




la mancha
WE FOLLOW THE GOLDEN TRAIL

QUARTERLY REPORT
FIRST QUARTER

LMA-TSX

10





First Quarter 2010 Report

TABLE OF CONTENTS

Section A *First Quarter 2010 Highlights*

Section B *Management Discussion and Analysis*

Section C *Consolidated Financial Statements*

HIGHLIGHTS

(unaudited)

First Quarter ended March 31,

(All amounts are in CDN dollars unless otherwise noted)

2010

2009

RESULTS (consolidated, in thousands of \$)

| | | |
|-------------------------------------|--------|--------|
| Revenues | 27 840 | 24 660 |
| Cash flow from operating activities | 9 946 | 10 963 |
| Net earnings (loss) | 3 663 | 3 477 |

PER SHARE (\$)

| | | |
|---|---------|---------|
| Net earnings (loss) | 0,026 | 0,024 |
| Basic weighted average number of common shares outstanding (in thousands) | 142 184 | 142 035 |

ATTRIBUTABLE GOLD PRODUCTION

| | | |
|-----------------------------|--------|--------|
| Number of ounces produced | 21 654 | 18 515 |
| Cash costs (US\$ per ounce) | 614 | 451 |

March 31,
2010

December 31,
2009

FINANCIAL POSITION (in thousands of \$)

| | | |
|---|---------|---------|
| Cash and short-term investments | 21 390 | 21 535 |
| Total assets | 162 876 | 167 704 |
| Shareholders' equity | 114 166 | 115 832 |
| Total number of shares outstanding (in thousands) | 142 184 | 142 035 |

GOLD PRODUCTION STATISTICS

First Quarter ended March 31,

2010

2009

Frog's Leg (51%)

| | | |
|----------------------------------|--------|--------|
| Attributable production (ounces) | 9 789 | 6 115 |
| Tonnage milled (t) | 55 664 | 38 595 |
| Grade milled (g Au/t) | 5,9 | 5,4 |
| Recovery rate (%) | 93% | 92% |
| Cash costs (US\$ per ounce) | 570 | 386 |

Hassaï (40%)

| | | |
|----------------------------------|---------|---------|
| Attributable Production (ounces) | 7 099 | 6 485 |
| Tonnage milled (t) ¹ | 224 600 | 163 807 |
| Grade milled (g Au/t) | 3,6 | 4,6 |
| Recovery rate (%) | 69% | 67% |
| Cash costs (US\$ per ounce) | 734 | 568 |

ITY (45.9%)

| | | |
|----------------------------------|--------|---------|
| Attributable Production (ounces) | 4 766 | 5 915 |
| Tonnage milled (t) ¹ | 99 132 | 123 407 |
| Grade milled (g Au/t) | 4,7 | 3,8 |
| recovery rate (%) | 70% | 86% |
| Cash costs (US\$ per ounce) | 527 | 388 |

¹ On a 100% basis

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE-MONTH FISCAL PERIOD ENDED MARCH 31, 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-month period ended March 31, 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 May 12, 2010.

The interim consolidated financial statements as at March 31, 2010 and for the three-month periods ended March 31, 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-month periods ended March 31, 2010 and 2009, prepared on the basis described above.

HIGHLIGHTS OF THE FIRST QUARTER

- Gold production up 17% to 21,654 ounces at an average cash cost of US \$614 per ounce
- Cash flow from operating activities of \$9.9 million
- Revenues of \$27.8 million
- Net earnings of \$3.7 million

Cash and short-term investments of \$21.4 million

OVERALL PERFORMANCE

La Mancha Resources Inc. (TSX: LMA, hereinafter "La Mancha" or the "Company") produced 21,654 ounces of gold at an average cash cost of US \$614 per ounce during the first quarter of 2010 compared to 18,515 ounces of gold at an average cash cost of US \$451 per ounce in the same quarter last year. The increase in production is due to the ramp-up of the Australian Frog's Leg mine and the improved performance of the Hassai mine in Sudan, which together more than compensated for lower production at the Ity mine in Côte d'Ivoire.

This stronger gold production drove La Mancha's first quarter revenues up to \$27.8 million, marking a 13% increase over the corresponding period of last year, as the gold price in Canadian dollars remained fairly stable between the two periods.

La Mancha's cash flows from operating activities totalled \$9.9 million in the first quarter of 2010, down from \$11.0 million in the corresponding period of 2009 as higher gold production did not compensate for the increase in cash cost per ounce. The Company's cash and short-term investments remained strong at \$21.4 million as of March 31, 2010, while long-term debt decreased from \$16.1 million to \$14.3 million year over year.

La Mancha posted net earnings of \$3.7 million for the first quarter of 2010, with each mine reporting positive results. This compares to net earnings of \$3.5 million a year ago.

AUSTRALIAN OPERATIONS

The **Frog's Leg** mine generated 9,789 ounces of gold net to La Mancha from toll milling at an average cash cost of US \$570 per ounce (AUD 631 per ounce) in the first quarter of 2010 compared to 6,115 ounces at an average cash cost of US \$386 per ounce (AUD 562 per ounce) generated in the corresponding period of 2009.

The cash costs per ounce in Australian dollars increased by 13% over the corresponding period of 2009 mainly due to increases in both mining unit costs, as mining depth increased, and contracted toll milling costs. As shown above, the unfavourable foreign exchange rate fluctuation was the main reason for the cash cost variation expressed in US dollars per ounce.

Underground ore extraction continued to accelerate, once again setting a record, and even surpassing the average ore extraction rate in the upgraded mine plan published in the second half of 2009.

