

MANICOUAGAN MINERALS INC.
(An exploration company)
Interim Financial Statements (unaudited)
June 30, 2008

Management's Responsibility for Interim Financial Statements

To the Shareholders of Manicouagan Minerals Inc.

The unaudited interim financial statements and the notes thereto for the three and six months ended June 30, 2008 are the responsibility of the management of Manicouagan Minerals Inc. These unaudited interim 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.

(signed) Joseph J. Baylis

Joseph J. Baylis, President and CEO

(signed) Erik H. Martin

Erik H. Martin, Chief Financial Officer

Toronto, Canada
August 25, 2008

MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Balance Sheets (unaudited)

(expressed in Canadian dollars)

	June 30, 2008	December 31, 2007
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	2,944,081	2,851,400
Accounts receivable (note 6)	942,497	1,880,739
Prepaid expenses	136,037	185,913
	<u>4,022,615</u>	<u>4,918,052</u>
Mineral properties and deferred exploration costs (note 7)	7,031,965	5,463,988
Property, plant and equipment (note 8)	37,942	8,680
	<u>11,092,522</u>	<u>10,390,720</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	665,035	488,880
Long-term liabilities		
Future income taxes	1,642,844	434,406
	<u>2,307,879</u>	<u>923,286</u>
SHAREHOLDERS' EQUITY		
Share capital (note 9)	16,096,699	16,235,703
Stock options (note 10)	817,735	771,567
Warrants and broker warrants (notes 11 and 12)	496,413	496,413
Contributed surplus	1,794,172	1,786,018
Deficit	(10,420,376)	(9,822,267)
	<u>8,784,643</u>	<u>9,467,434</u>
	<u>11,092,522</u>	<u>10,390,720</u>

Continuance of operations (note 1)

Commitments (note 17)

Subsequent event (note 19)

The accompanying notes are an integral part of these interim 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)

Interim Statements of Loss and Comprehensive Loss (unaudited)

(expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Interest income	11,093	61,403	36,529	78,396
Expenses				
Management fees	98,413	98,279	195,192	201,220
Professional fees	44,911	62,700	75,795	114,325
Salaries and employee benefits	17,928	16,472	37,584	36,351
Stock-based compensation costs	19,770	157,828	50,872	167,941
General administration	37,203	32,609	69,671	62,156
Investor relations and promotion	49,465	43,742	86,634	92,478
Regulatory and transfer agent fees	8,658	12,564	17,145	21,182
Shareholders' information	18,952	21,383	25,877	32,502
General exploration costs	5,427	8,274	32,925	18,300
Amortization of property, plant and equipment	1,254	470	2,330	1,010
Tax on flow-through shares	-	-	1,931	2,703
Write off of mineral property (note 7)	-	16,063	-	16,063
	<u>301,981</u>	<u>470,384</u>	<u>595,956</u>	<u>766,231</u>
Loss and comprehensive loss before income taxes	(290,888)	(408,981)	(559,427)	(687,835)
Future income taxes	7,067	-	38,682	-
Net loss and comprehensive loss for the period	<u>(297,955)</u>	<u>(408,981)</u>	<u>(598,109)</u>	<u>(687,835)</u>
Basic and diluted net loss per share (note 16)	<u>(0.00)</u>	<u>(0.00)</u>	<u>(0.00)</u>	<u>(0.01)</u>
Basic and diluted weighted average number of shares outstanding (note 16)	<u>127,803,177</u>	<u>126,157,418</u>	<u>127,601,702</u>	<u>111,792,878</u>

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

MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Statements of Change in Shareholders' Equity (unaudited)

