

MANICOUAGAN MINERALS INC.

(an exploration company)

Interim Consolidated Financial Statements (unaudited)(note 2)

September 30, 2007

Management's Responsibility for Interim Consolidated Financial Statements

To the Shareholders of Manicouagan Minerals Inc.

The interim consolidated financial statements and the notes thereto for the three-month and nine-month periods ended September 30, 2007 are the responsibility of the management of Manicouagan Minerals Inc. These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements where appropriate.

Management has developed and maintained a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

(signed) Joseph J. Baylis

Joseph J. Baylis, CEO

(signed) Erik H. Martin

Erik H. Martin, CFO

MANICOUAGAN MINERALS INC.

(an exploration company)

Interim Consolidated Balance Sheet (unaudited)

(expressed in Canadian dollars)

	As at September 30,	As at December 31,
	2007	2006
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (note 3)	5,009,252	1,832,734
Accounts receivable (note 4)	1,605,185	1,338,009
Prepaid expenses	216,118	141,461
	<hr/>	<hr/>
	6,830,555	3,312,204
Mineral properties (note 5)	10,629,246	7,651,005
Property, plant and equipment (net of accumulated depreciation of \$4,974 ; \$3,303 in 2006)	11,113	8,922
	<hr/>	<hr/>
	17,470,914	10,972,131
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LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	1,491,101	137,804
Long-term liabilities		
Future income taxes	2,103,048	1,818,048
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	3,594,149	1,955,852
	<hr/>	<hr/>
SHAREHOLDERS' EQUITY		
Share capital (note 7)	16,378,919	10,978,717
Stock options (note 8)	755,407	566,966
Warrants and broker warrants (notes 9 and 10)	529,416	178,404
Contributed surplus	1,711,039	1,707,119
Deficit	(5,498,016)	(4,414,927)
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	13,876,765	9,016,279
	<hr/>	<hr/>
	17,470,914	10,972,131
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Going concern (note 1)		
Commitment (note 14)		
Subsequent events (note 18)		

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 September 30,		Nine-month periods ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Balance - Beginning of period	5,102,762	3,880,288	4,414,927	3,351,374
Loss for the period	395,254	236,418	1,083,089	765,332
Balance - End of period	5,498,016	4,116,706	5,498,016	4,116,706

Interim Consolidated Statements of Contributed Surplus (unaudited)

(expressed in Canadian dollars)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Balance - Beginning of period	1,707,119	63,006	1,707,119	63,006
Stock options expired during the period (note 8)	3,920	-	3,920	-
Balance - End of period	1,711,039	63,006	1,711,039	63,006

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 and Comprehensive Loss (unaudited)

