

MANICOUAGAN MINERALS INC.
(An exploration company)
Financial Statements
December 31, 2008 and 2007

Management's Responsibility for Financial Statements

To the Shareholders of Manicouagan Minerals Inc.

The financial statements and the notes thereto for the years ended December 31, 2008 and 2007 are the responsibility of the management of Manicouagan Minerals Inc. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgements based on currently available information.

Management has developed and maintains 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.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee of the Board which meets to satisfy itself that management's responsibilities are properly discharged and with the external auditors to review the financial statements before they are presented to the Board of Directors for approval.

The financial statements for the years ended December 31, 2008 and 2007 were audited by PricewaterhouseCoopers LLP Chartered Accountants. Their report outlines the scope of their examination and opinion on the financial statements.

(signed) Joseph J. Baylis

Joseph J. Baylis, President and CEO

(signed) Erik H. Martin

Erik H. Martin, Chief Financial Officer

Toronto, Canada
April 8, 2009

Auditors' Report

To the Shareholders of Manicouagan Minerals Inc.

We have audited the balance sheets of **Manicouagan Minerals Inc.** (an exploration company) as at December 31, 2008 and 2007 and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP¹

Québec, Quebec, Canada
April 8, 2009

¹ Chartered accountant auditor permit No. 7871

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

MANICOUAGAN MINERALS INC.

(An exploration company)

Balance Sheets

(expressed in Canadian dollars)

	As at December 31,	
	2008	2007
	<u>\$</u>	<u>\$</u>
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	1,548,162	2,851,400
Amounts receivable (note 6)	1,988,920	1,880,739
Prepaid expenses	26,500	185,913
	<u>3,563,582</u>	<u>4,918,052</u>
Property, plant and equipment (note 8)	49,024	8,680
Mineral properties and deferred exploration costs (note 7)	7,221,544	5,463,988
	<u>10,834,150</u>	<u>10,390,720</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	159,168	488,880
Long-term liabilities		
Future income taxes (note 15)	1,166,780	434,406
	<u>1,325,948</u>	<u>923,286</u>
SHAREHOLDERS' EQUITY		
Share capital (note 9)	17,742,618	16,235,703
Stock options (note 10)	859,770	771,567
Warrants and broker warrants (notes 11 and 12)	478,703	496,413
Contributed surplus	1,852,404	1,786,018
Deficit	(11,425,293)	(9,822,267)
	<u>9,508,202</u>	<u>9,467,434</u>
	<u>10,834,150</u>	<u>10,390,720</u>

Continuance of operations (note 1)

Commitments (note 17)

Subsequent events (note 19)

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

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)

Statements of Loss and Comprehensive Loss

(expressed in Canadian dollars)

	Years ended December 31,	
	2008	2007
	\$	\$
Interest income	82,430	167,682
Expenses		
Management fees	354,210	386,897
Professional fees	117,448	217,402
Salaries and employee benefits	76,384	68,555
Stock-based compensation costs	121,999	204,459
General administration	136,349	122,532
Investor relations and promotion	128,470	157,011
Regulatory and transfer agent fees	22,507	26,166
Shareholders' information	40,888	43,530
General exploration costs	58,199	95,951
Amortization of property, plant and equipment	6,637	2,132
Tax on flow-through shares	1,135	195,415
Write off of mineral properties (note 7)	1,058,612	5,870,914
	<u>2,122,838</u>	<u>7,390,964</u>
Loss and comprehensive loss before income taxes	(2,040,408)	(7,223,282)
Future income taxes (note 15)	(437,382)	(1,815,942)
	<u>(1,603,026)</u>	<u>(5,407,340)</u>
Net loss and comprehensive loss for the year	(0.01)	(0.05)
Basic and diluted net loss per share (note 16)		
	<u>134,045,538</u>	<u>119,625,165</u>

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

MANICOUAGAN MINERALS INC.

