

MANICOUAGAN MINERALS INC.
(An exploration company)
Interim Consolidated Financial Statements
September 30, 2005

MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Consolidated Balance Sheet

(expressed in Canadian dollars)

	September 30, 2005	December 31, 2004
	\$	\$
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	3,262,593	1,974,377
Exploration funds (note 3)	1,544,107	2,807,000
Amounts receivable (note 4)	1,402,424	187,178
Prepaid expenses	104,402	6,979
	<u>6,313,526</u>	<u>4,975,534</u>
Mining properties (note 5)	3,447,326	1,136,498
Property, plant and equipment (less accumulated depreciation of \$1,146; \$709 in 2004)	2,535	1,041
	<u>9,763,387</u>	<u>6,113,073</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	632,994	373,093
Long term liabilities		
Future income taxes	1,289,226	1,176,004
	<u>1,922,220</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	(3,225,966)	(2,411,233)
	<u>7,841,167</u>	<u>4,563,976</u>
	<u>9,763,387</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 September 30,		For the nine-month period ended September 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance - Beginning of period	3,140,229	2,087,379	2,411,233	2,019,252
Net loss (net profit) for the period	85,737	(57,008)	814,733	11,119
Balance - End of period	<u>3,225,966</u>	<u>2,030,371</u>	<u>3,225,966</u>	<u>2,030,371</u>

Interim Consolidated Statements of Contributed Surplus

(expressed in Canadian dollars)

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance - Beginning of period	57,564	-	45,186	-
Warrants matured or cancelled during the period (note 9)	-	-	12,378	-
Balance - End of period	<u>57,564</u>	<u>-</u>	<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 September 30,		For the nine-month period ended September 30,	
	2005 \$ (unaudited)	2004 \$ (unaudited)	2005 \$ (unaudited)	2004 \$ (unaudited)
Interest income	35,836	8	108,588	14
Expenses				
Management fees	51,150	-	144,050	-
Professional fees	73,373	(61,360)	200,411	10,494
Salary and benefits	16,861	-	43,968	-
Stock-based compensation costs				
Directors, officers and employee	-	-	278,851	-
Consultant	-	-	12,803	-
Tax on flow-through shares	3,417	5,871	51,744	9,226
Regulatory and transfer agent fees	2,329	-	25,506	-
Shareholder information	3,210	-	20,818	-
Insurance	7,017	-	9,356	-
Rent	2,250	1,800	6,450	5,400
Travelling and promotion	12,972	-	29,265	4,680
Telecommunications	2,116	559	6,262	2,833
Office expenses	2,032	1,108	10,945	2,820
Depreciation of property, plant and equipment	165	112	437	336
Bank charges	721	(495)	1,965	2,935
Cost of mining properties abandoned	-	-	197,127	-
	<u>177,613</u>	<u>(52,405)</u>	<u>1,039,958</u>	<u>38,724</u>
Loss (profit) before income taxes	<u>141,777</u>	<u>(52,413)</u>	<u>931,370</u>	<u>38,710</u>
Income taxes				
Current	-	(15,232)	-	24,844
Future	(56,040)	10,637	(116,637)	(52,435)
	<u>(56,040)</u>	<u>(4,595)</u>	<u>(116,637)</u>	<u>(27,591)</u>
Net loss (net profit) for the period	<u>85,737</u>	<u>(57,008)</u>	<u>814,733</u>	<u>11,119</u>
Basic and diluted net loss (net profit) per share (note 10)	<u>0.0011</u>	<u>(0.0022)</u>	<u>0.0117</u>	<u>0.0004</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 September 30,		For the nine-month period ended September 30,	
	2005 \$ (unaudited)	2004 \$ (unaudited)	2005 \$ (unaudited)	2004 \$ (unaudited)
Cash flows from operating activities				
Net profit (net loss) for the period	(85,737)	57,008	(814,733)	(11,119)
Items not affecting cash and cash equivalents				
Depreciation of property, plant and equipment	165	112	437	336
Stock-based compensation costs				
Directors, officers and employee	-	-	278,851	-
Consultant	-	-	12,803	-
Future income taxes	(56,040)	10,637	(116,637)	(52,435)
Cost of mining properties abandoned	-	-	197,127	-
	<u>(141,612)</u>	<u>67,757</u>	<u>(442,152)</u>	<u>(63,218)</u>
Net change in non-cash working capital items (note 11)	<u>(227,977)</u>	<u>(91,739)</u>	<u>(562,888)</u>	<u>(17,391)</u>
	<u>(369,589)</u>	<u>(23,982)</u>	<u>(1,005,040)</u>	<u>(80,609)</u>
Cash flows from financing activities				
Issuance of shares and warrants	-	-	4,525,000	-
Share issue expenses	-	-	(590,453)	(6,000)
	<u>-</u>	<u>-</u>	<u>3,934,547</u>	<u>(6,000)</u>
Cash flows from investing activities				
Variation in exploration funds	1,671,909	36,424	1,262,893	94,838
Acquisition of mining properties and exploration costs	(1,680,669)	(104,987)	(3,018,381)	(214,617)
Tax credits received relating to exploration costs applied against mining properties	116,128	-	116,128	386,385
Additions of property, plant and equipment	-	-	(1,931)	-
	<u>107,368</u>	<u>(68,563)</u>	<u>(1,641,291)</u>	<u>266,606</u>
Net change in cash and cash equivalents	<u>(262,221)</u>	<u>(92,545)</u>	<u>1,288,216</u>	<u>179,997</u>
Cash and cash equivalents - Beginning of period	<u>3,524,814</u>	<u>294,137</u>	<u>1,974,377</u>	<u>21,595</u>
Cash and cash equivalents - End of period	<u><u>3,262,593</u></u>	<u><u>201,592</u></u>	<u><u>3,262,593</u></u>	<u><u>201,592</u></u>
Additional information				
Acquisition of mining properties and exploration costs included in accounts payable and accrued liabilities	482,752	55,606	482,752	55,606
Acquisition of deferred acquisition costs included in accounts payable	-	198,000	-	198,000
Tax credits related to exploration costs applied against mining properties	975,922	-	975,922	-
Future income taxes accounted for as share issue expenses	-	-	229,859	-
Fair value of the warrants accounted for as share issue expenses	-	-	125,944	-

