

MANICOUAGAN MINERALS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
Form 51-102 F1
FOR THE PERIOD ENDED SEPTEMBER 30, 2010
(Expressed in Canadian dollars)

This Management's Discussion and Analysis ("MD&A") is intended to supplement the interim financial statements and notes of Manicouagan Minerals Inc. (the "Company" or "Manicouagan") for the three and nine months ended September 30, 2010 with comparatives for the same period a year earlier. This MD&A should be read in conjunction with the Company's audited financial statements and accompanying notes for the year ended December 31, 2009, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A covers the most recently completed financial period and the subsequent period up to November 17, 2010. The Company's public filings can be reviewed on the SEDAR website (www.sedar.com).

This MD&A contains certain forward-looking statements. Please see the cautionary language at the end of this MD&A.

OVERALL PERFORMANCE

Manicouagan is a Canadian-based exploration company which currently holds precious and base metal projects in the Provinces of Ontario, Saskatchewan and Quebec, Canada. The Company expects to acquire additional properties as attractive opportunities are identified. The Company does not have any projects that generate revenue at this time. The Company's ability to carry out its business plan in the future rests entirely on its ability to secure equity and other financings or realize cash from the sale of assets.

Exploration activities

Mineral Properties	Location	Current Interest (November 17, 2010)	Area
Pickle Lake	Ontario	51% (39 claims) and 100% (24 claims)	78 km ² 55 km ²
Brabant Lake	Saskatchewan	100% - (4 claims) (1 mining lease)	28 km ²
HPM/Forgues	Quebec	50% (39 claims) and 100% (84 claims)	11 km ² 42 km ²

Pickle Lake Properties – Trillium North Option / Joint Venture (Dorothy-Dobie Lake, Kasagiminnis, and Pickle Lake East) – Ontario (Gold)

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.

On April 15, 2010, the Company earned a 51% interest in the three Pickle Lake area gold properties that it optioned from Trillium North by incurring \$1,000,000 in exploration expenditures on the properties and making the underlying option payments totalling \$90,000. At the same time, 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%. In April 2010, Manicouagan also issued, pursuant to the agreement, 250,000 common share purchase warrants to Trillium North entitling the holder to acquire one common share of Manicouagan for a period of 24 months from the date of issue at a 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 and were issued in conjunction with the original agreement of April 15, 2009.

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The Pickle Lake Properties consist of three non contiguous claim groups known as the Pickle Lake East Property (21 claims), the Kasagiminnis Property (3 claims) and the Dorothy-Dobie Lake Property (15 claims). Collectively, the properties cover an area of approximately 78 km². The three properties are located in the Pickle Lake Greenstone Belt, which is part of the prolific Uchi Geological Subprovince having historically produced over 30 million ounces of gold. The Pickle Lake area includes four past producing mines: Pickle Crow (1.45Moz at 16.1gpt), Central Patricia (0.65Moz at 12.0gpt), Golden Patricia (0.45Moz at 19.9 gpt Au) and Dona Lake (0.21Moz at 8.6gpt).

Late in the second quarter of 2010, the Company carried out a helicopter supported diamond drill program that consisted of six holes (PLE-10-01 to 10-06) totalling 1,214 metres on the Pickle Lake East Property. The drill holes were designed to test selected I.P. Resistivity anomalies identified from the survey carried out late in 2009 on the portion of the Property where the Pickle Crow – Central Patricia Gold Mine trend crosses onto the Pickle Lake East Property.

The drill program was successful in identifying what is interpreted to be the gold-bearing structure(s) which host the Pickle Crow and Albany Mines, located several kilometres to the south west. Diamond drill holes PLE-10-01 and 02 encountered broad zones of alteration including two 10 to 20 metre wide zones of intense carbonate-sericite +/- green mica alteration containing anomalous (>100 ppb gold).

A summary of the significant assay results from the drill program is given in the table below.

