

MANICOUAGAN MINERALS INC.
(an exploration company)
Interim Consolidated Financial Statements
March 31, 2007

MANICOUAGAN MINERALS INC.

(an exploration company)

Interim Consolidated Balance Sheet (unaudited)

(expressed in Canadian dollars)

	As at March 31,	As at December 31,
	2007	2006
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	6,714,435	1,832,734
Amounts receivable (note 4)	1,381,801	1,338,009
Prepaid expenses	212,692	141,461
	<hr/>	<hr/>
	8,308,928	3,312,204
Mineral properties (note 5)	8,482,751	7,651,005
Property, plant and equipment (less accumulated depreciation of \$3,843 ; \$3,303 in 2006)	8,382	8,922
	<hr/>	<hr/>
	16,800,061	10,972,131
	<hr/>	<hr/>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	517,867	137,804
Long-term liabilities		
Future income taxes	2,103,048	1,818,048
	<hr/>	<hr/>
	2,620,915	1,955,852
	<hr/>	<hr/>
SHAREHOLDERS' EQUITY		
Share capital (note 7)	16,081,280	10,978,717
Stock options (note 8)	577,079	566,966
Warrants and broker warrants (notes 9 and 10)	507,449	178,404
Contributed surplus	1,707,119	1,707,119
Deficit	(4,693,781)	(4,414,927)
	<hr/>	<hr/>
	14,179,146	9,016,279
	<hr/>	<hr/>
	16,800,061	10,972,131
	<hr/>	<hr/>
Going concern (note 1)		
Commitment (note 13)		
Subsequent events (note 17)		

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)

	Three-month periods ended March 31,	
	2007	2006
	\$	\$
Balance - Beginning of period	4,414,927	3,351,374
Loss for the period	278,854	207,739
Balance - End of period	4,693,781	3,559,113

MANICOUAGAN MINERALS INC.

(an exploration company)

Interim Consolidated Statements of Earnings and Comprehensive Income (unaudited)

(expressed in Canadian dollars)

	Three-month periods ended March 31,	
	2007	2006
	\$	\$
Interest income	16,993	34,553
Expenses		
Management fees	90,700	51,231
Professional fees	63,305	46,559
Salaries and employee benefits	19,879	18,088
Stock-based compensation costs	10,113	35,234
Travelling and promotion	50,037	26,493
Tax on flow-through shares	2,703	18,956
Regulatory and transfer agent fees	8,618	14,902
Shareholder information	11,119	5,666
Insurance	7,336	7,017
Rent	13,338	2,250
Telecommunications	1,894	1,867
Office expenses	5,439	2,595
Depreciation of property, plant and equipment	540	178
Bank charges	853	722
General exploration costs	9,973	-
Cost of mineral properties abandoned	-	10,534
	295,847	242,292
Loss and comprehensive income for the period	(278,854)	(207,739)
Basic and diluted loss per share (note 14)	(0.00)	(0.00)

Going concern (note 1)

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)

	Three-month periods ended March 31,	
	2007	2006
	\$	\$
Cash flows from operating activities		
Loss and comprehensive income for the period	(278,854)	(207,739)
Items not affecting cash and cash equivalents		
Depreciation of property, plant and equipment	540	178
Stock-based compensation costs	10,113	35,234
Cost of mineral properties abandoned	-	10,534
	<u>(268,201)</u>	<u>(161,793)</u>
Net change in non-cash working capital items (note 11)	<u>(100,044)</u>	<u>102,619</u>
	<u>(368,245)</u>	<u>(59,174)</u>
Cash flows from financing activities		
Issuance of shares and warrants	6,222,960	-
Exercise of broker warrants	132,375	-
Share and warrant issue expenses	<u>(547,133)</u>	<u>-</u>
	<u>5,808,202</u>	<u>-</u>
Cash flows from investing activities		
Acquisition of mineral properties and exploration costs	<u>(558,256)</u>	<u>(682,011)</u>
Net change in cash and cash equivalents	4,881,701	(741,185)
Cash and cash equivalents - Beginning of period	<u>1,832,734</u>	<u>4,667,799</u>
Cash and cash equivalents - End of period	<u>6,714,435</u>	<u>3,926,614</u>
Additional information		
Acquisition of mineral properties and exploration costs included in accounts payable and accrued liabilities	342,466	340,166
Tax credits related to exploration costs applied against mineral properties	39,505	224,631
Future income taxes accounted for as share, warrant and broker warrant issue expenses	285,000	-
Fair value of warrants accounted for as share issue expenses	204,823	-
Share issue expenses included in accounts payable and accrued liabilities	91,594	-

