

MDN Inc.
(Formerly Northern Mining Explorations Ltd.)

Interim Financial Statements

June 30, 2007

TO THE SHAREHOLDERS,

The MDN/GBS Gold strategic alliance, the official acceptance of the new name - MDN Inc. - as well as the beginning of underground development work at the Tulawaka gold mine (Tanzania) and the results of the first phase of drilling recently completed on the Isambara discovery were the highlights of the second quarter ended June 30, 2007.

Strategic Alliance

On April 5, 2007 GBS Gold International Inc. finalized a \$9.6 M private placement in MDN, thereby consolidating our growth objectives through an unprecedented exploration program in 2007. Following this strategic investment, GBS Gold now holds approximately 9.8% of the shares of MDN and has the right to purchase an additional 8.1% interest (based on the current number of issued and outstanding shares). If GBS Gold exercises its warrants, MDN would receive an additional \$12.8 M.

Shareholders' Meeting

On May 24th, MDN's shareholders approved the change of the Company's name. The new name - MDN inc. - is a direct reference to the trading symbol used on the Toronto Stock Exchange. The shareholders also elected the directors nominated in the proxy circular: Serge Savard, Gil Playford, Louis-Marie Riopel, Marcel Bergeron and Paul-A. Girard, who remains as Chairman of the Board.

In addition, the long-term incentive plan (LTIP) was approved by MDN's shareholders. This plan replaces the stock option plan which, according to management, had become inappropriate.

Tulawaka Gold Mine

During the second quarter of 2007, the Tulawaka gold mine (Tanzania) produced 42,893 ounces of gold, which represents a slight decrease in production compared to the 2007 budget. It is compensated, however, by gold sales at an average price of US\$660 rather than US\$600 per ounce. Tulawaka gold production now amounts to 82,550 ounces for the first six months of the year, and a total of 347,815 ounces since the beginning of operations in March 2005.

During the second quarter, the Tulawaka mine distributed an amount of US\$15 M to the participants, MDN (30%) and Pangea Goldfields (70%), which is 50% more than those distributed during the previous quarters. MDN's share (US\$4.5 M) was fully applied to debt repayment. Further to this distribution, the Tulawaka mine still has a reserve of US\$20.4 M, to be used mainly for the development of the underground mine.

With respect to the development of the underground mine, work to build the access ramp began during the second quarter, but at a pace greatly slowed down by weather conditions. This work, estimated at approximately US\$16 M, was delayed by several weeks compared to the original production scheduled for the beginning of 2008.

Exploration Around Tulawaka

During the second quarter, MDN published the results of the first phase of drilling on Isambara, a gold discovery made last year approximately 28 km north-east of the Tulawaka mine. The results are considered encouraging as they confirm the extension of the gold structure over a distance of 1.3 km, which remains open laterally over a possible distance of 5 km.

The 2007 exploration program includes close to 30,000 metres of drilling and should therefore continue throughout the year. Other than its 30% interest in the Tulawaka mine, MDN controls 20 exploration permits covering more than 700 km² within a 50 km radius around the mine.

Eritrea

On July 11th, MDN announced its decision to terminate its operations in Eritrea due primarily to the refusal of the government to grant the Haykota exploration permit for which MDN had been waiting for formal authorization since December 2003. The permit was the main reason for our presence in Eritrea. We will henceforth focus all our energy in Tanzania and Quebec.

Subsequent Events

Finally, MDN management would like to point out the outstanding contribution of Dominique Moreau, Secretary-Treasurer and Controller of the Company since 1996, who will leave her position in August to pursue new projects in a different area of activity. Mrs. Moreau will continue to provide services as a consultant to management on an as-needed basis. We wish her the best of luck and thank her for her faithful service.

With its new name MDN, formerly known as Northern Mining Explorations, is in better financial health than ever and remains confident that it will achieve its growth objectives.

Paul-A. Girard, Chairman of the Board and CEO
MDN Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MDN inc. is a mining exploration company. Its main exploration activities are carried out in Tanzania and in Quebec. Other than the Tulawaka project joint-venture between MDN inc. (30%) and Pangea Goldfields (70%) a wholly owned indirect subsidiary of Barrick Gold Corporation and project operator through its Tanzanian subsidiary Pangea Minerals Ltd. MDN inc. holds a majority interest in 20 exploration permits around Tulawaka.

