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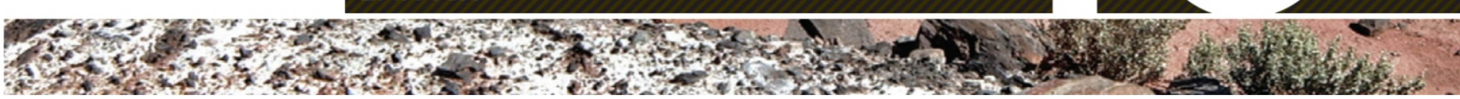
10

QUARTERLY REPORT
THIRD QUARTER

LMA-TSX



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Section A Third Quarter 2010 Highlights

HIGHLIGHTS

(unaudited)	Third Quarter ended September 30,		First 9 months ended September 30,	
(All amounts are in CDN dollars unless otherwise noted)	**2010**	**2009**	**2010**	**2009**
RESULTS (consolidated, in thousands of $)				
Revenues	32,320	28,162	114,701	81,187
Cash flow from operating activities	9,592	8,829	38,243	26,466
Net earnings (loss)	4,922	3,045	16,631	12,622
PER SHARE ($)				
Net earnings (loss)	0.04	0.02	0.12	0.09
Basic weighted average number of common shares outstanding (in thousands)	142,503	142,051	142,310	142,051
ATTRIBUTABLE GOLD PRODUCTION				
Number of ounces produced	27,317	24,439	91,827	70,710
Mine operating costs (US$ per ounce)	687	422	620	454

	September 30, 2010	December 31, 2009
FINANCIAL POSITION (in thousands of $)		
Cash and short-term investments	25,066	21,535
Total assets	165,154	167,704
Shareholders' equity	132,837	115,832
Total number of shares outstanding (in thousands)	142,641	142,184

	Third Quarter ended September 30,		First 9 months ended September 30,	
GOLD PRODUCTION STATISTICS	**2010**	**2009**	**2010**	**2009**
Australian Operations				
Frog's Leg (51%)				
Attributable production (ounces)	13,871	12,283	48,365	34,330
Tonnage milled (t)	107,807	67,530	316,299	225,214
Grade milled (g Au/t)	4.3	6.1	5.1	5.2
Recovery rate (%)	94	93	94	93
Cash costs (US$ per ounce)	631	358	546	414
White Foil (100%)				
Attributable production (ounces)	3,230	N/A	9,189	N/A
Tonnage milled (t)	55,026	N/A	144,704	N/A
Grade milled (g Au/t)	2.0	N/A	2.1	N/A
Recovery rate (%)	93	N/A	93	N/A
Cash costs (US$ per ounce)	843	N/A	868	N/A
African Operations				
Hassaï (40%)				
Attributable production (ounces)	6,207	4,974	21,315	17,975
Tonnage milled (t)[1]	152,265	164,997	588,222	513,552
Grade milled (g Au/t)	4.4	3.5	3.9	4.0
Recovery rate (%)	72	68	72	68
Cash costs (US$ per ounce)	803	750	725	627
ITY (45.9%)				
Attributable production (ounces)	4,008	7,182	12,959	18,405
Tonnage milled (t)[1]	90,055	96,794	254,626	337,121
Grade milled (g Au/t)	4.3	6.3	4.9	4.6
Recovery rate (%)	70	80	70	80
Cash costs (US$ per ounce)	577	303	550	358

[1] On a 100% basis

Section B Management Discussion and Analysis

La Mancha Resources Inc.

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

(unaudited)

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

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La Mancha Resources Inc.

Interim Consolidated Balance Sheets

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

	Note	As at September 30 2010	As at December 31 2009
ASSETS			
Current assets			
Cash and cash equivalents		25,014	13,087
Short-term investments		52	8,448
Accounts receivable		8,997	11,096
Inventories	4	35,941	35,741
Income taxes recoverable		–	323
Future income tax asset		971	400
Other current assets		878	1,554
Derivative financial instruments	9	821	1,211
Total current assets		**72,674**	**71,860**
Capital assets			
Property, plant and equipment		80,555	76,944
Finite-life intangible assets		484	562
Total capital assets		**81,039**	**77,506**
Other Long-term assets			
Restricted cash		2,637	1,903
Future income tax asset		1,257	7,011
Derivative financial instruments	9	–	334
Investments and other assets	5	7,547	9,090
Total other long-term assets		**11,441**	**18,338**
Total assets		**165,154**	**167,704**

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

Signed on behalf of the Board

"Dominique Delorme"

"Johanne Duchesne"

La Mancha Resources Inc.

Interim Consolidated Balance Sheets (continued)

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

	Note	As at September 30 2010	As at December 31 2009
LIABILITIES			
Current liabilities			
Bank indebtedness		51	–
Accounts payable and accrued liabilities		14,057	16,356
Income taxes payable		3,062	4,065
Other current liabilities		2,521	2,521
Current portion of capital lease obligations		1,701	2,092
Derivative financial instruments	9	727	1,162
Provisions for other liabilities and charges		826	573
Pension and other post-service benefit obligations		854	735
Total current liabilities		**23,799**	**27,504**
Long-term liabilities			
Future income tax liability		1,084	96
Long term debt	6	–	16,112
Capital lease obligations		1,601	2,273
Derivative financial instruments	9	–	383
Provisions for other liabilities and charges		3,967	3,755
Pension and other post-service benefit obligations		1,866	1,749
Total long-term liabilities		**8,518**	**24,368**
Total Liabilities		**32,317**	**51,872**
COMMITMENTS AND CONTINGENCIES	11		
SHAREHOLDERS' EQUITY			
Common stock		42,002	41,541
Stock options	8	185	156
Contributed surplus		44,160	44,139
Retained earnings		44,191	27,560
Accumulated other comprehensive income		2,299	2,436
Total shareholders' equity		**132,837**	**115,832**
Total liabilities and shareholders' equity		**165,154**	**167,704**

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

La Mancha Resources Inc.

Interim Consolidated Statements of Changes in Shareholders' Equity

Amounts in thousands Canadian dollars unless otherwise stated
(unaudited)

	Common Shares (number of)	Common Shares	Options and Warrants	Contri-buted Surplus	Retained Earnings	Accumulated other comprehensive income		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 earnings for the nine month period ended September 30, 2009					12,622			12,622
Change in cumulative translation adjustment						(1,021)		(1,021)
Change in unrealized gains and losses on available-for-sale investments							1,566	1,566
Issuance of shares in connection with mining properties (Note 11)	49,500	39						39
Stock-based compensation			69					69
Balance on September 30, 2009	**142,084,350**	**41,418**	**164**	**44,139**	**28,803**	**5,553**	**(25)**	**120,052**
Balance on December 31, 2009	**142,184,350**	**41,541**	**156**	**44,139**	**27,560**	**2,261**	**175**	**115,832**
Net earnings for the nine month period ended September 30, 2010					16,631			16,631
Change in cumulative translation adjustment						(68)		(68)
Change in unrealized gains and losses on available-for-sale investments							(69)	(69)
Issuance of shares in connection with mining properties (Note 11)	76,500	116						116
Exercise of options	380,000	345	(67)					278
Forfeiture of options			(21)	21				–
Stock-based compensation			117					117
Balance on September 30, 2010	**142,640,850**	**42,002**	**185**	**44,160**	**44,191**	**2,193**	**106**	**132,837**
Total of retained earnings and accumulated other comprehensive income							**46,490**	

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

Interim Consolidated Statement of Comprehensive Income

For the Three- and Nine-Month Periods Ended September 30, 2010 and 2009

Amounts in thousands of Canadian dollars unless otherwise stated

(unaudited)

	Three-month period ended September 30		**Nine-month period ended September 30**	
	2010	2009	**2010**	2009
Net earnings	4,922	3,045	16,631	12,622
Other comprehensive income				
• Change in cumulative translation adjustments	10,222	(2,044)	(68)	(1,021)
• Change in unrealized gains and losses on available for sale investments, net of income taxes of $(23) (2009: $(671))	(56)	976	53	1,566
• Portion of unrealized gains transferred to gains on investments in the consolidated statement of operations, net of income taxes of $52 (2009: $nil).	–	–	(122)	–
Comprehensive income	**15,088**	1,977	**16,494**	**13,167**

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

La Mancha Resources Inc.

