

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

MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Consolidated Balance Sheets (unaudited)

(expressed in Canadian dollars)

	As at September 30,	As at December 31,
	2006	2005
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (note 4)	1 612 080	4 667 799
Amounts receivable (note 5)	1 138 657	1 378 788
Prepaid expenses	381 463	111 849
	<hr/>	<hr/>
	3 132 200	6 158 436
Mineral properties (note 6)	7 198 399	4 432 659
Property, plant and equipment (less accumulated depreciation of \$2,008 ; \$1,311 in 2005)	6 047	2 370
	<hr/>	<hr/>
	10 336 646	10 593 465
	<hr/>	<hr/>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	624 018	260 779
Long term liabilities		
Future income taxes	1 567 714	1 567 714
	<hr/>	<hr/>
	2 191 732	1 828 493
	<hr/>	<hr/>
SHAREHOLDERS' EQUITY		
Share capital (note 8)	9 978 696	9 878 696
Stock options (note 9)	595 892	550 618
Warrants (note 10)	1 624 026	1 624 026
Contributed surplus	63 006	63 006
Deficit	(4 116 706)	(3 351 374)
	<hr/>	<hr/>
	8 144 914	8 764 972
	<hr/>	<hr/>
	10 336 646	10 593 465
	<hr/>	<hr/>
Going concern (note 2)		

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

(2)

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)

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2006 \$	2005 \$	2006 \$	2005 \$
Balance - Beginning of period	3 880 288	3 140 229	3 351 374	2 411 233
Net loss for the period	236 418	85 737	765 332	814 733
Balance - End of period	4 116 706	3 225 966	4 116 706	3 225 966

Interim Consolidated Statements of Contributed Surplus (unaudited)

(expressed in Canadian dollars)

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2006 \$	2005 \$	2006 \$	2005 \$
Balance - Beginning of period	63 006	57 564	63 006	45 186
Warrants matured or cancelled during the period	-	-	-	12 378
Balance - End of period	63 006	57 564	63 006	57 564

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

(3)

MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Consolidated Statements of Earnings (unaudited)

(expressed in Canadian dollars)

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2006 \$	2005 \$	2006 \$	2005 \$
Interest income	19 376	35 836	80 665	108 588
Expenses				
Management fees	75 100	51 150	201 281	144 050
Professional fees	62 357	73 373	217 930	200 411
Salary and employee benefits	16 293	16 861	48 920	43 968
Stock-based compensation costs	6 980	-	45 274	291 654
Tax on flow-through shares	(4 710)	3 417	83 462	51 744
Regulatory and transfer agent fees	2 916	2 329	27 984	25 506
Shareholder information	5 143	3 210	24 666	20 818
Insurance	6 855	7 017	20 820	9 356
Rent	2 250	2 250	6 750	6 450
Travelling and promotion	17 465	12 972	63 145	29 265
Telecommunications	2 603	2 116	6 632	6 262
Office expenses	3 183	2 032	10 826	10 945
Depreciation of property, plant and equipment	341	165	697	437
Bank charges	1 173	721	2 441	1 965
Cost of mineral properties abandoned	57 845	-	85 169	197 127
	255 794	177 613	845 997	1 039 958
Loss before income taxes	(236 418)	(141 777)	(765 332)	(931 370)
Future income taxes	-	(56 040)	-	(116 637)
Net loss for the period	(236 418)	(85 737)	(765 332)	(814 733)
Basic and diluted net loss per share (note 14)	(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)