(An exploration company)

Statements of Changes in Shareholders' Equity

(expressed in Canadian dollars)

	Years ended December 31,	
	2008	2007
	\$	\$
Share capital (note 9)		
Balance - Beginning of year	16,235,703	10,978,717
Issuance of flow-through shares	2,710,000	4,232,880
Issuance of common shares	-	1,964,751
Issuance of common shares as payment of accounts payable and accrued liabilities	142,299	-
Acquisition of mineral property (note 7)	38,000	-
Exercise of broker warrants	-	255,613
Exercise of stock options	-	18,007
	19,126,002	17,419,968
Issue costs (note 9)	(1,383,384)	(1,184,265)
Balance - End of year	17,742,618	16,235,703
Stock options (note 10)		
Balance - Beginning of year	771,567	566,966
Expired	(48,676)	(3,920)
Exercised	-	(6,757)
Stock-based compensation costs	136,879	215,278
Balance - End of year	859,770	771,567
Warrants (note 11)		
Balance - Beginning of year	300,557	69,843
Issued - Private placements	-	325,329
Issued - Acquisition of mineral property (note 7)	-	16,100
Expired	-	(41,680)
	300,557	369,592
Issue costs	-	(69,035)
Balance - End of year	300,557	300,557
Broker warrants (note 12)		
Balance - Beginning of year	195,856	108,561
Issued as compensation	-	204,823
Exercised	-	(38,173)
Expired	(17,710)	(33,299)
	178,146	241,912
Issue costs	-	(46,056)
Balance - End of year	178,146	195,856

MANICOUAGAN MINERALS INC.

(An exploration company)

Statements of Changes in Shareholders' Equity

(expressed in Canadian dollars)

	Years ended December 31,	
	2008	2007
	\$	\$
Contributed Surplus		
Balance - Beginning of year	1,786,018	1,707,119
Stock options expired (note 10)	48,676	3,920
Warrants and broker warrants expired (notes 11 and 12)	17,710	74,979
Balance - End of year	<u>1,852,404</u>	<u>1,786,018</u>
Deficit		
Balance - Beginning of year	(9,822,267)	(4,414,927)
Net loss for the year	(1,603,026)	(5,407,340)
Balance - End of year	<u>(11,425,293)</u>	<u>(9,822,267)</u>
Total shareholders' equity	<u>9,508,202</u>	<u>9,467,434</u>

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

MANICOUAGAN MINERALS INC.

(An exploration company)

Statements of Cash Flows

(expressed in Canadian dollars)

	Years ended December 31,	
	2008	2007
	\$	\$
Cash flows from operating activities		
Net loss for the year	(1,603,026)	(5,407,340)
Items not affecting cash and cash equivalents		
Amortization of property, plant and equipment	6,637	2,132
Stock-based compensation costs	121,999	204,459
Write off of mineral properties	1,058,612	5,870,914
Future income taxes	(437,382)	(1,815,942)
	<u>(853,160)</u>	<u>(1,145,777)</u>
Net change in non-cash working capital items (note 13)	<u>505,326</u>	<u>(204,314)</u>
	<u>(347,834)</u>	<u>(1,350,091)</u>
Cash flows from financing activities		
Issuance of shares and warrants	2,710,000	6,522,960
Exercise of stock options	-	11,250
Exercise of broker warrants	-	187,440
Share and warrant issue costs	(213,628)	(662,233)
	<u>2,496,372</u>	<u>6,059,417</u>
Cash flows from investing activities		
Acquisition of mineral properties and deferred exploration costs	(4,683,509)	(4,743,825)
Tax credits received relating to exploration costs applied against mineral properties	1,278,714	1,055,055
Acquisition of property, plant and equipment	(46,981)	(1,890)
	<u>(3,451,776)</u>	<u>(3,690,660)</u>
Net change in cash and cash equivalents	<u>(1,303,238)</u>	<u>1,018,666</u>
Cash and cash equivalents - Beginning of year	<u>2,851,400</u>	<u>1,832,734</u>
Cash and cash equivalents - End of year	<u>1,548,162</u>	<u>2,851,400</u>
Additional information		
Acquisition of mineral properties and deferred exploration costs included in accounts payable and accrued liabilities	14,270	204,424
Acquisition of mineral property paid through issuance of shares	38,000	16,100
Tax credits receivable related to exploration costs applied against mineral properties and deferred exploration costs	1,730,067	1,261,800
Future income taxes accounted for as share, warrant and broker warrant issue costs	1,169,756	432,300
Fair value of broker warrants accounted for as share issue costs	-	204,823
Stock-based compensation costs capitalized in deferred exploration costs	14,880	10,819
Accounts payable and accrued liabilities paid through issuance of shares	142,299	-

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

MANICOUAGAN MINERALS INC.

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Notes to Financial Statements

December 31, 2008 and 2007

(expressed in Canadian dollars)

1 NATURE AND CONTINUANCE OF OPERATIONS

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 periodically seeks 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 noncompliant with regulatory requirements.

These 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 significant doubt as to the validity of the going concern assumption.

