

**MANICOUAGAN MINERALS INC.**  
**(An exploration company)**  
**Interim Consolidated Financial Statements**  
**March 31, 2006**

**MANICOUAGAN MINERALS INC.**

(An exploration company)

**Interim Consolidated Balance Sheet**

(expressed in Canadian dollars)

	<b>As at March 31,</b>	<b>As at December 31,</b>
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	3,926,614	4,667,799
Amounts receivable (note 5)	1,564,063	1,378,788
Prepaid expenses	110,332	111,849
	<hr/>	<hr/>
	5,601,009	6,158,436
<b>Mineral properties</b> (note 6)	5,068,211	4,432,659
<b>Property, plant and equipment</b> (less accumulated depreciation of \$1,489; \$1,311 in 2005)	2,192	2,370
	<hr/>	<hr/>
	10,671,412	10,593,465
	<hr/>	<hr/>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	511,231	260,779
<b>Long term liabilities</b>		
Future income taxes	1,567,714	1,567,714
	<hr/>	<hr/>
	2,078,945	1,828,493
	<hr/>	<hr/>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (note 8)	9,878,696	9,878,696
<b>Stock options</b> (note 9)	585,852	550,618
<b>Warrants</b> (note 10)	1,624,026	1,624,026
<b>Contributed surplus</b>	63,006	63,006
<b>Deficit</b>	(3,559,113)	(3,351,374)
	<hr/>	<hr/>
	8,592,467	8,764,972
	<hr/>	<hr/>
	10,671,412	10,593,465
	<hr/>	<hr/>
<b>Going concern</b> (note 2)		

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

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**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)

	<b>For the three-month period ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	(unaudited)
<b>Balance - Beginning of period</b>	3,351,374	2,411,233
Net loss for the period	207,739	547,743
<b>Balance - End of period</b>	<b>3,559,113</b>	<b>2,958,976</b>

**Interim Consolidated Statements of Contributed Surplus**

(expressed in Canadian dollars)

	<b>For the three-month period ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	(unaudited)
<b>Balance - Beginning of period</b>	63,006	45,186
Warrants matured or cancelled during the period	-	12,378
<b>Balance - End of period</b>	<b>63,006</b>	<b>57,564</b>

**MANICOUAGAN MINERALS INC.**

(An exploration company)

**Interim Consolidated Statements of Earnings**

(expressed in Canadian dollars)

	<b>For the three-month period ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Interest income</b>	<u>34,553</u>	<u>26,751</u>
<b>Expenses</b>		
Management fees	51,231	11,600
Professional fees	46,559	66,647
Salary and employee benefits	18,088	12,682
Stock-based compensation costs	35,234	278,851
Tax on flow-through shares	18,956	27,734
Regulatory and transfer agent fees	14,902	14,447
Shareholder information	5,666	7,833
Insurance	7,017	-
Rent	2,250	1,950
Travelling and promotion	26,493	8,855
Telecommunications	1,867	2,494
Office expenses	2,595	3,881
Depreciation of property, plant and equipment	178	107
Bank charges	722	883
Cost of mineral properties abandoned	<u>10,534</u>	<u>197,127</u>
	<u>242,292</u>	<u>635,091</u>
<b>Loss before income taxes</b>	<u>(207,739)</u>	<u>(608,340)</u>
<b>Future income taxes</b>	<u>-</u>	<u>(60,597)</u>
<b>Net loss for the period</b>	<u>(207,739)</u>	<u>(547,743)</u>
<b>Basic and diluted net loss per share (note 14)</b>	<u>(0.00)</u>	<u>(0.01)</u>

**MANICOUAGAN MINERALS INC.**

(An exploration company)

**Interim Consolidated Statements of Cash Flows**

(expressed in Canadian dollars)

	<b>For the three-month period ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Cash flows from operating activities</b>		
Net loss for the period	(207,739)	(547,743)
Items not affecting cash and cash equivalents		
Depreciation of property, plant and equipment	178	107
Stock-based compensation costs	35,234	278,851
Future income taxes	-	(60,597)
Cost of mineral properties abandoned	10,534	197,127
	(161,793)	(132,255)
Net change in non-cash working capital items (note 11)	102,619	(280,996)
	(59,174)	(413,251)
<b>Cash flows from financing activities</b>		
Issuance of shares and warrants	-	4,525,000
Share issue expenses	-	(383,640)
	-	4,141,360
<b>Cash flows from investing activities</b>		
Acquisition of mineral properties and exploration costs	(682,011)	(209,418)
Additions to property, plant and equipment	-	(1,931)
	(682,011)	(211,349)
<b>Net change in cash and cash equivalents</b>	(741,185)	3,516,760
<b>Cash and cash equivalents - Beginning of period</b>	4,667,799	4,781,377
<b>Cash and cash equivalents - End of period</b>	3,926,614	8,298,137
<b>Additional information</b>		
Acquisition of mineral properties and exploration costs included in accounts payable and accrued liabilities	340,166	173,461
Share issue expenses included in accounts payable and accrued liabilities	-	147,074
Tax credits related to exploration costs applied against mineral properties	224,631	-
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.

