



**ANNUAL INFORMATION FORM**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**MARCH 29<sup>TH</sup>, 2011**

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## ABOUT THIS ANNUAL INFORMATION FORM

This Annual Information Form (“AIF”) focuses on the financial year of La Mancha Resources Inc. ended December 31, 2010.

Unless otherwise specified, capitalized words and terms used in this AIF are defined in the Glossary. Unless the context indicates otherwise, the terms “our”, “we”, “LMA”, the “Company” or “La Mancha” refers to La Mancha Resources Inc. and its subsidiaries.

## FORWARD-LOOKING STATEMENTS

Certain information contained or incorporated by reference herein, including any operating performance of La Mancha may constitute forward-looking information and statements (“forward-looking statements”). All statements other than statements that are reporting results or statements of historical facts are forward-looking statements. The words “projected”, “attributable”, “potential”, “will”, “should”, “plans”, “anticipates”, “believes”, “predicts” and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates or assumption that, while considered reasonable by La Mancha, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: fluctuations in the currency markets; fluctuations in the spot and forward price of gold or certain other commodities; change in national and local government legislation, taxation, controls, regulations and political or economic development in Canada or other countries in which La Mancha does or may carry on business in the future; business opportunities that may be presented to, or pursued by La Mancha or the ability to successfully integrate acquisitions; operating or technical difficulties in connection with, mining or development activities; the speculative nature of gold exploration and development, including the risks of obtaining necessary licenses and permits; diminishing quantities of grades or reserves; adverse changes in the credit rating; and contests over title to properties. In addition, there are risks and hazards associated with the business of gold exploration, development and mining, including environmental hazards, industrial accidents, usual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or inability to obtain insurance to cover these risks). Forward-looking statements may cause the actual results, performance or achievements of La Mancha to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. See “*Risk Factors*”.

Any forward-looking statement speaks only of the date on which it is made and the Company disclaims any obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as required by applicable law. New factors emerge from time to time, and it is not possible for the Company to predict which factor will arise. **Readers are cautioned not to place undue reliance on forward-looking statements.**

## GLOSSARY

### General Terms

“**ABCP**” means asset backed commercial paper, a financial investment recently restructured as notes which is backed by assets such as real estate or other corporate assets.

“**Alacer Gold**” means Alacer Gold Corporation, a public company listed on the Australian Stock Exchange and the Toronto Stock Exchange.

“**AMC**” means Ariab Mining Co. Ltd., a corporation incorporated under the laws of Sudan in which Cominor holds a 40% equity interest.

“**AREVA NC**” means Compagnie Générale des Matières Nucléaires, a company incorporated under the laws of France.

“**AUS**” means the Australian dollar.

“**August 2006 Circular**” means the notice of meeting and management information circular of La Mancha dated August 21, 2006 available on SEDAR at [www.sedar.com](http://www.sedar.com).

“**BRGM**” means Bureau de Recherches Géologiques et Minières, France's leading public institution involved in the Earth Science field for the sustainable management of natural resources and surface and subsurface risks.

“**CFMM**” means Compagnie Française de Mines et Métaux (a wholly-owned subsidiary of AREVA NC), a corporation incorporated under the laws of France, which owns 63.09% of La Mancha Resources Inc as of December 31<sup>st</sup>, 2010.

“**Cominor**” means Compagnie Minière Or SA, a corporation incorporated under the laws of France, which owns 45.9% of SMI and 40% of AMC, respectively and which is a wholly-owned subsidiary of La Mancha.

“**Common Shares**” means the common shares in the authorized share capital of La Mancha.

“**Company**” or “**La Mancha**” means La Mancha Resources Inc., a corporation incorporated under the *Company Act* (British Columbia) on October 10, 1996 and transitioned under the *Business Corporations Act* (British Columbia) on March 31, 2005 including, where the context indicates, any or all of its subsidiaries.

“**Conveyancing Agreement**” means the conveyancing agreement dated May 19, 2006 entered into between La Mancha and CFMM.

“**Frog’s Leg mine**” is an Australian underground mine, part of the Mungari East Joint Venture agreement between La Mancha and Alacer Gold.

“**Gold Business**” means the gold mining assets which La Mancha holds, directly and indirectly, (i) in Australia through LM Australia (formerly MRA), and (ii) in Sudan and the Côte d’Ivoire through Cominor.

“**Gold Business Companies**” means, collectively, LM Australia (formerly MRA), Cominor, SMI and AMC.

“**Hassaï mine**” a Sudanese mine, operated and mined by the Ariab Mining Co. Ltd.

“**Hualilan Gold Project**” means a mining property of the Company located in the Ullum Administrative District of the San Juan Province in the Republic of Argentina.

“**Ity mine**” a mine in Côte d’Ivoire, operated and mined by the Société Minière d’Ity

“**La Mancha Argentina**” means La Mancha Resources Argentina Inc., a corporation incorporated under the *Business Corporations Act* (British Columbia), which is wholly-owned by La Mancha and which owns 45% of Patagonia.

“**LM (Mungari East)**” means La Mancha (Mungari East) Pty Ltd. (formerly AREVA NC Australia Pty Ltd and Cogema Australia Pty Ltd.), a corporation incorporated under the laws of Australia who prior to the RTO Transaction, was a wholly-owned subsidiary of CFMM and owned 100% of MRA.

“**LM Australia**” means La Mancha Resources Australia Pty Ltd, formerly Mines & Resources Australia Pty Ltd., a corporation incorporated under the laws of Australia.

“**MRA**” means Mines & Resources Australia Pty Ltd., a corporation incorporated under the laws of Australia who prior to the RTO Transaction was a wholly-owned subsidiary of LM (Mungari East) Ltd

“**NI 43-101**” means National Instrument 43-101, *Standards of Disclosure for Mineral Projects*, of the Canadian Securities Administrators, including the companion policy and form of technical report associated therewith.

“**Patagonia**” means Minera Patagonia S.A., a corporation incorporated under the laws of Argentina, 55% owned by, or on behalf of, La Mancha and 45% owned by La Mancha Argentina.

“**PDAP**” means Placer-Dome Asia Pacific Ltd (now Barrick (PD) Australia), a company incorporated under the laws of Australia, which is a wholly-owned subsidiary of Barrick Gold Inc.

“**PEA**” means the Preliminary Economic Assessment for the Company’s 40% owned VMS project at the Hassai mine in Sudan, which was filed on SEDAR on October 22, 2010.

“**RTO Transaction**” means the transaction pursuant to the Conveyancing Agreement whereby La Mancha issued to CFMM 90,000,000 Common Shares and 7,000,000 Warrants in exchange for the transfer to La Mancha of all the issued and outstanding shares of Cominor and MRA.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval maintained by the Canadian Securities Administrators and CDS & Co., [www.sedar.com](http://www.sedar.com).

“**SMI**” means Société des Mines d’Ity, a corporation incorporated under the laws of Côte D’Ivoire in which Cominor holds a 45.9% equity interest.

“**SODEMI**” means La Société pour le Développement Minier de la Côte D’Ivoire, a state-owned company incorporated under the laws of the Côte D’Ivoire.

“**US\$**” means the U.S. dollar.

“**White Foil project**” a 100% La Mancha owned open pit mine in Australia

## Technical Terms

“**Au**” gold.

“**belt**” a specific elongate area defined by unique geologic characteristics.

“**CIL**” means Carbon in leach, a recovery process in which a slurry of gold ore, carbon granules and cyanide are mixed together.

“**CIP**” means carbon in pulp, a technique for recovery of gold which has been liberated into a cyanide solution.

“**core**” a long, solid, cylindrical sample of rock, ranging from approximately 3.0 to 8.5 centimetres in diameter, brought to the surface by diamond drilling.

“**Cu**” copper.

“**DD**” means diamond drilling, refers to the technology whereby rock is cut by a bit that is impregnated with diamond chips.

“**deposit**” a mineralized body which has been physically delineated by sufficient drilling, trenching and/or underground work and found to contain a sufficient average grade of metal or metals to warrant further exploration and/or development expenditures; such a deposit does not qualify as a commercially mineable ore body or as containing mineral reserves until final legal, technical and economic factors have been resolved.

“**EPCM**” means an Engineering, Procurement, Construction and Management contract, a common form of contracting arrangement within the construction industry.

“**feasibility study**” means under NI 43-101 a comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production.

“**footwall**” the underlying side of a fault, orebody or mine, especially the wall rock beneath an inclined vein or fault.

“**g**” grams.

“**g/t**” grams per tonne.

“**g/t Au**” grams of gold per tonne.

“**geochemical**” pertaining to the chemistry of geological solids.

“**gossan**” an iron-bearing weathered product overlying the sulfide deposit.

“**grade**” the amount of mineral in each tonne of ore.

“**hanging wall**” the overlying side of a fault, ore body or mine, especially the wall rock above an inclined vein or fault.

“**host**” the body of rock in which mineralization of economic interest occurs.

“**kg**” means kilogram.

“**laterite**” a highly weathered red sub-soil.

“**leach**” to dissolve minerals or metals out of ore with chemicals.

“**lens**” a body of ore or rock that is thick in the middle and converges toward the edges, resembling a convex lens.

“**lodes**” a vein of mineral ore deposited between clearly demarcated layers of rock

“**mineral reserve**” the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that may occur when the material is mined.

*Proven mineral reserve:* The economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

*Probable mineral reserve:* The economically mineable part of an indicated mineral resource, and in some circumstances a measured mineral resource, demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

“**mineral resource**” a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.

*Measured mineral resource:* That part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

*Indicated mineral resource:* That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and test information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

*Inferred mineral resource:* That part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

“**mineralization**” the concentration of minerals within a body of rock.

“**mineral project**” means any exploration, development or production activity, including a royalty interest or similar interest in these activities, in respect of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal and industrial minerals.

“**mining inventory**” is the terms used in the PEA for the Company’s Hassaï VMS project to identify Mineral Resources including Inferred Mineral Resources falling within conceptualised mine plans from NI43-101 compliant Mining Reserves. La Mancha has been granted an exemption under Section 9.1 of NI 43-101 in order to prepare a preliminary assessment of the economic potential of the Inferred Mineral Resources to form the foundation of future developments of the Hassaï VMS project

“**NSR**” means Net Smelter Return, the amount of money which the smelter or refinery pays the mining operator for the mineral product and is usually based on a spot, or current price of the mineral, with deductions for the costs associated with further processing.

“**ore**” a metal or mineral, or a combination of these, of sufficient value as to quality and quantity to enable it to be mined at a profit.

“**ounces**” troy ounces = 31.103 grams.

“**oz**” troy ounce(s).

“**pit design**” an open-pit contour surface based on an optimized pit shell which has been engineered in detail by adding access ramps and by smoothing of the pit walls. Pit designs are supported by detailed mining plans.

“**pulp**” a mixture of ground ore and water capable of flowing through suitably graded channels as a fluid.

“**RAB drilling**” meaning Rotary Air Blast Drilling, is a standard rotary drilling technique using compressed air as a drilling circulation medium.

“**RC drilling**” means reverse circulation drilling, a type of drilling that uses a large rotary drill and a compressor to blow the rock chips produced by the bit to the surface.

“**recovery**” a term used in process metallurgy to indicate the proportion of valuable material obtained in the processing of an ore. It is generally stated as a percentage of valuable metal in the ore that is recovered compared to the total valuable metal present in the ore.

“**reserves**” see “mineral reserves”.

“**resources**” see “mineral resources”.

“**saprolite**” a soft earthy, typically clay-rich, thoroughly decomposed rock.

“**SBR**” means silica-barite rock, an ore type found at the Hassaï mining complex of AMC.

“**silicification**” the introduction or replacement by silica, generally resulting in the formation of a fine grained quartz, chalcedony or opal, which may both fill pores and replace existing minerals.

“**stockwork**” a mineral deposit consisting of a three-dimensional network of planar to irregular veinlets closely enough spaced that the whole mass can be mined.

“**strike**” a horizontal direction or trend of a geologic structure.

“**sulphide**” a mineral compound in which one or more metals are found in combination with sulphur.

“**t**” metric tonnes.

“**tailings**” the material that remains after recoverable metals or minerals of economic interest have been removed from ore through milling.

“**vein**” a sheet-like body of minerals formed by fracture filling or replacement of host rock.

“**VMS**” means volcanogenic massive sulphides, a type of metal sulfide ore deposit which are associated with and created by volcanic-associated hydrothermal events in submarine environments

### Currency and Exchange Rates

Throughout this AIF, references to “dollars”, “CDN” or “\$” means Canadian dollars, unless otherwise specified.

#### Noon rate of exchange as reported by the Bank of Canada on March 29, 2011

	U.S. Dollar	Euro	Australian Dollar	Argentinean Peso
Canadian Dollar	1.0245	0.7271	0.9982	4.2626

### Metric Conversion Table

The following table sets forth certain factors for converting metric measurements into imperial equivalents. To convert from metric to imperial units, divide the metric unit by its corresponding value in the middle column. To convert from imperial to metric units, multiply the imperial unit by its corresponding value in the middle column.

METRIC		IMPERIAL UNITS	
Description and abbreviation		Description and abbreviation	
<b>Length</b>			
Millimetres – mm	25.400	Inches – in	
Metres – m	0.3048	Feet – ft	
Metres – m	0.9144	Yards – yd	
Kilometres – km	1.609	Miles – mile	
<b>Area</b>			
Square centimetres – cm <sup>2</sup>	6.4516	Square inches – in <sup>2</sup>	
Square metres – m <sup>2</sup>	0.0929	Square feet – ft <sup>2</sup>	
Hectares – ha	0.40469	Acres – acre	
Square kilometres – km <sup>2</sup>	2.5900	Square miles – sq mile	
<b>Weight</b>			
Tonne (1,000 kg) - t	0.907185	Short ton (2,000 lbs) – st	
		Troy ounce (31.103 gram) – oz	

# 1 CORPORATE STRUCTURE

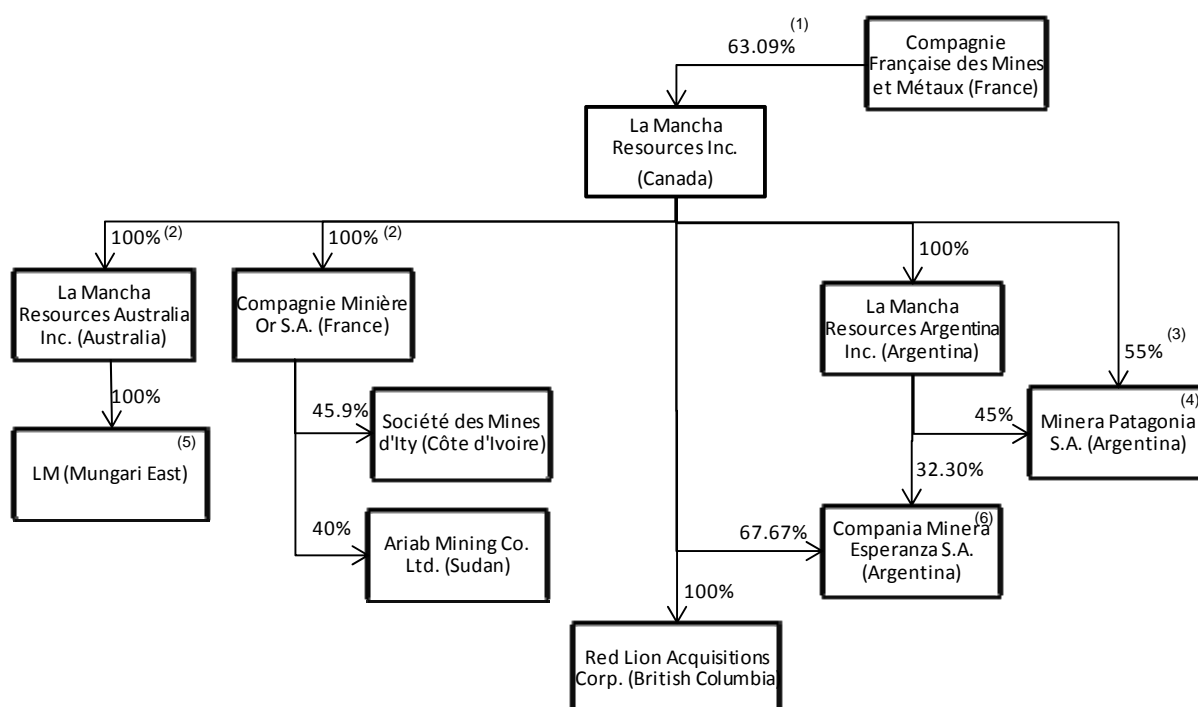
## 1.1 Name, Address and Incorporation

The Company was incorporated under the *Company Act* (British Columbia) on October 10, 1996 as 528944 B.C. Ltd. By articles of amendment filed November 27, 1996, the Company changed its name to “La Mancha Resources Inc”. On March 31, 2005 it transitioned to the *Business Corporations Act* (British Columbia).

La Mancha Resources Inc.’s registered and record office is located at 550 Burrard Street suite 2900, Vancouver, British Columbia, V6C 0A3. La Mancha’s corporate office is located at 2001 University, Suite 400, Montréal, Quebec, Canada, H3A 2A6. La Mancha’s executive office is located at Tour AREVA, 1 Place Jean Miller, 30<sup>th</sup> floor, 92084 Paris-La Defense, France.

## 1.2 Intercorporate Relationships

The following diagram illustrates the current corporate structure and intercorporate relationships of La Mancha:



- (1) Following the RTO Transaction, CFMM became the principal shareholder of La Mancha. As of the date of this AIF, CFMM owns approximately 63.09% of all outstanding Common Shares, and 62.7% on a fully diluted basis. CFMM is a wholly owned subsidiary of AREVA NC.
- (2) Subsidiaries acquired by La Mancha in the context of the RTO Transaction. See “General Development of La Mancha’s Business- The RTO Transaction”
- (3) In accordance with Argentinean law, 5% of these shares are held under the name of Walter H. Berukoff on behalf of La Mancha.
- (4) On July 17, 2007 a petition of bankruptcy was filed against Patagonia before the commercial courts of the city of Buenos Aires. The company was finally declared bankrupt on July 20, 2009. See “Description of the Business-Bankruptcy and similar Procedures”.
- (5) On March 11, 2011, LM Australia acquired beneficial ownership of all of the issued shares of LM (Mungari East) from CFMM. See “General Development of La Mancha’s Business - Three Year History”
- (6) As of December 31, 2010, Rodolfo Gabriel Saporiti owned 0.28% of all outstanding Common Shares

## **2 GENERAL DEVELOPMENT OF LA MANCHA'S BUSINESS**

### **2.1 The RTO Transaction**

Prior to the closing of the RTO Transaction on September 28, 2006, the Company held three mineral exploration projects in the San Juan Province, Argentina, namely the Hualilan Gold Project, the Ortiguita Gold Project, and the San Francisco Gold Project.