These 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 SIGNFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks as well as all highly liquid short-term investments which are convertible to known amounts of cash at any time by the Company without penalties.

Impairment of long-lived assets

The Company reviews and evaluates its long-lived assets, including its mineral property interests and property, plant and equipment, for impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. Measurement of an impairment loss is based on the excess of the carrying value of the asset over its estimated fair value.

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Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost less option payments received and other recoveries. Exploration costs relating to these interests and projects are capitalized on the basis of specific claim blocks or areas of geological interest until the mineral properties to which they relate are placed into production, sold or abandoned. Management reviews for impairment the carrying values of mineral properties on a regular basis to determine whether any write downs are necessary. These costs will be amortized over the estimated useful life of mineral properties following commencement of production or written off if the mineral properties or projects are abandoned. General exploration costs not related to specific mineral properties are expensed as incurred.

Property, plant and equipment amortization

Furniture and fixtures are recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis at an annual rate of 20%.

Computer equipment is recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis at an annual rate of 30%.

Shareholders' equity

Share capital issued for non-monetary consideration is generally recorded at the quoted market price of the shares on the date, such agreement is signed.

The shares issued pursuant to flow-through share financing agreements are recorded at their fair value. Upon the acquisition of mineral properties, the carrying value may exceed the tax base since the Company renounces the deductions in favour of the investors concerned. Future income taxes relating to the difference between the carrying value and the tax value are accounted for as share issue costs.

Share issue costs and future income taxes arising from the difference between the carrying amount and tax base amount of exploration costs have been applied against share capital.

Warrant issue costs have been applied against warrants.

Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted or substantially enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

Stock-based compensation

The Company maintains a stock option plan, which is described in note 10. The Company records all stock-based compensation using the fair value method. The stock-based compensation costs are charged to operations or capitalized to mineral properties over the vesting period with a corresponding credit to stock options. Consideration received on the exercise of stock options is recorded as share capital and the related stock options are transferred to share capital.

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Basic and diluted loss per share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the years. Actual results could differ from those estimates.

Capital disclosures and financial instruments - disclosures and presentation

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in note 3 to these financial statements.

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in note 4 to these financial statements.

General Standards of Financial Statement Presentation

Handbook Section 1400 includes requirements to assess and disclose an entity's ability to continue as a going concern (going concern assumption). This new standard has no significant impact on the financial statements of the Company.

Future accounting standards

International Financial Reporting Standards (“IFRS”)

In January 2006, the CICA's Accounting Standards Board (“AcSB”) formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008, the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. A calendar year-end public company will be required to have prepared, in time for its first 2011 quarter filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010.

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The Company is currently assessing the impact of these new accounting standards on its financial statements.

Goodwill and Intangible Assets

The CICA has issued a new standard which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2009. Section 3064, Goodwill and intangible assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

Credit risk and fair value of Financial Assets and Liabilities

The CICA has issued an Abstract EIC-173, which requires entities to take both counterparty credit risk and their own credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. EIC-173 will be effective for interim and annual periods beginning on or after January 1, 2009.

The Company is currently assessing the impact of this guidance on its financial statements.

3 CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure, based on funds available to the Company, in order to support the acquisition and exploration of mineral properties. Given that the Company is in the mineral exploration business, the Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company considers the items included in shareholders' equity as capital component.

There were no changes in the Company's approach to capital management during the year ended December 31, 2008. The Company is not subject to externally imposed capital requirements.

4 RISK FACTORS – FINANCIAL INSTRUMENTS

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and amounts receivable. Financial instruments included in amounts receivable consist of interest receivable. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable is remote. The credit risk on cash and cash equivalents is limited because the counterparties are Canadian banks with high credit-ratings.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company has a cash and cash equivalents balance of \$1,548,162 (December 31, 2007 - \$2,851,400) to settle current liabilities of \$159,168 (December 31, 2007 - \$488,880). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

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Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

Interest rate risk

The Company has cash and cash equivalents. The Company's current policy is to invest excess cash in guaranteed investment certificates refundable before maturity and/or in interest-bearing accounts of Canadian chartered banks. The Company periodically monitors its investments and is satisfied with the creditworthiness of its financial institutions. As of December 31, 2008, the Company has an interest-bearing account with a Canadian chartered bank.

As at December 31, 2008 and 2007, the Company's exposure to interest rate risk is summarized as follows:

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

Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is remote.

Sensitivity analysis

The Company has designated its cash and cash equivalents as held-for-trading, which is measured at fair value. Interest receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The amortized cost of interest receivable and accounts payable and accrued liabilities is equal to their carrying value due to their short-term maturity.

