



INTERIM FINANCIAL STATEMENTS

September 30, 2010

MDN INC.

MANAGEMENT DISCUSSION AND ANALYSIS (FOR THE PERIOD ENDED SEPTEMBER 30, 2010)

SCOPE OF MANAGEMENT'S FINANCIAL ANALYSIS

The following analysis should be read in conjunction with the financial statements of MDN Inc. (the "Company" or "MDN") and notes thereto for the three- and nine-month periods ended September 30, 2010 and 2009. The reader should also refer to the audited annual financial statements as at December 31, 2009, including the section describing the risks and uncertainties. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This Management Discussion and Analysis was prepared as of October 22, 2010, and complies with Rule 51-102A of the Canadian Securities Administrators on continuous disclosure. This analysis is a supplement to the Company's unaudited interim financial statements for the three- and nine-month periods ended September 30, 2010, and is intended to help the reader understand and assess the material changes and trends affecting the Company's results and financial position. It represents the view of management on the Company's ongoing activities and its current and past financial results and presents an overview of activities planned for the coming months. The Company regularly discloses additional information through press releases and financial statements available on the Company's website at www.mdn-mines.com and on SEDAR at www.sedar.com.

NATURE OF OPERATIONS

The Company's business consists of acquiring, exploring and developing mining properties. In the context of achieving its objectives, the Company is likely to sign various agreements specific to the mining industry, such as agreements for the purchase or option to purchase mining claim and joint venture agreements. Under a joint venture agreement with African Barrick Gold ("Pangea"), MDN holds a 30% interest in the Tulawaka gold mine. It also carries on exploration on other mining properties, but has not yet determined whether these other properties contain economically viable mineral assets.

The Company holds interests in properties located in the following areas:

Tanzania, East Africa: MDN is active on various projects totalling 703 km² in the Lake Victoria Goldfield and in a joint venture with African Barrick Gold (70%) and MDN (30%) on the Tulawaka mine and its adjacent permits.

Quebec: Le Tac, Lac Shortt, Lespérance, MCGold in the Chibougamau area and Isle-Dieu in the Matagami area.

THIRD QUARTER 2010 HIGHLIGHTS

- Net revenues of \$33,015 compared to \$2,790,286 for the same period in 2009. A net loss attributable to the shareholders of the Company of \$ 516,905 or \$0.005 per share compared to net earnings of \$737,649 or \$0.008 per share for the same period in 2009. The decrease in net revenues and net earnings for the period was attributable to a lower quantity of gold produced at the Tulawaka Mine in Tanzania and the utilization of available cash on an exploration program and capital expenditure.
- The Tulawaka gold mine in Tanzania produced 15,645 ounces of gold at an average grade of 8.7 g/t gold and a recovery of 93.12%. MDN's 30% interest in the Tulawaka project represents a share of 4,694 ounces of gold. Total production for the same period in 2009 was 29,490 ounces of gold at an average grade of 16.51 g/t gold. Third-quarter gold production was lower than last year because the mined grade was very high in 2009, at 17.4 g/t Au, compared to 8.7 g/t this year. The underground operation was unable to reach the high-grade ore due to a delay in the commissioning of new mine equipment. The overall drop in head grade occurred because lower-grade ore from surface stockpiles was used to make up for the shortfall in underground production.
- The total cash cost of producing one ounce of gold was US \$571.74 compared to US \$391.68 in 2009. Costs were higher because of the above mentioned factors.
- The Tulawaka Mine sold 15,923 ounces of gold on the spot market at an average price of US \$1,222.35, generating gross revenues of US \$19,463,441. MDN's share (30%) was equal to 4,777 ounces of gold sold, for gross revenues of US \$5,839,166.
- Capital expenditure for the quarter totalled \$5.3 million compared to \$1.4 million in the prior year period. For the nine-month period the amount was \$10.7 million compared to \$2.8 million in the corresponding period of 2009. The increase of capital during the quarter was due to the Tulawaka mine life extension program. During the quarter, the mine crew at Tulawaka continued to focus on an aggressive exploration drilling programmes for both the underground and open pit resources. This programme has been supported by the re-investment of additional mining equipment to increase exploration development and to support mine life extension.
- The Ikungu project continues to return good gold intersections, and the program now underway is confirming the continuity of the gold-bearing zones at depth.
- An agreement with SOQUEM grants MDN an option to earn a 50% interest in the project in consideration of a schedule of total payments and exploration expenses of up to \$5.25 million over five years. MDN and SOQUEM began drilling in the third quarter with the goal of testing the potential for increasing the gold grade and the extensions of the known mineralization.
- The feasibility study for the Crevier project is progressing according to schedule.

CREVIER PROJECT DEVELOPMENT

The feasibility study that began in early 2010 is proceeding in accordance with the Crevier property development plan. In the third quarter, the main activities were:

- Metallurgical development
- Environmental baseline study
- Geotechnical characterization of the open pit rock
- Tailings management
- Drilling of the southern extension of the open pit.

Metallurgical Development

During the quarter, laboratory tests to complete the development of the flotation circuit and the definition of the operating criteria for the future flotation plant were set up and run. The final reports are expected in November. A 400-tonne rock sample was taken from the property, crushed and prepared for pilot plant tests, which will be set up in the fourth quarter and run in the first quarter of 2011.

The work specifications for the first series of leach tests on the concentrate from the flotation circuit and for mechanical property characterization testing on the ore were completed, and this work will be done in the fourth quarter.

Environmental Baseline Study

The field work for the inventories is 90% complete. Final inventory work on the hydrology and hydrogeology will be completed in October and November 2010. The baseline study will be available for integration into the feasibility study in early 2011, in accordance with the overall schedule for the preparation of the feasibility study.

Geotechnical Characterization of the Open Pit Rock

Field studies for the characterization of the rock in the area of the future open pit were carried out in July and August. The field program consisted of four diamond drill holes totalling 1,030 metres, 48 permeability measurement tests and laboratory testing to define the geomechanical parameters. The geomechanical and hydrological data will be used to define the design parameters for the future open pit.

Tailings Management

Work on selection of the future tailings pond site was completed. Six different sites were studied to determine which would be the most appropriate. Three sites were selected for more detailed study to determine the geomechanical characteristics of the subsoil, as well as the hydrogeological characteristics of the selected sites. Work to be done in this area includes: location of borrow pits required for construction of the various elements of the tailings pond, geomechanical investigation to begin in late October and design of the actual tailings pond and the waste dump to be completed in the first quarter of 2011.

Drilling on the Southern Extension of the Open Pit

Definition drilling of the Crevier project mineral resource in 2009 showed that the deposit remained open to the south. Two drill sections indicated that the mineralized zone extends another 200 meters and more to the south. In the last quarter, eight holes totalling 2,090 metres were drilled on four drill sections spaced 100 metres apart. These holes showed that the nepheline syenite dike hosting the niobium-tantalum mineralization extends to the south, although it narrows considerably. The assays from these holes will become available in November.

EXPLORATION ACTIVITIES

TANZANIA

The 2010 drilling programs began on the Ikungu property in the first quarter, and then moved to the Msasa property in the second quarter. Based on the positive results of drilling on the Ikungu property, the Company decided to focus its exploration efforts for the second half of 2010 on this property.

Ikungu

Drilling began on July 30. By the end of September, a total of 4,403 m have been drilled in 10 holes (IKD-38 to IKD-47), including 3,275 metres of diamond drilling and 1,128 m of RC (reverse circulation) drilling. RC drilling is used for the first hundred metres of each hole to minimize drilling program costs. Assay results for holes IKD-38 to IKD-45 were received during the quarter, and samplings are underway on holes IKD-44, 46 and 47.

