

MDN Inc.
(Formerly Northern Mining Explorations Ltd.)

Interim Financial Statements

September 30, 2007

TO THE SHAREHOLDERS

The third quarter ended on September 30, 2007 was *marked* by significant progress of exploration work on the Isambara discovery, the underground development of the Tulawaka Gold Mine and the acquisition of the DesMeloizes property, located in the Normétal sector (Abitibi), north of Quebec.

Exploration around Tulawaka

During the third quarter, MDN completed the second phase of drilling on Isambara, a gold discovery located at approximately 28 km North-East of the Tulawaka Gold Mine, in Tanzania. The results have been encouraging since they confirm the extension of the gold structure which remains laterally open at a possible distance of 5 km.

The use of a diamond drilling rig has allowed to better understand the geological complexity of the mineralisation on Isambara. With the latest drilling works, it is now possible to demonstrate similarities with the gold deposits of the Bourlamaque batholite located in the mining camp of Val d'Or (Abitibi) and in particular with the Ferderber-Belmoral gold deposit.

The results of the second phase of drilling are very similar to the results of the preceding phases and show that the shear zones seem outlined by an alternation of high grade gold lenses and zones with low gold content. The shear zones are characterized by multiple quartz injections, strong alterations and two generations of sulphides dominated by pyrite. Certain drilling results were more impressive than others, namely: drilling ISDD-04 intersects 26.57 g/t gold over 7 m, including 45.58 g/t over 4 m; drilling ISRC-129 intersects 7.91 g/t gold over 4 m; drilling ISDD-01 initially intersects the first mineralisation at 44 m of depth with 4.92 g/t gold over 6 m then at 146 m of depth with 20.1 g/t over 1 m.

The third phase of drilling has now started on Isambara, a partnership between MDN (70%) which acts as the Operator, Lakota Resources (15%) and Jope Business Associates (15%).

Tulawaka Gold Mine

For the third quarter 2007, the Tulawaka Gold Mine (Tanzania) produced 41,817 ounces of gold, which is slightly less than the budget estimates for the first three quarters of 2007, which results have been mitigated the average sales price of US\$691 instead of US\$600 per ounce. Tulawaka gold production now amounts to 124,367 ounces since January 1st, 2007, and a total of 389,632 ounces since the beginning of operations in March 2005.

For the third quarter, the Tulawaka Gold Mine distributed US\$15M to the joint-venture participants MDN (30%) and Pangea Goldfields (70%), equal to the amount distributed in the previous quarter; MDN's share of these distributions (US\$4.5M) has been entirely applied to the reduction of its debt. After this cash distribution, the Tulawaka Gold Mine has cash balance of US\$17.3M, which is expected to be used for the development of the underground mine.

Indeed, underground working began during the quarter with the opening of a decline. The underground mining and drilling equipment is now on site and the infrastructures specific to the underground operation are in construction. Small quantities of ore have been already extracted and treated at the mill.

In addition, exploration drilling continued during the quarter and more than 15,000 meters of drilling are planned in 2007 on the targets T7, North-West and West Zones.

Acquisitions

MDN has signed a Letter of Intent with SOQUEM INC. for the purpose of acquiring a 50% interest in the DesMeloizes property located in the Normétal area in Abitibi, north of Quebec.

The DesMeloizes property is located at less than 2 km of the old Normétal mine. Its geological environment is favourable to the presence of volcanogenic massive sulphides (VMS) poly-metallic deposits. The mineralised horizon of the old Normétal mine is well identified on a distance of at least 5 km inside. An exploration program is scheduled for September 2007, to drill EM anomalies recently identified by SOQUEM, but never tested before. In total, seven targets could be drilled for a budget of \$500,000.

Strategic alliances

MDN has concluded an agreement, dated September 11, 2007, to retain the services of Evolution Group Inc to assist us in designing and implementing our financial communications strategy. The constant progression of our exploration activities together with the increasing trading volume and value of MDN shares since the beginning of the 2007 financial year, establish Evolution Group as a key partner.

MDN is more than ever in an excellent financial situation and remains trustful as for the achievement of its growth targets.