(expressed in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Share capital (note 9)				
Balance - Beginning of period	15,065,947	16,081,280	16,235,703	10,978,717
Issuance of flow-through shares	930,000	-	930,000	4,232,880
Issuance of common shares	-	251,071	-	1,964,751
Issuance of common shares as payment of accounts payable and accrued liabilities	142,299	-	142,299	-
Acquisition of mineral property (note 7)	38,000	-	38,000	-
Exercise of broker warrants	-	22,420	-	212,477
	16,176,246	16,354,771	17,346,002	17,388,825
Issue costs (note 9)	(79,547)	(29,127)	(1,249,303)	(1,063,181)
Balance - End of period	16,096,699	16,325,644	16,096,699	16,325,644
Stock options (note 10)				
Balance - Beginning of period	800,997	577,079	771,567	566,966
Expired	(4,757)	-	(8,154)	-
Stock-based compensation	21,495	157,828	54,322	167,941
Balance - End of period	817,735	734,907	817,735	734,907
Warrants (note 11)				
Balance - Beginning of period	300,557	291,403	300,557	69,843
Issued - Private placements	-	48,929	-	325,329
	300,557	340,332	300,557	395,172
Issue costs	-	(5,065)	-	(59,905)
Balance - End of period	300,557	335,267	300,557	335,267
Broker warrants (note 12)				
Balance - Beginning of period	195,856	216,046	195,856	108,561
Issued as compensation	-	-	-	204,823
Exercised	-	(6,445)	-	(64,127)
	195,856	209,601	195,856	249,257
Issue costs	-	(142)	-	(39,798)
Balance - End of period	195,856	209,459	195,856	209,459
Contributed Surplus				
Balance - Beginning of period	1,789,415	1,707,119	1,786,018	1,707,119
Stock options expired (note 10)	4,757	-	8,154	-
Balance - End of period	1,794,172	1,707,119	1,794,172	1,707,119
Deficit				
Balance - Beginning of period	(10,122,421)	(4,693,781)	(9,822,267)	(4,414,927)
Net loss for the period	(297,955)	(408,981)	(598,109)	(687,835)
Balance - End of period	(10,420,376)	(5,102,762)	(10,420,376)	(5,102,762)
Total shareholders' equity	8,784,643	14,209,634	8,784,643	14,209,634

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

MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Statements of Cash Flows (unaudited)

(expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash flows from operating activities				
Net loss for the period	(297,955)	(408,981)	(598,109)	(687,835)
Items not affecting cash and cash equivalents				
Amortization of property, plant and equipment	1,254	470	2,330	1,010
Stock-based compensation costs	19,770	157,828	50,872	167,941
Write off of mineral property	-	16,063	-	16,063
Future income taxes	7,067	-	38,682	-
	<u>(269,864)</u>	<u>(234,620)</u>	<u>(506,225)</u>	<u>(502,821)</u>
Net change in non-cash working capital items (note 13)	6,057	(50,204)	394,778	(150,248)
	<u>(263,807)</u>	<u>(284,824)</u>	<u>(111,447)</u>	<u>(653,069)</u>
Cash flows from financing activities				
Issuance of shares and warrants	930,000	300,000	930,000	6,522,960
Exercise of broker warrants	-	15,975	-	148,350
Share and warrant issue costs	-	(21,162)	-	(568,295)
	<u>930,000</u>	<u>294,813</u>	<u>930,000</u>	<u>6,103,015</u>
Cash flows from investing activities				
Acquisition of mineral properties and deferred exploration cost	(1,128,590)	(1,078,005)	(1,972,993)	(1,636,261)
Tax credits received relating to exploration costs applied against mineral properties	1,278,713	296,073	1,278,713	296,073
Acquisition of property, plant and equipment	(1,733)	-	(31,592)	-
	<u>148,390</u>	<u>(781,932)</u>	<u>(725,872)</u>	<u>(1,340,188)</u>
Net change in cash and cash equivalents	814,583	(771,943)	92,681	4,109,758
Cash and cash equivalents - Beginning of period	2,129,498	6,714,435	2,851,400	1,832,734
Cash and cash equivalents - End of period	<u>2,944,081</u>	<u>5,942,492</u>	<u>2,944,081</u>	<u>5,942,492</u>
Additional information				
Acquisition of mineral properties and deferred exploration costs included in accounts payable and accrued liabilities	398,109	383,737	398,109	383,737
Acquisition of mineral property paid through issuance of shares	38,000	-	38,000	-
Tax credits related to exploration costs applied against mineral properties	227,185	314,639	640,151	354,144
Future income taxes accounted for as share, warrant, and broker warrants issue costs	-	-	1,169,756	285,000
Fair value of broker warrants accounted for as share issue costs	-	-	-	204,823
Stock-based compensation costs capitalized in deferred exploration costs	1,725	-	3,450	-
Share issue costs included in accounts payable and accrued liabilities	79,547	104,766	79,547	104,766
Payment of accounts payable and accrued liabilities through issuance of common shares	142,299	-	142,299	-

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

MANICOUAGAN MINERALS INC.

(An exploration company)

Notes to Interim Financial Statements (unaudited)

June 30, 2008

(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 and amalgamated with its wholly-owned subsidiary, Manicouagan Resources Inc., on December 31, 2006. 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 unaudited interim 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 unaudited interim 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 financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (“GAAP”) and use the same accounting policies and methods used in the preparation of the Company's most recent annual 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 financial statements should therefore be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2007 and the accompanying notes.

