March 2011
Australian operations:	4,380	AU$1,250/oz	AU$1,725/oz	July 2010	April 2011
Australian operations (1):	11,470	US$930/oz	US$1,320/oz	July 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 three- and six-month period ending June 30, 2010, one option was exercised generating a loss of $(77) (2009: nil) recorded in other operating expenses in the consolidated statement of operations.

Amounts in thousands of Canadian dollars unless otherwise stated

9. RISK MANAGEMENT (CONTINUED)

Hedges (continued)

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

	As at June 30 2010
Derivatives hedging instruments:	
Gold call options sold	(1,529)
Gold put options bought	(53)
Total	(1,582)

Classification of derivative hedging instruments:	**As at June 30 2010**	**As at December 31 2009**
Assets		
Current assets portion	253	1,208
Long-term assets portion	–	334
Total	253	1,542
Liabilities		
Current liabilities portion	(1,835)	(1,162)
Long-term liabilities portion	–	(383)
Total	(1,835)	(1,545)

	For the three-month period ended June 30		**For the six-month period ended June 30**	
Changes in fair value of hedging instruments	**2010**	2009	**2010**	2009
Changes in time value of hedging instruments recorded in the consolidated statement of operations	(836)	586	(823)	333
Changes in intrinsic value of hedging instruments recorded in the consolidated statement of operations	(775)	907	(775)	907
Total at the end of the period	(1,611)	1,493	(1,598)	1,240

Amounts in thousands of Canadian dollars unless otherwise stated

10. SEGMENTED INFORMATION

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

- **Ivory Coast** reflects the Group's joint venture interest in the operations of SMI, which operates the Ity gold mine in western Ivory Coast and holds contiguous exploration interests;
- **Sudan** reflects the Group's joint venture interest in the operations of AMC, which operates the Hassaï mines in north-eastern Sudan and holds contiguous exploration interests;
- **Australia** reflects the Group's operations of LMRA. LMRA's mining operations are from its two principal properties in Western Australia, White Foil and Frog's Leg. According to the new mining plan the extraction of ore material started in March and processing followed during the second quarter of 2010. The Frog's Leg mining project is continuing its activities according to the mining plan. The operations from the Frog's Leg mining project are presented in the consolidated statement of operations. LMRA also holds exploration interests in Western Australia and, to a lesser extent, in Queensland;
- **Argentina** reflects the exploration activities carried out by Compania Minera Esperanza S.A.

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

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

The tables below summarize the selected financial information by segment:

	Ivory Coast	Sudan	Australia	Argentina	Other	Total
Three-month period ended June 30, 2010						
Revenue	5,366	10,207	38,594	–	374	54,541
Mine operating earnings (loss)	2,265	2,515	11,919	(216)	(2,919)	13,564
Interest income (expense)	55	(3)	(159)	–	12	(95)
Income tax expense	(678)	(397)	(3,198)	–	(561)	(4,834)
Net earnings/(loss)	1,642	2,115	8,995	(216)	(4,490)	8,046
Depreciation and amortization	751	489	5,728	–	23	6,991
Capital expenditures	2,123	1,310	3,394	–	4	6,831
Six-month period ended June 30, 2010						
	Ivory Coast	Sudan	Australia	Argentina	Other	Total
Revenue	11,082	18,775	51,851	–	673	82,381
Mine operating earnings (loss)	4,660	4,333	16,138	(532)	(5,133)	19,466
Interest income (expense)	149	6	(391)	–	15	(221)
Income tax expense	(1,270)	(697)	(4,338)	–	(611)	(6,916)
Net earnings/(loss)	3,539	3,642	11,807	(526)	(6,753)	11,709
Depreciation and amortization	1,283	1,303	8,282	–	43	10,911
Capital expenditures	3,887	2,056	7,374	10	51	13,378
As at June 30, 2010						
	Ivory Coast	Sudan	Australia	Argentina	Other	Total
Capital assets	12,043	13,164	47,614	13	1,455	74,289
Total assets	26,699	39,261	72,709	302	13,498	152,469

Amounts in thousands of Canadian dollars unless otherwise stated

10. SEGMENTED INFORMATION (CONTINUED)

	Three-month period ended June 30, 2009					
	Côte d'Ivoire	Sudan	Australia	Argentina	Other	Total
Revenue	5,757	6,707	15,310	–	591	28,365
Mine operating earnings (loss)	2,357	1,210	6,885	(153)	(1,850)	8,449
Interest income (expense)	64	29	(242)	3	(6)	(152)
Income tax expense	(714)	(231)	(1,556)	–	(129)	(2,630)
Net earnings/(loss)	1,707	1,008	5,046	(150)	(1,511)	6,100
Depreciation and amortization	720	346	1,288	–	41	2,395
Capital expenditures	930	408	2,893	–	4	4,235

	Six-month period ended June 30, 2009					
	Côte d'Ivoire	Sudan	Australia	Argentina	Other	Total
Revenue	13,382	14,306	24,066	–	1,271	53,025
Mine operating earnings (loss)	5,635	2,731	9,355	(401)	(2,642)	14,678
Interest income (expense)	88	(149)	(544)	3	6	(596)
Income tax expense	(1,774)	(564)	(1,915)	–	(238)	(4,491)
Net earnings/(loss)	3,949	2,018	6,855	(398)	(2,847)	9,577
Depreciation and amortization	1,455	1,264	2,344	–	73	5,136
Capital expenditures	1,304	2,390	5,016	–	4	8,714

	As at December 31, 2009					
	Ivory Coast	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

11. COMMITMENTS AND CONTINGENCIES

Minera Patagonia S.A.

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.

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. On April 29, 2010, the commercial courts of the City of Buenos Aires accepted the request presented. The Group has until August 11, 2010 to present an answer to the court. At the time of reporting, management is preparing its defence and evaluating the possible outcome of the court's decision.

Compania Minera El Colorado

On September 23, 2009, the Group was served with a lawsuit of US$29,000 before the commercial court of the City of Buenos Aires by a former partner in the Hualian II project, the Compañía Minera El Colorado ("El Colorado") of Argentina. A request for clarification was sent by the Group to the court. In the following months, the court should order the opening of the evidence period. At the time of reporting, management has no information to evaluate the possible outcome of this lawsuit. No accrual has been recorded with respect to this case.

Amounts in thousands of Canadian dollars unless otherwise stated

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

La Ortiguita Gold Project

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

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

As of June 30, 2010, the future commitments are scheduled 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.

12 EMPLOYEE FUTURE BENEFITS

The employee future benefits expense related to defined benefit plans for the period ended June 30, 2010 was as follows:

Three-month period ended June 30		**Six-month period ended June 30**	
2010	**2009**	**2010**	**2009**
155	21	244	204

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