(i) On December 31, 2008, short-term investments consisted of flexible guaranteed investment certificates redeemable before maturity, which bear interest at an annual rate of 3.30% and mature prior to July 20, 2009. From April 2008 to December 2008, cash was subject to floating interest rates at the Canadian prime rate minus 1.9% on bank balances. Sensitivity to a plus or minus 1% change in rates is not material to the statement of loss and comprehensive loss.

(ii) The Company does not hold balances in foreign currencies which would give rise to exposure to foreign exchange risk.

MANICOUAGAN MINERALS INC.

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Notes to Financial Statements**December 31, 2008 and 2007**

(expressed in Canadian dollars)

5 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2008	2007
	\$	\$
Cash	38,162	15,634
Short-term investments	1,510,000	2,835,766
Cash and cash equivalents	<u>1,548,162</u>	<u>2,851,400</u>
Flow-through exploration costs to incur (note 17)	1,243,523	1,520,756
Flow-through exploration costs incurred included in accounts payable and accrued liabilities	14,270	204,424
Flow-through exploration funds included in cash and cash equivalents	<u>1,257,793</u>	<u>1,725,180</u>

On December 31, 2008, short-term investments consisted of flexible guaranteed investment certificates redeemable before maturity, which bear interest at an annual rate of 3.30% and mature prior to July 20, 2009.

On December 31, 2007, short-term investments consisted of flexible guaranteed investment certificates redeemable before maturity, which bear interest at 4.00% and matured on March 27, 2008 and May 23, 2008.

6 AMOUNTS RECEIVABLE

	As at December 31,	
	2008	2007
	\$	\$
Interest receivable	23,578	84,831
Sales tax receivable	37,038	318,957
Refundable tax credit for resources	1,428,734	1,039,480
Credit on duties refundable for losses	499,570	437,471
	<u>1,988,920</u>	<u>1,880,739</u>

MANICOUAGAN MINERALS INC.

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Notes to Financial Statements**December 31, 2008 and 2007**

(expressed in Canadian dollars)

7 MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS**December 31, 2008**

	Undivided interest	Balance as at December 31, 2007	Costs incurred	Write off	Tax credits¹	Balance as at December 31, 2008
	%	\$	\$	\$	\$	\$
Brabant Lake (21 claims)						
Mineral property	100	300,000	-	-	-	300,000
Exploration costs		2,592,946	478,535	-	-	3,071,481
		2,892,946	478,535	-	-	3,371,481
Mouchalagane (493 claims)						
Mineral property	100	100,999	12,305	-	-	113,304
Exploration costs		1,488,840	1,971,973	-	(905,844)	2,554,969
		1,589,839	1,984,278	-	(905,844)	2,668,273
HPM/Forgues (289 claims)						
Mineral property (39 claims)	on option	46,100	25,000	-	-	71,100
Mineral property (250 claims)	100	1,500	20,625	-	-	22,125
Exploration costs		460	1,662,740	-	(676,728)	986,472
		48,060	1,708,365	-	(676,728)	1,079,697
Winter House (141 claims)						
Mineral property	100	-	52,397	-	-	52,397
Exploration costs		-	92,200	-	(42,504)	49,696
		-	144,597	-	(42,504)	102,093
Seignelay (239 claims)						
Mineral property	100	27,485	-	(27,485)	-	-
Exploration costs		-	214,855	(115,826)	(99,029)	-
		27,485	214,855	(143,311)	(99,029)	-
Lac Maugue (802 claims)						
Mineral property	100	201,069	2,652	(203,721)	-	-
Exploration costs		704,589	12,953	(711,580)	(5,962)	-
		905,658	15,605	(915,301)	(5,962)	-
		5,463,988	4,546,235	(1,058,612)	(1,730,067)	7,221,544

MANICOUAGAN MINERALS INC.

