



La Mancha Resources Inc.

Interim Consolidated Financial Statements
As at September 30, 2009
and for the Three and Nine Month Periods Ended
September 30, 2009 and 2008

(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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La Mancha Resources Inc.

Interim Consolidated Balance Sheets

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

	As at September 30,	As at December 31
	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	18,188	8,576
Short-term investments	3,343	3,628
Accounts receivable	10,283	11,545
Inventories (note 4)	35,834	39,072
Income taxes recoverable	757	88
Future income taxes	329	1,059
Other current assets	1,387	558
Derivative financial instruments (note 9)	579	–
	70,700	64,526
Long-term assets		
Restricted cash	1,908	1,026
Property, plant and equipment	74,959	65,118
Future income taxes	9,403	12,134
Investments and other assets (note 5)	8,995	8,235
	95,265	86,513
Total assets	165,965	151,039

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)

	As at September 30, 2009	As at December 31 2008
LIABILITIES		
Current liabilities		
Bank indebtedness	–	3
Accounts payable and accrued liabilities	15,885	14,567
Income taxes payable	3,051	3,179
Other current liabilities	2,521	2,521
Current portion of capital lease obligations	1,466	847
Derivative financial instruments (note 9)	33	–
Provisions for other liabilities and charges	229	414
Pension and other post-service benefit obligations	530	608
	23,715	22,139
Long-term liabilities		
Future income tax liability	1,171	1,915
Long term debt (note 6)	13,293	13,253
Capital lease obligations	2,026	1,514
Provisions for other liabilities and charges	3,830	3,529
Pension and other post-service benefit obligations	1,878	1,912
	22,198	22,123
Total Liabilities	45,913	44,262
SHAREHOLDERS' EQUITY		
Common stock (note 8a)	41,418	41,379
Stock options (note 8b)	164	95
Contributed surplus	44,139	44,139
Retained earnings	28,803	16,181
Accumulated other comprehensive income	5,528	4,983
Total shareholders' equity	120,052	106,777
Total liabilities and shareholders' equity	165,965	151,039

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	Contributed Surplus	Retained Earnings	Accumulated other comprehensive income		Total
						Cumulated translation adjustment	Assets available for sale	
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 nine month period ended September 30, 2008					(6,596)			(6,596)
Change in cumulative translation adjustment						1,165		1,165
Change in unrealized gains and losses on available-for-sale investments							(2,231)	(2,231)
Issuance of shares in connection with mining properties (Note 11)	27,000	11						11
Forfeiture of options and warrants			(301)	301				–
Stock-based compensation			47					47
Balance on September 30, 2008	142,034,850	41,379	76	44,139	14,993	(2,137)	(1,203)	97,247
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 nine month period ended September 30, 2009					12,622			12,622
Change in cumulative translation adjustment						(1,021)		(1,021)
Change in unrealized gains and losses on available-for-sale investments							1,566	1,566
Issuance of shares in connection with mining properties (Note 11)	49,500	39						39
Stock-based compensation			69					69
Balance on September 30, 2009	142,084,350	41,418	164	44,139	28,803	5,553	(25)	120,052
Total of retained earnings and accumulated other comprehensive income							34,331	
						As at September 30, 2009	As at December 31, 2008	
Accumulated other comprehensive income								
• Change in cumulative translation adjustments						5,553	6,574	
• Change in unrealized gains and losses on available-for-sale investments, net of income taxes of \$11 (2008: \$682).						(25)	(1,591)	
Balance at end of period						5,528	4,983	

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

Interim Consolidated Statement of Comprehensive Income

For the Three and Nine Month Periods Ended September 30, 2009 and 2008

Amounts in thousands of Canadian dollars unless otherwise stated

(unaudited)

	Three month period ended September 30		Nine month period ended September 30	
	2009	2008	2009	2008
Net earnings (loss)	3,045	(1,638)	12,622	(6,596)
Other comprehensive income				
• Change in cumulative translation adjustments	(2,044)	(9,598)	(1,021)	1,165
• Change in unrealized gains and losses on available for sale investments, net of income taxes of \$(671) (2008: \$956).	976	(415)	1,566	(2,231)
Comprehensive income	1,977	(11,651)	13,167	(7,662)

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 Nine Month Periods Ended September 30, 2009 and 2008

Amounts in thousands of Canadian dollars except per share amounts

(unaudited)

