

# La Mancha Posts Record Net Earnings of \$36.1 M and Record Operating Cash Flow of \$89.4 M for 2011

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PARIS -- ([Marketwire](#)) -- 03/27/12 -- [La Mancha Resources Inc.](#) (TSX: LMA)

*All amounts are in CA dollars, unless otherwise indicated. Audited*

## FINANCIAL HIGHLIGHTS

- Net earnings up 52% to a record \$36.1 M for 2011
- Cash flow from operating activities up 51% to a record \$89.4 M for 2011
- Gold production totals 121,446 ounces in 2011 at an average cash costs of US \$688/oz
- Cash and short-term investments grow by \$61.4 M to \$99.8 M as of December 31, 2011
- Financial investments (MAV II notes) sold for \$7.3 M on February 3, 2012
- Auction process announced by La Mancha on March 14, 2012
- White Foil after-tax impairment charge of \$1.7 M for 2011

## OPERATIONAL HIGHLIGHTS

- Positive Definitive Feasibility Study published for the proposed upgrade to CIL technology at Hassaï
- Hassaï's VMS gold equivalent resource grows to 7.2 M oz (Indicated) and 3.2 M oz (Inferred)
- La Mancha's consolidated M&I resources jump 140% to 4.8 M gold equivalent ounces
- Frog's Leg reserves increase by 36%, extending the mine life by more than two years

The table below shows the highlights of La Mancha's record performance in 2011:

	Twelve-month period ended Dec. 31,		Change: 2011 vs. 2010
	2011	2010	
Attributable production (in oz)	121,446	122,571	-1%
Average realized gold price (US \$/oz)	1,568	1,231	+27%
Average cash cost (US \$/oz)	688	653	+5%
Cash margin (US \$/oz)*	880	578	+52%
Operating cash flow (\$'000)	89,370	59,354	+51%
Net earnings (\$'000)	36,148	23,738	+52%
Cash position at year-end (\$'000)	99,803	38,384	+160%

\* Average realized gold price less average cash cost

Dominique Delorme, President and CEO of La Mancha, stated that: "In 2011, La Mancha made headlines within the investment community by demonstrating, through a DFS and increased resources, our potential to quickly grow into an intermediate gold producer. At the same time, we put our Hassaï mine on the map and at the forefront of the mining industry as the site of a sizable VMS project with a resource that ranks globally among the giants."

"In addition to laying the groundwork for La Mancha's future development, we continued to solidify our reputation in 2011 as an operator that delivers in line with guidance regardless of industry challenges. The same rigour drove our financial results to record highs and our cash position to \$100 million, leaving us very well positioned to fund future development plans and maximize shareholder value," Mr. Delorme added.

[La Mancha Resources Inc.](#) (TSX: LMA) (hereinafter "La Mancha" or the "Company") is pleased to announce

that its 2011 consolidated net earnings reached a record \$36.1 million, marking a 52% increase over 2010 as the Company profited from stronger gold prices while resisting inflationary pressure on costs. Revenues for 2011 totalled \$184.7 million, compared to \$164.7 million in 2010.

With cash flow from operating activities at a record \$89.4 million, up 51% from \$59.4 million in 2010, La Mancha's cash and short-term investment position grew by \$61.4 million to reach \$99.8 million as of December 31, 2011. La Mancha added to this in early 2012 by selling its financial notes (Master Asset Vehicle II) for an amount of \$7.3 million, realizing a gain of \$0.5 million over its book value. The Company remains debt-free.

It is important to note that the record net earnings achieved in 2011 include an impairment charge of \$2.4 million (\$1.7 million after-tax) on the White Foil mine, representing 26% of book value. The future value of White Foil might continue to be impacted, positively or negatively, depending among other things on, the evolution of gold prices, the capacity of the company to conclude a toll milling agreement, the decision to build a new plant, and the evolution of the auction process.

In line with guidance, consolidated gold production for 2011 totalled 121,446 ounces at an average cash cost of US \$688, compared to 122,571 ounces produced in 2010 at an average cash cost of US \$653 per ounce. Consolidated gold production remained stable, with higher production at the Hassa? mine compensating for lower output at the White Foil and Ity mines while production at the Frog's Leg mine remained essentially unchanged. Cash costs also remained fairly stable despite unfavourable fluctuations in foreign exchange rates.