Paul-A. Girard, Chairman & 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 Québec. 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 September 30 | 2007 | 2006 |
|--|---------------|-------------|
| <i>(In thousands of dollars, except per-share amounts)</i> | | |
| Revenue | \$ 377 | \$ 558 |
| Administrative expenses | \$ 905 | \$ 1,010 |
| Gold price royalty | \$ 1,695 | \$ 1,267 |
| Foreign exchange gain | \$ 248 | \$ 18 |
| Net loss | \$ 1,976 | \$ 1,699 |
| Basic and fully diluted net loss per share | \$ 0.023 | \$ 0.025 |
| <hr/> | | |
| Weighted-average number of shares outstanding (in thousands) | 86,850 | 69,128 |

Results

Revenue for the three month period ended September 30, 2007 totalled \$377,326 compared with \$558,436 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 diminution of the Pangea loan. Administration expenses amounted to \$905,434 compared with \$1,009,903 in 2006. The administrative expenses include, among others, interest for a value of \$384,448 (\$728,536 in 2006) on the long-term debt, which was lowered by the reimbursements made by the Company. They also include management fees of \$163,077 (\$106,368 in 2006) representing 3% of all operating expenses for the Tulawaka project and charged by the operator. Professional fees of \$109,549 (\$28,178 in 2006) increased mainly due to higher business development activities and salary charges of \$133,344 (\$56,979 in 2006) attributable to the management team reinforcement. Furthermore, in virtue of the long-term debt agreement, a royalty of \$1,695,448 (\$1,267,464 in 2006) on the gold sold by the Tulawaka project was capitalized on the long-term debt.

Net loss

For the nine month period ended September 30, 2007, the Company recorded a net loss of \$8,174,222 or \$0.101 per share compared with \$5,554,363 or \$0.082 per share in 2006. The loss increase is explained by the decrease of the interest revenue, by the increase of professional fees, management fees and the gold price royalty, by the write-off of deferred financing fees and, by the loss on disposal of a subsidiary in June 2007. The net loss per share is based on a weighted-average number of 80,780,421 common shares outstanding as at September 30, 2007, compared with a weighted-average number of 67,770,781 common shares outstanding as at September 30, 2006.

| Financial position | <i>September 30,</i> 2007 | <i>December 31,</i> 2006 |
|--|-------------------------------------|------------------------------------|
| <i>(In thousands of dollars)</i> | | |
| Cash and cash equivalents | \$ 2,791 | \$ 647 |
| Term deposits | \$ 12,000 | \$ 2,350 |
| Loan and interest receivable | \$ 6,710 | \$ 20,818 |
| Mining properties and deferred exploration costs | \$ 11,766 | \$ 10,631 |
| Total assets | \$ 33,527 | \$ 35,320 |
| Long-term debt | \$ 9,584 | \$ 18,870 |
| Capital stock | \$ 62,370 | \$ 45,489 |
| Shareholders' equity | \$ 23,570 | \$ 16,085 |

LIQUIDITY AND FINANCIAL POSITION

Cash, cash equivalents and term deposits

As at September 30, 2007, the Company's cash position, consisting of cash and term deposits, amounted to \$14,790,468 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>September 30,</i> 2007 |
|-------------------------------------|-------------------------------------|
| <i>(In thousands of dollars)</i> | |
| Balance as at December 31, 2006 | \$ 20,818 |
| Capitalized interest | 988 |
| Foreign exchange loss | (2,361) |
| Reimbursement | <u>(12,735)</u> |
| Balance as at September 30, 2007 | <u>\$ 6,710</u> |

The loan receivable from Pangea Minerals Ltd., operator of the Tulawaka mine, amounted to \$6,709,902 as at September 30, 2007, compared with \$20,817,537 as at December 31, 2006. The foreign exchange loss realized on the loan receivable is partly offset by a foreign exchange gain realized on the long-term debt.

Mining properties and deferred exploration costs

During the nine month period ended September 30, 2007, the Company engaged \$139,946 for the acquisition of mining properties and \$2,368,508 for deferred exploration costs. Of this last amount, \$1,857,841 was spent on the Simba and Kunga properties, \$88,603 was spent on the Msasa property, all three in Tanzania and \$343,735 was spent on the Des Meloizes property, a new property located in Québec. Also, the properties located in Eritrea were disposed of 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 \$10,445,048 as at September 30, 2007, compared with \$9,449,753 as at December 31, 2006.