SUMMARY OF OPERATING RESULTS

For the three months ended June 30	2007	2006
<i>(In thousands of dollars, except per-share amounts)</i>		
Revenue	\$ 472	\$ 612
Administrative expenses	\$ 1,220	\$ 944
Gold price royalty	\$ 1,442	\$ 1,361
Loss on disposal of a subsidiary	\$ 1,293	\$ -
Foreign exchange loss (gain)	\$ (1)	\$ 277
Net loss	\$ 4,204	\$ 2,668
Basic and fully diluted net loss per share	\$ 0.058	\$ 0.039
<hr/>		
Weighted-average number of shares outstanding (in thousands)	73,014	69,128

Results

Revenue for the three-month period ended June 30, 2007 totalled \$472,230 compared with \$611,599 for the same period in 2006. Revenue is comprised mainly of interest on the loan receivable from Pangea Minerals Ltd. (Pangea) and its decrease is explained by the payments made by Pangea. Administration expenses amounted to \$1,220,253 compared with \$943,839 in 2006. The administrative expenses include, among others, interest in the amount of \$399,124 (\$691,441 in 2006) on the long-term debt, which was lowered by the reimbursements made by the Company. They also include management fees of \$182,711 (\$75,209 in 2006) representing 3 % of all operations expenses for the Tulawaka project and charged by the operator. Professional fees of \$396,228 (\$35,147 in 2006) include severance grant for three administrators and one member of the management, which explain their substantial increase. Furthermore, in virtue of an agreement, the Company had to pay a royalty of \$1,441,796 (\$1,360,937 in 2006) on the gold sold by the Tulawaka project. Following the adoption by the Company of new recommendations made by CICA relating to Section 3855, the Company proceeded to the write-off of the deferred financing costs. Finally, following management decision to withdraw from Eritrea, the Company disposed of its participation of 75 % in Eritrean Minerals Corporation (EMC) for the amount of \$50,939 and realized a loss on disposal of \$1,293,319.

Net loss

For the six-month period ended June 30, 2007, the Company recorded a net loss of \$6,198,293 or 0.086 \$ per share compared with \$3,855,275 or \$0.057 per share in 2006. The loss increase is explained by the decrease of the interest revenues, by the increase of professional fees, of management fees and the gold price royalty and by the write-off of deferred financing fees and the loss on disposal of a subsidiary, all of these items being commented above. The net loss per share is based on a weighted-average number of 71,826,000 common shares outstanding as at June 30, 2007, compared with a weighted-average number of 67,080,815 common shares outstanding as at June 30, 2006.

Financial position	<i>June 30,</i> 2007	<i>December 31,</i> 2006
<i>(In thousands of dollars)</i>		
Cash and cash equivalents	\$ 3,981	\$ 647
Term deposit	\$ 12,000	\$ 2,350
Loan and interest receivable	\$ 11,742	\$ 20,818
Mining properties and deferred exploration costs	\$ 10,355	\$ 10,631
Total assets	\$ 38,211	\$ 35,320
Long-term debt	\$ 12,937	\$ 18,870
Capital stock	\$ 61,784	\$ 45,489
Shareholders' equity	\$ 25,073	\$ 16,085

LIQUIDITY AND FINANCIAL POSITION

Cash, cash equivalents and term deposits

As at June 30, 2007, the Company's cash position, consisting of cash and term deposits, amount to \$15,981,054 compared with \$2,997,018 as at December 31, 2006. This increase is mainly due to the \$9.6M private placement and by the exercise of an important number of warrants and stock options.

Loan and interest receivable	<i>June 30,</i> 2007
<i>(In thousands of dollars)</i>	
Balance as at December 31, 2006	\$ 20,818
Capitalized interest	754
Foreign exchange loss	(1,572)
Reimbursement	<u>(8,258)</u>
Balance as at June 30, 2007	<u>\$ 11,742</u>

The loan receivable from Pangea Minerals Ltd., operator of the Tulawaka mine, amounted to \$11,742,357 as at June 30, 2007, compared with \$20,817,537 as at December 31.

Mining properties and deferred exploration costs

During the six-month period ended June 30, 2007, the Company engaged \$139,946 for the acquisition of mining properties and \$957,586 for deferred exploration costs. Of this last amount, \$838,694 was spent on the Simba and Kunga properties, and \$45,177 was spent on the Msasa property, all three in Tanzania. Also, the properties located in Eritrea were disposed following the disposal of the shares held by the Company in EMC. This transaction lead to a \$1,373,213 write-off of deferred exploration costs. Deferred exploration costs on mining properties amounted to \$9,034,126 as at June 30, 2007, compared with \$9,449,753 as at December 31, 2006.

