

MANICOUAGAN MINERALS INC.
(An exploration company)
Interim Financial Statements (unaudited)
March 31, 2010

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 months ended March 31, 2010 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
May 5, 2010

MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Balance Sheets (unaudited)

(expressed in Canadian dollars)

	As at March 31, 2010	As at December 31, 2009
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (note 6)	1,740,408	963,453
Amounts receivable (note 7)	404,250	607,435
Prepaid expenses	11,763	17,782
	<u>2,156,421</u>	<u>1,588,670</u>
Property, plant and equipment (note 10)	28,290	30,791
Mineral properties (note 8)	660,806	651,947
	<u>2,845,517</u>	<u>2,271,408</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	111,499	223,171
Taxes payable (note 17)	11,709	11,709
	<u>123,208</u>	<u>234,880</u>
Long-term liabilities		
Taxes payable (note 17)	46,836	46,836
	<u>170,044</u>	<u>281,716</u>
SHAREHOLDERS' EQUITY		
Share capital (note 11)	21,936,263	21,294,144
Stock options (note 12)	471,750	716,326
Warrants and broker units (notes 13 & 14)	260,962	6,998
Contributed surplus	2,864,589	2,606,102
Deficit	(22,858,091)	(22,633,878)
	<u>2,675,473</u>	<u>1,989,692</u>
	<u>2,845,517</u>	<u>2,271,408</u>

Continuance of operations (note 1)

Commitments (note 19)

Subsequent events (note 20)

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 March 31,	
	2010	2009
	\$	\$
		As restated (note 2)
Interest income	1,426	11,829
Expenses		
Management fees	95,080	75,963
Professional fees	23,282	20,910
Salaries and employee benefits	17,452	18,018
Stock-based compensation costs	13,911	17,808
Rent, insurance and office expenses	24,167	33,441
Investor relations and promotion	13,136	10,344
Regulatory and transfer agent fees	12,314	13,507
Shareholders' information	5,478	1,854
Amortization of property, plant and equipment	2,501	2,508
Tax on flow-through shares	-	9,448
Exploration costs (note 9)	18,318	81,274
	<u>225,639</u>	<u>285,075</u>
Net loss and comprehensive loss for the period	<u>(224,213)</u>	<u>(273,246)</u>
Basic and diluted net loss per share (note 18)	<u>(0.00)</u>	<u>(0.00)</u>
Basic and diluted weighted average number of shares outstanding (note 18)	<u>142,717,279</u>	<u>141,861,723</u>

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

MANICOUAGAN MINERALS INC.

(An exploration company)

Interim Statements of Changes in Shareholders' Equity (unaudited)

(expressed in Canadian dollars)

	Three months ended March 31,	
	2010	2009
	\$	\$ As restated (note 2)
Share capital (note 11)		
Balance - Beginning of period, as previously reported	21,294,144	17,742,618
Adjustment resulting from a change in accounting policy (note 2)	-	3,551,526
Balance – Beginning of period, restated	21,294,144	21,294,144
Issuance of flow-through shares	750,000	-
	22,044,144	21,294,144
Issue costs	(107,881)	-
Balance - End of period	21,936,263	21,294,144
Stock options (note 12)		
Balance - Beginning of period	716,326	859,770
Expired	(234,088)	-
Forfeited	(24,399)	-
Stock-based compensation costs	13,911	17,808
Balance - End of period	471,750	877,578
Warrants (note 13)		
Balance - Beginning of period	6,998	478,703
Expired	-	(418,548)
Issued	250,000	6,081
	256,998	66,236
Issue costs	(35,960)	-
Balance - End of period	221,038	66,236
Broker units (note 14)		
Balance - Beginning of period	-	-
Issued	46,632	-
	46,632	-
Issue costs	(6,708)	-
Balance - End of period	39,924	-
Contributed Surplus		
Balance - Beginning of period, as previously reported	2,606,102	1,852,404
Adjustment resulting from a change in accounting policy (note 2)	-	44,925
Balance – Beginning of period, restated	2,606,102	1,897,329
Stock options expired (note 12)	234,088	-
Stock options forfeited (note 12)	24,399	-
Warrants expired (note 13)	-	418,548
Extension of the expiry dates of warrants (note 13)	-	(6,081)
Balance - End of period	2,864,589	2,309,796

MANICOUAGAN MINERALS INC.