The financial information as at June 30, 2008 and for the three and six months ended June 30, 2008 and 2007 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.

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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 interim 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 interim 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 will not have any significant impact on the interim financial statements of the Company.

Future accounting changes

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.

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.

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3 CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the 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 the shareholders' equity as capital.

There were no changes in the Company's approach to capital management during the three and six months ended June 30, 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 a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. Financial instruments included in accounts receivable consist of interest receivable. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote. The credit risk on cash and cash equivalents is limited because the counterparties are 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 June 30, 2008, the Company had a cash balance of \$2,944,081 (December 31, 2007 - \$2,851,400) to settle current liabilities of \$665,035 (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.

Market risk

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

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 the investments it makes and is satisfied with the creditworthiness of its financial institutions. As of June 30, 2008, the Company had an interest bearing account with a Canadian chartered bank.

As at June 30, 2008 and December 31, 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

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June 30, 2008

(expressed in Canadian dollars)

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 receivables are 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 June 30, 2008, the short-term investments consisted of guaranteed investment certificates refundable before maturity, which bear interest at 3.00% and mature on March 27, 2009. From April to June 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% changes in rates is not material on the interim statement of loss and comprehensive loss.

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

5 CASH AND CASH EQUIVALENTS

	June 30, 2008	December 31, 2007
	\$	\$
Cash	1,864,081	15,634
Short-term investments	1,080,000	2,835,766
Cash and cash equivalents	<u>2,944,081</u>	<u>2,851,400</u>
Flow-through exploration funds included in cash and cash equivalents	<u>1,145,392</u>	<u>1,725,180</u>

On June 30, 2008, the short-term investments consisted of flexible guaranteed investment certificates refundable before maturity, which bear interest at 3.00% and mature on March 27, 2009.

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

6 ACCOUNTS RECEIVABLE

	June 30, 2008	December 31, 2007
	\$	\$
Interest receivable	8,433	84,831
Sales tax receivable	95,675	318,957
Refundable tax credit for resources	496,496	1,039,480
Credit on duties refundable for losses	341,893	437,471
	<u>942,497</u>	<u>1,880,739</u>

MANICOUAGAN MINERALS INC.

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Notes to Interim Financial Statements (unaudited)**June 30, 2008**

(expressed in Canadian dollars)

7 MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS**June 30, 2008**

	Undivided interest	Balance as at December 31, 2007	Costs incurred	Tax credits¹	Balance as at June 30, 2008
	%	\$	\$	\$	\$
Brabant Lake (21 claims)					
Mineral property	100	300,000	-	-	300,000
Exploration costs		2,592,946	435,537	-	3,028,483
		2,892,946	435,537	-	3,328,483
Mouchalagane (493 claims)					
Mineral property	100	100,999	5,865	-	106,864
Exploration costs		1,488,840	1,014,306	(390,966)	2,112,180
		1,589,839	1,020,171	(390,966)	2,219,044
HPM/Forgues (218 claims)					
Mineral property (39 claims)	on option	46,100	-	-	46,100
Mineral property (179 claims)	100	1,500	17,250	-	18,750
Exploration costs		460	383,542	(113,233)	270,769
		48,060	400,792	(113,233)	335,619
Winter House (141 claims)					
Mineral property (141 claims)	100	-	52,397	-	52,397
Exploration costs		-	76,743	(33,414)	43,329
		-	129,140	(33,414)	95,726
Seignelay (239 claims)					
Mineral property	100	27,485	-	-	27,485
Exploration costs		-	214,183	(98,719)	115,464
		27,485	214,183	(98,719)	142,949
Lac Mauge (714 claims)					
Mineral property	100	201,069	-	-	201,069
Exploration costs		704,589	8,305	(3,819)	709,075
		905,658	8,305	(3,819)	910,144
		5,463,988	2,208,128	(640,151)	7,031,965

MANICOUAGAN MINERALS INC.

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Notes to Interim Financial Statements (unaudited)**June 30, 2008**

(expressed in Canadian dollars)

December 31, 2007

	Undivided interest	Balance as at December 31, 2006	Costs incurred	Write off	Tax credits¹	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)	100	-	46,100	-	-	46,100
Mineral property (30 claims)		-	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 Mauge (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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June 30, 2008

(expressed in Canadian dollars)

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 4.11 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 Return Royalty ("NSR"), of which three quarters of the 2% can be purchased from the vendor for \$1,000,000 within six months from the date that a production decision is announced.

The property 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 the second quarter of 2008, the Company map designated 25 additional claims and at June 30, 2008, the property consisted of 493 claims covering an area of 247.01 km².