On May 19, 2006, La Mancha and CFMM (a wholly owned subsidiary of AREVA NC) entered into the Conveyancing Agreement providing for the terms and conditions of the RTO Transaction pursuant to which La Mancha acquired all of the issued and outstanding shares in MRA and Cominor in exchange for the issuance by La Mancha to CFMM of 90,000,000 Common Shares and 7,000,000 common shares purchase warrants ("Warrants"). Following the RTO Transaction, CFMM became the principal shareholder of La Mancha owning at such time approximately 63.4% of the outstanding Common Shares and 57.8% of the outstanding Common Shares on a fully diluted basis (taking into account the Warrants and other outstanding options and rights to acquire Common Shares). As a result of the acquisition of the Gold Business Companies upon closing of the RTO Transaction, La Mancha became a producing mining company with interests in two mines in production, the Hassaï and Ity mines respectively in Sudan and Côte d'Ivoire, two advanced Australian projects, Frog's Leg and White Foil, and a portfolio of 30 exploration properties. More information regarding the RTO Transaction can be found in the August 2006 Circular under "*The Transaction and Related Matters – Conveyancing Agreement*".

### **2.2 Three Year History**

Through its interest in AMC, SMI, and LM Australia, La Mancha operates the Hassaï mine in Sudan, the Ity mine in Côte d'Ivoire, and the Frog's Leg and White Foil mines in Australia. For the years ended on December 31, 2008, 2009, and 2010, La Mancha respectively produced 71,550, 94,570 and 122,571 ounces of gold.

#### **2.2.1 The original platform**

As previously mentioned, La Mancha became operator of the Hassaï and Ity mines respectively in Sudan and Côte d'Ivoire following the RTO Transaction.

At the Hassaï mine, a cost optimization plan was quickly put in place in 2007. Moreover, due to diminishing SBR reserves, the Company shifted its attention towards mining the gold contained in quartz veins from the Kamoeb deposit. To that effect, a new quartz processing circuit was added to the mill in 2007. Significant exploration was conducted on the property starting in 2007, leading to the discovery of the VMS deposits. See "*Mineral Projects – Hassaï (Sudan)*".

Upon obtaining an exploitation license renewal in May of 2007, the co-owners of the Ity mine agreed to transfer to the government 10% of their respective interest in the mine in accordance with the Ivorian Mining Code. Consequently, La Mancha's ownership in the Ity mine was reduced from 51% to 45.9%. Following a successful drilling campaign conducted on the property in 2007 and 2008, the mine's Measured and Indicated resources were doubled. Moreover, in 2008, production shifted to the Mount Ity pit which was inaugurated in mid-2008. In 2010, a new heap leaching area was constructed, and the ore crushing and agglomeration unit, and the carbon in column plant were relocated. These investments were necessary as the old heap leaching area was nearing completion. See "*Mineral Projects – Ity (Côte d'Ivoire)*".

#### **2.2.2 La Mancha's first growth phase: Australian Asset Development**

Following the RTO transaction, La Mancha began a significant exploration program at the Frog's Leg property, (at the time held on a care and maintenance basis), in order to define potential resources for an underground mining operation. Following conclusive drilling programs and resource increases, a positive definitive feasibility study was

completed in December 2007. In March 2008, the Company negotiated a medium-term line of credit of up to a maximum of AU\$22 million with its majority shareholder to facilitate the funding of the construction and start-up costs of the underground phase of the Frog's Leg mine in Australia. Frog's Leg was successfully converted into an underground mine with the first gold pour occurring on May 13, 2008, less than 12 months after beginning construction. The mine achieved commercial production standards on January 1, 2009. The credit line, which remains valid until December 31, 2011, bearing interest based on the 3 or 6 months LIBOR AU\$ rate plus 2.75% per year, was reimbursed in 2010. See "*Mineral Projects – Frog's Leg (Australia)*".

In November 2007, La Mancha was granted approval by Government authorities to recommence mining at the White Foil property, (at the time on care and maintenance basis) following excessive inflow of saline ground water into the pit. Pit dewatering was completed in the first quarter of 2008. Following a resource expansion in June 2008, a feasibility study for White Foil Phase 1 was published on March 5<sup>th</sup>, 2009. On January 25<sup>th</sup>, 2010, the Company announced that it had come to an agreement with toll-milling and toll-mining operators and as such the White Foil project restarted its mining activities in March 2010. See "*Mineral Projects – White Foil (Australia)*".

### **2.2.2 La Mancha's expected second growth phase: Sudanese Asset Development**

In December 2007, the Company, through its interest in AMC, initiated an exploration program devoted to the volcanogenic massive sulphides ("VMS") structures visually identified under the six main open pits at the Hassaï mine in Sudan. A first NI 43-101 VMS inferred resource, based on the drilling campaign carried out between December 2007 and mid-2009, was published for the VMS structures under the Hassaï South and Hadal Awatib pits on respectively September 10 and November 4, 2009. In September 2010, the Company published a positive preliminary economic assessment ("PEA") for the Hassaï VMS project. The PEA defines two phases of development: 1) an upgrade of the current heap leach operation to a Carbon-in-Leach ("CIL") plant with commissioning by 2013, followed by 2) a further upgrade to add a floatation unit that will enable the exploitation of the copper-gold VMS mineralization from 2015. Following the positive PEA, a feasibility study was launched on the CIL project and an US \$18 million, 12-month drilling program, totaling 100,000 meters, was launched with the intent of converting the VMS Inferred resource to a Measured and Indicated resource, increasing the current resource at the first two targets, while testing the potential of the VMS structure identified at the third target. See "*Mineral Projects -Hassaï Mine (Sudan)*".

### **2.2.3 Corporate Matters**

In May 2009 the Company announced that in order to increase the efficiency of corporate support to its operations it had elected to move its executive office to Paris, France. The transfer of the executive office was successfully completed by the fourth quarter of 2009.

On August 7, 2009 the Company announced that its Board of Directors had formally accepted the decision of Michel Cuilhé to step down and retire, effective that same day, from his position as Chairman of the Board and President and CEO of La Mancha. The Board appointed Dominique Delorme to serve as President and CEO of La Mancha while William Hess, Lead director of the Company since February 2007 was appointed to hold the position of Chairman of the Board. See "*Directors and Officers*".

On September 16, 2010 the Company announced the retirement of its Chief Operating Officer M. William F. Plyley, effective December 15, 2011. The Company's management team and its Human Resources Committee is currently interviewing candidates regarding M. Plyley's successor.

On December 17, 2010 La Mancha reported that it had temporarily interrupted activities at the Ity mine, in Côte d'Ivoire's Zouan Hounien region, due to increased agitation surrounding the country's uncertain political future. In early 2011, the Company reported that the mine had gradually resumed its activities, only to be shut down again on February 24<sup>th</sup>, 2011. The Company intends to resume its activities at the Ity mine when the evolution of the political situation in Ivory Coast will provide for satisfactorily financial arrangements and physical securities for

employees. As of the date of this AIF, Ity's activities had not yet resumed. More information on the risks associated to operating in Côte d'Ivoire are available in section 5.3.3. See "*Risk Factors – Adverse Political factors*".

In December 2010, AREVA NC undertook a corporate reorganisation of its Australian subsidiaries resulting in the divestment of assets and liabilities by LM (Mungari East) to wholly-owned subsidiaries of AREVA NC. Following the completion of that corporate reorganisation on March 11, 2011, LM Australia acquired beneficial ownership of all of the issued shares in LM (Mungari East) from CFMM for nominal consideration. LM (Mungari East) is not currently carrying on business and La Mancha does not presently have plans for it to commence to do so.

## **2.3 2011 Outlook**

La Mancha expects to produce between 115,000 to 135,000 attributable ounces of gold in 2011 at an estimated average cash cost of US \$671/oz. A brief outlook for each operation is presented below on a country-by-country basis.

### **2.3.1 Australia**

La Mancha expects to increase its current toll capacity of up to 500,000-tonnes at the nearby Greenfields treatment plant to 650,000-tonnes for 2011. The upgraded toll milling agreement should be used in priority for high-grade Frog's Leg ore with White Foil making up the remainder. La Mancha expects its share of Frog's Leg mine production to be in the range of 65,000 to 70,000 ounces of gold at an estimated cash cost of US \$617 per ounce. Production at the White Foil mine is expected to be in the range of 14,000 to 17,000 ounces of gold in 2011 at an estimated cash cost of US \$1,082 per ounce. See "*Mineral Projects-Frog's Leg and White Foil Mines (Australia)*".

### **2.3.2 Sudan**

No major change in production is expected at the Hassaï mine until the first phase of the VMS project is commissioned in 2013. Consequently, Hassaï's production is expected to range between 60,000 and 70,000 ounces of gold (24,000 to 28,000 ounces attributable to La Mancha) in 2011 at an estimated cash cost of US \$660 per ounce.

On the VMS project front, following the upcoming Feasibility Study on the Phase 1 of the VMS project, EPCM and construction is expected to start in the second half of 2011 while the VMS drilling campaign for Phase 2 of the project is expected to be concluded in the third quarter of 2011 with a first 43-101 measured and indicated resource expected before the end of the year. See "*Mineral Projects- Hassaï Mine (Sudan)*".

The above mentioned objectives are forward-looking. See "*Forward-Looking Statements*".

### **2.3.2 Côte d'Ivoire**

Due to the higher capacity of the mine's recently-commissioned leaching pads, Ity could increase production to up to 52,290 ounces of gold in 2011 (24,000 ounces attributable to La Mancha). However, Ity's 2011 performance remains vulnerable to the country's political situation, changing security conditions around the mine and difficulties securing access to mine supplies. Consequently, the Company issued a production guidance of 26,140 to 43,570 ounces of gold (12,000 to 20,000 ounces attributable to La Mancha) for 2011 at an estimated cash cost of US \$519 per ounce. See "Mineral Projects- Ity Mine" section.

## **2.4 Significant Acquisitions**

No significant acquisitions occurred for the 12-month period ended December 31, 2010.

### 3 DESCRIPTION OF THE BUSINESS

#### 3.1 General

The Company is an international gold producer incorporated in Canada with operations, development projects and exploration activities in Africa, Australia and Argentina. La Mancha's Common Shares trade on the Toronto Stock Exchange ("TSX") and the Deutsche Börse in Frankfurt (since 2008) under the Symbol "LMA".

La Mancha is involved in the mining, exploration and production of gold and defines its operating segments on a country-by-country basis, being Sudan (where it carries on mining production, is actively exploring a VMS resource, and has exploration tenements), Côte d'Ivoire (where it carries on mining production and has exploration tenements), Australia (where it carries on mining production and has exploration tenements), and Argentina (where it possesses exploration tenements). Relative to its other mineral projects in Sudan, Côte d'Ivoire and Australia, La Mancha does not consider any of its activities in Argentina as material per section 5.4 of 51-102F2 *Annual Information Form* and section 2.4 of *Companion Policy 43-101CP* to NI 43-101.

The Company pursues more specifically the following activities: exploration for and delineation of mineral deposits; development and pre-production of deposits; construction of facilities required for mining; underground and open pit mining; drying, milling and concentrating to produce a commercial product and marketing of minerals, metals and concentrates.

The following table summarizes certain characteristics of each of the mining properties located in Australia, Côte d'Ivoire and Sudan that the Company considers to be its reportable segments.

	<b>Mineral Projects</b>			
	<b>Frog's Leg</b>	<b>White Foil</b>	<b>Ity Mine</b>	<b>Hassaï Mine</b>
La Mancha equity	51% <sup>(1)</sup>	100%	45.9% <sup>(2)</sup>	40% <sup>(2)</sup>
Location	Australia	Australia	Côte d'Ivoire	Sudan
Subsidiary	LM Australia	LM Australia	SMI	AMC
Stage: exploration, development or production	Producing and actively exploring	Producing and actively exploring	Producing and actively exploring	Producing, developing VMS Phase 1, and actively exploring VMS Phase 2 <sup>(3)</sup>
Period of operation	Year round	Staged Mining to suit campaigned toll processing	Year round with adjusted production pattern during the rainy season (on average 49 days per year)	Year round
Mine type	Underground	Open pit	Open pit	Open pit

(1) Through the Mungari East Joint Venture. (See "*Mineral Projects – Frog's Leg (Australia)*").

(2) Through Cominor, a wholly-owned subsidiary of La Mancha.

(3) See "*Mineral Projects- Hassaï Mine (Sudan)*".

### **3.2 Specialized Skill and Knowledge**

Most aspects of La Mancha's business require specialized skills and knowledge. Such skills and knowledge include the areas of geology, mine development, mining, milling, metallurgy, production, smelting and refining, metals marketing, mechanics, electrical power generation, transportation, finance and accounting. While recent increased activity in the mining industry has made it more difficult to locate competent employees and consultants, La Mancha has found that it has been able to locate and retain such employees and consultants and believes that it will continue to be able to do so.

### **3.3 Competitive Conditions**

Competition in the mineral exploration and production industry is important. La Mancha is a junior mining company that competes with other mining companies, many of which have greater financial resources and technical facilities, for the acquisition and development of, and production from, mineral concessions, claims, leases and other interests, as well as for the recruitment and retention of qualified employees and consultants.

### **3.4 Use of Derivative Instruments**

The Company implemented, for strategic reasons, a partial hedging program designed to secure significant cash flow, while retaining upside potential on gold prices, by entering into a series of gold costless collar contracts to manage its exposure to gold price volatility. A costless collar is a combination of two option contracts that limit the holder's exposure to changes in prices within a specific range. The "costless" nature of this derivative is achieved by buying a put option (the right to sell) for consideration equal to the premium received from selling a call option (the right to purchase). The Company's policy limits its overall hedging program to a maximum of 35% of its gold production subject however to a yearly limit of 25% of its gold production for any given year. The Company's hedging policy is for a one year term and is reviewed by the Board of Directors on a quarterly basis. At the time of implementation of each position, the Company aims at maintaining an upside of approximately 25% on the gold price in the various currencies.

For 2011, the Company holds gold collar derivative contracts for its African operations totalling 12,825 ounces for which the purchased puts and sold call options have average strike prices of €819/oz and €1,225/oz. As of March 29, 2011, the London Gold Fixings P.M. rate was €1,006.25/oz. The Company also held gold collar derivative contracts for its Australian operations totalling 18,017 ounces that include purchased put and sold call options with average strike prices of AUD 1,239/oz and US\$ 1,743/oz. As of March 29, 2011, the London Gold Fixings P.M. rate was US\$ 1,417.50/oz. These contracts have maturities ranging from January 2011 through January 2012. The terms of the collar derivative contracts specify that the settlement is in cash, and is based on the London Bullion Market Association price ("European" options) for the day in which the derivatives settle.

For accounting purposes, the collars are recorded at their current fair value at the end of each reporting period. The fair values are based on estimates using present value techniques and other valuation models such as the Black-Scholes model. Consequently, changes in intrinsic value and in time value of these collar contracts, if any, are recorded in other operating income (expense) in the consolidated statement of operations. Any change in accounting procedures may impact the financial result in the future. The credit risk, associated with the counterparties issuing the options, is taken into account in the evaluation of the fair value of the hedging instruments.

For the portion of production that is not hedged, as a general rule, La Mancha will sell its gold production at market prices. As market conditions change, the Company may reassess the situation and choose to change its commodity hedging policy. La Mancha also retains the right to use financial derivatives to hedge against factors affecting its

core operations, such as, but not limited to, foreign currency, energy prices, and production consumables. See “*Risk Factors-Use of commodities or derivative instruments*”.

### **3.5 Environmental Protection**

All phases of La Mancha’s operations are subject to environmental regulation in the jurisdiction in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for corporations and their officers, directors and employees. While manageable, the Company expects that this evolution might result in increased costs and decreased production and revenue to La Mancha in the current and ensuing years.

Under La Mancha’s sustainable development initiatives, the Company utilizes a sustainable development performance management system called Sustainability Tool for Advanced Reporting (“STAR”) developed by Areva to track all aspects of the mining cycle including environmental and worker safety key indicators. STAR breaks down the sustainable development commitments into a series of performance improvement goals and performance improvement criteria. Practices are then assessed based on each of these criteria on a scale of one to four, corresponding to the degree of completion for the criterion: initiated, deployed, mature and excellent. Performance improvement progress charts then give rise to a series of action plans to improve performance. The plans are used to monitor and report on progress.

Furthermore, the STAR environmental management system implemented at La Mancha’s Australian mines is fully compliant with West Australian legislative requirements as cited by the Department of Environment and Conservation (Environmental Protection Act 1987). In high-risk areas, such as the design and operation of tailings dams, La Mancha contracts independent review boards to oversee design and ongoing operating practices. La Mancha also has emergency plans to deal with any incidents that may occur in the course of its operations.

### **3.6 Employees**

As of December 31, 2010 the Company had more than 1,250 employees.

### **3.7 Foreign Operations**

La Mancha’s business is dependent on its foreign operations in Africa, Australia, and Argentina. See “*Risk Factors-La Mancha’s projects are located in foreign countries*”.

### **3.8 Bankruptcy and Similar Procedures**

Except as disclosed below, there are no proceedings against the Company or its subsidiaries in the nature of bankruptcy, receivership or similar proceedings within the three most recently completed financial years and up to the date of this Annual Information Form.

On July 17, 2007 a petition of bankruptcy was filed against Patagonia before the commercial courts of the city of Buenos Aires. Patagonia was the beneficiary of a usufruct over properties located in Argentina referred to as the Hualilan Gold Project, which is comprised of two mining complexes, Hualilan I and Hualilan II. Patagonia was committed to a mortgage payable associated with the Hualilan I mining complex. The mortgage payable was initially to be discharged by a series of monthly payments, commencing January 2005, denominated in ounces of gold. The petition of bankruptcy, filed on July 17, 2007 against Patagonia by the mortgage holder before the commercial courts of the City of Buenos Aires refers to an estimated debt in the amount of US\$8,626,341 plus interest and fees. This petition of bankruptcy was registered by the court on December 12, 2007. 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. which was finally declared bankrupted on July 20, 2009. On December 30,

2009, a petition to extend the bankruptcy to the Company and a former Director was filed in front of the commercial courts of the City of Buenos Aires. The Company 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. In October 2010, the trustee replied to La Mancha's representations. At the time of reporting, management is awaiting the court's final decision. Following the loss of control over its subsidiary, La Mancha has de-consolidated all the assets and liabilities associated with Patagonia from its consolidation and presented the resulting liability as a provision for other liabilities and charges.