The following table shows the mine ramp-up:

| | | Three-month period ended March 31, 2009 | 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 |
|---|-----------|---|--|---|--|---|
| Underground ore mined (t) | 100% | 142,834 | 149,764 | 169,400 | 148,235 | 174,532 |
| | LMA share | 72,845 | 76,380 | 86,394 | 75,600 | 89,000 |
| Apparent grade mined (g Au/t) | | 4.23 | 4.22 | 5.16 | 5.28 | 4.82 |
| Apparent gold content of ore mined (oz) | 100% | 19,403 | 20,348 | 27,609 | 25,178 | 27,050 |
| | LMA share | 9,896 | 10,377 | 14,081 | 12,841 | 13,796 |

A total of 55,660 tonnes of ore were processed in the first quarter of 2010, in line with the toll-milling agreement, while La Mancha's share of underground ore mined totalled 89,000 tonnes. Consequently,

at quarter-end, the La Mancha stockpile had grown to 93,500 tonnes of ore, representing an approximate gold production equivalent of 13,300¹ recoverable ounces. Gold production is expected to significantly increase in the second quarter as a minimum toll-milling capacity of **152,500 tonnes** is reserved for La Mancha at the nearby Greenfields plant.

The 100%-owned **White Foil** mine is set to start contributing to La Mancha's consolidated gold production in the second quarter, as the mine celebrated its first gold pour on April 16, 2010. Mining operations, which began on March 4, 2010, continue to run on schedule, with the first 100,000 tonne milling campaign well underway. As of May 3, a total of 101,000 tonnes had been mined at a grade of 2.46 g/t Au.

AFRICAN OPERATIONS

Hassaï mine production totalled 17,748 ounces of gold (7,099 ounces attributable to La Mancha) at an average cash cost of US \$734 per ounce for the first quarter of 2010. This compares to 16,220 ounces of gold (6,485 ounces attributable to La Mancha) produced in the first quarter of 2009 at a cash cost of US \$568 per ounce. Gold output increased due to a significant increase in mill throughput and a slight increase in the gold recovery rate, which more than compensated for the decreased average processed gold grade.

It is important to note the ongoing improvement of the quartz mill circuit, with downtime prevention efforts continuing to produce results. During the first quarter of 2010, over 130,000 tonnes were milled through the quartz ore line, marking a new record.

The following table shows the progress in tonnage milled through the quartz ore line over the past 12 months:

| 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 |
|--|--|---|--|---|
| Quartz ore milled (t) | 101,104 | 101,518 | 117,182 | 134,817 |
| Apparent grade milled (g Au/t) | 4.16 | 4.23 | 3.89 | 4.06 |
| Apparent gold content of ore milled (oz) | 13,533 | 13,807 | 14,637 | 17,613 |

The construction of the dust vacuum system on the quartz processing circuit is well underway. The system, which is expected to be operational in the third quarter of 2010, should further increase production by helping to reduce downtime.

Cash costs per ounce increased over the corresponding period of 2009, mainly due to a lower average processed gold grade. A total of 62,940 tonnes (25,175 attributable to La Mancha) of low-grade ore averaging 2.5 g/t Au was processed during the quarter to fill excess capacity on the SBR mill circuit.

The **Ity** mine produced a total of 10,380 ounces of gold (4,766 ounces attributable to La Mancha) at an average cash cost of US \$527 per ounce during the first quarter of 2010, compared to 12,885 ounces of gold the previous year (5,915 ounces attributable to La Mancha) at an average cash cost of US \$388 per ounce. Despite the higher gold grades milled, production decreased due to the combination of a lower mill throughput and a lower gold recovery rate.

¹ Assuming a gold grade of 4.69g/t Au and a gold recovery rate of 94.5%

As expected, mill throughput during the quarter was limited due to the narrowing of the leach areas. The planned investments announced earlier this year to replace the old heap leaching area are currently underway, and processing capacity should increase significantly once the upgrade is complete. The cash cost per ounce for the quarter was negatively affected by a decrease in gold recovery rates caused by the high concentration of copper and fresh sulphide in the ore treated, as more cyanide spraying and longer cycles were needed, and to a lesser degree by an unfavourable change in currency exchange rates. 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

Results of the upcoming Preliminary Economic Assessment ("PEA") for the VMS project are expected at the beginning of the third quarter. The main objective of this PEA is to provide a first look at the economic viability of a VMS project at the Hassaï property on the basis of 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 | Three months ended March 31, 2010 | Three months ended March 31, 2009 |
|--|--------------------------------------|--|
| | \$'000 | \$'000 |
| Net sales | 27,840 | 24,660 |
| Net income | | |
| In total | 3,663 | 3,477 |
| Per share - basic and fully diluted ¹ | 0.026 | 0.024 |
| | As at March 31, 2010 \$'000 | As at Dec 31, 2009 \$'000 (audited) |
| Total assets | 162,881 | 149,468 |
| Total long-term financial liabilities | 21,558 | 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-month periods reported on.

| | | Three months ended | |
|-------------------|-----------------------------------|--------------------|----------------|
| | | March 31, 2010 | March 31, 2009 |
| Hassaï | Tonnage milled ('000 tonnes) | 225 | 164 |
| | Grade milled (g Au/t) | 3.6 | 4.6 |
| | Attributable gold production (oz) | 7,099 | 6,485 |
| | Cash costs (US\$ per ounce) | 734 | 568 |
| Ity | Tonnage milled ('000 tonnes) | 99 | 123 |
| | Grade milled (g Au/t) | 4.7 | 3.8 |
| | Attributable gold production (oz) | 4,766 | 5,915 |
| | Cash costs (US\$ per ounce) | 527 | 388 |
| Frog's Leg | Tonnage milled ('000 tonnes) | 56 | 39 |
| | Grade milled (g Au/t) | 5.9 | 5.4 |
| | Attributable gold production (oz) | 9,789 | 6,115 |
| | Cash costs (US\$ per ounce) | 570 | 386 |
| White Foil | Attributable gold production (oz) | - | - |
| Total | Attributable gold production (oz) | 21,654 | 18,515 |
| | Cash costs (US\$ per ounce) | 614 | 451 |