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Interim Statements of Changes in Shareholders' Equity (unaudited)

(expressed in Canadian dollars)

	Three months ended March 31,	
	2010	2009
	\$	\$
		As restated (note 2)
Deficit		
Balance - Beginning of period, as previously reported	(22,633,878)	(11,425,293)
Adjustment resulting from a change in accounting policy (note 2)	-	(9,150,834)
Balance – Beginning of period, restated	(22,633,878)	(20,576,127)
Net loss for the period	(224,213)	(273,246)
Balance - End of period	(22,858,091)	(20,849,373)
Total shareholders' equity	2,675,473	3,698,381

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 March 31,	
	2010	2009
	\$	\$
		As restated (note 2)
Cash flows from operating activities		
Net loss for the period	(224,213)	(273,246)
Items not affecting cash and cash equivalents		
Amortization of property, plant and equipment	2,501	2,508
Stock-based compensation costs	13,911	17,808
	<u>(207,801)</u>	<u>(252,930)</u>
Net change in non-cash working capital items (note 15)	77,894	(14,768)
	<u>(129,907)</u>	<u>(267,698)</u>
Cash flows from financing activities		
Issuance of common shares and warrants	1,000,000	-
Share and warrant issue costs	(80,000)	-
	<u>920,000</u>	<u>-</u>
Cash flows from investing activities		
Acquisition of mineral properties	(13,138)	-
	<u>(13,138)</u>	<u>-</u>
Net change in cash and cash equivalents	776,955	(267,698)
Cash and cash equivalents – Beginning of period	963,453	1,548,162
Cash and cash equivalents – End of period	<u>1,740,408</u>	<u>1,280,464</u>
Additional information		
Fair value of broker units accounted for as issue costs	46,632	-
Issue cost included in accounts payable and accrued liabilities	23,917	-

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

MANICOUAGAN MINERALS INC.

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Notes to Interim Financial Statements (unaudited)

March 31, 2010

(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 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 CHANGE IN ACCOUNTING POLICIES

Exploration costs

During the fourth quarter of 2009, the Company retrospectively changed its accounting policy for exploration costs by expensing the costs as incurred as it more accurately reflects the exploration industry. The change was effective on January 1, 2009 and applied retroactively. In the prior years, the Company capitalized all exploration costs relating to these interests and projects 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.

Exploration costs are now charged to earnings as they are incurred until the mineral property reaches the development stage. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to start of mining operations are capitalized.

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(expressed in Canadian dollars)

The impact of this change on the previously reported March 31, 2009 financial statements is as follows:

	As previously reported	Restatement	As restated
	\$	\$	\$
Mineral properties as at March 31, 2009	7,297,393	(6,738,467)	558,926
Future income taxes as at March 31, 2009	(1,865,689)	1,807,144	(58,545)
Share capital as at March 31, 2009 (before issue costs)	(17,742,618)	(3,551,526)	(21,294,144)
Issue costs for the period ended March 31, 2009	704,990	(704,990)	-
Contributed surplus as at March 31, 2009	(2,270,952)	(38,844)	(2,309,796)
Exploration costs for the period ended March 31, 2009	7,150	74,124	81,274
Stock-based compensation costs for the period ended March 31, 2009	16,083	1,725	17,808
Net loss and comprehensive loss for the period ended March 31, 2009	(197,397)	(75,849)	(273,246)
Basic and diluted net loss per share for the period ended March 31, 2009	(0.00)	(0.00)	(0.00)
Deficit as at March 31, 2009	(11,622,690)	(9,226,683)	(20,849,373)
Deficit as at December 31, 2008	(11,425,293)	(9,150,834)	(20,576,127)

3 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... 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, 2009 and the accompanying notes.