The drilling program is aimed at testing the vertical continuity of the higher-grade zones near surface along the 2.5-metre structure to a depth of 300 metres.

In the first quarter, MDN received drill results showing the presence of zones with a true thickness of 2 to 4 metres and high grades of from 5 g/t Au to 11.5 g/t Au, including sections of up to 54.3 g/t Au over 0.4 m. The structure hosting the mineralization has been shown by drilling to be continuous over more than 2.5 kilometres, with a minimum thickness of 2 metres and sampled grades above 1.2 g/t Au. The gold-bearing intersections in holes drilled in the first quarter and earlier, like IKD-08, IKD-28, IKD-36, IKD-37, SIK 1 and SIK 8, are good examples of these higher-grade zones. A concentration of such zones has been identified in the central and eastern sectors. The new program will test the continuity of lenses that returned samples averaging over 10 g/t Au.

The best results obtained in the third quarter were as follows:

- IKD-39 intersected 19.26 g/t Au over 1.53 m (true width) and 8.46 g/t Au over 1.37 m (true width) in an adjacent zone.
- IKD-45 intersected 8.60 g/t Au over 14.67 m (true width)

Hole IKD-39 showed vertical continuity at a depth of more than 250 metres, as well as potential for the presence of a mineralized zone parallel to the main zone. The IKD-39 intercept lies 100 m east and 205 m vertically below the eastern down-dip extension of the Hole IKD-32 intercept of 8.02 g/t Au over 2.41 m. Holes IKD-39 (19.26 g/t Au over 1.53 m), IKD-32 (8.02 g/t Au over 2.41 m), IKD 35 (2.79 g/t Au over 6.51 m) and IKD 18 (5.79 g/t Au over 2.76 m) indicate the

potential of a mineralized lens in the central portion of the gold-bearing horizon traced over 2.5 km.

The intersection of 8.46 g/t Au over 1.37 m in Hole IKD-39 is a parallel zone in the hangingwall of the main zone. This intersection shows the presence of mineralization parallel to the main mineralization, increasing the potential for discovery of other mineralized zones nearby.

Hole IKD-45 confirmed the presence of high-grade zones with impressive thicknesses. The hole lies in an undrilled 300-m zone to the west of the 2.5-km long gold-bearing structure, 160 m west of Hole IK04 (6.47 g/t Au/2.42 m) and 240 m east of Hole IKD08 (10.95 g/t Au/1.99 m).

Gold values are associated with the presence of sulphides (over 1% in places) containing pyrite, chalcopyrite, pyrrhotite and arsenopyrite, and a network of small, very homogenous, regularly-spaced bluish-grey quartz veins that represent a total of 10% to 20% of the mineralized zone.

In terms of mineralization, gold values are identical to those seen in Hole IKD-39 (19.26 g/t Au/1.53 m). However, in contrast to the mineralization in Hole IKD-39, here we see a zone with a higher number of quartz veins, forming a stockwerk (network of veinlets) where more intense silicification superimposes and masks the schistosity.

Results

Hole #	Section (m)	From (m)	To (m)	Length (m)	True width (m)	Au (g/t)
IKD-45	2230mE	122.90	136.15	13.25	10.09	2.41
		136.15	138.70	2.55	Lamprophyre dike	
		138.70	158.00	19.3	14.67	8.60
IKD-41	2545mE	367.30	372.00	4.70	3.58	2.34
IKD-39	2650mE	286.00	287.80	1.80	1.37	8.46
		358.00	360.00	2.00	1.53	19.26
IKD-40	2980mE	394.10	400.10	6.00	4.59	1.13
IKD-42	3610mE	No significant results				
IKD-43	3840mE	302.70	307.60	4.90	3.73	1.21

Nikonga

MDN has acquired the Nikonga property, located 40 km southeast of the Tulawaka mine. The property consists of two prospecting permits totalling 50.71 km².

Regional data suggests a west-northwest lineament linking the Nikonga property to the Tulawaka mine. The property is covered by two gold soil anomalies lying one kilometre apart and parallel to the regional lineament. Values of up to 580 ppb Au have been detected. These anomalies coincident with and extensions of sites where artisanal miners mine high-grade strongly silicified volcanic rock.

QUEBEC

MCGold

In the third quarter, the planning of the drilling program was completed and the drill sites were prepared in the field. Drilling began on October 8, 2010, consisting of ten holes 125 to 400 metres long for a total of 2,600 linear metres. The holes will be drilled along four sections, two in the central part and two in the western part of the deposit.

This initial program has two goals. The first is to confirm grade continuity and possibly increase grades, as the lack of sampling in historical drilling in the centre of the deposit may have led to an underestimation of the average grade. The second goal is to increase the tonnage in the western part of the deposit.

The property lies about five kilometres from the town of Chibougamau in northwestern Quebec. It consists of 56 claims covering a total surface area of about 878 hectares. MDN's strategy of acquiring an interest of up to 50% in this property in June 2010 was based on the existence of a resource with Au-Cu porphyry-type deposit potential. This means that this project should be developed on the basis of a high-tonnage, low-grade deposit model.

The MCGold mineralization is associated with a large envelope of disseminated pyrite 200 m wide by 800 m long. The deposit remains open at depth and along strike. The gold mineralization is hosted by quartz-feldspar porphyry intrusive, and also occurs in the rocks immediately adjacent to the intrusive.

Prior to SOQUEM's involvement, only 48% of drill core had been sampled (13,537 m of the 27,924 m drilled), specifically those intervals with a high sulphide content as this earlier work was primarily aimed at testing for high-grade veins. In 2000, SOQUEM located the core from six earlier holes that had intersected the mineralized zone, and was thus able to sample all the mineralization, including the intervals with low sulphide content. Three of the six holes returned higher average grades than before.

BUSINESS DEVELOPMENT

MDN remains first and foremost a gold exploration company, and has allocated a budget of \$4.5 million for development of the Tulawaka Mine and exploration of its properties in Tanzania in 2010.

The Company has increased its investment in the Crevier project (niobium-tantalum) in Quebec in exchange for a 67.5% interest, and has undertaken to carry out a feasibility study in 2010, with the goal of completing resource definition and defining the financial and technical parameters underlying the preparation of the feasibility study, which should be completed in the first half of 2011.

Numerous meetings were held with financial institutions to promote the quality of the Company's exploration properties and the Crevier project. Many meetings were also held with financial institutions to assess the Company's financing options for the Crevier project construction.

SUMMARY OF OPERATING RESULTS

For the three months ended September 30, 2010 and 2009	2010	2009
<i>(In thousands of dollars, except for per share amounts)</i>		
Revenues	\$33	\$2,790
Administrative expenses	\$ 602	\$1,061
Foreign exchange loss	(\$109)	\$(420)
Net income (loss) attributable to the shareholders of the Company	(\$517)	\$738
Basic and diluted net earnings (loss) per share	(\$0.005)	\$0.008
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Weighted-average number of shares outstanding (in thousands)	98,158	94,939

Operating results

For the three-month period ending September 30, 2010, revenue totalled \$33,015 in comparison with \$2,790,286 for the same period in 2009. The bulk of 2009 revenue was from royalties from the Tulawaka mine (\$2,758,618). Given that the two partners in the Tulawaka mine have agreed to carry out an aggressive exploration program to extend the mine life, consequently reducing the focus of the quantity, MDN Inc. did not receive any cash from the Tulawaka mine during the period. Other income represented interest on the Company's various investments.