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

September 30, 2005

(expressed in Canadian dollars)

1 Interim financial information

The financial information as at September 30, 2005 and for the nine-month periods ended September 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.

(An exploration company)

Notes to Interim Consolidated Financial Statements

September 30, 2005

(expressed in Canadian dollars)

4 Amounts receivable

	September 30, 2005	December 31, 2004
	\$	\$
	(unaudited)	
Interest receivable	9,185	-
Commodity taxes receivable (GST and QST)	438,783	92,516
Credit on duties refundable for loss	174,780	90,066
Refundable tax credit for resources	779,676	4,596
	<u>1,402,424</u>	<u>187,178</u>

5 Mining properties

September 30, 2005

	Undivided interest %	Balance as at January, 1 2005 \$	Costs incurred \$ (unaudited)	Mining properties abandoned and tax credits \$ (unaudited)	Balance as at September 30, 2005 \$ (unaudited)
Manicouagan (3 468 claims)					
Mining property (Manic 3 468 claims)	100	128,288	33,232	-	161,520
Mining property (Charlevoix)	0	1,848	-	(1,848)	-
Exploration costs		816,708	3,445,020	(975,922)	3,285,806
		<u>946,844</u>	<u>3,478,252</u>	<u>(977,770)</u>	<u>3,447,326</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>3,483,877</u>	<u>(1,173,049)</u>	<u>3,447,326</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**September 30, 2005**

(expressed in Canadian dollars)