### **3.9 Reorganizations**

Since the completion of the RTO Transaction on September 28, 2006, neither the Company nor any of its subsidiaries have not undergone any material reorganization and there is no proposed material reorganization for the current financial year.

### **3.10 Social or Environmental Policies**

La Mancha has adopted a pro-active approach of continuously assessing the impact and consequences of the mines it operates in the environment where they are located. La Mancha's objective is to create value not only for its shareholders but for all its stakeholders. Therefore, in addition to respecting the traditional profitability concerns of widely-held corporations, La Mancha has elected to become a positive force for the community where it operates through regional development, worker health and safety and environmental responsibility.

This responsible approach becomes particularly important with respect to the Company's operations in Sudan. The severity and complexity of the country's internal dynamics forces La Mancha to assess the impact of its investment in the Hassaï mine on a continual basis. La Mancha has adopted a policy on its ongoing operations and investment in Sudan. This policy is available on the Company's website at [www.lamancha.ca](http://www.lamancha.ca).

## **4 RISK FACTORS**

Investment in exploration, development and production companies is highly speculative and subject to numerous and substantial risks. The Company's operations and financial performance are subject to the normal risks of mining and are subject to various factors which are beyond the control of the Company. No guarantee is provided that other risks will not affect the Company in the future. Should any of these risks materialize into actual events, the Company's assets, liabilities, financial conditions, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company's securities could decline and investors may lose all or part of their investment. Prospective purchasers or holders of La Mancha's Common Shares should give careful consideration to all risk factors enumerated below.

### **4.1 Changes in the market price for gold may affect La Mancha's operations**

La Mancha's operations may be significantly affected by changes in the market price of gold and copper. Gold production from mining operations and the willingness of third parties, such as central banks, to sell or lease gold affect the supply of gold. Demand for gold and copper can be influenced by economic conditions, their attractiveness as an investment vehicle and the strength of the US dollars and local currencies. Other factors include the level of interest rates, exchange rates, inflation and political stability. The aggregate effect of these factors is impossible to predict with accuracy. Worldwide production levels also affect gold and copper prices. In addition, the price of gold and copper have over the past three years been subject to significant price movements and rapid short-term changes because of speculative activities. Fluctuations in gold and copper prices may adversely affect La Mancha's financial performance and result of operations. Any gold price decline would delay or reduce La Mancha's production.

## **4.2 Use of commodities or derivative instruments**

The Company is exposed to commodity price risk mainly arising from gold sales and energy supply and may use derivative financial instruments, including forward sales agreements and options, to reduce its exposure to commodity price volatility. The Company does not enter into derivative transactions for speculative purposes.

However the use of derivatives instruments involves certain inherent risks including the risk that, in respect of certain derivative products, an adverse change in market prices for commodities, currencies or interest rates could result in the Company's incurring an unrealized mark-to-market loss in respect of such derivative products. In the case of gold sales program, if the gold price rises above the price at which future production has been committed under a forward sales hedge program, the Company may have an opportunity loss. However, if the gold price falls below that committed price, revenues will be protected to the extent of such committed production. There can be no assurance that the Company will be able to achieve future realized prices for metal prices that exceed the spot price as a result of any forward sales hedge program. See "*Description of the Business-Use of Derivative Instruments*".

## **4.3 Additional financing is likely to be required to fund La Mancha's activities**

A portion of La Mancha's activities will be directed to the search for and the development of new mineral deposits, including but not limited to the Company's VMS project. Significant capital investments is likely to be required to achieve successful development and commercial production from such properties. In addition, other capital investments may be required in order to maintain or expand the operations of La Mancha. There is no assurance that La Mancha will have, or be able to raise, the required funds in a timely manner on commercially acceptable terms in the future to engage in these activities.

## **4.4 Australian Milling Capacity**

La Mancha does not own any milling equipment in Australia, therefore the Company's Australian Frog's Leg and White Foil mines need to rely on external milling plants to treat the ore that they produce. Consequently, the Company's capacity to produce gold from the two Australian properties is directly linked to its ability to enter into economically viable mining, haulage, and milling agreements with local providers. Furthermore, the Company's production may be impacted by adverse events at the toll treatment plant which are not under La Mancha's control, which include, but are not limited to, scheduling delays, mechanical breakdowns, and contract termination. The successful completion of a new toll milling agreement for the period between 2011 to 2015 will be critical for La Mancha's ability to deliver production in Australia over the stated period.

## **4.5 Adverse Political factors**

While La Mancha is a diversified international producer, its operations, its strategic plans, its current and future commercial production and its associated timetable, its ability to obtain access to mine supplies and employees, its financial results, and its share price may be significantly affected by adverse political events, which include, but are not limited to, the current political situation in Côte d'Ivoire and the outcome of the transition in Sudan following the recent referendum.

In Côte d'Ivoire, La Mancha's business plan, consisting of mining and exploration activities, remains vulnerable to the country's current political situation, changing security conditions around the Ity mine and difficulties securing access to mine supplies. Although La Mancha has the ability to quickly suspend and restart activities at the Ity mine in response to the evolution of the political situation surrounding the mine, there is no assurance that the mine will deliver production according to its business plan during times of political instability.

La Mancha's ability to follow its business plan in Sudan is subject to adverse economical and political factors which include, but are not limited to, the outcome of the transition in Sudan following the recent referendum.

#### **4.6 La Mancha's projects are located in foreign countries**

Substantially all of the assets of La Mancha are located in a jurisdiction outside of Canada. As a result, it may be difficult for investors in Canada to enforce judgments obtained against La Mancha in Canada if the damages awarded exceed the realizable value of La Mancha's Canadian assets.

Changes, if any, in mining or investment policies or shifts in political attitude in the countries where the Gold Business Company properties are located may adversely affect La Mancha's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

There is no assurance that conditions in countries in which La Mancha operates or will operate and other countries in which La Mancha has or will have exploration properties and royalties will not result in their governments adopting different policies respecting foreign ownership of mineral resources, taxation, rates of exchange, environmental protection, labour relations, repatriation of income or return of capital. The possibility that a future government in any of these countries may adopt substantially different policies, which might extend to the expropriation of assets, cannot be ruled out.

#### **4.7 Investment in Asset-Backed Commercial Paper**

On September 4, 2007 La Mancha was informed that two notes held by the Company, which were due and payable on September 4, 2007 for a \$12.0 million principal amount of Canadian non-bank sponsored asset backed commercial paper ("ABCP") remained outstanding as a result of the inability for the issuers to complete a rollover on the due date because of lack of liquidity for ABCP. At the date at which that Company acquired the investments, the notes were rated R-1 (High) by DBRS, the highest credit rating for commercial paper. On January 12, 2009 the Superior Court of Ontario granted the Implementation Order for the Restructuring Plan of these ABCP. On January 21, 2009 the Restructuring Plan was completed. Pursuant to the terms of the Restructuring Plan, the Company exchanged its short-term notes for long-term notes. The Company designated the notes as held-for-trading. As of December 31, 2010, the liquidity for these long-term notes on the financial markets was improving as an increasing amount of transactions were recorded on an over-the-counter basis. The maximum expected maturity of the long-term notes is approximately 6 years from December 31, 2010. As at December 31, 2010 there was still a significant amount of uncertainty in estimating the amount and timing of cash flows associated with the long-term notes.

For accounting purposes, the fair value of the long-term notes is determined using a probability-weighted approach based on the Company's assessment of market conditions. If market conditions were to deteriorate, fair value reported may change materially in subsequent periods, thereby affecting The Company's net income. A 1% variation in the discount rate would impact the fair value by approximately \$0.35 million. See "*Description of the Business- Use of Derivative Instruments*"

#### **4.8 Mining tax jurisdiction regimes are subject to interpretation and changes**

The Company's interpretation of tax laws where it operates and as applied to its operations including the implications of the Company's recent transfer to France of its executive office may be different than that the tax authorities. As a result, tax treatment of certain operations or actions may be challenged and reassessed which could result in adverse tax consequences for the Company including a discrepancy in the level of taxes to be paid in addition to penalties and interests.

## **4.9 Mining**

Mining operations generally involve a high degree of risk. La Mancha's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability.

## **4.10 Exploration and Development**

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by La Mancha will result in a profitable commercial mining operation. Significant capital investment is required to achieve commercial production from successful exploration efforts.

The commercial viability of a gold deposit is dependent upon a number of factors. These include deposit attributes such as size, grade and proximity to infrastructure, current and future gold prices (which can be cyclical), and government regulations, including those relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The complete effect of these factors, either alone or in combination, cannot be entirely predicted, and their impact may result in La Mancha not receiving an adequate return on invested capital.

## **4.11 Cash Production Costs Factors**

The publication of total cash cost per ounce of gold or per pound of copper produced may enable investors to better understand year-over-year changes in production costs, which in turn affect profitability and cash flow. However, total cash cost per ounce of gold or per pound of copper produced does not have a standardized meaning prescribed by Canadian GAAP or IFRS. Investors are cautioned that total cash cost per ounce of gold or per pound of copper produced should not be considered in isolation or construed as a substitute to costs determined in accordance with Canadian GAAP or IFRS as an indicator of performance. The Company's method of calculating total cash cost per ounce gold or per pound of copper produced may differ from the methods used by other entities and, accordingly, the Company's total cash cost per ounce of gold or per pound of copper produced may not be comparable to similarly titled measures used by other entities.

Except as otherwise noted, total cash cost per ounce of gold or per pound of copper produced is calculated by dividing total cash costs by gold ounces or copper pounds produced for the relevant period. Total cash costs include mine operating costs such as mining, processing, administration, royalties and operating taxes, but exclude amortization, reclamation costs, financing costs and capital development and exploration.

Total cash costs to produce an ounce of gold are dependent on a number of factors, including the grade of reserves. Furthermore, no assurance can be given that the intended or expected production schedules or estimated direct operating cash costs will be achieved for operating mines or projects in which La Mancha has an interest. In addition to engineering, operating and capital cost factors, the revenues of La Mancha from its operating mines or projects will depend on the extent to which expected operating costs in respect thereof are achieved. Short-term operating factors, such as the need for the orderly development of ore bodies or the processing of new or different ore grades, may cause a mining operation to be unprofitable in any particular accounting period.

#### **4.12 Energy**

La Mancha's operations consume significant amounts of energy and are dependent on suppliers to meet these energy needs. In some cases, no alternative source of energy is available. Although never impacted by serious energy shortage, La Mancha's operations remain subject to this risk.

#### **4.13 Exchange Rate Fluctuations**

La Mancha conducts all of its operations in currencies other than Canadian dollars. La Mancha's operations in Sudan are substantially paid for in Sudanese dinars, for which foreign exchange transactions are restricted, or in Euros. La Mancha's operations in Côte d'Ivoire are substantially paid for in Central African francs, which are pegged at a fixed rate to the Euro. La Mancha's operations in Australia are substantially paid for in Australian dollars. Many inputs to the mining industry, including but not limited to mobile equipment and spare parts, and mining processing plants, equipment and components, are priced in U.S. dollars or Euros. There has been an overall trend in the last five years of a deterioration of the exchange rate of the U.S. dollar against each of the Australian and Canadian dollar and the Euro. However, within shorter time frames each of these currencies has demonstrated significant variation against the U.S. dollar, and against one another.

In order to earn or maintain property interests, certain of La Mancha's payments are to be made in the local currency in the jurisdiction where the applicable property is located. The price of gold is denominated in United States dollars, as a result fluctuations in the United States dollar against the Canadian dollar and each of those currencies against the Australian dollar and the Euro, or local currencies in other jurisdictions where properties of La Mancha are located, could have a material adverse effect on La Mancha's financial results which are reported in Canadian dollars.

#### **4.14 Reserve and Resource Estimates**

La Mancha's reserve and resource estimates are based on a number of assumptions, changes to which may require revisions to such estimates.

Reserves and resources are an estimate of mineral content based on limited information, available at the moment of their calculation and acquired through drilling and other sampling methods. The figures for reserves and resources presented in this AIF are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. The ore grade actually recovered may differ from the estimated grades of the reserves and resources. Such figures have been determined based upon assumed gold prices and operating costs. Future production could differ dramatically from reserve estimates for, among others following reasons: mineralization or formations could be different from those predicted by drilling, sampling and similar examinations; increases in operating mining costs and processing costs could adversely affect reserves; the grade of the reserves may vary significantly from time to time and there is no assurance that any particular level of gold may be recovered from the reserves; any declines in the market price of gold may render the mining of some or all of the reserves uneconomic.

Any of these factors may require La Mancha to reduce its reserves estimates or increase its costs. Short-term factors, such as the need for the additional development of a deposit or the processing of new different grades, may impair La Mancha's profitability. Should the market price of gold fall, La Mancha could be required to materially write down its investment in mining properties or delay or discontinue production or the development of new projects.

#### **4.15 Environmental Hazard**

La Mancha is vulnerable to various environmental incidents that can have a significant impact on its operations. All phases of La Mancha's operation are subject to environmental regulation. Environmental legislation is evolving in

a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Future changes in environmental regulation could adversely affect La Mancha's operations by increasing costs and reducing profitability. See "*Description of the Business – Environmental Protection*".

#### **4.16 Insurance and Uninsured Risks**

La Mancha's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to La Mancha's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although La Mancha expects to maintain insurance to protect against certain risks in such amounts as it considers being reasonable, its insurance may not cover all the potential risks associated with a mining company's operations. La Mancha may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to La Mancha or to other companies in the mining industry on acceptable terms. La Mancha might also become subject to liability for pollution or other hazards which may not be insured against or which La Mancha may elect not to insure against because of premium costs or other reasons. Losses from these events may cause La Mancha to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

#### **4.17 Forecasts Of Costs May Differ From Estimates**

Cost figures included in this Annual Information Form, and other published documents, are in many instances estimates only and no assurance can be given that such estimates are accurate. Such estimates are expressions of judgment based on knowledge and experience. Estimates made at any given time may significantly change when new information becomes available or when parameters that were used for such estimates change. While the cost estimates disclosed by the Company from time to time are thought to be reliable, no assurance can be given that such costs will not be greater than those anticipated.

#### **4.18 Communities**

La Mancha's exploration and production mining operations will have an impact on the communities in which they are situated and will depend for their success on the support of those communities. While La Mancha's is committed to consulting and working constructively with local communities on such issues as safety and health, opportunities for local people and long-term sustainability there is no guarantee of receiving the support of these communities. See "*Description of the Business – Social and Environmental Policies*".

#### **4.19 Labour and Strikes**

La Mancha is dependent on its workforce to extract and process minerals. La Mancha has programs to recruit and train the necessary manpower for its operations, and endeavours to maintain good relations with its workforce in order to minimize the possibility of strikes, lockouts and other stoppages at its work sites. Although never impacted by serious problems with strikes, lockouts or other work stoppages at its sites, La Mancha's operations remain subject to this risk.

#### **4.20 Competition**

The mining business is competitive in all of its phases. La Mancha competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than La Mancha, in the search for and the acquisition of attractive mineral properties. La Mancha's ability to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for mineral exploration as those from the Gold Business Companies. There is no assurance that La Mancha will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

#### **4.21 Expansion through acquisitions**

To the extent that La Mancha seeks to expand through acquisitions, it may experience problems in executing additional acquisitions or managing and integrating the acquisitions with its existing operations.

In order to expand its operations and reserve base, La Mancha may seek to make additional acquisitions of selected precious metal producing companies or assets. La Mancha's success at making any acquisitions will depend on a number of factors, including, but not limited to: negotiating acceptable terms with the seller of the business to be acquired; obtaining required financing; obtaining approval from regulatory authorities and the jurisdiction of the business to be acquired, as applicable; assimilating the operations of an acquired business in a timely and efficient manner; implementing uniform standards, controls, procedures and policies at the acquired business; and to the extent that La Mancha makes an acquisition outside of markets in which it has previously operated, conducting and managing operations in a new operating environment.

Any problems experienced by La Mancha in connection with an acquisition as a result of one or more of these factors could have a material adverse effect on its business, operating results and financial condition.

#### **4.22 Infrastructure**

Mining, processing, development and exploration activities depend on adequate infrastructure. Power sources, water supply, reliable roads and bridges are important factors for the operational success of the Company's activities. The lack of one or more of such components could adversely affect the Company's operation, operating costs, financial condition and results of operation.

#### **4.23 Non-controlled assets may not comply with Company standards**

Some of the Company's assets are controlled and managed by joint venture partners who may have different business objectives. Management of non-controlled assets may not comply with La Mancha's management and operating standards, controls and procedures (including health, safety and environment standards). Failure to adopt appropriate standards, controls and procedures as regards these joint ventures or improper management of these assets could not only adversely affect the value of the joint venture and assets but could also lead to higher costs and reduced production as the case may be and adversely impact the Company's financial condition and reputation.

#### **4.24 Foreign Subsidiary**

La Mancha conducts operations through foreign subsidiaries and joint ventures, and substantially all of its assets are held in such entities. Accordingly any limitation on the transfer of cash or other assets between the parent corporation and such entities, or among such entities, could restrict La Mancha's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist in the future, could have an adverse impact upon La Mancha's valuation and stock price.

#### **4.25 Performance of Key Personnel**

La Mancha is dependent on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. La Mancha is also subject to the risk of a highly competitive market for the hiring and retention of key personnel.

#### **4.26 The Market Price of the Common Shares May Be Subject to Wide Price Fluctuations**

The market price of the Common Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of La Mancha, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for La Mancha, general economic conditions, changes in the gold price, in mineral reserve or resource estimates, results of exploration, changes in results of mining operations, legislative changes, equity raising speculation, and other events and factors outside of La Mancha's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares.

La Mancha is unable to predict whether substantial amounts of Common Shares will be sold in the open market. Any sales of substantial amounts of Common Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Common Shares.