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

| | |
|----------------------------------|-----------------|
| Balance as at December 31, 2006 | \$ 18,870 |
| Capitalized interest | 1,441 |
| Capitalized gold price royalty | 4,553 |
| Foreign exchange gain | (2,545) |
| Reimbursement | <u>(12,735)</u> |
| Balance as at September 30, 2007 | <u>\$ 9,584</u> |

As at September 30, 2007, the non-recourse loan relating to the Tulawaka mine amounted to \$9,583,758 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 for the first 500,000 ounces sold. As at September 30, 2007, 374,382 ounces were already sold.

Assets, shareholders' equity and cash

Total assets amounted to \$33,526,978 as at September 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 lesser than investments and payments of the long-term debt.

Shareholders' equity amounted to \$23,570,355 as at September 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 in the amount of \$5,957,780.

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 September 30, 2007, the number of common shares outstanding totalled 87,247,732 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 1st to December 31, 2007, the Company's needs in cash are estimated at \$7,400,000 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. The Company expects to close the year with liquidities equivalent of \$11,000,000.

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 the beginning of 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

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>9 months</i> | | |
| Total revenue | \$ 1,297,062 | \$ 2,300,159 | \$ 2,493,210 |
| Net loss | \$ 8,174,222 | \$ 7,662,630 | \$ 3,680,190 |
| Net loss per share | \$ 0.101 | \$ 0.112 | \$ 0.064 |
| Exploration expenses | \$ 2,368,508 | \$ 2,719,127 | \$ 1,953,255 |
| Total assets | \$ 33,526,978 | \$ 35,320,482 | \$ 41,029,729 |
| Shareholders' equity | | | |
| Total | \$ 23,570,355 | \$ 16,084,687 | \$ 17,758,499 |
| Per share | \$ 0.27 | \$ 0.23 | \$ 0.29 |

FOR THE LAST EIGHT QUARTERS

| | 2007 | | |
|--------------------|-------------------------------|-------------------------------|-------------------------------|
| | <i>1st Quarter</i> | <i>2nd Quarter</i> | <i>3rd Quarter</i> |
| Total revenue | 447,506 | 472,230 | \$ 377,326 |
| Net loss | 1,993,805 | 4,204,488 | \$ 1,975,929 |
| Net loss per share | 0.028 | 0.058 | \$ 0.023 |
| | 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 |
| Net loss | \$ 1,187,751 | \$ 2,667,524 | \$ 1,699,088 |
| Net loss per share | \$ 0.019 | \$ 0.039 | \$ 0.025 |
| | 2005 | | |
| | <i>4th Quarter</i> | | |
| Total revenue | \$ 642,604 | | |
| Net loss | \$ 2,314,466 | | |
| Net loss per share | \$ 0.040 | | |

MDN Inc.
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Interim Financial Statements

September 30, 2007

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(Formerly Northern Mining Explorations Ltd.)