The financial information as at March 31, 2010 and for the three months ended March 31, 2010 and 2009 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.

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.

The Company has reviewed the impact of these new accounting standards on its financial statements and, at this time, has concluded that there is no material impact other than the anticipated financial reporting disclosure and any other future changes in IFRS.

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Notes to Interim Financial Statements (unaudited)

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4 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 period ended March 31, 2010. The Company is not subject to externally imposed capital requirements.

5 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 March 31, 2010, the Company has a cash and cash equivalents balance of \$1,740,408 (December 31, 2009 - \$963,453) to settle current liabilities of \$123,208 (December 31, 2009 - \$234,880). 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, foreign exchange rates, and commodity prices.

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Interest rate risk

The Company has cash and cash equivalents. The Company's current policy is to invest excess cash in guaranteed investment certificates redeemable 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 at March 31, 2010, the Company has an interest-bearing account with a Canadian chartered bank.

As at March 31, 2010 and December 31, 2009, the Company's exposure to interest rate risk is summarized as follows:

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 March 31, 2010, short-term investments consisted of flexible guaranteed investment certificates redeemable before maturity, which bear interest at an annual rate of 0.75% and mature prior to July 22, 2010. During the three months ended March 31, 2010, 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.

Fair value hierarchy

The Company categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observability of the inputs used in the measurement. For the periods ended March 31, 2010 and December 31, 2009, the Company has only the financial instruments in the Level 1. Its financial instrument is the cash and cash equivalents for an amount of \$1,740,408 (December 31, 2009 - \$963,453).

The definition of the Level 1:

This level includes assets and liabilities measured at the fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

MANICOUAGAN MINERALS INC.

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Notes to Interim Financial Statements (unaudited)**March 31, 2010**

(expressed in Canadian dollars)

6 CASH AND CASH EQUIVALENTS

	As at March 31, 2010	As at December 31, 2009
	\$	\$
Cash	1,105,408	63,453
Short-term investments	635,000	900,000
Cash and cash equivalents	<u>1,740,408</u>	<u>963,453</u>
Flow-through exploration costs to incur (note 19)	1,000,000	-
Flow-through exploration costs incurred included in accounts payable and accrued liabilities	-	141,341
	<u>1,000,000</u>	<u>141,341</u>

On March 31, 2010 and on December 31, 2009, short-term investments consisted of flexible guaranteed investment certificates redeemable before maturity, which bear interest at an annual rate of 0.75% and mature prior to July 22, 2010.

7 AMOUNTS RECEIVABLE

	As at March 31, 2010	As at December 31, 2009
	\$	\$
Interest receivable	3,288	2,996
Sales tax receivable	12,515	41,461
Refundable tax credit for resources (note 9)	38,315	38,315
Credit on duties refundable for losses (note 9)	350,132	524,663
	<u>404,250</u>	<u>607,435</u>

MANICOUAGAN MINERALS INC.

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Notes to Interim Financial Statements (unaudited)**March 31, 2010**

(expressed in Canadian dollars)

8 MINERAL PROPERTIES

March 31, 2010	Undivided interest	Balance as at December 31, 2009	Additions 2010	Write offs 2010	Balance as at March 31, 2010
	%	\$	\$	\$	\$
Pickle Lake (39 claims)	on option	45,000	-	-	45,000
Pickle Lake (24 claims)	100	59,730	-	-	59,730
		104,730	-	-	104,730
Brabant Lake (25 claims)	100	300,000	8,859	-	308,859
HPM/Forgues (39 claims)	50	96,100	-	-	96,100
HPM/Forgues (145 claims)	100	25,973	-	-	25,973
		122,073	-	-	122,073
Mouchalagane (208 claims)	100	125,144	-	-	125,144
		651,947	8,859	-	660,806