### **5 MINERAL PROJECTS**

#### **5.1 Frog's Leg (Australia)**

Information in this section is based on an independent technical report entitled Frog's Leg 43-101 Report (the "Frog's Leg Report"), prepared by Denis Grubic, of AMC Consultants, and Joe McDiarmid, Christopher R Honey, Trevor I Eddie, and Rodney W Johns from La Mancha which was filed with the Canadian securities regulators on September 11, 2009. The stated authors of the Frog's Leg Report are all "qualified persons" as such term is defined in NI 43-101.

Information in this section arising subsequent to the date of the Frog's Leg Report is provided by the management of La Mancha under the supervision of Jean-Jacques Kachrillo, Rodney W Johns and Trevor Eddie of La Mancha, each a "qualified person". Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Frog's Leg Report which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

##### **5.1.1 Project Description and Ownership**

The Frog's Leg gold deposit is part of the Mungari East Joint Venture agreement between La Mancha and Alacer Gold. La Mancha is 51% owner and operator of the project while the remaining 49% is held by Alacer Gold.

##### **5.1.2 Location, Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The Frog's Leg gold deposit is located 20 kilometres (km) west of Kalgoorlie, in Western Australia and is easily accessible by road. The climate permits exploration and mining activities to be carried out over twelve months of the year. Elevation is approximately 340 metres (m) above sea level. Existing mine infrastructure at the Frog's Leg mine site consists of access roads and dewatering equipment for the pit. Power is provided via the statewide grid.

### 5.1.3 History

The Frog's Leg open pit deposit was discovered by air-core drilling in late 1999, followed by diamond drilling in January 2000. The discovery was preceded by an extensive geochemical sampling program following previous discoveries to the north (Rubicon, Pegasus and Hornet deposits). Open pit production began in April 2004 and the first gold was poured in July 2004.

The prior open-pit operation minimized capital requirements by using a mining contractor, who supplied personnel and equipment and by trucking ore to the Greenfields toll mill in the Coolgardie area 26km to the southwest. Mining infrastructure was minimal as the operation was run from the White Foil facilities, which included offices, workshop, wash bay and access roads.

During eighteen months of production, ended in 2005, 832,976 tonnes of Frog's Leg ore was milled at a head grade of 4.50g/t. Recovered gold totalled 116,611 ounces (96.8% overall recovery). The mined material consisted primarily of steeply-dipping quartz lodes located within the Rocket zone footwall, immediately east of the contact structure between the "catrock" basalt and volcanoclastic units.

Mining in the open pit was terminated in October 2005 with the last of the ore treated during fourth quarter 2005. The property remained on a care and maintenance basis until 2006, when La Mancha began a significant diamond drilling program, in order to define potential resources for an underground mining operation. Following conclusive drilling programs and resource increases, a positive definitive feasibility study was issued in December 2007. Frog's Leg was successfully converted into an underground mine with the first gold pour occurring on May 13, 2008, less than 12 months after beginning construction. The mine achieved commercial production standards on January 1, 2009.

In July 2009, a new upgraded mining plan was published based on the April 2008 resource increase, thereby increasing the Frog's Leg Proven and Probable reserves by 37% from the 2007 definitive feasibility study. More information concerning the current underground mining operation is provided under "*Mining Operation*" below.

In 2010, an extensive underground resource drilling program, involving 35,000 metres of diamond drilling across the entire 1,200-metre strike length of the deposit, was conducted. This exploration program has added 348,000 Measured and Indicated ounces of gold (158,100 ounces attributable to La Mancha). The focus in 2011 will be to develop a new reserve and life-of-mine plan to demonstrate the potential to develop the mine up to the 600-metre below surface level. See "*Mineral Resources and Mineral Reserves Estimates*" section below.

### 5.1.4 Geological Setting and Mineralisation

The Frog's Leg deposit occurs in the southern portion of the Kundana mining district in the Norseman Wiluna Belt of the Eastern Goldfields Province, in the Archean-aged Yilgarn Craton. The Norseman-Wiluna granite-greenstone belt extends for 600km in a NNW direction and hosts a globally-significant number of gold and nickel sulphide deposits. The Kundana mining camp generally hosts gold mineralisation in quartz lodes and veins, structurally emplaced within shale horizons and/or along lithology contacts.

Frog's Leg mineralisation occurs in a number of structural styles along a nine-hundred metre-long NNW-trend. Mineralisation occurs as sub-vertical, tabular lodes along a faulted volcanoclastic/catrock basalt contact, which is divided into six zones referred to as Mist, Fog, Marsh and Bull to the north, and Rocket and Whistle to the south. Quartz lode mineralisation occurs within the volcanoclastic footwall east of the contact zone as somewhat irregular vein structures dipping towards the west into the sub-vertical contact zone. Less frequently quartz vein structures occur on the hanging wall side of the contact. These include the Fog lode, situated west of the Mist contact zone, and Whistle, west of Rocket. Structural styles and differences in rock properties play a major role in gold deposition. For example, competency contrasts between more and less brittle rocks influence the formation of gold-

hosting quartz veins during deformation, and the variable iron content in different host rocks influences the chemical precipitation of gold from ore fluids.

### 5.1.5 Mining Operation

A first mine plan was published in the 2007 Definitive Feasibility Study. Following a resource increase in April 2008, the Company published an upgraded mine design in July 2009. This upgraded mine design outlined a plan to boost average gold output to 113,388 ounces per annum (57,828 ounces attributable to La Mancha) from 2010 until the beginning of 2016, representing a 29% increase over the previous mine plan, while extending the mine life by 1.2 years. Furthermore, in light of another material resource expansion in 2010, see “*Mineral Resources and Mineral Reserves Estimates*” section below, management is currently working on further optimizing the life-of-mine plan, which should be made public in 2011.

The mining method is longhole open stoping. Mining is progressing in a top down manner to allow for earlier stoping cash flows under shallow, favourable geotechnical conditions. Until mid-2010, the stopes were left open using sill and island pillars to provide stability. In 2010, more areas of ore development have opened up with dual parallel drives, while the number of stoping fronts has increased. Furthermore, in 2010, a paste backfill plant was constructed and put into operation, with the first stope filled in early May. The more effective mine stability that paste-fill provides over other backfill methods eliminates the need for pillars and enables higher extraction of ore at depths below the current resource.

The Frog’s Leg underground mine design was based on resource estimate block modelling information provided by La Mancha and CSA Australia Pty Ltd.

La Mancha holds a toll milling agreement with Higginsville Mining, a subsidiary of FMR Investments, for the Greenfield mill, located 26km Southwest of the Frog’s Leg mine. The mill utilises standard 3 stage crushing, ball milling, gravity and CIP circuits for gold recovery. The current toll milling agreement is for up to 500,000-tonne-per-annum if capacity allows, until April 2012, however to meet La Mancha’s growing milling needs, the Company is currently negotiating an agreement to upgrade the toll-milling agreement to 600,000 tonnes per annum of processing until 2015. The toll milling capacity should be prioritized with Frog’s Leg ore, while White Foil ore should fill the remaining capacity.

The following table indicates operating information for La Mancha’s share of the Frog’s Leg Gold Mine for the last four years:

Frog’s Leg Mine (51%)	2007	2008	2009	2010
Ounces (Au)	-	15,375	46,120	66,444
Tonnage milled (tonnes)	-	159,370	298,024	429,012
Grade milled (g Au/t)	-	3.3	5.2	5.2
Recovery (%)	-	92	93	94

In line with the upgraded mine plan and increased milling capacity, the Frog’s Leg mine continued to rapidly ramp-up production, generating 66,444 ounces of gold net to La Mancha at a cash cost of US\$602/oz in 2010 compared to 46,120 ounces in 2009 at a cash cost of US\$457/oz. Approximately half of the year-over-year cash cost per ounce increase was due to unfavourable foreign exchange rate fluctuation while the remaining half was due to increases in both mining unit costs, as expected in light of the increased mining depth, and contracted toll milling costs.

With 33,000 tonnes of high-grade ore stockpiled at 2010 year end, at 6.37 g/t Au (containing 6,800 ounces) to be processed in January 2011, La Mancha expects its share of Frog’s Leg mine production to be in the range of 65,000 to 70,000 ounces of gold at an estimated cash cost of US \$617 per ounce.

### 5.1.6 Mineral Resources and Mineral Reserves Estimates

The December 31<sup>st</sup>, 2010 global reserve and resource estimate for the Frog's Leg mine is shown in the following table:

Resources shown inclusive of reserves	100% basis			La Mancha's share (51%)		
	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces
Proven Reserves	137,936	5.65	25,064	70,347	5.65	12,783
Probable Reserves	3,360,395	5.12	553,097	1,713,801	5.12	282,079
<b>Total proven and Probable</b>	<b>3,498,331</b>	<b>5.14</b>	<b>578,161</b>	<b>1,784,149</b>	<b>5.14</b>	<b>294,862</b>
Measured Resource	1,483,000	7.72	368,000	756,330	7.72	187,680
Indicated Resources	3,248,000	5.36	560,000	1,656,480	5.36	285,600
<b>Total Measured and Indicated</b>	<b>4,731,000</b>	<b>6.10</b>	<b>928,000</b>	<b>2,412,810</b>	<b>6.10</b>	<b>473,280</b>
Inferred Resources	455,000	5.20	76,000	232,050	5.20	38,760

Reported reserve figures have been calculated using an Au cut off grade of 3.0g/t, an average metallurgical recovery of 94.9% and a gold price of US\$711/oz while reported resources figures have been calculated using an Au cut off grade of 3.0g/t

In 2010, a large underground drilling program tested the mine's potential at depth, and outlined a total of 348,000 additional ounces of gold. The program involved 35,000 metres of diamond drilling across the entire 1,200-metre strike length of the deposit. Management anticipates that this drilling has the potential to extend the mine depth by another 180 metres, and further development of the mine below the 600-metre level looks probable. Based on the historical conversion of resources to reserves, it is anticipated that this interim resource increase will result in a multi-year extension of the current mine life.

### 5.1.7 Exploration and Development Activities

In light of the success achieved in the 2010 exploration campaign, five deep exploration holes are budgeted for 2011, targeting mine extensions identified in the resource model from the 2010 extension drilling program.

### 5.1.8 Drilling, Sampling and Analysis, and Security of Samples

The updated resource review and estimation conform to the requirements of NI 43-101 and CIM Best Practices for Estimation of Mineral Resources. There are numerous uncertainties inherent in estimating mineral reserves, including many factors beyond the Company's control. Resource estimation is a subjective process, and the accuracy of any resource estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Results from drilling, testing and production, as well as material changes in metal prices subsequent to the date of an estimate may justify revision of such estimates. To the best of La Mancha's knowledge, at the time of estimation there were no known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues that would materially impact on the eventual extraction of the mineral resources.

The drilling program was carried out by, and under the supervision of, Trevor Eddie B.Sc. (Geol.) MAusIMM, Geology Manager of La Mancha Australia. The program was conducted in accordance with industry best practice standards.

La Mancha has established an Analytical Quality Assurance Program to control and assure the analytical quality of assays in its gold exploration. This program includes the systematic addition of blank samples and internal material references (“standards”) to each batch of samples sent for analysis. Blank samples are used to check for possible contamination in laboratory, while standards determine the analytical accuracy. All samples are half NQ diamond drill core sampled based on geological intervals.. Samples utilized for the resource update comprise half NQ2 diamond drill core. Samples were assayed at SGS Australia, Kalgoorlie, using a 50 g fire assay, followed by solvent extraction and flame AAS.

The Frog’s Leg geological re-interpretation was completed by La Mancha Australia staff under the supervision of Trevor Eddie, and the block model, including the building of the wireframes for the model, resource estimation and classification was undertaken Trevor Eddie B.Sc. (Geol.) MAusIMM, Geology Manager, also of La Mancha Australia. Mr. Eddie has sufficient experience in the resources calculation, the style of mineralization and type of deposit to qualify as a Qualified Person as defined in the 2005 Edition of "National Instruments 43-101, Standards of Disclosure for Mineral Projects". Based on his information, Mr. Eddie has consented to the content of this AIF in the form and context in which it appears. He has read National Instrument 43-101 of the Canadian Securities Administrators ("NI 43-101") and has ensured that this AIF has been written in compliance with the Instrument.

## **5.2 White Foil (Australia)**

Information in this section is based on an independent technical report entitled the White Foil Revised Technical Report (the “White Foil Report”), prepared by Trevor Eddie, and Rodney W Johns of La Mancha, William F Plyley who was employed at La Mancha until December 2010, Elizabeth Haren of Haren Consulting working for CSA Global, and Gary McCrae of Minecomp Pty Ltd, which was filed with the Canadian securities regulators on October 29, 2009. The stated authors of the White Foil Report are all “qualified persons” as such term is defined in NI 43-101.

Information in this section arising subsequent to the date of the White Foil Report is provided by the management of La Mancha under the supervision of Jean-Jacques Kachrillo, Trevor I Eddie, and Rodney W Johns of La Mancha, each a “qualified person”. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the White Foil Report which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **5.2.1 Project Description and Ownership**

The White Foil gold mine development project is part of the La Mancha package of gold assets acquired from AREVA in the RTO Transaction. MRA was the previous owner of the deposit. LM is the 100% owner of the White Foil project having exercised a first right of refusal on the Placer-Dome Asia Pacific (“PDAP”) 49% interest in the Mungari West JV for AUD2.5 million on 27 September 2006.

The Mungari West Project comprises ten tenements totalling 3,875.80 hectares enclosing the deposit. The tenements are made up of two granted mining leases, three granted miscellaneous licences, and five mining lease applications awaiting approval and reversion to a single exploration licence. Three of the tenements contain the White Foil mine and on these tenements, environmental bonds have been lodged totalling Au\$859,000. A 2.5% royalty on production is payable to the state of Western Australia.

### **5.2.2 Location, Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The White Foil mine is located 20 kilometres (km) west of the city of Kalgoorlie-Boulder in Western Australia. The project is easily accessed by road and may be worked for 12 months of the year. Elevation is approximately 340 metres (m) above sea level. Mining infrastructure consists of offices, workshop, wash bay and access roads. These facilities are utilized in conjunction with the Frog’s Leg deposit, located 2.5 km to the north east.

### 5.2.3 History

Discovery of the White Foil deposit was made in 1996 preceded by an extensive geochemical sampling program followed by diamond drilling. A feasibility study was completed in 1999 with open pit production commencing February 2002 and the first gold pour in August 2002.

The initial open-pit operation used mining contractors who supplied their own mining equipment and trucked the MRA 51% share of ore to two custom toll mills in the Coolgardie area 24 km to the southwest: the Three Mile Hill and Greenfields mills.

During the nineteen months of operation 1.66 million tonnes of White Foil ore were milled at a head grade of 2.43 g/t gold recovering 121,398 ounces of gold (93.8% overall recovery). MRA's net gold proceeds totalled 58,722 oz. PDAP trucked their portion of ore to their own Paddington mill facility.

Following excessive inflow of saline ground water into the pit, and while exhaust and saline water disposal capacities were limited, mining operations had to be suspended in August 2003. The property remained on a care and maintenance basis until November 2007 when approvals to recommence mining were granted by Government authorities.

An agreement between La Mancha and Barrick Gold allows saline water from White Foil to be pumped to the Barrick Gold transfer facility at Kundana, some 7km to the north. To accomplish this, a large capacity pipeline was constructed by La Mancha and high volume transfer pumps were installed. Barrick is responsible to on-pump the water to a permitted discharge at White Flag Lake which is another 7km further north. Over 5 million cubic metres of saline water of density 1.2 was pumped from White Foil during the de-watering exercise. La Mancha reimburses Barrick a fee for the capital recoup and operating costs of the discharge pipeline. The White Foil pit is now free of stored saline water and operationally, will have to manage inflows of around 70 litres per second during mining and Care-and-Maintenance.

At the end of dewatering, a mining contractor was engaged to clean the pit of mud and debris. This work was completed in the first quarter of 2008. A bonus for the operation was recovering broken ore stocks left behind by previous mining. During the first quarter of 2008, 1,910 ounces of gold were recovered from the broken ore inventory that was hauled to and treated at the Greenfields mill. A total of 24,630 tonnes of ore were milled.

Following a resource expansion in June, 2008, a feasibility study for White Foil Phase 1 was published on March 5<sup>th</sup>, 2009. On January 25<sup>th</sup>, 2010, the Company announced that it had come to an agreement with a toll-mill operator and as such the White Foil project restarted its mining activities in March 2010. More information concerning the mine plan is provided in the "*Mining Operation*" section.

### 5.2.4 Geological Setting and Mineralisation

The White Foil deposit occurs in the southern portion of the Kundana mining district within the Norseman Wiluna Belt of the Eastern Goldfields province – part of the Yilgarn Craton. Archaean in age, the Norseman-Wiluna granite-greenstone belt extends for 600 km in a NNWly direction. The Kundana mining camp generally hosts mineralization in quartz veins emplaced within shale horizons and/or along lithology contacts.

White Foil gold mineralization occurs within a stockwork of fine quartz veins and their alteration halos. Host rock for the vein network is a brittle quartz-rich differentiated portion of a gabbroic sill in and near the contact with Black Flag volcanoclastic strata. Alteration consists of silicification, leaching and strong sulphidation with pyrrhotite the dominant sulphide. The mineralized zone is approximately 300 m long, 60-70 m wide and dips westerly at -65°. The original feasibility called for a final pit depth 160 m below surface. However, drilling has

confirmed mineralization to depths of 750 m. The zone trends NNWly in the southern portion and NNEly in the north with this latter trend coinciding with richer gold values.

### 5.2.5 Mining Operation

A feasibility study on the resumption of mining the White Foil pit was published on March 5<sup>th</sup>, 2009. The initial feasibility work was prepared with two main objectives: to resume production at White Foil as soon as possible, and to minimize the required initial investment. As such, the mining of the White Foil resource was separated in two phases. The first phase involves the mining of a small pit from the existing pit floor with toll treatment of the ore; the second phase involves a cutback of the existing pit from surface level.

Management considers that the mining envisaged in the Phase 1 feasibility study in no way precludes the possibility of mining a Phase 2 pit at some point in the future and which mining would eventually result in higher recovery of the White Foil resource.