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# MANICOUAGAN MINERALS INC.

(An exploration company)

## Notes to Interim Consolidated Financial Statements

March 31, 2006

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(expressed in Canadian dollars)

### 1 Nature of operations

The company was incorporated under the *Canada Business Corporations Act* on July 25, 2001. On November 19, 2004, the company changed its corporate name from Gyzer Capital Inc. to Manicouagan Minerals Inc. The principal activities of the company comprise the acquisition and exploration of mineral properties.

### 2 Going concern

These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. The use of generally accepted accounting principles applicable to a going concern can be inappropriate because there is significant doubt about the appropriateness of the assumption.

These interim consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used, that would be necessary were the going concern assumption inappropriate, and such adjustments could be material. Management did not make these adjustments because it believes in the going concern assumption.

The company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties. The company will periodically have to raise additional funds to continue operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Although the company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

### 3 Interim financial information

The financial information as at March 31, 2006 and for the three-month periods ended March 31, 2006 and 2005 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.

# MANICOUAGAN MINERALS INC.

(An exploration company)

## Notes to Interim Consolidated Financial Statements

March 31, 2006

(expressed in Canadian dollars)

### 4 Cash and cash equivalents

	<u>As at March 31,</u>	<u>As at December 31,</u>
	<b>2006</b>	<b>2005</b>
	\$	\$
	(unaudited)	
Cash and cash equivalents	1,626,991	1,536,411
Exploration funds	2,299,623	3,131,388
	<u>3,926,614</u>	<u>4,667,799</u>

Exploration funds are composed of cash 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 mineral properties.

### 5 Amounts receivable

	<u>As at March 31,</u>	<u>As at December 31,</u>
	<b>2006</b>	<b>2005</b>
	\$	\$
	(unaudited)	
Interest receivable	5,283	7,919
Commodity taxes receivable (GST and QST)	150,064	186,784
Credit on duties refundable for losses	257,566	216,629
Refundable tax credit for resources	1,151,150	967,456
	<u>1,564,063</u>	<u>1,378,788</u>

**MANICOUAGAN MINERALS INC.**

(An exploration company)

**Notes to Interim Consolidated Financial Statements****March 31, 2006**

(expressed in Canadian dollars)

**6 Mineral properties****March 31, 2006**

	Undivided interest %	Balance as at January 1, 2006 \$	Costs incurred \$ (unaudited)	Mineral properties abandoned \$ (unaudited)	Tax credits \$ (unaudited)	Balance as at March 31, 2006 \$ (unaudited)
<b>Manicouagan (3,247 claims)</b>						
Mineral property	100	164,976		(10,534)	-	154,442
Exploration costs		4,267,683	870,717	-	(224,631)	4,913,769
		4,432,659	870,717	(10,534)	(224,631)	5,068,211

**December 31, 2005**

	Undivided interest %	Balance as at January, 1 2005 \$	Costs incurred \$	Mineral properties abandoned \$	Tax credits \$	Balance as at December 31, 2005 \$
<b>Manicouagan (3,476 claims)</b>						
Mineral property (Manic 3,476 claims)	100	128,288	36,688	-	-	164,976
Mineral property (Charlevoix 0 claims)	0	1,848	-	(1,848)	-	-
Exploration costs		816,708	4,656,526	-	(1,205,551)	4,267,683
		946,844	4,693,214	(1,848)	(1,205,551)	4,432,659
<b>Baie du Nord (0 claims)</b>						
Mineral property	0	10,874	5,000	(15,874)	-	-
Exploration costs		178,780	625	(179,405)	-	-
		189,654	5,625	(195,279)	-	-
		1,136,498	4,698,839	(197,127)	(1,205,551)	4,432,659

**MANICOUAGAN MINERALS INC.**

(An exploration company)

**Notes to Interim Consolidated Financial Statements****March 31, 2006**

(expressed in Canadian dollars)

**Detailed analysis of deferred exploration costs**

	<b>For the three- month period ended March 31,</b>	<b>For the year ended December 31,</b>
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	
Balance - Beginning of period	4,432,659	1,136,498
Cost of claims	-	41,688
Camp (construction and maintenance)	199,683	578,542
Mobilization / demobilization of personnel and equipment	154,262	662,405
Drilling	280,677	1,144,215
Geophysics	55,821	1,535,747
Analyses	2,551	2,935
Consultants	62,791	270,193
Fuel	77,815	257,744
Line cutting	8,536	58,657
Various materials	21,603	109,055
Environment	-	13,569
Communications	6,978	24,089
Tax credits	(224,631)	(1,205,551)
Mineral properties abandoned	(10,534)	(197,127)
Balance - End of period	<u>5,068,211</u>	<u>4,432,659</u>