(See note 9 for exploration costs)

December 31, 2009	Undivided interest	Balance as at December 31, 2008	Additions 2009	Write offs 2009	Balance as at December 31, 2009
	%	\$	\$	\$	\$
		As restated (note 2)			
Pickle Lake (39 claims)	on option	-	45,000	-	45,000
Pickle Lake (24 claims)	100	-	59,730	-	59,730
		-	104,730	-	104,730
Brabant Lake (21 claims)	100	300,000	-	-	300,000
HPM/Forgues (39 claims)	50	71,100	25,000	-	96,100
HPM/Forgues (250 claims)	100	22,125	3,848	-	25,973
		93,225	28,848	-	122,073
Mouchalagane (208 claims)	100	113,304	11,840	-	125,144
Winter House (141 claims)	100	52,397	2,130	(54,527)	-
		558,926	147,548	(54,527)	651,947

MANICOUAGAN MINERALS INC.

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Notes to Interim Financial Statements (unaudited)

March 31, 2010

(expressed in Canadian dollars)

Pickle Lake Properties - Ontario

On April 15, 2009, the Company entered into an agreement with Trillium North Minerals Ltd. (“Trillium North”) pursuant to which it can earn up to a 70% interest in three gold exploration properties in the Pickle Lake Area, Ontario.

The Pickle Lake Properties consist of three non contiguous claim groups known as the Pickle Lake East Property, the Kasagiminnis Property and the Dorothy-Dobie Lake Property. Collectively, the properties cover an area of approximately 78 km². The properties are located in the Pickle Lake Greenstone Belt.

The Company can earn a 51% interest in the Pickle Lake Properties by spending \$1,000,000 on the properties over the next three years of which a minimum of \$250,000 must be spent in the first year of the agreement. After earning its 51% interest in the properties, the Company can increase its interest from 51% to 70% by funding the next \$1,500,000 on the properties. See note 20 (b).

Once the Company has completed earning its interest in the properties, a joint venture will be formed. Dilution is provided for if a party fails to fund its pro-rata share of joint venture expenditures. If either party is diluted to a 10% interest or less, its interest in the properties and the joint venture will be converted to a 2% Net Smelter Royalty (“NSR”). The remaining party will have the option of acquiring one half of the NSR by paying the sum of \$1,000,000.

The Company and Trillium North have also agreed to a one kilometre area of interest from the outer boundaries of the current Pickle Lake East and Dorothy-Dobie Lake properties and 1.6 kilometre from the current outer boundary of the Kasagiminnis property.

The Kasagiminnis and portions of the Dorothy-Dobie Lake properties are subject to underlying option agreements with a single vendor. To maintain the underlying option agreements in good standing, the Company paid \$45,000 to the vendor. To maintain both the underlying agreements and the agreement with Trillium North in good standing, the Company will have to make an additional payment of \$45,000 to the vendor on or before April 15, 2010. See note 20 (b).

The underlying option agreements also provide to the vendor on each property a 2% NSR of which one half can be acquired by payment of the sum of \$1,000,000 payable to the vendor. The Dorothy-Dobie Lake properties are each the subject of advance royalty payments of \$50,000 per year for the three years commencing on April 30, 2012.

The Company has also agreed, subject to regulatory approval, to issue 250,000 common share purchase warrants to Trillium North concurrent with its next equity financing. When issued, the warrants will have an exercise price equivalent to those warrants issued in connection with the next equity financing completed by the Company and will have a term of two years. See note 20 (b).

During 2009, the Company staked 4 additional claims at the Dorothy-Dobie Lake Property at a cost of \$8,535 covering an area of 8 km² within the area of interest pursuant to the agreement with Trillium North. Also during 2009, the Company staked 20 claims at a cost of \$51,195 covering an area of 47 km². These claims are known as the “Powerline claims” and the “Pickle Lake Gold General claims” and are fully owned by the Company.