Pickle Lake East Summary of Significant Intersections				
Hole	From (m)	To (m)	Length (m)	Au gpt
PLE-10-01	41.0	45.0	4.0	0.53
and	56.5	58.0	1.5	0.76
and	256.7	269.0	12.3	0.45
and	303.8	305.0	1.2	2.88
PLE-10-02	32.8	35.0	2.2	0.45
PLE-10-03	22.1	22.8	0.7	0.95
and	179.0	182.0	3.0	0.84

note: true widths are currently estimated at 70-80% of drilled widths

During the third quarter of 2010, a grid was established over the known gold zone at Kasagiminnis to act as control for ground geophysical and geochemical surveys. The grid covered nearby magnetic anomalies which are also believed to be caused by iron formation. Soil sampling was successful in identifying the historic gold zone but also identified a new 400 metre long gold anomaly located approximately 700 metres to the southwest.

Subsequent to the soil survey, a ground Horizontal Loop Electromagnetic Survey ("HLEM") carried out outlined four conductive zones coincident with or on the flanks of the magnetic anomalies. One of the conductive zones (K4) is coincident with the new gold soil anomaly. Three of these HLEM conductors have not been drill tested.

Results of the above exploration programs have advanced high priority targets on the Kasagiminnis Property to a drill stage.

Sampling of the available historic drill core from the Tonsil Zone on the Company's Dorothy-Dobie Lake Property was completed in July 2010. For most of the historic holes drilled on the Tonsil Zone, no assay results were recorded in the assessment files from the Tonsil Zone although the presence of visible gold was noted. The purpose of this program was to identify potential higher grade sections of the Tonsil Zone and to determine where additional drilling was warranted.

The Tonsil Zone hosts a narrow, locally gold bearing quartz vein that was interpreted by Bond Gold to possibly represent the strike extension of the Golden Patricia Vein, which hosted the Golden Patricia Mine located about 10 kilometres to the southeast. The Tonsil Zone has been drill tested by 62 drill holes over a strike length of 1,100 metres and to a depth of approximately 200 metres by previous owners/operators.

Highlights from the sampling program, as well as some selected results from previous drilling, are given in the table below.

Tonsil Zone Dorothy-Dobie Lake Project Highlights of Significant Intersections				
Manicouagan 2010 Sampling				
Hole	From (m)	To (m)	Length (m)	Au gpt
MD-90132	81.87	82.27	0.40	10.25
MD-90-144	104.02	104.42	0.40	6.84
Previous Results				
Trillium North 2007				
07-DOR-05	111.40	111.84	0.40	153.30
Bond Gold 1990				
MD-90-113	54.12	54.52	0.40	17.48
MD-90-119	60.34	60.66	0.32	26.40
MD-90-136	41.21	41.63	0.42	9.94

Note: true widths are currently estimated at 70-80% of drilled widths

Note: Historical Results are from Public Archives and have not been verified by a qualified person on behalf of Manicouagan

Expenditures for the nine months ended September 30, 2010 totaled \$321,760 on the Pickle Lake Properties.

In the third quarter, an Exploration Memorandum of Understanding was signed with the Miskeegogamang Ojibway Nation. Consultations continued towards entering into memorandum of understandings with the Slate Falls and Cat Lake First Nations in the Pickle Lake area with respect to the Company's exploration activities in the area.

Pickle Lake General

No field work was carried out on the Company's 100% owned Pickle Lake Properties.

A geological mapping and prospecting program is planned on its Dona Lake Property along the strike extension of the iron formation which hosts the past producing Dona Lake Mine.

Brabant Lake Property – Saskatchewan (Zinc)

In January 2010, the Company staked 4 additional mining claims 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.

In the third quarter of 2010, the final pending claim application previously outstanding was granted.

