

MANICOUAGAN MINERALS INC.
Interim Consolidated Financial Statements
March 31, 2005

MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Consolidated Balance Sheet

(expressed in Canadian dollars)

	March 31, 2005	December 31, 2004
	\$	\$
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	3 995 555	1 974 377
Exploration funds (note 3)	4 302 582	2 807 000
Amounts receivable (note 4)	184 166	187 178
Prepaid expenses	46 587	6 979
	<u>8 528 890</u>	<u>4 975 534</u>
Mining properties (note 5)	1 322 250	1 136 498
Property, plant and equipment , (less accumulated depreciation of \$816; \$709 in 2004)	2 865	1 041
	<u>9 854 005</u>	<u>6 113 073</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	449 228	373 093
Long term liabilities		
Future income taxes	1 345 266	1 176 004
	<u>1 794 494</u>	<u>1 549 097</u>
SHAREHOLDERS' EQUITY		
Share capital (note 7)	8 872 380	5 957 503
Stock options (note 8)	519 575	240 724
Warrants (note 9)	1 568 968	731 796
Contributed surplus	57 564	45 186
Deficit	<u>(2 958 976)</u>	<u>(2 411 233)</u>
	<u>8 059 511</u>	<u>4 563 976</u>
	<u>9 854 005</u>	<u>6 113 073</u>

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

Approved by the Board of Directors,

(signed) T. Sean Harvey

T. Sean Harvey, Director

(signed) Douglas A.C. Davis

Douglas A.C. Davis, Director

MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Consolidated Statements of Deficit

(expressed in Canadian dollars)

	For the three-month period ended March 31,	
	2005	2004
	\$	\$
	(unaudited)	(unaudited)
Balance - Beginning of period	2 411 233	2 019 252
Net loss for the period	547 743	4 559
Balance - End of period	<u>2 958 976</u>	<u>2 023 811</u>

Interim Consolidated Statements of Contributed Surplus

(expressed in Canadian dollars)

	For the three-month period ended March 31,	
	2005	2004
	(unaudited)	(unaudited)
Balance - Beginning of period	45 186	-
Warrants matured or cancelled during the period (note 9)	12 378	-
Balance - End of period	<u>57 564</u>	<u>-</u>

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MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Consolidated Statements of Earnings

(expressed in Canadian dollars)

	For the three-month period ended March 31,	
	2005	2004
	\$	\$
	(unaudited)	(unaudited)
Interest income	<u>26 751</u>	<u>6</u>
Expenses		
Management fees	11 600	-
Tax on flow-through shares	27 734	1 464
Professional fees	66 647	2 137
Salary and benefits	12 682	-
Stock-based compensation costs	278 851	-
Maintenance fees	14 447	-
Shareholder information	7 833	-
Rent	1 950	1 800
Travelling	8 855	-
Telecommunications	2 494	336
Office expenses	3 881	1 000
Depreciation of property, plant and equipment	107	112
Bank charges	883	1 905
Cost of mining properties abandoned	197 127	-
	<u>635 091</u>	<u>8 754</u>
Loss before income taxes	<u>608 340</u>	<u>8 748</u>
Income taxes		
Current	-	68 178
Future	(60 597)	(72 367)
	<u>(60 597)</u>	<u>(4 189)</u>
Net loss for the period	<u>547 743</u>	<u>4 559</u>
Basic and diluted net loss per share (note 10)	<u>0,0093</u>	<u>0,0002</u>

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MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

	For the three-month period ended March 31,	
	2005	2004
	\$	\$
	(unaudited)	(unaudited)
Cash flows from operating activities		
Net loss for the period	(547 743)	(4 559)
Items not affecting cash and cash equivalents		
Depreciation of property, plant and equipment	107	112
Stock-based compensation costs	278 851	-
Future income taxes	(60 597)	(72 367)
Cost of mining properties abandoned	197 127	-
	<u>(132 255)</u>	<u>(76 814)</u>
Net change in non-cash working capital items (note 11)	<u>(280 996)</u>	<u>40 802</u>
	<u>(413 251)</u>	<u>(36 012)</u>
Cash flows from financing activities		
Issuance of shares and warrants	4 525 000	-
Share issue expenses	<u>(383 640)</u>	<u>-</u>
	<u>4 141 360</u>	<u>-</u>
Cash flows from investing activities		
Variation in exploration funds	(1 495 582)	81 490
Acquisition of mining properties	(209 418)	(67 073)
Additions of property, plant and equipment	<u>(1 931)</u>	<u>-</u>
	<u>(1 706 931)</u>	<u>14 417</u>
Net change in cash and cash equivalents	2 021 178	(21 595)
Cash and cash equivalents - Beginning of period	<u>1 974 377</u>	<u>21 595</u>
Cash and cash equivalents - End of period	<u><u>3 995 555</u></u>	<u><u>-</u></u>
Additional information		
Acquisition of mining properties included in accounts payable and accrued liabilities	173 461	-
Share issue expenses included in accounts payable and accrued liabilities	147 074	-
Future income taxes accounted for as share issue expenses	229 859	-

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

MANICOUAGAN MINERALS INC.