Revenues

The following table sets out sales by entity:

| Quantities (oz) | Three months ended | |
|--------------------------------|--------------------|----------------|
| | March 31, 2010 | March 31, 2009 |
| Hassai (40%) | 7,341 | 6,703 |
| Ity (45.9%) | 4,936 | 6,735 |
| Frog's Leg (51%) | 11,525 | 8,297 |
| White Foil | - | - |
| TOTAL SALES (oz) | 23,801 | 21,735 |
| Total revenues (\$'000) | 27,840 | 24,660 |

Revenues for the first quarter of 2010 were \$27.8 million, up 12.9% from \$24.7 million for the same period last year. This variance resulted from two factors: an increase in volume (impact of \$2.3 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 improved performance at the Hassai mine in Sudan, and a slight increase in prices (impact of \$0.9 million) due to the continuing increase in the gold price denominated in USD/oz but offset by unfavourable foreign exchange rates of the EURO and the AUD against the CAD and the USD for the period from March 2009 to March 2010.

During the first quarter of 2010, 4,936 ounces of gold from the Ity mine (La Mancha's share) were sold at an average price of US \$1,108 (€802) per ounce, compared to 6,735 ounces of gold sold at an average price of US \$905 (€698) for the same period last year. The volume sold decreased by 27% compared to the first quarter of 2009 due to the lower volume of ore processed in 2010 and the high level of dores in inventory as at December 31, 2008, and sold in January 2009.

During the first quarter of 2010, a total of 7,341 ounces of gold from the Hassai mine (La Mancha's share) were sold at an average price of US \$1,118 (€808) per ounce compared with 6,703 ounces of gold sold at an average price of US \$908 (€697) per ounce in the same period of 2009. The higher volume sold is explained by a 9% increase in the volume of ore produced relative to last year.

During the first quarter of 2010, 11,525 ounces of gold from the Frog's Leg mine (La Mancha's share) were sold at an average price of US \$1,121 (AU \$1,223) per ounce compared with 8,297 ounces of gold sold at an average price of US \$868 (€1,277) per ounce in the same period of 2009. The volume sold in 2010 included the volume of gold produced recorded in inventory at the end of 2009 following the year-end toll milling campaign, in addition to the gold produced and sold from the first 2010 toll-milling campaign.

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

Mancha to fully benefit from any future rise of up to US \$1,320 and €893 in the gold price per ounce for production from the Frog's Leg and African mines, respectively.

No options were exercised during the three-month period ended March 31, 2010, and the Company did not record any gain or loss in revenues resulting from the exercise of collar contracts.

Average realized gold prices were as follow:

| Gold price per ounce | Three months ended March 31, 2010 | Three months ended March 31, 2009 |
|---|--------------------------------------|--------------------------------------|
| Average market gold price for the period | US \$1,109 €808 AU \$1,237 | US \$909 €697 AU \$1,367 |
| Average gold price realized by La Mancha for the period | US \$1,117 €806 AU \$1,223 | US \$899 €698 AU \$1,277 |

Cost of Sales

The cost of sales for the first quarter of 2010 was \$17.4 million, up 27% from \$13.6 million for the same period in 2009, while revenues increased by 13%. Gross margin was 37.6% of revenues compared to 44.7% for the previous year. This reflects the increase in the average cost of sales per ounce due to the increase in unit cash cost.

The average unit cash cost was US \$614 for the first quarter of 2010, up 36% from US \$451 for the same period in 2009. The negative changes in unit cash cost over the corresponding period of 2009 arose primarily from the following factors:

- at the Frog's Leg mine, higher mining costs as mining depth increases and higher contracted toll milling costs;
- the decrease in gold production at Ity mine due to lower mill throughput and a lower recovery rate, and despite a higher gold grade;
- a sharp increase in cyanide and electricity prices over the period at the Ity mine;
- a lower processed gold grade at the Hassai mine (3.9 g/t vs 4.9 g/t in the first quarter of 2009); and
- unfavourable fluctuations in currency exchange rates, mainly due to a 31% appreciation in the Australian dollar against the US dollar; the EURO increased to a much lesser degree, 6% on average, against the USD during the same period;

Exploration and Evaluation Expenses

During the first quarter of 2010, the Company incurred total exploration and evaluation expenses of \$1.4 million compared to \$1.6 million in 2009. These expenses were mainly related to:

- the drilling campaign at the Bondoukou area since end of February and exploration work at Katiola and Sissedougou areas in Côte d'Ivoire;
- the completion of a new drilling campaign at the La Ortiguita project in Argentina; and
- ongoing exploration work in Australia.

General and Administrative Expenses

For the first three months of 2010, general and administrative expenses were \$2.9 million compared to \$2.7 million the previous year.

Other Operating Income / Expense

During the first quarter of 2010, other operating expenses amounted to \$0.20 million compared to \$0.56 million in 2009. This amount includes two items: an expense of \$0.23 million in operating costs related to maintenance and ongoing dewatering costs at the White Foil mine in Australia before the start of mining operation in March, and a non-cash gain of \$13,000 for the change in the time value of the gold collar contracts. The time value is one of two components of the fair value of the collar contracts, and is a non-cash item that will gradually fall to reach nil when the collar contracts expire.

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 \$0.07 million during the first 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 \$0.13 million for the first quarter of 2010 compared to a net interest expense of \$0.44 million the previous year. This item consists of a \$0.32 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 \$0.19 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 of long-term notes issued by Master Asset Vehicle II. During the first quarter of 2010, the Group recorded no change in fair value compared to a reduction of \$472 included in loss on investments the previous year for the same period. As at March 31, 2010, the fair value of the Group's ABCP was estimated at \$6,821.

This estimate could change materially in subsequent periods.