Brabant Lake Property - Saskatchewan

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.

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In January 2010, the Company acquired by staking 4 additional mining claims at a cost of \$8,859 to the north and south of the Mining Lease that hosts the Brabant Lake Zinc deposit. The land position now covers approximately 15 km of the favourable horizon which hosts the Brabant Lake Deposit. Approximately 24 km² were staked bringing the total land package now held by the Company in the Brabant Lake Area to 25 claims covering 28 km². The Company holds a 100% interest in the Brabant Lake mining lease and the newly acquired claims. The claims are located immediately east of Highway 102, some 175 km from the all-services community of La Ronge, Saskatchewan.

HPM and Forgues Property - Quebec

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, compiled all reasonably available data for the claims and completed 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. The warrants expired unexercised on November 6, 2009.

To maintain the option in good standing and earn an initial 50% 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 20% 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.

On November 6, 2008, the Company made the option payment of \$25,000 due on the first anniversary of the option agreement and met the minimum first year work commitment of \$750,000 during 2008.

On November 5, 2009, the Company made the option payment of \$25,000 due on the second anniversary of the option agreement. Upon this payment, the Company earned a 50% interest in the optioned claims.

The Company now owns the property in a joint venture with Pure Nickel. According to the Letter of Intent dated November 6, 2007, dilution is provided for if 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 the Company within a defined area of interest) including (i) a 2% NSR on property (Pure Nickel and the Company, 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.

The property consisted of 184 claims covering an area of 85 km² as at March 31, 2010.

Mouchalagane Property – Quebec

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% 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.

Between 2006 and 2009, a number of claims were added and other allowed to lapse. As at March 31, 2010, the property consisted of 208 claims covering an area of 100 km². The 2% NSR is applicable on 86 claims as at March 31, 2010.

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9 EXPLORATION COSTS

	Three months ended March 31,					2009
	Pickle Lake	Brabant Lake	HPM/ Forgues	Mouchalagane	Total	Total
	\$	\$	\$	\$	\$	\$
Camp costs	(149)	-	2,138	180	2,169	5,248
Drilling	-	-	-	-	-	22,607
Geophysics	-	-	-	-	-	4,175
Analysis	-	-	-	-	-	1,683
Consultants	11,399	775	-	1,100	13,274	98,115
Tax credits ¹	-	-	-	-	-	(57,704)
General exploration costs					2,875	7,150
Exploration costs in 2010	11,250	775	2,138	1,280	18,318	81,274

Active Projects - Cumulative Table of Exploration Costs

	Three months ended March 31, 2010			
	Pickle Lake	Brabant Lake	HPM/ Forgues	Mouchalagane
	\$	\$	\$	\$
Balance, December 31, 2009	1,041,608	3,075,358	1,082,233	2,610,442
Incurred during the period	11,250	775	2,138	1,280
Cumulative Exploration Costs March 31, 2010	1,052,858	3,076,133	1,084,371	2,611,722

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

The Company is entitled to a credit on duties refundable for losses under the Quebec Mining Duties Act. This credit on duties refundable for losses on mineral exploration expenses incurred in the Province of Quebec at the rate of 12% has been applied against the costs incurred. Following the 2010 Quebec budget, the rate will become 14% after March 30, 2010, 15% in 2011 and 16% in 2012 but will apply only on 50% of mineral exploration expenses.