Administrative expense totalled \$ 602,407 (including \$25,015 for CMI) compared to \$1,060,706 in 2009.

Administrative expense include: management fees of \$120, 133(\$125,917 in 2009) representing 3% of all operating costs invoiced by the Tulawaka project operator; professional fees of \$116,380, including \$17,216 paid by CMI (\$447,678 in 2009), with the decrease arising primarily from legal, auditing, communicating and analytical expenses of \$166,173 related to the acquisition of CMI in 2009; the termination of two consulting contracts (Tanzanian country manager and the advisor to the president) representing \$74,600; the conversion of a contractual position into a salaried position (\$48,750); and a decrease in consultation service needs (\$51,000). Salaries totalled \$233,293 (\$151,831 in 2009), with the increase attributable to the hiring of the consultant as an employee and to the hiring of two additional employees, a geologist and an accountant. Insurance, telecommunication and office expenses totalled \$ (892) (\$49,300 in 2009). The 2009 expenses include a charge of \$15,401 related to the opening of the Tanzanian office. Travelling expenses of \$29,580 (\$102,151 in 2009) were lower essentially due to fewer trips to Tanzania and Europe following the termination of the contracts of the advisor to the president and Tanzanian country manager, as well as the postponement of several trips until next quarter. The Company also reviewed its involvement in certain activities outside the country; most promotional activities took place in Canada in the third quarter.

Since the amounts distributed by the Tulawaka gold mine are now recorded as royalties in the income statement, the Company is reporting amortization charges for the cost of exploration conducted prior to the opening of the mine based on royalties paid. This amount was \$107,586 in 2009 and nil in the third quarter of 2010, as the Company did not record any royalties during the period.

Net loss

MDN Inc. shareholders were attributed a net loss of \$ 3,135,294 or \$0.032/share for the nine month period ending September 30, 2010, in comparison with net income of \$2,685,193 or \$0.028/share for the same period in 2009.

The change in net income attributable to the Company's shareholders arose from the decrease in royalties from the Tulawaka mine. The net loss per share was calculated on the basis of 98,158,315 common shares outstanding for the period ending September 30, 2010, compared to an average of 95,156,103 common shares outstanding for the same period in 2009.

Future results

The Company's future results will be essentially influenced by the royalties received from the Tulawaka mine, as well as the Company's exploration programs.

Financial position	September 30, 2010	December 31, 2009
<i>(In thousands of dollars)</i>		
Cash and cash equivalents	\$7,680	\$12,200
Investments	\$5,772	\$5,162
Income taxes receivable	\$966	
Accounts receivable	\$708	\$3,561
Mining properties and deferred exploration costs	\$30,856	\$18,370
Total assets	\$46,241	\$45,246
Capital stock	\$62,824	\$60,506
Shareholders' equity	\$ 43,476	\$44,567

LIQUIDITY AND FINANCIAL POSITION

Cash, cash equivalents and investments

As of September 30, 2010, the Company's cash position, consisting of cash and investments, amounted to \$13,452,472 compared to \$17,362,272 as of December 31, 2009. This decrease is primarily due to the increase in mining properties and deferred exploration costs.

Tax credits receivable

As of September 30, 2010, tax credits receivable amounted to \$966,095, mainly related to the Crevier project.

Accounts receivable

As of September 30, 2010, accounts receivable amounted to \$708,108, primarily consisting of \$417,098 in refunded Tanzanian sales tax, \$199,437 for GST and QST refunds and \$16,693 in interest receivable on investments.

Mining properties

Over the three-month period ending September 30, 2010, the Company paid \$56,711 in relation to the Ikungu property. It also made a payment of \$57,795 in relation to the Baraka property agreement, and an annual payment of \$10,290 for the acquisition of the new Nikonga property.

Deferred exploration costs

During the three-month period ended September 30, 2010, the Company incurred \$1,398,654 in deferred exploration costs. Of this amount, \$590,517 was incurred on properties in Tanzania, mainly the Ikungu property. The Company also incurred \$1,075,612 in exploration expenses in the province of Quebec, principally for the Crevier property. As of September 30, 2010, deferred exploration costs related to mining properties were \$20,385,190 compared to \$16,068,387 as of December 31, 2009.

Assets, shareholders' equity and liquidity

Total assets stood at \$46,240,620 as of September 30, 2010, compared to \$45,245,826 as of December 31, 2009. The difference is mainly attributable to the increase in deferred exploration costs and the consolidation of CMI.

Shareholders' equity represented a grand total of \$ 43,476,254 as of September 30, 2010, compared to \$44,566,803 on December 31, 2009, with the decrease primarily due to the cumulative deficit for the year to date.

The Company's uses its short- and long-term liquidity to pay administrative expenses, finance its exploration activities and support its growth plan.

Capital stock

During the nine-month period ending September 30, 2010, the Company issued 3,349,777 common shares at \$0.49 each for the acquisition of CMI and 1,318,334 common shares for the long-term incentive plan. As of September 30, 2010, the number of outstanding shares therefore stood at 98,444,024 compared to 93,775,913 as of December 31, 2009.

Liquidity needs for the current financial year

Gold production at the Tulawaka gold mine started in March 2005. Based on the operation of the mining property and cash available under the joint venture agreement, the Company receives a 30% share. For the current financial year ending on December 31, 2010, the Company's cash requirements are estimated at \$9,000,000, which includes fixed costs and exploration expenses in Tanzania and Quebec and for CMI. Without even taking into consideration income generated by future royalty payments from the Tulawaka mine, the Company has sufficient cash assets to meet its needs.

RISKS AND UNCERTAINTIES

The Company's principal revenue is from royalties generated by the operation of the Tulawaka gold mine, which has been in operation since March 2005 and whose lifespan is linked to its minable gold reserves. Exploration is underway at Tulawaka to extend the mine life. As of September 30, 2010, the mine operator had yet to define the lifespan of the mine in the context of underground development.

Except for the Company's investment in CMI, which is at the evaluation stage, all of the Company's other mining properties are in the exploration stage. The Company's long-term profitability depends on the costs and success of its evaluation, exploration and development programs, which may also be affected by various factors. Such factors include the attributes of future mineral deposits, including the quantity and quality of the resources, the development costs of production infrastructure, financing costs, the market value of gold, and the competitive nature of the industry.

Substantial investment is required to carry out evaluation and exploration programs and to develop reserves. In the absence of cash flows generated by mining operations, the Company depends on capital markets to fund its exploration and development activities. Market conditions

and other unforeseen events could affect the Company's ability to obtain the funds required for its development.

Mineral prices

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

Uninsured risks

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, the Company carries on business in foreign countries, and is subject to the decisions and policies of the governments of these countries.

Related-party transactions

In the first quarter 2010, in relation with the acquisition of CMI, the Company paid \$459,000 and issued 1,488,790 shares to a shareholder who later became president and a director, and to a director of MDN, to purchase the 600,000 shares they held in CMI (representing 15% of the outstanding shares of CMI). Furthermore, the Company paid professional fees of \$18,000 to the same director during the period.

These transactions were made in the normal course of business, and were measured at the exchange amount, which is the amount established and agreed to by the parties.