Consolidated Statements of Operations (Unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|----------------------------------|---------------------|---------------------------------|---------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Revenue | | | | |
| Interest | \$ 377,326 | \$ 558,436 | \$ 1,297,062 | \$ 1,796,130 |
| Other income | - | - | - | 1,800 |
| | <u>377,326</u> | <u>558,436</u> | <u>1,297,062</u> | <u>1,797,930</u> |
| Administrative expenses | | | | |
| Professional fees | 109,549 | 28,178 | 549,969 | 107,312 |
| Salaries and fringe benefits | 133,344 | 56,979 | 250,166 | 163,078 |
| Stock-based compensation | - | - | 76,980 | - |
| Transfer fees | 16,206 | 3,831 | 42,680 | 33,787 |
| Travelling expenses | 46,352 | 51,711 | 135,768 | 120,899 |
| Rent | 24,532 | 5,670 | 44,299 | 21,187 |
| Office expenses | 3,455 | 8,704 | 16,312 | 26,023 |
| Promotion expenses | 2,786 | 1,313 | 15,151 | 22,938 |
| Reports to shareholders | 4,485 | 2,583 | 24,250 | 13,749 |
| Insurance, taxes and permits | 8,058 | 6,477 | 21,797 | 20,335 |
| Telecommunications | 2,132 | 5,899 | 14,901 | 16,840 |
| Management fees | 163,077 | 106,368 | 485,306 | 269,110 |
| Interest on long-term debt, including amortization of deferred financing costs | 384,448 | 728,536 | 1,440,459 | 2,141,288 |
| Penalty and bank charges | 2,342 | 755 | 12,852 | 14,072 |
| Depreciation on fixed assets | 4,668 | 2,899 | 10,473 | 8,871 |
| | <u>905,434</u> | <u>1,009,903</u> | <u>3,141,363</u> | <u>2,979,489</u> |
| Loss before the following items | <u>528,108</u> | <u>451,467</u> | <u>1,844,301</u> | <u>1,181,559</u> |
| Other expenses (revenue) | | | | |
| Gold price royalty | 1,695,448 | 1,267,464 | 4,553,192 | 3,444,822 |
| Foreign exchange loss (gain) | (247,627) | (17,944) | (236,167) | 230,555 |
| Write-off of deferred financing costs (note 1) | - | - | 723,364 | - |
| Loss on disposal of a subsidiary (note 2) | - | - | 1,293,319 | - |
| Write-off of mining properties and deferred exploration costs | - | - | - | 700,337 |
| | <u>1,447,821</u> | <u>1,249,520</u> | <u>6,333,708</u> | <u>4,375,714</u> |
| Loss before non-controlling interest | <u>1,975,929</u> | <u>1,700,987</u> | <u>8,178,009</u> | <u>5,557,273</u> |
| Non-controlling interest | <u>-</u> | <u>1,899</u> | <u>3,787</u> | <u>2,910</u> |
| Net loss | <u>\$ 1,975,929</u> | <u>\$ 1,699,088</u> | <u>\$ 8,174,222</u> | <u>\$ 5,554,363</u> |
| Basic and fully diluted net loss per share | <u>\$ 0.023</u> | <u>\$ 0.025</u> | <u>\$ 0.101</u> | <u>\$ 0.082</u> |
| Weighted-average number of outstanding shares (in thousands) | <u>86,850,051</u> | <u>69,128,215</u> | <u>80,780,421</u> | <u>67,770,781</u> |

(Formerly Northern Mining Explorations Ltd.)

Consolidated Statements of Deficit *(Unaudited)*

| | <i>Three months ended September 30,</i> | | <i>Nine months ended September 30,</i> | |
|---------------------------------------|---|---------------|--|---------------|
| | 2007 | 2006 | 2007 | 2006 |
| Balance at beginning of period | \$ 39,394,505 | \$ 28,525,434 | \$ 32,479,460 | \$ 24,042,622 |
| Net loss | 1,975,929 | 1,699,088 | 8,174,222 | 5,554,363 |
| Share issue expenses (recovery) | 8,508 | (40,741) | 725,260 | 586,796 |
| Balance at end of period | \$ 41,378,942 | \$ 30,183,781 | \$ 41,378,942 | \$ 30,183,781 |

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

| | <i>Three months ended September 30,</i> | | <i>Nine months ended September 30,</i> | |
|---------------------------------------|---|--------------|--|--------------|
| | 2007 | 2006 | 2007 | 2006 |
| Balance at beginning of period | \$ 2,642,723 | \$ 2,770,619 | \$ 3,035,287 | \$ 2,703,994 |
| Awards during the period | - | - | 248,620 | 66,625 |
| Exercise of warrants (note 8) | (10,823) | - | (128,440) | - |
| Exercise of options (note 8) | (92,934) | - | (616,501) | - |
| Balance at end of period | \$ 2,538,966 | \$ 2,770,619 | \$ 2,538,966 | \$ 2,770,619 |

(Formerly Northern Mining Explorations Ltd.)