(expressed in Canadian dollars)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Interest income	54,662	19,376	133,058	80,665
Expenses				
Management fees	72,905	79,900	248,646	226,481
Professional fees	44,785	57,557	181,880	192,730
Salaries and employee benefits	15,666	16,293	52,017	48,920
Stock-based compensation costs	24,420	6,980	192,361	45,274
Travel and promotion	29,297	17,465	130,271	63,145
Tax on flow-through shares and other	192,713	(4,710)	195,416	83,462
Regulatory and transfer agent fees	2,284	2,916	23,466	27,984
Shareholder information	5,380	5,143	37,882	24,666
General administration	27,193	16,064	83,562	47,469
Depreciation of property, plant and equipment	661	341	1,671	697
General exploration costs	30,484	-	48,784	-
Cost of claims abandoned	4,128	57,845	20,191	85,169
	449,916	255,794	1,216,147	845,997
Loss and comprehensive loss for the period	(395,254)	(236,418)	(1,083,089)	(765,332)
Basic and diluted loss per share (note 13)	(0.00)	(0.00)	(0.01)	(0.01)
Basic and diluted weighted average number of shares outstanding (note 13)	127,303,972	85,399,826	117,035,162	85,047,238
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 September 30,		Nine-month periods ended September 30,	
	2007 \$	2006 \$	2007 \$	2006 \$
Cash flows from operating activities				
Loss for the period	(395,254)	(236,418)	(1,083,089)	(765,332)
Items not affecting cash and cash equivalents				
Depreciation of property, plant and equipment	661	341	1,671	697
Stock-based compensation costs	24,420	6,980	192,361	45,274
Cost of claims abandoned	4,128	57,845	20,191	85,169
	(366,045)	(171,252)	(868,866)	(634,192)
Net change in non-cash working capital items (note 11)	76,251	(228,168)	(73,997)	(51,513)
	(289,794)	(399,420)	(942,863)	(685,705)
Cash flows from financing activities				
Issuance of shares and warrants	-	-	6,522,960	-
Exercise of broker warrants	37,965	-	186,315	-
Share and warrant issue expenses	(1,177)	-	(569,472)	(36,870)
	36,788	-	6,139,803	(36,870)
Cash flows from investing activities				
Acquisition of mineral properties and exploration costs	(1,435,353)	(1,298,182)	(3,071,614)	(3,297,251)
Tax credits received relating to exploration costs applied against mineral properties	758,981	967,457	1,055,054	968,481
Additions to property, plant and equipment	(3,862)	(4,374)	(3,862)	(4,374)
	(680,234)	(335,099)	(2,020,422)	(2,333,144)
Net change in cash and cash equivalents	(933,240)	(734,519)	3,176,518	(3,055,719)
Cash and cash equivalents - Beginning of period	5,942,492	2,346,599	1,832,734	4,667,799
Cash and cash equivalents - End of period	5,009,252	1,612,080	5,009,252	1,612,080
Additional information				
Acquisition of mineral properties and exploration costs included in accounts payable and accrued liabilities	1,032,348	384,528	1,032,348	384,528
Acquisition of mineral properties paid through issuance of shares	-	55,000	-	100,000
Tax credits related to exploration costs applied against mineral properties	721,915	479,106	1,076,059	779,410
Future income taxes accounted for as share, warrant and broker warrant issue expenses	-	-	285,000	-
Fair value of broker warrants accounted for as share issue expenses	-	-	204,823	-
Share, warrant and broker warrant issue expenses included in accounts payable and accrued liabilities	103,589	-	103,589	-

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, 2007

(expressed in Canadian dollars)

1 Incorporation, nature of operations and going concern

Manicouagan Minerals Inc. ("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 the 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 if the going concern assumption was 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 interim 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 and the accompanying notes.

The financial information as at September 30, 2007 and for the three-month and nine-month periods ended September 30, 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)

September 30, 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 1506, "Accounting Changes". This section prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

Section 1530 "Comprehensive Income". This section establishes standards for reporting and display of certain gains and losses recognized in comprehensive income, but excluded from net income.

Section 3251, "Equity". This section establishes standards for the presentation of equity and changes in equity. The requirements of this section are in addition to those in "Comprehensive Income", Section 1530, "Share capital", Section 3240, and "Reserves", Section 3260.

Section 3855, "Financial Instruments – Recognition and Measurement". This section describes the standards for recognizing and measuring financial assets, financial liabilities, and non-financial derivatives.

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, "Hedges". This section provides an 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".

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

Future Accounting Standards

The Canadian Institute of Chartered Accountants published the following new sections that will apply to interim and annual financial statements relating to the fiscal years beginning on or after October 1, 2007.

Section 3862, "Financial Instruments - Disclosures", describes the required disclosures to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863, "Financial Instruments - Presentation", establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments - Disclosure and Presentation".

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements (unaudited)

September 30, 2007

(expressed in Canadian dollars)

Section 1535, "Capital Disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to establish whether the entity has complied with capital requirements and if not, the consequences of such non-compliance.

These future accounting standards are not expected to have a significant effect on the Company's financial statements when the Company will apply these accounting standards in the fiscal year beginning on January 1, 2008.