Highlights of the revised feasibility study, as published in October 2009, include:

White Foil Feasibility Study	
<b>Production:</b>	
Tonnage: Ore (tonnes)	980,000
Waste (tonnes)	1,770,305
Total (tonnes)	2,750,305
Average grade (g Au/t)	2.41
Gold reserves (in situ)	76,000 oz
Metallurgical recovery	91.0%
Gold recovered	69,160 oz
Annual production rate	30,740 oz
Mine life (Phase 1)	2.33 years

Based on the Phase 1 Proven and Probable reserves (as shown in the following *Mineral Resources and Mineral Reserves* section), the feasibility study covers the extraction of around 1.0 million tonnes of ore at a grade of 2.41 g Au/t for 69,160 oz recovered over a 2.3 year period. The feasibility study considers an ore extraction rate of around 435,500 tonnes per year; however, La Mancha current toll milling arrangements limit the Company to reach these levels. In 2010, a total of 282,104 tonnes were mined while 310,000 tonnes are scheduled for mining in 2011.

Ore at the White Foil mine is contract-mined using conventional open-cut mining techniques. In 2010, La Mancha retained the services of a contractor to mine the first bench of the pit. At year-end, its stockpile stood at 108,998 tonnes grading 1.94 g/t Au. In 2011, a toll-mining contract for the second bench of the pit, representing approximately 310,000 tonnes of ore at an average grade of 2.0 g/t Au has been projected.

The following table indicates operating information for the White Foil mine for the last four years:

White Foil Mine	2007	2008*	2009	2010
Ounces (Au)	-	1,910	-	11,713
Tonnage milled (tonnes)	-	24,627	-	191,330
Grade milled (g Au/t)	-	2.66	-	2.1
Recovery (%)	-	91	-	90

\*Recovered from the broken ore inventory after de-watering the pit

For its first year of operation, the mine produced 11,713 ounces of gold at a cash cost of US \$928 per ounce. In 2010, the bulk of the White Foil ore was toll-milled at the nearby Three-Mile-Hill treatment plant, located 26 km from the White Foil pit, and spare mill capacity at the nearby Greenfield plant was filled with White Foil ore. In 2011, any spare mill capacity at the Greenfields plant, subsequent to Frog's Leg ore treatment will be filled with White Foil ore. In 2011 total milling capacity available to La Mancha at the Greenfield mill is expected to reach up to 600,000 tonnes. The Greenfield mill, located 26km SW of the mine, is owned and operated by Higginsville Mining a subsidiary of FMR Investments. It utilises standard 3 stage crushing, ball milling, gravity and CIP circuits for gold recovery.

Production at the White Foil mine is expected to be in the range of 14,000 to 17,000 ounces of gold in 2011 at an estimated cash cost of US \$1,082 per ounce.

### 5.2.6 Mineral Resources and Mineral Reserves Estimates

The December 31<sup>st</sup>, 2010 global reserve and resource estimate for the White Foil deposit is shown in the following table:

Resources shown inclusive of reserves	Tonnes	Grade (g/t Au)	Ounces
Proven reserves	375,748	2.04	24,671
Probable reserves	371,424	1.78	21,214
<b>Proven and probable reserves</b>	<b>747,172</b>	<b>1.91</b>	<b>45,885</b>
Measured			
Indicated	7,200,000	2.17	503,000
<b>Total Measured &amp; Indicated</b>	<b>7,200,000</b>	<b>2.17</b>	<b>503,000</b>
Inferred	471,000	1.58	24,000

Reported resource figures have been calculated using an Au cut-off grade of 1.2g/t, and a gold price of US\$810/oz was used for calculation of the reserves.

The December 31<sup>st</sup>, 2010, White Foil mineral reserves is the result of the positive feasibility study for Phase 1 of the project, highlighted in the press release issued on February 17, 2009, less the ore mined in 2010. It is important to note that this reserve estimate only considers the first mining phase of the project and corresponds to the recommencement of mining operations from the floor of the existing pit whilst the current pit crest remains unchanged. This explains the low conversion of the overall resource of measured and indicated ounces into the current mining ore reserve.

### 5.2.7 Exploration and Development Activities

No exploration nor development activities are planned in 2011 on the White Foil mine.

### 5.2.8 Drilling, Sampling and Analysis, and Security of Samples

No drilling results were published in 2009 and 2010. The latest information concerning Drilling, Sampling and Analysis, and Security of Samples is provided in the technical report entitled the White Foil Revised Technical Report, prepared by Trevor I Eddie, and Rodney W Johns of La Mancha, William F Plyley who was employed at La Mancha until December 2010, Elizabeth Haren of Haren Consulting working for CSA Global, and Gary McCrae of Minecomp Pty Ltd which was filed with the Canadian securities regulators on October 29, 2009 and is available on SEDAR.

### **5.3 Ity Mine (Côte d'Ivoire)**

Information in this section is based on an independent technical report entitled the Preliminary Feasibility Study and Certification of Reserves of the Ity Mine – Côte d'Ivoire (the "Ity Report"), prepared by Yann Camus, Eng., Gilbert Rousseau, Eng. Gaston Gagnon, Eng. and Claude Duplessis, Eng., of Geostat Systems International Inc. which was filed with the Canadian securities regulators on January 31, 2008. The stated authors of the Ity Report are all "qualified persons" as such term is defined in NI 43-101.

Information in this section arising subsequent to the date of the Ity Report is provided by the management of La Mancha under the supervision of Jean-Jacques Kachrillo of La Mancha and Yann Camus of Geostat Systems International Inc, each a "qualified person". Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Ity Report which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **5.3.1 Project Description and Ownership**

The project is presently operated and mined by the SMI. The SMI's share capital distribution is 45.9% to COMINOR which is a wholly owned subsidiary of La Mancha. The remaining capital is held by SODEMI (44.1%) and the Côte d'Ivoire government (10%).

A NSR of 3% is payable to the Côte d'Ivoire government. In addition, a royalty is payable by Areva NC to Franco Nevada (originally granted to the Normandy Mining Group) if and when the Ity gold production exceeds 1 million ounces. This clause was already in effect as of March 2002, the date SMI was acquired by COMINOR.

#### **5.3.2 Location, Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The SMI mining operations are located near the village of Ity in the Zouan Hounien department, close to the Liberian border. It is located 750 km northwest from Abidjan and is accessible via paved road from Abidjan, passing through Yamoussoukro, Daloa and Duekoué. The climate in Côte d'Ivoire is generally warm and humid, and is transitional from equatorial along the coast to tropical away from the coast. Tropical conditions prevail at Ity. Seasons are easier to distinguish by changes in rainfall and wind direction than by temperature. Generally speaking, two major seasons are defined: the rainy season from April to October when 20 cm of monthly rainfall is common, and the dry season from November to April.

#### **5.3.3 History**

In the 1950's, copper and gold discovered in places near the village of Ity attracted the attention of BUMIFOM (Bureau Minier de la France d'Outre Mer). Pit and drift exploration led to the discovery of gold mineralization, that lead the BRGM to estimate an in-house geological resource in 1970. However, various attempts to economically extract gold from the Flotouo deposit failed because of metallurgical problems, mainly due to the fineness of the gold and the geology of the ore. In 1983, SMI was incorporated in Côte d'Ivoire as a vehicle for developing the Flotouo deposit thanks to advances in technology (Palanque 2002).

In March 2002, COMINOR acquired its 51% shareholding in SMI from the Normandy Mining Group with SODEMI owning the remaining balance. In September 2002, Côte d'Ivoire was essentially divided in half following civil unrest. The mine lay at the contact between opposing factions. The mine site was attacked and looted on November 30, 2002 and the mining operations and the entire site were abandoned from December 2002 to June 2003. During the mine closure, COMINOR took the opportunity to completely rebuild and update the geological database in order to develop a new mine plan. Production resumed in February 2004 after dewatering the open pit and refurbishing the mining equipments and offices.

Upon obtaining a exploitation license renewal in May of 2007 the co-owners of the Ity mine agreed to transfer to the government 10% of their respective interest in the mine in accordance with the Ivorian mining law of 1995, which governs the grant of mining permits. Consequently, La Mancha's ownership in the Ity mine was reduced to 45.9%, SODEMI's ownership was reduced to 44.1% while the Ivorian government gained a 10% ownership in the mine

Mine production has yielded more than 0.8 Million ounces to date, mostly from gold-rich laterites and saprolites from the Flotouo–Zia deposit. In 2008, production shifted to the Mount Ity pit which was inaugurated in mid-2008. Gold production from Ity is mostly from clay (saprolites).

In 2010, a new heap leaching area was constructed, and the ore crushing and agglomeration unit, and the carbon in column plant were relocated. These investments were necessary as the old heap leaching area was nearing completion.

On December 17, 2010, due to agitation surrounding the country's uncertain political future, the Ity mine was forced to temporarily interrupt its activities. La Mancha's ability to quickly suspend and restart activities at the Ity mine gives it the flexibility to quickly adapt to an evolution of the political situation in Ivory Coast that would provide for satisfactorily financial arrangements and physical securities for employees. This explains how the operations had resumed between mid-January and late-February 2011. As at the publication date of this AIF, the Ity mine's operations had not yet resumed. There is no assurance that the mine will deliver production according to its business plan during times of political instability due to changing security conditions around the mine and difficulties securing access to mine supplies. See "*Risk Factors – Adverse Political Factors*".

#### **5.3.4 Geological Setting and Mineralisation**

The gold deposits in the Ity area (Flotouo, Zia, Mont Ity) are found in the Birimian volcanosedimentary belt. The dominant component is part of the Ity sequence, with metabasalts in a fine-grained, carbonate-bearing environment near the base giving way to a sedimentary sequence with variable amounts of carbonate horizons. A thick lateritic profile covers the land. Saprolite ranges from 50–120 m thick and is overlain by a minimum of 10 m of laterite horizon (*sensu stricto*). The laterite is mineralized in the pit areas. In addition, karstic features are prominent in the carbonate sequence due to weathering of a carbonate-rich and sulphide-rich hypogene environment.

Two types of deposit types (saprolitic and lateritic) are observed in the Birimian series of the Ity area. The gold deposits were created by two successive hydrothermal events followed by a strong supergene enrichment. The Flotouo, Zia and Mont Ity deposits form a cluster of deposits in an area measuring 500 m by 1,250 m.

#### **5.3.5 Mining Operation**

The mine has produced more than 800,000 ounces of gold since its opening in 1991. Three open pits are found on site. The Flotouo and Zia pits have been mined out while the Mount Ity pit, which contains most of the reserves, was inaugurated in mid-2008. All orebodies are in Laterite or Saprolite and are mined by shovel. Treatment of ore is achieved by heap leaching.

The following table indicates operating information for the Ity mine for the last four years:

Ity Mine		2007	2008	2009	2010
Ounces (Au)	LMA share	19,140	24,995	23,735	17,040
	100%	39,960	54,460	51,710	37,125
Tonnage milled (t) 100%		435,280	469,580	449,050	343,804
Grade milled (g Au/t)		3.6	4.4	5.0	4.2
Recovery (%)		79	82	72	80

The Ity mine produced a total of 37,125 ounces of gold in 2010 (17,040 ounces attributable to La Mancha) at a cash cost of US \$540 per ounce, compared to 51,710 ounces in 2009 (23,735 ounces attributable to La Mancha) at a cash cost of US \$389 per ounce. Despite the higher gold grades from the new Mount Ity pit, production decreased slightly from last year due to a reduction in mill throughput and a lower gold recovery rate.

Ity's operations were affected by a number of negative factors over the course of 2010. Most of the production decrease in 2010 was due to the scheduled construction of the new leaching pads and the related one month suspension of milling activities due to the plant's relocation, the several month plant commissioning period, along with the extensive downtime caused by unusual amounts of heavy precipitation during the period of July to October. Furthermore, due to the agitation surrounding the country's uncertain political, La Mancha was forced to temporarily interrupt the mine's activities on December 17, 2010.

Due to the higher capacity of the mine's recently-commissioned leaching pads, Ity could increase production to up to 52,290 ounces of gold in 2011 (24,000 ounces attributable to La Mancha). However, Ity's 2011 performance remains vulnerable to the country's political situation, changing security conditions around the mine and difficulties securing access to mine supplies. In light of the recent interruption of the mine's activities on February 24, 2011, production expectations are less. As of the date of this AIF report, management continued to expect 6 to 10 months of normal production at the Ity mine over the course of the year and had therefore issued a production guidance of 26,140 to 43,570 ounces of gold (12,000 to 20,000 ounces attributable to La Mancha) for 2011 at an estimated cash cost of US \$519 per ounce.

### 5.3.6 Mineral Resources and Mineral Reserves Estimates

The December 31<sup>st</sup>, 2010 global reserve and resource estimate for the Ity mine is shown in the following table:

Resources shown inclusive of reserves	100% basis			La Mancha's share (45.9%)		
	Tonnes	Grade (g/t)	Ounces	Tonnes	Grade (g/t)	Ounces
Proven Reserves	1,655,245	5.66	301,130	759,757	5.66	138,219
Probable Reserves	33,645	6.18	6,687	15,443	6.18	3,069
<b>Total Proven and Probable</b>	<b>1,688,890</b>	<b>5.67</b>	<b>307,817</b>	<b>775,201</b>	<b>5.67</b>	<b>141,288</b>
Measured Resource	1,922,675	6.00	371,176	882,508	6.00	170,370
Indicated Resources	3,362,000	2.69	290,524	1,543,158	2.69	133,351
<b>Total Measured and Indicated</b>	<b>5,284,675</b>	<b>3.89</b>	<b>661,700</b>	<b>2,425,666</b>	<b>3.89</b>	<b>303,720</b>
Inferred Resources	9,051,287	1.53	445,021	4,154,541	1.53	204,265

The project's measured and indicated resources stand at 661,700 ounces of gold (of which 303,720 ounces are attributable to La Mancha) compared to 661,400 ounces of gold (303,583 ounces attributable to La Mancha) as of December 31, 2009. Reported reserve figures have been calculated using an Au cut off grade of 2.0 g/t, an average metallurgical recovery of 80%, and a gold price of US \$650/oz.

Since December 31, 2009, Proven and Probable reserves have decreased by 47,260 ounces (21,693 ounces attributable to La Mancha) following evaluation of remaining reserves in the pit as per the pit topography at year end and declassification of part of the Mount Ity pit. Mine depletion as measured by gold production was 37,125 ounces (17,040 ounces are attributable to La Mancha). Mine depletion as measured by gold production does not reflect actual mine depletion as calculated by mine modelling because of losses and discarded areas. There were no reserve additions during the year.

### **5.3.7 Exploration and Development Activities**

La Mancha's exploration activities in Côte d'Ivoire, have been suspended due to the country's current political situation. When exploration activities resume, the next Ity mine exploration campaign, through SMI, will focus on drilling the depth extension of the Mount Ity pit to delineate additional resources. Furthermore, a first reserve and life-of-mine plan is scheduled for the Walter orebody. Drilling is also be planned on the Gbeitouo orebody on the other side of the Cavally river, to provide the better understanding the orebody needed for the upcoming first reserve and life-of-mine plan.

### **5.3.8 Drilling, Sampling and Analysis, and Security of Samples**

No drilling results were published in 2010. The latest information concerning Drilling, Sampling and Analysis, and Security of Samples is provided in the technical report entitled the Preliminary Feasibility Study and Certification of Reserves of the Ity Mine – Côte d'Ivoire, prepared by Yann Camus, Eng., Gilbert Rousseau, Eng. Gaston Gagnon, Eng. and Claude Duplessis, Eng., of Geostat Systems International Inc. which was filed with the Canadian securities regulators on January 31, 2008 and is available on SEDAR.

## **5.4 Hassai Mine (Sudan)**

Information in this section is based on three independent technical report entitled The Hassai Mine Envisaged Business Plan (the "Hassai Report"), Jean-Jacques Kachrillo of La Mancha, William F Plyley who was employed by La Mancha until December 2010, Graeme Baker and Dean David of AMEC Minproc Limited, Adam Coulson of AMEC Earth & Environmental, Ian Thomas of Sedgman Limited, Remi Bosc who is a Member of the European federation of Geologist and an independent consultant, and Clayton Reeves and Simon McCracken of CSA Global, which was filed with the Canadian securities regulators on October 22, 2010. The stated authors of the Hassai Report are all "qualified persons" as such term is defined in NI 43-101.

Information in this section arising subsequent to the date of the Hassai Report is provided by the management of La Mancha under the supervision of Jean-Jacques Kachrillo of La Mancha and Remi Bosc, each a "qualified person". Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of Hassai Report which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **5.4.1 Project Description and Ownership**

La Mancha and the Sudanese government respectively own a 40% and a 56% equity interest in AMC while the remaining 4% equity interest in AMC is held by a private French company. The area is mined pursuant to AMC's mining license which covers 18.5 square kilometres. The exploration licenses completely encompass the entire geological district that expands over 24,000 square kilometres. A NSR of 7% is payable to the Sudanese Ministry For Geology (GRAS) and a 2.25% management fee is payable to COMINOR on the mine's gross margin. These

royalties do not cover the possibility of base metal production and any royalties payable would, therefore, be subject to future negotiations in the event of base metal production.

AMC currently conducts an open-pit, heap leach gold operation at the Hassai mine. Production commenced in 1991, with a total of over 2.3 million ounces of gold produced to date from multiple deposits. However, gold production has declined in recent years, in line with falling head grades and poorer recoveries.

La Mancha has reviewed the remaining gold resources and other assets – including copper-bearing volcanogenic massive sulphides (VMS) lying beneath some of the open pits – and has developed a preliminary business plan, split into two distinct Phases, to revitalise operations, based on:

- In Phase 1 a new 3 Mt/a CIL gold plant to treat:
  - Remaining in situ oxidised gold ore, primarily from Kamoeb deposit, and stockpiles of acidic ore, at a maximum throughput of 1 Mt/a and annual average grade of 3.38 g/t reducing over time to 2.23 g/t Au, depending on the source
  - Heap leach residues with an average grade of 1.62 g/t Au, at a target rate of 2 Mt/a, increasing once other resources have been depleted.
- A new 5 Mt/a copper concentrator to process supergene and fresh VMS resources, initially from the Hadal Awatib and Hassai South deposits, with indications of potential in several other areas.

For more information concerning these development phases, please refer to the below section entitled “*Exploration and Development Activities*”.

#### **5.4.2 Location, Accessibility, Climate, Local Resources, Infrastructure and Physiography**

The AMC mining operations are located in the desert of the Red Sea State in northeast Sudan. The site is linked by road Khartoum and to Port Sudan on the Red Sea, respectively approximately 450 km and 200 km away. AMC maintains the local roads in the vicinity of the plant and mine sites. The property is situated in the desert of Northern Sudan, and precipitation is infrequent. The Hassai mine camp is approximately 1 km from the processing plant and accommodates about 800 personnel (expatriates and locals).