On March 30, 2010, the Company sold 17,031 shares of its investment in Avoca Resources Inc. for a consideration of \$32 (AU \$34), realizing a gain on disposal of \$6 recorded in gain on investments.

RISKS AND UNCERTAINTIES

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

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

As at December 31, 2009 and March 31, 2010, the Company held the following notes issued by Master Asset Vehicle II ("MAV 2"): \$2.9 million of Class A-1 Notes, \$6.5 of Class A-2 Notes, \$1.2 of Class B Notes, \$0.3 million of Class C Notes and \$0.9 million 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 January 21, 2009, there was no active market available for these Long-Term Notes as of March 31, 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 March 31, 2010, there remains 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 March 31, 2010. The discount rates consider factors that include the BA rate, credit spread applicable to the credit rating, and premiums for lack of liquidity.

The Group has considered current market conditions surrounding the Long Term notes such as liquidity, transparency and credit risk in developing the assumptions used in estimating the fair value of the Long -term Notes. Due to their characteristics and the market conditions, the Group estimated that the fair value of the Class C Notes and the Class IA Tracking Notes (the underlying assets of Tracking Notes have exposure to U.S. sub-primes mortgages) is nil as at March 31, 2010.

Based on the discounted cash flow model as at March 31, 2010, the fair value of the Company's Notes was estimated at \$6.8 million (2009 - \$6.8 million). There was no changes in fair value during the period ended March 31, 2010 (2009: \$(472,000)).

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 March 31, 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 will decrease the fair value by approximately \$375,000.

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

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

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 has 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.

SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

| Fiscal quarter ended | Net sales (\$ 000's) | Net income/(loss) (\$ 000's) | Net income/(loss) per share ¹ | Net income per share, fully diluted |
|----------------------|-------------------------|---------------------------------|---|---|
| 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) |
| June 30, 2008 | 13,132 | (2,580) | (0.018) | (0.018) |

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

CASH FLOWS

Operating activities generated cash flow of \$9.9 million during the first quarter of 2010, down from \$10.9 million in the corresponding period in 2009. This was due to the negative year-over-year changes in working capital items resulting from negative changes in inventories and receivables. Inventories kept declining due to the milling of the quartz ore at the Hassai mine, while the new White Foil mine's ore was stockpiled in preparation for the milling program in April 2010, in addition to the stockpile of Frog's Leg and an inventory of gold produced and still unsold at Frog's Leg mine at the end of March 2010.

Investing activities used \$6.5 million in cash flow in the first quarter of 2010 compared to \$4.5 million in the same period of 2009. These investments are mainly related to ongoing development of the Frog's Leg underground mine in Australia (\$3.9 million versus \$2.1 million for the same period in 2009, including capital leases) and to the increase in capital expenditures at Ity mine with the preparation of the relocation of the heaps (\$1.8 million versus \$0.4 million for the first quarter of 2009).

Financing activities used cash flow of \$2.2 million during the first quarter of 2010, having generated \$1.3 million in the same period of 2009; thanks to the increase in cash flow generated at the Frog's Leg mine, an amount of \$1.7 million was repaid on the medium-term line of credit from the majority shareholder, while \$1.3 million was drawn on this credit line during the first 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.

LIQUIDITY

As at March 31, 2010, the Company's balance sheet showed current assets of \$68.5 million, down \$3.4 million from year-end. This decrease is mainly explained by a net loss on the translation of

financial statements of self-sustaining foreign operations due to the change in the CAD exchange rate against the € (1.37 as at March 31, 2010 versus 1.50 as at Dec. 31, 2009), partially offset by the increase in cash and cash equivalents. Working capital amounted to \$41.3 million, with current assets exceeding total liabilities by \$19.8 million after deducting long-term liabilities of \$21.6 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 3-month or 6-month index plus 2.75% per year, depending on the maturity of each withdrawal. As of March 31, 2010, total withdrawals amounted to AU \$15.35 million, and available credit was AU \$6.65 million. The ramp-up of the Frog's Leg mine should allow part of the debt to be repaid from available cash in 2010.

Regarding the Frog's Leg mine equipment in Australia, total lease liabilities stood at \$2.8 million as at March 31, 2010.

STATUS AND OUTLOOK OF MINING OPERATIONS

La Mancha still expects to produce between 120,000 and 140,000 ounces of gold in 2010 at as published 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 the work performed to date and the current status of IFRS, the changeover is not expected to require a significant effort by the Company or have a material effect on its financial statements and processes.

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:

| Phase | Description | Status | Expected timeline |
|--|--|-------------------------------------|--------------------------|
| Phase 1 Scoping and Diagnostics | <ul style="list-style-type: none"> • Perform a high-level assessment to identify key differences between Canadian GAAP and IFRS which were 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 | <p>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:</p> | | |
| | <p>1. Accounting policies and procedures</p> <p>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:</p> <ul style="list-style-type: none"> • expected impacts on transition date are described in the section "First-Time Adoption of IFRS" below; • key areas where changes in accounting policies are expected are identified in the section "Expected Areas of Significance" below. | In progress | Q2 2010 |
| | <p>2. Financial statement preparation</p> <ul style="list-style-type: none"> • Develop a model for the Company's IFRS financial statements. • Identify information gaps and necessary changes in reporting, processes, systems and controls. | In progress | Q3 2010 |

| | | | |
|---|--|-------------------------|---------|
| | <ul style="list-style-type: none"> Design a process to prepare the IFRS comparative information. | | |
| | <p>3. Training and communication Engage subject matter experts to assist in the transition and provide the appropriate training to affected employees</p> | In progress | Q3 2010 |
| | <p>4. Business impacts Determine how the changes affect other stakeholders</p> | In progress | Q3 2010 |
| | <p>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</p> | In progress | Q3 2010 |
| | <p>6. Control environment Reflect significant changes to the existing accounting policies and practices on:</p> <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Execute the work completed in Phase 2 by making changes to business and accounting processes and supporting information systems; prepare the formal documentation of the final and approved IFRS compliant accounting policies and procedures; quantify of anticipated business impacts; prepare the draft of the pro-forma financial statement formats and notes thereto that will be adopted under IFRS including 2010 comparative figures. | Starting Q3 2010 | Q4 2010 |
| Post implementation | Prepare IFRS financial statements for the interim periods and the year-ending December 31, 2011. | Starting in fiscal 2011 | |

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. 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.

Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of January 1, 2010, based on standards that will be applicable as at December 31, 2011. 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 will complete the analysis of the various accounting policy choices available 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 can be reset to a nil amount as of January 1, 2010. 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 from 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, and to equity instruments that were granted after November 7, 2002, and vested before the January 1, 2010.

The necessity to elect "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 IFRSs at its fair value and use that fair value as its deemed cost at that date, is still under analysis.

The Company expects that key decisions on currently available IFRS 1 exemptions will be approved by senior management and reviewed by the Company's Audit Committee.

Expected Areas of Significance

No areas of significance have been identified other than those already described in the last annual MD&A, namely Property, plant and equipment, Production stripping costs, Impairment of assets and Provisions. An "Extractive Activities" discussion paper was published in April 2010 and is open for comments until July 30, 2010. As current IFRS 6 allows mining entities to retain their existing policies for the capitalization of exploration and evaluation costs until more definitive guidance is developed, the Company concluded that, until the publication of the final standard, the better 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 is intended to highlight those areas the Company believes to be most significant, and should not be regarded as a complete list of changes that will result from transition to IFRS. However, the analysis of possible changes is still in process 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 note also 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 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 and Financial statement 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 the publication of the final standards that may arise from those projects and their impact on the Company, opportunities to early adopt any such 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 March 31, 2010, and May 12, 2010:

| Common shares | Number of shares | |
|----------------------|--------------------------|--|
| March 31, 2010 | 142,184,350 | |
| May 12, 2010 | 142,184,350 | |
| Stock options | Number of options | Number of common shares if all options are exercised |
| March 31, 2010 | 1,495,000 | |
| May 12, 2010 | 1,495,000 | 1,495,000 |

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.



Montreal
 May 12, 2010



La Mancha Resources Inc.

Interim Consolidated Financial Statements
As at March 31, 2010
and for the Three Month Periods Ended
March 31, 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.



Table of contents

| | |
|--|------|
| Interim Consolidated Balance Sheets..... | 1 |
| Interim Consolidated Balance Sheets (continued)..... | 2 |
| Interim Consolidated Statement of Changes in Shareholders' Equity..... | 3 |
| Interim Consolidated Statement of Comprehensive Income (loss)..... | 4 |
| Interim Consolidated Statement of Operations..... | 5 |
| Interim Consolidated Statement of Cash Flows..... | 6 |
| Notes to Interim Consolidated Financial Statements..... | 7-15 |

La Mancha Resources Inc.

Interim Consolidated Balance Sheets

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

| | | As at March 31 | As at December 31 |
|-------------------------------------|------|----------------|-------------------|
| | Note | 2010 | 2009 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 13,648 | 13,087 |
| Short-term investments | | 7,742 | 8,448 |
| Accounts receivable | | 10,133 | 11,096 |
| Inventories | 4 | 34,304 | 35,741 |
| Income taxes recoverable | | 248 | 323 |
| Future income tax asset | | 384 | 400 |
| Other current assets | | 1,624 | 1,554 |
| Derivative financial instruments | 9 | 415 | 1,211 |
| Total current assets | | 68,498 | 71,860 |
| Capital assets | | | |
| Property, plant and equipment | | 77,034 | 76,944 |
| Finite-life intangible assets | | 428 | 562 |
| Total capital assets | | 77,462 | 77,506 |
| Other Long-term assets | | | |
| Restricted cash | | 1,887 | 1,903 |
| Future income tax asset | | 5,821 | 7,011 |
| Derivative financial instruments | 9 | — | 334 |
| Investments and other assets | 5 | 9,213 | 9,090 |
| Total other long-term assets | | 16,921 | 18,338 |
| Total assets | | 162,881 | 167,704 |

The accompanying notes are an integral part of these 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 March 31 | As at December 31 |
|--|------|----------------|-------------------|
| | Note | 2010 | 2009 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Bank indebtedness | | 26 | – |
| Accounts payable and accrued liabilities | | 17,590 | 16,356 |
| Income taxes payable | | 3,371 | 4,065 |
| Other current liabilities | | 2,521 | 2,521 |
| Current portion of capital lease obligations | | 2,023 | 2,092 |
| Derivative financial instruments | 9 | 393 | 1,162 |
| Provisions for other liabilities and charges | | 525 | 573 |
| Pension and other post-service benefit obligations | | 703 | 735 |
| Total current liabilities | | 27,152 | 27,504 |
| Long-term liabilities | | | |
| Future income tax liability | | 78 | 96 |
| Long term debt | 6 | 14,294 | 16,112 |
| Capital lease obligations | | 1,773 | 2,273 |
| Derivative financial instruments | 9 | – | 383 |
| Provisions for other liabilities and charges | | 3,734 | 3,755 |
| Pension and other post-service benefit obligations | | 1,679 | 1,749 |
| Total long-term liabilities | | 21,558 | 24,368 |
| Total Liabilities | | 48,710 | 51,872 |
| COMMITMENTS AND CONTINGENCIES | | | |
| | 11 | | |
| SHAREHOLDERS' EQUITY | | | |
| Common stock | | 41,541 | 41,541 |
| Stock options | 8 | 190 | 156 |
| Contributed surplus | | 44,139 | 44,139 |
| Retained earnings | | 31,223 | 27,560 |
| Accumulated other comprehensive income | | (2,922) | 2,436 |
| Total shareholders' equity | | 114,171 | 115,832 |
| Total liabilities and shareholders' equity | | 162,881 | 167,704 |

