

MANICOUAGAN MINERALS INC.
Interim Consolidated Financial Statements
June 30, 2005

MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Consolidated Balance Sheet

(expressed in Canadian dollars)

	June 30, 2005 \$ (unaudited)	December 31, 2004 \$
ASSETS		
Current assets		
Cash and cash equivalents	3 524 814	1 974 377
Exploration funds (note 3)	3 216 016	2 807 000
Amounts receivable (note 4)	371 470	187 178
Prepaid expenses	44 443	6 979
	<u>7 156 743</u>	<u>4 975 534</u>
Mining properties (note 5)	2 687 144	1 136 498
Property, plant and equipment , (less accumulated depreciation of \$981; \$709 in 2004)	2 700	1 041
	<u>9 846 587</u>	<u>6 113 073</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	574 417	373 093
Long term liabilities		
Future income taxes	1 345 266	1 176 004
	<u>1 919 683</u>	<u>1 549 097</u>
SHAREHOLDERS' EQUITY		
Share capital (note 7)	8 908 223	5 957 503
Stock options (note 8)	532 378	240 724
Warrants (note 9)	1 568 968	731 796
Contributed surplus	57 564	45 186
Deficit	(3 140 229)	(2 411 233)
	<u>7 926 904</u>	<u>4 563 976</u>
	<u>9 846 587</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 six-month period ended June 30,	
	2005	2004
	\$	\$
	(unaudited)	(unaudited)
Balance - Beginning of period	2 411 233	2 019 252
Net loss for the period	728 996	68 127
Balance - End of period	<u>3 140 229</u>	<u>2 087 379</u>

Interim Consolidated Statements of Contributed Surplus

(expressed in Canadian dollars)

	For the six-month period ended June 30,	
	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>

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

MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Consolidated Statements of Earnings

(expressed in Canadian dollars)

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2005 \$ (unaudited)	2004 \$ (unaudited)	2005 \$ (unaudited)	2004 \$ (unaudited)
Interest income	46 001	-	72 752	6
Expenses				
Management fees	47 050	-	92 900	-
Professional fees	94 641	69 717	127 038	71 854
Salary and benefits	14 425	-	27 107	-
Stock-based compensation costs				
Directors, officers and employee	-	-	278 851	-
Consultant	12 803	-	12 803	-
Tax on flow-through shares	20 593	1 891	48 327	3 355
Maintenance fees	8 730	-	23 177	-
Shareholder information	9 775	-	17 608	-
Insurance	2 339	-	2 339	-
Rent	2 250	1 800	4 200	3 600
Travelling	7 438	4 680	16 293	4 680
Telecommunications	1 652	1 938	4 146	2 274
Office expenses	5 032	712	8 913	1 712
Depreciation of property, plant and equipment	165	112	272	224
Bank charges	361	1 525	1 244	3 430
Cost of mining properties abandoned	-	-	197 127	-
	<u>227 254</u>	<u>82 375</u>	<u>862 345</u>	<u>91 129</u>
Loss before income taxes	<u>181 253</u>	<u>82 375</u>	<u>789 593</u>	<u>91 123</u>
Income taxes				
Current	-	(28 102)	-	40 076
Future	-	9 295	(60 597)	(63 072)
	<u>-</u>	<u>(18 807)</u>	<u>(60 597)</u>	<u>(22 996)</u>
Net loss for the period	<u>181 253</u>	<u>63 568</u>	<u>728 996</u>	<u>68 127</u>
Basic and diluted net loss per share (note 10)	<u>0,0024</u>	<u>0,0024</u>	<u>0,0109</u>	<u>0,0026</u>

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

MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Consolidated Statements of Cash Flows

(expressed in Canadian dollars)

