

**MANICOUAGAN MINERALS INC.**  
**(An exploration company)**  
**Interim Consolidated Financial Statements**  
**June 30, 2006**

**MANICOUAGAN MINERALS INC.**

(An exploration company)

**Interim Consolidated Balance Sheets (unaudited)**

(expressed in Canadian dollars)

	<b>As at June 30,</b>	<b>As at December 31,</b>
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	2,346,599	4,667,799
Amounts receivable (note 5)	1,637,763	1,378,788
Prepaid expenses	176,903	111,849
	<hr/> 4,161,265	<hr/> 6,158,436
<b>Mineral properties</b> (note 6)	6,207,770	4,432,659
<b>Property, plant and equipment</b> (less accumulated depreciation of \$1,667 ; \$1,311 in 2005)	2,014	2,370
	<hr/> 10,371,049	<hr/> 10,593,465
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 7)	483,983	260,779
<b>Long term liabilities</b>		
Future income taxes	1,567,714	1,567,714
	<hr/> 2,051,697	<hr/> 1,828,493
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (note 8)	9,923,696	9,878,696
<b>Stock options</b> (note 9)	588,912	550,618
<b>Warrants</b> (note 10)	1,624,026	1,624,026
<b>Contributed surplus</b>	63,006	63,006
<b>Deficit</b>	(3,880,288)	(3,351,374)
	<hr/> 8,319,352	<hr/> 8,764,972
	<hr/> 10,371,049	<hr/> 10,593,465
<b>Going concern</b> (note 2)		
<b>Contingency</b> (note 14)		

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

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**Approved by the Board of Directors,***(signed) Joseph J. Baylis*

Joseph J. Baylis, Director

*(signed) Douglas A.C. Davis*

Douglas A.C. Davis, Director

**MANICOUAGAN MINERALS INC.**

(An exploration company)

**Interim Consolidated Statements of Deficit** (unaudited)

(expressed in Canadian dollars)

	<b>For the three-month period ended June 30,</b>		<b>For the six-month period ended June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance - Beginning of period</b>	3,559,113	2,958,976	3,351,374	2,411,233
Net loss for the period	321,175	181,253	528,914	728,996
<b>Balance - End of period</b>	<b>3,880,288</b>	<b>3,140,229</b>	<b>3,880,288</b>	<b>3,140,229</b>

**Interim Consolidated Statements of Contributed Surplus** (unaudited)

(expressed in Canadian dollars)

	<b>For the three-month period ended June 30,</b>		<b>For the six-month period ended June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance - Beginning of period</b>	63,006	57,564	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>	<b>63,006</b>	<b>57,564</b>

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

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**MANICOUAGAN MINERALS INC.**

(An exploration company)

**Interim Consolidated Statements of Earnings** (unaudited)

(expressed in Canadian dollars)

	<b>For the three-month period ended June 30,</b>		<b>For the six-month period ended June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Interest income</b>	26,736	46,001	61,289	72,752
<b>Expenses</b>				
Management fees	74,950	47,050	126,181	92,900
Professional fees	109,014	94,641	155,573	127,038
Salary and employee benefits	14,539	14,425	32,627	27,107
Stock-based compensation costs	3,060	12,803	38,294	291,654
Tax on flow-through shares	69,216	20,593	88,172	48,327
Regulatory and transfer agent fees	10,166	8,730	25,068	23,177
Shareholder information	13,857	9,775	19,523	17,608
Insurance	6,948	2,339	13,965	2,339
Rent	2,250	2,250	4,500	4,200
Travelling and promotion	19,187	7,438	45,680	16,293
Telecommunications	2,162	1,652	4,029	4,146
Office expenses	5,048	5,032	7,643	8,913
Depreciation of property, plant and equipment	178	165	356	272
Bank charges	546	361	1,268	1,244
Cost of mineral properties abandoned	16,790	-	27,324	197,127
	347,911	227,254	590,203	862,345
<b>Loss before income taxes</b>	(321,175)	(181,253)	(528,914)	(789,593)
<b>Future income taxes</b>	-	-	-	(60,597)
<b>Net loss for the period</b>	(321,175)	(181,253)	(528,914)	(728,996)
<b>Basic and diluted net loss per share</b> (note 15)	(0.00)	(0.00)	(0.01)	(0.01)