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash flows from operating activities				
Net loss for the period	(236 418)	(85 737)	(765 332)	(814 733)
Items not affecting cash and cash equivalents				
Depreciation of property, plant and equipment	341	165	697	437
Stock-based compensation costs	6 980	-	45 274	291 654
Future income taxes	-	(56 040)	-	(116 637)
Cost of mineral properties abandoned	57 845	-	85 169	197 127
	(171 252)	(141 612)	(634 192)	(442 152)
Net change in non-cash working capital items (note 11)	(228 168)	(227 977)	(51 513)	(562 888)
	(399 420)	(369 589)	(685 705)	(1 005 040)
Cash flows from financing activities				
Issuance of shares and warrants	-	-	-	4 525 000
Share issue expenses	-	-	(36 870)	(590 453)
	-	-	(36 870)	3 934 547
Cash flows from investing activities				
Acquisition of mineral properties and exploration costs	(1 298 182)	(1 680 669)	(3 297 251)	(3 018 381)
Tax credits received relating to exploration costs applied against mineral properties	967 457	116 128	968 481	116 128
Additions to property, plant and equipment	(4 374)	-	(4 374)	(1 931)
	(335 099)	(1 564 541)	(2 333 144)	(2 904 184)
Net change in cash and cash equivalents	(734 519)	(1 934 130)	(3 055 719)	25 323
Cash and cash equivalents - Beginning of period	2 346 599	6 740 830	4 667 799	4 781 377
Cash and cash equivalents - End of period	1 612 080	4 806 700	1 612 080	4 806 700
Additional information				
Acquisition of mineral properties and exploration costs included in accounts payable and accrued liabilities	384 528	482 752	384 528	482 752
Acquisition of mineral property paid in shares	55 000	-	100 000	-
Tax credits related to exploration costs applied against mineral properties	479 106	975 922	779 410	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.

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MANICOUAGAN MINERALS INC.

(An exploration company)

Notes to Interim Consolidated Financial Statements (unaudited)

September 30, 2006

(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 September 30, 2006 and for the three-month and the nine-month periods ended September 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)

September 30, 2006

(expressed in Canadian dollars)

4 Cash and cash equivalents

	<u>As at</u> <u>September 30,</u>	<u>As at</u> <u>December 31,</u>
	2006	2005
	\$	\$
Cash and cash equivalents	1 507 714	1 536 411
Exploration funds	104 366	3 131 388
	<u>1 612 080</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</u> <u>September 30,</u>	<u>As at</u> <u>December 31,</u>
	2006	2005
	\$	\$
Interest receivable	2 463	7 919
Commodity taxes receivable (GST and QST)	141 179	186 784
Credit on duties refundable for losses	347 139	216 629
Refundable tax credit for resources	647 876	967 456
	<u>1 138 657</u>	<u>1 378 788</u>

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements (unaudited)

September 30, 2006

(expressed in Canadian dollars)

6 Mineral properties

September 30, 2006

	Undivided interest %	Balance as at January 1, 2006 \$	Costs incurred \$	Mineral properties abandoned \$	Tax credits \$	Balance as at September 30, 2006 \$
Manicouagan (1,624 claims)						
Mineral property	100	164 976	14 784	(85 169)	-	94 591
Exploration costs		4 267 683	1 867 931	-	(318 690)	5 816 924
		<u>4 432 659</u>	<u>1 882 715</u>	<u>(85 169)</u>	<u>(318 690)</u>	<u>5 911 515</u>
Mouchalagane (58 claims)						
Mineral property	100	-	45 754	-	-	45 754
Exploration costs		-	406 464	-	(138 631)	267 833
		<u>-</u>	<u>452 218</u>	<u>-</u>	<u>(138 631)</u>	<u>313 587</u>
Lac Maugue (88 claims)						
Mineral property	100	-	105 000	-	-	105 000
Exploration costs		-	828 338	-	(322 089)	506 249
		<u>-</u>	<u>933 338</u>	<u>-</u>	<u>(322 089)</u>	<u>611 249</u>
Brabant Lake (21 claims)						
Mineral property	100	-	300 000	-	-	300 000
Exploration costs		-	62 048	-	-	62 048
		<u>-</u>	<u>362 048</u>	<u>-</u>	<u>-</u>	<u>362 048</u>
		<u>4 432 659</u>	<u>3 630 319</u>	<u>(85 169)</u>	<u>(779 410)</u>	<u>7 198 399</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 km² 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.

Lac Maugue property

On July 28, 2006, the company entered into an agreement to acquire 100% interest in the Lac Maugue Copper-Silver property in the Dunphy-Romanet Lake area of the central Labrador Trough region of Quebec from the Labrador Silver Syndicate.

