



2006 ACTIVITY REPORT

## Forward-looking Statements

This Business Review contains certain “forward-looking statements”, including, but not limited to, statements regarding strategic plans, future gold production, sales, the addition of a quartz processing circuit and its impact on production costs, the filing of a new feasibility study for the Frog’s Leg project, the future start-up of new mines, our ability to achieve annual production of 150,000 ounces in fiscal 2008, future financial results, particularly estimated earnings, cash flows and cash operating costs, capital expenditures and exploration and development budgets for each of our mines and projects, construction and production targets and timetables and estimated mine life, the estimation and evolution of mineral reserves and resources (particularly, but not limited to, the potential for increasing reserves and identifying new deposits attributable to our exploration programs), cash operating costs and capital expenditures, and future prospects for La Mancha as a whole and for each of its mines. Forward-looking statements express, as at the date of this Activity Report, our plans, estimates, forecasts, projections, expectations and beliefs as to future events or results. Forward-looking statements involve a number of risks and uncertainties, many of which are beyond our control. There can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Risks and uncertainties that could cause results or future events to differ materially from current expectations, expressed implicitly or expressly in such forward-looking statements, include, but are not limited to, factors associated with fluctuations in the market price of precious metals, mining industry risks, uncertainty as to the estimation of mineral reserves and resources, requirements for additional financing, risks of delays in construction or production, and other risks described in the 2006 annual information form filed on SEDAR and with the Toronto Stock Exchange. The reader should not place undue reliance on these forward-looking statements. We do not undertake to update any forward-looking statement contained in this Activity Report.

# Highlights

(ALL AMOUNTS ARE IN CDN DOLLARS UNLESS OTHERWISE NOTED)	Year ended December 31,	
	2006	2005
<b>Results</b> (in thousands of \$)		
Revenues	60,186	79,280
Cash flow from operating activities	14,591	26,018
Net earnings (loss)	5,021	6,295
<b>Per share</b> (\$)		
Net earnings (loss)	0.049	0.07
Basic weighted average number of common shares outstanding (in millions)	103.4	90.0
<b>Attributable gold production</b>		
Number of ounces produced (000)	62,300	115,950
Mine operating costs (US\$ per ounce)	352	241
	December 31, 2006	December 31, 2005
<b>Financial position</b> (in thousands of \$)		
Cash and short-term investments	47,991	12,703
Total assets	159,833	94,258
Shareholders' equity	119,983	31,003
Total number of shares outstanding (in thousands)	103,450	90,000

# Report to shareholders





**2006 PROVED TO BE A TRANSITION PERIOD FOR LA MANCHA.** During the year, the Company acquired the gold assets of the Areva group, including interests in producing mines in Sudan and Côte d'Ivoire. The transaction catapulted the Company to international gold producer status, but also brought certain challenges, particularly the integration of the new assets and their respective management teams. Nevertheless, just a few months after the transaction closed, we can look back with satisfaction at the choices made and the resulting achievements of fiscal 2006:

- Closing of a transaction on September 28, 2006, whereby La Mancha acquired the gold assets of the Areva group in exchange for common shares and warrants. These assets include interests in the Hassaï gold mine in Sudan, the Ity gold mine in Côte d'Ivoire and the Frog's Leg and White Foil advanced gold projects in Western Australia, as well as a portfolio of 27 exploration projects in these regions. Areva, a French government-owned conglomerate formed through the merger of a number of companies including Cogema, now owns 64% of La Mancha;
- Production of 62,300 ounces of gold for the year at an average cash cost of US \$352 per ounce, \$14.6 million in cash flow and cash assets of approximately \$48 million as at December 31, 2006;
- Updated reserves and resources of over 1.7 million ounces of gold, including proven and probable reserves of 470,000 ounces, as at December 31, 2006. Resource development programs currently underway, primarily in Australia and Sudan, are expected to add to this already solid foundation;
- The smooth transition of key personnel from Areva to La Mancha, permitting continued tight, efficient management of the operating mines in Sudan and Côte d'Ivoire. La Mancha will henceforth benefit from the expertise and know-how accumulated by the Areva group during its 15 years of operation in these countries. The solid team in Africa is now being joined by a newly-formed, first-rate crew in Australia with many years of cumulative experience in mine development and operation;
- Creation of a new senior management team and opening of La Mancha's corporate office in Montreal in February 2007, providing us with the platform required to develop our assets and position the Company for continued growth.

With these recent accomplishments under our belt, we are setting out to achieve an ambitious list of objectives for 2007:

We intend to grow our annual production by 20% to 75,900 ounces of gold at a cash cost of US \$397 per ounce.