Long-term debtJune 30,
2007*(In thousands of dollars)*

Balance as at December 31, 2006	\$	18,870
Capitalized interest		1,056
Capitalized gold price royalty		2,858
Foreign exchange gain		(1,589)
Reimbursement		(8,258)
		<hr/>
Balance as at June 30, 2007	\$	12,937
		<hr/> <hr/>

As at June 30, 2007, the non-recourse loan relating to the Tulawaka mine amounted to \$12,936,896 compared with \$18,870,040 as at December 31, 2006. The Company has agreed to pay a royalty when the price of gold, extracted from the Tulawaka mine, exceeds US\$400 per ounce at the time of sale.

Assets, shareholders' equity and cash

Total assets amounted to \$38,211,464 as at June 30, 2007 compared with \$35,320,482 as at December 31, 2006. The difference is mainly attributable to the receipt of the loan receivable and additional financings, these amounts being greater than investments and payments of the long-term debt.

Shareholders' equity amounted to \$25,072,582 as at June 30, 2007 compared with \$16,084,687 as at December 31, 2006. This increase is attributable to a private placement of \$9,600,000 and to the exercise of warrants and stock options of \$5,475,570.

The Company's short and long-term liquidities are available for the payment of administrative expenses and for the financing of exploration activities.

Capital stock

As at June 30, 2007, the number of common shares outstanding totalled 86,600,448 compared with 69,708,771 as at December 31, 2006.

Liquidity needs for the current year

Gold production started in March 2005 at the Tulawaka mine. Following commercial production at the mine, the cash available will be applied first as interest and repayment of the loan receivable, in accordance with the agreement. The Company will also receive a 30% share of all excess cash generated. The Company will use this money to reimburse its long-term debt and accrued interest payable. For the current year, that is from January 1 to December 31, 2007, the Company's needs in cash are estimated at \$5,940,000 and include fixed costs and exploration expenses in Tanzania and Québec. An amount of approximately \$3,580,000 was cashed by the Company pursuant to the acceleration plan for the exercise of warrants, which ended April 10, 2007.

Risks and uncertainties

The main mining asset of the Company, which is its share in the Tulawaka mine in Tanzania, is now in production since mid-March 2005. All the remainder of the Company's resource properties are at the exploration stage. The long-term value of the Company's operations will be partially related to costs and to the success of its subsequent exploration and development programmes, which may also be affected by a number of other factors. These include the particular attributes of any mineral deposits, including the quantity and quality of the ore, the development cost of extractive operations, financing costs, the market value of gold, as well as the competitive nature of the industry.

Substantial expenditures are required for exploration programmes and the development of reserves. In the absence of cash flows from operations, the Company relies on capital markets to fund its exploration and development activities. Capital market conditions and other unforeseeable events may affect the Company's ability to finance and develop its projects.

Commodity prices

Factors that influence the market value of gold, base metals and any other mineral discovered are outside the Company's control. Resource prices can fluctuate widely, and have done so in recent years. The impact of these factors cannot be accurately predicted.

Risks not covered by insurance

The Company may become subject to claims arising from natural phenomena, pollution or other risks against which it cannot or chooses not to insure itself due to the high cost of premiums or for other reasons. Payment of such claims would decrease and could eliminate funds available for exploration and mining activities. Furthermore, as the Company carries on business in foreign countries, it is subject to governmental decisions and policies.

DIVIDEND POLICY

The Company has not declared nor paid any dividends on its common shares since incorporation. Any decision to pay dividends to holders of common shares of the Company will be taken by the Board of Directors based on its assessment of the Company's financial position, taking into account the financial requirements for future growth and other factors that the Board may deem pertinent under the circumstances.

OUTLOOK

It goes without saying that our successes in 2006 largely determine our priorities in 2007, which will be focused on unprecedented exploration efforts in Tanzania.

Up-to-date information on the Company's affairs may be consulted on SEDAR at www.sedar.com.

Montréal, Canada
July 27, 2007

(Formerly Northern Mining Explorations Ltd.)