La Mancha continued to have success with its exploration programs in 2011, growing its consolidated M&I gold equivalent resources from 2.0 M ounces to 4.8 M ounces,<sup>(1)</sup> notably due to a significant resource increase at its Hassa? mine. Furthermore, the Company's consolidated P&P reserves grew by 316,315 ounces, net of mining depletion, to reach 929,150 ounces of gold by year-end 2011, mainly due to: A) the announcement of the positive Definitive Feasibility Study for the proposed upgrade to CIL technology at the Hassa? mine; and B) the successful completion of a new upgraded mine plan for the Frog's Leg mine. La Mancha invested a total of \$11.9 million in exploration in 2011 compared to \$8.7 million in 2010.

During the fourth quarter ended December 31, 2011, La Mancha produced 27,058 attributable ounces of gold while generating revenues of \$43.5 million, compared to production of 30,744 attributable ounces of gold and revenues of \$50.0 million for the corresponding period in 2010. The Company recorded fourth quarter net earnings of \$4.2 million in 2011 (which includes the aforementioned \$1.7 million after-tax impairment charge on the White Foil mine) compared to \$7.1 million in 2010.

## AUSTRALIAN OPERATIONS

In line with expectations, the Frog's Leg mine generated 66,505 ounces of gold net to La Mancha in 2011 at a cash cost of US \$636 per ounce (AU \$619 per ounce) compared to 66,444 ounces at a cash cost of US \$602 per ounce (AU \$650 per ounce) in 2010.

Following the introduction of cemented backfill in 2010, the Frog's Leg mine plan was refined, resulting in less dilution and improved mining efficiency. As a result, tonnage mined was lower in 2011 but grades were higher, thereby yielding similar production with a lower toll-mill throughput. The aforementioned increased mining efficiency resulted in a 5% decrease in cash cost per ounce in Australian dollars for Frog's Leg compared to 2010; however, due to unfavourable fluctuations in foreign exchange rate, cash cost per ounce were up 6% when expressed in US dollars.

In 2012, the Company expects its share of Frog's Leg mine production to be in the range of 60,000 to 65,000 ounces of gold at an estimated cash cost of US \$700 per ounce.

On March 22, 2012, La Mancha announced that the Frog's Leg mine life had been extended at least two additional years following the successful completion of a new upgraded mine plan which increased the Proven and Probable gold reserves by 36% over the previous December 31, 2010 estimate. It is important to note that, as a result of successful exploration campaigns and two upgrades to the mine plan, the gold content of the Frog's Leg reserve is now 27% higher than it was in the 2007 Feasibility Study, despite the mining of 376,738 ounces (192,136 ounces attributable to La Mancha) since operations began in 2008.

In 2011, La Mancha continued to top off its excess mill capacity at the nearby Greenfields plant with stockpiled White Foil ore. White Foil's performance was, however, affected by deteriorating toll milling conditions in the Kalgoorlie area. As such, 99,334 tonnes were processed during the year compared to 191,330 tonnes in 2010. However, due to a significant increase in gold grades (up to 3.2 g/t in 2011 from 2.1 g/t in 2010), White Foil produced 9,388 ounces at a cash cost of US \$821 per ounce (AU \$774 per ounce) in

2011 compared to 11,713 ounces at a cash cost of US \$928 per ounce (AU \$1,014 per ounce) in 2010. Cash costs were down 24% in Australian dollars year over year, but only 12% in US dollars due to unfavourable fluctuations in foreign exchange rates.

As 2012 processing capacity is yet to be confirmed for White Foil, La Mancha is presently unable to confirm any 2012 production for White Foil, and no cash cost estimates are provided. However, the Company is examining milling options that could eventually allow the mine to generate up to 10,000 ounces of production in 2012. La Mancha expects to tender a 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, as soon as processing capacity is confirmed.

## **AFRICAN OPERATIONS**

The Hassai mine exceeded expectations in 2011, producing a total of 71,731 ounces of gold (28,692 ounces attributable to La Mancha) at a cash cost of US \$795 per ounce compared to 68,434 ounces in 2010 (27,374 ounces attributable to La Mancha) at a cash cost of US \$731 per ounce. The higher gold output was mainly due to a higher gold recovery rate, as well as higher processed gold grades, which more than compensated for a lower mill throughput. Cash costs per ounce were higher in 2011 than the previous year, mainly due to higher royalty charges arising from stronger gold prices, and to a lesser degree to a higher stripping ratio.