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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10 PROPERTY, PLANT AND EQUIPMENT**As at March 31, 2010**

	Cost	Accumulated Amortization	Net Carrying Amount
	\$	\$	\$
Furniture and fixtures	47,139	19,571	27,568
Computer equipment	5,414	4,692	722
	<u>52,553</u>	<u>24,263</u>	<u>28,290</u>

As at December 31, 2009

	Cost	Accumulated Amortization	Net Carrying Amount
	\$	\$	\$
Furniture and fixtures	47,139	17,214	29,925
Computer equipment	5,414	4,548	866
	<u>52,553</u>	<u>21,762</u>	<u>30,791</u>

11 SHARE CAPITAL**Authorized**

Unlimited number of common shares without par value

Variation of issued and fully paid share capital

	Three months ended March 31, 2010		Year ended December 31, 2009	
	Number	Amount \$	Number	Amount \$
Balance - Beginning of period, as previously reported	141,861,723	21,294,144	141,861,723	17,742,618
Adjustment resulting from a change in accounting policy (note 2)	-	-	-	3,551,526
Balance - Beginning of period, restated	141,861,723	21,294,144	141,861,723	21,294,144
Issuance of flow-through shares*	20,000,000	750,000	-	-
	161,861,723	22,044,144	141,861,723	21,294,144
Issue costs	-	(107,881)	-	-
Balance - End of period	<u>161,861,723</u>	<u>21,936,263</u>	<u>141,861,723</u>	<u>21,294,144</u>

*Issuance of common shares is presented net of the fair value of the related warrants totalling \$250,000 in 2010, which has been determined using the Black-Scholes model (note 13)

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Issuance of shares and warrants - private placements 2010

In March 2010, the Company completed a private placement (in two tranches) for gross proceeds of \$1,000,000 through the sale of 20,000,000 flow-through units (each the "FT Unit") at \$0.05 each. Each FT Unit consists of one flow-through common share and one non flow-through common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for a period of 24 months at a price of \$0.10 per share for the first 12 months and \$0.12 per share for the second 12 months. If the common shares of the Company trade at or above \$0.18 per common share for 21 consecutive trading days, then the Company may accelerate the expiration of the warrants upon not less than 30 days written request.

In connection with the private placement, the Company paid a cash finders' fee equal to 3% of the gross proceeds and issued a finder's fee option of 1,600,000 units (each the "Option Unit") equal to 8% of the number of FT Units subscribed for, at a price of \$0.05 per Option Unit. Each Option Unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company for a period of 24 months at a price of \$0.10 per share for the first 12 months and \$0.12 per share for the second 12 months. The finder's fee options have a term of 24 months. All securities issued in the private placement are subject to a four-month hold period from their distribution date.

12 STOCK OPTIONS

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 March 31, 2010 and December 31, 2009:

	Three months ended March 31, 2010			Year ended December 31, 2009		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding - Beginning of period	9,190,000	716,326	0.18	9,775,000	859,770	0.23
Granted	-	-	-	2,090,000	-	0.10
Expired	(1,535,000)	(234,088)	0.30	(1,990,000)	(180,771)	0.30
Forfeited	(350,000)	(24,399)	0.17	(685,000)	(56,297)	0.24
Stock-based compensation	-	13,911	-	-	93,624	-
Outstanding - End of period	7,305,000	471,750	0.16	9,190,000	716,326	0.18
Exercisable - End of period	5,913,334	-	0.16	7,748,334	-	0.19

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The following tables summarize information about stock options outstanding and exercisable as at March 31, 2010:

Options outstanding			Options exercisable		
Exercise price	Number	Weighted average remaining contractual life	Exercise price	Number	Weighted average remaining contractual life
\$		(years)	\$		(years)
0.10	2,740,000	3.32	0.10	2,090,000	3.04
0.145	100,000	2.79	0.145	100,000	2.79
0.15	530,000	1.59	0.15	530,000	1.59
0.18	1,545,000	2.03	0.18	1,361,667	2.03
0.20	2,165,000	3.00	0.20	1,606,667	2.93
0.30	225,000	0.22	0.30	225,000	0.22
	7,305,000	2.72		5,913,334	2.54

The fair value of options granted during the year ended December 31, 2009 was estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	December 31, 2009
Risk-free interest rate	2.65%
Expected volatility	110%
Dividend yield	Nil
Weighted average expected life	5 years
Weighted average fair value on the date of grant	\$0.03