Interim Consolidated Statement of Operations

For the Three- and Nine-Month Periods Ended September 30, 2010 and 2009

Amounts in thousands of Canadian dollars except per share amounts

(unaudited)

	Three-month period Ended September 30		Nine-month period Ended September 30	
	2010	2009	**2010**	2009
Revenue	32,320	28,162	114,701	81,187
Cost of sales	(21,909)	(16,773)	(73,802)	(47,517)
Gross margin	10,411	11,389	40,899	33,670
Operating expenses				
Exploration and evaluation expenses	(2,048)	(982)	(5,475)	(3,777)
General and administrative expenses	(2,504)	(2,393)	(8,512)	(7,949)
Other operating expenses	449	(2,036)	(1,325)	(1,361)
Joint venture management fee recoveries	1,164	40	1,351	113
Total operating expenses	(2,939)	(5,371)	(13,961)	(12,974)
Mine operating earnings	**7,472**	**6,018**	**26,938**	**20,696**
Other income (expenses)				
Interest income	137	125	493	337
Interest expense	(139)	(202)	(716)	(1,010)
Gain (loss) on investments (note 5	347	(1,149)	726	(1,122)
Foreign exchange gain (loss)	12	(51)	(17)	(51)
Other expense	895	(56)	(75)	(97)
	1,252	(1,333)	411	(1,943)
Earnings before income tax expense	**8,724**	**4,685**	**27,349**	**18,753**
Income tax expense	(3,802)	(1,640)	(10,718)	(6,131)
Net earnings for the period	**4,922**	**3,045**	**16,631**	**12,622**
Weighted average number of common shares outstanding				
Basic (note 7)	142,503,747	142,051,410	142,309,678	142,051,410
Diluted (note 7)	142,677,714	142,061,058	142,480,107	142,051,410
Earning per share				
Basic	0.035	0.0214	0.117	0.0889
Diluted	0.034	0.0214	0.117	0.0889

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

La Mancha Resources Inc.

Interim Consolidated Statement of Cash Flows

For the Three- and Nine-Month Periods Ended September 30, 2010 and 2009

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

	Three-month period ended September 30		Nine-month period ended September 30	
	2010	2009	**2010**	2009
Cash flows from operating activities				
Net earnings for the period	4,922	3,045	16,631	12,622
Non cash Items				
Depreciation and amortization	6,195	2,684	17,106	7,820
Future income tax expense	1,834	1,002	6,119	3,058
Net movements in provisions for liabilities & charges	293	(218)	643	(108)
Gain on disposal of properties	–	(10)	(1)	(6)
Derivative Financial Instruments (note 9)	(1,724)	715	(126)	(525)
Foreign exchange loss (gain)	(12)	51	17	51
Loss (gain) on investments (note 5)	(347)	1,149	(726)	1,122
Stock based compensation expense	31	31	117	69
Changes in working capital:				
Inventories	(3,675)	199	(1,459)	449
Accounts receivable	6,797	(659)	2,437	1,084
Prepaid expenses, deposits and other assets	361	(15)	635	(1,547)
Accounts payable and accrued liabilities	(4,895)	1,243	(2,712)	2,472
Income tax receivable/payable	(188)	(388)	(438)	(95)
Net cash generated from operating activities	**9,592**	**8,829**	**38,243**	**26,466**
Cash flows from investing activities				
Acquisition of property, plant and equipment	(3,251)	(1,154)	(9,360)	(3,843)
Acquisition of intangible assets	–	(50)	–	(50)
Exploration and evaluation costs capitalized	(2,760)	(3,478)	(10,029)	(9,503)
Proceeds from sale of equipment	26	23	35	23
Proceeds from sale of investments	5,874	–	9,633	–
Net change in restricted cash	–	(765)	(572)	(748)
Net cash used in investing activities	**(111)**	**(5,424)**	**(10,293)**	**(14,121)**
Cash flows from financing activities				
Proceeds from borrowings	–	914	–	2,236
Repayment of borrowings	–	–	(15,625)	(3,592)
Repayment of capital lease obligations	(164)	(434)	(1,224)	(1,028)
Net change in bank indebtedness	(59)	(251)	48	5
Proceeds from issuance of shares	191	–	278	–
Net cash used in financing activities	**(32)**	**229**	**(16,523)**	**(2,379)**
Net increase (decrease) in cash and cash equivalents	**9,449**	**3,634**	**11,427**	**9,966**
Cash and cash equivalents at beginning of the period	13,965	14,926	13,088	8,576
Effect of exchange rates change on cash and cash equivalents	1,600	(372)	499	(354)
Cash and cash equivalents at end of the period	**25,014**	**18,188**	**25,014**	**18,188**
Supplemental disclosure of Cash Flow Information				
Cash paid during the period for:				
Interest	(215)	(237)	(506)	(774)
Income tax	(871)	(1,168)	(3,753)	(2,116)

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

1. NATURE OF ACTIVITIES

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

A portion of the Group activities is directed to the search for and the development of new mineral deposits and the producing of the mining properties acquired through the Group and significant capital investment will be required to achieve successful commercial production from such properties. In addition significant capital investment may be required in order to maintain or expand the operations of the Group. There is no assurance that the Group will have, or be able to raise, the required funds to engage in these activities and this could have an impact on the recoverability of a portion of the assets which is partly dependent on this assumption.

2. INTERIM FINANCIAL INFORMATION

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

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

3. CHANGES IN ACCOUNTING POLICIES

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS ADOPTED

Business combinations

In January 2009, the CICA issued Handbook Section 1582, Business Combinations, which replaces Section 1581, Business Combinations. The new Section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new Section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100 percent of the equity interest in the acquiree is owned at the acquisition date. The measurement of equity consideration given in a business combination will no longer be based on the average of the fair value of the shares a few days before and after the day the terms and conditions have been agreed to and the acquisition announced, but rather at the acquisition date. Subsequent changes in fair value of contingent consideration classified as a liability will be recognized in earnings and not as an adjustment to the purchase price. Restructuring and other direct costs of a business combination are no longer considered part of the acquisition accounting. Instead, such costs will be expensed as incurred, unless they constitute the costs associated with issuing debt or equity securities. The Group adopted this new section on January 1, 2010. The adoption of this new section did not have a significant impact on the Group's consolidated financial statements.

Amounts in thousands of Canadian dollars unless otherwise stated

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IMPACT OF NEW ACCOUNTING PRONOUNCEMENTS ADOPTED (continued)

Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Section 1601, Consolidated Financial Statements, and Handbook Section 1602, Non-Controlling Interests, which together replace Section 1600, Consolidated Financial Statements. Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The new Sections require that, for each business combination, the acquirer measure any non controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The new Sections also require non-controlling interest to be presented as a separate component of shareholders' equity. Under Section 1602, non-controlling interest in income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interests based on relative ownership interests. These Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, and should be adopted concurrently with Section 1582. Earlier adoption is permitted. The Group adopted this new section on January 1, 2010. The adoption of this new section did not have a significant impact on the Group’s consolidated financial statements.

4. INVENTORIES

	As at September 30 2010	As at December 31 2009
Raw materials and consumable stores	5,341	5,331
Work in progress, including stockpiles	28,407	20,966
Finished goods	2,193	9,444
	35,941	**35,741**

5. INVESTMENTS AND OTHER ASSETS

	As at September 30 2010	As at December 31 2009
Investments in Australian listed equity securities (see (a))	371	2,144
Investment in Asset Backed Term-Notes (see (b))	7,080	6,821
Deposits and prepaid expenses	96	125
	7,547	**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 September 30 2010	As at December 31 2009
Aggregate unrealized gains	186	290
Aggregate unrealized losses	(35)	(40)
Deferred income taxes	(45)	(75)
	106	**175**

5. INVESTMENTS AND OTHER ASSETS (CONTINUED)

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

Between March 30th and April 12, 2010, the Group sold 1,118,013 shares of its investment in Avoca Resources Inc. for a consideration of $2,156 (AU$2,374) realizing a gain on disposal of $482. For the three- and nine -month periods ended September 30, 2010, the Group recorded a gain on disposal of $nil and $482 (2009: $nil) in gain on investments in the consolidated statement of operation related to its disposal of all of its investment in Avoca Resources Inc.