Throughout the course of the third quarter, following the issuance of shares of the long-term incentive plan, the Company provided a loan to two of its keys managers to the amount of \$62,400. This loan, which carries a rate of 1% per year, is reimbursable at all times either in part or in full and will mature on December 31, 2012. If the borrower ceases to be an employee of the Company, the loan will become due immediately.

Financial instruments

Financial instruments whose book value approximates the fair value

Cash and cash equivalents, temporary investments, long-term investments, accounts receivable, trade accounts payable and accruals are financial instruments whose fair value approximate their book value due to their short-term maturity. The level of data entries used by the Company to evaluate the fair value of these instruments is Level 1, because they are valued on quoted prices in the markets.

DIVIDEND POLICY

The Company has neither declared nor paid any dividends on its common shares since incorporation. Any decision to pay dividends to the Company's common shareholders will be made by the Board of Directors based on its assessment of the Company's financial position, taking into account the financial requirements to ensure its future growth and other factors that the Board might deem pertinent under the circumstances.

IFRS CONVERGENCE

In April 2008, the CICA published an exposure draft as guidance which requires the transition to International Financial Reporting Standards ("IFRS") to replace Canadian GAAP as currently employed by Canadian publicly accountable enterprises. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Company expects that its first interim financial statements presented in accordance with IFRS will be for the three-month period

ended March 31, 2011, and its first annual financial statements presented in accordance with IFRS will be for the year ended December 31, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements.

Team

The Company convergence team will be managed by the CFO (who is a certified management accountant). The president & CEO and the audit committee members will be informed of the progress along the way.

The Company is using a four-step roadmap to convert to IFRS:

STEP 1: DIAGNOSTIC

The initial diagnostic stage was completed in 2009 with a preliminary gap analysis of the accounting and business processes.

STEP 2: DESIGN AND PLANNING

STEP 2.1: Accounting Policies

The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed in the last quarter of 2010. Overall, considerable effort will be put in the financial statements presentation as IFRS requires more disclosure.

Set out below, are the main areas where changes in accounting policies are expected to have an impact on the Company's financial statements. The list below should not be regarded as a complete list of changes that will result from the transition to IFRS. It is intended to highlight areas that the Company believes to be the most significant; however, the analysis of changes is still in process and the selection of accounting policies under IFRS, where appropriate, has not been completed. The regulatory bodies that promulgate Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's financial statements in future years. The future impacts of the IFRS will also depend on the particular circumstances prevailing in those years. The standards listed below are those existing based on current Canadian GAAP and IFRS. At this stage, the Company is not able to reliably quantify the expected impacts of these differences on its financial statements. The standards are as follows:

First-time adoption (IFRS 1)

IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principle of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- Exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and
- Mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

The Company believes that the choices available under IFRS 1 will allow the opening balance as of January 1, 2010, to remain similar to the closing balance of December 31, 2009. The Company expects that key IFRS 1 exemption decisions will be approved by Management during the third quarter of 2010.

Impairment of assets (IAS 36)

IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step test under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss).

IFRS requires reversal of impairment losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under Canadian GAAP.

Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a Cash Generating Unit (“CGU”).

The Company does not believe that the changes in this policy will have any impact on the financial statements on the changeover date. Nevertheless, in the subsequent years, this policy could generate more impairment since it uses a one-step test.

Share-based payments (IFRS 2)

Under IFRS, the forfeiture rate, with respect to the recognition of stock-based compensation, needs to be estimated at the grant date instead of only recording actual forfeitures as they occur.

For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period and hence the fair value of each instalment will differ.

The Company believes that the changes in this policy will have a very limited impact on the Company’s financial statements. In addition, in future years, the stock-based compensation for grants with a vesting period will be front loaded instead of being linear.

Mineral property interests, exploration and evaluation costs (IFRS 6)

Under IFRS, the Company would be required to develop an accounting policy to specifically and consistently identify which expenditures on exploration and evaluation activities will be recorded as assets. Unlike IFRS, Canadian GAAP indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment.

Exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired.

The Company does not believe that the changes in this policy will have any impact on the financial statements on the changeover date and in subsequent years.

Property, plant and equipment (IAS 16, IFRIC 1)

Under IFRS, the Company can elect to measure property plant and equipment (“PPE”) using either the cost model or the revaluation model. Canadian GAAP only accepts the cost model. The Company will not select the revaluation model due to the difficulty and effort needed to determine the fair value.

Under IFRS, each part of a PPE with a cost that is significant in relation to the total cost of the asset shall be depreciated separately. A similar required exists in Canada, except that Canadian GAAP specifies a breakdown must be provided whenever reasonably possible, and consequently

current practice is to not provide a breakdown of the key components. IFRS may result in additional details needed to maintain de PPE sub-ledger. Under IFRS, the residual value and the useful life of an asset shall be reviewed at least at each year end. The Canadian GAAP was requesting the same review but only on a regular basis.

The Company does not believe that the changes in this policy will have any impact on the financial statements on the changeover date, since its PPE were simple. Nevertheless, additional attention will have to be paid to identifying the different components of each PPE in future years.

Financial instruments (IAS 39)

Under IFRS, all financial assets must be classified as “loans and receivables”, held-to-maturity”, “fair value through profit or loss” or “available-for-sale”. Similarly, under Canadian GAAP all financial assets must be classified as “loans and receivables”, ‘held-to-maturity”, “held-for-trading” (far value through profit or loss) or “available-for-sale”. However, there are certain differences between Canadian GAAP and IFRS with respect to the types of assets that may be classified into each of these categories.

Under IFRS, Financial instruments may be designated on initial recognition as measured at fair value through profit or loss only if certain criteria are met. Like IFRS, under Canadian GAAP financial instruments may be designated on initial recognition as held for trading (and measured at fair value through profit and loss) only if certain criteria are met. However, these criteria are less restrictive than under IFRS.

The Company is presently evaluating the impact of these potential changes.

STEP 2.2: Financial statement preparation

During the fourth quarter of 2010, the Company will prepare the financial statement model and identify the IFRS convergence adjustments.

STEP 2.3: Training and communication

During the third quarter of 2010, the Company hired KPMG LLP to assist in the transition and provide the appropriate training to the employees as needed.

STEP 2.4: IT systems

The Company’s accounting processes are simple since it is still at the exploration stage. The Company should be able to operate the accounting system under IFRS as no major difficulties are expected. Nevertheless, some Excel spreadsheets will have to be adjusted to support the changes required for convergence.

The Company has yet to establish whether historical data will have to be regenerated to comply with some of the choices to be made under IFRS 1.

It has yet to be determined how the information will be generated in parallel under IFRS so that the comparative information is available in 2011. Since the degree of adjustment needed to convert to IFRS is established, processes will have been put in place during the third quarter of 2010 to generate the dual accounting.

STEP 2.5: Internal controls

The Company’s signing officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their certification of the financial statements and MD&A, and more specifically that the SEDAR filings are reliable. During the third quarter of 2010, the Company’s officers have reviewed the internal controls to take into account material changes in accounting policies.

STEP 2.6: Impact on the Business

The Company's business processes are simple and no major difficulties in operating under IFRS are expected. The Company has no debt and no capital obligations. The Company does not expect IFRS to have an impact on its processes when it enters into flow-through financings. The Company has no compensation arrangements that will be affected by the IFRS. The Company's stock option plan is not affected by ratios or financial targets.

STEP 3: IMPLEMENTATION

In this stage, the Company will implement the changes developed in Step 2, including changes to the accounting processes and policies. The Company will also quantify the impact of IFRS.