Consolidated Statements of Operations (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Revenue				
Interest	\$ 472,230	\$ 611,599	\$ 919,736	\$ 1,237,694
Other income	-	-	-	1,800
	<u>472,230</u>	<u>611,599</u>	<u>919,736</u>	<u>1,239,494</u>
Administrative expenses				
Professional fees	396,228	35,147	440,420	79,134
Salaries and fringe benefits	55,562	44,804	116,822	106,099
Stock-based compensation	76,980	-	76,980	-
Transfer fees	2,078	7,306	26,474	29,956
Travelling expenses	45,968	35,234	89,416	69,188
Rent	11,523	7,965	19,767	15,517
Office expenses	8,407	12,785	12,857	17,319
Promotion expenses	6,868	11,761	12,365	21,625
Reports to shareholders	16,624	4,675	19,765	11,166
Insurance, taxes and permits	6,800	6,927	13,739	13,858
Telecommunications	7,120	7,413	12,769	10,941
Management fees	182,711	75,209	322,229	162,742
Interest on long-term debt, including amortization of deferred financing costs	399,124	691,441	1,056,011	1,412,752
Penalty and bank charges	1,480	246	10,510	13,317
Depreciation on fixed assets	2,780	2,926	5,805	5,972
	<u>1,220,253</u>	<u>943,839</u>	<u>2,235,929</u>	<u>1,969,586</u>
Loss before the following items	<u>748,023</u>	<u>332,240</u>	<u>1,316,193</u>	<u>730,092</u>
Other expenses (revenue)				
Gold price royalty	1,441,796	1,360,937	2,857,744	2,177,358
Foreign exchange loss (gain)	(617)	276,571	11,460	248,499
Write-off of deferred financing costs (note 1)	723,364	-	723,364	-
Loss on disposal of a subsidiary (note 2)	1,293,319	-	1,293,319	-
Write-off of mining properties and deferred exploration costs	-	700,337	-	700,337
	<u>3,457,862</u>	<u>2,337,845</u>	<u>4,885,887</u>	<u>3,126,194</u>
Loss before non-controlling interest	<u>4,205,885</u>	<u>2,670,085</u>	<u>6,202,080</u>	<u>3,856,286</u>
Non-controlling interest	<u>1,397</u>	<u>2,561</u>	<u>3,787</u>	<u>1,011</u>
Net loss	<u>\$ 4,204,488</u>	<u>\$ 2,667,524</u>	<u>\$ 6,198,293</u>	<u>\$ 3,855,275</u>
Basic and fully diluted net loss per share	<u>\$ 0.058</u>	<u>\$ 0.039</u>	<u>\$ 0.086</u>	<u>\$ 0.057</u>
Weighted-average number of outstanding shares (in thousands)	<u>73,014</u>	<u>69,128</u>	<u>71,826</u>	<u>67,081</u>

FINANCIAL HIGHLIGHTS

The following tables present a summary of the main financial elements for the last three years and the last eight quarters:

FOR THE LAST THREE YEARS

	2007	2006	2005
	<i>6 months</i>		
Total revenue	\$ 919,736	\$ 2,300,159	\$ 2,493,210
Net loss	\$ 6,198,293	\$ 7,662,630	\$ 3,680,190
Net loss per share	\$ 0.086	\$ 0.112	\$ 0.064
Exploration expenses	\$ 957,586	\$ 2,719,127	\$ 1,953,255
Total assets	\$ 38,211,464	\$ 35,320,482	\$ 41,029,729
Shareholders' equity			
Total	\$ 25,072,582	\$ 16,084,687	\$ 17,758,499
Per share	\$ 0.29	\$ 0.23	\$ 0.29

FOR THE LAST EIGHT QUARTERS

			2007	
			<i>1st Quarter</i>	<i>2nd Quarter</i>
Total revenue			447,506	\$ 472,230
Net loss			1,993,805	\$ 4,204,448
Net loss per share			0.028	\$ 0.058
2006				
	<i>1st Quarter</i>	<i>2nd Quarter</i>	<i>3rd Quarter</i>	<i>4th Quarter</i>
Total revenue	\$ 627,895	\$ 611,600	\$ 558,436	\$ 502,228
Net loss	\$ 1,187,751	\$ 2,667,524	\$ 1,699,088	\$ 2,108,267
Net loss per share	\$ 0.019	\$ 0.039	\$ 0.025	\$ 0.029
2005				
			<i>3rd Quarter</i>	<i>4th Quarter</i>
Total revenue			\$ 659,725	\$ 642,604
Net loss			\$ 1,204,100	\$ 2,314,466
Net loss per share			\$ 0.020	\$ 0.040

(Formerly Northern Mining Explorations Ltd.)