The accompanying notes are an integral part of these 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 December 31, 2008 | 142,034,850 | 41,379 | 95 | 44,139 | 16,181 | 6,574 | (1,591) | 106,777 |
| Net loss for the three month period ended March 31, 2009 | | | | | 3,477 | | | 3,477 |
| Change in cumulative translation adjustment | | | | | | (359) | | (359) |
| Change in unrealized gains and losses on available-for-sale investments | | | | | | | 66 | 66 |
| Stock-based compensation | | | 19 | | | | | 19 |
| Balance on March 31, 2009 | 142,034,850 | 41,379 | 114 | 44,139 | 19,658 | 6,215 | (1,525) | 109,980 |
| Balance on December 31, 2009 | 142,184,350 | 41,541 | 156 | 44,139 | 27,560 | 2,261 | 175 | 115,832 |
| Net earnings for the three month period ended March 31, 2010 | | | | | 3,663 | | | 3,663 |
| Change in cumulative translation adjustment | | | | | | (5,546) | | (5,546) |
| Change in unrealized gains and losses on available-for-sale investments | | | | | | | 188 | 188 |
| Stock-based compensation | | | 34 | | | | | 34 |
| Balance on March 31, 2010 | 142,184,350 | 41,541 | 190 | 44,139 | 31,223 | (3,285) | 363 | 114,171 |
| Total of retained earnings and accumulated other comprehensive income | | | | | | | 28,301 | |

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

Interim Consolidated Statement of Comprehensive Income (loss)

For the Three Month Periods Ended March 31, 2010 and 2009

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

| | Three month period Ended March 31 | |
|--|--------------------------------------|--------------|
| | 2010 | 2009 |
| Net earnings | 3,663 | 3,477 |
| Other comprehensive income | | |
| • Change in cumulative translation adjustments | (5,546) | (359) |
| • Change in unrealized gains and losses on available for sale investments, net of income taxes of \$(81) (2009: \$28). | 190 | 66 |
| • Portion of unrealized gains transferred to gains on investments in the consolidated statement of operations, net of income taxes of \$1 (2009: \$nil). | (2) | – |
| Comprehensive income (loss) | (1,695) | 3,184 |

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 Month Periods Ended March 31, 2010 and 2009

*Amounts in thousands of Canadian dollars except per share amounts
(unaudited)*

| | Three month period | |
|---|---------------------------|--------------|
| | Ended March 31 | |
| | 2010 | 2009 |
| Revenue | 27,840 | 24,660 |
| Cost of sales | (17,362) | (13,626) |
| Gross margin | 10,478 | 11,034 |
| Operating expenses | | |
| Exploration and evaluation expenses | (1,440) | (1,602) |
| General and administrative expenses | (2,928) | (2,681) |
| Other operating expenses | (279) | (560) |
| Joint venture management fee recoveries | 71 | 38 |
| Total operating expenses | (4,576) | (4,805) |
| Mine operating earnings | 5,902 | 6,229 |
| Other income (expenses) | | |
| Interest income | 189 | 105 |
| Interest expense | (315) | (549) |
| Gain (loss) on investments (note 5 (a)) | 6 | (472) |
| Foreign exchange gain | 4 | 25 |
| Other income (expense) | (41) | - |
| | (157) | (891) |
| Earnings before income tax expense | 5,745 | 5,338 |
| Income tax expense | (2,082) | (1,861) |
| Net earnings for the period | 3,663 | 3,477 |
| Weighted average number of common shares outstanding | | |
| Basic (note 7) | 142,184,350 | 142,034,850 |
| Diluted (note 7) | 142,223,072 | 142,034,850 |
| Earning per share | | |
| Basic | 0.026 | 0.024 |
| Diluted | 0.026 | 0.024 |

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 Month Periods Ended March 31, 2010 and 2009

Amounts in thousands of Canadian dollars unless otherwise stated

(unaudited)

| | Three month period ended March 31 | |
|--|--------------------------------------|----------------|
| | 2010 | 2009 |
| Cash flows from operating activities | | |
| Net earnings for the period | 3,663 | 3,477 |
| Non cash Items | | |
| Depreciation and amortization | 3,920 | 2,741 |
| Future income tax expense | 1,056 | 459 |
| Net movements in provisions for liabilities & charges | 113 | 310 |
| Loss on disposal of properties | 4 | – |
| Derivative Financial Instruments (note 9) | (13) | 253 |
| Foreign exchange gain | (4) | (25) |
| Loss (gain) on investments (note 5) | (6) | 472 |
| Stock based compensation expense | 34 | 19 |
| Changes in working capital: | | |
| Inventories | (925) | 1,337 |
| Accounts receivable | (223) | 1,657 |
| Prepaid expenses, deposits and other assets | (56) | (971) |
| Accounts payable and accrued liabilities | 2,704 | 50 |
| Income tax receivable/payable | (321) | 1,184 |
| Net cash generated from operating activities | 9,946 | 10,963 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (3,275) | (1,278) |
| Exploration and evaluation costs capitalized | (3,272) | (3,201) |
| Proceeds from sale of investments (note 5(a)) | 32 | – |
| Net change in restricted cash | – | 17 |
| Net cash used in investing activities | (6,515) | (4,462) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | – | 1,322 |
| Repayment of borrowings | (1,693) | – |
| Repayment of capital lease obligations | (535) | (299) |
| Net change in bank indebtedness | 27 | 246 |
| Net cash provided by (used in) financing activities | (2,201) | 1,269 |
| Net increase in cash and cash equivalents | 1,230 | 7,820 |
| Cash and cash equivalents at beginning of the period | 13,087 | 8,576 |
| Effect of exchange rates change on cash and cash equivalents | (669) | (256) |
| Cash and cash equivalents at end of the period | 13,648 | 16,602 |
| Supplemental disclosure of Cash Flow Information | | |
| Cash paid during the period for: | | |
| Interest | (291) | (199) |
| Income tax | (1,347) | (79) |

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

La Mancha Resources Inc.