3 Cash and cash equivalents

	As at September 30,	As at December 31,
	2007	2006
	\$	\$
Cash	123,486	82,734
Short-term investments	4,885,766	1,750,000
Cash and cash equivalents	5,009,252	1,832,734
Exploration funds included in cash and equivalents	3,212,418	1,009,501

4 Accounts receivable

	As at September 30,	As at December 31,
	2007	2006
	\$	\$
Interest receivable	98,251	15,403
Sales tax receivable	238,149	74,826
Refundable tax credit for resources	864,793	714,001
Credit on duties refundable for losses	403,992	533,779
	1,605,185	1,338,009

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements (unaudited)

September 30, 2007

(expressed in Canadian dollars)

5 Mineral properties

September 30, 2007

	Undivided interest %	Balance as at January 1, 2007 \$	Costs incurred \$	Claims abandoned \$	Tax credits \$	Balance as at September 30, 2007 \$
Manicouagan (1,014 claims)						
Mineral property	100	109,445	20,608	(20,191)	-	109,862
Exploration costs		5,697,002	62,605	-	(26,266)	5,733,341
		<u>5,806,447</u>	<u>83,213</u>	<u>(20,191)</u>	<u>(26,266)</u>	<u>5,843,203</u>
Mouchalagane (338 claims)						
Mineral property	100	54,774	31,275	-	-	86,049
Exploration costs		281,943	1,961,837	-	(917,315)	1,326,465
		<u>336,717</u>	<u>1,993,112</u>	<u>-</u>	<u>(917,315)</u>	<u>1,412,514</u>
Lac Mague (802 claims)						
Mineral property	100	153,529	47,540	-	-	201,069
Exploration costs		536,146	213,338	-	(98,348)	651,136
		<u>689,675</u>	<u>260,878</u>	<u>-</u>	<u>(98,348)</u>	<u>852,205</u>
Brabant Lake (21 claims)						
Mineral property	100	300,000	-	-	-	300,000
Exploration costs		518,166	1,690,712	-	(34,130)	2,174,748
		<u>818,166</u>	<u>1,690,712</u>	<u>-</u>	<u>(34,130)</u>	<u>2,474,748</u>
Generative - Saskatchewan (6 claims)						
Mineral property	100	-	43,306	-	-	43,306
Exploration costs		-	3,270	-	-	3,270
		<u>-</u>	<u>46,576</u>	<u>-</u>	<u>-</u>	<u>46,576</u>
		<u>7,651,005</u>	<u>4,074,491</u>	<u>(20,191)</u>	<u>(1,076,059)</u>	<u>10,629,246</u>

Mouchalagane Property

On August 19, 2007, the Company entered into an agreement with the vendor of the 58 claims that originally formed the Mouchalagane Property to extend the 2% Net Smelter Return Royalty (NSR) to 235 additional claims. Three quarters of the 2% NSR can be purchased from the vendor for \$1,000,000 within six months from the date that a production decision is announced.

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements (unaudited)**September 30, 2007**

(expressed in Canadian dollars)

Lac Mague Property

On July 31, 2007, the Company renegotiated the terms of its agreement with the Labrador Silver Syndicate ("LSS") regarding the final payment to keep a 100% interest in the property. The LSS has agreed to revise the timing of the final payment by accepting a payment of \$25,000 (paid), a further payment of \$25,000 on or before February 28, 2008 and the issuance of 500,000 shares in July 2008. In the event that the February 28, 2008 payment is not made or the shares not issued, then the Company will return the 88 claims to the LSS.

Generative - Saskatchewan (6 claims)

During the second quarter, six new properties in Saskatchewan were acquired by staking.

December 31, 2006

	Undivided interest %	Balance as at January 1, 2006 \$	Costs incurred \$	Claims 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.