We plan to maintain this growth by continuing to implement the Company's development plan. In 2007, Australia will be the primary focus of our attention. The White Foil mine is scheduled to resume production in the last quarter of the year, at which time underground development will be underway at our Frog's Leg mine. These two projects are the pillars of our short-term growth strategy, and should enable us to increase gold production to over 150,000 ounces in fiscal 2008. A budget of \$11.9 million will be allocated to the development of these two projects over the course of the year.

We will build on our reputation as mining pioneers in Sudan as we continue to develop the property interests we hold in that country. We are confident that we can increase the resource at our Hassaï mine, particularly given the tailings qualification program planned for 2007. In conjunction with the airborne exploration program currently underway, the tailings qualification program is aimed at extending the mine life beyond the five years already provided for. We will also continue to probe the as-yet untapped potential of Sudan with a number of targeted exploration programs.

We view the recent political developments in Côte d'Ivoire as hopeful. If political stability holds, we plan to resume exploration on the many mining concessions we hold country-wide. In the interim, we intend to maximize the return on our Ity mine, which is expected to continue to generate solid cash flow in 2007.

In the pursuit of these objectives, we will continue to operate our exploration programs and our mines in a safe, environmentally-conscious manner. We believe that mining has a positive impact on the communities where we work, because of our leadership in economic development and our contributions to health and education initiatives. We plan to pursue our efforts in these areas.

Despite the enormous distance covered in 2006, much remains to be done. La Mancha now has a wealth of means at its disposal to pursue its growth, and we expect to make great strides in the years to come.

We would like to acknowledge the dedication and efforts of all our employees, with whom we share the success of the year just ended, as well as the challenges of the year ahead. We are also very grateful for the support of our shareholders.

We look forward to continuing to build the Company on your behalf.