Consolidated Balance Sheets

| | <i>September 30,</i> 2007 | <i>December 31,</i> 2006 |
|---|-------------------------------------|------------------------------------|
| | <i>Unaudited</i> | <i>Audited</i> |
| Current assets | | |
| Cash and cash equivalents (note 3) | \$ 2,790,468 | \$ 647,018 |
| Term deposits, variable rate (4% as at September 30, 2007) | 12,000,000 | 2,350,000 |
| Accounts receivable | 197,974 | 83,321 |
| Prepaid expenses | <u>23,136</u> | <u>27,017</u> |
| | 15,011,578 | 3,107,356 |
| Loan and interest receivable (note 4) | 6,709,902 | 20,817,537 |
| Fixed assets , at cost less accumulated depreciation | 39,604 | 41,572 |
| Deferred financing costs , unamortized portion | - | 723,364 |
| Mining properties (note 5) | 1,320,846 | 1,180,900 |
| Deferred exploration costs (note 6) | <u>10,445,048</u> | <u>9,449,753</u> |
| Total assets | <u>\$ 33,526,978</u> | <u>\$ 35,320,482</u> |
| Current liabilities | | |
| Trade accounts payable and accrued liabilities | \$ 372,865 | \$ 309,833 |
| Current portion of long-term debt | <u>7,509,910</u> | <u>6,820,330</u> |
| | 7,882,775 | 7,130,163 |
| Long-term debt (note 7) | <u>2,073,848</u> | <u>12,049,710</u> |
| Non-controlling interest | <u>-</u> | <u>55,922</u> |
| Shareholders' equity | | |
| Capital stock (note 8) | 62,370,331 | 45,488,860 |
| Contributed surplus for stock-based awards | 2,538,966 | 3,035,287 |
| Other contributed surplus | 40,000 | 40,000 |
| Deficit | <u>(41,378,942)</u> | <u>(32,479,460)</u> |
| | 23,570,355 | 16,084,687 |
| Total liabilities and shareholders' equity | <u>\$ 33,526,978</u> | <u>\$ 35,320,482</u> |

(Formerly Northern Mining Explorations Ltd.)

Consolidated Statements of Cash Flows *(Unaudited)*

| | <i>Three months ended September 30,</i> | | <i>Nine months ended September 30,</i> | |
|---|---|-------------------|--|--------------------|
| | 2007 | 2006 | 2007 | 2006 |
| Operating activities | | | | |
| Net loss | \$ (1,975,929) | \$ (1,699,088) | \$ (8,174,222) | \$ (5,554,363) |
| Items not affecting cash | | | | |
| Stock-based compensation | - | - | 76,980 | - |
| Management fees paid by the disposal of a subsidiary (note 2) | - | - | 50,939 | - |
| Interest income capitalized to the loan receivable | (233,392) | (525,339) | (987,994) | (1,694,415) |
| Interest expense capitalized to the long-term debt | 384,448 | 638,113 | 1,440,459 | 1,870,019 |
| Amortization of deferred financing costs | - | 90,423 | - | 271,269 |
| Depreciation on fixed assets | 4,668 | 2,899 | 10,473 | 8,871 |
| Gold price royalty capitalized to the long-term debt | 1,695,448 | 1,267,464 | 4,553,192 | 3,444,822 |
| Unrealized foreign exchange loss (gain) | (167,187) | (13,614) | (184,304) | 239,680 |
| Write-off of deferred financing costs | - | - | 723,364 | - |
| Loss on disposal of a subsidiary | - | - | 1,293,319 | - |
| Write-off of mining properties and deferred exploration costs | - | - | - | 700,337 |
| Non-controlling interest | - | (1,899) | (3,787) | (2,910) |
| | <u>(291,944)</u> | <u>(241,041)</u> | <u>(1,201,581)</u> | <u>(716,690)</u> |
| Changes in non-cash working capital items | <u>43,014</u> | <u>105,195</u> | <u>(46,567)</u> | <u>88,897</u> |
| | <u>(248,930)</u> | <u>(135,846)</u> | <u>(1,248,148)</u> | <u>(627,793)</u> |
| Financing activities | | | | |
| Issuance of capital stock | 482,210 | - | 15,557,780 | 5,913,501 |
| Share issue expenses | (8,508) | 40,741 | (73,620) | (520,171) |
| | <u>473,702</u> | <u>40,741</u> | <u>15,484,160</u> | <u>5,393,330</u> |
| Investing activities | | | | |
| Term deposit | - | 650,000 | (9,650,000) | (2,850,000) |
| Cash disposal (note 2) | - | - | (3,438) | - |
| Additions to fixed assets | (4,436) | - | (29,420) | - |
| Additions to mining properties | - | (38,304) | (41,196) | (127,664) |
| Deferred explorations costs | (1,410,922) | (587,897) | (2,368,508) | (2,000,805) |
| | <u>(1,415,358)</u> | <u>23,799</u> | <u>(12,092,562)</u> | <u>(4,978,469)</u> |
| Net increase (decrease) in cash and cash equivalents | (1,190,586) | (71,306) | 2,143,450 | (212,932) |
| Cash and cash equivalents at beginning of period | <u>3,981,054</u> | <u>293,951</u> | <u>647,018</u> | <u>435,577</u> |
| Cash and cash equivalents at end of period | \$ 2,790,468 | \$ 222,645 | \$ 2,790,468 | \$ 222,645 |