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements (unaudited)

September 30, 2007

(expressed in Canadian dollars)

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 Mauge Property

On July 28, 2006, the Company entered into an agreement to acquire a 100% interest in the Lac Mauge 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 Mauge approximately 160 km northwest of the all-services town of Schefferville, Quebec.

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.

MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements (unaudited)**September 30, 2007**

(expressed in Canadian dollars)

Detailed analysis of mineral properties

	Nine-month period ended September 30,	Year ended December 31,
	2007	2006
	\$	\$
Balance - Beginning of period	7,651,005	4,432,659
Cost of claims	142,729	547,279
Camp (construction and maintenance)	393,678	493,231
Mobilization / demobilization of personnel and equipment	558,282	721,858
Drilling	1,699,805	958,717
Geophysics	196,855	504,767
Analyses	32,971	55,385
Consultants	468,078	595,602
Fuel	207,821	237,232
Line cutting	150,870	94,969
Various materials	203,678	104,485
Communications	19,724	31,503
Tax credits	(1,076,059)	(1,032,175)
Claims abandoned	(20,191)	(94,507)
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Balance - End of period	10,629,246	7,651,005
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6 Accounts payable and accrued liabilities

	As at September 30,	As at December 31,
	2007	2006
	\$	\$
Tax payable on flow-through shares	3,783	51,946
Accounts payable	1,277,920	27,056
Accrued liabilities	209,398	58,802
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	1,491,101	137,804
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MANICOUAGAN MINERALS INC.

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Notes to Interim Consolidated Financial Statements (unaudited)**September 30, 2007**

(expressed in Canadian dollars)

7 Share capital

Authorized

Unlimited number of common shares without par value

Variation of issued and fully paid share capital

	Nine-month period ended September 30, 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**	12,722,667	1,964,751	-	-
Exercise of broker warrants	1,242,100	265,752	163,962	45,842
Acquisition of mineral properties (note 5)	-	-	800,000	100,000
	127,317,727	17,442,100	95,715,960	11,422,231
Share issue expenses	-	(1,063,181)	-	(443,514)
Balance - End of period	127,317,727	16,378,919	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 \$325,329 in 2007, which has been determined using the Black-Scholes model (note 9).

Issuance of shares and warrants - private placement 2007

On March 27, 2007, the Company completed a brokered private placement for gross proceeds of \$6,222,960. 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 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 were subject to a four-month hold period which expired on July 27, 2007.

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September 30, 2007

(expressed in Canadian dollars)

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.

All securities issued in the private placement were subject to a four-month hold period which expired on September 18, 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 October 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.

During the second quarter of 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.

During the third quarter of 2007, 253,100 common shares were issued upon the exercise of 253,100 broker warrants at a price of \$0.15 per share for proceeds totalling \$37,965.

Issuance of shares and warrants - private placement 2006

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.

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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.

The following table summarizes information about stock options outstanding and exercisable recorded under Shareholders' Equity during the periods ended September 30, 2007 and December 31, 2006:

	Nine-month period ended September 30, 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	2,665,000	-	0.18	1,990,000	-	0.13
Expired or cancelled	(225,000)	(3,920)	0.20	(800,000)	(93,637)	0.30
Stock-based compensation	-	192,361	-	-	109,985	-
Outstanding - End of period	8,855,000	755,407	0.23	6,415,000	566,966	0.24
Exercisable - End of period	6,395,000	-	0.25	5,115,000	-	0.27

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, having a term of five years. Vesting periods for these options are as follows: 1,170,000 vest immediately, 25,000 vest one year from the date of grant, and 860,000 vest equally over a three-year period from the date of grant. These options were valued at \$220,913 and will be amortized on straight-line basis over their vesting period.

On June 18, 2007, an officer, an employee and consultants of the Company were granted 610,000 stock options at an exercise price of \$0.20 per share, having a term of five years. Vesting periods for these options are as follows: 85,000 vest immediately and 525,000 vest equally over a three-year period from the date of grant. These options were valued at \$82,899 and will be amortized on straight-line basis over their vesting period.