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Notes to Financial Statements**December 31, 2008 and 2007**

(expressed in Canadian dollars)

December 31, 2007

	Undivided interest	Balance as at December 31, 2006	Costs incurred	Write off	Tax credits ¹	Balance as at December 31, 2007
	%	\$	\$	\$	\$	\$
Brabant Lake (21 claims)						
Mineral property	100	300,000	-	-	-	300,000
Exploration costs		518,166	2,108,910	-	(34,130)	2,592,946
		818,166	2,108,910	-	(34,130)	2,892,946
Mouchalagane (468 claims)						
Mineral property	100	54,774	46,225	-	-	100,999
Exploration costs		281,943	2,259,648	-	(1,052,751)	1,488,840
		336,717	2,305,873	-	(1,052,751)	1,589,839
HPM/Forgues (69 claims)						
Mineral property (39 claims)	on option	-	46,100	-	-	46,100
Mineral property (30 claims)	100	-	1,500	-	-	1,500
Exploration costs		-	805	-	(345)	460
		-	48,405	-	(345)	48,060
Seignelay (239 claims)						
Mineral property	100	-	27,485	-	-	27,485
Exploration costs		-	-	-	-	-
		-	27,485	-	-	27,485
Lac Maugue (802 claims)						
Mineral property	100	153,529	47,540	-	-	201,069
Exploration costs		536,146	312,509	-	(144,066)	704,589
		689,675	360,049	-	(144,066)	905,658
Manicouagan (1,014 claims)						
Mineral property	100	109,445	22,458	(131,903)	-	-
Exploration costs		5,697,002	72,517	(5,739,011)	(30,508)	-
		5,806,447	94,975	(5,870,914)	(30,508)	-
		7,651,005	4,945,697	(5,870,914)	(1,261,800)	5,463,988

¹Credit on duties refundable for loss and refundable tax credit for resources

The Company is entitled to a credit on duties refundable for loss under the Quebec Mining Duties Act. This credit on duties refundable for loss on mineral exploration expenses incurred in the Province of Quebec at the rate of 12% has been applied against the costs incurred.

Also, the Company is entitled to the refundable tax credit for resources for mineral companies on qualified expenditures incurred in the Province of Quebec. The refundable tax credit for resources may reach 35% or 38.75% of qualified expenditures incurred. This tax credit has been applied against the costs incurred.

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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. The property is not subject to any royalties.

The property consists of 21 contiguous claims registered as ML5054 and covering an area of 4 km². The claims are located immediately east of Highway 102, some 175 km from the all-services community of La Ronge, Saskatchewan.

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 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 originally consisted of 58 map designated claims covering an area of 30 km² approximately 350 km north of Baie-Comeau, Quebec.

After the acquisition of the 58 claims by agreement, the Company 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.

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% 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.

During 2007, the Company map designated 380 additional claims and at December 31, 2007, the property consisted of 468 claims.

During 2008, the Company map designated 25 additional claims and at December 31, 2008, the property consisted of 493 claims covering an area of 260 km².

HPM and Forgues Property

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 southeast of the Company's Mouchalagane property.

To acquire its interest in the property, the Company made an initial payment of \$30,000 to Pure Nickel and during the first year of the agreement, will compile all reasonably available data for the claims and will complete an airborne electromagnetic survey over the claims. The Company also issued 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.

To maintain the option in good standing and earn an initial fifty percent interest in the property, the Company must make further cash payments to Pure Nickel of \$25,000 on the first and second 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 incurring an additional \$1,500,000 on the property.

In relation to the option agreement with Pure Nickel dated November 6, 2007, the Company made the payment of \$25,000 due on the first anniversary of the option agreement and has met the minimum first year work commitment of \$750,000.

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Once the Company has earned an interest in the property, 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 (the 39 initial claims as well as to claims that could subsequently be acquired by Pure Nickel or Manicouagan within a defined area of interest) including (i) a 2% NSR on property (Pure Nickel and Manicouagan, if it earns an interest in the claims, 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 property; 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.

During the third quarter of 2008, the Company map designated 71 additional claims and at December 31, 2008, the property consisted of 289 claims covering an area of 141 km².

Winter House Property

On May 15, 2008, the Company acquired a 100% interest in 18 claims by issuing 200,000 common shares. As part of the transaction, 110 claims acquired by the Company in January 2008 were included in the agreement. In the event of production from the property (all claims), the vendor will receive a 2% 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.

During 2008, the Company map designated 13 additional claims (not subject to NSR) and at December 31, 2008, the property consisted of 141 claims covering an area of 74 km².

Lac Mauge Property

In December 2008, the Company wrote off the carrying value of the property. The Company is currently seeking a joint venture partner to advance this project.

Manicouagan Property

In December 2007, the Company wrote off the carrying value of the property. The Company continues to seek a joint venture partner for the property.