#### **5.4.3 History**

In 1981, a joint venture agreement was signed between BRGM and the Sudanese government with respect to mining development. Detailed exploration work was performed over these three areas from 1981 to 1984. The exploration work covered most of the gossans in the Ariab district. Initial work focused on the polymetallic potential of the underlying sulphides. In 1983, the discovery of noteworthy gold concentrations in silica-barite rocks associated with the gossan at Hassai shifted the interest towards gold. During the same period, the Ganaet and Kamoeb deposits were also explored in detail.

From 1984 to 1987, exploration efforts were concentrated on the Ariab district. In February 1985, sufficient data from surface trenching, percussion drilling, core logging and pits were collected at Hassai to justify the installation of a pilot plant. In March 1987, the first doré was poured at Hassai.

The pilot operation program was satisfactorily completed in December 1989. A feasibility report for the Ariab Gold Project performed by BRGM was submitted in May of 1990. The report examined 10 known gold deposits in the district within a circular area measuring 25 km in diameter. In eight of these deposits (Adassedakh, Baderuk, Hadal Awatib W and E, Hassai South and North, Oderuk, Talaidert), gold is associated with gossans, which are in turn

the nearer-surface expressions of underlying massive-sulphide mineralization. At Kamoeb, gold is found in quartz veins, and at Ganaet, it appeared to be associated with barite lenses.

AMC was formed in 1990 as the vehicle for developing the gold deposits discovered under the auspices of a French-Sudanese technical assistance program. Mine production started in 1991 and has now yielded over 2.2 million ounces of gold from more than ten deposits, the most important of which are Hadal Awatib, Hadayamet, Hassai South, and Oderuk. It is believed that the oxide portion of the following deposits has been exhausted: Adassedakh, Baderuk, Baderuk N, Dim Dim 4, Dim Dim 5, Hadal Awatib E, Hadal Awatib W, Hadal Awatib N, Oderuk, Oderuk W, Talaiderutk, and Umashar. At the time of the Report, most of the mining reserves (excluding stockpiles) are in two deposits: Kamoeb South and Hadal Awatib Link.

In December 2007, the Company, through its interest in AMC, initiated an exploration program devoted to the volcanogenic massive sulphides (“VMS”) structures visually identified under the six open pits at the Hassai mine in Sudan. The main VMS-type orebodies in the Ariab district are: Hadal Awatib West and East, Hassai South and North, Oderuk, Baderuk, Talaiderut, and Adassedakh. A first NI 43-101 VMS inferred resource, based on the drilling campaign carried out between December 2007 and mid-2009, was published for the VMS structures under the Hassai South and Hadal Awatib pits on respectively September 10 and November 4, 2009. As of December 31, 2010, the cumulative inferred resource for the VMS project exceeded 2 million ounces of gold (of which over 800,000 ounces are attributable to La Mancha) and 575,000 tonnes of copper (of which over 230,000 tonnes are attributable to La Mancha). In September 2010, the Company published a positive preliminary economic assessment (“PEA”) for the Hassai VMS project. The PEA defines two phases of development: 1) an upgrade of the current heap leach operation to a Carbon-in-Leach (“CIL”) plant with commissioning by 2013, followed by 2) a further upgrade to add a floatation unit that will enable the exploitation of the copper-gold VMS mineralization from 2015. Following the positive PEA, an US \$18 million, 12-month, drilling program, totaling 100,000 meters, was launched with the intent of converting the Inferred resource to a Measured and Indicated resource, increasing the current resource at the first two targets, and testing the potential of the VMS structure identified at the third target. For more information concerning the VMS project, please refer to the section entitled “*Exploration and Development Activities*”.

#### **5.4.4 Geological Setting and Mineralisation**

Hassai is located in the Neoproterozoic Arabian-Nubian Shield that is host to other VMS type deposits such as Jbal Sayid in Saudi Arabia and Bisha in Eritrea. The geological district is characterized by a Late Proterozoic greenstone belt hosting two distinct mineralized environments. The first is associated with gold-enriched volcanogenic massive sulphide lenses and comprises the weathered and dominantly oxidized portions of the sulphide bodies. Weathering of the massive sulphides has produced surface gossans that act like “vaults” for the ore. High gold contents (2g/t – 30 g/t) are associated with silica-barite rocks (“SBR”). AMC has historically focused on this type of mineralization.

The second type of mineralized environment displays affinities with mesothermal gold deposits. Gold is hosted by quartz veins and stockworks in late-stage ductile-brittle deformation corridors. AMC has shifted its attention to this type of mineralization and has been mining the Kamoeb South deposit, which contains the most significant volume of quartz veins and stockworks in the district.

#### **5.4.5 Current Mining Operation**

Production commenced in 1991, with a total of over 2.2 million ounces produced to date from multiple deposits. The current operation comprises mining, crushing and stacking at a rate of 0.7 Mt/a. Supporting infrastructure includes diesel-powered electric generators, a camp for approximately 600 persons, and water supplied from a nearby borefield which accesses a near-surface aquifer, augmented by a dam to capture any surface run-off.

Hassai’s current operation, without an upgrade to a CIL plant, has the potential to continue until the end of 2013. Due to diminishing SBR reserves, the Company began to shift its attention towards mining the gold contained in

abundant quartz veins from the Kamoeb deposit. To that effect, a new quartz processing circuit was added to the mill in 2007. Plant feed currently consists of Quartz Ore, SBR Oxide Ore and Acidic Ore.

Treatment of ore is achieved by heap leaching with a processing capacity of on average 700 kt of ore per annum with gold recovery averaging 73%.

The following table indicates operating information for the Hassai mine for the last four years:

Hassai Mine		2007	2008	2009	2010
Ounces (Au)	LMA share	34,760	29,270	24,715	27,374
	100%	86,900	73,175	61,790	68,434
Tonnage milled (tonnes)		888,620	809,285	725,303	812,440
Grade milled (g Au/t)		4.1	4.1	3.8	3.7
Recovery (%)		75	69	70	70

In 2010, the Hassai mine produced a total of 68,434 ounces of gold (of which 27,374 ounces are attributable to La Mancha) at a cash cost of US \$731 per ounce compared to 61,790 ounces of gold (of which 24,715 ounces are attributable to La Mancha) at a cash cost of US \$724 per ounce. This production increase is notably due to the increased mill throughput following successful optimization of the quartz processing circuit.

No major change in production is expected at the Hassai mine until the first phase of the VMS project is commissioned in 2013. Consequently, Hassai's production is expected to range between 60,000 and 70,000 ounces of gold (24,000 to 28,000 ounces attributable to La Mancha) in 2011 at an estimated cash cost of US \$660 per ounce.

#### 5.4.6 Mineral Resources and Mineral Reserves Estimates

Hassai's resource is composed of four different ore types: traditional gold ore, acidic gold ore, heap leach residue and VMS ore. The inability of the existing heap leaching facility currently in operation on site to effectively process each one of these ore types explains the fact that as of December 31, 2010, Hassai's current gold operation had only 327,000 ounces of gold qualified as reserves out of a Measured and Indicated resource of 1.33 million ounces and an inferred resource of 0.43 million ounces of gold.

The December 31<sup>st</sup>, 2010 gold and copper reserve and resource estimates for the Hassai's current gold operation and the VMS project are shown in the following table:

Resources shown inclusive of reserves	100% basis					La Mancha's share (40%)				
	Tonnes	Grade (Au g/t)	Gold Ounces	Grade Cu %	Copper (t)	Tonnes	Grade (Au g/t)	Gold Ounces	Grade Cu %	Copper (t)
<b>Gold operation</b>										
Proven Reserves	-	-	-	-	-	-	-	-	-	-
Probable Reserves	2,895,000	3.51	327,000	-	-	1,158,000	3.51	130,800	-	-
Proven & Probable	2,895,000	3.51	327,000	-	-	1,158,000	3.51	130,800	-	-
Measured Resource	2,374,000	2.16	164,700	-	-	949,600	2.16	65,880	-	-
Indicated Resources	10,841,000	3.34	1,163,500	-	-	4,336,400	3.34	465,400	-	-
Measured & Indicated	13,215,000	3.13	1,328,200	-	-	5,286,000	3.13	531,280	-	-
Inferred Resources	6,014,000	2.23	431,900	-	-	2,405,600	2.23	172,760	-	-
<b>VMS Project</b>										
Indicated Resources	2,898,000	1.27	36,800	0.93	86,700	1,159,200	1.27	14,720	0.93	34,680
Measured & Indicated	2,898,000	1.27	36,800	0.93	86,700	1,159,200	1.27	14,720	0.93	34,680
Inferred Resources	48,480,000	1.19	576,000	1.33	2,078,000	19,392,000	1.19	230,400	1.33	831,200

Reported reserve figures have been calculated using an Au cut off grade of 0.8 g/t to 1.5g/t, an average metallurgical recovery of 66% to 86% (varies depending on ore type) and a gold price of US\$650/oz. Reported VMS resource figures were calculated using a cut off grade of 0.8% Cu Eq, a long time copper price of \$4,409/t (\$2/lb), and a long term gold price of US\$750/oz. This VMS resource estimate is based on the result of the 109 holes drilled (18,602 meters) from the bottom and the surface of the Hassai and Hadal Awatib pits. For more information concerning the VMS project, please refer to the section entitled “*Exploration and Development Activities*”.

## **5.6.7 Exploration and Development Activities (Volcanogenic massive sulphides Exploration Activity)**

### **5.6.7.1 Project Background and History**

In December 2007, in light of increased base metal prices, the Company decided to initiate an exploration program entirely devoted to the VMS structures on the basis of historical results of drilling in the 1980s and 1990s by the previous owner. The main VMS type orebodies visually identified at the bottom of previously mined pits in the Ariab district are: Hadal Awatib Southwest and East, Hassai South and North, Oderuk, Baderuk, Talaiderut, and Adassedakh.

The first target studied was the structure below the Hassai South pit. It was chosen as the first target because of its high average Cu and Au grades identified in the historical drill holes and its structural simplicity; effectively a single 20m wide lens with a consistently steep dip of more than 300m to the south. The structure below the Hadal Awatib pit, which appears to be at least twice the size of Hassai South, was chosen as the second target as it is structurally complex.

Supergene deposits are the main type of mineralization in the region and are characterized by supergene gold in gossans and silica-barite rocks (SBR), both of which are the weathering products of underlying polymetallic massive sulphide deposits. The massive sulphides are volcanogenic in nature and are part of the Ariab Proterozoic greenstone belt.

Based on the recent drilling campaigns carried out between December 2007 and mid 2009, a first NI 43-101 Inferred resource was published for both the Hassai and Hadal Awatib targets, on September 10 and November 4, 2009 respectively. The cumulative inferred resource for the VMS project now exceeds 2 million ounces of gold (of which over 800,000 ounces are attributable to La Mancha) and 575,000 tonnes of copper ( of which over 230,000 tonnes are attributable to La Mancha). The gold equivalent of the cumulative copper resource represents 3,369,500 ounces of gold (of which 1,347,800 ounces are attributable to La Mancha) using a long-term gold price of US \$750/oz and a long term copper price of US \$2/lb. Reference “Mineral Resources and Mineral Reserves Estimates” section above.

In September 2010, the Company published a positive preliminary economic assessment (“PEA”) for the Hassai VMS project. The PEA defines two phases of development. Phase 1 involves an upgrade of the current heap leach operation to a Carbon-in-Leach (“CIL”) plant with commissioning by 2013. Phase 2 involves a further upgrade to add a floatation unit that will enable the exploitation of the copper-gold VMS mineralization from 2015. Reference “*Description of Project: Phase 1 and 2*” sections below.

All the main operating assumptions used in the below referenced PEA, including Mineral Resource Estimation, Geotechnical and Environmental Review, Mine Design, Mining Inventory and Cost Estimates, Metallurgical Testwork, Processing Design, Metal Production Estimates and Cost Estimates were prepared by independent engineering firms retained to provide specific technical expertise, including Sedgman Ltd (“Sedgman”) and CSA Global Pty Ltd (“CSA”) for Phase 1 of the project CIL and AMEC Minproc Ltd (“AMEC”) and SGS Lakefield (“SGS”) for Phase 2 of the project (VMS).

Following the positive PEA, an US \$18 million, 12-month, drilling program, totalling 100,000 meters, was launched with the intent of converting the Inferred resource to a Measured and Indicated resource, increasing the

current resource at the first two targets, and testing the potential of the VMS structure identified at the third target. Reference “VMS exploration program” section below.

### 5.6.7.1 Mining Inventory

The following table summarizes the mining inventory as estimated in the PEA published on September 7<sup>th</sup>, 2010.

	Tonnes	g/t Au	Ounces	Cu %	Cu t
Traditional Ore*	3,084,789	2.90	287,386		
Heap leach residue (tailings)	12,248,249	1.62	636,830		
Acidic Ore	538,452	6.00	103,926		
VMS	29,362,202	1.11	1,049,685	1.22	357,351
<b>Total</b>	<b>45,233,692</b>	<b>1.43</b>	<b>2,077,827</b>		<b>357,351</b>

As seen in the table above, the PEA confirms that the upgrade of the existing plant to CIL technology (Phase1) would enable the high conversion rate of the resource contained in the 9.7 million tonnes of heap leach residue, which were drilled during 2007, 2008 and 2009, that have been accumulated on site since the start of operations (to end of 2009). Additional Inferred resources have been estimated by CSA Global (CSA) to support the CIL expansion phase, comprising material currently undergoing heap leaching. Further material which will be stacked and processed by heap leaching prior to commencement of CIL operations has been included as existing stockpiles or as in situ resources. It would also enable the recuperation of a larger portion of the remaining traditional gold resource on site.

The PEA also determines that a significant portion of the large VMS resource discovered in 2008-2009 could be economically mined, highlighting the considerable potential of a new copper/gold operation that would be built around a new flotation plant. At this stage, insufficient metallurgical testwork and engineering studies have been undertaken to determine any VMS Mineral Reserves.

Drilling and mining has located VMS-style base metal mineralisation at 10 other deposits, indicating significant potential to expand the resource base, but insufficient drilling has been undertaken to define further resources at this stage.

The VMS Project as described in the PEA is based partly on Inferred Mineral Resources which are defined under NI 43-101 as that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

Due to the uncertainty that may be attached to Inferred Mineral Resources, it cannot be assumed that all or any part of an Inferred Mineral Resource will be upgraded to an Indicated or Measured Mineral Resource as a result of continued exploration. Confidence in the estimate is insufficient to allow the meaningful application of technical and economic parameters or to enable an evaluation of economic viability worthy of public disclosure. Inferred Mineral Resources must be excluded from estimates forming the basis of feasibility or other economic studies.”

Under National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101), a company subject to NI 43-101 is not permitted to report results of an economic analysis that includes Inferred Mineral Resources, once the project has advanced past a preliminary feasibility stage. However, La Mancha applied to the British Columbia, Alberta, and Ontario Securities Commissions for exemption from this limitation for the VMS Project, and such exemption has been granted.

### 5.6.7.2 Description of Project: Phase 1

Phase 1 of the project relies on the upgrade of the current heap leaching facility into a three million tonne-per-annum CIL plant that would be fed by a combination of Kamoeb South and Kamoeb North open pit, stockpiled acidic SBR ore and the heap leach residue estimated to be accumulated at the start of CIL operations. Reference the “Mining Inventory” section above.

The table below shows the gold production expected from the CIL circuit over the mine life of Phase 1, with the corresponding cash cost per ounce.

#### Production schedule – Phase 1

	2013	2014	2015	2016	2017	2018	Tot /Avg
Tonnage Milled (t)	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	871,489	15,871,489
Gold Grade (g/t)	2.61	2.09	1.96	1.92	1.62	1.62	2.01
Recovery (%)	83%	82%	80%	78%	70%	70%	79%
Gold Production (oz)	209,801	165,133	150,687	144,230	109,566	31,828	811,245
Cash Cost (US\$ /oz)	442	508	495	449	526	542	482

As shown in the table above, the PEA assumes that in total, 15.9 million tonnes of ore at an average grade of 2.0 g Au/t would be processed through this new upgraded circuit over a six-year period.

The expected recovery rate for the current reserves and the acidic ore stockpiles was established at 93% on the basis of metallurgical test work simulating CIL conditions on samples from 1 million tonnes of stockpiled traditional ore, while the recovery rate for the heap leach residue was set to 70% on the basis of metallurgical test work simulating CIL conditions on samples from the heap leach residue drilled in 2008-09.

A capital development budget of US \$185.6 million is envisaged. This includes US \$3.2 million for mining equipment. Sedgman estimates US \$182.4 million for the upgrade of the plant and infrastructure. The main capital items are presented in the below:

#### Capital Cost Estimate – Phase 1

	US \$ 000's
Plant	74,299
Nile pipeline	39,641
Powerline	25,364
Other direct costs	14,348
Indirect costs	28,765
Mining Equipment	3,200
<b>TOTAL</b>	<b>185,617</b>

As shown in the table above, one of the main capital investments for this first phase will address the need for water. As the mine is located in the middle of the Red Sea Desert, 140 km from the Nile River, nearby water sources are limited. Strict management of the underground water sources found around the mine have met the water requirements of the existing heap leaching operation but would not be sufficient for an upgraded CIL plant, not to mention the flotation plant required by the second phase of the project. The projected pipeline will pump 7.7 million cubic meters of water per year to provide sufficient water for the Phase 1 CIL plant and Phase 2 VMS flotation plant. The pipeline has been designed to ensure sufficient water to allow extension of the 3 mtpa (million tonnes per annum) CIL plant operating life and feed the 5 mtpa flotation plant. The construction of the single, final

pipeline (rather than two smaller lines over time), is planned at the beginning of Phase 1 to reduce overall capital requirements.

Another standard infrastructure item and significant capital item is the power line connecting to the National Grid. Current on-site power generation capacity is insufficient for Phase 1. Construction of the final power line sufficient for both phases is planned in Phase 1 (similar to the water line approach).

Based on the results of the PEA, the Company elected to move forward with the next stage: the start of feasibility work. In light of Sedgman's work on the PEA, its mandate was extended to cover the feasibility study for Phase 1, which is expected to be completed during the first half of 2011.