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

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**MANICOUAGAN MINERALS INC.**

(An exploration company)

**Interim Consolidated Statements of Cash Flows (unaudited)**

(expressed in Canadian dollars)

	<b>For the three-month period ended June 30,</b>		<b>For the six-month period ended June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>				
Net loss for the period	(321,175)	(181,253)	(528,914)	(728,996)
Items not affecting cash and cash equivalents				
Depreciation of property, plant and equipment	178	165	356	272
Stock-based compensation costs	3,060	12,803	38,294	291,654
Future income taxes	-	-	-	(60,597)
Cost of mineral properties abandoned	16,790	-	27,324	197,127
	<u>(301,147)</u>	<u>(168,285)</u>	<u>(462,940)</u>	<u>(300,540)</u>
Net change in non-cash working capital items (note 11)	<u>74,036</u>	<u>(53,915)</u>	<u>176,655</u>	<u>(334,911)</u>
	<u>(227,111)</u>	<u>(222,200)</u>	<u>(286,285)</u>	<u>(635,451)</u>
<b>Cash flows from financing activities</b>				
Issuance of shares and warrants	-	-	-	4,525,000
Share issue expenses	(36,870)	(206,813)	(36,870)	(590,453)
	<u>(36,870)</u>	<u>(206,813)</u>	<u>(36,870)</u>	<u>3,934,547</u>
<b>Cash flows from investing activities</b>				
Acquisition of mineral properties and exploration costs	(1,317,058)	(1,128,294)	(1,999,069)	(1,337,712)
Tax credits received relating to exploration costs applied against mineral properties	1,024	-	1,024	-
Additions to property, plant and equipment	-	-	-	(1,931)
	<u>(1,316,034)</u>	<u>(1,128,294)</u>	<u>(1,998,045)</u>	<u>(1,339,643)</u>
<b>Net change in cash and cash equivalents</b>	<u>(1,580,015)</u>	<u>(1,557,307)</u>	<u>(2,321,200)</u>	<u>1,959,453</u>
<b>Cash and cash equivalents - Beginning of period</b>	<u>3,926,614</u>	<u>8,298,137</u>	<u>4,667,799</u>	<u>4,781,377</u>
<b>Cash and cash equivalents - End of period</b>	<u>2,346,599</u>	<u>6,740,830</u>	<u>2,346,599</u>	<u>6,740,830</u>
<b>Additional information</b>				
Acquisition of mineral properties and exploration costs included in accounts payable and accrued liabilities	210,130	427,317	210,130	427,317
Acquisition of mineral property paid in shares	45,000	-	45,000	-
Tax credits related to exploration costs applied against mineral properties	75,673	-	300,304	-
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 (unaudited)

June 30, 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 unaudited 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 unaudited 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 June 30, 2006 and for the three-month and the six-month periods ended June 30, 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 unaudited 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 unaudited 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 (unaudited)

June 30, 2006

(expressed in Canadian dollars)

## 4 Cash and cash equivalents

	<u>As at June 30,</u>	<u>As at December 31,</u>
	<b>2006</b>	<b>2005</b>
	\$	\$
Cash and cash equivalents	1,002,282	1,536,411
Exploration funds	1,344,317	3,131,388
	<u>2,346,599</u>	<u>4,667,799</u>

Exploration funds are composed of cash and bankers' acceptances and represent the unexpended proceeds of flow-through 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 June 30,</u>	<u>As at December 31,</u>
	<b>2006</b>	<b>2005</b>
	\$	\$
Interest receivable	2,647	7,919
Commodity taxes receivable (GST and QST)	151,751	186,784
Credit on duties refundable for losses	269,198	216,629
Refundable tax credit for resources	1,214,167	967,456
	<u>1,637,763</u>	<u>1,378,788</u>