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Detailed analysis of mineral properties and deferred exploration costs

	Year ended December 31,	
	2008	2007
	\$	\$
Balance - Beginning of year	5,463,988	7,651,005
Cost of claims	112,979	191,308
Camp (construction and maintenance)	646,249	697,711
Transportation	961,394	623,984
Drilling	1,030,879	2,085,132
Geophysics	703,498	314,038
Analysis	96,481	59,609
Consultants	607,106	619,481
Fuel	312,474	199,609
Line cutting	75,175	154,825
Tax credits	(1,730,067)	(1,261,800)
Write off of mineral properties and deferred exploration costs	(1,058,612)	(5,870,914)
Balance - End of year	<u>7,221,544</u>	<u>5,463,988</u>

8 PROPERTY, PLANT AND EQUIPMENT

	As at December 31, 2008		
	Cost	Accumulated Amortization	Net Carrying Amount
	\$	\$	\$
Furniture and fixtures	55,682	8,944	46,738
Computer equipment	5,414	3,128	2,286
	<u>61,096</u>	<u>12,072</u>	<u>49,024</u>

	As at December 31, 2007		
	Cost	Accumulated Amortization	Net Carrying Amount
	\$	\$	\$
Furniture and fixtures	10,434	2,915	7,519
Computer equipment	3,681	2,520	1,161
	<u>14,115</u>	<u>5,435</u>	<u>8,680</u>

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9 SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Variation of issued and fully paid share capital

	Year ended December 31,			
	2008		2007	
	Number	Amount \$	Number	Amount \$
Balance - Beginning of year	127,400,227	16,235,703	95,715,960	10,978,717
Issuance of flow-through shares	13,550,000	2,710,000	17,637,000	4,232,880
Issuance of common shares*	-	-	12,722,667	1,964,751
Issuance of common shares as payment of accounts payable and accrued liabilities	711,496	142,299	-	-
Acquisition of mineral property (note 7)	200,000	38,000	-	-
Exercise of broker warrants	-	-	1,249,600	225,613
Exercise of stock options	-	-	75,000	18,007
	141,861,723	19,126,002	127,400,227	17,419,968
Issue costs **	-	(1,383,384)	-	(1,184,265)
Balance - End of year	141,861,723	17,742,618	127,400,227	16,235,703

* Issuance of common shares 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 11).

** Issue costs include \$1,169,756 (\$253,657 in 2007) in relation to renunciation of flow-through expenses. According to CICA EIC-146, the Company must record the tax expense of such renunciation at the time of filing the tax forms which normally takes place in the first quarter of the year following the issuance of flow-through shares.

Issuance of shares - payment of accounts payable and accrued liabilities

In the third quarter of 2007, the Company recorded a liability of \$191,633. This amount is related to claims made by certain flow-through investors following a 2006 audit by the Canada Revenue Agency ("CRA"), which identified that the Company's qualifying flow-through exploration expenses that have been renounced in 2002 to these investors were overstated.

On June 11, 2008, the Company issued 711,496 common shares pursuant to agreements with certain of these investors to settle \$142,299 of the liabilities based on a price of \$0.20 per share.

Issuance of shares - private placements 2008

On June 27, 2008, the Company completed the first tranche of a non-brokered private placement for gross proceeds of \$930,000. Pursuant to this private placement, the Company issued 4,650,000 flow-through common shares at a price of \$0.20 per share. In connection with the first tranche of this non-brokered private placement, the Company paid a cash commission/finders' fee of \$52,500.

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On July 16, 2008, the Company completed the second tranche of a non-brokered private placement for gross proceeds of \$1,180,000. Pursuant to this private placement, the Company issued 5,900,000 flow-through common shares at a price of \$0.20 per share. In connection with the second tranche of this non-brokered private placement, the Company paid a cash commission/finders' fee of \$70,800.

On August 26, 2008, the Company completed a non-brokered private placement for gross proceeds of \$600,000. Pursuant to this private placement, the Company issued 3,000,000 flow-through common shares at a price of \$0.20 per share. In connection with this non-brokered private placement, the Company paid a cash commission/finders' fee of \$36,000.

Issuance of shares and warrants - private placements 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.

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. 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.

Exercise of warrants - 2007

During 2007, 449,600 common shares were issued upon the exercise of 449,600 broker warrants at a price of \$0.15 per share for proceeds totalling \$67,440. The balance of 550,400 broker warrants expired unexercised on December 23, 2007.

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, which expired on October 20, 2008.

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10 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. Vesting provisions are determined at the time of each grant.