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The NI 43-101 resource estimate for the Brabant Lake Zinc deposit with an effective date of July 27, 2008 is set out below:

2008 MPH/P&E Resource Estimate ^{1,2,3,4}											
	Tonnes	Zn (%)	Cu (%)	Pb (%)	Ag (g/t)	Au (g/t)	Zn lbs millions	Cu lbs millions	Pb lbs millions	Ag millions ounces	Au ounces
Indicated	1,475,000	9.18	0.79	0.23	32.6	0.15	298.5	25.7	7.5	1.55	7,100
Inferred	2,975,000	5.55	0.55	0.13	13.9	0.10	364.0	36.1	8.5	1.33	9,600

- 1) The resource for the Brabant Lake Zinc deposit was estimated on the basis of June 30, 2008 approximate \$US three year trailing average metal prices of \$1.27/lb zinc, \$3.02/lb copper, \$0.86/lb lead, \$12.49/oz silver and \$663/oz gold, and a US dollar exchange rate of \$0.912. A NSR cut-off of CAD\$75/tonne for underground mining and milling was utilized to report the resource.
- 2) Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.
- 3) The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category.
- 4) Contained metals, expressed in pounds (lbs) and troy ounces (oz), presented in the table above are the product of resource tonnes multiplied by metal grades and are provided for information purposes only and are not meant to imply recoverable product as mineral resources which are not mineral reserves do not have demonstrated economic viability.

The mineral resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM"), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council on December 11, 2005.

Eugene Puritch, P.Eng. and Antoine Yassa, P.Geo of P&E, and Gerald Harron, P.Eng. of MPH are the authors of the Resource Estimate Technical Report on the Brabant Lake Zinc deposit which pertains to the 2008 MPH/P&E Resource Estimate and which was filed on September 12, 2008 with Manicouagan's filings on SEDAR. They are independent Qualified Persons in accordance with NI 43-101 – Standards of Disclosure for Mineral Projects.

Although no field work was carried out on the Brabant Lake Property during the quarter ended September 30, 2010, the Company continues to evaluate various options to advance the project including seeking a joint venture partner.

Expenditures for the nine months ended September 30, 2010 totaled \$1,275 on Brabant Lake Property.

HPM/Forgues Property – Quebec (Nickel/Copper/Cobalt)

No field work was carried out on the HPM/Forgues Property during the third quarter of 2010.

The Company earned a 50% interest in the HPM/Forgues Property from Pure Nickel Inc. ("Pure Nickel") in November 2009.

Expenses at HPM/Forgues for the nine months ended September 30, 2010 were limited to maintenance costs of \$5,631. The project consisted of 123 claims as at September 30, 2010.

Mouchalagane Property – Quebec (Nickel/Copper/PGE)

No field work was carried out on the Mouchalagane Property during the third quarter of 2010.

Expenses at Mouchalagane for the nine months ended September 30, 2010 were limited to maintenance costs of \$1,640. The project consisted of 182 claims as at September 30, 2010. In October 2010, the Company dismantled the exploration camp at Mouchalagane following the write-off of \$128,144 carrying value of the property in September 2010 as no further work was planned on the property.

Other

The Company continues to hold claims forming the Manicouagan (486), Mouchalagne (182) and Winter House (18) properties and is continuing to seek joint venture partners to advance these projects.

The Company's current projects are all located in Canada and access to each of the properties is dependent on climate and weather conditions. Typically, properties in Ontario are generally accessible all year round. Access to Pickle Lake East is via a network of bush roads while access to the Kasagiminnis and Dorothy-Dobie Properties is by float plane or helicopter. The Brabant Lake deposit in Saskatchewan is accessible most of the year except during freeze-up (3 weeks) in the fall and spring thaw (4-5 weeks). All projects in Quebec can be accessed from January to September as weather limits the activities during other times of the year.

All significant results from field work completed by the Company are available on the Company's website at www.manicouaganminerals.com.

Exploration programs at the Company's projects are being carried out under the supervision of Mr. Bruce W. Mackie P. Geo. Mr. Mackie, a professional geologist, has reviewed and verified the technical content of this section and qualifies under the definition of "Qualified Person" set out in National Instrument 43-101.

Outlook

Manicouagan will continue to explore its Pickle Lake gold properties and expects to commence drilling on its Pickle Lake Properties following freeze-up in the first quarter of 2011. Planned work expected in the fourth quarter 2010 includes a prospecting program on the Dona Lake Property. Before December 31, 2011, the Company must incur \$612,470 in flow-through eligible expenditures in Ontario (\$393,900) and in Quebec (\$218,570). Additional exploration expenditures over and above this amount will depend on the amounts that can be raised through additional financings or obtained through the sale or joint venture of properties.