# MANICOUAGAN MINERALS INC.

(An exploration company)

Notes to Interim Consolidated Financial Statements (unaudited)

June 30, 2006

(expressed in Canadian dollars)

## 6 Mineral properties

June 30, 2006

	Undivided interest %	Balance as at January 1, 2006 \$	Costs incurred \$	Mineral properties abandoned \$	Tax credits \$	Balance as at June 30, 2006 \$
<b>Manicouagan (2,882 claims)</b>						
Mineral property	100	164,976	-	(27,324)	-	137,652
Exploration costs		4,267,683	1,621,073	-	(250,557)	5,638,199
		<u>4,432,659</u>	<u>1,621,073</u>	<u>(27,324)</u>	<u>(250,557)</u>	<u>5,775,851</u>
<b>Mouchalagane (58 claims)</b>						
Mineral property	100	-	45,754	-	-	45,754
Exploration costs		-	135,912	-	(49,747)	86,165
		<u>-</u>	<u>181,666</u>	<u>-</u>	<u>(49,747)</u>	<u>131,919</u>
<b>Brabant Lake (21 claims)</b>						
Mineral property	100	-	300,000	-	-	300,000
Exploration costs		-	-	-	-	-
		<u>-</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
		<u>4,432,659</u>	<u>2,102,739</u>	<u>(27,324)</u>	<u>(300,304)</u>	<u>6,207,770</u>

### Mouchalagane property

On April 18, 2006, the company acquired 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, three quarters of which can be purchased from the vendor for \$1.0 million within six months from the date that a production decision is announced.

The property consists 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.

### Brabant Lake property

On June 28, 2006, the company purchased a 100% interest in the property in return for a one time payment of \$300,000 to Longyear Canada, ULC. No other consideration is payable to the vendor and the property is not subject to any third party royalties.

The property consists of 21 contiguous claims covering an area of approximately 4.11 km<sup>2</sup> and is located immediately east of Highway 102 some 175 km from the all services community of La Ronge, Saskatchewan.

# MANICOUAGAN MINERALS INC.

(An exploration company)

Notes to Interim Consolidated Financial Statements (unaudited)

June 30, 2006

(expressed in Canadian dollars)

## 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 claim)	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 claim)</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

## Detailed analysis of deferred exploration costs

	For the six- month period ended June 30,	For the year ended December 31,
	2006 \$	2005 \$
Balance - Beginning of period	4,432,659	1,136,498
Cost of claims	345,754	41,688
Camp (construction and maintenance)	326,175	578,542
Mobilization / demobilization of personnel and equipment	354,424	662,405
Drilling	646,152	1,144,215
Geophysics	83,821	1,535,747
Analysis	5,772	2,935
Consultants	128,299	270,193
Fuel	117,255	257,744
Line cutting	44,002	58,657
Various materials	37,513	109,055
Environment	-	13,569
Communications	13,572	24,089
Tax credits	(300,304)	(1,205,551)
Mineral properties abandoned	(27,324)	(197,127)
Balance - End of period	6,207,770	4,432,659

**MANICOUAGAN MINERALS INC.**

(An exploration company)

**Notes to Interim Consolidated Financial Statements (unaudited)****June 30, 2006**

(expressed in Canadian dollars)

**7 Accounts payable and accrued liabilities**

	<b>As at June 30,</b>	<b>As at December 31,</b>
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Related parties (note 12)	38,334	19,081
Tax payable on flow-through shares	88,172	-
Other payables	357,477	241,698
	<b>483,983</b>	<b>260,779</b>