HPM/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.

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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 kilometres 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 the 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.

At June 30, 2008, the property consisted of 218 claims covering an area of 106.44 km².

Winter House Property

On May 15, 2008, the Company acquired a 100% interest in 18 claims by issuing 200,000 common shares to a vendor. 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% 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.

During the second quarter of 2008, the Company map designated 13 additional claims (not subject to NSR) and at June 30, 2008, the property consisted of 141 claims covering an area of 73.62 km².

Seignelay Property

In 2007, the Company map-staked 239 claims over an area of 40 km to the northeast of the Mouchalagane property, which is believed to have similar geological characteristics as Mouchalagane. The claims cover an area of 125.41 km².

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

The agreement provided 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 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 provided for the granting of a 1% NSR to the LSS in respect of any portion of 470 additional map designated claims falling outside of the 10 km area of interest.

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The Company map designated 566 additional claims covering 271.25 km² 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.

On July 31, 2007, the Company renegotiated the terms of its agreement with the LSS regarding the final payment to keep a 100% interest in the property. The LSS 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.

During 2007, the Company map designated 148 additional claims and at December 31, 2007, the property consisted of 802 claims.

On February 27, 2008, the Company confirmed to LSS that the Company would not be making the payment of \$25,000 due on or before February 28, 2008 and returned the original 88 claims to LSS. As at June 30, 2008, the property consisted of 714 claims covering an area of 379.15 km². 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.

Detailed analysis of mineral properties and deferred exploration costs

	Six months ended June 30, 2008	Year ended December 31, 2008
	\$	\$
Balance - Beginning of period	5,463,988	7,651,005
Cost of claims	75,512	191,308
Camp (construction and maintenance)	241,503	697,711
Transportation	239,974	623,984
Drilling	547,581	2,085,132
Geophysics	633,370	314,038
Analysis	18,229	59,609
Consultants	262,353	619,481
Fuel	189,606	199,609
Line cutting	-	154,825
Tax credits	(640,151)	(1,261,800)
Write-off of mineral properties and deferred exploration costs	-	(5,870,914)
Balance - End of period	<u>7,031,965</u>	<u>5,463,988</u>

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8 PROPERTY, PLANT AND EQUIPMENT

	June 30, 2008		
	Cost	Accumulated Amortization	Net Carrying Amount
	\$	\$	\$
Furniture and fixtures	40,293	5,071	35,222
Computer equipment	5,414	2,694	2,720
	<u>45,707</u>	<u>7,765</u>	<u>37,942</u>

	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>

9 SHARE CAPITAL**Authorized**

Unlimited number of common shares without par value

Variation of issued and fully paid share capital

	Six months ended June 30, 2008		Year ended December 31, 2007	
	Number	Amount \$	Number	Amount \$
Balance - Beginning of period	127,400,227	16,235,703	95,715,960	10,978,717
Issuance of flow-through shares	4,650,000	930,000	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
	<u>132,961,723</u>	<u>17,346,002</u>	<u>127,400,227</u>	<u>17,419,968</u>
Issue costs **	-	(1,249,303)	-	(1,184,265)
Balance - End of period	<u>132,961,723</u>	<u>16,096,699</u>	<u>127,400,227</u>	<u>16,235,703</u>

* 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 CPN-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.

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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 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 had 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. The shares are subject to a hold period expiring on October 13, 2008.

Issuance of shares - private placement 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. The second tranche of this private placement is expected to close on July 16, 2008 (see note 19 Subsequent event). The flow-through common shares issued in the first tranche are subject to a four-month hold period which will expire on October 28, 2008.

In connection with the first tranche of this non-brokered private placement, the Company paid cash commissions/finder's fees of \$52,500.

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 consisted of one common share of the Company and one-half of one common share purchase warrant. Each purchase warrant entitled 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 entitled 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 consisted of one common share of the Company and one-half of one common share purchase warrant. Each purchase warrant entitled 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.

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Exercise of warrants

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.

Also in 2007, 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, expiring on October 20, 2008.

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 periods ended June 30, 2008 and December 31, 2007:

	Six months ended June 30, 2008			Year ended December 31, 2007		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding - Beginning of period	8,780,000	771,567	0.23	6,415,000	566,966	0.24
Granted	100,000	-	0.145	2,665,000	-	0.18
Expired	(60,000)	(8,154)	0.20	(225,000)	(3,920)	0.20
Exercised	-	-	-	(75,000)	(6,757)	0.15
Stock-based compensation	-	54,322	-	-	215,278	-
Outstanding - End of period	8,820,000	817,735	0.23	8,780,000	771,567	0.23
Exercisable - End of period	7,346,666	-	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 Statement of Loss and Comprehensive Loss.