The Company continues to evaluate other gold properties and opportunities to add to its portfolio. Manicouagan also continues to seek option or joint venture opportunities for its existing properties.

The Company will continue to advance the process of consultation with the Cat Lake and Slate Falls First Nations in the vicinity of Pickle Lake, Ontario.

RESULTS OF OPERATIONS

For the nine months ended September 30, 2010, the Company incurred a net loss of \$1,201,892 compared to \$1,086,191 in 2009 for a total increase of \$115,701. The main expenses are: exploration costs of \$365,923 (2009 - \$401,486); management fees of \$260,796 (2009 - \$243,954); non-cash stock-based compensation costs of \$144,795 (2009 - \$77,691) and write-off of mineral property of \$128,144 (2009 - \$54,527). Interest income was \$7,851 (2009 - \$24,507).

On March 19, 2010, the Company received a refund on duties refundable for losses related to 2007 of \$174,531. On June 30, 2010, the Company received a refundable tax credit for resources related to 2009 of \$38,315.

SUMMARY OF QUARTERLY RESULTS

	Third Quarter 2010	Second Quarter 2010	First Quarter 2010	Fourth Quarter 2009	Third Quarter 2009	Second Quarter 2009	First Quarter 2009	Fourth Quarter 2008
					As restated	As restated	As restated	As restated
Interest Income	\$3,776	\$2,649	\$1,426	\$2,846	\$3,853	\$8,825	\$11,829	\$16,901
Exploration costs	\$102,873	\$244,732	\$18,318	\$847,070	\$160,737	\$159,475	\$81,274	\$(54,650)
Loss	\$405,081	\$572,598	\$224,213	\$971,560	\$378,238	\$434,707	\$273,246	\$313,504
Loss Per Share ⁽¹⁾	\$0.00	\$0.00	\$0.00	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00
¹⁾ Loss per share remains the same on a fully diluted basis								

Due to the nature of the business, the cash balance and short-term investments generating interest income are subject to fluctuations from quarter to quarter. The timing of equity financing and ensuing exploration and operating expenses are the main factors affecting the level of funds invested from time to time. The variation in the interest rates also has an impact on the interest income.

For the quarter ended September 30, 2010, the Company incurred a loss of \$405,081 compared to \$378,238 for the comparative period in 2009. An increase in write-off of mineral property of \$73,617 and decrease in exploration costs of \$57,864 are the main contributing factors of the variation. The change in the loss from quarter to quarter for 2010, 2009 and 2008 is mainly the result of the variation in the exploration activities (exploration costs and write-offs of the mineral properties) and the stock-based compensation costs.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2010, the Company had no debt, cash and cash equivalents of \$1,100,454 and working capital of \$1,430,796 (\$963,453 and \$1,353,790 respectively- December 31, 2009). The Company's excess cash and cash equivalents are currently invested in an interest bearing account and flexible Guaranteed Investment Certificates with major Canadian chartered banks.

As at September 30, 2010, the Company had amounts receivable totaling \$367,598 (\$607,435 - December 31, 2009) which consisted mostly of Credits on Duties Refundable for Losses (Quebec) of \$350,132 (\$524,663 - December 31, 2009). These amounts are expected to be recovered in 2010 and 2011. The balance includes GST, QST and accrued interest receivable on investments

Equity Financing

The Company's exploration projects are at an early stage and it has not yet been determined whether any of its properties contain economically recoverable ore. As a result, the Company has no current sources of revenue and has relied on the issuance of shares to generate the funds required to further its projects. Industry and market conditions have allowed the Company to raise gross proceeds of approximately \$24 million since 2004.

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The Company's ability to successfully acquire mineral projects or recover amounts expended on mineral properties is conditional on its ability to secure financing when required. The Company expects to meet additional financing requirements through equity financing. The Company may seek other alternatives for financing in the future depending on market conditions and exploration results; however, there can be no assurance that such financing attempts will be successful. Although the global economy and financial markets are showing signs of recovery, the impact on our business and the cost and availability of financing remain uncertain and could affect our overall liquidity.