Management will prepare the structure of the first financial statements as of March 31, 2011, with the opening balance as of January 1, 2010, comparables as of March 31, 2010 and disclosure notes.

Management plans to finalize this step in the fourth quarter of 2010.

STEP 4: POST IMPLEMENTATION

Management will prepare the interim and annual financial statements for the year ending December 31, 2011, in compliance with IFRS.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Effectiveness of disclosure controls and procedures

The president and the chief financial officer have designed or supervised the design of disclosure controls and procedures to provide reasonable assurance that the material information relating to the Company is made known to them, particularly during the period in which the interim and annual documents are prepared. Company management, including the president and the chief financial officer, participated in an assessment of the effectiveness of information disclosure controls and procedures as at September 30, 2010. Based on this assessment, the president and the chief financial officer have concluded that such controls and procedures were not effective for the reasons enunciate on the following paragraph.

Companies of small capitalization such as MDN do not necessarily have all the technical knowhow related to financial information, in particular in the interpretation of new chapters of the Canadian Institute of Chartered Accountants ("CICA") handbook and in the extreme technical complexity of certain transactions which requires an in-depth knowledge of Canadian GAAP. Therefore, some transactions could be incorrectly reported, resulting in a significant discrepancy in the Company's financial statements.

To address this risk, the Company hires and takes advice from accounting specialists to help in the selection and interpretation of these uncommon transactions.

Management realized that this control was not effective during the preparation of the unaudited financial statements of the first quarter of 2010, specifically in the selection and application of the new section 1582 of the CICA handbook on business combinations to the acquisition of Crevier Minerals Inc. and in the interpretation of a contract signed with an ex-employee of the Company. The Company was therefore obliged to amend and restate the financial statements for the first quarter of 2010.

Subsequent to the period ending March 31, 2010, management made the necessary improvements to the design of consulting controls so that they can be deemed effective in the future.

OUTLOOK

In 2010, MDN will continue to work in its main areas of activity. Most of the production from the Tulawaka Mine will come from underground and the low-grade stockpile on surface. A major underground and surface exploration program is also underway with the goal of increasing the mine life by renewing the reserves already mined.

MDN will be active in Tanzania, conducting its in-house exploration programs, with efforts primarily focused on the Ikungu property. In Canada, resources will mainly be directed at the Crevier project feasibility study and the MCGold property drilling program presently in the planning stage.

Throughout the year, the MDN technical team will be in search of business development opportunities, on the lookout for advanced properties with potential for rapid development and possible acquisitions to improve the quality of the Company's exploration property portfolio.

Serge Bureau

President & CEO

Yves Therrien, CMA

Vice President, Finance

Montreal, Canada
22nd of October, 2010

FINANCIAL SUMMARIES

The tables below provide a summary of the main financial information on the Company for the last three years and for the last eight quarters.

FOR THE LAST THREE YEARS

	2010	2009	2008
	<i>9 months</i>	<i>12 months</i>	<i>12 months</i>
Total revenue	\$ 134,195	\$7,109,664	\$27,256,716
Net income (loss) attributable to the shareholders of the company	(3,135,294)	\$824,029	\$21,956,836
Net income (loss) per share attributable to the shareholders of the company	(\$0.032)	\$0.009	\$0.239
Exploration expenses	\$ 4,113,192	\$2,716,069	\$4,006,636
Accounts receivable	\$ 1,674,203	\$3,561,291	\$6,019,795
Total assets	\$46,240,620	\$45,245,826	\$44,757,545
Shareholders' equity			
Total	\$ 43,476,254	\$44,566,803	\$44,185,847
Per share	0.44	\$0.45	\$0.46

FOR THE LAST EIGHT QUARTERS

	2010			
	<i>1st quarter</i>	<i>2nd quarter</i>	<i>3rd quarter</i>	
Total revenue	\$58,611	42,569	33,015	
Net income (loss) attributable to the shareholders of the company	(\$1 161 380)	(\$1,457,009)	509,626	
Net income (loss) per share attributable to the shareholders of the company	(0.012)	(0.015)	(0.0053)	
	2009			
	<i>1st quarter</i>	<i>2nd quarter</i>	<i>3rd quarter</i>	<i>4th quarter</i>
Total revenue	\$1,915,619	\$2,849,265	\$2,790,286	(\$445,106)
Net income (loss) attributable to the shareholders of the company	\$794,214	\$1,153,330	\$737,649	(\$1,861,164)
Net income (loss) per share attributable to the shareholders of the company	\$0.008	\$0.012	\$0.008	(\$0.020)

	2008
	<i>4th quarter</i>
Total revenue	\$6,003,790
Net loss attributable to the shareholders of the company	\$9,109,124
Net loss per share attributable to the shareholders of the company	\$0.095

Consolidated Financial Statements of
(Unaudited)

MDN INC.

Periods ended September 30, 2010 and 2009

MDN INC.

Consolidated Financial Statements
(Unaudited)

Periods ended September 30, 2010 and 2009

Financial Statements

Consolidated Balance Sheets.....	1
Consolidated Statements of Earnings and Comprehensive Income	2
Consolidated Statements of Shareholders' Equity.....	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements.....	5

MDN INC.

Consolidated Balance Sheets

September 30, 2010 and December 31, 2009

	September 30, 2010	December 31, 2009
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,680,337	\$ 12,200,029
Temporary investments (note 3)	4,401,960	5,162,243
Accounts receivable	1,611,803	3,561,291
Loans to key management (note 10)	62,400	–
Prepaid expenses	31,557	32,023
	<u>13,788,057</u>	<u>20,955,586</u>
Investment in a company under significant influence (note 2)	–	4,128,228
Long-term investments (note 4)	1,370,175	–
Mining properties (note 5)	10,470,704	2,301,406
Deferred exploration costs (note 6)	20,385,190	16,068,387
Property and equipment	47,474	45,699
Intangible asset	179,020	179,020
Future tax asset	2,096,813	2,069,500
	<u>\$ 48,337,433</u>	<u>\$ 45,747,826</u>
Liabilities and Equity		
Current liabilities:		
Trade accounts payable and accrued liabilities	\$ 926,971	\$ 679,023
Other liability (note 7)	242,805	–
Future tax liability	2,780,711	502,000
	<u>3,950,487</u>	<u>1,181,023</u>
Equity:		
Non-controlling interests	910,692	–
Shareholders' equity:		
Capital stock (note 8)	62,823,630	60,505,590
Warrants	74,219	74,219
Contributed surplus	6,300,888	6,569,228
Deficit	(25,722,483)	(22,582,234)
	<u>43,476,254</u>	<u>44,566,803</u>
	<u>44,386,946</u>	<u>44,566,803</u>
	<u>\$ 48,337,433</u>	<u>\$ 45,747,826</u>

See accompanying notes to unaudited consolidated financial statements.

MDN INC.