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2005 \$ (unaudited)	2004 \$ (unaudited)	2005 \$ (unaudited)	2004 \$ (unaudited)
Cash flows from operating activities				
Net loss for the period	(181 253)	(63 568)	(728 996)	(68 127)
Items not affecting cash and cash equivalents				
Depreciation of property, plant and equipment	165	112	272	224
Stock-based compensation costs				
Directors, officers and employee	-	-	278 851	-
Consultant	12 803	-	12 803	-
Future income taxes	-	9 295	(60 597)	(63 072)
Cost of mining properties abandoned	-	-	197 127	-
	<u>(168 285)</u>	<u>(54 161)</u>	<u>(300 540)</u>	<u>(130 975)</u>
Net change in non-cash working capital items (note 11)	<u>(53 915)</u>	<u>33 546</u>	<u>(334 911)</u>	<u>74 348</u>
	<u>(222 200)</u>	<u>(20 615)</u>	<u>(635 451)</u>	<u>(56 627)</u>
Cash flows from financing activities				
Issuance of shares and warrants	-	-	4 525 000	-
Share issue expenses	<u>(206 813)</u>	<u>(6 000)</u>	<u>(590 453)</u>	<u>(6 000)</u>
	<u>(206 813)</u>	<u>(6 000)</u>	<u>3 934 547</u>	<u>(6 000)</u>
Cash flows from investing activities				
Variation in exploration funds	1 086 566	(23 076)	(409 016)	58 414
Acquisition of mining properties and exploration costs	<u>(1 128 294)</u>	<u>(42 557)</u>	<u>(1 337 712)</u>	<u>(109 630)</u>
Tax credits received relating to exploration costs applied against mining properties	-	386 385	-	386 385
Additions of property, plant and equipment	-	-	<u>(1 931)</u>	-
	<u>(41 728)</u>	<u>320 752</u>	<u>(1 748 659)</u>	<u>335 169</u>
Net change in cash and cash equivalents	<u>(470 741)</u>	<u>294 137</u>	<u>1 550 437</u>	<u>272 542</u>
Cash and cash equivalents - Beginning of period	<u>3 995 555</u>	<u>-</u>	<u>1 974 377</u>	<u>21 595</u>
Cash and cash equivalents - End of period	<u><u>3 524 814</u></u>	<u><u>294 137</u></u>	<u><u>3 524 814</u></u>	<u><u>294 137</u></u>
Additional information				
Acquisition of mining properties and exploration costs included in accounts payable and accrued liabilities	427 317	-	427 317	-

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

June 30, 2005

(expressed in Canadian dollars)

1 Interim financial information

The financial information as at June 30, 2005 and for the six-month periods ended June 30, 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 acquired and liabilities assumed 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 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.

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Notes to Interim Consolidated Financial Statements

June 30, 2005

(expressed in Canadian dollars)

4 Amounts receivable

	June 30, 2005 \$ (unaudited)	December 31, 2004 \$
Interest receivable	13 560	-
Commodity taxes receivable (GST and QST)	263 248	92 516
Credit on duties refundable for loss	90 066	90 066
Refundable tax credit for resources	4 596	4 596
	<u>371 470</u>	<u>187 178</u>

5 Mining properties

June 30, 2005

	Undivided interest %	Balance as at January, 1 2005 \$	Costs incurred \$ (unaudited)	Mining properties abandoned \$ (unaudited)	Balance as at June 30, 2005 \$ (unaudited)
Manicouagan (3 281 claims)					
Mining property (Manic 3 281 claims)	100	128 288	24 472	-	152 760
Mining property (Charlevoix)	100	1 848	-	(1 848)	-
Exploration costs		816 708	1 717 676	-	2 534 384
		<u>946 844</u>	<u>1 742 148</u>	<u>(1 848)</u>	<u>2 687 144</u>
Baie du Nord (0 claim)					
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>1 747 773</u>	<u>(197 127)</u>	<u>2 687 144</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.