Notes to Interim Consolidated Financial Statements

March 31, 2010

Amounts in thousands of Canadian dollars unless otherwise stated

(unaudited)

1. NATURE OF ACTIVITIES

La Mancha Resources Inc. (the "Company") was incorporated on October 10, 1996 under the 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 March 31, 2010 and for the three month periods ended March 31, 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.

La Mancha Resources Inc.

Notes to Interim Consolidated Financial Statements

March 31, 2010

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

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 March 31 | As at December 31 |
|--|-----------------------|-------------------|
| | 2010 | 2009 |
| Raw materials and consumable stores | 4,903 | 5,331 |
| Work in progress, including stockpiles | 26,770 | 20,966 |
| Finished goods | 2,631 | 9,444 |
| | 34,304 | 35,741 |

5. INVESTMENTS AND OTHER ASSETS

| | As at March 31 | As at December 31 |
|--|-----------------------|-------------------|
| | 2010 | 2009 |
| Investments in Australian listed equity securities (see (a)) | 2,362 | 2,144 |
| Investment in Asset Backed Term-Notes (see (b)) | 6,821 | 6,821 |
| Deposits and prepaid expenses | 30 | 125 |
| | 9,213 | 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 March 31 | As at December 31 |
|-----------------------------|-----------------------|-------------------|
| | 2010 | 2009 |
| Aggregate unrealized gains | 532 | 290 |
| Aggregate unrealized losses | (13) | (40) |
| Deferred income taxes | (156) | (75) |
| | 363 | 175 |

La Mancha Resources Inc.

Notes to Interim Consolidated Financial Statements

March 31, 2010

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

5. INVESTMENTS AND OTHER ASSETS (CONTINUED)

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

On March 30, 2010, the Group sold 17,031 shares of its investment in Avoca Resources Inc. for a consideration of \$32 (AU\$34) realizing a gain on disposal of \$6 (2009: \$nil) recorded in gain on investments in the consolidated statement of operation.

(b) Investment in Asset-Backed Term-Notes

As at December 31, 2009 and March 31, 2010, the Company held the following notes issued by Master Asset Vehicle II ("MAV 2"): \$2,927 of Class A-1 Notes, \$6,521 of Class A-2 Notes, \$1,184 of Class B Notes, \$329 of Class C Notes and \$949 of Class 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 January 21, 2009, there was no active market available for these Long-Term Notes as of March 31, 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 March 31, 2010, there remains 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 March 31, 2010. The discount rates consider factors that include the BA rate, credit spread applicable to the credit rating, and premiums for lack of liquidity.

The Group has considered current market conditions surrounding the Long Term notes such as liquidity, transparency and credit risk in developing the assumptions used in estimating the fair value of the Long-term Notes. Due to their characteristics and the market conditions, the Group estimated that the fair value of the Class C Notes and the Class IA Tracking Notes (the underlying assets of Tracking Notes have exposure to U.S. sub-primes mortgages) is nil as at March 31, 2010.

Based on the discounted cash flow model as at March 31, 2010, the fair value of the Company's Notes was estimated at \$6,821 (2009 - \$6,821). There was no changes in fair value during the period ended March 31, 2010 (2009: \$(472)).

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 March 31, 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 will decrease the fair value by approximately \$375.

La Mancha Resources Inc.

Notes to Interim Consolidated Financial Statements

March 31, 2010

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

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 March 31, 2010, the Company has drawn \$14,294 (AU\$15,350) with a maturity ranging from April to June 2010 renewable until the expiration of the agreement. Accrued interest payable at period end amounted to \$125 (AU\$134). For the period, the Group recorded an interest expense of \$244 (2009: \$282) 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 March 31 | |
|--|--|-------------|
| | 2010 | 2009 |
| Basic weighted average number of common shares outstanding | 142,184,350 | 142,034,850 |
| Dilutive effect of stock options | 38,722 | – |
| Diluted weighted average number of common shares outstanding | 142,223,072 | 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.

| | Three month period ended March 31, 2010 | | |
|--------------------------|--|----------------------------------|---|
| | Number | Carrying value \$ | Weighted average exercise price \$ per share |
| Beginning of period | 1,375,000 | 156 | 0.73 |
| Granted | 120,000 | – | 2.07 |
| Stock based compensation | – | 34 | – |
| End of the period | 1,495,000 | 190 | 0.84 |

La Mancha Resources Inc.

Notes to Interim Consolidated Financial Statements

March 31, 2010

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

8. SHARE CAPITAL (CONTINUED)

Options (continued)

As at March 31, 2010, the options outstanding under the plan are as follows:

| Range of exercise prices | Number of options | Options outstanding | | | Options exercisable | |
|--------------------------|-------------------|---|--------------------------------------|---|---------------------|--------------------------------------|
| | | Weighted-average remaining contractual life | Weighted-average exercise Price (\$) | Weighted-average grant date fair value (\$) | Number of options | Weighted average exercise price (\$) |
| \$0.30 | 40,000 | 4.4 | \$0.30 | \$0.10 | — | — |
| \$0.46 | 640,000 | 4.0 | \$0.46 | \$0.15 | — | — |
| \$0.66 | 220,000 | 5.1 | \$0.66 | \$0.25 | — | — |
| \$0.86 to \$0.87 | 180,000 | 3.2 | \$0.86 | \$0.45 | 40,000 | \$0.86 |
| \$1.16 | 150,000 | 4.4 | \$1.16 | \$0.45 | — | — |
| \$1.50 | 105,000 | 1.1 | \$1.50 | \$0.04 | 105,000 | \$1.50 |
| \$1.64 | 40,000 | 5.8 | \$1.64 | \$0.67 | — | — |
| \$1.98 | 100,000 | 5.0 | \$1.98 | \$0.74 | — | — |
| \$2.50 | 20,000 | 5.0 | \$2.50 | \$0.59 | — | — |
| | 1,495,000 | 4.4 | \$0.84 | \$0.28 | 145,000 | \$1.32 |

9. RISK MANAGEMENT

Hedges

As at March 31, 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: | 8,622 | €632/oz | €893/oz | April 2010 | January 2011 |
| Australian operations (1): | 18,503 | US\$930/oz | US\$1,320/oz | April 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 month period ending March 31, 2010, no options were exercised (2009: nil).