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The following tables summarize information about stock options outstanding and exercisable as at September 30, 2007:

Options outstanding			Options exercisable		
Exercise price	Number	Weighted average remaining contractual life	Exercise price	Number	Weighted average remaining contractual life
\$		(years)	\$		(years)
0.10	750,000	3.43	0.10	250,000	3.43
0.15	1,140,000	3.84	0.15	590,000	4.10
0.18	2,055,000	4.54	0.18	1,170,000	4.54
0.20	810,000	4.33	0.20	285,000	3.61
0.30	4,100,000	2.23	0.30	4,100,000	2.23
	8,855,000	3.27		6,395,000	2.94

The fair value of options granted during the periods ended September 30, 2007 and December 31, 2006 was estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	2007	2006
Risk-free interest rate	4.24%	3.99%
Expected volatility	90%	90%
Dividend yield	Nil	Nil
Weighted average expected life	60 months	58 months
Weighted average fair value on the date of grant	\$0.1140	\$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 estimated fair value, 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.

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9 Warrants

The following table summarizes the variation of warrants recorded under Shareholders' Equity during the periods ended September 30, 2007 and December 31, 2006:

	Nine-month period ended September 30, 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
Issued - Private placements	6,361,334	325,329	0.23	4,999,999	102,307	0.30
Expired	-	-	-	(13,049,500)	(1,127,968)	0.25
	11,361,333	395,172	0.26	4,999,999	102,307	0.30
Issue expenses	-	(59,905)	-	-	(32,464)	-
Outstanding and exercisable - End of period	11,361,333	335,267	0.26	4,999,999	69,843	0.30

The following table summarizes information about warrants outstanding and exercisable as at September 30, 2007:

Exercise price \$	Number	Weighted average remaining contractual life (years)
0.23	6,361,334	1.51
0.30	4,999,999	0.06
	<u>11,361,333</u>	<u>0.87</u>

The fair value of warrants granted during the periods ended September 30, 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	4.07%	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	\$0.0511	\$0.0205

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10 Broker warrants

The following table summarizes the variation of broker warrants recorded under Shareholders' Equity during the periods ended September 30, 2007 and December 31, 2006:

	Nine-month period ended September 30, 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
Issued as compensation	2,113,758	204,823	0.18	800,000	70,400	0.15
Issued - Exercise of broker units	400,000	-	0.30	-	-	-
Exercised	(1,242,100)	(79,437)	0.15	(163,962)	(13,050)	0.20
Expired	-	-	-	(3,657,198)	(422,508)	0.22
	3,071,658	233,947	0.19	1,800,000	130,900	0.15
Issue expenses	-	(39,798)	-	-	(22,339)	-
Outstanding and exercisable -						
End of period	3,071,658	194,149	0.19	1,800,000	108,561	0.15

The following table summarizes information about broker warrants outstanding and exercisable as at September 30, 2007:

Exercise price \$	Number	Weighted average remaining contractual life (years)
0.15	557,900	0.23
0.18	2,113,758	1.49
0.30	400,000	1.06
	<u>3,071,658</u>	<u>1.21</u>

The fair value of broker warrants granted during the periods ended September 30, 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 September 30,		Nine-month periods ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Accounts receivable	(126,336)	10,756	(246,171)	51,061
Prepaid expenses	(30,326)	(204,560)	(74,657)	(269,614)
Accounts payable and accrued liabilities	232,913	(34,364)	246,831	167,040
	76,251	(228,168)	(73,997)	(51,513)

12 Related party transactions

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

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Exploration costs	31,185	36,000	84,064	56,800
Management fees	72,905	79,900	248,646	195,981
	104,090	115,900	332,710	252,781

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 and the Company.

13 Earnings per share

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2007	2006	2007	2006
Basic and diluted weighted average number of shares outstanding	127,303,972	85,399,826	117,035,162	85,047,238

For the three-month and nine-month periods ended September 30, 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.