No major change in production is expected at the Hassai mine until the current heap leach plant is upgraded to Carbon-In-Leach ("CIL") technology. Consequently, Hassai production is expected to be in the range of 55,250 to 60,000 ounces of gold (22,100 to 24,000 ounces attributable to La Mancha) in 2012 at an estimated cash cost of US \$724 per ounce. As published in the 2011 Feasibility Study, the CIL plant is expected to produce 161,647 oz of gold per year on average once commissioned.

The **Ity** mine produced a total of 36,733 ounces of gold in 2011 (16,860 ounces attributable to La Mancha) at a cash cost of US \$638 per ounce. Despite a 10-week shutdown due to political tensions in Cote d'Ivoire in early 2011, the year's production compares favourably to the 37,125 ounces of gold (17,040 ounces attributable to La Mancha) produced in 2010 at a cash cost of US \$540 per ounce, as a result of improvements made to the plant in 2010 and the addition of a third milling shift in the fourth quarter.

The aforementioned shutdown limited the Company's ability to grow its high-grade stockpile, as it does routinely during the dry season when mining conditions are easier. Consequently, the Company was required to process ore from its lower-grade stockpile during the rainy season. The mine's cash cost per ounce was therefore affected by lower processed gold grades (2.9 g/t in 2011 down from 4.2 g/t in 2010).

Due to the above-mentioned 2010 improvements, along with a major crusher overhaul scheduled to be completed in the first quarter of 2012, Ity's production is expected to be in the range of 60,784 to 67,538 ounces of gold in 2012 (27,900 to 31,000 ounces attributable to La Mancha) at an estimated cash cost of US \$521 per ounce.

## **HASSAI VMS PROJECT**

### **PHASE 1**

The initial development stage at the Hassai mine in Sudan involves the upgrade of the present heap leach plant to Carbon-In-Leach ("CIL") technology. On May 16, 2011, La Mancha announced positive results for its Definitive Feasibility Study. For additional information, please refer to the May 16, 2011, press release entitled "Positive Feasibility Study for the Hassai Mine", available on La Mancha's website at [www.lamancha.ca](http://www.lamancha.ca) and through SEDAR at [www.sedar.com](http://www.sedar.com).

La Mancha has set two conditions to be met before this first phase of the project can move forward: a) an agreement on the ownership of the property with its partners and b) conclusion of a proper financing structure for the project. With respect to the agreement on the Hassai ownership structure, the appointment of the Sudanese government in late 2011 has enabled discussions between La Mancha and its partner to resume. In terms of financing, the project's funding gap has considerably decreased in light of the significant strengthening of both La Mancha's balance sheet and that of its Sudanese subsidiary during the course of 2011. The Company anticipates that an 18-month detailed engineering and construction period will be required from the time an agreement is signed with the Sudanese partner until the start of production.

### **PHASE 2**

The second stage of development at the Hassai mine involves the mining of the volcanogenic massive

sulphide (VMS) deposits underlying the mined-out pits. The Hassa? property contains 12 pits where the mining of the upper gold-rich cap rock has allowed visual identification of VMS structures on the floor of some of the open pits.

Following the publication of a positive Preliminary Economic Assessment ("PEA") in 2010, a 100,000-metre drilling program was launched to grow the VMS resource, and consequently the mine inventory, to a size that would result in a better utilization of the 5 Mtpa processing plant investment recommended by the PEA.

On February 22, 2012, La Mancha announced that the drilling campaign had surpassed its objectives, converting more than the initial 2009 inferred resource to the indicated category while significantly increasing the size of the total resource.

A summary of the VMS resource estimates, as at December 31, 2011, is presented below.