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)

March 31, 2007

(expressed in Canadian dollars)

1 Incorporation, nature of operations and going concern

The Company was incorporated under the Canada Business Corporations Act on July 25, 2001. The principal activities of the Company comprise the acquisition and exploration of mineral properties. 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 ore 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 must secure sufficient funding for meeting its existing commitments for exploration and development programs and general and administration costs.

Management is periodically seeking additional forms of financing through the issuance of new equity instruments, the exercise of outstanding common share warrants and stock options to continue its 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 future. Without such funding being available, the Company may be unable to continue its operations, and the amounts realizable for the assets could be less than the amounts reflected in these financial statements.

Although management has taken steps to verify title to mineral properties in which the Company 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-compliant with regulatory requirements.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. The application of generally accepted accounting principles on a going concern basis may be inappropriate, since there is a doubt as to the validity of the going concern assumption.

These unaudited interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the classification of balance sheet items were the going concern assumption inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

2 Summary of significant accounting policies

Interim financial information

These unaudited interim consolidated financial statements include the accounts of the Company and those of its wholly-owned subsidiary, Manicouagan Resources Inc. until December 31, 2006. At this date, Manicouagan Resources Inc. and Manicouagan Minerals Inc. amalgamated under the corporate name of Manicouagan Minerals Inc.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and use the same accounting policies and methods used in the preparation of the Company's most recent annual consolidated financial statements, except for the new accounting standards as disclosed further. All disclosures required for annual financial statements have not been included in these financial statements. These unaudited interim consolidated financial statements should therefore be read in conjunction with the Company's most recent audited annual consolidated financial statements.

The financial information as at March 31, 2007 and for the three-month periods ended March 31, 2007 and 2006 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 a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements (unaudited)

March 31, 2007

(expressed in Canadian dollars)

New Accounting Standards

On January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants:

Section 1530 "Comprehensive Income" introduces a new requirement to present certain gains and losses outside net income. Consequently, Section 3250 "Surplus" has been revised as Section 3251 "Equity".

Section 3855 expands on Section 3860 "Financial Instruments – Disclosure and Presentation", by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented.

This section requires that:

- All financial assets be measured at fair value, with some exceptions such as loans and investments that are classified as held to maturity;
- All financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their carrying value;
- All derivative financial instruments be measured at fair value, even when they are part of a hedging relationship;

Section 3865 provides alternative treatments to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline AcG-13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

The implementation of these new accounting standards had no significant effect on the Company's consolidated financial statements.

MANICOUAGAN MINERALS INC.

(an exploration company)

Notes to Interim Consolidated Financial Statements (unaudited)**March 31, 2007**

(expressed in Canadian dollars)

3 Cash and cash equivalents

	As at March 31,	As at December 31,
	2007	2006
	\$	\$
Cash and cash equivalents	1,958,438	823,233
Exploration funds	4,755,997	1,009,501
	6,714,435	1,832,734

4 Amounts receivable

	As at March 31,	As at December 31,
	2007	2006
	\$	\$
Interest receivable	24,695	15,403
Commodity taxes receivable	69,822	74,826
Credit on duties refundable for losses	540,449	533,779
Refundable tax credit for resources	746,835	714,001
	1,381,801	1,338,009

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements (unaudited)**March 31, 2007**

(expressed in Canadian dollars)