(b) Investment in Asset-Backed Term-Notes

As at September 30, 2010, the Company continues to hold the following notes issued by Master Asset Vehicle II (“MAV 2”): $2,918 of Class A-1 Notes, $6,521 of Class A-2 Notes, $1,184 of Class B Notes, $329 of Class C Notes and $949 of Class IT class 3 Notes (collectively the “Long-term Notes”). The Class A-1 Notes, Class A-2 Notes, and Class B Notes accrue interest at the Bankers’ Acceptances (“BA”) rate less 0.50%. The Class C Notes accrue interest at the BA rate plus 20%. The Class IA Tracking Notes bear interest at the rate equal to the net rate of return generated by the related specific underlying assets.

The Class A-1 and A-2 Notes have been originally rated A by DBRS. The Class B and C Notes have not been rated nor have the Class IA Notes received by the Company. On August 11, 2009, the rating agency DBRS downgraded the credit rating of the Class A-2 Notes from A to BBB (low) and placed them Under Review with Negative Implications. On February 9, 2010, DBRS confirmed the BBB (low) rating and removed the Under Review with Negative Implications status citing the passage of time and the recent stability in the credit environment.

The Long-term Notes have been designated as held-for-trading. Although there have been some isolated transactions subsequent to the completion of the Plan restructuring on January 21, 2009, there were no active market quotations available for these Long-Term Notes as of September 30, 2010. The Class A-1, A-2, B and C Notes legally mature in 2056. However, the expected maturity date is in 2016.

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

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

Based on the discounted cash flow model as at September 30, 2010, the fair value of the Company’s Notes was estimated at $7,080 (2009 - $6,821). For the three- and nine-month period ended September 30 2010, the Group recorded $363 and $259 (2009: $125 and $155) in gain on investment in the consolidated statement of operations. The increase of $363 and $260 in fair value during the three- and nine-month periods ended September 30,2010 (2009: $200 and $(286)) was due to a fair value adjustment of $260 due to lower discount rates and partially compensate by lower interest rates, and to principal repayments of $1.

Since the fair value of the Long-Term Notes is determined using a probability-weighted approach employing the foregoing assumptions and is based on the Group’s assessment of market conditions as at September 30, 2010, and despite the fact that the restructuring took place on January 21, 2009 the fair value reported may change materially in subsequent periods.

A 1% increase in the discount rate would decrease the fair value by approximately $405.

Amounts in thousands of Canadian dollars unless otherwise stated

6. LONG-TERM DEBT

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

As at September 30, 2010, the Group has zero long-term debt payable (2009:$16,112). For the three- and nine-month periods ended September 30, 2010, the Group recorded an interest expense of $nil and $325 (2009: $187 and $724) respectively in the consolidated statement of operations with respect to the borrowings under these agreements. There is no covenant associated with the line of credit.

7. EARNINGS PER SHARE

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

	Three-month period ended September 30		**Nine-month period ended September 30**	
	2010	2009	2010	2009
Basic weighted average number of common shares outstanding	142,503,747	142,051,410	142,309,678	142,051,410
Dilutive effect of stock options	173,967	9,648	170,429	–
Diluted weighted average number of common shares outstanding	142,677,714	142,061,058	142,480,107	142,051,410

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.

	Nine-month period ended September 30, 2010		
	Number	**Carrying value $**	**Weighted average exercise price $ per share**
Beginning of period	1,375,000	156	0.73
Granted	120,000	–	2.07
Exercised	(380,000)	(67)	0.73
Forfeited	(150,000)	(21)	1.16
Stock based compensation	–	117	–
End of the period	965,000	185	0.83

In accordance with the Company's stock option plan, the options held by consultants of the Company expire 30 calendar days following the end of a contractual agreement. A total of 150,000 options were forfeited during the third quarter of 2010 in connection with the end of a contractual agreement.

Amounts in thousands of Canadian dollars unless otherwise stated

8. SHARE CAPITAL (CONTINUED)

Options (continued)

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

	Options outstanding				Options exercisable	
Range of exercise prices	Number of options	Weighted-average remaining contractual life	Weighted-average exercise Price ($)	Weighted-average grant date fair value ($)	Number of options	Weighted average exercise price ($)
$0.30	40,000	3.9	$0.30	$0.10	20,000	$0,30
$0.46	420,000	3.5	$0.46	$0.15	100,000	$0.46
$0.66	220,000	4.6	$0.66	$0.24	–	–
$0.86 to $0.87	80,000	2.6	$0.86	$0.45	80,000	$0.86
$1.50	45,000	0.6	$1.50	$0.04	45,000	$1.50
$1.64	40,000	5.3	$1.64	$0.67	–	–
$1.98	100,000	4.5	$1.98	$0.74	–	–
$2.50	20,000	4.5	$2.50	$0.59	–	–
	965,000	3.8	$0.83	$0.28	245,000	$0.77

9. RISK MANAGEMENT

Hedges

As at September 30, 2010, the Group held gold collar derivative contracts for its African and Australian operations. These collars are detailed as follow:

	Ounces covered	Average Strike price		Maturity	
		Put	Call	From	To
African operations:	9,433	€764/oz	€1,121/oz	October 2010	July 2011
Australian operations:	8,760	AU$1,250/oz	AU$1,725/oz	January 2011	July 2011
Australian operations (1):	6,992	US$930/oz	US$1,320/oz	November 2010	January 2011

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

The terms of the collar derivative contracts specify that the settlement is in cash, and is based on the average London Bullion Market Association price ("Asian" options) for the month in which the derivatives settle.

For the three- and nine-month period ending September 30, 2010, four options were exercised generating a loss of $(304) and $(385) (2009: $363 and $363) respectively recorded in other operating expenses in the consolidated statement of operations.

Amounts in thousands of Canadian dollars unless otherwise stated

9. RISK MANAGEMENT (CONTINUED)

Hedges (continued)

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

	As at September 30 2010
Derivatives hedging instruments:	
Gold call options sold	(528)
Gold put options bought	622
Total	94

Classification of derivative hedging instruments:	As at September 30 2010	As at December 31 2009
Assets		
Current assets portion	821	1,208
Long-term assets portion	–	334
Total assests	821	1,542
Liabilities		
Current liabilities portion	(727)	(1,162)
Long-term liabilities portion	–	(383)
Total liabilities	(727)	(1,545)
Total net	94	(3)

	For the three-month period ended September 30		For the Nine-month period ended September 30	
Changes in fair value of hedging instruments	**2010**	2009	**2010**	2009
Changes in time value of hedging instruments recorded in other operating expenses in the consolidated statement of operations	728	192	(95)	525
Changes in intrinsic value of hedging instruments recorded in other operating expenses in the consolidated statement of operations	996	(907)	221	–
Total at the end of the period	1,724	(715)	126	525