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements (unaudited)

September 30, 2006

(expressed in Canadian dollars)

The agreement provided for a payment 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 on July 28, 2007 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 Mauge property as well as to any other claims acquired by the company or the Labrador Silver Syndicate within 10 km of the outer boundary of the existing 88 claims .

The property consists of 88 map designated claims covering an area of approximately 42.25 km² situated near Lac Mauge approximately 160 km northwest of all services town of Schefferville, Quebec.

The company has map designated an additional 608 claims covering approximately 292.50 km² 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 Mauge. The majority of these claims lie within the 10 km area of interest created by the Lac Mauge 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 608 map designated claims falling outside of the 10 km area of interest.

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 km² and is located immediately east of Highway 102 some 175 km from the all services community of La Ronge, Saskatchewan.

December 31, 2005

	Undivided interest %	Balance as at January, 1 2005 \$	Costs incurred \$	Mineral properties abandoned \$	Tax credits \$	Balance as at December 31, 2005 \$
Manicouagan (3,476 claims)						
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
Baie du Nord (0 claim)						
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.

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

(expressed in Canadian dollars)

Detailed analysis of deferred exploration costs

	For the nine- month period ended September 30,	For the year ended December 31,
	2006	2005
	\$	\$
Balance - Beginning of period	4 432 659	1 136 498
Cost of claims	465 538	41 688
Camp (construction and maintenance)	491 148	578 542
Mobilization / demobilization of personnel and equipment	672 878	662 405
Drilling	646 152	1 144 215
Geophysics	438 128	1 535 747
Analysis	19 954	2 935
Consultants	465 184	270 193
Fuel	235 041	257 744
Line cutting	93 352	58 657
Various materials	75 419	109 055
Environment	-	13 569
Communications	27 525	24 089
Tax credits	(779 410)	(1 205 551)
Mineral properties abandoned	(85 169)	(197 127)
	<hr/>	<hr/>
Balance - End of period	7 198 399	4 432 659

7 Accounts payable and accrued liabilities

	As at September 30,	As at December 31,
	2006	2005
	\$	\$
Related parties (note 12)	16 634	19 081
Tax payable on flow-through shares	83 462	-
Other payables	523 922	241 698
	<hr/>	<hr/>
	624 018	260 779

MANICOUAGAN MINERALS INC.

(An exploration company)

Notes to Interim Consolidated Financial Statements (unaudited)

September 30, 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 nine-month period ended September 30, 2006		For the year ended December 31, 2005	
	Number	Stated value \$	Number	Stated value \$
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 mineral properties	800 000	100 000	-	-
	85 552 000	9 978 696	84 752 000	11 258 897
Share issue expenses	-	-	-	(1 380 201)
Balance - End of period	85 552 000	9 978 696	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 exceptions.

MANICOUAGAN MINERALS INC.

(An exploration company)

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

(expressed in Canadian dollars)

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

	For the nine-month period ended September 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	850 000	11 060	0,11	2 450 000	309 894	0,29
Exercised	-	-	-	(125 000)	-	0,20
Outstanding - End of period	6 075 000	595 892	0,27	5 225 000	550 618	0,29
Exercisable - End of period	5 325 000	588 752	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 costs of \$36,825. This cost will be amortized on a straight-line basis over their vesting period, being 36 months.

On August 31, 2006, the company granted 100,000 stock options to an investor relations firm at an exercise price of \$0.20 per share, having a term of one year. These options generated aggregate stock-based compensation costs of \$3,920.

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

	Options outstanding			
	Exercise price \$	Number	Weighted average remaining contractual life (years)	Weighted average exercise price \$
Directors and officers	0,10	750 000	2,43	0,10
Directors and officers	0,20	325 000	2,72	0,20
Directors and officers	0,30	3 825 000	3,21	0,30
Employee	0,30	50 000	3,29	0,30
Consultants	0,20	100 000	0,92	0,20
Consultants	0,30	1 025 000	0,89	0,30
		<u>6 075 000</u>		

MANICOUAGAN MINERALS INC.