Supplemental information (note 9)

Notes to Consolidated Financial Statements (Unaudited)**September 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 o 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 1st, 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 them entirely in the results during the period.

Future Accounting Changes

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

- s Section 1535 "Capital disclosures" which requires an entity to disclose information about its objectives, policies and procedures for managing capital;
- s Section 3862 "Financial instruments s disclosures" and Section 3863 "Financial instruments s presentation" which replace existing Section 3861 "Financial instruments s 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)**September 30, 2007***Information as at December 31, 2006 is audited.***2. Disposal of a subsidiary**

On June 30, 2007, the Company transferred its participation of 75% in the common shares of Eritrean Minerals Corporation to the non-controlling interest in settlement of management fees in the amount of \$50,939 payable to the non-controlling interest. Items relating to the disposal of the subsidiary 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 | \$ | <u>1,293,319</u> |

3. Cash and cash equivalents

| | <u>September 30,</u> 2007 | <u>December 31,</u> 2006 |
|---|-------------------------------------|-----------------------------|
| Cash | \$ 620,374 | \$ 146,257 |
| Cash held for exploration work | 45,094 | 761 |
| Term deposit, rate of 3.2% | 2,000,000 | - |
| Term deposit, rate of 3.2%, held for exploration work | <u>125,000</u> | <u>500,000</u> |
| | <u>\$ 2,790,468</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)**September 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:

| | December 31, 2006 | | | September 30, 2007 |
|---------------------------|----------------------|---------------------|-----------------------|-----------------------|
| | Opening balance | Additions | Disposition | Closing balance |
| Tulawaka | \$ 1,661,228 | \$ 16,947 | \$ - | \$ 1,678,175 |
| Simba, Baraka and Kunga | 3,085,193 | 1,857,841 | - | 4,943,034 |
| Msasa | 217,311 | 88,603 | - | 305,914 |
| Eritrea (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 |
| Des Meloïzes | - | 343,735 | - | 343,735 |
| Other properties | 567,639 | 4,707 | - | 572,346 |
| | <u>\$ 9,449,753</u> | <u>\$ 2,368,508</u> | <u>\$ (1,373,213)</u> | <u>\$ 10,445,048</u> |

7. Long-term debt

Term loan of a maximum amount of US\$18,000,000, at LIBOR (5.5% as at September 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 the term loan, guaranteed on a non-recourse basis by the interest held in the Tulawaka project

| | September 30, 2007 | December 31, 2006 |
|--|-----------------------|----------------------|
| | <u>\$ 9,583,758</u> | \$ 18,370,870 |

Deferral facility for a maximum amount 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 |
| | <u>9,583,758</u> | 18,870,040 |

Current portion

| | | |
|--|---------------------|----------------------|
| | <u>7,509,910</u> | <u>6,820,330</u> |
| | <u>\$ 2,073,848</u> | <u>\$ 12,049,710</u> |

(Formerly Northern Mining Explorations Ltd.)

Notes to Consolidated Financial Statements (Unaudited)**September 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 five quarters is as follows:

| | | | |
|-------------------|--------------|--------------------|--------------|
| December 31, 2007 | \$ 1,633,614 | September 30, 2008 | \$ 2,128,593 |
| March 31, 2008 | \$ 1,669,876 | December 31, 2008 | \$ 2,073,849 |
| June 30, 2008 | \$ 2,077,826 | | |

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>September 30,</i> | | <i>December 31,</i> | |
|----------------------------------|----------------------|-----------------------------|---------------------|-----------------------------|
| | <u>Number</u> | <u>2007</u> <u>Value</u> | <u>Number</u> | <u>2006</u> <u>Value</u> |
| 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 | 6,793,776 | 4,584,580 | - | - |
| Exercise of stock options | 2,220,185 | 1,373,200 | 15,000 | 6,750 |
| Amounts from contributed surplus | | | | |
| Exercise of warrants | - | 128,440 | - | - |
| Exercise of stock options | - | 616,501 | - | 4,482 |
| | 17,538,961 | 16,881,471 | 8,465,224 | 6,431,733 |
| Balance at end of period | 87,247,732 | \$ 62,370,331 | 69,708,771 | \$ 45,488,860 |

(Formerly Northern Mining Explorations Ltd.)