	Three month period		Nine month period	
	Ended September 30		Ended September 30	
	2009	2008	2009	2008
Revenue	28,162	12,151	81,187	38,704
Cost of sales	(16,773)	(9,097)	(47,517)	(27,095)
Gross margin	11,389	3,054	33,670	11,609
Operating expenses				
Exploration and evaluation expenses	(982)	(1,428)	(3,777)	(5,055)
General and administrative expenses	(2,393)	(1,786)	(7,949)	(6,956)
Other operating expenses	(2,036)	(379)	(1,361)	(1,183)
Joint venture management fee recoveries	40	116	113	249
Total operating expenses	(5,371)	(3,477)	(12,974)	(12,945)
Mine operating earnings (loss)	6,018	(423)	20,696	(1,336)
Other income (expenses)				
Interest income	125	178	337	401
Interest expense	(202)	(222)	(1,010)	(361)
Gain (loss) on mortgage payable	–	90	–	(989)
Gain (loss) on investments (note 5)	(1,149)	(760)	(1,122)	(2,260)
Foreign exchange gain (loss)	(51)	79	(51)	89
Other income (expense)	(56)	142	(97)	–
	(1,333)	(493)	(1,943)	(3,120)
Earnings (loss) before income tax expense	4,685	(916)	18,753	(4,456)
Income tax expense	(1,640)	(722)	(6,131)	(2,140)
Net earnings (loss) for the period	3,045	(1,638)	12,622	(6,596)
Weighted average number of common shares outstanding				
Basic (note 7)	142,051,410	142,030,448	142,051,410	142,015,465
Diluted (note 7)	142,061,058	142,030,448	142,051,410	142,015,465
Earning (loss) per share				
Basic	0.0214	(0.0115)	0.0889	(0.0464)
Diluted	0.0214	(0.0115)	0.0889	(0.0464)

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 Nine Month Periods Ended September 30, 2009 and 2008

Amounts in thousands of Canadian dollars unless otherwise stated

<i>(unaudited)</i>	Three month period ended September 30		Nine month period ended September 30	
	2009	2008	2009	2008
Cash flows from operating activities				
Net earnings (loss) for the period	3,045	(1,638)	12,622	(6,596)
Non cash Items				
Depreciation and amortization	2,684	2,296	7,820	5,277
Future income tax expense	1,002	(50)	3,058	(78)
Loss (gain) on disposal of property	(10)	16	(6)	16
Net movements in provisions for liabilities & charges	(218)	225	(108)	235
Derivative Financial Instruments (note 9)	715	–	(525)	–
Foreign exchange loss (gain)	51	79	51	89
Loss on mortgage payable	–	(90)	–	989
Loss on investments (note 5)	1,149	760	1,122	2,260
Stock based compensation expense	31	18	69	47
Changes in working capital:				
Inventories	199	(971)	449	(918)
Accounts receivable	(659)	798	1,084	(1,934)
Prepaid expenses, deposits and other assets	(15)	(5)	(1,547)	(11)
Accounts payable and accrued liabilities	1,243	(468)	2,472	1,604
Income tax receivable/payable	(388)	851	(95)	6
Net cash generated from operating activities	8,829	1,821	26,466	986
Cash flows from investing activities				
Acquisition of property, plant and equipment	(1,154)	(2,685)	(3,843)	(6,042)
Proceeds from disposal of property, plant and equipment	23	–	23	–
Exploration and evaluation costs capitalized	(3,478)	(3,108)	(9,503)	(9,117)
Acquisition of intangible assets	(50)	(5)	(50)	(39)
Net change in restricted cash	(765)	120	(748)	129
Net cash used in investing activities	(5,424)	(5,678)	(14,121)	(15,069)
Cash flows from financing activities				
Proceeds from borrowings	914	3,687	2,236	10,623
Repayment of borrowings	–	–	(3,592)	–
Repayment of capital lease obligations	(434)	(78)	(1,028)	(248)
Net change in bank indebtedness	(251)	45	5	35
Net cash provided by financing activities	229	3,654	(2,379)	10,421
Net increase (decrease) in cash and cash equivalents	3,634	(203)	9,966	(3,673)
Cash and cash equivalents at beginning of the period	14,926	10,607	8,576	13,062
Effect of exchange rates change on cash and cash equivalents	(372)	(595)	(354)	420
Cash and cash equivalents at end of the period	18,188	9,809	18,188	9,809
Supplemental disclosure of Cash Flow Information				
Cash paid during the period for:				
Interest	(237)	(206)	(774)	(238)
Income tax	(1,168)	(77)	(2,116)	(2,497)

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

La Mancha Resources Inc.