5 Mineral properties**March 31, 2007**

	Undivided interest %	Balance as at January 1, 2007 \$	Costs incurred \$	Mineral properties abandoned \$	Tax credits \$	Balance as at March 31, 2007 \$
Manicouagan (1,458 claims)						
Mineral property	100	109,445	5,592	-	-	115,037
Exploration costs		5,697,002	38,107	-	(16,310)	5,718,799
		<u>5,806,447</u>	<u>43,699</u>	<u>-</u>	<u>(16,310)</u>	<u>5,833,836</u>
Mouchalagane (293 claims)						
Mineral property	100	54,774	25,410	-	-	80,184
Exploration costs		281,943	14,688	-	(6,772)	289,859
		<u>336,717</u>	<u>40,098</u>	<u>-</u>	<u>(6,772)</u>	<u>370,043</u>
Lac Mague (654 claims)						
Mineral property	100	153,529	8,036	-	-	161,565
Exploration costs		536,146	35,626	-	(16,423)	555,349
		<u>689,675</u>	<u>43,662</u>	<u>-</u>	<u>(16,423)</u>	<u>716,914</u>
Brabant Lake (21 claims)						
Mineral property	100	300,000	-	-	-	300,000
Exploration costs		518,166	743,792	-	-	1,261,958
		<u>818,166</u>	<u>743,792</u>	<u>-</u>	<u>-</u>	<u>1,561,958</u>
		<u>7,651,005</u>	<u>871,251</u>	<u>-</u>	<u>(39,505)</u>	<u>8,482,751</u>

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements (unaudited)**March 31, 2007**

(expressed in Canadian dollars)

December 31, 2006

	Undivided interest %	Balance as at January 1, 2006 \$	Costs incurred \$	Mineral properties abandoned \$	Tax credits \$	Balance as at December 31, 2006 \$
Manicouagan (1,421 claims)						
Mineral property	100	164,976	38,976	(94,507)	-	109,445
Exploration costs		4,267,683	1,916,958	-	(487,639)	5,697,002
		<u>4,432,659</u>	<u>1,955,934</u>	<u>(94,507)</u>	<u>(487,639)</u>	<u>5,806,447</u>
Mouchalagane (88 claims)						
Mineral property	100	-	54,774	-	-	54,774
Exploration costs		-	449,951	-	(168,008)	281,943
		<u>-</u>	<u>504,725</u>	<u>-</u>	<u>(168,008)</u>	<u>336,717</u>
Lac Mague (572 claims)						
Mineral property	100	-	153,529	-	-	153,529
Exploration costs		-	912,674	-	(376,528)	536,146
		<u>-</u>	<u>1,066,203</u>	<u>-</u>	<u>(376,528)</u>	<u>689,675</u>
Brabant Lake (21 claims)						
Mineral property	100	-	300,000	-	-	300,000
Exploration costs		-	518,166	-	-	518,166
		<u>-</u>	<u>818,166</u>	<u>-</u>	<u>-</u>	<u>818,166</u>
		<u>4,432,659</u>	<u>4,345,028</u>	<u>(94,507)</u>	<u>(1,032,175)</u>	<u>7,651,005</u>

Mouchalagane Property

On April 18, 2006, the Company acquired a 100% interest in the property by issuing 300,000 of its common shares at a price of \$0.15 per share to the vendor. In the event of production from the property, the vendor will receive a 2% Net Smelter Return Royalty (NSR), of which three quarters of the 2% can be purchased from the vendor for \$1,000,000 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 350 km north of Baie Comeau, Quebec.

The Company has map designated 30 additional claims covering approximately 16 km² to secure selected areas of geological interest. The registration of these claims was completed on December 5, 2006.

Lac Mague Property

On July 28, 2006, the Company entered into an agreement to acquire a 100% interest in the Lac Mague property in the Dunphy-Romanet Lake area of the central Labrador Trough region of Quebec.

The property acquired consists of 88 map designated claims (“the original claims”) covering an area of approximately 42.25 km² situated near Lac Mague approximately 160 km northwest of the all-services town of Schefferville, Quebec.

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(expressed in Canadian dollars)

The agreement provides for a cash payment of \$50,000 and the issuance of 500,000 shares at a price of \$0.11 per share on closing and a further cash payment of \$50,000 and the issuance of 500,000 additional shares on July 28, 2007 to keep a 100% interest in the property subject to a 3% 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 ("LSS") within 10 km of the outer boundary of the original claims acquired from the LSS. The agreement also provides for the granting of a 1% NSR to the LSS in respect of any portion of 470 additional map designated claims ("the additional claims") falling outside of the 10 km area of interest.

The Company has map designated 566 additional claims covering approximately 271.25 km² (82 claims were pending on December 31, 2006) 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 agreement with the LSS. Following closing of the agreement and the registration and acceptance of these claims by the Province of Quebec, the Company granted the LSS a 1% NSR in the portion of the 470 additional claims falling outside of the 10 km area of interest.