The following table summarizes information about stock options outstanding and exercisable recorded under Shareholders' Equity during the years ended December 31, 2008 and 2007:

	2008			2007		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding - Beginning of year	8,780,000	771,567	0.23	6,415,000	566,966	0.24
Granted	1,815,000	-	0.20	2,665,000	-	0.18
Expired	(820,000)	(48,676)	0.17	(225,000)	(3,920)	0.20
Exercised	-	-	-	(75,000)	(6,757)	0.15
Stock-based compensation	-	136,879	-	-	215,278	-
Outstanding - End of year	9,775,000	859,770	0.23	8,780,000	771,567	0.23
Exercisable - End of year	8,158,333	-	0.24	6,570,000	-	0.25

On January 15, 2008, a director of the Company was granted 100,000 stock options at an exercise price of \$0.145 per share for a period of five years. These options vested immediately. These options were valued at \$10,660 and were charged to stock-based compensation costs in the Statement of Loss.

On September 30, 2008, directors, officers, employees and consultants of the Company were granted 1,715,000 stock options at an exercise price of \$0.20 per share for a period of five years. Vesting provisions for these options are as follows: 1,065,000 vest immediately and 650,000 vest equally over a three-year period from the date of grant. These options were valued at \$68,429 and will be amortized on a straight-line basis over their vesting period.

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The following tables summarize information about stock options outstanding and exercisable as at December 31, 2008:

Options outstanding			Options exercisable		
Exercise price	Number	Weighted average remaining contractual life	Exercise price	Number	Weighted average remaining contractual life
\$		(years)	\$		(years)
0.100	750,000	2.18	0.100	500,000	2.18
0.145	100,000	4.04	0.145	100,000	4.04
0.150	615,000	2.84	0.150	615,000	2.84
0.180	1,745,000	3.28	0.180	1,378,333	3.28
0.200	2,465,000	4.23	0.200	1,465,000	4.18
0.300	4,100,000	0.98	0.300	4,100,000	0.98
	9,775,000	2.45		8,158,333	2.20

The fair value of options granted during the years ended December 31, 2008 and 2007 was estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	2008	2007
Risk-free interest rate	3.16%	4.24%
Expected volatility	95%	90%
Dividend yield	Nil	Nil
Weighted average expected life	60 months	60 months
Weighted average fair value on the date of grant	\$0.04	\$0.11

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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11 WARRANTS

The following table summarizes the variation of warrants recorded under Shareholders' Equity during the years ended December 31, 2008 and 2007:

	2008			2007		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable -						
Beginning of year	6,611,334	300,557	0.24	4,999,999	69,843	0.30
Issued - Private placements	-	-	-	6,361,334	325,329	0.23
Issued - Acquisition of mineral properties (note 7)	-	-	-	250,000	16,100	0.40
Expired	-	-	-	(4,999,999)	(41,680)	0.30
	6,611,334	300,557	0.24	6,611,334	369,592	0.24
Issue costs	-	-	-	-	(69,035)	-
Outstanding and exercisable -						
End of year	6,611,334	300,557	0.24	6,611,334	300,557	0.24

The following table summarizes information about warrants outstanding and exercisable as at December 31, 2008:

Expiry date	Exercise price \$	Number	Weighted average remaining contractual life (years)
March 27, 2009	0.23	5,528,000	0.24
May 18, 2009	0.23	833,334	0.38
November 6, 2009	0.40	250,000	0.85
		6,611,334	0.28

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

	2007
Risk-free interest rate	4.07%
Expected volatility	90%
Dividend yield	Nil
Weighted average expected life	24 months
Weighted average fair value on the date of grant	\$0.05

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12 BROKER WARRANTS

The following table summarizes the variation of broker warrants recorded under Shareholders' Equity during the years ended December 31, 2008 and 2007:

	2008			2007		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable -						
Beginning of year	2,513,758	195,856	0.20	1,800,000	108,561	0.15
Issued as compensation	-	-	-	2,113,758	204,823	0.18
Issued - Exercise of broker units	-	-	-	400,000	-	0.30
Exercised	-	-	-	(1,249,600)	(38,173)	0.15
Expired	(400,000)	(17,710)	0.30	(550,400)	(33,299)	0.15
	2,113,758	178,146	0.18	2,513,758	241,912	0.20
Issue costs	-	-	-	-	(46,056)	-
Outstanding and exercisable -						
End of year	2,113,758	178,146	0.18	2,513,758	195,856	0.20

The following table summarizes information about broker warrants outstanding and exercisable as at December 31, 2008:

Expiry date	Exercise price	Number	Weighted average remaining contractual life (years)
	\$		
March 27, 2009	0.18	2,113,758	0.24