### **5.6.7.3 Description of Project: Phase 2**

The Hassai mining area has been in operation since 1992, with over a dozen open pits developed over the years to extract high-grade oxide ore. Most of the ore mined to date comes from the enriched upper zone of a much larger mineralized system. The deeper VMS deposits that are the primary source of the gold can be seen at the bottom of at least six of the pits.

La Mancha began drilling on two of the most promising VMS targets in late 2007 with the intention of confirming and quantifying their potential. In September 2009, a NI 43-101 compliant resource estimate was released for the first target, at the bottom of the Hassai South pit, and in November 2009, a second estimate followed for the target at the bottom of the Hadal Awatib pit. Phase 2 of the PEA was prepared by AMEC and SGS Lakefield and focuses on the economic viability of this VMS potential.

It is believed that improvements in the resource estimation/modelling of the Hassai South underground and Hadal Awatib open pit deposits would assist in more accurate spatial definition of the mineralisation and mining-related dilution, and in turn may have the effect of increasing the schedule grades. It should also be noted, however, that there will likely be a drop in the overall mining inventory tonnes, as contained metal would not be affected.

The Hassai deposit is expected to be mined by underground methods to a depth of 320 meters below the current pit floor, while the much wider Hadal Awatib deposit would be mined by open pit only. Again, Inferred Resources are included for this preliminary economic evaluation, and insufficient studies have been completed to confirm mining and processing parameters. Consequently, the schedule is based on a Mining Inventory which totals 29.36 Mt from the two sources, compared to Inferred resources of 48.48 Mt and Indicated resources of 2.90Mt. Reference "*Mining Inventory*" section above.

The table below shows the resulting mining schedule:

Operational highlights – Phase 2

	Total
Waste mined, '000 t	79,536
Total ore mined, '000 t	29,362
Underground, '000 t	12,469
Open pit, '000 t	16,894
Ore milled, '000 t	29,362
Concentrate produced, '000 t	1,281
Metal in concentrate :	
Gold, oz	377,896
Copper, '000 t	322
Operating costs	
Underground mining (US \$/t of ore)	26.17
Open pit mining (US \$/t moved)	2.47
Milling (US \$/t)	9.96

On the processing side, AMEC Minproc used the results of the metallurgical testwork completed by SGS to assess the flotation plant characteristic to be used to produce the copper/gold concentrate. Their study indicates that results are optimized by a concentrator with a throughput of 5 million tonnes per annum, which would exhaust the mining inventory in 10 years.

The recovery rates used in the PEA differ slightly from those in the SGS report. The test results were adapted to the resource grades and applied to the concentrator mass balance model being used for the PEA. Based on the currently understood material variability, three ore types are expected for the concentrator feed: Hassaï South Supergene, Hassaï South Primary and Hadal Awatib. Tests have not been conducted on Hadal Awatib, but the mineralogy is expected to be similar. The test results were extrapolated to the three material types, and then modeled to generate the concentrate grades and metal recoveries shown below. Material grade differences and batch flotation test results were considered by AMEC Minproc when making the assumptions. The table below shows the resulting production profile generated by Phase 2 of the project:

Production expectations – Phase 2

	Units	Value
Concentrator production start-up	year	2015
Average gold grade (milled)	g/t	1.11
Average copper grade (milled)	%	1.22
Gold recovery to concentrate (average)	%	36%
Copper recovery to concentrate (average)	%	90%
Gold production from VMS (2015 – 2025)	oz	377,896
Copper production from VMS (2015 – 2025)	tonnes	322,000

The initial capital investment for Phase 2 amounts to US \$319.4 million dollars, and to this is added an accuracy provision of US \$22.8 million. The main capital allocation is for the construction of the flotation plant (US \$117 million) and mine development. The table below provides more details on the capital expenditures.

Capital expenditures – Phase 2

	US \$ 000's
Mine Development	142,157
Process Plant	78,194
Plant Infrastructure	38,834
Area Infrastructure	12,900
Regional Infrastructure & Miscellaneous	11,917
Indirect Costs	38,386
Accuracy Provision	22,790
Camp Improvement & Core Yard	3,000
<b>Subtotal</b>	<b>348,178</b>
Sustaining Capex	35,930
<b>Total</b>	<b>384,108</b>

5.6.7.4 Project Economics

Using all the operating assumptions prepared by AMEC Minproc, Sedgman and CSA, La Mancha built the financial model for the project. The results shown are based on the conservative price assumptions of US \$950 per ounce for gold and US \$2.19 per pound for copper. The net present value (“NPV”) and Internal Rate of Return (“IRR”) are shown on an after-tax basis.

The table below presents the financial highlights for 100% of the project:

	Phase 1: CIL	Phase 2: VMS	Global
<b>Main assumptions</b>			
Gold price	US \$950/oz	US \$ 950/oz	US \$ 950/oz
Copper price		US \$ 2.19/lb	US \$ 2.19/lb
Royalties			
Gold	7%	5%	5 - 7%
Copper		3.5%	3.5%
Corporate tax rate	10%	10%	10%
<b>Financials:</b>			
Revenues	\$770.7 M	\$1,848.7 M	\$2,619.4 M
Operating income	\$197.0 M	\$299.8 M	\$516.8 M
Net earnings	\$177.3 M	\$266.8 M	\$462.6 M
Cash flow from operations	\$386.4 M	\$612.0 M	\$1,016.8 M
Cash flow from investing activity	\$190.5 M	\$381.1 M	\$569.7 M
Free cash flow to equity	\$195.8 M	\$230.9 M	\$447.1 M
<b>Investment analysis:</b>			
Initial capital cost	\$185.6 M	\$319.4 M	\$505.0 M
Total sustaining capital	\$4.9 M	\$35.9 M	\$40.8 M
Internal rate of return	30%	11%	17%
Payback*, years	1.9	3.9	--
NPV @ 0% discount rate	\$195.8 M	\$230.9 M	\$447.1 M
NPV @ 5% discount rate	\$149.8 M	\$122.7 M	\$238.7 M

\*Calculated from the commencement of production

Although additional leach testwork performed on the flotation tailings showed that gold recovery can be improved to up to 92% for the Hassaï pit Supergene composite and 75% for the Hassaï pit Primary composite, the PEA was built with the more conservative assumptions that the only gold recovered from the VMS ore would be the gold contained in the concentrate. More analyses are underway to measure how these metallurgical results could be adapted to an industrial application. This could substantially improve the economics of the project.

The sensitivity of the project's NPV/IRR to changes in the price of gold and copper was tested and is presented in the tables below.

Sensitivity Analysis (NPV in US \$'000 - Global project)

	NPV	Copper Price					
		\$1.81/lb \$4,000/t	\$2.18/lb \$4,800/t	\$2.54/lb \$5,600/t	\$2.91/lb \$6,400/t	\$3.27/lb \$7,200/t	\$3.63/lb \$8,000/t
Gold Price	US \$750/oz	-79,652	76,405	229,253	381,652	533,909	686,165
	US \$850/oz	2,192	157,589	310,259	462,634	614,891	767,147
	US \$950/oz	83,866	<b>238,666</b>	391,158	543,509	695,766	848,022
	US \$1,150/oz	247,074	400,539	552,956	705,259	857,516	1,009,772
	US \$1,250/oz	328,347	481,439	633,856	<b>786,134</b>	938,391	1,090,648
	US \$1,350/oz	409,458	562,338	714,753	867,010	1,019,266	1,171,523

Sensitivity Analysis (IRR – Global project)

	IRR	Copper price					
		\$1.81/lb \$4,000/t	\$2.18/lb \$4,800/t	\$2.54/lb \$5,600/t	\$2.91/lb \$6,400/t	\$3.27/lb \$7,200/t	\$3.63/lb \$8,000/t
Gold Price	US \$750/oz	0%	9%	15%	21%	25%	29%
	US \$850/oz	5%	13%	19%	24%	29%	33%
	US \$950/oz	10%	<b>17%</b>	23%	28%	32%	36%
	US \$1,150/oz	20%	26%	31%	35%	39%	43%
	US \$1,250/oz	24%	30%	35%	<b>39%</b>	43%	47%
	US \$1,350/oz	29%	34%	39%	43%	47%	50%

As per PEA assumptions
As per current market conditions

**5.6.7.5 VMS exploration program**

Financial modelling shows that the IRR of the project would respond favourably to a growth of the resource. The fact that potential for other VMS structures has been identified at the bottom of some of the pits mined in the past, on the Hassaï property, and the good level of geological understanding of these structures gained over the last 20 years of mine operation, provided the required comfort for La Mancha to launch a follow-up VMS exploration program in October 2010.

An \$18 million exploration program totalling 100,000 meters of drilling are planned over a 12-month period starting in October 2010 with three objectives in mind: a) infill the existing VMS resources with the intent of converting the Inferred resources to the Measured and Indicated categories; b) increase the resources of Hassaï at depth and that of the set of Hadal Awatib pits (Hadal Awatib West and extensions of Hadal Awatib); and c) test the potential of the VMS structures identified at the bottom of a third target, the Hadayamet pit, located 30 km east of the Hassaï pit, where the first target was identified in 2008.

The Hadayamet pit, which was in production in the early 2000s, yielded 2.4 million tonnes of traditional ore at an average grade of 6.6 g/t Au for gold production of 500,000 ounces.

#### **5.6.8 *Drilling, Sampling and Analysis, and Security of Samples***

The updated VMS resource review and estimation conform to the requirements of NI 43-101 and CIM Best Practices for Estimation of Mineral Resources. There are numerous uncertainties inherent in estimating mineral resource, including many factors beyond the Company's control. Resource estimation is a subjective process, and the accuracy of any resource estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Results from drilling, testing and production, as well as material changes in metal prices subsequent to the date of an estimate, may justify revision of such estimates. To the best of La Mancha's knowledge, at the time of estimation there were no known environmental, permitting, legal, title, taxation, socio-economic, marketing, political or other relevant issues that would materially impact on the eventual extraction of the mineral resources.

La Mancha has established an Analytical Quality Assurance Program to control and assure the analytical quality of assays in its gold exploration. This program includes the systematic addition of blank samples, pulp duplicates and internal material references ("standards") to each batch of samples sent for analysis. Blank samples are used to check for possible contamination in laboratory, duplicates allow the overall precision to be quantified while standards determine the analytical accuracy. All samples are either half HQ or NQ diamond drill core or RC cuttings sampled on a one metre basis. Samples were assayed at the Intertek Laboratory in Indonesia, which is ISO 17025 qualified, using respectively for gold fire assays on 30g sample followed by AAS and for base metals triple acidic digestion followed by AAS.

For the calculations, the following assumptions were used:

- 1) The sulphide cutoff was Cu Eq 0.8%, and the oxide cut-off was 1.0 g/t.
- 2) The sulphide block model was filtered at a 2% cut-off to individualize statistically high-grade Cu values.
- 3) Values were rounded to two or three significant figures to reflect the relative estimation precision of each resource classification.

## 6 DIVIDENDS

The Company has not paid any dividends to date and does not anticipate that dividends will be paid on the Common Shares in the foreseeable future. The future payment of dividends will be dependent upon financial requirements of La Mancha to fund future growth, the financial condition of La Mancha and other factors the Board of Directors may consider appropriate in the circumstances.

## 7 CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value. Each Common Share is entitled to one vote at meetings of shareholders. Each Common Share is also entitled to receive dividends if, as and when declared by La Mancha's Board of Directors. Holders of Common Shares are entitled to participate in any distribution of the Company's net assets upon liquidation, dissolution or winding-up on an equal basis per share. There are no pre-emptive, redemption purchase or conversion rights attaching to the Common Shares.

## 8 MARKET FOR SECURITIES

### 8.1 Trading Price and Volume

Common shares of La Mancha are currently listed on the TSX and the Deutsche Borse under the symbol LMA. The table below shows the range in share price per month and volume traded for the Common Shares on the TSX during La Mancha's most recently completed financial year.

<b>2010</b>	<b>High</b>	<b>Low</b>	<b>Volume Traded</b>
January	\$1.90	\$1.51	3,050,969
February	\$2.06	\$1.47	1,920,485
March	\$2.02	\$1.75	2,938,258
April	\$2.24	\$1.85	3,401,209
May	\$2.08	\$1.80	2,487,759
June	\$1.98	\$1.69	1,002,282
July	\$1.75	\$1.47	1,271,923
August	\$2.04	\$1.61	1,732,044
September	\$3.05	\$1.81	2,892,643
October	\$3.00	\$2.52	2,008,717
November	\$2.95	\$2.31	2,152,054
December	\$2.60	\$2.12	2,050,665

Source: TSX connect

## 9 DIRECTORS AND OFFICERS

### 9.1 Name, Occupation and Security Holding

The following table sets forth, for each of the names of the current directors and executive officers of La Mancha, the individual's name, the province or state and country of residence, the positions and offices which each presently holds with the Company and in the case of directors, the period of time for which each has been a director of the Company.

Under La Mancha's by-laws each director holds office until the next annual shareholder meeting or until his or her successor is elected.

At December 31, 2010 La Mancha's directors and executive officers as a group, beneficially owned, directly or indirectly or exercised control or direction over approximately 150,000 or 0.1% of the Common Shares issued and outstanding

<b>Name, Province or State and Country Of Residence, and Position Held with the Company</b>	<b>Principal Occupation</b>	<b>Date Became a Director of the Company</b>
William Hess <sup>(1)(2)(4)</sup> <i>Montreal, Québec, Canada</i> Director	Chairman of La Mancha Resources Inc	December 2006
Dominique Delorme <sup>(5)</sup> <i>Paris, France</i> Director	President and Chief Executive Officer La Mancha Resources Inc	September 2006
Johanne Duchesne <sup>(2)(3)(4)</sup> <i>Montreal, Québec, Canada</i> Director	Corporate Director	December 2006
Mr. Yann Guilbaud <i>Paris, France</i> Director	Vice President, Legal of the Business Group of AREVA NC	September 2009
Michael A. McMurphy <i>Montreal, Québec, Canada</i> Director	Senior Executive Vice-President Front End, Business Group of AREVA NC	November 2008
Nicolas Nouveau <i>Paris, France</i> Director	Vice President Finance, Business Group of AREVA NC	November 2007
Alan Peltz <sup>(2)(4)(6)</sup> <i>Naples, Fl, USA</i> Director	Corporate Director	November 2007
Sébastien de Montessus <sup>(4)</sup> <i>Levallois-Perret, France</i> Director	Senior Executive Vice-President, Business Group of AREVA NC	November 2007

<b>Name, Province or State and Country Of Residence, and Position Held with the Company</b>	<b>Principal Occupation</b>	<b>Date Became a Director of the Company</b>
Agnès Russeil <i>Paris, France</i> Chief Financial Officer	Chief Financial Officer La Mancha Resources Inc.	-
Martin Amyot <i>Paris, France</i> Vice President Corporate Development and Corporate Secretary	Vice President Corporate Development and Corporate Secretary, La Mancha Resources Inc.	-

- (1) Chairman of the Board and Chairman of the Corporate Governance and Human Resources Committee
- (2) Member of the Audit Committee
- (3) Chairman of the Audit Committee
- (4) Member of the Corporate Governance and Human Resources Committee
- (5) Member and Chairman of the Reserves and Resources Committee
- (6) Member of the Reserves and Resources Committee

Over the past five years, each of the foregoing persons has held his present principal occupation or a similar position with his present employer or its predecessors or affiliates with the following exceptions:

In August 2009, Mr. Delorme was appointed President and CEO of La Mancha. From September 2007 until August 2009 he held the position of Vice-President Strategy for the Mining activity of the AREVA Group. From 2006 to 2007 he held the position of Vice-President Technical and Projects for the Mining activity of the AREVA and from 2000 to 2006 he held the position of General Manager of worldwide AREVA gold assets. Prior to September 2010, Mr. William Hess acted as Managing Partner of Canadian Public Venture Group, a fund manager, investor and financial advisor to private and public corporations. In June, 2009 Mr. Yann Guilbaud was appointed as the Vice President, Legal of the Mining business group of AREVA NC. Prior to June 2009, he held the position of General Counsel for Veolia Water Solutions & Technologies. From 2005 to January 2008, Johanne Duchesne worked at Gowling Lafleur Henderson as Special Advisor, Corporate Finance. In September 2008, Mr. McMurphy was appointed as Senior Executive Vice-President of Mining, Chemistry, Enrichment Sector of AREVA NC in Paris. Prior to this position he held the position of President of AREVA Inc. in the United States. Since July 2007, Nicolas Nouveau acts as Vice-President Finance for AREVA NC's Mining business group. From 2004 to 2007, Mr. Nouveau was Chief Financial Officer for AREVA NC's Clean-up business group. Mr. Peltz retired in 2002 from Burndy Corp. Framatome USA where he acted as Chairman of the Board and CEO from 1997 until his retirement. He now sits on the board of several organizations. Mr de Montessus joined the AREVA Group in 2002 where he evolved in progressive Strategy and Marketing positions. In 2007, he was appointed Head of AREVA's Mining business unit. Prior to January 31, 2007 Agnes Russeil held the position of Financial Controller – Gold Mining division at AREVA NC. Mrs. Russeil joined the AREVA Group in 1992 where she held progressive finance positions. Prior to joining La Mancha, Martin Amyot consecutively acted as Vice-President Loan Structuration and Syndication at National Bank Financial until August 2005 and as Investor Relation Manager at Cambior until February 2007. W.F. (Bill) Plyley retired as COO of La Mancha in December 2010, a position he held since 2006. Prior to joining La Mancha, between 2005 and 2006, W.F. (Bill) Plyley operated a successful consulting business focused on delivering mining management, organizational change and leadership development to international mining clients.

## **9.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the Company's knowledge, no director or executive officer of La Mancha is, at the date of this AIF, or has been, during the 10 fiscal years prior to the date of the AIF, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade or similar order

or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (ii) was subject to an event that resulted, after the director, chief executive officer or chief financial officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days. To the Company's knowledge, no director, executive officer of the Company or shareholder holding a sufficient number of shares of the Company to affect materially the control of La Mancha is, at the date of this AIF, or has been, during the 10 fiscal years prior to the date of the AIF, a director or executive officer of any company (including La Mancha) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

To the Company's knowledge, no director, executive officer of the Company or shareholder holding a sufficient number of shares of the Company to affect materially the control of La Mancha has, during the 10 fiscal years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the Company's knowledge, no director, executive officer of the Company or shareholder holding a sufficient number of shares of the Company to affect materially the control of La Mancha has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision. Moreover, in the opinion of the Company, no disclosure of a settlement agreement entered into by a director, an executive officer of the Company or a shareholder holding a sufficient number of shares of the Company to affect materially the control of La Mancha before December 31, 2010 would likely be important to a reasonable investor in making an investment decision.