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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13 WARRANTS

The following table summarizes the variation of warrants recorded under Shareholders' Equity during the periods ended March 31, 2010 and December 31, 2009:

	Three months ended March 31, 2010			Year ended December 31, 2009		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable - Beginning of period	6,361,334	6,998	0.23	8,725,092	478,703	0.22
Expired	-	-	-	(8,725,092)	(478,703)	0.22
Issued	20,000,000	250,000	0.10	6,361,334	6,998	0.23
	26,361,334	256,998	0.13	6,361,334	6,998	0.23
Issue costs	-	(35,960)	-	-	-	-
Outstanding and exercisable - End of period	26,361,334	221,038	0.13	6,361,334	6,998	0.23

The following table summarizes information about warrants outstanding and exercisable as at March 31, 2010:

Expiry date	Exercise price \$	Number	Weighted average remaining contractual life (years)
September 27, 2010*	0.23	5,528,000	0.49
November 18, 2010*	0.23	833,334	0.64
March 24, 2012	0.10	11,000,000	1.98
March 31, 2012	0.10	9,000,000	2.00
		26,361,334	1.64

*On March 23, 2009, the Company extended the expiry dates of these warrants by 18 months. The original expiry dates were March 27, 2009 and May 18, 2009, respectively.

The fair value of warrants issued during the periods ended March 31, 2010 and December 31, 2009 was estimated using the Black-Scholes valuation model with the following weighted average assumptions:

	March 31, 2010	December 31,2009
Risk-free interest rate	1.59%	1.06%
Expected volatility	113%	90%
Dividend yield	Nil	Nil
Weighted average expected life	24 months	18 months
Weighted average fair value on the date of issue	\$0.0125	\$0.0011

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14 BROKER UNITS

The following table summarizes the variation of broker units recorded under Shareholders' Equity during the periods ended March 31, 2010 and December 31, 2009:

	Three months ended March 31, 2010			Years ended December 31, 2009		
	Number	Carrying value \$	Weighted average exercise price \$	Number	Carrying value \$	Weighted average exercise price \$
Outstanding and exercisable - Beginning of period	-	-	-	-	-	-
Issued	1,600,000	46,632	0.05	-	-	-
Issue costs	-	(6,708)	-	-	-	-
Outstanding and exercisable - End of period	1,600,000	39,924	0.05	-	-	-

The following table summarizes information about broker units outstanding and exercisable as at March 31, 2010:

Expiry date	Exercise price \$	Number	Weighted average remaining contractual life (years)
March 24, 2012	0.05	880,000	1.98
March 31, 2012	0.05	720,000	2.00
		1,600,000	1.99

The fair value of broker units issued during the period ended March 31, 2010 was estimated using the Black-Scholes valuation model with the following weighted average assumptions:

	March 31, 2010
Risk-free interest rate	1.59%
Expected volatility	113%
Dividend yield	Nil
Weighted average expected life	24 months
Weighted average fair value on the date of issue	\$0.0291

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15 NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	Three months ended March 31,	
	2010	2009
	\$	\$
		As restated (note 2)
Amounts receivable	203,185	(45,187)
Prepaid expenses	6,019	7,600
Accounts payable and accrued liabilities	(131,310)	22,819
	<u>77,894</u>	<u>(14,768)</u>

16 RELATED PARTY TRANSACTIONS

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

	Three months ended March 31,	
	2010	2009
	\$	\$
Management fees	78,450	64,500
Amounts due to related parties at the end of period	<u>15,225</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.

17 INCOME TAXES**Ontario tax harmonisation**

As a result of the Ontario tax harmonisation, the Company recorded a tax liability of \$58,545 (\$21,257 in 2008 and \$37,288 in 2007) in order to bring the non capital losses in Ontario at the same level of the Federal. The amount is payable over the next five years. As at December 31, 2009, \$11,709 was payable and \$46,836 will be payable over the following next four years.