Consolidated Statements of Deficit *(Unaudited)*

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	2007	2006	2007	2006
Balance at beginning of period	\$ 34,476,081	\$ 25,856,927	\$ 32,479,460	\$ 24,042,622
Net loss	4,204,488	2,667,524	6,198,293	3,855,275
Share issue expenses	<u>713,936</u>	<u>983</u>	<u>716,752</u>	<u>627,537</u>
Balance at end of period	\$ 39,394,505	\$ 28,525,434	\$ 39,394,505	\$ 28,525,434

Consolidated Statements of Contributed Surplus for Stock-based Awards *(Unaudited)*

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	2007	2006	2007	2006
Balance at beginning of period	\$ 2,704,862	\$ 2,770,619	\$ 3,035,287	\$ 2,703,994
Awards during the period	248,620	-	248,620	66,625
Exercise of warrants (note 8)	(31,630)	-	(117,617)	-
Exercise of options (note 8)	<u>(279,129)</u>	<u>-</u>	<u>(523,567)</u>	<u>-</u>
Balance at end of period	\$ 2,642,723	\$ 2,770,619	\$ 2,642,723	\$ 2,770,619

(Formerly Northern Mining Explorations Ltd.)

Consolidated Balance Sheets

	<i>June 30,</i> 2007	<i>December 31,</i> 2006
	<i>Unaudited</i>	<i>Audited</i>
Current assets		
Cash and cash equivalents (note 3)	\$ 3,981,054	\$ 647,018
Term deposit, variable rate (4% as at June 30, 2007)	12,000,000	2,350,000
Accounts receivable	86,900	83,321
Prepaid expenses	6,345	27,017
	<u>16,074,299</u>	<u>3,107,356</u>
Loan and interest receivable (note 4)	11,742,357	20,817,537
Fixed assets , at cost less accumulated depreciation	39,836	41,572
Deferred financing costs , unamortized portion	-	723,364
Mining properties (note 5)	1,320,846	1,180,900
Deferred exploration costs (note 6)	9,034,126	9,449,753
	<u>38,211,464</u>	<u>35,320,482</u>
Total assets	<u>\$ 38,211,464</u>	<u>\$ 35,320,482</u>
Current liabilities		
Trade accounts payable and accrued liabilities	\$ 201,986	\$ 309,833
Current portion of long-term debt	7,473,937	6,820,330
	<u>7,675,923</u>	<u>7,130,163</u>
Long-term debt (note 7)	5,462,959	12,049,710
Non-controlling interest	-	55,922
	<u>5,462,959</u>	<u>12,105,632</u>
Shareholders' equity		
Capital stock (note 8)	61,784,364	45,488,860
Contributed surplus for stock-based awards	2,642,723	3,035,287
Other contributed surplus	40,000	40,000
Deficit	(39,394,505)	(32,479,460)
	<u>25,072,582</u>	<u>16,084,687</u>
Total liabilities and shareholders' equity	<u>\$ 38,211,464</u>	<u>\$ 35,320,482</u>

(Formerly Northern Mining Explorations Ltd.)

Consolidated Statements of Cash Flows *(Unaudited)*

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	2007	2006	2007	2006
Operating activities				
Net loss	\$ (4,204,488)	\$ (2,667,524)	\$ (6,198,293)	\$ (3,855,275)
Items not affecting cash				
Stock-based compensation	76,980	-	76,980	-
Management fees paid by the disposal of a subsidiary (note 2)	50,939	-	50,939	-
Interest income capitalized to the loan receivable	(336,837)	(572,283)	(754,602)	(1,169,076)
Interest expense capitalized to the long-term debt	489,547	601,018	1,056,011	1,231,906
Amortization of deferred financing costs (reversal)	(90,423)	90,423	-	180,846
Depreciation on fixed assets	2,780	2,926	5,805	5,972
Gold price royalty capitalized to the long-term debt	1,441,796	1,360,937	2,857,744	2,177,358
Unrealized foreign exchange loss (gain)	(17,969)	269,385	(17,117)	253,294
Write-off of deferred financing costs	723,364	-	723,364	-
Loss on disposal of a subsidiary	1,293,319	-	1,293,319	-
Write-off of mining properties and deferred exploration costs	-	700,337	-	700,337
Non-controlling interest	(1,397)	(2,561)	(3,787)	(1,011)
	<u>(572,389)</u>	<u>(217,342)</u>	<u>(909,637)</u>	<u>(475,649)</u>
Changes in non-cash working capital items	<u>(100,992)</u>	<u>(28,176)</u>	<u>(89,581)</u>	<u>(16,298)</u>
	<u>(673,381)</u>	<u>(245,518)</u>	<u>(999,218)</u>	<u>(491,947)</u>
Financing activities				
Issuance of capital stock	12,525,964	-	15,075,570	5,913,501
Share issue expenses	(62,296)	(983)	(65,112)	(560,912)
	<u>12,463,668</u>	<u>(983)</u>	<u>15,010,458</u>	<u>5,352,589</u>
Investing activities				
Term deposit	(10,000,000)	1,000,000	(9,650,000)	(3,500,000)
Cash disposed of (note 2)	(3,438)	-	(3,438)	-
Additions to fixed assets	(22,598)	-	(24,984)	-
Additions to mining properties	(23,232)	(89,360)	(41,196)	(89,360)
Deferred explorations costs	(661,792)	(927,190)	(957,586)	(1,412,908)
	<u>(10,711,060)</u>	<u>(16,550)</u>	<u>(10,677,204)</u>	<u>(5,002,268)</u>
Net increase (decrease) in cash and cash equivalents	1,079,227	(263,051)	3,334,036	(141,626)
Cash and cash equivalents at beginning of period	<u>2,901,827</u>	<u>557,002</u>	<u>647,018</u>	<u>435,577</u>
Cash and cash equivalents at end of period	\$ 3,981,054	\$ 293,951	\$ 3,981,054	\$ 293,951