Notes to Interim Consolidated Financial Statements

September 30, 2009

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

1. NATURE OF ACTIVITIES

La Mancha Resources Inc. (the "Company") was incorporated on October 10, 1996 under the 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 September 30, 2009 and for the three and nine month periods ended September 30, 2009 and 2008 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.

3. CHANGES IN ACCOUNTING POLICIES

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 new section is applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted this new standard for its interim period and fiscal year beginning 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.

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

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 assets and financial liabilities including derivative instruments. This Abstract is applicable to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this Abstract did not have a significant impact on the Company's consolidated financial statements.

La Mancha Resources Inc.

Notes to Interim Consolidated Financial Statements

September 30, 2009

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

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS ADOPTED (continued)

Mining exploration costs

On March 27, 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. EIC 174 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year ending December 31, 2009, with retrospective application. The adoption of this Abstract did not have a significant impact on the Company's consolidated financial statements.

EFFECT OF NEW ACCOUNTING STANDARDS NOT YET IMPLEMENTED

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

La Mancha Resources Inc.

Notes to Interim Consolidated Financial Statements

September 30, 2009

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

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

EFFECT OF NEW ACCOUNTING STANDARDS NOT YET IMPLEMENTED (continued)

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. 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. INVENTORIES

	As at September 30	As at December 31
	2009	2008
Raw materials and consumable stores	5,889	6,574
Work in progress, including stockpiles	29,414	30,397
Finished goods	531	2,101
	35,834	39,072

5. INVESTMENTS AND OTHER ASSETS

	As at September 30	As at December 31
	2009	2008
Investments in Australian listed equity securities (see (a))	1,820	770
Investment in Asset-Backed Commercial Paper (ABCP) (see (b))	6,857	7,143
Deposits and prepaid expenses	318	322
	8,995	8,235

(a) Investment in Australian listed equity securities

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 \$1,277, recorded in loss on investments in the consolidated statement of operations.

(b) Investment in Asset-Backed Commercial Paper

As at December 31, 2008, the Company held two notes for a \$12,000 principal amount of Canadian non-bank sponsored asset backed commercial paper ("ABCP") issued by two issuers. These two notes which were due and payable 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:

La Mancha Resources Inc.

Notes to Interim Consolidated Financial Statements

September 30, 2009

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

5. INVESTMENTS AND OTHER ASSETS (CONTINUED)

(b) Investment in Asset-Backed Commercial Paper (continued)

- a first payment of \$398, representing interest that has 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 \$2,927 of MAV2 Class A-1 Notes, \$6,521 of MAV2 Class A-2 Notes, \$1,184 of MAV2 Class B Notes, \$329 of MAV2 Class C Notes and \$949 of MAV2 Class IA Tracking Notes (collectively the "Long-term Notes"). The MAV2 Class A-1 Notes, MAV2 Class A-2 Notes, MAV2 Class B Notes will accrue interest at the Bankers' Acceptances ("BA") rate less 0.50%. The MAV2 Class C Notes will accrue interest at the BA rate plus 20%. The MAV2 Class IA Tracking Notes will bear interest at the rate equal to the net rate of return generated by the related specific underlying assets.

On August 11, 2009, the rating agency DBRS downgraded the credit rating of the MAV2 Class A-2 Notes from A to BBB (low).

The Group designated the Notes as held-for-trading. There is currently no active market available for these Long-Term Notes. The maximum expected maturity of the Long-Term Notes will be approximately 7.5 years from September 30, 2009. As at September 30, 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 September 30, 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 Restructuring Plan such as liquidity, transparency and credit risk in developing the assumptions used in estimating the fair value of the ABCP. Due to the market conditions, the group completely devalued the MAV2 Class C Notes and the MAV2 Class IA Tracking Notes (the underlying assets of Tracking Notes have exposure to U.S. sub-primes mortgages) as at December 31, 2008.

Based on the discounted cash flow model as at September 30, 2009, the fair value of the Company's Notes was estimated at \$6,857 (2008 - \$7,143) which included accrued interest of \$nil (2008 - \$441). For the three and nine month periods ended September 30 2009, the Group recorded \$128 (2008: \$nil) and \$155 (2008: \$(1,500)) in gain on investment on the consolidated statement of operations respectively. The net variation in fair value on the balance sheet for the same periods is \$200 (2008: \$(760)) and \$(286) (2008: \$(1,500)) respectively. The changes in fair value on the balance sheet are 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. These changes in fair value were partially offset by interest received of \$23 (2008 -\$nil) and \$536 (2008 - \$nil) for the three and nine month periods ended September 30, 2009.