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

	2007
Risk-free interest rate	4.02%
Expected volatility	90%
Dividend yield	Nil
Weighted average expected life	24 months
Weighted average fair value on the date of grant	\$0.10

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13 NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	Year ended December 31,	
	2008	2007
	\$	\$
Amounts receivable	343,172	(335,985)
Prepaid expenses	159,413	(44,452)
Accounts payable and accrued liabilities	2,741	176,123
	<u>505,326</u>	<u>(204,314)</u>

14 RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with an officer and businesses controlled by directors and/or officers:

	Year ended December 31,	
	2008	2007
	\$	\$
Exploration costs	73,500	118,267
Management fees	297,188	332,163
	<u>370,688</u>	<u>450,430</u>
Amounts due to related parties at the end of year	<u>-</u>	<u>-</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 and the Company.

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15 INCOME TAXES

The reconciliation of the income tax recovery, calculated using the statutory income tax rates of the federal government and provinces concerned (Canada), to the income tax recovery per the financial statements is as follows:

	Year ended December 31,	
	2008	2007
	\$	\$
Loss before income taxes	(2,040,408)	(7,223,282)
Income taxes at the combined statutory tax rate of the Canadian federal government and the provinces concerned (32.51% in 2008 and 35.03% in 2007)	(663,287)	(2,530,316)
Expiry of loss carry-forward	10,879	-
Change in proportion of activities allocated to tax jurisdictions	(81,334)	19,637
Change in valuation allowance	382,723	469,901
Non-taxable tax credits	(97,956)	(69,434)
Non-deductible expenses	47,499	85,900
Change in tax rate	29,398	433,647
Share issue costs not affecting earnings	(69,445)	(231,953)
Other	4,141	6,676
Income taxes	(437,382)	(1,815,942)

Significant components of the company's future income tax assets and liabilities are as follows:

	2008	2007
	\$	\$
Mineral properties	290,337	157,675
Non-capital losses	1,606,779	1,206,929
Share issue costs	294,372	444,059
Other items	83,810	83,912
Valuation allowance	(2,275,298)	(1,892,575)
Future income tax assets	-	-
Mineral properties	(1,108,235)	(415,834)
Other items	(58,545)	(18,572)
Long-term future income tax liabilities, net	(1,166,780)	(434,406)

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As at December 31, 2008, the Company had \$5,938,645 in non-capital losses. Full valuation has been recorded as regards to these non-capital losses.

Non-capital losses from	\$	Expiry date
Year	\$	Year
2002	5,483	2009
2003	34,146	2009
2003	60,168	2010
2004	102,369	2013
2004	165,838	2014
2005	1,073,084	2015
2006	1,328,423	2026
2007	1,527,771	2027
2008	1,641,363	2028

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.

16 EARNINGS PER SHARE

	Year ended December 31,	
	2008	2007
Basic and diluted weighted average number of shares outstanding	134,045,538	119,625,165

For the years ended December 31, 2008 and 2007, 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 exercise prices lower than \$0.08 and \$0.22 for the years ended December 31, 2008 and 2007 would have been dilutive and would have resulted in the addition of no shares and 578,054 shares for the years ended December 31, 2008 and 2007, respectively. Furthermore, warrants exercisable at exercise prices lower than \$0.08 and \$0.22 for the years ended December 31, 2008 and 2007 would have been dilutive and would have resulted in the addition of no shares and 311,552 for the years ended December 31, 2008 and 2007, to the weighted average number of shares outstanding used in the diluted earnings per share calculation.

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17 COMMITMENTS

Leases

The Company has two office leases expiring on September 30, 2009 and on January 31, 2011. The minimum combined annual payments under these leases are as follows:

Year	\$	
2009	70,504	
2010	31,254	
2011	2,609	(1 month)

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

Flow-through exploration funds

As at December 31, 2008, the Company had an obligation to incur approximately \$1,243,523 in qualifying exploration expenditures by December 31, 2009.

18 COMPARATIVES FIGURES

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

19 SUBSEQUENT EVENTS

- In March 2009, the lease expiring on September 30, 2009 has been cancelled at a cost of \$10,000. The Company subleased a new office space at \$1,100 / month. This sublease can be cancelled by 30 day notice only.
- On March 23, 2009, the Company announced that the warrants expiring on March 27, 2009 and on May 18, 2009 were extended for a period of 18 months.
- On March 27, 2009, the 2,113,758 broker warrants priced at \$0.18 expired unexercised.