Michel Cuilhé  
President & CEO  
LA MANCHA

MORE THAN 1,400 EMPLOYEES

PRESENT IN 5 COUNTRIES

4 LANGUAGES

NET EARNINGS OF \$5.5 MILLION

62,300 OUNCES OF GOLD PRODUCTION

1.7 MILLION OUNCES IN MEASURED AND INDICATED RESOURCES

470,000 OUNCES IN RESERVES

2 GOLD MINES IN PRODUCTION

\$48 MILLION IN CASH

100% HEDGE FREE

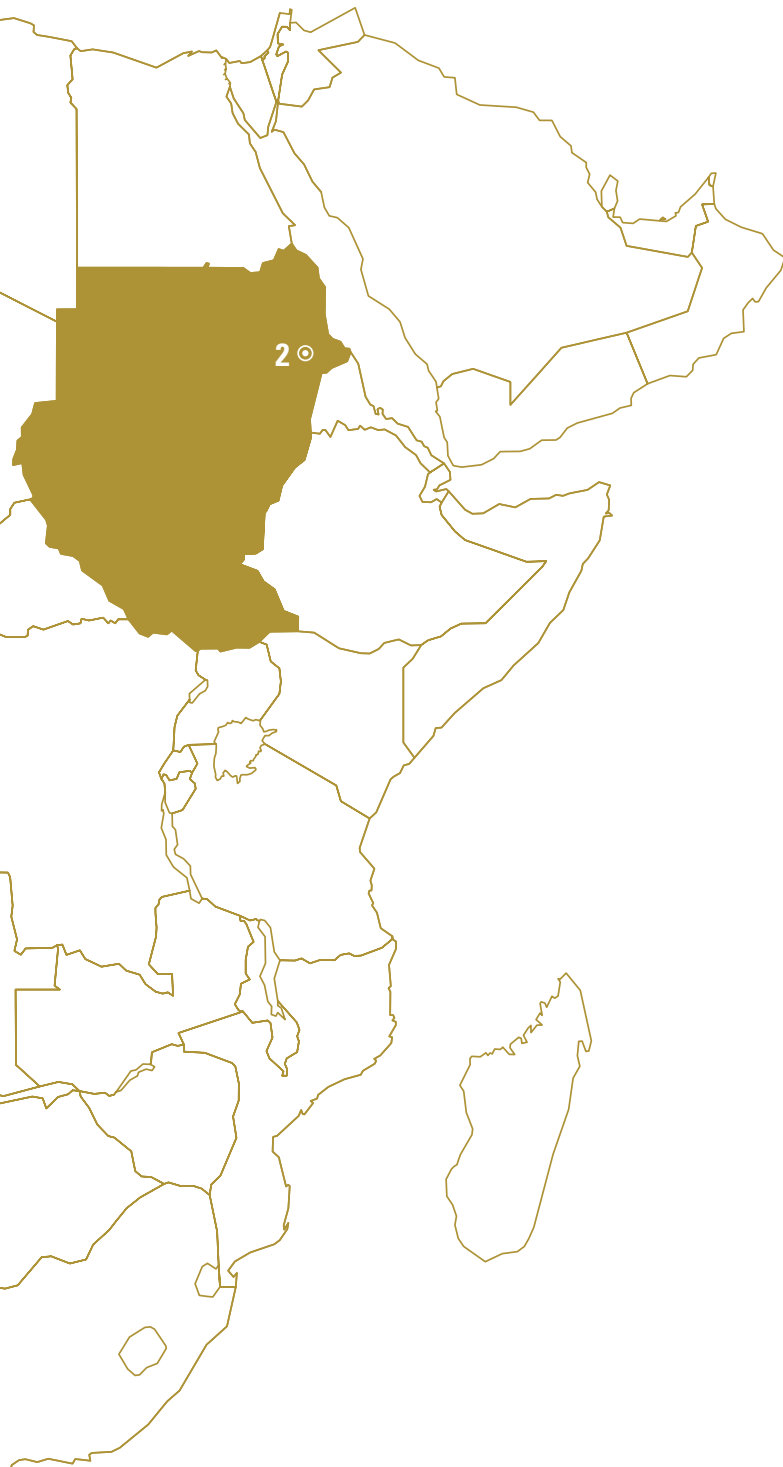


**THE NEW LA MANCHA** was created in September 2006 following the combination of the gold assets of a large French multinational, Areva NC, with the exploration properties held by La Mancha Ressources Inc., a Canadian-based gold exploration company.

The result is an internationally diversified gold producer based in Montreal with 1,400 employees, operating two gold mines in Africa and actively developing two gold projects in Australia.

Our 2007 gold production target is 75,900 ounces. Our strategic objectives for 2007 are to further define the reserves of our current operations in Africa and to resume operations at our two mines in Australia. Our mid-term objective is to reach an annual gold production of 150,000 ounces by 2008.

La Mancha's shares trade on the Toronto Stock Exchange (TSX) under the symbol "LMA".



**IVORY COAST**  
**ITY MINE**  
OPERATOR  
51% OWNER

1



**SUDAN**  
**HASSAI MINE**  
OPERATOR  
40% OWNER

2



**AUSTRALIA**  
**WHITE FOIL**  
**PROJECT**  
100% OWNER

3



**AUSTRALIA**  
**FROG'S LEG**  
**PROJECT**  
51% OWNER

4



inauguration: 1992

interest: 40% (LA MANCHA IS THE OPERATOR)

type of mine: OPEN PIT

cumulative production: 2 MILLION OZ

mine life: 5 YEARS

# Hassai Mine

**THE HASSAI MINE** is in the Red Sea Hills desert of northeastern Sudan, some 450 km from Khartoum. It was Sudan's first and remains its only gold mine presently in production.

The year 2006 was marked by the start of production at the Kamoeb deposit, whose quartz ore, while higher grade, has proved challenging to process. A new quartz processing circuit at the mill is expected to be commissioned in May 2007, and should allow this ore to be processed efficiently at a lower cost. Mine production for 2007 is therefore expected to total 110,000 ounces, with La Mancha's share representing 44,000 ounces.

The mine management team's 15 years of experience in Sudan is an important asset for La Mancha, as it provides the Company with preferential access to the country's as-yet untapped mining potential. La Mancha intends to invest \$1.6 million in exploration in Sudan in 2007, primarily to increase the reserves and resource at the Hassai mine but also to identify potential new mine sites. The first stages of an exploration program in the Mont Nuba area will be carried out this year to investigate a zone with strong geological potential.

Production statistics:

	Year ended December 31, 2005	Year ended December 31, 2006	Production forecast for the year ending December 31, 2007
Production (ounces)	61,200	40,600	44,000
Tonnage milled (t)	1,039,000	937,000	954,000
Grade milled (g Au/t)	5.78	4.43	4.50
Recovery (%)	79	76	77
Cash operating cost (US\$ per ounce)	230	334	371



HASSAI MINE 

SUDAN



inauguration: 1991

interest: 51%\* (LA MANCHA IS THE OPERATOR)

type of mine: OPEN PIT

cumulative production: 600,000 OUNCES

mine life: 10 YEARS +

# Ity mine

**LOCATED ABOUT 700 KM FROM ABIDJAN**, the mine is named after a nearby mountain. Ity means “black water” in Yacouba, and refers to the colour of the water in the pond that sits at the top of the mountain. Here La Mancha is once again playing a pioneering role, as the gold mining industry is still in its infancy in Côte d’Ivoire. The Ity mine is, in fact, the only gold mine presently in production in the country.

La Mancha expects the Ity mine to produce 42,000 ounces of gold in 2007, with the Company’s share representing 21,400 ounces.

With mine reserves and resources presently at over 15 times current annual production, the Company plans to study various means of increasing production to maximize the mine’s value. The study results should be available in the third quarter of 2007.