**7 Accounts payable and accrued liabilities**

	<b>As at March 31,</b>	<b>As at December 31,</b>
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
	(unaudited)	
Related parties (note 12)	39,060	19,081
Tax payable on flow-through shares	18,956	-
Other payables	453,215	241,698
	<u>511,231</u>	<u>260,779</u>

# MANICOUAGAN MINERALS INC.

(An exploration company)

## Notes to Interim Consolidated Financial Statements

March 31, 2006

(expressed in Canadian dollars)

### 8 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, 2006		For the year ended December 31, 2005	
	Number	Stated value \$	Number	Stated value \$
	(unaudited)	(unaudited)		
Balance - Beginning of period	84,752,000	9,878,696	53,827,000	5,957,503
Flow-through financing	-	-	16,800,000	3,200,000
Non flow-through financing*	-	-	12,500,000	1,820,000
Exercise of stock options	-	-	125,000	25,000
Exercise of warrants	-	-	1,500,000	256,394
	84,752,000	9,878,696	84,752,000	11,258,897
Share issue expenses	-	-	-	(1,380,201)
Balance - End of period	84,752,000	9,878,696	84,752,000	9,878,696

\*Non flow-through financing is presented net of the fair value of the related warrants totalling \$680,000 in 2005, which has been determined using the Black-Scholes model (note 10).

### 9 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 generally vest upon granting with some exception.

**MANICOUAGAN MINERALS INC.**

(An exploration company)

**Notes to Interim Consolidated Financial Statements****March 31, 2006**

(expressed in Canadian dollars)

The following table summarizes information about outstanding and exercisable stock options recorded under Shareholders' Equity during the periods ended March 31, 2006 and December 31, 2005:

	For the three-month period ended March 31, 2006			For the year ended December 31, 2005		
	Number (unaudited)	Carrying value \$ (unaudited)	Weighted average exercise price \$ (unaudited)	Number	Carrying value \$	Weighted average exercise price \$
Outstanding - Beginning of period	5,225,000	550,618	0.29	2,900,000	240,724	0.29
Adjustment to options granted in 2005	-	34,214	-	-	-	-
Granted	750,000	1,020	0.10	2,450,000	309,894	0.29
Exercised	-	-	-	(125,000)	-	0.20
Outstanding - End of period	5,975,000	585,852	0.27	5,225,000	550,618	0.29
Exercisable - End of period	5,225,000	584,832	0.29	5,225,000	550,618	0.29

On March 6, 2006, the company granted 750,000 stock options at an exercise price of \$0.10 per share. These options will generate aggregate stock-based compensation cost of \$36,825. This cost will be amortized on a straight-line basis over their vesting period, being 36 months.

The following table summarizes information about outstanding and exercisable stock options as at March 31, 2006:

	Options outstanding			
	Exercise price \$	Number (unaudited)	Weighted average remaining contractual life (years) (unaudited)	Weighted average exercise price \$ (unaudited)
Directors and officers	0.10	750,000	2.93	0.10
Directors and officers	0.20	325,000	3.22	0.20
Directors and officers	0.30	4,625,000	3.71	0.30
Employee	0.30	50,000	3.79	0.30
Consultant	0.30	225,000	4.22	0.30
		<u>5,975,000</u>		

**MANICOUAGAN MINERALS INC.**

(An exploration company)

**Notes to Interim Consolidated Financial Statements****March 31, 2006**

(expressed in Canadian dollars)

<b>Options currently exercisable</b>				
	<b>Exercise price</b>	<b>Number</b>	<b>Weighted average remaining contractual life</b>	<b>Weighted average exercise price</b>
	\$	(unaudited)	(years) (unaudited)	\$ (unaudited)
Directors and officers	0.20	325,000	3.22	0.20
Directors and officers	0.30	4,625,000	3.71	0.30
Employee	0.30	50,000	3.79	0.30
Consultant	0.30	225,000	4.22	0.30
		<u>5,225,000</u>		

The fair value of options granted during the periods ended March 31, 2006 and December 31, 2005 was estimated using the Black-Scholes model with the following weighted average assumptions:

	<b>2006</b>	<b>2005</b>
Risk-free interest rate	4.00%	3.70%
Expected volatility	70%	70%
Dividend yield	Nil	Nil
Weighted average life	36 months	60 months
Weighted average fair value on the granting date	\$0.0491	\$0.1405