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 common share purchase warrant. Each warrant entitles the holder to acquire one common share of Manicouagan 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 Manicouagan trade at or above \$0.18 per common share for 21 consecutive trading days, then Manicouagan may accelerate the expiration of the warrants upon not less than 30 days written request.

In connection with the March 2010 private placement, the Company paid a cash finder's fee equal to 3% of the gross proceeds and issued finder's fee options for units (each the "Option Unit") equal to 8% of the number of FT Units subscribed for, at the 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 Manicouagan 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.

Also 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 April 2010 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 Option 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 Manicouagan 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.

Options & Warrants

No options or warrants were exercised during the nine months ended September 30, 2010.

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 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

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1,290,000 vest equally over a three-year period from the date of grant. These options were valued at \$151,962 and will be amortized on accelerated method over their vesting period.

On May 27, 2010, a director of the Company was granted 290,000 stock options at an exercise price of \$0.10 per share for a period of five years, vesting immediately. These options were valued at \$13,201 and included in the expenses for the period ended June 30, 2010.

In March and April 2010, the Company issued 24,000,000 warrants, 1,920,000 broker units (Option Units) and 250,000 warrants as described above.

During the nine months ended September 30, 2010, 2,135,000 options and 5,528,000 warrants expired unexercised.

Commitments

Lease

As at September 30, 2010, the Company was a party to a lease for office space which expires on January 31, 2012. The aggregate commitment under this lease is \$25,953, payable as follows: 2010 - \$7,585 (3 months), 2011 - \$17,048 (12 months) and 2012 - \$1,320 (1 month). Apart from the above lease arrangement, the Company is not a party to any other lease or short or long-term contractual obligations which could adversely affect its working capital.

Flow-through exploration

At as September 30, 2010, the Company had an obligation to incur \$695,053 in qualifying exploration expenditures by December 31, 2011.

Memorandum of Understanding

In 2009, the Company initiated consultations with the Cat Lake, Mishkeegogamang and Slate Falls First Nations in the Pickle Lake Area regarding its exploration activities. In September 2010, an Exploration Memorandum of Understanding was signed with the Mishkeegogamang Ojibway First Nation. While the consultations continue toward the completion of a memorandum of understanding ("MoU") with other First Nations, the financial implications, if any, of a MoU or several MoU's cannot be quantified at this time.

Long-term contractual obligations

The Company has no long-term contractual obligations. The Company can terminate all option or joint venture agreements requiring minimum exploration expenses at any time without further financial obligations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

During the nine months ended September 30, 2010, the Company concluded transactions with an officer and businesses controlled by directors and/or officers totaling \$218,350 (2009 - \$200,150). These transactions relate to services rendered to the Company and were included in the management fees. As at September 30, 2010, an amount of \$nil (2009 - \$5,166) was due to related parties.

These transactions (except for the placement completed with a director) were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties and the Company. The amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

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.

PROPOSED TRANSACTIONS

The Company continues to evaluate quality exploration projects and financing opportunities. There are no transactions currently pending.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the estimation of mineral resources, the determination of potential impairments of mineral property interest, the valuation of future income tax assets and liabilities, the rates of amortization of property, plant and equipment and the fair value of stock-based compensation and other stock-based payments. Actual amounts could differ from the estimates used and, accordingly, affect the results of operations.

Mineral Properties

The Company has not yet determined whether the projects contain economically recoverable reserves. The recoverability of the cost of mineral properties is dependent upon the ultimate confirmation of economically recoverable reserves, the Company's ability to obtain necessary permits, financing to complete the development and future profitable production therefrom or alternatively upon the Company's ability to dispose of its interests in the mineral properties on an advantageous basis.

Changes in future conditions could require material write-downs of the projects.

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

The Company is entitled to a credit on duties refundable for losses on mineral exploration expenses incurred in the Province of Quebec at the rate of 12%. 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. On March 19, 2010, the Company received a refund on duties refundable for losses related to 2007 of \$174,531.