Amounts in thousands of Canadian dollars unless otherwise stated

10. SEGMENTED INFORMATION

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

- **Ivory Coast** reflects the Group's joint venture interest in the operations of SMI, which operates the Ity gold mine in western Ivory Coast and holds contiguous exploration interests;
- **Sudan** reflects the Group's joint venture interest in the operations of AMC, which operates the Hassaï mines in north-eastern Sudan and holds contiguous exploration interests;
- **Australia** reflects the Group's operations of LMRA. LMRA's mining operations are from its two principal properties in Western Australia, Frog's Leg and White Foil. The Frog's Leg mine has been in production since 2009. Extraction of ore at the White Foil mine began in March 2010, and processing began during the second quarter of 2010. The operations from the Frog's Leg and White Foil mining projects 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 September 30, 2010					
	Ivory Coast	Sudan	Australia	Argentina	Other	Total
Revenue	4,667	7,064	19,578	–	1,011	32,320
Mine operating earnings (loss)	1,507	1,527	5,788	(68)	(1,282)	7,472
Interest income (expense)		7	(27)	–	18	(2)
Income tax expense	(395)	(297)	(1,919)	–	(1,191)	(3,802)
Net earnings/(loss)	1,112	1,237	3,798	(68)	(1,157)	4,922
Depreciation and amortization	641	667	4,880	–	7	6,195
Capital expenditures	1,123	1,802	3,042	–	44	6,011
	Nine-month period ended September 30, 2010					
	Ivory Coast	Sudan	Australia	Argentina	Other	Total
Revenue	15,749	25,839	71,429	–	1,684	114,701
Mine operating earnings (loss)	6,167	5,860	21,926	(600)	(6,415)	26,938
Interest income (expense)	149	13	(418)	–	33	(223)
Income tax expense	(1,665)	(994)	(6,257)	–	(1,802)	(10,718)
Net earnings/(loss)	4,651	4,879	15,605	(594)	(7,910)	16,631
Depreciation and amortization	1,924	1,970	13,162	–	50	17,106
Capital expenditures	5,010	3,858	10,416	10	95	19,389
	As at September 30, 2010					
	Ivory Coast	Sudan	Australia	Argentina	Other	Total
Capital assets	13,444	15,328	50,631	412	1,224	81,039
Total assets	25,865	43,129	81,126	649	14,384	165,153

Amounts in thousands of Canadian dollars unless otherwise stated

10. SEGMENTED INFORMATION (CONTINUED)

	Three-month period ended September 30, 2009					
	Côte d'Ivoire	Sudan	Australia	Argentina	Other	Total
Revenue	7,483	5,275	14,715	–	689	28,162
Mine operating earnings (loss)	3,759	(485)	4,888	(45)	(2,099)	6,018
Interest income (expense)	2	54	(182)	–	49	(77)
Income tax expense	(816)	265	(1,194)	–	105	(1,640)
Net earnings/(loss)	2,945	(166)	2,179	(45)	(1,868)	3,045
Depreciation and amortization	718	1,138	797	–	30	2,684
Capital expenditures	301	1,818	2,513	–	–	4,632

	Nine-month period ended September 30, 2009					
	Côte d'Ivoire	Sudan	Australia	Argentina	Other	Total
Revenue	20,865	19,581	38,781	–	1,960	81,187
Mine operating earnings (loss)	9,394	2,246	14,243	(446)	(4,741)	20,696
Interest income (expense)	90	(95)	(726)	3	55	(673)
Income tax expense	(2,590)	(299)	(3,109)	–	(133)	(6,131)
Net earnings/(loss)	6,894	1,852	9,034	(443)	(4,715)	12,622
Depreciation and amortization	2,173	2,402	3,141	–	103	7,820
Capital expenditures	1,605	4,208	7,529	–	4	13,346

	As at December 31, 2009					
	Ivory Coast	Sudan	Australia	Argentina	Other	Total
Capital assets	11,010	14,282	50,734	3	1,477	77,506
Total assets	30,506	41,689	80,511	508	14,490	167,704

11. COMMITMENTS AND CONTINGENCIES

Minera Patagonia S.A.

On November 20, 2008 the commercial courts of the City of Buenos Aires accepted a petition for bankruptcy filed by the mortgage holder against Minera Patagonia S.A. The company was finally declared bankrupted on July 20, 2009.

On December 30, 2009, a petition to extend the bankruptcy to the Group and a former Director was filed in front of the commercial courts of the City of Buenos Aires. The Group was served with process of the extension of bankruptcy requested by the trustee on April 29, 2010. La Mancha filed its response to the complaint on August 11, 2010. At the time of reporting, management is awaiting the court's final decision.

Compania Minera El Colorado

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

Amounts in thousands of Canadian dollars unless otherwise stated

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

La Ortiguita Gold Project

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

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

The Group issued, in July 2010, a cash payment of US$43 (2009: US$43) and 76,500 shares (2009: 39,500 shares) at a price of $1.52 per share to TNR Gold. As of September 30, 2010, the Group has completed its expenditure program for the years 2009-2010 with an accumulated amount of US$841 in expenditures incurred.

As of September 30, 2010, the future commitments are scheduled as follows:

	Expenditures program (per year)
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.

Atlas Guerci mining property

On September 3rd, 2010, the Group signed an agreement with the company Minera El Quevar S.A. of Argentina for the transfer of its rights on the mineral property of Atlas Guerci, in the Santa Cruz province. At term, the Group will receive total payments amounting to US$1,300 for the transfer of 100% of its rights.

The agreement sets for a number of payments to be made over the next five years transferring a percentage of the property. As of September 30, 2010, the Group has received a first payment of US$25 recorded as a reduction of the cost of the property, plant and equipment in the consolidated balance sheet.

As of September 30, 2010, the future payments to be received are scheduled as follows:

	Cash payment	% of ownership transferred
March 3rd , 2011	US$25	–
September 3rd, 2011	US$75	–
September 3rd, 2012	US$150	60%
September 3rd, 2013	US$250	60%
September 3rd, 2014	US$350	60%
September 3rd, 2015	US$425	100%

The buyer may elect at any time to terminate the agreement with the Group before completing all the scheduled payments. In this case, the Group will only transfer to the buyer the acquired percentage corresponding to the payments made. Upon the transfer of 100% of the rights over the property, the buyer also has the option to buy for US$2,000 the Net Smelter Royalty of 2.0% before the start of production.

Amounts in thousands of Canadian dollars unless otherwise stated

12 EMPLOYEE FUTURE BENEFITS

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

Three-month period ended September 30		Nine-month period ended September 30	
2010	**2009**	**2010**	**2009**
59	44	304	248

Section C Consolidated Financial Statements

La Mancha Resources Inc. FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE- AND NINE-MONTH FISCAL PERIODS ENDED SEPTEMBER 30, 2010

The following management discussion and analysis ("MD&A") should be read in conjunction with the Company's MD&A and annual audited consolidated financial statements dated December 31, 2009, and the interim consolidated financial statements for the three- and nine-month periods ended September 30, 2010, which were prepared in accordance with generally accepted accounting principles (GAAP) in Canada. The Company's shares are listed on the TSX under the symbol LMA, and its reporting currency is the Canadian dollar. All amounts herein are expressed in Canadian dollars unless otherwise stated. This MD&A is dated November 9, 2010.

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

Forward-Looking Statements

This report contains forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Company's business and operational results. By nature, these risks and uncertainties could cause actual results to differ materially from what has been indicated. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: failure to establish estimated resources and reserves, the grade and recovery of ore mined varying significantly from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failure to obtain governmental, environmental or other project approvals and other factors. Except as may be required by Canadian securities laws, the Company does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Introduction – La Mancha's Business

La Mancha is in the business of developing and operating gold mines and acquiring and financing exploration-stage mineral properties with the objective of attaining mine production. La Mancha currently operates two producing gold mines in Africa and two in Australia, including White Foil, which entered into production in March 2010. The Company also has a portfolio of some 30 exploration projects in Africa, Australia and Argentina. Complete disclosure of the Company's corporate and operational structures and 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 unaudited consolidated financial statements of La Mancha Resources Inc. for the three- and nine-month periods ending September 30, 2010, prepared on the basis described above.

THIRD QUARTER HIGHLIGHTS

- Net earnings of $4.9 million
- Production of 27,317 ounces of gold
- Cash flow from operating activities of $9.6 million
- Cash and short-term investments grow to $25.1 million
- La Mancha's year end gold production expected to exceed 130,000 ounces

OVERALL PERFORMANCE

La Mancha Resources Inc. (TSX: LMA, hereinafter "La Mancha" or the "Company") is pleased to report that it produced a total of 27,317 ounces of gold in the third quarter of 2010. This compares to gold production of 24,439 ounces in the same quarter last year. The increase is the result of higher production at both the Frog's Leg and Hassaï mines and the start-up of the White Foil mine, which more than compensated for lower Ity mine production. It should also be noted that production is expected to significantly increase in the fourth quarter of 2010 in light of the cyclical volume effect of the Company's Australian toll-processing schedule.