(An exploration company)

Notes to Interim Consolidated Financial Statements

March 31, 2005

(expressed in Canadian dollars)

1 Interim financial information

The financial information as at March 31, 2005 and for the three-month periods ended March 31, 2005 and 2004 is unaudited. However, in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

These interim consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada and use the same accounting policies and methods used in the preparation of the company's most recent annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the company's most recent annual consolidated financial statements.

2 Business combination

On November 19, 2004, the company entered into an agreement with Manicouagan Resources Inc., an exploration company based in the Province of Quebec, in order to acquire all of the issued and outstanding shares and warrants of Manicouagan Resources Inc. The shareholders of Manicouagan Resources Inc. received 26,100,000 shares and 307,059 warrants of the company in consideration of their 34,000,000 common shares and 400,000 warrants. As a result of that transaction, the shareholders of Manicouagan Resources Inc. received a sufficient number of shares of the company to allow a reverse takeover of the company.

These financial statements reflect the accounts of Manicouagan Resources Inc. at their carrying value since the latter is deemed to be the acquiring company as part of the reverse takeover. This company's assets and liabilities have been included in these financial statements.

The company's operating results have been included in these consolidated financial statements since the date of acquisition, being November 19, 2004. The 2004 comparative figures are those of Manicouagan Resources Inc.

The fair value of the assets and liabilities acquired under that reverse takeover is detailed as follows:

	\$
Assets	
Cash and cash equivalents	421 919
Liabilities	<u>(424 375)</u>
Net liabilities assumed	<u><u>(2 456)</u></u>
The consideration issued as part of that business combination is allocated as follows:	
2,900,000 shares issued and outstanding	-
250,000 stock options at fair value	-
Assumption of the acquired company's net liabilities	<u>(2 456)</u>
	<u><u>(2 456)</u></u>

3 Exploration funds

Exploration funds are composed of cash, money market fund units and bankers' acceptances and represent the unexpended proceeds of financing under the terms of which the company committed to spending the amounts on the exploration of mining properties.

MANICOUAGAN MINERALS INC.

(An exploration company)

Notes to Interim Consolidated Financial Statements**March 31, 2005**

(expressed in Canadian dollars)

4 Amounts receivable

	March 31, 2005	December 31, 2004
	\$	\$
	(unaudited)	
Commodity taxes receivable (GST and QST)	89 504	92 516
Credit on duties refundable for loss	90 066	90 066
Refundable tax credit for resources	4 596	4 596
	<u>184 166</u>	<u>187 178</u>

5 Mining properties**March 31, 2005**

	Undivided interest	Balance as at January, 1 2005	Costs incurred	Mining properties abandoned	Balance as at March 31, 2005
	%	\$	\$ (unaudited)	\$ (unaudited)	\$ (unaudited)
Manicouagan (2 773 claims)					
Mining property (Manic 2 773 claims)	100	128 288	-	-	128 288
Mining property (Charlevoix)	100	1 848	-	(1 848)	-
Exploration costs		816 708	377 254	-	1 193 962
		<u>946 844</u>	<u>377 254</u>	<u>(1 848)</u>	<u>1 322 250</u>
Baie du Nord (27 claims)					
Mining property		10 874	5 000	(15 874)	-
Exploration costs		178 780	625	(179 405)	-
		<u>189 654</u>	<u>5 625</u>	<u>(195 279)</u>	<u>-</u>
		<u>1 136 498</u>	<u>382 879</u>	<u>(197 127)</u>	<u>1 322 250</u>

December 31, 2004

	Undivided interest	Balance as at January, 1 2004	Costs incurred	Tax credits	Balance as at December 31, 2004
	%	\$	\$	\$	\$
Manicouagan (2 817 claims)					
Mining property (Manic 2 773 claims)	100	5 629	122 659	-	128 288
Mining property (Charlevoix 44 claims)	100	1 848	-	-	1 848
Exploration costs		787 976	28 732	-	816 708
		<u>795 453</u>	<u>151 391</u>	<u>-</u>	<u>946 844</u>
Baie du Nord (27 claims)					
Mining property		-	10 874	-	10 874
Exploration costs		-	184 400	(5 620)	178 780
		<u>-</u>	<u>195 274</u>	<u>(5 620)</u>	<u>189 654</u>
		<u>795 453</u>	<u>346 665</u>	<u>(5 620)</u>	<u>1 136 498</u>