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****March 31, 2006**

(expressed in Canadian dollars)

**10 Warrants**

The following table summarizes the variation of warrants recorded under Shareholders' Equity during the periods ended March 31, 2006 and December 31, 2005:

	For the three-month period ended March 31, 2006			For the year ended December 31, 2005		
	Number (unaudited)	Carrying value \$ (unaudited)	Weighted average exercise price \$ (unaudited)	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable - Beginning of period	17,870,660	1,624,026	0.24	11,132,569	731,796	0.24
Granted pursuant to private placement	-	-	-	6,250,000	680,000	0.25
Granted following the exercise of an over-allotment option	-	-	-	750,000	78,000	0.25
Granted as compensation to the agents	-	-	-	2,085,000	186,444	0.20
Exercised	-	-	-	(1,500,000)	(34,394)	0.20
Matured or cancelled	-	-	-	(846,909)	(17,820)	0.30
Outstanding and exercisable - End of period	17,870,660	1,624,026	0.24	17,870,660	1,624,026	0.24

The following table summarizes information about outstanding and exercisable warrants as at March 31, 2006:

Exercise price	Number (unaudited)	Weighted average remaining contractual life (years) (unaudited)
\$0.15	1,000,000	1.73
\$0.20	2,106,160	0.73
\$0.25	14,764,500	0.73
	<u>17,870,660</u>	

## MANICOUAGAN MINERALS INC.

(An exploration company)

### Notes to Interim Consolidated Financial Statements

March 31, 2006

(expressed in Canadian dollars)

The fair value of warrants granted during the year ended December 31, 2005 was estimated using the Black-Scholes model with the following weighted average assumptions:

	<u>2005</u>
Risk-free interest rate	3.17%
Expected volatility	70%
Dividend yield	Nil
Weighted average expected life	22 months
Weighted average fair value on the granting date	\$0.1030

#### 11 Net change in non-cash working capital items

	<u>For the three-month period ended March 31,</u>	
	<u>2006</u>	<u>2005</u>
	\$	\$
	(unaudited)	(unaudited)
Amounts receivable	39,356	3,012
Prepaid expenses	1,517	(39,608)
Accounts payable and accrued liabilities	61,746	(244,400)
	<u>102,619</u>	<u>(280,996)</u>

#### 12 Related party transactions

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

	<u>For the three-month period ended March 31,</u>	
	<u>2006</u>	<u>2005</u>
	\$	\$
	(unaudited)	(unaudited)
Exploration costs	11,800	17,400
Management fees	21,000	2,800
	<u>32,800</u>	<u>20,200</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.

# MANICOUAGAN MINERALS INC.

(An exploration company)

## Notes to Interim Consolidated Financial Statements

March 31, 2006

(expressed in Canadian dollars)

### 13 Commitment

On February 10, 2005, the company entered into an office lease, which expires on February 28, 2007. The company's aggregate minimum commitment under this lease amounts to \$10,500. The minimum annual instalments under this lease amount to \$9,000 in 2006 and \$1,500 in 2007. This lease is renewable following a three-month notice prior to its expiry date.

### 14 Net loss per share

	<b>For the three-month period ended March 31,</b>	
	<b>2006</b>	<b>2005</b>
	(unaudited)	(unaudited)
Basic and diluted weighted average number of shares outstanding	84,752,000	59,161,167

For the three-month periods ended March 31, 2006 and 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 stock options exercisable at an exercise price lower than \$0.145 for 2006 and \$0.264 for 2005 would have been dilutive and would have resulted in the addition respectively of 64,655 shares and 30,303 shares for the three-month periods ended March 31, 2006 and 2005; furthermore, the warrants exercisable at an exercise price lower than \$0.145 for 2006 and \$0.264 for 2005 would have been dilutive and would have resulted in the addition respectively of nil share and 972,242 shares for the three-month periods ended March 31, 2006 and 2005 to the weighted average number of shares outstanding used in the diluted earnings per share calculation.

### 15 Subsequent event

#### Acquisition of mineral property - Mouchalagane

On April 18, 2006, the company announced the acquisition of 58 map designated claims covering an area of 30 km<sup>2</sup> approximately 300 km north of Baie Comeau, Quebec. The claims are located some 100 km northwest of the company's exploration camp at the Manicouagan meteorite impact crater and are known as the Mouchalagane Property.

The company will acquire a 100% interest in the property by issuing 300,000 of its common shares to the vendor. In the event of production from the property, the vendor will receive a 2% net smelter return royalty. However, three quarters of this royalty can be purchased from the vendor for \$1.0 million within six months from the date that a production decision is announced.

### 16 Comparative figures

Certain comparative figures have been reclassified in order to conform with the current period presentation.