Consolidated cash costs for the third quarter of 2010 were US $687 per ounce of gold compared to US $422 in the corresponding period of 2009. Management is confident that the projected significant fourth quarter production increase at the Frog's Leg mine should have a positive impact on cash costs in the fourth quarter of 2010.

Despite a higher cost structure, increased gold production and higher gold prices helped La Mancha generate $9.6 million in cash flow from operating activities in the third quarter of 2010, compared to $8.8 million in the corresponding quarter of 2009. As of September 30, 2010, the Company was debt-free with a strong cash and short-term investments position of $25.1 million. This compares to cash and short-term investments of $21.5 million and a corporate debt of $13.3 million at the same date last year.

La Mancha's third quarter revenues rose to $32.3 million this year from $28.1 million last year. Net earnings for the third quarter of 2010 were $4.9 million, compared to $3.0 million in the third quarter of 2009. The 2009 figure includes a net loss of $1.3 million from the disposition of financial securities.

La Mancha is pleased to report record results for the nine-month period ended September 30, 2010, with net earnings of $16.6 million, cash flow from operating activities of $38.2 million and total attributable gold production of 91,827 ounces of gold. This compares to net earnings of $12.6 million, cash flow from operating activities of $26.4 million and total attributable gold production of 70,710 ounces of gold for the same period of 2009.

AUSTRALIAN OPERATIONS

The **Frog's Leg** mine generated 13,871 ounces of gold net to La Mancha in the third quarter of 2010 compared to 12,283 ounces in the corresponding period of 2009. This increased production still does not fully reflect the mine's true performance due to the cyclical volume effect of toll-processing, as reflected by the discrepancy between the gold content mined and gold produced.

As shown in the table below, underground mining at Frog's Leg continued to evolve in line with expectations, as both the tonnage and grade extracted edged up to achieve new quarterly highs.

		Three-month period ended Sept. 30, 2009	Three-month period ended Dec. 31, 2009	Three-month period ended March 31, 2010	Three-month period ended June 30, 2010	Three-month period ended Sept. 30, 2010
Underground ore mined (t)	100%	169,400	148,235	174,532	177,753	178,928
	LMA share	**86,394**	**75,600**	**89,000**	**90,654**	**91,253**
Apparent grade mined (g Au/t)		**5.16**	**5.28**	**4.82**	**5.51**	**5.55**
Apparent gold content of ore mined (oz)	100%	27,609	25,178	27,050	31,460	31,946
	LMA share	14,081	12,841	13,796	16,045	16,292

In spite of the improving underground performance shown above, an ore handling restriction at the Greenfields treatment facility required that La Mancha feed lower-grade oversize ore, stockpiled from the commencement of mining operations, rather than high-grade material extracted during the quarter. This resulted in a total of 107,807 tonnes processed at a grade of 4.30 g/t Au, well below the current mine extraction grade of 5.55 g/t Au.

Gold production is expected to increase significantly in the fourth quarter as La Mancha's quarterly toll-milling campaign began on October 22 and will continue through to year end. A fourth quarter toll-milling capacity of around 183,200 tonnes has been reserved for La Mancha at the nearby Greenfields plant, allowing the Company to process its high-grade ore stockpile of 58,200 tonnes at 5.96 g/t Au by quarter-end. The Company plans to fill any excess capacity beyond the high-grade stockpile and the Frog's Leg high-grade ore mined during the fourth quarter with stockpiled White Foil ore. Given this large fourth quarter toll-milling campaign, management is confident that the operations should generate roughly 28,000 ounces of gold for La Mancha in the final quarter of the year.

La Mancha's forecast fourth quarter 2010 ore feed to the Greenfields treatment plant is presented in the table below.

Ore source attributable to LMA	Tonnes / grade (g/t Au)
Q3 Frog's Leg stockpile	58,200 t at 5.9
Estimated Frog's Leg ore to be mined in Q4	90,000 at 5.8
White Foil stockpile ore top-off	35,000 at 2.0
Q4 2010 mill capacity at the Greenfields plant	**183,200 t**

Cash costs per ounce for the third quarter of 2010 averaged US $631 per ounce, compared to US $358 per ounce in the corresponding period of 2009. Cash costs per ounce increased due the lower processed gold grade mentioned above, as well as an unfavourable change in currency exchange rates. As witnessed in the second quarter of 2010, cash costs per ounce are expected to decrease in the fourth quarter in light of the greater production volume and the higher expected processed gold grades.

In line with production targets, the Frog's Leg mine generated 48,365 ounces of gold for La Mancha in the nine months ended September 30, 2010, at a cash cost of US $546 per ounce, compared to 34,330 ounces of gold at a cash cost of US $414 per ounce for the first nine months of 2009.

The 100%-owned **White Foil** mine, inaugurated in April 2010, produced 3,230 ounces of gold at a cash cost of US $843 per ounce in the third quarter of 2010. The year's second Three Mile Hill plant toll-treatment campaign, totalling 55,000 tonnes at 2.0 g/t, was carried out in August and September. As previously mentioned, roughly 35,000 tonnes of the stockpiled White Foil ore are expected to be treated at the Greenfields facility during the fourth quarter. As at quarter-end, the White Foil stockpile stood at 156,700 tonnes grading 1.94 g/t Au.

In line with the scheduled toll-mining plan, a total of 282,104 tonnes have been extracted since mining operations began in March 2010, thereby successfully concluding the first bench mining operation. Contract mining is anticipated to resume in the first quarter of 2011.

The White Foil mine has generated 9,189 ounces of gold since its inauguration in April 2010, at a cash cost of US $868 per ounce.

AFRICAN OPERATIONS

Production at the **Hassaï** mine totalled 15,517 ounces of gold (6,207 ounces attributable to La Mancha) at an average cash cost of US $803 per ounce for the third quarter of 2010. This compares to 12,435 ounces of gold (4,974 ounces attributable to La Mancha) produced in the third quarter of 2009 at an average cash cost of US $750. Gold output increased due to a higher processed gold grade and recovery rate, which more than compensated for the lower mill throughput. Cash costs during the quarter were negatively impacted by a higher stripping ratio and additional gold royalties arising from higher realized gold prices.

The construction of the dust vacuum system on the quartz processing circuit, which necessitated a 16-day plant shutdown, was completed and successfully commissioned during the third quarter. Put in place to help reduce plant downtime, the system was already having a positive impact towards the end of the third quarter. Total mill throughput decreased over the corresponding period of 2009, most notably due to the plant shutdown. It is important to note the successful transition to quartz ore, with the quartz processing circuit accounting for nearly 70% of the total milled volume in the third quarter.

In line with production targets, the Hassaï mine produced 53,287 ounces of gold (21,315 ounces attributable to La Mancha) in the nine months ended September 30, 2010, at a cash cost of US $725 per ounce, compared to 44,937 ounces of gold (17,975 ounces attributable to La Mancha) at a cash cost of US $627 per ounce for the first nine months of 2009.

The **Ity** mine produced a total of 8,733 ounces of gold (4,008 ounces attributable to La Mancha) at an average cash cost of US $577 per ounce during the third quarter of 2010, compared to 15,647 ounces of gold (7,182 ounces attributable to La Mancha) produced in the corresponding quarter of 2009 at an average cash cost of US $303 per ounce. The cash cost increase is directly linked to the lower production volume caused by a decrease in processed gold grades, a lower gold recovery rate and, to a lesser degree, a slight reduction in mill throughput.

Gold production during the quarter was negatively impacted by frequent heavy rainfalls that restricted access to the higher-grade clay ore, resulting in the processing of lower-grade stockpiled ore. Mill throughput increased by nearly 40% over the previous quarter as the plant started to regain momentum after the installation and commissioning of the new leaching pads. Gold production is expected to improve in the fourth quarter as mill throughput continues to increase, while the end of the rainy season should allow easier access to the aforementioned high-grade clay ore.