### Table 1: VMS resource

(As at December 31, 2011. On a 100% basis unless otherwise indicated)

	Tonnes	Au	Cu	Total Au	Total Cu	Total Au Eq	Total Au Eq (LMA share)
	(Mt)	(g/t)	(%)	(oz)	(t)	(oz)	(oz)
2009 Initial resource (as of Dec. 31, 2009)							
Indicated	2.9	0.93	1.27	86,700	36,800	248,900	99,600
Inferred	48.5	1.33	1.19	2,078,000	576,000	4,617,000	1,846,800
2011 Upgraded resource (as of Dec. 31, 2011)							
Indicated	80.7	1.26	1.12	3,257,300	900,350	7,226,000	2,890,400
Inferred	37.0	1.17	1.09	1,379,700	401,800	3,150,800	1,260,400

Reported resource figures were calculated using cutoff grades of 0.8% and 0.5% Cu Eq, long-term copper prices of \$2.00/lb and \$2.72/lb, and long-term gold prices of US\$750/oz and US\$1,100/oz in 2009 and 2011, respectively. In addition to the gold and copper content reported in the above table, the Cu envelope for 2009 also contains 36,000 Inferred tonnes of zinc (14,400 tonnes attributable to La Mancha) calculated using a cutoff of 1% Zn and a zinc price of \$1,911/t. The 2011 Cu envelope also contains 497,500 Indicated tonnes of zinc (199,000 tonnes attributable to La Mancha) and 252,300 Inferred tonnes of zinc (100,920 tonnes attributable to La Mancha) calculated using a cutoff of 1% Zn and a zinc price of \$1,911/t. Gold equivalent ounces are estimated using a gold price of US\$1,250/oz and a copper price of US\$2.50/lb and assuming 100% metal recoveries.

As shown above, compared to the initial 2009 estimate, the metal grades of the resource remain fairly stable while its total size has increased significantly. The total Indicated resource has grown from 2.9MT to 80.7MT, increasing its total gold and copper contents from 86,700 to 3,257,300 ounces and 36,800 to 900,350 tonnes, respectively. Extension drilling also added significantly to the Inferred resource base, which now stands at 37.0 Mt containing 1,379,700 ounces of gold and 401,800 tonnes of copper.

Management believes that the upgraded 2011 VMS resource could extend the period during which the plant is used at its full design capacity beyond 10 years or result in the use of a larger mill.

For additional information, please refer to the February 22, 2012, press release entitled "La Mancha's VMS Resource Increases to 81MT Indicated and 37MT Inferred", available on La Mancha's website at [www.lamancha.ca](http://www.lamancha.ca) and through SEDAR at [www.sedar.com](http://www.sedar.com).

### RESERVE AND RESOURCE UPDATE

The Company's consolidated proven and probable mineral reserves ("P&P reserves") and Measured and Indicated resources ("M&I resources") increased by 52% and 140% respectively from last year. Consolidated P&P reserves grew by 316,315 ounces, net of mining depletion, to reach 929,150 ounces of gold by year-end 2011 mainly due to A) the announcement of the positive Definitive Feasibility Study for the proposed upgrade to CIL technology at the Hassa? mine; and B) the successful completion of a new

upgraded mine plan for the Frog's Leg mine. Consolidated M&I resources grew by 2,805,818 ounces to stand at 4,811,600 ounces of gold equivalent as of year-end 2011, mainly due to the significant resource growth at the Hassa? VMS project.

## **CORPORATE DEVELOPMENT**

On March 14, 2012, La Mancha announced that, following a request received from its majority shareholder, Compagnie Francaise de Mines et Metaux, a wholly-owned subsidiary of AREVA Mines, the Company had established a special committee (the "Special Committee") to conduct an auction process for the Company through which acquisition proposals will be solicited in order to maximize value for all shareholders.

## **CORPORATE EVENTS**

The Company will be attending the European Gold Forum (Zurich, Switzerland) held from April 17 to 20. Management of La Mancha will be available for meetings and will present at 2:10 p.m. on Thursday, April 19.

La Mancha also plans to host a site visit at its Hassa? property in Sudan on 23-25 April. For further information please contact Nicole Blanchard at (514) 961-0229.

## ***Consolidated Financial Statements***

The management discussion and analysis and audited consolidated financial statements with explanatory notes for the year ended December 31, 2011, are available in PDF format on La Mancha's website at [www.lamancha.ca](http://www.lamancha.ca) and through SEDAR at [www.sedar.com](http://www.sedar.com).

## **ANNUAL GENERAL MEETING**

The Board of Directors has established April 3, 2012 as the record date for determining stockholders entitled to vote at the 2012 Annual General Meeting of La Mancha. The Annual General Meeting will be held in Montreal on May 15 at the Omni Hotel at 11:00 am.