Since the fair value of the Long-Term Notes is determined using a probability-weighted approach employing the foregoing assumptions and is based on the Group's assessment of market conditions as at September 30, 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 \$424.

La Mancha Resources Inc.

Notes to Interim Consolidated Financial Statements

September 30, 2009

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

6. LONG-TERM DEBT

In March 2008, the Company negotiated a medium-term treasury agreement with its majority shareholder to facilitate the funding of the construction and start-up costs of the underground phase of the Frog's Leg mine project in Australia

The 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 index 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 September 30, 2009, the Company has drawn \$13,534 (AU\$14,305) with a maturity ranging from October 2009 to February 2010 renewable until the expiration of this agreement. Accrued interest payable at period end amounted to \$241 (AU\$137). For the three and nine month periods ended September 30, 2009 and 2008, the Group recorded an interest expense of \$187 (AU\$205) and \$724 (AU\$833) (2008: \$206 and \$315) respectively in the consolidated statement of operations with respect to the borrowings under these agreements. There are no covenants 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 September 30		Nine month period ended September 30	
	2009	2008	2009	2008
Basic weighted average number of common shares outstanding	142,051,410	142,030,448	142,051,410	142,015,465
Dilutive effect of stock options	9,648	–	–	–
Diluted weighted average number of common shares outstanding	142,061,058	142,030,448	142,051,410	142,015,465

For the three month period ended September 30, 2009, the options with an exercise price under the average price during the period of \$ 1.08762 per share would have added 9,648 shares to the weighted average number of common shares. For the nine months period ended September 30, 2009, all options outstanding were anti-dilutive.

8. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

b) Options

On August 7, 2009, the Company granted 150,000 stock options to consultants, exercisable at \$1.16 per share. One half of the options vest in August 2011 and the other half vest in August 2012. All options expire in August 2014. The weighted average grant date fair value of \$0.4474 per option is based on the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 2.5%, expected volatility of 61%, expected dividend of nil and expected life of 5 years.

La Mancha Resources Inc.

Notes to Interim Consolidated Financial Statements

September 30, 2009

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

8. SHARE CAPITAL (CONTINUED)

b) Options (continued)

Nine month period ended September 30, 2009			
	Number	Carrying value \$	Weighted average exercise price \$ per share
Beginning of period	1,065,000	95	0.66
Granted	370,000	–	0.86
Stock based compensation	–	69	–
End of the period	1,435,000	164	0.71

For the three and nine month periods ended September 30, 2009, the Group recorded stock based compensation expense of \$31 and \$69 (2008: \$18 and \$47) respectively.

As at September 30, 2009, 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	4.9	\$0.30	\$0.10	–	–
\$0.46	640,000	4.5	\$0.46	\$0.15	–	–
\$0.66	220,000	5.6	\$0.66	\$0.25	–	–
\$0.86 to \$0.87	280,000	3.7	\$0.86	\$0.45	140,000	\$0.86
\$1.16	150,000	4.9	\$1.16	\$0.45	–	–
\$1.50	105,000	1.6	\$1.50	\$0.04	105,000	\$1.50
	1,435,000	4.4	\$0.66	\$0.24	245,000	\$1.13

9. RISK MANAGEMENT

Hedges

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.

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9. RISK MANAGEMENT (CONTINUED)

Hedges (continued)

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.

As at September, 2009, the Group held gold collar derivative contracts for its Ivorian operations totalling 5,650 oz for which the purchased puts and sold call options have average strike prices of €580/oz and €893/oz. Furthermore, the Group also held gold collar derivative contracts for its Australian operations totalling 8,000 oz that include purchased put and sold call options with average strike prices of AU\$1,210/oz and AU\$1,795/oz. These contracts have maturities ranging from October 2009 through January 2010. 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 nine month periods ending September 30, 2009, two options were exercised generating a gain of \$363 (AU\$ 397) (2008: nil) recorded under revenue 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	
	Assets	Liabilities
Derivatives hedging instruments:		
Gold call options sold	579	–
Gold put options bought	–	(33)
Total as at September 30, 2009	579	(33)
Classification:		
Current portion of derivative hedging instruments	579	(33)
Long-term portion of derivative hedging instruments	–	–
Total as at September 30, 2009	579	(33)
	Three month period ended September 30	Nine month period ended September 30
Changes in fair value of hedging instruments		
Changes in time value of hedging instruments recorded in the consolidated statement of operations	192	525
Changes in intrinsic value of hedging instruments recorded in the consolidated statement of operations	(907)	–
Total at the end of the period	(715)	525

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

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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 on 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 1st, 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 Ivory Coast, Sudan and Australia segments has one major customer that accounts for the majority of its revenue. Assets are attributed to where they are located. The Group analyzes the performance of its operating segments based on their net income.