Also, the Company is entitled to the refundable tax credit for resources on qualified expenditures offered by the Quebec provincial government. The refundable tax credit may reach 35% (south of 52nd parallel) or 38.75% (north of 52nd parallel) of qualified expenditures incurred. On June 30, 2010, the Company received a refundable tax credit for resources related to 2009 of \$38,315.

Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted or

substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

As at September 30, 2010, the Company had long-term tax liabilities of \$27,410 (\$46,836 as at December 31, 2009) following the application of the Ontario tax harmonization. The amount is payable over the next three years (2011 – 2013).

As at December 31, 2009, the Company had non capital losses carried forward of \$7,128,906 and the future tax assets related to these non-capital losses and other items as described in note 17 of the December 31, 2009 financial statements have not been recorded in the accounts of the Company and accordingly, a valuation allowance has been recognized.

CHANGES IN ACCOUNTING POLICIES

Changes 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.

The impact of this change on the previously reported September 30, 2009 financial statements is as follows:

	As previously reported	Restatement	As restated
	\$	\$	\$
Mineral properties as at September 30, 2009	7,571,903	(6,984,414)	587,489
Future income taxes as at September 30, 2009	(1,865,689)	1,807,144	(58,545)
Share capital as at September 30, 2009 (before issue costs)	(17,742,618)	(3,551,526)	(21,294,144)
Issue costs for the nine months ended September 30, 2009	705,907	(705,907)	-
Contributed surplus as at September 30, 2009	(2,371,304)	(37,927)	(2,409,231)
Exploration costs for the nine months ended September 30, 2009	18,343	383,143	401,486
Stock-based compensation costs for the nine months ended September 30, 2009	69,920	7,771	77,691
Write off of mineral properties for the nine months ended September 30, 2009	123,645	(69,118)	54,527
Net loss and comprehensive loss for the nine months ended September 30, 2009	764,395	321,796	1,086,191
Basic and diluted net loss par share for the nine months ended September 30, 2009	0.01	0.00	0.01
Deficit as at September 30, 2009	12,189,688	9,472,630	21,662,318
Deficit as at December 31, 2008	11,425,293	9,150,834	20,576,127

Future accounting standards

Financial Instruments – Recognition and Measurement

In June 2009, the CICA issued amendments to CICA Handbook Section 3855 “Financial instruments – recognition and measurement” to clarify when an embedded prepayment option is separated from its host debt instrument for accounting purposes. Amendments apply to interim and annual financial statements relating to years beginning on/after January 1, 2011.

International Financial Reporting Standards (“IFRS”)

The CICA’s Accounting Standards Board (“AcSB”) has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ending March 31, 2011 (with 2010 comparative).

The Company has completed the development of an IFRS implementation plan to prepare for this transition, and analyzed the key areas where changes to current accounting policies were expected as follows:

- Exploration and evaluation expenditures;
- Mineral Properties;
- Property, plant and equipment;
- Stock-based compensation; and
- Accounting for income taxes.

Other elements of our IFRS implementation plan will also be addressed, including financial statement note disclosures; internal controls; contractual arrangements; and employee training. The table below summarizes the timing of activities related to the Company’s transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required	Completed
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Completed
Assessment of first-time adoption (IFRS 1) requirements and alternatives	Completed and will be updated with IFRS changes if any until December 31, 2011
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	Completed and will be updated with IFRS changes if any until December 31, 2011
Quantification of the financial statement impact of changes in accounting policies	Completed and will be updated with IFRS changes if any until December 31, 2011
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	In progress
Management and employee education and training	Throughout the transition process

Impact of Adopting IFRS on Manicouagan's Business

As part of its analysis of changes to significant accounting policies, Manicouagan is assessing what changes may be required to its accounting systems and business processes. Manicouagan believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

Manicouagan is currently assessing the impact on contractual arrangements that may be affected by potential changes to significant accounting policies.

Manicouagan's staff involved in the preparation of financial statements are being trained on the relevant aspects of IFRS and the anticipated changes resulting from the adoption of IFRS.