The Ity mine produced 28,233 ounces of gold (12,959 ounces attributable to La Mancha) in the nine months ended September 30, 2010, at a cash cost of US $550 per ounce, compared to 40,098 ounces of gold (18,405 ounces attributable to La Mancha) at a cash cost of US $358 per ounce for the first nine months of 2009.

VMS DEVELOPMENT PROJECT

On September 7, 2010, La Mancha announced a positive Preliminary Economic Assessment for its Volcanogenic Massive Sulphide (“VMS”) project at its 40%-owned Hassaï mine in northeastern Sudan. The technical report was filed on SEDAR (www.sedar.com) on October 22, 2010.

Highlights of the study include:

		Phase 1: CIL	Phase 2: VMS	Global
Commissioning		2013	2015	--
Yearly production*	Gold (oz)	155,880	59,355	--
	Copper (t)	--	51,516	
Initial capital cost		$185.6 M	$319.4 M	$505.0 M
Average cash costs		$ 482/oz Au	$ 1.24/lb Cu***	-
Internal rate of return		30%	11%	17%
NPV @ 5% discount**		$149.8 M	$122.7 M	$238.7 M

*CIL: Excludes low production projected for the last year of operation, VMS: Rate for the first 5 years of operation (when project is running at design run-rate) **Using a gold price of US $950 per ounce and a copper price of $2.19 per pound. ***Including gold credit

The robust economic indicators for the Carbon-in-Leach ("CIL") phase justified the immediate commencement of feasibility work for the first phase of the project, while the promising VMS upside potential justified the launch of an $18 million VMS exploration program with 100,000 metres planned over a 12-month period ending at the end of the third quarter of 2011.

La Mancha was pleased to demonstrate the project's upside to analysts and institutional investors through a site visit that took place in mid-October.

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	**Nine months ended Sept. 30, 2010 $'000**	**Nine months ended Sept. 30, 2009 $'000**
Net sales	114,701	81,187
Net income		
In total	16,631	12,622
Per share - basic and fully diluted[1]	0.117	0.089
	As at Sept 30, 2010 $'000	**As at Dec. 31, 2009 $'000 (audited)**
Total assets	165,154	167,704
Total long-term financial liabilities	8,518	24,368
Cash dividends declared	none	none

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

RESULTS OF OPERATION

The results of operation are fundamentally driven by mining and processing operations at the Company's mines. The following table sets out the operating parameters for these projects for the three– and nine-month periods reported on.

		Three months ended		**Nine months ended**	
		Sept. 30, 2010	**Sept. 30, 2009**	**Sept. 30, 2010**	**Sept. 30, 2009**
Hassaï	Tonnage milled ('000 tonnes) [1]	152	165	588	514
	Grade milled (g Au/t)	4.4	3.5	3.9	4.6
	Attributable gold production (oz)	6,207	4,974	21,315	17,975
	Cash costs (US$ per ounce)	803	750	725	627
Ity	Tonnage milled ('000 tonnes)	90	97	255	337
	Grade milled (g Au/t)	4.3	6.3	4.9	4.6
	Attributable gold production (oz)	4,008	7,182	12,959	18,405
	Cash costs (US$ per ounce)	577	303	550	358
Frog's Leg	Tonnage milled ('000 tonnes)	108	68	316	225
	Grade milled (g Au/t)	4.3	6.1	5.1	5.2
	Attributable gold production (oz)	13,871	12,283	48.365	34,330
	Cash costs (US$ per ounce)	631	358	546	414
White Foil	Tonnage milled ('000 tonnes)	55	-	145	-
	Grade milled (g Au/t)	2.0	-	2.1	-
	Attributable gold production (oz)	3,230	-	9,189	-
	Cash costs (US$ per ounce)	843	-	868	-
Total	Attributable gold production (oz)	27,317	24,439	91,827	70,710
	Cash costs (US$ per ounce)	671	422	620	454

Revenues

The following table sets out sales by entity:

Quantities (oz)	Three months ended		Six months ended	
	Sept. 30, 2010	Sept. 30, 2009	Sept. 30, 2010	Sept. 30, 2009
Hassai (40%)	5,602	5,119	21,184	18,098
Ity (45.9%)	3,623	7,084	12,847	19,196
Frog's Leg (51%)	12,379	14,051	50,032	36,511
White Foil	2,943	-	8,903	-
TOTAL SALES (oz)	**24,547**	**26,254**	**92,966**	**73,805**
Total revenues ($'000)	**32,320**	**28,162**	**114,701**	**81,187**

Revenues for the third quarter of 2010 were $32.3 million, up 14.8% from $28.2 million for the same period last year. This variance resulted from two factors: first, a slight decrease in volume (negative impact of $1.8 million in revenues compared to the same period last year) mainly due to the lower production at the Ity mine; and second, higher prices (positive impact of $5.9 million) due to the continuing rise in the gold price denominated in US$/oz and in €/oz.

During the third quarter of 2010, 3,623 ounces of gold from the Ity mine (La Mancha's share) were sold at an average price of US $1,240 (€958) per ounce, compared to 7,084 ounces of gold sold at an average price of US $958 (€672) for the same period last year. The volume sold decreased by 49% compared to the third quarter of 2009 due to a particularly strong rainy season, which caused difficulties in the milling process, and the relocation of the leaching pads, which were still in a ramp-up phase during the quarter. Furthermore, dore inventories increased at the end of the quarter.

During the third quarter of 2010, a total of 5,602 ounces of gold from the Hassaï mine (La Mancha's share) were sold at an average price of US $1,224 (€938) per ounce compared with 5,119 ounces of gold sold at an average price of US $982 (€670) per ounce in the same period of 2009. The higher volume sold is explained by a 25% increase in the volume of gold produced relative to last year due to a higher grade and better recovery rate, partially offset by an increase in dore inventories at the end of the quarter.

During the third quarter of 2010, 12,379 ounces of gold from the Frog's Leg mine (La Mancha's share) were sold at an average price of US $1,198 (AU $1,353) per ounce compared with 14,051 ounces of gold sold at an average price of US $943 (AU $1,145) per ounce in the same period of 2009. The mill campaign planned for September commenced at the end of the month and the related dore produced were in inventory and not yet sold on September 30.

Furthermore, the start of the second mill campaign at the White Foil mine during the third quarter of 2010 led to the sale of 2,943 ounces at an average price of US $1,249 (Au $1,375) per ounce. However, this second mill campaign was cut short following adverse weather conditions, and will resume in the coming weeks.

The Company has extended its short-term hedging program into the two first quarters of 2011. This zero-cost hedging program is designed to secure significant cash flow from approximately 25% of the Company's 2010 gold production.

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 in gold prices, up to the following AUD and € gold prices per ounce for production from the Australian and African mines, respectively:

	Q1-2011			Q2-2011		
	Ounces hedged	Strike price Floor (Put)	Strike price Ceiling (Call)	Ounces hedged	Strike price Floor (Put)	Strike price Ceiling (Call)
Australian production	4,380	1,232 AUD/oz	1,781 AUD/oz	4,380	1,250 AUD/oz	1,725 AUD/oz
African production	3,120	780 €/oz	1180 €/oz	3,120	795 €/oz	1,173 €/oz
Total hedged	7,500			7,500		

These additional hedging positions taken since the beginning of 2010 supplement the positions that have been previously taken for the fourth quarter of 2010. As of September 30, 2010, the total hedging positions amounted to 25,185 oz.

With the increase in the spot gold price denominated in €/oz above the selling price limit of €893, four options were exercised through the 2010 hedging program during the three- and nine-month periods ended September 30, 2010, generating a loss of $304,000 and $385,000 respectively. These losses were recorded under other operating expenses in the consolidated statement of operations.

Average realized gold prices were as follow:

Gold price per ounce	Three months ended Sept. 30, 2010	Three months ended Sept. 30, 2009	Nine months ended Sept. 30, 2010	Nine months ended Sept. 30, 2009
Average market gold price for the period	US $1,227 €951 AU $1,359	US $960 €671 AU $1,148	US $1,177 €899 AU $1,317	US $930 €682 AU $1,193
Average gold price realized by La Mancha for the period	US $1,220 €945 AU $1,357	US $960 €672 AU $1,145	US $1,179 €897 AU $1,310	US $927 €682 AU $1,203

Cost of Sales

The cost of sales for the third quarter of 2010 was $21.9 million, up 30% from $16.8 million for the same period in 2009, while revenues increased by 15%. Gross margin was 32% of revenues compared to 40% for the previous year. This reflects the increase in the average cost of sales per ounce arising mainly from the increase in unit cash cost.