Three month period ended September 30, 2009

	Ivory Coast	Sudan	Australia	Argentina	Other	Total
Revenue	7,483	5,275	14,715	—	689	28,162
Mine operating earnings (loss)	3,759	(485)	4,888	(45)	(2,099)	6,018
Interest income (expense)	2	54	(182)	—	49	(77)
Income tax expense	(816)	265	(1,194)	—	105	(1,640)
Net earnings/(loss)	2,945	(166)	2,179	(45)	(1,868)	3,045
Depreciation and amortization	718	1,138	797	—	30	2,684
Capital expenditures	301	1,818	2,513	—	—	4,632

Nine month period ended September 30, 2009

	Ivory Coast	Sudan	Australia	Argentina	Other	Total
Revenue	20,865	19,581	38,781	—	1,960	81,187
Mine operating earnings (loss)	9,394	2,246	14,243	(446)	(4,741)	20,696
Interest income (expense)	90	(95)	(726)	3	55	(673)
Income tax expense	(2,590)	(299)	(3,109)	—	(133)	(6,131)
Net earnings/(loss)	6,894	1,852	9,034	(443)	(4,715)	12,622
Depreciation and amortization	2,173	2,402	3,141	—	103	7,820
Capital expenditures	1,605	4,208	7,529	—	4	13,346

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10. SEGMENTED INFORMATION (CONTINUED)

	As at September 30, 2009					
	Ivory Coast	Sudan	Australia	Argentina	Other	Total
Capital assets	11,321	13,547	48,565	4	222	74,959
Total assets	29,375	42,900	76,746	243	16,701	165,965

	Three month period ended September 30 2008					
	Côte d'Ivoire	Sudan	Australia	Argentina	Other	Total
Revenue	5,383	5,729	478	-	561	12,151
Mine operating earnings (loss)	2,486	(233)	(887)	(144)	(1,645)	(423)
Interest income (expense)	5	53	(147)	-	45	(44)
Income tax expense	(604)	(1)	-	-	(117)	(722)
Net earnings/(loss)	1,887	(181)	(1,034)	(144)	(2,166)	(1,638)
Depreciation and amortization	694	1,185	400	-	17	2,296
Capital expenditures	696	1,231	3,795	-	87	5,809

	Nine month period ended September 30 2008					
	Côte d'Ivoire	Sudan	Australia	Argentina	Other	Total
Revenue	14,732	20,983	1,455	-	1,534	38,704
Mine operating earnings (loss)	4,990	3,577	(3,929)	(957)	(5,017)	(1,336)
Interest income (expense)	5	84	(158)	-	109	40
Income tax expense	(1,285)	(361)	-	-	(494)	(2,140)
Net earnings/(loss)	3,710	3,300	(4,087)	(957)	(8,562)	(6,596)
Depreciation and amortization	2,023	2,134	1,051	-	69	5,277
Capital expenditures	1,466	1,756	12,054	-	225	15,501

	As at December 31, 2008					
	Ivory Coast	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	14,424	151,039

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11. CONTINGENCIES

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 on the possible outcome of this new lawsuit.

Income tax - Sudan

On December, 2008, the Company was advised by the Sudanese tax chamber that, for fiscal year 2008, the tax rate used for calculation was increased to 15%. As at September 30, 2009, the Group has finally calculated and paid the taxes for 2008 using the same rate of 15%.

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. La Mancha has acquired a 42.66% interest by making some cash payments, shares issuances and by completing a program of expenditures on the mining property between the years 2005 through 2009. The Company issued, in July 2009, a last cash payment of US\$43,000 dollars and 39,500 shares at a price of \$0.79 per share to TNR Gold. As of September 30, 2009, the Group is now in discussion with TNR Gold Corp. for the second phase of the agreement.

12. EMPLOYEE FUTURE BENEFITS

The employee future benefits expense related to defined benefit plans for the period ended September 30, 2009 was as follows:

Three month period ended September 30		Nine month period ended September 30	
2009	2008	2009	2008
44	258	248	727