Detailed analysis of deferred exploration costs

	For the nine- month period ended September 30, 2005 \$ (unaudited)	For the year ended December 31, 2004 \$
Balance - Beginning of period	1,136,498	795,453
Cost of claims	38,232	133,533
Camp (construction and maintenance)	424,151	32,250
Mobilization / demobilization of personnel and equipment	471,879	51,839
Drilling	596,427	31,143
Geophysics	1,426,367	-
Analyses	1,078	2,858
Consultants	175,288	62,243
Fuel	190,842	18,095
Line Cutting	58,657	1,589
Various materials	77,688	12,411
Environment	8,863	-
Communications	14,405	704
Tax credits	(975,922)	(5,620)
Mining properties abandoned	(197,127)	-
Balance - End of period	<u>3,447,326</u>	<u>1,136,498</u>

6 Accounts payable and accrued liabilities

	September 30, 2005 \$ (unaudited)	December 31, 2004 \$
Related parties (note 12)	20,261	27,772
Tax payable on flow-through shares	51,744	8,695
Other payables	560,989	336,626
	<u>632,994</u>	<u>373,093</u>

MANICOUAGAN MINERALS INC.

(An exploration company)

Notes to Interim Consolidated Financial Statements

September 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 nine-month period ended September 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.

MANICOUAGAN MINERALS INC.

(An exploration company)

Notes to Interim Consolidated Financial Statements

September 30, 2005

(expressed in Canadian dollars)

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 nine-month period ended September 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.

(An exploration company)

Notes to Interim Consolidated Financial Statements

September 30, 2005

(expressed in Canadian dollars)

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

	Exercise price \$	Number	Weighted average remaining contractual life (years)	Weighted average exercise price \$
Directors and officers	0.20	125,000	1.45 years	0.20
Directors and officers	0.30	4,625,000	4.21 years	0.30
Employee	0.30	50,000	4.29 years	0.30
Consultant	0.30	225,000	4.72 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.

(An exploration company)

Notes to Interim Consolidated Financial Statements

September 30, 2005

(expressed in Canadian dollars)

9 Warrants

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

Exercise price	Number	Weighted average remaining contractual life (years)
\$0.20	2,106,160	1.23 years
\$0.25	14,764,500	1.23 years
\$0.48	<u>307,059</u>	0.23 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.

(An exploration company)

Notes to Interim Consolidated Financial Statements

September 30, 2005

(expressed in Canadian dollars)

10 Net loss per share

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Basic and diluted weighted average number of shares outstanding	74,752,000	26,023,235	69,612,165	26,023,235

For the three-month and nine-month periods ended September 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 periods 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 9,793 shares for the three-month and nine-month periods ended September 30, 2005 (none in 2004); furthermore, the warrants exercisable at an exercise price of \$0.20 would have been dilutive and would have resulted in the addition respectively of 0 share and 163,931 shares for the three-month and nine-month periods ended September 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 September 30,		For the nine-month period ended September 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Amounts receivable	(171,160)	(22,597)	(355,452)	(31,972)
Prepaid expenses	(59,959)	(13,851)	(97,423)	(14,669)
Accounts payable and accrued liabilities	3,142	(55,291)	(110,013)	29,250
	(227,977)	(91,739)	(562,888)	(17,391)

MANICOUAGAN MINERALS INC.

(An exploration company)

Notes to Interim Consolidated Financial Statements

September 30, 2005

(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 September 30,		For the nine-month period ended September 30,	
	2005	2004	2005	2004
	\$	\$	\$	\$
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Exploration costs	28,316	-	71,878	-
Management fees	32,400	-	75,800	-
Travelling and promotion	1,456	-	12,413	4,680
Professional fees	-	1,537	-	5,468
Rent	-	1,800	-	5,400
Telecommunications	1,302	559	3,740	2,833
Office expenses	386	285	2,191	1,764
	<u>63,860</u>	<u>4,181</u>	<u>166,022</u>	<u>20,145</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.