Brabant Lake Property

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

The property consists of 21 contiguous claims registered as ML5054 and covering an area of approximately 4.11 km². The claims are located immediately east of Highway 102 some 175 km from the all-services community of La Ronge, Saskatchewan.

Detailed analysis of deferred exploration costs

	Three-month	
	period ended	Year ended
	March 31,	December 31,
	2007	2006
	\$	\$
Balance - Beginning of period	7,651,005	4,432,659
Cost of claims	39,038	547,279
Camp (construction and maintenance)	3,838	493,231
Mobilization / demobilization of personnel and equipment	8,848	721,858
Drilling	552,970	958,717
Geophysics	47,225	504,767
Analyses	10,472	55,385
Consultants	149,863	595,602
Fuel	128	237,232
Line cutting	-	94,969
Various materials	58,230	104,485
Communications	639	31,503
Tax credits	(39,505)	(1,032,175)
Mineral properties abandoned	-	(94,507)
Balance - End of period	8,482,751	7,651,005

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements (unaudited)**March 31, 2007**

(expressed in Canadian dollars)

6 Accounts payable and accrued liabilities

	As at March 31,	As at December 31,
	2007	2006
	\$	\$
Tax payable on flow-through shares	2,703	51,946
Other payables	515,164	85,858
	517,867	137,804

7 Share capital

Authorized

Unlimited number of common shares without par value

Variation of issued and fully paid share capital

	Three-month period ended March 31, 2007		Year ended December 31, 2006	
	Number	Stated value \$	Number	Stated value \$
Balance - Beginning of period	95,715,960	10,978,717	84,752,000	9,878,696
Flow-through financing*	17,637,000	4,232,880	9,999,998	1,397,693
Non flow-through financing**	11,056,000	1,713,680	-	-
Exercise of broker warrants	882,500	190,057	163,962	45,842
Acquisition of mineral properties (note 5)	-	-	800,000	100,000
	125,291,460	17,115,334	95,715,960	11,422,231
Share issue expenses	-	(1,034,054)	-	(443,514)
Balance - End of period	125,291,460	16,081,280	95,715,960	10,978,717

*Flow-through financing is presented net of the fair value of the related warrants totalling nil in 2007 and \$102,307 in 2006, which has been determined using the Black-Scholes model (note 9).

**Non flow-through financing is presented net of the fair value of the related warrants totalling \$276,400 in 2007, which has been determined using the Black-Scholes model (note 9).

MANICOUAGAN MINERALS INC.

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March 31, 2007

(expressed in Canadian dollars)

Issuance of shares and warrants - private placement

On March 27, 2007, the Company completed a brokered private placement for gross proceeds of \$6.2 million. Pursuant to this private placement, the Company issued 17,637,000 flow-through common shares at a price of \$0.24 per share, and 11,056,000 units of securities of the Company at a price of \$0.18 per unit. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.23 at any time up to March 27, 2009, provided that if the common share price closes at or above \$0.60 for twenty consecutive trading days, the warrants may be callable for exercise by the Company on a twenty-day notice.

In connection with this brokered private placement, the Company paid a cash commission of \$457,434 and issued broker warrants entitling the holder to purchase up to 2,113,758 common shares. Each broker warrant entitles the holder to acquire one common share at an exercise price of \$0.18 any time up to March 27, 2009.

All securities issued in the private placement are subject to a four-month hold period expiring on July 27, 2007.

Exercise of warrants

During the first quarter of 2007, 82,500 common shares were issued upon the exercise of 82,500 broker warrants at a price of \$0.15 per share for proceeds totalling \$12,375.

In addition, the finder's fee option granted in conjunction with the 2006 financing was exercised, whereupon the Company received proceeds totalling \$120,000 upon issuance of 800,000 common shares and 400,000 common share purchase warrants, each whole warrant entitling the holder to acquire one common share of the Company at a price of \$0.30 per share, exercisable up to October 20, 2008.

Issuance of shares and warrants - private placement

On October 20, 2006, the Company completed a private placement for aggregate 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 of one 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 paid a \$75,000 finder's fee 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 of one common share purchase warrant, each whole warrant entitling its holder to acquire one common share at a price of \$0.30 per share until October 20, 2008.