**8 Share capital**

Authorized

Unlimited number of common shares without par value

Variation of issued and fully paid share capital

	<b>For the six-month period ended June 30, 2006</b>		<b>For the year ended December 31, 2005</b>	
	<b>Number</b>	<b>Stated value \$</b>	<b>Number</b>	<b>Stated value \$</b>
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
Acquisition of a mineral property	300,000	45,000	-	-
	<b>85,052,000</b>	<b>9,923,696</b>	<b>84,752,000</b>	<b>11,258,897</b>
Share issue expenses	-	-	-	(1,380,201)
Balance - End of period	<b>85,052,000</b>	<b>9,923,696</b>	<b>84,752,000</b>	<b>9,878,696</b>

\*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).

# MANICOUAGAN MINERALS INC.

(An exploration company)

Notes to Interim Consolidated Financial Statements (unaudited)

June 30, 2006

(expressed in Canadian dollars)

## 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.

The following table summarizes information about outstanding and exercisable stock options recorded under Shareholders' Equity during the periods ended June 30, 2006 and December 31, 2005:

	For the six-month period ended June 30, 2006			For the year ended December 31, 2005		
	Number	Carrying value \$	Weighted average exercise price \$	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	4,080	0.10	2,450,000	309,894	0.29
Exercised	-	-	-	(125,000)	-	0.20
Outstanding - End of period	5,975,000	588,912	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.

**MANICOUAGAN MINERALS INC.**

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**Notes to Interim Consolidated Financial Statements (unaudited)****June 30, 2006**

(expressed in Canadian dollars)

The following table summarizes information about outstanding and exercisable stock options as at June 30, 2006:

	<b>Options outstanding</b>			
	<b>Exercise price</b>	<b>Number</b>	<b>Weighted average remaining contractual life</b>	<b>Weighted average exercise price</b>
	<b>\$</b>		<b>(years)</b>	<b>\$</b>
Directors and officers	0.10	750,000	2.68	0.10
Directors and officers	0.20	325,000	2.97	0.20
Directors and officers	0.30	3,825,000	3.46	0.30
Employee	0.30	50,000	3.55	0.30
Consultants	0.30	1,025,000	1.14	0.30
		<u>5,975,000</u>		

	<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>
	<b>\$</b>		<b>(years)</b>	<b>\$</b>
Directors and officers	0.20	325,000	2.97	0.20
Directors and officers	0.30	3,825,000	3.46	0.30
Employee	0.30	50,000	3.55	0.30
Consultants	0.30	1,025,000	1.14	0.30
		<u>5,225,000</u>		

# MANICOUAGAN MINERALS INC.

(An exploration company)

Notes to Interim Consolidated Financial Statements (unaudited)

June 30, 2006

(expressed in Canadian dollars)

The fair value of options granted during the periods ended June 30, 2006 and December 31, 2005 was estimated using the Black-Scholes model with the following weighted average assumptions:

	2006	2005
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.

## 10 Warrants

The following table summarizes the variation of warrants recorded under Shareholders' Equity during the periods ended June 30, 2006 and December 31, 2005:

	For the six-month period ended June 30, 2006			For the year ended December 31, 2005		
	Number	Carrying value \$	Weighted average exercise price \$	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

**MANICOUAGAN MINERALS INC.**

(An exploration company)

**Notes to Interim Consolidated Financial Statements (unaudited)****June 30, 2006**

(expressed in Canadian dollars)

The following table summarizes information about outstanding and exercisable warrants as at June 30, 2006:

<b>Exercise price</b>	<b>Number</b>	<b>Weighted average remaining contractual life (years)</b>
\$0.15	1,000,000	1.48
\$0.20	2,106,160	0.48
\$0.25	<u>14,764,500</u>	0.48
	<u>17,870,660</u>	

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 June 30,</u>		<u>For the six-month period ended June 30,</u>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	\$	\$	\$	\$
Amounts receivable	949	(187,304)	40,305	(184,292)
Prepaid expenses	(66,571)	2,144	(65,054)	(37,464)
Accounts payable and accrued liabilities	<u>139,658</u>	<u>131,245</u>	<u>201,404</u>	<u>(113,155)</u>
	<u>74,036</u>	<u>(53,915)</u>	<u>176,655</u>	<u>(334,911)</u>