Notes to Consolidated Financial Statements (Unaudited)**September 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>September 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 | (6,793,776) | \$ 0.67 | - | \$ - |
| Cancelled | (784,750) | \$ 0.75 | (1,170,000) | \$ 1.00 |
| Outstanding at end of period | 31,437,571 | \$ 1.16 | 30,397,087 | \$ 0.92 |

From the total amount 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 |
|----|-----------------|------------|------------|
| \$ | 1.60 | 8,400,000 | 2008-10-05 |
| \$ | 1.00 | 22,737,571 | 2009-01-14 |
| \$ | 0.75 | 300,000 | 2010-12-05 |

(Formerly Northern Mining Explorations Ltd.)

Notes to Consolidated Financial Statements (Unaudited)**September 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:

| | <u>September 30, 2007</u> | | <u>December 31, 2006</u> | |
|--------------------------------------|-------------------------------|---------------------------------------|------------------------------|---------------------------------------|
| | 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 | (130,000) | \$ 0.81 | (435,000) | \$ 0.47 |
| Exercised | <u>(2,220,185)</u> | \$ 0.62 | <u>(15,000)</u> | \$ 0.45 |
| Options at end of period | 5,148,445 | \$ 0.75 | 7,198,630 | \$ 0.71 |
| Exercisable options at end of period | <u>5,148,445</u> | \$ 0.75 | <u>7,198,630</u> | \$ 0.71 |

As at September 30, 2007 there were 5,148,445 stock options outstanding at exercise prices ranging from \$0.45 to \$1.18 with a weighted average remaining contractual period of 5.6 years.

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

| <u>Range of exercise prices</u> | <u>Number</u> | <u>Weighted average remaining years</u> | <u>Weighted average exercise price</u> |
|---------------------------------|---------------|---|--|
| \$0.45 s \$0.50 | 1,558,445 | 7.72 | \$ 0.47 |
| \$0.64 s \$0.76 | 710,000 | 5.55 | \$ 0.71 |
| \$0.80 s \$0.84 | 900,000 | 3.23 | \$ 0.80 |
| \$0.90 s \$0.91 | 1,490,000 | 5.95 | \$ 0.91 |
| \$1.10 s \$1.18 | 490,000 | 1.78 | \$ 1.12 |

(Formerly Northern Mining Explorations Ltd.)

Notes to Consolidated Financial Statements (Unaudited)**September 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.

Long-term incentive plan

On June 1st, 2007, the Company initiated a long-term incentive plan in order to achieve key aims for the Company over a three year period. According to the plan, employees shall be entitled to receive a number of shares determined by the Corporate Governance Committee of the Company, in conformance with shareholders approved goals. This plan is established in order to replace the stock option plan already in place.

9. Cash flows

Supplemental information on non-cash transactions:

| | <u>Three months ended September 30,</u> | | <u>Nine months ended September 30,</u> | |
|---|---|--------------|--|--------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| Unrealized foreign exchange loss allocated to loan receivable | \$ 789,248 | \$ 43,989 | \$ 2,360,930 | \$ 1,168,308 |
| Reduction of long-term debt due to foreign exchange variation | \$ 4,476,599 | \$ 3,351,000 | \$ 12,734,699 | \$ 7,746,390 |
| Unrealized foreign exchange gain allocated to long-term debt | \$ 956,435 | \$ 30,375 | \$ 2,545,234 | \$ 938,628 |
| Warrants issued in consideration of share issue expenses | \$ - | \$ - | \$ 171,640 | \$ 66,625 |
| Common shares issued in consideration of: | | | | |
| Acquisition of mining properties | \$ - | \$ - | \$ 98,750 | \$ - |
| Share issue expenses | \$ - | \$ - | \$ 480,000 | \$ - |