Consolidated Statements of Earnings and Comprehensive Income (Unaudited)

Periods ended September 30, 2010 and 2009

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	2010	2009	2010	2009
Revenue:				
Operating royalties from a mining property	\$ –	\$ 2,758,618	\$ –	\$ 7,470,812
Interest	33,015	31,668	134,195	84,358
	33,015	2,790,286	134,195	7,555,170
Administrative expenses (note 9)	602,407	1,060,706	3,178,499	2,805,542
(Loss) income before the following items	(569,392)	1,729,580	(3,044,304)	4,749,628
Other expenses:				
Change in fair value of financial instruments held for trading	5,730	6,362	35,248	6,362
Foreign exchange loss	108,972	419,909	125,542	336,142
Share of earnings in a company under significant influence	–	6,460	–	11,769
Write-off of mining properties and deferred exploration costs	–	–	–	73,562
	114,702	432,731	160,790	427,835
(Loss) income before income taxes	(684,094)	1,296,849	(3,205,094)	4,321,793
Income taxes:				
Current	–	443,000	–	1,403,885
Recoverable from loss carry-forwards	–	(443,000)	–	(1,403,885)
Future:				
Recognition and utilization of loss carry-forwards	–	443,000	–	1,403,885
Change in temporary differences and other	(157,602)	116,200	(27,313)	232,715
	(157,602)	559,200	(27,313)	1,636,600
Net (loss) income and comprehensive income	\$ (526,492)	\$ 737,649	\$ (3,177,781)	\$ 2,685,193
Attributable to shareholders of the Company	\$ (516,905)	\$ 737,649	\$ (3,135,294)	\$ 2,685,193
Attributable to non-controlling interest	(9,587)	–	(42,487)	–
Basic and fully diluted net (loss) income per share	\$ (0.005)	\$ 0.008	\$ (0.032)	\$ 0.028
Weighted average number of outstanding shares (in thousands)	98,158	94,939	96,897	95,156

See accompanying notes to unaudited consolidated financial statements.

MDN INC.

Consolidated Statements of Shareholders' Equity (Unaudited)

Three-month and nine-month periods ended September 30, 2010 and year ended December 31, 2009

	Number of shares outstanding	Capital stock	Number of warrants outstanding	Warrants	Contributed surplus	Deficit	Total
Balance, December 31, 2008	95,325,413	\$ 61,514,951	2,133,154	\$ 237,743	\$ 5,937,704	\$(23,504,551)	\$ 44,185,847
Shares issued	125,000	71,250	–	–	–	–	71,250
Redemption of shares	(1,674,500)	(970,371)	–	–	–	–	(970,371)
Share issue or redemption costs	–	–	–	–	–	(11,952)	(11,952)
Excess of paid-up capital on consideration paid for redeemed shares	–	(110,240)	–	–	–	110,240	–
Expiry of warrants	–	–	(1,833,154)	(163,524)	163,524	–	–
Stock-based compensation	–	–	–	–	468,000	–	468,000
Net income	–	–	–	–	–	824,029	824,029
Balance, December 31, 2009	93,775,913	60,505,590	300,000	74,219	6,569,228	(22,582,234)	44,566,803
Shares issued	3,349,777	1,641,391	–	–	–	–	1,641,391
Share issue costs	–	–	–	–	–	(4,955)	(4,955)
Stock-based compensation	–	–	–	–	379,746	–	379,746
Net loss	–	–	–	–	–	(2,618,389)	(2,618,389)
Balance, June 30, 2010	97,125,690	62,146,981	300,000	74,219	6,948,974	(25,205,578)	43,964,596
Shares issued	1,318,334	676,649	–	–	(676,649)	–	–
Stock-based compensation	–	–	–	–	28,563	–	28,563
Net loss	–	–	–	–	–	(516,905)	(516,905)
Balance, September 30, 2010	98,444,024	\$ 62,823,630	300,000	\$ 74,219	\$ 6,300,888	\$(25,722,483)	\$ 43,476,254

See accompanying notes to unaudited consolidated financial statements.

MDN INC.

Consolidated Statements of Cash Flows (Unaudited)

Periods ended September 30, 2010 and 2009

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	2010	2009	2010	2009
Cash flows from operating activities:				
Net (loss) income	\$ (526,492)	\$ 737,649	\$ (3,177,781)	\$ 2,685,193
Adjustments for:				
Stock-based compensation	28,563	–	408,309	–
Share of earnings in a company under significant influence	–	6,460	–	11,769
Write-off of mining properties and deferred exploration costs	–	–	–	73,562
Future income taxes	(157,602)	559,200	(27,313)	1,636,600
Amortization of property, equipment and intangible asset	1,435	109,365	4,239	296,697
Change in fair value of financial instruments held for trading	(5,730)	–	(35,248)	–
Accretion expense related to other liability	8,971	–	28,076	–
Change in severance benefit presented in other liability	(25,000)	–	314,729	–
Change in non-cash working capital items (note 11)	28,529	551,731	3,505,683	2,063,934
	(647,326)	1,964,405	1,020,694	6,767,755
Cash flows from financing activities:				
Redemption of shares	–	(646,572)	–	(732,067)
Share issue costs	–	–	(4,955)	(11,952)
	–	(646,572)	(4,955)	(744,019)
Cash flows from investing activities:				
Investment in a company under significant influence (note 2)	–	(790,165)	(441,432)	(3,397,500)
Acquisition of a participation giving the control of the CMI project, net of cash acquired (note 2)	–	–	(1,127,500)	–
Acquisition of investments	(1,499,253)	(4,552,161)	(2,959,644)	(4,533,174)
Disposition of investments	1,000,000	–	2,800,000	–
Additions to property and equipment	(5,339)	–	(5,339)	(16,285)
Additions to mining properties	(126,772)	–	(184,110)	(91,890)
Increase in deferred exploration costs	(1,178,501)	(561,249)	(3,617,406)	(1,205,504)
	(1,809,865)	(5,903,575)	(5,535,431)	(9,244,353)
Net decrease in cash and cash equivalents				
	(2,457,191)	(4,585,742)	(4,519,692)	(3,220,617)
Cash and cash equivalents, beginning of period				
	10,137,528	19,446,386	12,200,029	18,081,261
Cash and cash equivalents, end of period				
	\$ 7,680,337	\$ 14,860,644	\$ 7,680,337	\$ 14,860,644

See accompanying notes to unaudited consolidated financial statements.

MDN INC.

Notes to Consolidated Financial Statements
(Unaudited)

Periods ended September 30, 2010 and 2009

The interim financial statements should be read in conjunction with MDN Inc.'s (the "Company") annual unaudited financial statements for the year ended December 31, 2009.

1. Significant accounting policies:

The interim financial statement have been prepared following the same basis of presentation and accounting policies used in the annual financial statements for the year ended December 31, 2009, except as to the adoption of the following standards effective January 1, 2010:

(a) Business combinations and non-controlling interests:

(i) Business combinations:

The Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1582, *Business Combinations*, which establishes new guidance on the recognition of acquired entities.

This new section requires, among other things, that most identifiable assets and liabilities acquired in a business combination be recorded at full fair value, that acquisition-related costs be recognized as expenses as incurred, and that liabilities associated with restructuring or exit activities be recognized only if they meet the definition of a liability as of the acquisition date. The adoption of this standard did not have a significant impact on the financial position or results of the Company.

(ii) Non-controlling interests:

The Company adopted CICA Handbook Section 1602, *Non-controlling Interests*, and CICA Section 1601, *Consolidated Financial Statements*. The impact of this adoption on the Company's financial statements is that non-controlling interests in subsidiaries are presented in the consolidated balance sheet within equity of the controlling interest, separated from the shareholders' equity of the controlling interest. In the statements of earnings, non-controlling interest is no longer deducted in arriving at consolidated net income, but is allocated to the controlling interest and the non-controlling interest according to the percentage ownership.

(b) Financial instruments:

Starting January 1, 2010, all new accounts receivable recorded after this date are classified as loans and receivables.

(c) Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries, MDN Tanzania Ltd. (100% interest) and Crevier Minerals Inc. ("CMI") (67.5% legal interest). Intercompany accounts have been eliminated upon consolidation.