## MANICOUAGAN MINERALS INC.

(An exploration company)

Notes to Interim Consolidated Financial Statements (unaudited)

June 30, 2006

(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,	
	2006	2005	2006	2005
	\$	\$	\$	\$
Exploration costs	7,800	25,200	19,600	42,600
Management fees	62,450	26,800	95,681	43,400
	70,250	52,000	115,281	86,000

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.

### 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 Contingency

Subsequent to the end of the second quarter, the federal income tax authorities have proposed adjustments primarily relating to the 2003 corporate tax return.

These adjustments relate to exploration expenses incurred in 2003 regarding the financing on December 31, 2002 and renounced that same date, on the basis that the Company had not incurred sufficient expenditures to support the renunciation.

Based upon management's opinion, \$54,000 was recorded as a contingent liability in the second quarter financial statements. Late filing or penalty charges relating to this matter, if any, may become a subject of further adjustment.

### 15 Net loss per share

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2006	2005	2006	2005
Basic and diluted weighted average number of shares outstanding	84,982,769	74,752,000	84,868,022	66,999,652

## **MANICOUAGAN MINERALS INC.**

(An exploration company)

**Notes to Interim Consolidated Financial Statements** (unaudited)

**June 30, 2006**

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(expressed in Canadian dollars)

For the three-month and six-month periods ended June 30, 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 \$0.13 for 2006 and \$0.23 for 2005 would have been dilutive and would have resulted in the addition respectively of 190,299 shares and 137,332 shares for the three-month and six-month periods ended June 30, 2006 (nil and 17,704 in 2005); furthermore, the warrants exercisable at an exercise price lower than \$0.13 for 2006 and \$0.23 for 2005 would have been dilutive and would have resulted in the addition respectively of nil shares and nil shares for the three-month and six-month periods ended June 30, 2006 (nil and 295,387 in 2005) to the weighted average number of shares outstanding used in the diluted earnings per share calculation.

### **16 Subsequent event**

#### **Acquisition of mineral property - Lac Mague**

On June 27, 2006, the company has entered into a letter of intent with the Labrador Silver Syndicate to acquire 100% interest in the Lac Mague Copper-Silver property in the Dunphy-Romanet Lake area of the central Labrador Trough region of Quebec.

The property consists of 88 map designated claims covering an area of approximately 42.25 km<sup>2</sup> situated near Lac Mague approximately 160 km northwest of all services town of Schefferville, Quebec.

The letter of intent provides for a payment to Labrador Silver Syndicate of \$50,000 and the issuance of 500,000 shares on closing and a further payment of \$50,000 and the issuance of an additional 500,000 shares one year from closing to earn a 100% interest in the property subject to a 3% Net Smelter Return royalty (NSR) of which 2/3 of the 3% NSR may be bought out for \$2,000,000. The NSR applies to the Lac Mague property as well as to any other claims acquired by the company or the Labrador Silver Syndicate 10 km of the outer boundary of the existing 88 claims .

On July 31, 2006, the acquisition of the property was completed as provided for in the letter of intent on June 27, 2006.

The company has map designated an additionnal 470 claims covering approximately 225.60 km<sup>2</sup> way of map designated to secure selected areas of geological interest which are considered to have potential to host sedimentary hosted copper-silver deposits similar to the occurrences at Lac Mague. The majority of these claims lie within the 10 km area of interest created by the Lac Mague letter of intent with the Labrador Silver Syndicate. Following closing of the agreement and the registration and acceptance of these claims by the Province of Quebec, the company will grant the Labrador Silver syndicate a 1% NSR royalty in the portion of the 470 map designated claims falling outside of the 10 km area of interest.

### **17 Comparative figures**

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