Supplemental information (note 9)

(Formerly Northern Mining Explorations Ltd.)

Notes to Consolidated Financial Statements *(Unaudited)*

June 30, 2007

Information as at December 31, 2006 is audited.

On May 24, 2007, the Company changed its name from Northern Mining Explorations Ltd. to MDN Inc.

The interim financial statements should be read in conjunction with Northern Mining Explorations Ltd's annual financial statements for the year ended December 31, 2006.

1. Significant accounting policies

The interim financial statements have been prepared following the same basis of presentation and accounting policies used in the annual financial statements for the year ended December 31, 2006, except for the following changes.

Accounting changes - Financial instruments

The CICA issued new accounting standards in relation with financial instruments: a) Section 1530 "Comprehensive Income", which introduces a new requirement to temporarily present certain gains and losses outside net income, b) Section 3855 "Financial instruments – recognition and measurement" which prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts, and which also specifies how financial instrument gains and losses are to be presented, c) Section 3865 "Hedges", which describes how and when hedge accounting can be used. Effective January 1, 2007, the Company has adopted the new recommendations and now considers the cash equivalents and the term deposit as financial assets held for trading and recorded these assets at fair value which approximates their carrying value due to their short-term maturities. Regarding the deferred financing costs of \$723,364 related to long-term debt transaction costs, the Company decided to recognize it all in the results during the period.

Future Accounting Changes

Effective January 1, 2008, the Company will be required to comply with the following new standards:

- Section 1535 "Capital disclosures" which requires an entity to disclose information about its objectives, policies and processes for managing capital;
- Section 3862 "Financial instruments – disclosures" and Section 3863 "Financial instruments – presentation" which replace existing Section 3861 "Financial instruments – disclosure and presentation" and increase emphasis on disclosures about the risks associated with both recognized and unrecognized financial instruments and how those risks are managed.

These new requirements are for disclosure only and will not impact financial results of the Company.

Notes to Consolidated Financial Statements (Unaudited)**June 30, 2007***Information as at December 31, 2006 is audited.***2. Disposal of a subsidiary**

On June 30, 2007, the Company transfer to the non-controlling interest its participation of 75% in the common shares of Eritrean Minerals Corporation in settlement of management fees in the amount of \$50,939 payable to the non-controlling interest. Assets and liabilities transferred are as follows:

Current assets, including cash in the amount of \$3,438	\$ 5,140
Current liabilities	<u>(2,875)</u>
Working capital	2,265
Fixed assets	20,915
Deferred exploration costs	1,373,213
Non-controlling interest	<u>(52,135)</u>
Net asset transferred	1,344,258
Management fees payable to the non-controlling interest	<u>(50,939)</u>
Loss on disposal of a subsidiary	\$ 1,293,319

3. Cash and cash equivalents

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
Cash	\$ 374,536	\$ 146,257
Cash held for exploration work	31,518	761
Term deposit, rate of 3.05%	3,100,000	-
Term deposit, rate of 3.05%, held for exploration work	<u>475,000</u>	<u>500,000</u>
	<u>\$ 3,981,054</u>	<u>\$ 647,018</u>

The term deposits have a maturity date of less than three months from the date of acquisition.