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended September 30, 2010 and 2009

1. Significant accounting policies (continued):

(d) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses.

Critical estimates include estimates of the revenues of operating royalties, future income tax assets and liabilities, amortization of property and equipment and intangible asset, estimates of the credit for mining duties refundable for losses and the refundable tax credit for resources, the fair value of stock options and warrants granted, mining properties and deferred exploration costs and certain amounts payable. Actual results could therefore differ from these estimates.

2. Acquisition of a participation giving the control of the CMI project:

In February 2009, the Company had the opportunity to evaluate the economic potential of CMI. After analysis, the Company concluded that a progressive acquisition of the project could highly benefit its shareholders.

On January 29, 2010, the Company increased its participation of 28.75% to 38.75% for a consideration of \$950,000 in cash paid to shareholders and by completing investment in exploration costs in CMI for an amount totaling \$2,000,000.

On February 16, 2010, the Company obtained control of CMI by acquiring 28.75% of voting common shares for a cash consideration of \$582,750 and by the issuance of 3,349,777 shares of the Company worth \$1,641,391. The Company's interest in CMI therefore increased from 38.75% to 67.5%.

The acquisition of the interest in CMI allowed the Company to acquire an advanced project with a national instrument 43-101 known resource and a possibility to be in production in a relatively short period of time.

Following the transaction giving the control to the Company, the options allowing the Company to increase its participation have been modified. The Company has the option to increase its participation in CMI by 5% by investing \$2,000,000 in exploration work and paying \$625,000, in cash or in shares at the Company's discretion, to the non-controlling shareholder by February 2011.

Subsequently, the Company will have the option to obtain an additional participation of 15% in CMI by investing an additional \$2,000,000 in exploration work and paying \$750,000, in cash or in shares at the Company's discretion, to the non-controlling shareholder by February 2012.

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended September 30, 2010 and 2009

2. Acquisition of a participation giving the control of the CMI project (continued):

This acquisition has been recorded as an asset acquisition since CMI does not meet the definition of a business according to the standards of Section 1582, *Business Combinations*, of the CICA Handbook.

The major components of assets and liabilities acquired are the following:

Assets acquired:	
Cash	\$ 141,318
Term deposits	215,000
Tax credit receivable	800,086
Sales tax recoverable	85,959
Accrued interest receivable	8,647
Long-term investments	200,000
Mining property ⁽ⁱ⁾	7,985,188
Deferred exploration costs	1,277,883
Property, plant and equipment	675
	<hr/>
	10,714,756
Liabilities assumed:	
Accounts payable and accrued liabilities	114,207
Future tax liability	2,167,501
	<hr/>
	2,281,708
	<hr/>
	8,433,048
Non-controlling interests	953,179
	<hr/>
Net assets acquired	<hr/>
	\$ 7,479,869
Consideration paid:	
Acquisition of a participation of 28.75% as of June 1, 2009, in cash	\$ 825,000
Acquisition of an additional participation of 10% on January 29, 2010, in cash	950,000
Advances to CMI regarding completed exploration work up to January 29, 2010	2,000,000
Share of cumulated losses on investment up to February 16, 2010	(19,272)
Convertible debenture held in CMI	1,500,000
Acquisition of an additional participation of 28.75% on February 16, 2010:	
Cash	582,750
Issuance of 3,349,777 common shares ⁽ⁱⁱ⁾	1,641,391
	<hr/>
	\$ 7,479,869

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended September 30, 2010 and 2009

2. Acquisition of a participation giving the control of the CMI project (continued):

The net cash flows related to this acquisition for the period are detailed as follows:

Total consideration paid	\$ 7,479,869
Less:	
Acquisition on June 1, 2009	825,000
Acquisition on January 29, 2010	950,000
Convertible debenture acquired on June 1, 2009	1,500,000
Advances relating to exploration work	2,000,000
Share issuance	1,641,391
Plus:	
Share of cumulated losses on investment up to February 16, 2010	19,272
Acquired cash	(141,318)
Net cash consideration paid	<u>\$ 441,432</u>

The net cash flows related to the increase in the investment up to January 29, 2010 are detailed as follows:

Acquisition on January 29, 2010	\$ 950,000
Advances relating to exploration work, less advances of \$1,822,500 already made as of December 31, 2009	177,500
	<u>\$ 1,127,500</u>

- (i) The mining property value was increased by \$7,383,845.
- (ii) The fair value of common shares issued in consideration is \$0.49 based on MDN's quoted market price as at February 16, 2010.

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended September 30, 2010 and 2009

3. Temporary investments:

	September 30, 2010	December 31, 2009
Term deposits, rates varying from 0.50% to 0.85%, maturing between August and December 2010 (rates at 0.25%, maturing in August 2010 as at December 2010)	\$ 1,215,000	\$ 1,000,000
Current portion of long term investments	3,186,960	4,162,243
	<u>\$ 4,401,960</u>	<u>\$ 5,162,243</u>

4. Long-term investments:

	September 30, 2010	December 31, 2009
Term deposits, rate at 3%, maturing in September 2011	\$ 200,000	\$ -
Term deposits, rate at 0.85%, maturing in July 2013, redeemable once monthly without penalty	600,000	-
Bonds, rates varying from 1.15% to 4.80%, maturing between November 2010 and November 2011 (rates varying from 1.15% to 5.50%, maturing between May and December 2010 as at December 2009)	3,757,135	4,162,243
	4,557,135	4,162,243
Current portion of long-term investments	(3,186,960)	(4,162,243)
	<u>\$ 1,370,175</u>	<u>\$ -</u>

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended September 30, 2010 and 2009

5. Mining properties:

	September 30, 2010		December 31, 2009	
	Interest	Amount	Interest	Amount
Properties:				
Tanzania:				
Kunga (Viyonza)	65% - 100% ⁽ⁱ⁾	\$ 976,035	65% - 100% ⁽ⁱ⁾	\$ 976,035
Simba (Isambara)	100	645,252	100	645,252
Baraka (PL-1561-1562)	90	216,905	90	193,238
Baraka (PL-2479)	100	148,316	100	114,188
Ikungu	60	144,185	60	57,000
Nikonga (note 12)	100	10,290	–	–
Québec:				
Lac Shortt	50	170,461	50	170,461
Lespérance	50	78,000	50	78,000
Le Tac	50	43,052	50	43,052
Isle Dieu	100	24,180	100	24,180
Crevier	67.5	7,994,028	–	–
MC Gold (note 12)	–	20,000	–	–
		\$ 10,470,704		\$ 2,301,406

⁽ⁱ⁾ Some property licences of this property are owned at 65% and others at 100%.

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended September 30, 2010 and 2009

6. Deferred exploration costs:

The table below shows the variation of deferred exploration costs:

	December 31, 2009	Acquisition	Income tax credits	Exploration costs	September 30, 2010
Properties:					
Tanzania:					
Tulawaka	\$ 242,078	\$ —	\$ —	\$ 61,230	\$ 303,308
Simba (Isambara)	4,470,390	—	—	51,194	4,521,584
Baraka					
(PL-1561-1562)	294,465	—	—	636	295,101
Baraka (PL-2479)	280,329	—	—	1,254	281,583
Kunga (Viyonza)	5,220,772	—	—	63,719	5,284,491
Msasa	519,469	—	—	417,652	937,121
Ikungu	865,292	—	—	1,350,570	2,215,862
Nikonga	—	—	—	736	736
Québec:					
Lac Shortt	1,367,012	—	—	—	1,367,012
Lespérance	481,580	—	(1,916)	4,477	484,141
Le Tac	878,344	—	(5,295)	12,932	885,981
Des Meloïses	895,175	—	—	—	895,175
Isle Dieu	553,481	—	(1,990)	4,816	556,307
Crevier	—	1,277,883	(518,945)	1,581,153	2,340,091
MC Gold	—	—	(8,990)	25,687	16,697
	\$ 16,068,387	\$ 1,277,883	\$ (537,136)	\$ 3,576,056	\$ 20,385,190

7. Other liability:

Amount payable relating to a severance benefit of \$500,000, payable in quarterly payments of \$25,000, discounted at a rate of 10%, maturing in December 2015.