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 (a maximum of 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.

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Notes to Interim Consolidated Financial Statements (unaudited)**March 31, 2007**

(expressed in Canadian dollars)

The following table summarizes information about stock options outstanding and exercisable recorded under Shareholders' Equity during the periods ended March 31, 2007 and December 31, 2006:

	Three-month period ended March 31, 2007			Year ended December 31, 2006		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding - Beginning of period	6,415,000	566,966	0.24	5,225,000	550,618	0.29
Granted	-	-	-	1,990,000	-	0.13
Matured or cancelled	(66,500)	-	0.20	(800,000)	(93,637)	0.30
Stock-based compensation	-	10,113	-	-	109,985	-
Outstanding - End of period	6,348,500	577,079	0.24	6,415,000	566,966	0.24
Exercisable - End of period	5,298,500	-	0.27	5,115,000	-	0.27

The following tables summarize information about stock options outstanding and exercisable as at March 31, 2007:

	Options outstanding			
	Exercise price \$	Number	Weighted average remaining contractual life (years)	Weighted average exercise price \$
Directors and officers	0.10	750,000	3.93	0.10
Directors and officers	0.15	1,115,000	4.60	0.15
Directors and officers	0.20	258,500	2.86	0.20
Directors and officers	0.30	3,825,000	2.71	0.30
Employee	0.15	25,000	4.60	0.15
Employee	0.30	50,000	2.79	0.30
Consultants	0.20	100,000	0.42	0.20
Consultants	0.30	225,000	3.22	0.30
		6,348,500		

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Options currently exercisable				
	Exercise price	Number	Weighted average remaining contractual life (years)	Weighted average exercise price
	\$			\$
Directors and officers	0.10	250,000	3.93	0.10
Directors and officers	0.15	590,000	4.60	0.15
Directors and officers	0.20	258,500	2.86	0.20
Directors and officers	0.30	3,825,000	2.71	0.30
Employee	0.30	50,000	2.79	0.30
Consultants	0.20	100,000	0.42	0.20
Consultants	0.30	225,000	3.22	0.30
		<u>5,298,500</u>		

The fair value of options granted during the year ended December 31, 2006 was estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	2006
Risk-free interest rate	3.99%
Expected volatility	90%
Dividend yield	Nil
Weighted average expected life	58 months
Weighted average fair value on the date of grant	\$0.0806

The Black-Scholes option valuation 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, management believes that the existing models do not necessarily provide an accurate 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)**March 31, 2007**

(expressed in Canadian dollars)

9 Warrants

The following table summarizes the variation of warrants recorded under Shareholders' Equity during the periods ended March 31, 2007 and December 31, 2006:

	Three-month period ended March 31, 2007			Year ended December 31, 2006		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable - Beginning of period	4,999,999	69,843	0.30	13,049,500	1,127,968	0.25
Granted pursuant to a private placement	5,528,000	276,400	0.23	4,999,999	102,307	0.30
Matured or cancelled	-	-	-	(13,049,500)	(1,127,968)	0.25
	10,527,999	346,243	0.26	4,999,999	102,307	0.30
Issue expenses	-	(54,840)	-	-	(32,464)	-
Outstanding and exercisable - End of period	10,527,999	291,403	0.26	4,999,999	69,843	0.30

The following table summarizes information about warrants outstanding and exercisable as at March 31, 2007:

Exercise price	Number	Weighted average remaining contractual life (years)
\$0.23	5,528,000	1.99
\$0.30	4,999,999	0.56
	<u>10,527,999</u>	

The fair value of warrants granted during the periods ended March 31, 2007 and December 31, 2006 was estimated using the Black-Scholes valuation model with the following weighted average assumptions:

	2007	2006
Risk-free interest rate	4.02%	4.23%
Expected volatility	90%	90%
Dividend yield	Nil	Nil
Weighted average expected life	24 months	12 months
Weighted average fair value on the date of grant	\$0.0500	\$0.0205

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(expressed in Canadian dollars)

10 Broker warrants

The following table summarizes the variation of broker warrants recorded under Shareholders' Equity during the periods ended March 31, 2007 and December 31, 2006:

	Three-month period ended March 31, 2007			Year ended December 31, 2006		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable -						
Beginning of period	1,800,000	108,561	0.15	4,821,160	496,058	0.21
Granted as compensation	2,513,758	204,823	0.20	800,000	70,400	0.15
Exercised	(882,500)	(57,682)	0.15	(163,962)	(13,050)	0.20
Matured or cancelled	-	-	-	(3,657,198)	(422,508)	0.22
	3,431,258	255,702	0.19	1,800,000	130,900	0.15
Issue expenses	-	(39,656)	-	-	(22,339)	-
Outstanding and exercisable -						
End of period	3,431,258	216,046	0.19	1,800,000	108,561	0.15

The following table summarizes information about broker warrants outstanding and exercisable as at March 31, 2007:

Exercise price	Number	Weighted average remaining contractual life (years)
\$0.15	917,500	0.73
\$0.18	2,113,758	1.99
\$0.30	400,000	1.56
	3,431,258	

The fair value of broker warrants granted during the periods ended March 31, 2007 and December 31, 2006 was estimated using the Black-Scholes valuation model with the following weighted average assumptions:

	2007	2006
Risk-free interest rate	4.02%	4.13%
Expected volatility	90%	90%
Dividend yield	Nil	Nil
Weighted average expected life	24 months	24 months
Weighted average fair value on the date of grant	\$0.0969	\$0.0880

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11 Net change in non-cash working capital items

	Three-month periods ended March 31,	
	2007	2006
	\$	\$
Amounts receivable	(4,287)	39,356
Prepaid expenses	(71,231)	1,517
Accounts payable and accrued liabilities	(24,526)	61,746
	(100,044)	102,619

12 Related party transactions

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

	Three-month periods ended March 31,	
	2007	2006
	\$	\$
Exploration costs	25,600	11,800
Management fees	90,700	33,231
	116,300	45,031

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

The Company has two office leases, expiring on February 28, 2008 and on September 30, 2009, respectively. The minimum annual instalments under these leases are as follows as at March 31, 2007:

Year	\$
2007	46,827
2008	54,686
2009	39,852

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

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14 Earnings per share

	Three-month periods ended March 31,	
	2007	2006
Basic and diluted weighted average number of shares outstanding	97,307,443	84,752,000

For the three-month periods ended March 31, 2007 and 2006, the diluted loss per share was the same as the basic 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 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 exercise prices lower than \$0.206 for 2007 and \$0.145 for 2006 would have been dilutive and would have resulted in the addition of 344,495 shares and 64,655 shares for the three-month periods ended March 31, 2007 and 2006, respectively. Furthermore, the warrants exercisable at exercise prices lower than \$0.206 for 2007 and \$0.145 for 2006 would have been dilutive and would have resulted in the addition respectively of 261,275 shares and no share for the three-month periods ended March 31, 2007 and 2006, to the weighted average number of shares outstanding used in the diluted earnings per share calculation.

15 Financial instruments

Fair value

The fair value of cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their short-term maturity or to current market rates.

Interest rate risk

As at March 31, 2007 and December 31, 2006, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Amounts receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing

16 Comparative figures

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

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17 Subsequent events

Granting of stock options

On April 12, 2007, directors, officers and an employee of the Company were granted 2,055,000 stock options at an exercise price of \$0.18 per share for a period of five years. Vesting periods for these options are as follows: 1,170,000 vest immediately, 25,000 vest in one year from the date of grant, and 860,000 vest equally over a three-year period from the date of grant.

Exercise of warrants

On April 18, 2007, 106,500 common shares were issued upon the exercise of 106,500 broker warrants at a price of \$0.15 per share for proceeds totalling \$15,975.

Issuance of shares and warrants - private placement

On May 18, 2007, the Company completed a non-brokered private placement with SIDEX s.e.c. for gross proceeds of \$300,000. Pursuant to this private placement, the Company issued 1,666,667 units of securities of the Company at a price of \$0.18 per unit. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.23 at any time up to May 18, 2009, provided that if the common share price closes at or above \$0.60 for twenty consecutive trading days, the warrants may be callable for exercise by the Company on a twenty-day notice.

In connection with this non-brokered private placement, the Company paid a cash commission of \$9,000 to SIDEX s.e.c.. Also, the Company paid a cash commission of \$6,000 to a third party as a result of an agreement entered into in connection with the brokered private placement closed on March 27, 2007.