## **QUALIFIED PERSONS AND DATA VERIFICATION**

This press release, with the exception of Table 1 and reference to information of Table 1, was reviewed and prepared under the supervision of Nigel Tamlyn, Chief Operating Officer of La Mancha. Table 1 of this press release, and reference to information in Table 1, was approved by Jean-Jacques Kachrillo Vice President of Exploration for La Mancha, based on the resource report dated February 22, 2012, prepared and supervised by Remi Bosc, a Member of the European Federation of Geologists and an independent consultant. By reason of their education, affiliation with a professional association (as defined in NI 43-101) and past relevant work experience, both Mr. Jean-Jacques Kachrillo and Mr. Nigel Tamlyn are "qualified person" for the purposes of NI 43-101. Both Mr. Jean-Jacques Kachrillo and Mr. Tamlyn have read National Instrument 43-101 and have ensured that their sections of this press release has been written in compliance with that instrument. Both have read and approved the contents of their sections of this news release, and have consented to publish the press release in the form and context in which it appears.

Nigel Tamlyn, Chartered Engineer (UK), Chief Operating Officer of [La Mancha Resources Inc.](http://www.lamancha.ca), is a member of the IMMM, and member of the SAImm. Mr. Tamlyn has conducted a review of the Ore Reserve for the Frog's Leg Gold Mine and has supervised the study and all of the information contained in this release. Jean-Jacques Kachrillo holds a Ph.D. in Geology and is a registered Geoscientist with Ordre des Geologues du Quebec.

The Table 1 resource review and estimation are compliant with the requirements of NI43-101 and the 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 could materially impact on the eventual extraction of the mineral resources.

The quantity and grade of reported inferred mineral resources in this estimation are uncertain in nature and

there has been insufficient exploration to define these inferred mineral resources as indicated or measured mineral resources and it is uncertain if further exploration will result in upgrading them to indicated or measured mineral resource categories. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

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 half HQ or NQ diamond drill core sampled on a one-metre basis. Samples were assayed at the Intertek Laboratory in Indonesia, which is ISO 17025 certified, using fire assays on 30 g samples followed by AAS for gold, and triple acidic digestion followed by AAS for base metals.

#### **ABOUT LA MANCHA RESOURCES INC.:**

La Mancha Resources Inc. is an international gold producer based in Canada with operations, development projects and exploration activities in Africa, Australia and Argentina. La Mancha's shares trade on the Toronto (TSX) under the symbol "LMA". For more information on the Company, visit its website at [www.lamancha.ca](http://www.lamancha.ca).

#### **CAUTION CONCERNING FORWARD-LOOKING STATEMENTS**

*This press release contains certain "forward-looking statements", including, but not limited to, the statements regarding the Company's strategic plans, future commercial production and its related production and cash costs targets, its ability to increase its resources and its associated timetable, statements regarding development plans for the Company's VMS project along with statements regarding the project's economic viability, profitability, its ability to reach commercial production, associated development schedule, and its impact on the Company's global production, statements regarding the Company's ability to toll-treat the mined ore at the Greenfields plant; statements regarding the positive impact of the new leaching pads and third operating shift at the Ity mine and its ability to increase future production. Forward-looking statements express, as at the date of this press release, the Company's plans, estimates, forecasts, projections, expectations or beliefs as to future events and results. Forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events could differ materially from those anticipated in such statements. Risks and uncertainties that could cause results or future events to differ materially from current expectations expressed or implied by the forward-looking statements include, but are not limited to, factors associated with fluctuations in the market price of precious metals, mining industry risks, exploration risks, risks associated with upcoming development with respect to Cote d'Ivoire's political future and stability, with foreign operations, environmental risks and hazards, uncertainty as to calculation of mineral reserves, requirement of additional financing or additional permits, authorizations or licenses, risks of delays in construction and production and other risks referred to in La Mancha's 2011 Annual Information Form filed with the Securities Commissions, as well as the Toronto Stock Exchange.*

PDF version of the release: <http://hugin.info/145163/R/1597593/503591.pdf>

(1) Gold equivalent calculated using a gold price of US\$1,250/oz and a copper price of US\$2.50/lb, assuming 100% metal recoveries. M&I resources stood at 1.9 million ounces of gold and 14,720 tonnes of copper at December 31, 2010, and 3.2 million ounces of gold and 360,140 tonnes of copper at December 31, 2011.

#### **For additional information, please contact:**

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