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The following tables summarize information about stock options outstanding and exercisable as at June 30, 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	2.68	0.100	500,000	2.68
0.145	100,000	4.55	0.145	100,000	4.55
0.150	1,065,000	3.35	0.150	765,000	3.35
0.180	2,055,000	3.79	0.180	1,481,666	3.79
0.200	750,000	3.55	0.200	400,000	3.18
0.300	4,100,000	1.48	0.300	4,100,000	1.48
	8,820,000	2.56		7,346,666	2.36

The fair value of options granted during the periods ended June 30, 2008 and December 31, 2007 was estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	2008	2007
	(6 months)	(12 months)
Risk-free interest rate	3.45%	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	\$0.1066	\$0.1140

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 periods ended June 30, 2008 and December 31, 2007:

	Six months ended June 30, 2008			Year ended December 31, 2007		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable - Beginning of period	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 period	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 June 30, 2008:

Exercise price \$	Number	Weighted average remaining contractual life (years)
0.23	6,361,334	0.76
0.40	250,000	1.35
	6,611,334	0.78

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 (12 months)
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	\$0.0516

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12 BROKER WARRANTS

The following table summarizes the variation of broker warrants recorded under Shareholders' Equity during the periods ended June 30, 2008 and December 31, 2007:

	Six months ended June 30, 2008			Year ended December 31, 2007		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable - Beginning of period	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	-	-	-	(550,400)	(33,299)	0.15
	2,513,758	195,856	0.20	2,513,758	241,912	0.20
Issue costs	-	-	-	-	(46,056)	-
Outstanding and exercisable - End of period	2,513,758	195,856	0.20	2,513,758	195,856	0.20

The following table summarizes information about broker warrants outstanding and exercisable as at June 30, 2008:

Exercise price \$	Number	Weighted average remaining contractual life (years)
0.18	2,113,758	0.74
0.30	400,000	0.31
	2,513,758	0.67

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 (12 months)
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	\$0.0969

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13 NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Accounts receivable	19,223	(115,547)	299,680	(119,835)
Prepaid expenses	2,260	26,900	49,876	(44,331)
Accounts payable and accrued liabilities	(15,426)	38,443	45,222	13,918
	<u>6,057</u>	<u>(50,204)</u>	<u>394,778</u>	<u>(150,248)</u>

14 RELATED PARTY TRANSACTIONS

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
	\$	\$	\$	\$
Exploration costs	32,375	27,279	54,250	52,879
Management fees	84,625	85,041	163,313	175,741
	<u>117,000</u>	<u>112,320</u>	<u>217,563</u>	<u>228,620</u>
Amounts due to related parties at the end of period	<u>23,048</u>	<u>530</u>	<u>23,048</u>	<u>530</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.

15 INCOME TAXES

As at December 31, 2007, the Company had \$4,330,987 of non-capital losses. Full valuation has been recorded as regards to these non capital losses.

16 EARNINGS PER SHARE

	Three months ended		Six months ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Basic and diluted weighted average number of shares outstanding	<u>127,803,177</u>	<u>126,157,418</u>	<u>127,601,702</u>	<u>111,792,878</u>

For the three and six months ended June 30, 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.

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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 \$0.19 and \$0.18 for the three and six months ended June 30, 2008 (June 30, 2007:\$0.19 and \$0.20) would have been dilutive and would have resulted in the addition of 413,823 shares and 336,001 shares for the three and six months ended June 30, 2008 (June 30, 2007: 238,872 and 306,265), respectively. Furthermore, the warrants exercisable at exercise prices lower than \$0.19 and \$0.18 for the three and six months ended June 30, 2008 (June 30, 2007:\$0.19 and \$0.20) would have been dilutive and would have resulted in the addition respectively of 68,186 shares and nil share for the three and six months ended June 30, 2008 (June 30, 2007: 253,873 and 280,903), to the weighted average number of shares outstanding used in the diluted earnings per share calculation.

17 COMMITMENTS

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	\$	
2008	41,268	(6 months)
2009	70,652	
2010	30,800	
2011	2,567	(1 month)

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

18 COMPARATIVES FIGURES

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

19 SUBSEQUENT EVENT

Issuance of shares - private placement 2008

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. The flow-through common shares issued in the second tranche of this private placement are subject to a four-month hold period which will expire on November 17, 2008.

In connection with the second tranche of this non-brokered private placement, the Company paid cash commissions/finder's fees of \$70,800.