4. Loan and interest receivable

The loan receivable from Pangea Minerals Ltd., in relation to the Tulawaka mine bears interest at the rate of 8% and, according to the agreement, is refundable in US dollars by nineteen quarterly instalments starting the first quarter after the commercial production of the mine has started. The agreement also states that the amounts of instalments are to be determined by Pangea Minerals and are repayable at their will. Thus, no short-term portion of the loan is presented even though the first quarter after commercial production of the property is June 2005 as shown below. This loan was partly financed by the long-term debt (note 7).

Notes to Consolidated Financial Statements (Unaudited)**June 30, 2007***Information as at December 31, 2006 is audited.***5. Mining properties**

Amounts of \$98,750 and \$41,196 have been added to the Kunga and Baraka mining properties.

6. Deferred exploration costs

The table below shows the changes in the deferred exploration costs:

	<i>December 31,</i> <u>2006</u>			<i>June 30,</i> 2007
	Opening balance	Additions	Disposition	Closing balance
Tulawaka	\$ 1,661,228	\$ 10,970	\$ -	\$ 1,672,198
Simba, Baraka and Kunga	3,085,193	838,694	-	3,923,887
Msasa	217,311	45,177	-	262,488
Eritrean (note 2)	1,316,538	56,675	(1,373,213)	-
Lac Shortt and Lespérance	1,524,374	-	-	1,524,374
Le Tac	635,614	-	-	635,614
Clairy	441,856	-	-	441,856
Other properties	567,639	6,070	-	573,709
	<u>\$ 9,449,753</u>	<u>\$ 957,586</u>	<u>\$ (1,373,213)</u>	<u>\$ 9,034,126</u>

7. Long-term debt

Term loan for a maximum amount of US\$18,000,000, at LIBOR (5.36% as at June 30, 2007) plus 6.5%, repayable on the basis of 16 quarters by instalments of 1% to 12.3% calculated on the total amount of term loan, guaranteed on a non-recourse basis by the interest held in the Tulawaka project

\$ 12,936,896 \$ 18,370,870

Deferral facility for a maximum of US\$5,000,000, representing unpaid amounts according to the above-mentioned loan agreement, at LIBOR plus 9%, maturing on December 31, 2008, guaranteed on a non-recourse basis by the interest held in the Tulawaka project

- 499,170

Current portion

12,936,896 18,870,040

7,473,937 6,820,330

\$ 5,462,959 \$ 12,049,710

(Formerly Northern Mining Explorations Ltd.)

Notes to Consolidated Financial Statements (Unaudited)**June 30, 2007***Information as at December 31, 2006 is audited.***7. Long-term debt (Cont'd)**

The estimated portion of long-term debt payable in each of the next seven quarters is as follows:

September 30, 2007	\$ 1,710,714	September 30, 2008	\$ 2,279,657
December 31, 2007	\$ 1,749,550	December 31, 2008	\$ 2,334,027
March 31, 2008	\$ 1,788,386	March 31, 2009	\$ 849,275
June 30, 2008	\$ 2,225,287		

8. Capital stock

The Company is authorized to issue an unlimited number of common shares of no par value. Changes in the outstanding capital stock are as follows:

	<i>June 30,</i> 2007		<i>December 31,</i> 2006	
	Number	Value	Number	Value
Balance at beginning of period	69,708,771	\$ 45,488,860	61,243,547	\$ 39,057,127
Issued in consideration of:				
Acquisition of mining properties	125,000	98,750	10,000	7,000
Share issue expenses	400,000	480,000	-	-
Issued for cash				
Private placements	8,000,000	9,600,000	7,884,668	5,913,501
Flow-through shares	-	-	555,556	500,000
Exercise of warrants	6,496,677	4,302,370	-	-
Exercise of stock options	1,870,000	1,173,200	15,000	6,750
Amounts from contributed surplus				
Exercise of warrants	-	117,617	-	-
Exercise of stock options	-	523,567	-	4,482
	16,891,677	16,295,504	8,465,224	6,431,733
Balance at end of period	86,600,448	\$ 61,784,364	69,708,771	\$ 45,488,860

(Formerly Northern Mining Explorations Ltd.)