Production statistics:

	Year ended December 31, 2005	Year ended December 31, 2006	Production forecast for the year ending December 31, 2007
Production (ounces)	21,900	21,700	21,400
Tonnage milled (t)	441,000	419,000	436,000
Grade milled (g Au/t)	3.82	3.55	3.75
Recovery (%)	79	89	80
Cash operating cost (US\$ per ounce)	321	387	393

\* The government of Côte d’Ivoire recently changed its interpretation of a key provision of its 1995 Mining Law governing joint ventures between foreign corporations and the government. As a result of this new interpretation, brought to the Company’s attention in the context of its license renewal process, mining companies operating in Côte d’Ivoire must now transfer 10% of their interest in the project to the government upon first issuance or renewal of their mining permit.

In light of this new interpretation, and in the context of the Company’s license renewal process, SMI entered into discussions with the government of Côte d’Ivoire during the first quarter of 2007 in order to reach an agreement that would protect the interests of its shareholders. As at April 2, 2007, the Company’s 51% ownership interest in SMI (held through Cominor) was unchanged, with SODEMI holding the remaining 49% interest. The outcome of the discussions with the Ivorian government will be announced as soon as discussions are complete. In the event that the new interpretation prevails, La Mancha’s interest in the Ity mine would be reduced to 45.9%.



# Australia

LA MANCHA'S AUSTRALIAN OPERATIONS are centered in the southwest of the country, about 20 kilometres from the mining town of Kalgoorlie. La Mancha has interests in two mining projects in the area, White Foil and Frog's Leg, both of which are slated to re-enter production in the months ahead.



interest: 100%

type of mine: OPEN PIT

expected start-up date: 4<sup>th</sup> QUARTER 2007

mine life: 1 YEAR

# White Foil

**THE PLANNED RESUMPTION OF PRODUCTION** at the White Foil mine in the last quarter of 2007 should add 10,500 ounces of gold to La Mancha's 2007 production and an additional 65,000 ounces to the Company's 2008 annual gold production. Considerable effort will also be devoted to defining the additional potential of the property, either by extending the pit or possibly by developing an underground operation like the one currently being contemplated at Frog's Leg.

interest: 51%

type of mine: UNDERGROUND

expected start-up date: 1<sup>st</sup> QUARTER 2008

mine life: 7 YEARS

# Frog's Leg

**THE SECOND PHASE OF LA MANCHA'S GROWTH PLAN** is the development of the Frog's Leg underground mine, expected to add 38,000 ounces to the Company's annual gold production in the medium term. 2007 will be a crucial year in the development of this mine, which is scheduled to go into production in 2008. A definition drilling program is presently underway to allow the mine design to be finalized. The detailed feasibility study will then be completed by late July 2007, and excavation work is scheduled to begin before the end of the third quarter.

# Shareholder information

## Contact Information

### ADMINISTRATIVE OFFICE

La Mancha Resources Inc.

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Tel.: 514-987-5115, Fax: 514-987-5119

Toll Free in North America: 1-877-987-5115

## Registrar and Transfer Agent

If you have inquiries regarding the following:

- Change of address
- Share transfer
- Lost certificate
- Duplicate mailings

Please contact the Company's registrar and transfer agent:

### Pacific Corporate Trust Company

510 Burrard St., 2<sup>nd</sup> floor

Vancouver, BC V6C 3B9

Tel.: 604-691-7362

## Auditors

Deloitte & Touche LLP

## Other investor inquiries

If you have inquiries regarding the following:

- Additional financial information or statistical information
- Up-to-date information on La Mancha's mines and projects
- Latest news releases or investor presentations

Please visit La Mancha's Website at [www.lamancha.ca](http://www.lamancha.ca) or contact:

Martin Amyot

Vice-President, Corporate Development

Tel.: 514-987-5115, ext. 25

[mamyot@lamancha.ca](mailto:mamyot@lamancha.ca)

## Annual Information Form

The Company files an Annual Information Form annually with all securities commissions in Canada, as well as the Toronto Stock Exchange. Copies of this form are available, free of charge, upon request addressed to the Montreal office or can be directly downloaded from either the Company's Website, [www.lamancha.ca](http://www.lamancha.ca), or on SEDAR at [www.sedar.com](http://www.sedar.com).

## Pour obtenir un exemplaire français

Un exemplaire français du présent rapport annuel peut être obtenu en écrivant au bureau de Montréal de La Mancha.

## Electronic Delivery

La Mancha shareholders may elect to receive La Mancha's documents (such as the Quarterly and Annual Reports, and the Information Circular) in electronic form on the Internet rather than in hard copy by mail. Registered shareholders wishing to use this service should contact the Pacific Corporate Trust Company. Beneficial shareholders should contact the broker or financial intermediary that manages their investment account.



[www.lamancha.ca](http://www.lamancha.ca)



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