The Board of Directors and Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting Manicouagan.

First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of Manicouagan's opening IFRS statement of financial position as at the Transition Date will be consistent with those made under current Canadian GAAP. Manicouagan does not expect any material adjustments at the transition date.

Impact of Adopting IFRS on Manicouagan's Financial Statements

The adoption of IFRS will result in some disclosure changes to Manicouagan's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of Manicouagan's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in accounting policies, but to highlight the areas Manicouagan has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to Manicouagan's accounting policies upon the adoption of IFRS. At the present time however, Manicouagan is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below.

1) Exploration and Evaluation Expenditures

IFRS currently allow an entity to retain its existing accounting policies related to the exploration and evaluation of mineral properties, subject to some restrictions.

Manicouagan expects to retain its current policy of expensing exploration and evaluation expenditures as incurred. Therefore Manicouagan does not expect that the adoption of IFRS will result in any significant change to the related line items within its financial statements.

2) Impairment of (Non-financial) Assets

IFRS require a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value.

Manicouagan's accounting policies related to impairment of assets is in line with IFRS. The carrying value of its Mineral Properties interest are reviewed quarterly. Manicouagan does not expect an

impact to the carrying value of its assets. Manicouagan will perform impairment assessments as at the Transition Date in accordance with IFRS and in subsequent periods.

3) *Share-based Payments*

Under certain circumstances, IFRS require a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

Manicouagan does not expect any changes to its accounting policies related to share-based payments that would result in a significant change to line items within its financial statements.

4) *Property, Plant and Equipment*

IFRS contain different guidance related to recognition and measurement of property, plant and equipment than current Canadian GAAP.

Manicouagan does not expect any changes to its accounting policies related to property, plant and equipment that would result in a significant change to line items within its financial statements.

5) *Income Taxes*

Under certain circumstances, IFRS contain different requirements related to recognition and measurement of future (deferred) income taxes.

Manicouagan does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

Subsequent Disclosures

Further disclosures of the IFRS transition process are expected as follows:

- Manicouagan's Management Discussion and Analysis for the 2010 interim periods and the year ended December 31, 2010 will include updates on the progress of the transition plan, and, to the extent known, further information regarding the impact of adopting IFRS on key line items in the annual financial statements.

Manicouagan's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending March 31, 2011 will also include 2010 financial statements for the comparative period, adjusted to comply with IFRS, and Manicouagan's transition date IFRS statement of financial position (as at January 1, 2010).

FINANCIAL INSTRUMENTS

Fair value

The fair value of interest receivable and accounts payable and accrued liabilities approximates their carrying value due to their short-term maturity. The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value.

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 a Canadian chartered bank. The Company periodically monitors its investments and is satisfied with the creditworthiness of its financial institutions. As at September 30, 2010, the Company had interest-bearing accounts with Canadian chartered banks.

As at September 30, 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

ADDITIONAL INFORMATION

Outstanding Shareholders' Equity Data

As of November 17, 2010, the following are outstanding:

• Common Shares	165,861,723
• Stock Options	10,795,000
• Warrants	25,083,334
• Broker Units*	1,920,000

* (Each Broker Unit entitles the holder to acquire one common share and one common share purchase warrant)

Uncertainties and Risk Factors

There are many risk factors facing companies involved in the mineral exploration industry. Risk management is an ongoing exercise upon which the Company spends a substantial amount of time. While it is not possible to eliminate all of the risks inherent to the industry, the Company strives to manage these risks, to the greatest extent possible. The following risks are those which are most applicable to the Company.

- *Industry and Mineral Exploration Risk*

Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that the Company's exploration efforts will be successful. At present, the Company's projects do not contain any proven or probable reserves. Success in establishing reserves is a result of a number of factors, including the quality of management, as well as the level of geological and technical expertise and the quality of the project itself. Substantial expenditures are required to establish reserves or resources through drilling, to develop metallurgical processes and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Because of these uncertainties, no assurance can be given that planned exploration programs will result in the establishment of mineral resources or reserves.