(An exploration company)

Notes to Interim Consolidated Financial Statements**June 30, 2005**

(expressed in Canadian dollars)

Detailed analysis of deferred exploration costs

	For the six- month period ended June 30, 2005 \$ (unaudited)	For the year ended December 31, 2004 \$
Balance - Beginning of period	1 136 498	795 453
Cost of claims	29 472	133 533
Camp (construction and maintenance)	222 066	32 250
Mobilization / demobilization of personnel and equipment	71 043	51 839
Drilling	-	31 143
Geophysics	1 261 242	-
Consultants	74 211	62 243
Fuel	59 328	18 095
Line Cutting	1 085	1 589
Various materials	26 873	15 269
Communications	2 453	704
Tax credits	-	(5 620)
Mining properties abandoned	(197 127)	-
Balance - End of period	<u>2 687 144</u>	<u>1 136 498</u>

6 Accounts payable and accrued liabilities

	June 30, 2005 \$ (unaudited)	December 31, 2004 \$
Related parties (note 12)	14 412	27 772
Tax payable on flow-through shares	48 327	8 695
Other payables	511 678	336 626
	<u>574 417</u>	<u>373 093</u>

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements

June 30, 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 six-month period ended June 30, 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	-	(850 674)	-	(2 275 593)
Balance - End of period	<u>74 752 000</u>	<u>8 908 223</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.

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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).

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 six-month period ended June 30, 2005:

	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable - Beginning of period	2 900 000	240 724	0,29
Granted	2 250 000	291 654	0,30
Exercised	(125 000)	-	0,20
Outstanding and exercisable - End of period	5 025 000	532 378	0,30

MANICOUAGAN MINERALS INC.

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(expressed in Canadian dollars)

The following table summarizes information about outstanding and exercisable stock options as at June, 30, 2005:

	Exercise price \$	Number	Weighted average remaining contractual life (years)	Weighted average exercise price \$
Directors and officers	0,20	125 000	1.70 years	0,20
Directors and officers	0,30	4 625 000	4.46 years	0,30
Employee	0,30	50 000	4.55 years	0,30
Consultant	0,30	225 000	4.98 years	0,30
		<u>5 025 000</u>		

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

Risk-free interest rate	3.69%
Expected volatility	70%
Dividend yield	Nil
Expected life of each option granted	48 months
Weighted average fair value on the granting date	\$0,1296

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.

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements

June 30, 2005

(expressed in Canadian dollars)

9 Warrants

The following table summarizes the variation of warrants granted during the six-month period ended June 30, 2005:

	Number	Carrying value \$	Weighted average exercise price \$
Outstanding 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
Outstanding and exercisable - End of period	<u>17 177 719</u>	<u>1 568 968</u>	<u>0,25</u>

The following table summarizes information about outstanding and exercisable warrants as at June 30, 2005:

Exercise price	Number	Weighted average remaining contractual life (years)
\$0,20	2 106 160	1.482 years
\$0,25	14 764 500	1.482 years
\$0,48	<u>307 059</u>	0.482 year
	<u>17 177 719</u>	

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

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements

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(expressed in Canadian dollars)

10 Net loss per share

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Basic and diluted weighted average number of shares outstanding	74 752 000	26 023 235	66 999 652	26 023 235

For the three-month and six-month periods ended June 30, 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.

However, should the company's basic earnings per share have been positive, the stocks options exercisable at an exercise price of \$0.20 would have been dilutive and would have resulted in the addition respectively of 0 share and 17,704 shares for the three-month and six-month periods ended June 30, 2005 (none in 2004); furthermore, the warrants exercisable at an exercise of \$0.20 would have been dilutive and would have resulted in the addition respectively of 0 share and 295 387 shares for the three-month and six-month periods ended June 30, 2005 (none in 2004) to the weighted average number of shares outstanding used in the diluted earnings per share calculation.

11 Net change in non-cash working capital items

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amounts receivable	(187 304)	(12 321)	(184 292)	(9 375)
Prepaid expenses	2 144	24 978	(37 464)	(818)
Accounts payable and accrued liabilities	131 245	20 889	(113 155)	84 541
	(53 915)	33 546	(334 911)	74 348

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(expressed in Canadian dollars)

12 Related party transactions

The company entered into the following transactions with companies controlled by directors and/or officers:

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Exploration costs	25 200	-	43 562	-
Management fees	26 800	-	43 400	-
Travelling	6 031	4 680	10 957	4 680
Professional fees	-	1 794	-	3 931
Rent	-	1 800	-	3 600
Telecommunications	970	1 938	2 438	2 274
Office expenses	622	692	1 805	1 479
	<u>59 623</u>	<u>10 904</u>	<u>102 162</u>	<u>15 964</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.