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements**March 31, 2005**

(expressed in Canadian dollars)

Detailed analysis of deferred exploration costs

	For the three- month period ended March 31, 2005 \$ (unaudited)	For the year ended December 31, 2004 \$
Balance - Beginning of period	1 136 498	795 453
Cost of claims	5 000	133 533
Camp (construction and maintenance)	125 592	32 250
Mobilization / demobilization of personnel and equipment	45 956	51 839
Drilling	-	31 143
Geophysics	131 500	-
Consultants	28 919	62 243
Fuel	31 583	18 095
Line Cutting	1 085	1 589
Various materials	12 589	15 269
Communications	655	704
Tax credits	-	(5 620)
Mining properties abandoned	(197 127)	-
Balance - End of period	<u>1 322 250</u>	<u>1 136 498</u>

6 Accounts payable and accrued liabilities

	March 31, 2005 \$ (unaudited)	December 31, 2004 \$
Shareholders and companies controlled by shareholders	31 880	27 772
Tax payable on flow-through shares	27 734	8 695
Other payables	389 614	336 626
	<u>449 228</u>	<u>373 093</u>

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements

March 31, 2005

(expressed in Canadian dollars)

7 Share capital

Authorized

Unlimited number of common shares without par value

Variation of issued and fully paid share capital

	For the three-month period ended March 31, 2005		For the year ended December 31, 2004	
	Number (unaudited)	Stated value \$ (unaudited)	Number	Stated value \$
Balance - Beginning of period (note 2)	53 827 000	5 957 503	26 023 235	-
Issuance of shares	-	-	76 765	20 000
Issuances of shares on the date of the reverse takeover in exchange for common shares of Manicouagan Minerals Inc.	-	-	2 900 000	3 134 264
Flow-through financing	6 800 000	1 700 000	11 228 000	2 807 000
Non flow-through financing*	12 500 000	1 820 000	13 599 000	2 271 832
Exercise of stock options	125 000	25 000	-	-
Exercise of warrants	1 500 000	256 394	-	-
	<u>74 752 000</u>	<u>9 758 897</u>	<u>53 827 000</u>	<u>8 233 096</u>
Share issue expenses	-	(886 517)	-	(2 275 593)
Balance - End of period	<u>74 752 000</u>	<u>8 872 380</u>	<u>53 827 000</u>	<u>5 957 503</u>

On the date of the reverse takeover, the company issued 26,100,000 shares in exchange for 34,000,000 shares of Manicouagan Resources Inc. The number of shares issued for the periods before the reverse takeover has been adjusted to reflect the exchange ratio of 0.7676.

* Non flow-through financing is presented net of the fair value of the related warrants totalling \$680,000 (\$447,968 in 2004), which has been determined using the Black-Scholes model (note 9).

Exercise of warrants

On January 31, 2005, the agents of the company's public offering exercised their over-allotment option and purchased 1,500,000 additional units of the company, comprising 1,500,000 common shares and 750,000 warrants of the company at an offering price of \$0.20 per unit for gross proceeds of \$300,000. Each warrant entitles its holder to purchase one common share of the company at an exercise price of \$0.25 at any time prior to December 23, 2006.

In addition, cash compensation of 8% of the gross proceeds or \$24,000 was paid to the agents as well as further compensation in the form of a non-transferable option to acquire 120,000 additional units, being 8% of the total gross proceeds on the exercise of the over-allotment option. These options have an exercise price of \$0.20 and expire on December 23, 2006. Each unit entitles the holder to purchase one common share of the company and one-half of one warrant of the company, each whole warrant entitling its holder to purchase one common share of the company at an exercise price of \$0.25 at any time prior to December 23, 2006.

The value of the exercise of warrants is presented net of the fair value of the 750,000 related warrants totalling \$78,000, which has been determined using the Black-Scholes model (note 9).

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Issuance of shares and warrants

On March 11, 2005, the company completed a private placement for aggregate gross proceeds of \$4,200,000. In connection with this private placement, the company issued 6,800,000 flow-through shares at a price of \$0.25 and 12,500,000 units at a price of \$0.20. Each unit consists of one common share and one-half of one warrant, each warrant entitling its holder to acquire one common share at an exercise price of \$0.25 at any time prior to December 23, 2006.