The Company may be subject to risks which could not reasonably be predicted in advance. Events such as labour disputes, environmental issues, natural disasters or estimation errors are prime examples of industry related risks. The Company attempts to balance these risks through insurance programs where required and ongoing risk assessments conducted by its technical team.

- *Legislation*

In 2009, the legislature of Ontario introduced Bill 173 to promote mineral exploration and development by improving clarity and certainty of investment. Bill 173 proposes amendments to the Mining Act respecting the regulation of, among other things, prospecting land, staking mining claims, surface owners' rights, exploration work and most significantly, consultation with Aboriginal communities. Pursuant to the Bill, mining activities are encouraged in a manner consistent with the recognition and affirmation of existing Aboriginal and treaty rights in section 35 of the Constitution Act, 1982, including the duty to consult. The legislation received Royal Assent

on October 28, 2009. Until the accompanying regulations are promulgated, the Company is unable to assess the overall impact that this legislation could have on its activities.

The Ontario legislature has also given First Reading to Bill 191, the proposed Far North Act. In announcing the legislation, the Government of Ontario indicated that to ensure proper planning and community input, new forestry and the opening of new mines in the Far North would require community land use plans supported by local Aboriginal communities. The proposed legislation also confirms the government's intention to establish "an interconnected network of protected areas" covering at least 225,000 square kilometres that would therefore amount to not less than 50 per cent of the Far North region. At the current time the Company is unable to assess the impact that this legislation could have on its activities.

The Company has initiated consultations with the First Nation communities in respect to its plans for its Ontario properties. There can be no assurance that agreements will be reached with these communities.

- *Commodity Prices*

The Company is in the business of metals exploration and as such, its prospects are largely dependent on fluctuations in the price of various metals. Prices fluctuate on a daily basis and are affected by a number of factors well beyond the Company's control. The mineral exploration industry in general is a competitive market and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist. Due to the current grassroots nature of its operations, the Company does not enter into price hedging programs.

- *Environmental*

Exploration projects or operations are subject to the environmental laws and applicable regulations of the jurisdiction in which the Company operates. Environmental standards continue to evolve and the trend is to a longer, more complex and rigid process. The Company reviews environmental matters on an ongoing basis. If and when appropriate, the Company will make provisions in its financial statements for any potential environmental liability.

- *Financial Capability and Additional Financing*

The Company has sufficient financial resources to undertake its presently planned exploration and development programs. However, the Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available for further exploration and development of its current projects. There can be no assurance that the Company will be able to obtain sufficient financing in the future to carry out exploration and development work. The Company's ability to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of the Company. Failure to obtain sufficient financing may result in delaying or the indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of property interest.

There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. Additional funds will be required for future exploration and development of the Company's properties.

If the Company raises additional funds through the sale of equity securities, shareholders may have their investments further diluted.

- *Resource Estimates*

The Company's planned mineral exploration and development activities will be subject to various laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development.

Many of the mineral rights and interests of the Company are subject to government approvals, licences and permits. The granting and enforcement of the terms of such approvals, licences and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. No assurance can be given that the Company will be successful in maintaining any or all of the various approvals, licences and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those experiencing loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or development costs or a reduction in the levels of production at producing properties, if any, or require abandonment or delays in development of new mining properties.

- *Permits and Licences*

The operations of the Company may require licences and permits from various governmental authorities. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions. There can be no assurance that the Company will be able to obtain all necessary licences and permits that may be required to carry out exploration, development and mining operations at its projects.

- *Dependence on Key Employees*

The Company's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. The Company is highly dependent on the principal members of its senior management group and the loss of their services might impede the Company's business strategy and growth.

- *Conflicts of Interest*

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other reporting companies or may have significant shareholdings in other reporting companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

- *Competition*

The mineral industry is intensely competitive in all its phases. Manicouagan competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements based on the Company's current expectations. Forward-looking information can often be identified by forward looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance.

These forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those presented in this document. Accordingly, the Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, unless required by law. Readers are cautioned not to place undue reliance on forward-looking information.