### **9.3 Conflicts of Interest**

The directors and officers of La Mancha may from time to time serve as directors of and have an interest, either directly or indirectly, in other companies involved in natural resource exploration and development which may give rise to a conflict of interest. The directors are required by law, however, to act honestly and in good faith with a view to the best interest of La Mancha and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with La Mancha and to abstain from voting as a director for the approval of any such transaction.

There are currently no known existing or potential conflicts of interest among La Mancha, its directors, officers, principal holders of securities and persons providing professional services to La Mancha, nor any associate or affiliate of the foregoing, which could reasonably be expected to affect a Shareholder's investment decision.

## **10 LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **10.1 Legal Proceedings**

During the financial year ended December 31, 2010, apart from the case stated below, there were no legal proceedings the Company is or was a party to, or that any of its property is or was the subject of.

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. On February 9, 2011, the

court scheduled an evidence hearing to be held on March 23, 2011 to attempt a settlement and to determine the facts that are disputed. 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.

## **10.2 Regulatory Actions**

During the financial year ended December 31, 2010 there were no regulatory actions the Company is or was a party to, or that any of its property is or was subject to.

## **11 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No director or executive officer of La Mancha, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of any class or series of La Mancha's outstanding voting securities and no associate or affiliate of any of such persons or companies has any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect La Mancha.

## **12 TRANSFER AGENTS AND REGISTRARS**

The registrar and transfer agent of La Mancha is Computershare Investor Services, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1.

## **13 MATERIAL CONTRACTS**

The sole contract of La Mancha entered into outside of the ordinary course of business, that is material to La Mancha is the Conveyancing Agreement entered into between La Mancha and CFMM on May 19, 2006..

## 14 INTERESTS OF EXPERTS

### 14.1 Names of Experts

Deloitte & Touche LLP, external auditors of the Company, reported on the audited consolidated financial statements of the Company for the year ended December 31, 2010.

William F Plyley and Trevor I Eddie of La Mancha, Remi Bosc, who is a Member of the European federation of Geologist and an independent consultant, and Yann Camus of Systèmes Géostat International Inc. prepared the press releases entitled “VMS Project drives La Mancha’s Resources Higher in 2009” which was filed with the Canadian securities regulators on March 5, 2010.

William F Plyley and Trevor I Eddie of La Mancha, James MacDonald of SGS Canada Inc., and Dean David of AMEC Minproc Limited prepared the press releases entitled “La Mancha’s VMS Project Returns Promising Metallurgical Test Results” which was filed with the Canadian securities regulators on April 8, 2010.

Martin Bennett of La Mancha prepared the press releases entitled “La Mancha Confirms the Discovery of a New Gold Mineralized Zone at its 100%-owned Kintore Project in Australia” which was filed with the Canadian securities regulators on July 23, 2010.

Jean-Jacques Kachrillo and Martin Bennett, from La Mancha, prepared the press release entitled “More Positive Exploration News for La Mancha at its 70%-owned Nuba Mountains Concession in Sudan” which was filed with the Canadian securities regulators on July 28, 2010.

Trevor I Eddie of La Mancha prepared the press releases entitled “First Stages of Frog’s Leg Drilling Extension Program Returns Very High Grade Intercepts” which was filed with the Canadian securities regulators on August 3, 2010.

Jean-Jacques Kachrillo and Martin Bennett, from La Mancha, prepared the press release entitled “La Mancha Intersects Grades of up to 135 g/t Au at its Fetekro Property in Côte d’Ivoire” which was filed with the Canadian securities regulators on August 23, 2010.

Jean-Jacques Kachrillo and William F Plyley of La Mancha, Remi Bosc who is a Member of the European federation of Geologist and an independent consultant, Malcolm Titley and Clayton Reeves of CSA Global, Ian Thomas of Sedgman, and Adam Coulson, Graeme Baker, and Dean David of AMEC Minproc Limited prepared the press release entitled “La Mancha Announces a Positive Preliminary Economic Assessment for its Hassaï VMS Project” which was filed with the Canadian securities regulators on September 8, 2010.

Jean-Jacques Kachrillo and William F Plyley of La Mancha, Remi Bosc who is a Member of the European federation of Geologist and an independent consultant, Graeme Baker and Dean David of AMEC Minproc Limited, Adam Coulson of AMEC Earth & Environmental, Ian Thomas, Clayton Reeves and Simon McCracken of CSA Global prepared the NI 43-101 Technical Report entitled “The Hassai Mine Envisaged Business Plan (CIL Gold Plant and VMS Concentrator)” which was filed with the Canadian securities regulators on October 22, 2010.

Trevor I Eddie of La Mancha prepared the press releases entitled “First Half of Frog’s Leg Delineation Program Adds 180,000 Ounces of Gold to the Mine’s M&I Resources” which was filed with the Canadian securities regulators on November 22, 2010.

## **14.2 Interests of Experts**

To the best of management's knowledge, the experts named above did not have any registered or beneficial interest, direct or indirect, in any securities or other property of the Company when the experts prepared their respective reports except for William F Plyley, Trevor I Eddie, Martin Bennett, Joe McDiarmid, Rodney Johns and Jean-Jacques Kachrillo who are or were employed by the Company.

## **15 AUDIT COMMITTEE DISCLOSURE**

### **15.1 Charter**

The Audit Committee charter is attached to this AIF as Schedule 1.

### **15.2 Composition of the Audit Committee**

The members of the Audit Committee are: Johanne Duchesne, William Hess and Alan Peltz. La Mancha believes that these members are "independent" and "financially literate", as such terms are defined under Canadian securities laws. Each member of the Audit Committee has the ability to perform his responsibilities as an Audit Committee member based on his education and/or experience as summarized below.

### **15.3 Relevant Education and Experience**

#### *Johanne Duchesne (Chair)*

Ms. Johanne Duchesne graduated from Université de Sherbrooke with an MBA in Finance. Ms. Duchesne has obtained significant financial experience and exposure to accounting and financial matters through her position as Director of Commercial Financing with the Scotia Bank, her eighteen years with the Quebec Securities Commission with her last position as its Director of Capital Markets where she was responsible for, among other matters, the financial reporting of public corporations, as well as through her previous role as Special Advisor, Financial Markets with the law firm of Laverly de Billy. Ms. Duchesne's role as Special Advisor, Corporate Finance with Gowling Lafleur Henderson, until January 2008, afforded her the opportunity to continue to gain experience in varied financial matters impacting corporations.

#### *William Hess*

Mr. William Hess holds his law degree from the University of Ottawa. Mr. Hess has obtained significant financial experience and exposure to accounting and financial matters through his prior practice as an attorney advising corporations on their financial disclosure obligations, as Chairman & Chief Executive Officer of the Alberta Securities Commission and later as the founding President & Chief Executive Officer of the Canadian Venture Exchange (now the TSX Venture Exchange). Mr. Hess has served as a member or a chair of audit committees of a number of public companies.

#### *Alan Peltz*

Mr. Peltz has gained almost 30 years of significant financial and accounting experience with Burndy Corp./Framatome USA where he acted as Chairman of the Board and Chief Executive Officer from 1997 until his retirement in 2002. Mr. Peltz has also occupied previous financial positions with RCA, Celanese and Baker Industries. He now sits on the board of several organizations. Mr. Peltz holds an MBA from the Pace University and a B.B.A. in accounting from the Baruch School of Business and Public Administration. Mr. Peltz is a graduate of the Harvard Business School Advanced Management Program.

## 15.4 Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board of Directors.

## 15.5 Pre-Approval Policies and Procedures

As prescribed by 52-110 and as per the Company's Audit Committee Charter, the Audit Committee has the responsibility to pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditors. On March 25, 2007, the Audit Committee delegated its authority to pre-approve non-audit services to Johanne Duchesne, Chair of the committee, pursuant to section 2.5 of 52-110.

## 15.6 External Auditor Service Fees

The table below shows the fees that La Mancha's external auditor billed to La Mancha for various services for each year in the past two fiscal years.

(IN \$ THOUSANDS)	2009	2010
Audit fees <sup>(1)</sup>	418.2	411.4
Audit-related fees <sup>(2)</sup>	-	47.8
Tax fees <sup>(3)</sup>	61.6	59.3
Other fees <sup>(4)</sup>		
<b>Total</b>	<b>479.8</b>	<b>518.5</b>

<sup>(1)</sup> These fees include professional service provided by the external auditor for statutory audits of the annual financial statements and review of financial accounting and reporting matters.

<sup>(2)</sup> These fees relate to non-statutory audits, certain regulatory initiatives, due diligence, and the review of financial accounting and reporting matters.

<sup>(3)</sup> These fees include professional services for tax compliance, tax advice, and assistance with tax audits and appeals.

<sup>(4)</sup> These fees include any other fees for permitted services not included in any of the above-stated categories.

## 16 ADDITIONAL INFORMATION

Additional information, including details of directors' and officers' remuneration and indebtedness, principal holders of La Mancha's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in La Mancha's most recent information circular. Additional financial information is provided in La Mancha's financial statements and management discussion and analysis for its most recently completed year. These documents as well as La Mancha's annual and quarterly reports and news releases, may be obtained through SEDAR at [www.sedar.com](http://www.sedar.com). Certain of these documents may also be obtained by visiting the Company's website at [www.lamancha.ca](http://www.lamancha.ca).

For additional information, please contact: Martin Amyot, Vice President Corporate Development and Corporate Secretary at [info@lamancha.ca](mailto:info@lamancha.ca).

**SCHEDULE 1  
AUDIT COMMITTEE CHARTER**

**LA MANCHA RESOURCES INC.  
(the “Company”)**

1.0 MANDATE

The mandate of the Audit Committee is to assist the Board of Directors:

- 1.1 in its oversight of the Company’s accounting and financial reporting principles and policies and internal audit controls and procedures;
- 1.2 in its oversight of the Company’s financial statements and the independent audit thereof;
- 1.3 in selecting, evaluating and, where deemed appropriate, replacing the external auditors;
- 1.4 in evaluating the independence of the external auditors;
- 1.5 in its oversight of the Company’s risk identification, assessment and management program;
- 1.6 in the Company’s compliance with legal and regulatory requirements in respect of the above; and
- 1.7 in performing such other duties as may from time to time be assigned to the Audit Committee by the Board of Directors.

The function of the Audit Committee is oversight. The management of the Company is responsible for: (i) the preparation, presentation and integrity of the Company’s financial statements; and (ii) for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. Each member of the Audit Committee shall be entitled to rely on: (i) the integrity of those persons and organizations within and external to the Company from which it receives information; (ii) the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board of Directors); and (iii) representations made by management as to non-audit services provided by the auditors to the Company.

The external auditors are ultimately accountable to the Board of Directors and the Audit Committee as representatives of shareholders. The Board of Directors, with the assistance of the Audit Committee, has the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the external auditors.

The external auditors shall submit annually to the Company and the Audit Committee: (i) as representatives of the shareholders of the Company, a formal written statement delineating all relationships between the external auditors and the Company (“Statement as to Independence”); and (ii) a formal written statement of the fees billed in compliance with the disclosure requirements of Form 52-110F1 of Multilateral Instrument 52-110 - Audit Committees (“MI 52-110”). The external auditors must report directly to the Audit Committee.

The Audit Committee will review and assess, on an annual basis, the adequacy of this charter and recommend any proposed changes to the Board of Directors for their approval.

## 2.0 COMPOSITION

The Audit Committee shall consist of a minimum of three (3) members, each of whom shall be a director of the Company. Each member of the Audit Committee shall be independent and be financially literate as applicable laws and regulations define such terms. The Board of Directors shall make the determination as to whether a particular director satisfies the requirements for membership on the Audit Committee.

## 3.0 ELECTION

The Board of Directors appoints the members of the Audit Committee as well as the Chair of the Audit Committee during the first meeting of the Board of Directors immediately following the annual general meeting of shareholders of the Company.

## 4.0 TERM OF MANDATE

The mandate of a member of the Audit Committee as well as the Chair begins on the date of the meeting of the Board of Directors during which he is elected to this position and expires at the date of the first meeting of the Board of Directors during which his successor is duly elected or appointed, unless the member or Chair is replaced before the end of the term by resolution of the Board of Directors. The Board of Directors may remove a member of the Audit Committee at any time and may fill any vacancy occurring on the Audit Committee. A member may resign at any time and a member will cease to be a member of the Audit Committee upon ceasing to be a director.

## 5.0 DEATH, DISABILITY OR RESIGNATION OF A MEMBER

In the event that the Board of Directors must fill a Audit Committee vacancy resulting from the death, disability or resignation of a member, the member of the Audit Committee appointed to fill the Audit Committee vacancy is dispensed from the application of the independence and financial literacy requirements described in MI 52-110 for a period ending at the latest of the two following dates: a) the next annual shareholders meeting of the Company, or b) six (6) months after the event leading to the vacancy. The present article shall apply whenever the Board of Directors determines that the reliance on such exemption will not materially adversely affect the ability of the Audit Committee to act independently and to satisfy the other requirements of MI 52-110.

## 6.0 MEETINGS AND PROCEDURE

Meetings of the Audit Committee will be held at such times and places as the Chair may determine. The Audit Committee is required to meet at least four (4) times a year or more frequently if circumstances dictate, to discuss with management the annual audited financial statements and quarterly financial statements, and all other related matters. A member of the Audit Committee, the Chief Executive Officer, the Chief Financial Officer, or the external auditors may request the holding of a meeting at any time by sending the secretary notice to this effect and setting out in reasonable detail the business proposed to be conducted at this meeting so requested.

The secretary will determine the date, time and place of the meeting after consultation with the Chair and the members of the Audit Committee.

At least twenty-four (24) hours advance notice with the date, time, place and brief object of the meeting will be given to each member and the external auditors of the Company verbally, by telephone, by facsimile or email, unless all members are present and waive notice, or if those absent waive notice before or after a meeting of the Audit Committee. In advance of every regular meeting of the Audit Committee, the Chair, with the assistance of the secretary of the Company, will prepare and distribute to the members

and others as deemed appropriate by the Chair, an agenda of matters to be addressed at the meeting together with appropriate briefing materials.

Members may attend all meetings either in person or by conference call. The quorum of the Audit Committee consists in the majority of members attending the meeting of the Audit Committee. The meeting of the Audit Committee is presided by the Chair, if present, and in his absence, by a member chosen among the members then attending any given meeting.

Each member of the Audit Committee will have one vote and decisions of the Audit Committee will be made by an affirmative vote of the majority. The Chair will not have a deciding or casting vote in the case of an equality of votes. As permitted by the law of incorporation of the Company, a resolution of the Audit Committee may be passed without a meeting if each member entitled to vote on the resolution, consents to it in writing.

The Audit Committee may invite from time to time such persons as it sees fit to attend its meetings and to take part in the discussion of the affairs of the Audit Committee.

In compensation for their services on the Audit Committee the members receive the remuneration determined via a resolution of the Board of Directors of the Company.

#### 7.0 AUTHORITY OF THE AUDIT COMMITTEE

The Audit Committee has the authority:

- 7.1 to engage independent counsel and other advisors as it determines necessary to carry out its duties;
- 7.2 to set and pay the compensation for any advisors employed by the Audit Committee; and
- 7.3 to communicate directly with the internal and external auditors.

#### 8.0 DUTIES AND RESPONSIBILITIES

The Audit Committee shall perform the functions customarily performed by audit committees and any other functions assigned or delegated by the Board of Directors as permitted by applicable law. In particular, the Audit Committee shall have the following duties and responsibilities:

##### 8.1 Financial reporting and disclosure

- (a) to review the Company's financial statements, Management's Discussion and Analysis ("MD&A") and interim earnings press releases, prior to their review and approval by the Board of Directors;
- (b) to review and recommend to the Board of Directors for approval, where appropriate, financial information contained in any prospectuses, annual information form, material change disclosures of a financial nature and similar disclosure documents;
- (c) to ensure that the external auditors prepare and deliver annually a detailed report covering: (i) critical accounting policies and practices to be used; (ii) material alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management, ramifications of the use of such

alternative disclosures and treatments, and the treatment preferred by the external auditors; (iii) other material written communications between the external auditors and management such as any management letter or schedule of unadjusted differences; and iv) such other aspects as may be required by the Audit Committee or legal or regulatory requirements;

- (d) to consider any reports or communications (and management's responses thereto) submitted to the Audit Committee by the external auditors, including reports and communications related to:
- deficiencies noted following the audit of the design and operation of internal controls;
  - consideration of fraud in the audit of the financial statement;
  - detection of illegal acts;
  - the external auditors' responsibilities under generally accepted auditing standards;
  - significant accounting policies;
  - management judgments and accounting estimates;
  - adjustments arising from the audit;
- (e) to meet with management and/or external auditors:
- to discuss the appropriateness and quality of the Company's accounting principles as applied in its financial reporting;
  - to discuss significant changes to the Company's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the external auditors or management, and the financial impact thereof;
  - to discuss any matter relating to financial reporting and disclosure and considered material by the Audit Committee.

## 8.2 Internal controls and audit

- (a) to satisfy itself that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements;
- (b) to establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters;
- (c) to establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

- (d) to review and assess the adequacy of the procedures in place regarding risk of fraud relating to the Company's operations including its operations in Soudan and Côte D'Ivoire;
- (e) to review and assess the adequacy of the Company's system of internal control and management information systems through discussions with management and the external auditors;
- (f) to review and discuss the Company's major financial risk exposures and the steps taken to monitor and control such exposures;
- (g) to review on an annual basis, insurance programs relating to the Company and its investments.

### 8.3 External auditors

- (a) to ensure that the external auditor reports directly to Audit Committee;
- (b) to recommend to the Board of Directors the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company or if required, the revocation of appointment of the external auditors, as well as the compensation of the external auditor;
- (c) to oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (d) to pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor;
- (e) to review and approve the Company's hiring policies regarding partners, employers and former partners and employees of the present and former external auditor of the Company;
- (f) to review the independence of the external auditors, including the Statement of Independence.

### 9.0 REPORTING

The Chair of the Audit Committee will report to the Board of Directors verbally during a meeting of the Board of Directors following an Audit Committee meeting and by submitting a meeting report at the next meeting of the Board of Directors.

Approved by the Board of Directors on: March 26th, 2007