The agents involved in this financing were paid compensation in consideration for their services as follows: (i) a cash fee equal to 6% of the gross proceeds; (ii) an option to acquire additional common shares equal to 5% of the number of units and flow-through common shares issued pursuant to the private placement.

All securities were issued on a private placement basis and are subject to a hold period expiring on July 12, 2005.

8 Stock option plan

The company maintains a stock option plan whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the company. The maximum number of common shares that is issuable under the plan was fixed at 10% of the number of common shares issued and outstanding (maximum 5% of the number of common shares issued and outstanding may be held by any one person). Options expire after a maximum period of five years following the date of grant and vest upon granting.

The following table summarizes information about outstanding and exercisable stock options granted during the three-month period ended March 31, 2005:

	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable - Beginning of period	2 900 000	240 724	0,29
Granted	2 025 000	278 851	0,30
Exercised	(125 000)	-	0,20
Outstanding and exercisable - End of period	4 800 000	519 575	0,30

The following table summarizes information about outstanding and exercisable stock options as at March, 31, 2005:

	Exercise price \$	Number	Weighted average remaining contractual life (years)	Weighted average exercise price \$
Directors and officers	0,20	125 000	1.95 years	0,20
Directors and officers	0,30	4 675 000	4.71 years	0,30
Employee	0,30	50 000	4.79 years	0,30
		4 800 000		

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(expressed in Canadian dollars)

The fair value of options granted was estimated using the Black-Scholes model with the following weighted average assumptions:

Risk-free interest rate	3.74%
Expected volatility	70%
Dividend yield	Nil
Expected life of each option granted	48 months
Weighted average fair value on the granting date	\$0,1377

The Black-Scholes model was developed for use in estimating the fair value of traded options which have no vesting restrictions, and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the stock options granted to key employees, officers, directors and consultants have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide an accurate single measure of the fair value of stock options granted to key employees, officers, directors and consultants.

9 Warrants

The following table summarizes the variation of warrants granted during the three-month period ended March 31, 2005:

	Number	Carrying value \$	Weighted average exercise price \$
Oustanding and exercisable - Beginning of period	11 132 569	731 796	0,24
Granted pursuant to private placement (note 7)	6 250 000	680 000	0,25
Granted following the exercise of warrants (note 7)	750 000	78 000	0,25
Granted as compensation to the agents (note 7)	1 085 000	125 944	0,24
Exercised	(1 500 000)	(34 394)	0,20
Matured or cancelled	(539 850)	(12 378)	0,20
Oustanding and exercisable - End of period	17 177 719	1 568 968	0,25

The following table summarizes information about outstanding and exercisable warrants as at March 31, 2005:

Exercise price	Number	Weighted average remaining contractual life (years)
\$0,20	2 106 160	1.732 years
\$0,25	14 764 500	1.732 years
\$0,48	307 059	0.732 year
	17 177 719	

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements

March 31, 2005

(expressed in Canadian dollars)

The fair value of warrants granted was estimated using the Black-Scholes model with the following weighted average assumptions:

Risk-free interest rate	3.09%
Expected volatility	70%
Dividend yield	nil
Expected life of each warrant granted	22 months
Weighted average fair value on the granting date	\$0,1090

10 Net loss per share

	March 31, 2005 \$ (unaudited)	March 31, 2004 \$ (unaudited)
Basic and diluted weighted average number of shares outstanding	59 161 167	26 023 235

For the three months period ended March 31, 2005 , the diluted net loss per share was the same as the basic net loss per share since the dilutive effect of stock options and warrants was not included in the calculation; otherwise, the effect would have been anti-dilutive. Accordingly, the diluted net loss per share for those years was calculated using the basic weighted average number of shares outstanding.

11 Net change in non-cash working capital items

	For the three-month period ended March 31,	
	2005 \$ (unaudited)	2004 \$ (unaudited)
Amounts receivable	3 012	2 946
Prepaid expenses	(39 608)	(25 796)
Accounts payable and accrued liabilities	(244 400)	63 652
	<u>(280 996)</u>	<u>40 802</u>

MANICOUAGAN MINERALS INC.

(An exploration company)

Notes to Interim Consolidated Financial Statements**March 31, 2005**

(expressed in Canadian dollars)

12 Related party transactions

The company entered into the following transactions with shareholders and companies controlled by shareholders:

	For the three-month period ended March 31,	
	2005	2004
	\$	\$
	(unaudited)	(unaudited)
Mining properties	18 362	-
Management fees	11 600	-
Travelling	4 926	-
Professional fees	5 000	2 137
Rent	-	1 800
Telecommunications	1 468	336
Office expenses	1 183	787
	<u>42 539</u>	<u>5 060</u>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.