Notes to Consolidated Financial Statements (Unaudited)**June 30, 2007***Information as at December 31, 2006 is audited.***8. Capital stock (Cont'd)***Warrants*

The table below presents a summary of the warrants:

	<i>June 30,</i> 2007		<i>December 31,</i> 2006	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at beginning of period	30,397,087	\$ 0.92	27,112,250	\$ 0.91
Granted	8,619,010	\$ 1.58	4,454,837	\$ 0.97
Exercised	(6,496,677)	\$ 0.66	-	\$ -
Cancelled	(775,000)	\$ 0.75	(1,170,000)	\$ 1.00
Outstanding at end of period	31,744,420	\$ 1.16	30,397,087	\$ 0.92

From the total of warrants granted during the period, 400,000 were issued to the brokers as payment of their fees and an amount of \$171,640 is included in the share issue expenses. The fair value was established using the «Black-Scholes» valuation model with the following assumptions:

- i) risk-free interest rate of 3.15%;
- ii) expected weighted average warrant life of 1 year;
- iii) expected volatility of 60%; and
- iv) expected dividend rate of 0%.

The table below presents supplemental information about the outstanding warrants at the end of the period:

	Exercise prices	Number	Maturity
	\$ 0.77	74,483	2007-08-16
	\$ 1.60	8,400,000	2008-10-05
	\$ 1.00	22,969,937	2009-01-14
	\$ 0.75	300,000	2010-12-05

(Formerly Northern Mining Explorations Ltd.)

Notes to Consolidated Financial Statements (Unaudited)**June 30, 2007***Information as at December 31, 2006 is audited.***8. Capital stock** (Cont'd)*Stock option plan*

Under the stock option plan, the Company may grant up to a maximum of 8,000,000 stock options to employees, officers, directors and independent service providers to acquire capital stock.

Under the provisions of the Plan, the terms and price of the stock options are established by the directors.

The table below presents a summary of the stock option plan:

	<i>June 30, 2007</i>		<i>December 31, 2006</i>	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Options at beginning of period	7,198,630	\$ 0.71	7,348,630	\$ 0.71
Granted	300,000	\$ 0.76	300,000	\$ 0.49
Cancelled	-	\$ -	(435,000)	\$ 0.47
Exercised	(1,870,000)	\$ 0.63	(15,000)	\$ 0.45
Options at end of period	5,628,630	\$ 0.74	7,198,630	\$ 0.71
Exercisable options at end of period	5,628,630	\$ 0.74	7,198,630	\$ 0.71

As at June 30, 2007 there were 5,628,630 stock options outstanding at exercise prices ranging from \$0.45 to \$1.17 with a weighted average remaining contractual period of 5.9 years.

The table below presents supplemental information about the stock option plan at the end of the period:

<i>Range of exercise prices</i>	Number	Weighted average remaining years	Weighted average exercise price
\$0.45 – \$0.50	1,775,000	7.93	\$ 0.47
\$0.64 – \$0.76	873,630	5.97	\$ 0.72
\$0.80 – \$0.84	1,000,000	3.67	\$ 0.81
\$0.90 – \$0.91	1,490,000	6.19	\$ 0.91
\$1.10 – \$1.17	490,000	2.03	\$ 1.12

(Formerly Northern Mining Explorations Ltd.)

Notes to Consolidated Financial Statements (Unaudited)**June 30, 2007***Information as at December 31, 2006 is audited.***8. Capital stock** (Cont'd)

The fair value of options granted during the period was estimated at the date of the grant using the "Black-Scholes" valuation model with the following assumptions:

- i) risk-free interest rate of 3.15%;
- ii) expected weighted average life of 3 years;
- iii) expected volatility of 42%; and
- iv) expected dividend rate of 0%.

The fair value of the options granted during the period was \$0.2566 per option.

9. Cash flows

Supplemental information on non-cash transactions:

	<i>Three months ended June 30,</i>		<i>Six months ended June 30,</i>	
	2007	2006	2007	2006
Unrealized foreign exchange loss allocated to loan receivable	\$ 1,367,192	\$ 1,324,781	\$ 1,571,682	\$ 1,212,297
Reduction of long-term debt due to foreign exchange variation	\$ 4,794,300	\$ 3,345,000	\$ 8,258,100	\$ 4,395,390
Unrealized foreign exchange gain allocated to long-term debt	\$ 1,385,161	\$ 1,055,396	\$ 1,588,799	\$ 959,003
Warrants issued in consideration of share issue expenses	\$ 171,640	\$ -	\$ 171,640	\$ 66,625
Common shares issued in consideration of:				
Acquisition of mining properties	\$ 98,750	\$ -	\$ 98,750	\$ -
Share issue expenses	\$ 480,000	\$ -	\$ 480,000	\$ -