8. Capital stock:

(a) Authorized:

The Company is authorized to issue an unlimited number of common shares with no par value.

(b) Warrants:

During the period, there were no variations in outstanding warrants.

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended September 30, 2010 and 2009

8. Capital stock (continued):

(c) Stock option plan:

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

	September 30, 2010		December 31, 2009	
	Number of outstanding options	Weighted average exercise price	Number of outstanding options	Weighted average exercise price
Options, beginning of period	3,884,438	\$ 0.75	4,464,348	\$ 0.78
Granted	900,000	0.49	—	—
Cancelled	(410,000)	0.87	(580,000)	1.00
	4,374,438	\$ 0.68	3,884,438	\$ 0.75
Exercisable options, end of period	3,864,438	\$ 0.72	3,884,438	\$ 0.75

As at June 30, 2010, there were 4,374,438 stock options outstanding at exercise prices ranging from \$0.45 to \$0.91 with a weighted average remaining contractual life of 3.84 years.

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

Range of exercise prices	Number of outstanding options	Weighted average remaining life (years)	Weighted average exercise price
\$0.45 - \$0.50	1,965,000	6	\$ 0.48
\$0.73 - \$0.76	150,000	7	0.73
\$0.80 - \$0.84	609,438	8	0.81
\$0.90 - \$0.91	1,490,000	7	0.91
Undetermined	160,000	10	Undetermined
	4,374,438		

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended September 30, 2010 and 2009

8. Capital stock (continued):

(c) Stock option plan (continued):

The fair value of the options granted during the period was estimated at the date of the grant using the "Black-Scholes" valuation model for 700,000 options and the "Binomial" valuation model for 200,000 options, with the following assumptions:

Risk-free interest rate	Between 2% and 3%
Expected weighted average life	5 and 10 years
Expected volatility	51% to 59%
Expected dividend rate	Nil
Weighted average grant-date fair value of options granted during the period	0.266

(d) Long-term incentive plan ("LTIP"):

On June 1, 2007, the Company established a LTIP for some administrators, members of management and consultants of the Company for a period of 3 years. According to this incentive plan, they vest shares of the Company if certain performance conditions are met. A total of 1,318,334 shares have been granted and acquired as at June 30, 2010, which represents the final total shares that will be granted according to this incentive plan.

The fair value of the shares granted during the period was established at the grant date according to the value of the Company's shares on that date. The average fair value of the shares granted under the incentive plan was \$0.51 per share.

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended September 30, 2010 and 2009

9. Administrative expenses:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Professional fees	\$ 116,380	\$ 447,678	\$ 842,877	\$ 993,577
Salaries and fringe benefits	233,290	151,831	1,008,521	519,012
Stock-based compensation	28,563	—	408,309	—
Transfer fees	12,962	3,596	43,713	70,967
Travelling expenses	29,580	102,151	171,419	271,873
Rent	13,809	24,611	72,084	72,244
Office expenses	4,304	12,095	30,336	72,100
Promotion expenses	4,609	25,233	63,428	42,561
Reports to shareholders	5,525	15,368	19,601	30,758
Insurance, taxes and permits	(7,968)	31,016	24,304	44,034
Telecommunications	2,772	6,189	10,517	26,155
Management fees	120,133	125,917	362,249	329,438
Project development	16,905	2,344	67,578	28,788
Bank charges	4,980	3,312	15,091	7,338
Membership and training	6,157	—	6,157	—
Accretion expenses on other liability	8,971	—	28,076	—
Amortization of property and equipment and intangible asset	1,435	109,365	4,239	296,697
	\$ 602,407	\$ 1,060,706	\$ 3,178,499	\$ 2,805,542

10. Related party transactions:

In relation with the acquisition of CMI, the Company paid \$459,000 during the first quarter of 2010 and issued 1,488,790 shares to a shareholder of CMI who became the president and a director of the Company, and to a shareholder of CMI who was already a director of the Company in consideration of the 600,000 shares they held in CMI (representing 15% of the outstanding shares of CMI). Furthermore, during the period, the Company paid professional fees of \$18,000 to a director.

These transactions, made in the normal course of business, were measured at the exchange amount, which is the amount established and agreed to by the parties.

Throughout the course of the third quarter, following the issuance of shares of the long-term incentive plan, the Company provided a loan to two of its key managers in the amount of \$62,400. This loan, bearing interest at 1% per year, is reimbursable at all times either in part or in full and will mature on December 31, 2012. If the borrower ceases to be an employee of the Company, the loan will become due immediately.

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended September 30, 2010 and 2009

10. Related party transactions (continued):

There was no related party transaction for the year ended December 31, 2009.

11. Statement of cash flows:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	2010	2009	2010	2009
Changes in non-cash working capital items:				
Accounts receivable	\$ (82,478)	\$ 768,507	\$ 3,533,876	\$ 2,190,803
Loans to key management	(62,400)	–	(62,400)	–
Prepaid expenses	(16,975)	(51,037)	466	66,816
Trade accounts payable and accrued liabilities	190,382	(165,739)	33,741	(193,685)
	<u>\$ 28,529</u>	<u>\$ 551,731</u>	<u>\$ 3,505,683</u>	<u>\$ 2,063,934</u>
Operations without impact on cash related to:				
Operating activities:				
Future tax liability included in accounts receivable	\$ 48,940	\$ –	\$ 111,210	\$ –
Investing activities:				
Change in deferred exploration costs for which income tax credits are included in accounts receivable	220,153	–	(578,486)	–

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended September 30, 2010 and 2009

12. Related party transactions:

(a) MC Gold:

During the three-month period ended June 30, 2010, the Company entered into an agreement with SOQUEM Inc. concerning the MC Gold project in Chibougamau. The agreement grants MDN the option to acquire a 50% interest in the project in consideration of a payment schedule and exploration expenses of up to \$5,250,000 over five years.

(b) Nikonga:

On September 30, 2010, the Company acquired the Nikonga property, located 40 kilometers South-East of the Tulawaka mine, in exchange for a series of annual payments:

- US\$10,000 upon signature of the agreement;
- US\$15,000 on the first anniversary of the agreement;
- US\$20,000 on the second anniversary of the agreement;
- US\$30,000 on the third anniversary of the agreement.

The subsequent annual payments increasing by US\$2,000 each from the last payment, until the start of a feasibility study or the abandonment of work;

An additional amount of US\$100,000 will be payable upon completion of the feasibility study on the property; and

An additional amount of US\$200,000 will be payable upon the decision to enter into production.

Lastly, following the beginning of production, a royalty equal to 1% of net revenue of the foundry will be payable. However, this royalty will be redeemable in the amount of US\$1,000,000.

13. Comparative figures:

Certain of the 2009 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.