The average unit cash cost was US $671 for the third quarter of 2010, up 59% from US $422 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:

- the decrease in gold production at Ity mine due to lower processed gold grades and a lower gold recovery rate, and to a lesser degree a slight reduction in mill throughput;
- a strong increase in cyanide consumption due to a high level of copper in the ore at the Ity mine;
- a higher stripping ratio at the Hassai mine;
- at the newly-producing White Foil mine, a high cost structure generating a high cash cost per ounce;
- at the Frog's Leg mine, higher mining costs as mining depth increases, a lower processed grade and higher contracted toll milling costs;
- unfavourable fluctuation in currency exchange rates, with a strong appreciation in the Australian dollar against the US dollar.

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

Exploration and Evaluation Expenses

During the third quarter of 2010, the Company incurred total exploration and evaluation expenses of $2.0 million compared to $1.0 million in 2009. These expenses were mainly related to:

- the drilling campaign underway at the Hassai area in the Sudan on Hadal Awatib pipe target, with the goal of delineating a new oxidised ore resource;
- the completion of a positive Preliminary Economic Assessment released early September for the VMS project at Hassai mine;
- ongoing exploration work in Australia, comprising a drilling campaign at the Kintore tenement, a drilling campaign to evaluate the further potential at depth at the Frog's Leg mine and some exploration drill holes on the promising Park Dam JV.

General and Administrative Expenses

For the third quarter of 2010, general and administrative expenses were $2.5 million, compared to $2.4 million for the same quarter the previous year.

Other Operating Income / Expense

During the third quarter of 2010, other operating income amounted to $449,000, compared to other operating expenses of $2.0 million in 2009.

This amount is mainly related to a non-cash gain of $1.7 million for the change in the fair value of the gold collar contracts, compared to a non-cash loss of $0.7 million the previous year. These collar contracts do not qualify for hedge accounting, and any change in the fair value, time value or intrinsic value is recorded in the consolidated statement of operations. The two components of the fair value of the collar contracts are non-cash items that will gradually fall to reach nil when the collar contracts expire. This gain was partially offset by the cash loss of $304,000 generated by the exercise of the options as described below.

During the third quarter, operating costs related to maintenance and ongoing dewatering costs at the White Foil mine in Australia amounted to $592,000 for the period without any mining operations and were also included in this aggregate.

Joint Venture Management Fee Recoveries

The Company's subsidiary in Australia earns management fees for work performed on behalf of joint ventures managed by La Mancha; these fees amounted to $1.2 million for the third quarter of 2010, compared to $40,000 the previous year. Joint venture management fee recoveries for the Frog's Leg joint venture were revised with our partner, and the related fees, based on the recovery of Australian corporate office administrative costs, included a positive adjustment for the six-month period to June 2010 and increased fees for the third quarter of 2010.

Interest Income / Expense

The Company recorded a net interest expense of $2,000 for the third quarter of 2010 compared to a net interest expense of $0.79 million the previous year. This item consists of a $139,000 interest expense mainly related to the Australian leases, net of $137,000 in interest income on cash deposits.

Gain (Loss) on Investments

As at December 31, 2009, the Company held a total of $11.9 million in long-term notes issued by Master Asset Vehicle II. During the third quarter of 2010, the Group recorded an increase in fair value of $363,000 due to lower discount rates, compared to a gain of $128,000 for the same period the previous year. As at September 30, 2010, the fair value of the Group's ABCP was estimated at $7.08 million.

This estimate could change materially in subsequent periods.

On August 19, 2009, following the takeover of its joint venture partner Dioro Exploration NL by Avoca Resources Inc. of Australia, the Group received 1,118,013 shares of Avoca Resources Inc. in exchange for its 2,571,429 shares of Dioro Exploration NL, generating a non-cash loss of $1,277 recorded as a loss on investments in the consolidated statement of operations.

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

Other Income (Expense)

During the third quarter of 2010, other income amounted to $0.9 million compared to an expense of $56,000 in 2009. An amount of $911,000 was reclassified from "Other Income(Expense)" to the line "Income tax expense".

This amount of $0.9 million was previously recorded during the second quarter in relation to the withholding tax payable to Australian authorities on the interest on the La Mancha Inc. loan to the Australian subsidiary.

RISKS AND UNCERTAINTIES

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

Note 5 to the financial statements includes uncertainty with respect to the two long-term notes held by the Company:

As at September 30, 2010, the Company continues to hold the following notes issued by Master Asset Vehicle II ("MAV 2"): $2.918 million of Class A-1 Notes, $6.521 million of Class A-2 Notes, $1.184 million of Class B Notes, $329,000 of Class C Notes and $949,000 of Class IT Class 3 Notes (collectively the "Long-term Notes"). The Class A-1 Notes, Class A-2 Notes, and Class B Notes accrue interest at the Bankers' Acceptances ("BA") rate less 0.50%. The Class C Notes accrue interest at the BA rate plus 20%. The Class IA Tracking Notes bear interest at the rate equal to the net rate of return generated by the related specific underlying assets.

The Class A-1 and A-2 Notes were originally rated A by DBRS. The Class B and C Notes have not been rated, nor have the Class IA Notes received by the Company. On August 11, 2009, the rating agency DBRS downgraded the credit rating of the Class A-2 Notes from A to BBB (low) and placed them Under Review with Negative Implications. On February 9, 2010, DBRS confirmed the BBB (low) rating and removed the Under Review with Negative Implications status, citing the passage of time and the recent stability in the credit environment.

The Long-term Notes have been designated as held-for-trading. Although there have been some isolated transactions subsequent to the completion of the Plan restructuring on January 21, 2009, there were no active market quotations available for these Long-Term Notes as of September 30, 2010. The Class A-1, A-2, B and C Notes legally mature in 2056. However, the expected maturity date is in 2016.

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

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

Based on the discounted cash flow model as at September 30, 2010, the fair value of the Company's Notes was estimated at $7.080 million (2009 - $6.821 million). For the three- and nine-month period ended September 30 2010, the Group recorded gains in investment of $363,000 and $259,000 (2009: $125,000 and $155,000) in the consolidated statement of operations. The $363,000 and $260,000 increases in fair value for the three- and nine-month periods ended September 30, 2010, (2009: $200,000 and $(286,000)) were due to a fair value adjustment of $260,000 due to lower discount rates partially offset by lower interest rates, and to principal repayments of $1,000. The Company has recorded the fair value adjustment expense in gain (loss) on investments.

Since the fair value of the Long-Term Notes is determined using a probability-weighted approach employing the foregoing assumptions and is based on the Group's assessment of market conditions as at September 30, 2010, and despite the fact that the restructuring took place on January 21, 2009, the fair value reported may change materially in subsequent periods.

A 1% increase in the discount rate would decrease the fair value by approximately $405,000.

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

On November 20, 2008, the commercial courts of the City of Buenos Aires accepted a petition for bankruptcy filed by the mortgage holder against Minera Patagonia S.A. The company was finally declared bankrupt on July 20, 2009.

On December 30, 2009, a petition to extend the bankruptcy to the Group and a former director was filed in front of the commercial courts of the City of Buenos Aires. The Group was served with process of the extension of bankruptcy requested by the trustee on April 29, 2010. La Mancha filed the answer to the complaint on August 11, 2010. At the time of reporting, management was awaiting the court's decision.

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

On September 23, 2009, the Group was served with a lawsuit of US $29.0 million before the commercial court of the City of Buenos Aires by a former partner in the Hualilan II project, Compañía Minera El Colorado ("El Colorado") of Argentina. A request for clarification was sent by the Group to the court. In the coming months, the court should order the opening of the evidence period. At the time of reporting, management had no information on which to evaluate the possible outcome of this lawsuit. No accrual has been recorded with respect to this case.

SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

Fiscal quarter ended	Net sales ($'000)	Net income/(loss) ($'000)	Net income/(loss) per share [1]	Net income per share, fully diluted
September 30, 2010	32,320	4,922	0.035	0.034
June 30,2010	54,541	8,046	0.057	0.056
March 31, 2010	27,840	3,663	0.026	0.026
December 31, 2009	24,237	(1,243)	(0.009)	(0.009)
September 30, 2009	28,162	3,045	0.021	0.021
June 30, 2009	28,365	6,100	0.043	0.043
March 31, 2009	24,660	3,477	0.024	0.024
December 31, 2008	14,935	1,188	0.008	0.008

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

CASH FLOWS

Operating activities generated cash flow of $9.6 million during the third quarter of 2010, up from $8.8 million in the corresponding period in 2009. This was due to the increase in revenues resulting from the Australian mines and improved performance at the Hassai mine, and to the increase in gold prices over the year. However, working capital demonstrated a negative year-over-year position mainly due to the stockpiled ore to be processed in the fourth-quarter milling campaigns at the Australian mines and a decrease in accounts payable at the end of the quarter.

Investing activities used $0.11 million in cash flow in the third quarter of 2010 compared to $5.4 million in the same period of 2009. Capital expenditures amounted to $6.0 million versus $4.7 million in the third quarter of 2009. These investments are mainly related to ongoing development at the Frog's Leg underground mine in Australia ($3.0 million versus $2.5 million for the same period in 2009) and the increase in capital expenditures for the heap relocation project at Ity mine ($1.2 million versus $0.3 million for the third quarter of 2009). Furthermore, this aggregate includes a decrease of $5.9 million in short-term investments, representing cash operational surpluses previously invested for three- and six-month periods by the Ivorian and Sudanese entities and now partly recorded in cash and cash equivalent category.

Financing activities were not significant overall, and used cash flow of $32,000 during the third quarter of 2010, having generated $229,000 in the same period of 2009; thanks to the increase in cash flow generated at the Frog's Leg mine, the medium-term line of credit from the majority shareholder was already fully repaid at the end of the 2010 second quarter, with $914,000 drawn on this credit line during the third quarter of 2009. The Australian entity also repaid $164,000 in capital lease obligations over the quarter, compared to $434,000 in 2009. Furthermore, some stock options were exercised and generated proceeds of $191,000 during the quarter.

LIQUIDITY

As at September 30, 2010, the Company's balance sheet showed current assets of $72.7 million, up $0.8 million from year-end. Working capital amounted to $49.0 million, with current assets exceeding total liabilities by $40.5 million after deducting long-term liabilities of $8.5 million.

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

CAPITAL RESOURCES

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

Total lease liabilities for the Frog's Leg mine equipment in Australia stood at $3.3 million as at September 30, 2010.

STATUS AND OUTLOOK OF MINING OPERATIONS

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

CHANGES IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION

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

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) – CHANGEOVER PLAN

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

Project Plan Status

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

Phase	Description	Status	Expected timeline
Phase 1 Scoping and Diagnostics	• Perform a high-level assessment to identify key differences between Canadian GAAP and IFRS most likely to impact the Company; • establish project strategy, infrastructure and timeframe; • train core internal resources involved in the conversion project; • recruit supporting external resources.	Completed in the first half of 2009	N/A
Phase 2: Impact Analysis,	Perform a detailed assessment, from an accounting, reporting and business perspective, of the changes that will result		

<table>
<tr><td>Evaluation and Design</td><td>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:</td><td></td><td></td></tr>
<tr><td></td><td>1. Accounting policies and procedures
Except for a few that are currently under review, conclusions have been reached for accounting policy choices and differences identified between IFRS and Canadian GAAP, as applied by the Company:
• expected impacts on transition date are described in the section "First-Time Adoption of IFRS" below;
• key areas where changes in accounting policies are expected are identified in the section "Expected Areas of Significance" below.</td><td>In progress</td><td>Q3 / Q4 2010</td></tr>
<tr><td></td><td>2. Financial statement preparation
• Develop a model for the Company's IFRS financial statements.
• Identify information gaps and necessary changes in reporting, processes, systems and controls.
• Design a process to prepare the IFRS comparative information.</td><td>In progress</td><td>Q3/Q4 2010</td></tr>
<tr><td></td><td>3. Training and communication
Engage subject matter expert to assist in the transition and provide the appropriate training to affected employees</td><td>Ongoing</td><td>Q3/Q4 2010</td></tr>
<tr><td></td><td>4. Business impacts
Determine how the changes affect other stakeholders</td><td>Completed during Q3 2010</td><td>N/A</td></tr>
<tr><td></td><td>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</td><td>Completed during Q3 2010</td><td>N/A</td></tr>
<tr><td></td><td>6. Control environment
Reflect significant changes to the existing accounting policies and practices on:
• internal control over financial reporting; and
• disclosure controls and procedures, including investor relations and external communications plans.</td><td>In progress</td><td>Original expected deadline: Q3/ Q4 2010</td></tr>
<tr><td>Phase 3: Implementation and Review</td><td>• Implement the conclusions reached in the Phase 2 review by making changes to business and accounting processes and supporting information systems;
• Prepare the formal documentation on the final and approved IFRS-compliant</td><td>Starting Q3 2010</td><td>Q4 2010 / Q1 2011</td></tr>
</table>

	accounting policies and procedures; • Prepare financial statement and related note disclosures to comply with IFRS, including 2010 comparative figures.	
Post implementation	Prepare IFRS financial statements for the interim periods and the year ending December 31, 2011.	Starting in Q4 2010

Most 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 minor. However, there may be significant changes as a result of IFRS accounting principles and provisions for first-time adoption. The Company has not yet determined the full accounting effects of adopting IFRS, since some key accounting policy alternatives and implementation decisions are still being evaluated. The major areas where additional work is currently being performed are as follows:

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

Thus far, the quantitative impacts resulting from conclusions reached, other than the cumulative translation adjustments reclassification described in the section below, are not significant. Most adjustments required on changeover to IFRS will be made retrospectively against opening retained earnings as of January 1, 2010, based on standards that will be applicable as at December 31, 2011. Transitional adjustments relating to those standards where comparative figures are not required to be restated will only be made as of the first day of the year of adoption.

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

First-Time Adoption of IFRS

IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1"), provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS.

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

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

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

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, Provisions, Impairment of assets and Production stripping costs.

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

The "Extractive Activities" discussion paper was published in April 2010 and was open for comments until July 30, 2010. At the October 2010 International Accounting Standards Board (IASB) meeting, IASB staff presented to the Board a summary of the feedback received in response to the discussion paper. The Board has not made any decisions yet. Current IFRS 6 requirements allow mining entities to retain their existing policies for the capitalization of exploration and evaluation costs until more definitive guidance is developed. Moreover, the current Canadian GAAP approach to accounting for production stripping costs, which requires expensing them unless they represent a betterment of the mineral property, is also currently acceptable under IFRS. The Company has concluded that, until the publication of more definitive guidance on these matters, the preferred option would be to retain the existing policy.

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

We would also note that the IASB, which promulgates IFRS, continues to have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's consolidated financial statements in future years. Many of these projects may become required after 2011. However, it may be possible to early-adopt them to reduce the number of accounting policy changes in the future. Such projects and interpretations that may be relevant for the Company, other than Extractive activities as discussed above, include Production stripping costs, Liabilities, Financial instruments and hedge accounting and Financial 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 publication of the final standards that may arise from these projects and their impact on the Company, opportunities to early-adopt any new standard will be assessed until December 31, 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 September 30, 2010, and November 9, 2010:

Common shares	**Number of shares**	
Sept. 30, 2010	142,640,850	
Nov. 9, 2010	142,640,850	
Stock options	**Number of options**	Number of common shares if all options are exercised
Sept. 30, 2010	965,000	
Nov. 9, 2010	965,000	965,000

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.

Montréal
November 9, 2010

la mancha

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