La Mancha Resources Inc.
Notes to Interim Consolidated Financial Statements

March 31, 2010

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

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 March 31 2010 |
|---|--------------------------------|
| Derivatives hedging instruments: | |
| Gold call options sold | 320 |
| Gold put options bought | (298) |
| Total | 22 |

| Classification of derivative hedging instruments: | As at March 31 2010 | As at December 31 2009 |
|--|--------------------------------|-----------------------------------|
| Assets | | |
| Current assets portion | 415 | 1,208 |
| Long-term assets portion | – | 334 |
| Total | 415 | 1,542 |
| Liabilities | | |
| Current liabilities portion | (393) | (1,162) |
| Long-term liabilities portion | – | (383) |
| Total | (393) | (1,545) |

| | For the three month period ended March 31 | |
|--|--|-------------|
| | 2010 | 2009 |
| Changes in fair value of hedging instruments | | |
| Changes in time value of hedging instruments recorded in the consolidated statement of operations | 13 | (254) |
| Changes in intrinsic value of hedging instruments recorded in the consolidated statement of operations | – | – |
| Total at the end of the period | 13 | (254) |

La Mancha Resources Inc.

Notes to Interim Consolidated Financial Statements

March 31, 2010

Amounts in thousands of Canadian dollars unless otherwise stated

(unaudited)

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 Hassaī 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. On March 4th, 2010, the Group announced the start-up of the White Foil mining operations. According to the new mining plan the extraction of ore material started in March and processing should follow 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:

| Three month period ended March 31, 2010 | | | | | | |
|--|-------------|--------|-----------|-----------|---------|---------|
| | Ivory Coast | Sudan | Australia | Argentina | Other | Total |
| Revenue | 5,716 | 8,568 | 13,257 | – | 299 | 27,840 |
| Mine operating earnings (loss) | 2,395 | 1,818 | 4,219 | (316) | (2,214) | 5,902 |
| Interest income (expense) | 94 | 9 | (232) | – | 3 | (126) |
| Income tax expense | (592) | (300) | (1,140) | – | (50) | (2,082) |
| Net earnings/(loss) | 1,897 | 1,527 | 2,812 | (310) | (2,263) | 3,663 |
| Depreciation and amortization | 532 | 814 | 2,554 | – | 20 | 3,920 |
| Capital expenditures | (1,764) | (746) | (3,980) | (10) | (47) | (6,547) |
| As at March 31, 2010 | | | | | | |
| | Ivory Coast | Sudan | Australia | Argentina | Other | Total |
| Capital assets | 11,254 | 13,011 | 51,699 | 12 | 1,486 | 77,462 |
| Total assets | 29,610 | 40,281 | 80,324 | 194 | 12,472 | 162,881 |

La Mancha Resources Inc.

Notes to Interim Consolidated Financial Statements

March 31, 2010

Amounts in thousands of Canadian dollars unless otherwise stated

(unaudited)

10. SEGMENTED INFORMATION (CONTINUED)

| Three month period ended March 31, 2009 | | | | | | |
|--|---------------|-------|-----------|-----------|---------|---------|
| | Côte d'Ivoire | Sudan | Australia | Argentina | Other | Total |
| Revenue | 7,625 | 7,599 | 8,756 | – | 680 | 24,660 |
| Mine operating earnings (loss) | 3,278 | 1,521 | 2,470 | (248) | (792) | 6,229 |
| Interest income (expense) | 24 | (178) | (302) | – | 12 | (444) |
| Income tax expense | (1,060) | (333) | (359) | – | (109) | (1,861) |
| Net earnings/(loss) | 2,242 | 1,010 | 1,809 | (248) | (1,336) | 3,477 |
| Depreciation and amortization | 735 | 918 | 1,056 | – | 32 | 2,741 |
| Capital expenditures | 374 | 1,982 | 2,123 | – | – | 4,479 |

| 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. SUBSEQUENT EVENTS 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 has 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.

Compania Minera El Colorado

On September 23, 2009, the Group was served with a lawsuit of AR\$50,000 before the commercial court of the City of Buenos Aires by a former partner in the Hualian II project, the Compañía Minera El Colorado ("El Colorado") of Argentina. At the time of reporting, management has no information to evaluate the possible outcome of this lawsuit. No accrual has been recorded with respect to this case.

La Mancha Resources Inc.

Notes to Interim Consolidated Financial Statements

March 31, 2010

Amounts in thousands of Canadian dollars unless otherwise stated

(unaudited)

11. SUBSEQUENT EVENTS 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 March 31, 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 March 31, 2010 was \$89 (2008:\$183).



2001 UNIVERSITY ST., SUITE 400

MONTREAL, QUEBEC
CANADA H3A 2A6

T : 514-987-5115 // F: 514-987-5119

TOLL FREE IN NORTH AMERICA:
1-877-987-5115

www.lamancha.ca

TOUR AREVA

1, PLACE JEAN MILLER
30th FLOOR

92084, PARIS – LA DEFENSE

FRANCE
T : (33) 01 47 96 4646

www.lamancha.ca