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However, should the Company's basic earnings per share have been positive, the stock options exercisable at exercise prices lower than \$0.23 for 2007 and \$0.14 for 2006 would have been dilutive and would have resulted in the addition respectively of 1,158,057 shares and 629,489 shares for the three-month and nine-month periods ended September 30, 2007 (202,555 and 160,329 in 2006). Furthermore, the warrants exercisable at exercise prices lower than \$0.23 for 2007 and \$0.14 for 2006 would have been dilutive and would have resulted in the addition respectively of 1,732,733 shares and 505,157 shares for the three-month and nine-month periods ended September 30, 2007 (nil and nil in 2006), to the weighted average number of shares outstanding used in the diluted earnings per share calculation.

14 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 September 30, 2007:

Year	\$	
2007	15,609	(3 months)
2008	54,686	
2009	39,852	(9 months)

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

15 Income taxes

As at December 31, 2006, the Company had \$2,802,997 of non-capital losses carried forward expiring as follows:

Non- capital losses from (Year)	\$	Expiry date (Year)
2002	38,949	2009
2003	94,314	2010
2004	268,207	2014
2005	1,073,084	2015
2006	1,328,423	2026

The Company considers that it is not more likely than not that the future income tax assets resulting from these tax losses will be realized and has therefore recorded a valuation allowance corresponding to the full amount of these future income tax assets.

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16 Financial instruments

Fair value

The fair value of cash and cash equivalents, accounts 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 September 30, 2007 and December 31, 2006, the Company's exposure to interest rate risk is summarized as follows:

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

17 Comparative figures

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

18 Subsequents events

Warrants expired

The warrants issued pursuant the private placement completed on October 20, 2006 expired on October 20, 2007, being 4,999,999 warrants at an exercise price of \$0.30.

Acquisition of mineral properties

Seignelay Property

In September 2007, the Company has map-staked 239 claims over an area of 40 km to the northeast of the Mouchalagane property, which is believed to have similar geological potential as Mouchalagane. The registration of these claims was completed on October 4, 2007.

HPM and Forgues Properties

On November 6, 2007, the Company announced that it had entered into an option agreement with Pure Nickel Inc. ("Pure Nickel") to earn up to a 70% interest in 39 mining claims located some 100 kilometres south-southeast of the Company's Mouchalagane Nickel/PGE property in northern Quebec. To acquire its interest in the properties, the Company will make an initial payment of \$30,000 to Pure Nickel and during the first year of the agreement, compile all reasonably available data for the claims and complete an airborne electromagnetic survey over the claims. The Company will also issue 250,000 non-transferable warrants to purchase common shares of the Company at a price of \$0.40 per share for a period of two years. The warrants will be subject to a four-month hold period. To maintain the option in good standing and earn a fifty percent interest in the claims, the Company must make further cash payments to Pure Nickel of \$25,000 on the second and third anniversary of the agreement and incur expenditures on the property totaling \$750,000 before the second anniversary of the agreement. The Company can earn an additional twenty percent interest by electing within 60 days of the second anniversary of the agreement to carry Pure Nickel during the next 12 months by expending an additional \$1,500,000 on the property.

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Once the Company has earned an interest in the claims, a joint venture will be formed. Dilution is provided for if, after a joint venture is formed, a party fails to fund its pro-rata share of expenditures. The parties have also agreed to an area of interest within a 5 kilometre radius of the outside boundaries of the 39 claims. Xstrata Nickel ("Xstrata") retains certain rights with respect to the mining claims including (i) a 2% NSR on each Property (Pure Nickel and Manicouagan, if it earns an interest having the right to reacquire 1% thereof for \$1,000,000); (ii) off-take and marketing rights for all concentrate or product produced from the properties; and (iii) a one time back-in right to 50% for any mining project with an economic threshold of 15,000,000 tonnes of resources unless such right has been previously exercised in respect of another property that was part of the Xstrata – Pure Nickel transaction.