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18 LOSS PER SHARE

	Three months ended March 31,	
	2010	2009
Basic and diluted weighted average number of shares outstanding	142,717,279	141,861,723

For the three months ended March 31, 2010 and 2009, the diluted net loss per share was the same as the basic net loss per share since the dilutive effect of stock options, warrants and broker units 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 \$0.06 for the three months ended March 31, 2010 (March 31, 2009: \$0.05) would have been dilutive and would have resulted in the addition of no share for the three months ended March 31, 2010 and 2009, respectively. Furthermore, warrants and broker units exercisable at exercise prices lower than \$0.06 for the three months ended March 31, 2010 (March 31, 2009: \$0.05) would have been dilutive and would have resulted in the addition of 2,632 shares and no share for the three months ended March 31, 2010 and 2009, to the weighted average number of shares outstanding used in the diluted earnings per share calculation.

19 COMMITMENTS

Lease

The Company has one office lease expiring on January 31, 2011. The minimum combined annual payments under this lease are as follows:

Year	\$	
2010	23,494	(9 months)
2011	2,610	(1 month)

Lease is renewable following a three-month notice prior to its expiry date.

Flow-through exploration

At as March 31, 2010, the Company had an obligation to incur \$1,000,000 in qualifying flow-through exploration expenditures by December 31, 2011.

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20 SUBSEQUENT EVENTS

a) Private Placement April 2010

On April 7, 2010, the Company completed a private placement for gross proceeds of \$200,000 through the sale of 4,000,000 units at \$0.05 per unit to a director of the Company. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share of the Company for a period of 24 months from the date of closing of the private placement at a price of \$0.10 per share for the first 12 months and \$0.12 per share for the second 12 months. If the common shares of the Company trade at or above \$0.18 per common share for 21 consecutive trading days, then the Company may accelerate the expiration of the warrants upon not less than 30 days written request.

In connection with the private placement, the Company paid a cash commission to a broker equal to 3% of the gross proceeds and issued finder's fee options of 320,000 units equal to 8% of the number of units subscribed for, at the price of \$0.05 per option unit, with each option unit consisting of one common share and one common share purchase warrant. Each such common share purchase warrant will entitle the holder to acquire one common share of the Company for a period of 24 months from the date of closing of the private placement at a price of \$0.10 per share for the first 12 months and \$0.12 per share for the second 12 months. The option units will have a term of 24 months. All securities issued in the private placement are subject to a four-month hold period from their distribution date.

b) Issuance of Trillium North warrants and option payment

On April 7, 2010, in conjunction with the March 2010 private placement and in accordance with the agreement of April 15, 2009 between the Company and Trillium North, the Company issued 250,000 common share purchase warrants to Trillium North for a period of 24 months at an exercise price of \$0.10 per share for the first 12 months and \$0.12 per share for the second 12 months. The warrants are subject to a four-month hold period.

On April 9, 2010, the Company made the second and final option payment of \$45,000 due on or before April 15, 2010 to maintain in good standing both the underlying agreements and the agreement with Trillium North signed on April 15, 2009.

On April 15, 2010, the Company earned a 51% interest in the three Pickle Lake area gold properties that it optioned from Trillium North. To earn its 51% interest in the three optioned properties, the Company incurred \$1,000,000 of exploration expenditures on the properties and made the underlying option payments totaling \$90,000. Also, the Company advised Trillium North that it has elected to incur the next \$1,500,000 in exploration expenditures on the properties to increase its interest to 70%.

c) Granting of stock options April 2010

On April 13, 2010, directors, officers, employees and consultants of the Company were granted 3,450,000 stock options at an exercise price of \$0.10 per share for a period of five years. Vesting provisions for these options are as follows: 1,910,000 vest immediately, 250,000 vest over a one year period and 1,290,000 vest equally over a three-year period from the date of grant.