(An exploration company)

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

(expressed in Canadian dollars)

	Options currently exercisable			
	Exercise price	Number	Weighted average remaining contractual life	Weighted average exercise price
	\$		(years)	\$
Directors and officers	0,20	325 000	2,72	0,20
Directors and officers	0,30	3 825 000	3,21	0,30
Employee	0,30	50 000	3,29	0,30
Consultants	0,20	100 000	0,92	0,20
Consultants	0,30	<u>1 025 000</u>	0,89	0,30
		<u>5 325 000</u>		

The fair value of options granted during the periods ended September 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	3,99%	3,70%
Expected volatility	70%	70%
Dividend yield	Nil	Nil
Weighted average life	33 months	60 months
Weighted average fair value on the granting date	\$0,0479	\$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.

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

(expressed in Canadian dollars)

10 Warrants

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

	For the nine-month period ended September 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

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

Exercise price	Number	Weighted average remaining contractual life (years)
\$0,15	1 000 000	1.23
\$0,20	2 106 160	0.23
\$0,25	14 764 500	0.23
	<u>17 870 660</u>	

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(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 September 30,</u>		<u>For the nine-month period ended September 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	\$	\$	\$	\$
Amounts receivable	10 756	(171 160)	51 061	(355 452)
Prepaid expenses	(204 560)	(59 959)	(269 614)	(97 423)
Accounts payable and accrued liabilities	(34 364)	3 142	167 040	(110 013)
	<u>(228 168)</u>	<u>(227 977)</u>	<u>(51 513)</u>	<u>(562 888)</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 September 30,</u>		<u>For the nine-month period ended September 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	\$	\$	\$	\$
Exploration costs	4 800	26 000	24 400	68 600
Management fees	75 100	32 400	170 781	75 800
	<u>79 900</u>	<u>58 400</u>	<u>195 181</u>	<u>144 400</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.

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September 30, 2006

(expressed in Canadian dollars)

13 Commitment

The company has entered into two office leases, expiring on February 28, 2007 and on September 30, 2009. The minimum annual instalments under these leases are on September 30, 2006:

Year	\$
2006	11 105
2007	54 630
2008	53 130
2009	39 848

Leases are renewable following a three-month notice prior to their expiry date.

14 Net loss per share

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2006	2005	2006	2005
Basic and diluted weighted average number of shares outstanding	85 399 826	74 752 000	85 047 238	69 612 165

For the three-month and nine-month periods ended September 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 \$0.14 for 2006 and \$0.22 for 2005 would have been dilutive and would have resulted in the addition respectively of 202,555 shares and 160,329 shares for the three-month and nine-month periods ended September 30, 2006 (nil and 9,973 in 2005); furthermore, the warrants exercisable at an exercise price lower than \$0.14 for 2006 and \$0.22 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 nine-month periods ended September 30, 2006 (nil and 163,931 in 2005) to the weighted average number of shares outstanding used in the diluted earnings per share calculation.

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September 30, 2006

(expressed in Canadian dollars)

15 Subsequent event

Issuance of shares and warrants - private placement

On October 20, 2006, the company completed a private placement for gross proceeds of \$1,500,000. Pursuant to this private placement, the company issued 9,999,998 units at a unit price of \$0.15. Each unit consists of one flow-through common share and one-half a common share purchase warrant. Each warrant entitles the holder to acquire one common share at an exercise price of \$0.30 at any time up to October 20, 2007.

In connection with the private placement, the company has paid a cash finder's fee equal to 5% of the gross proceeds, being \$75,000, and issued non-transferable finder's fee options equal to 8% of the units subscribed for at the unit price of \$0.15. The finder's fee options have a term of 24 months and will expire on October 20, 2008. Each finder's fee option entitles the holder, upon exercise thereof, to one common share and a one-half a common share purchase warrant, each whole warrant entitling its holder to acquire one common share at a price of \$0.30 per share for a period of twenty four months and will expire on October 20, 2008.

All securities issued in the private placement are subject to a four months hold period expiring on February 20, 2007.

Granting of stock options

On November 6, 2006, the company approved the issuance of 1,140,000 stock options under the company's Stock Option Plan. These options were granted to directors, officers, consultants and an employee of the company, and are exercisable into common shares of the company at a price of \$0.15 per share for a period of five years from the date of the grant.

16 Comparative figures

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