MDN Inc.

Interim Financial Statements

September 30, 2008

MDN INC.

MANAGEMENT DISCUSSION AND ANALYSIS

(FOR THE PERIOD ENDED SEPTEMBER 30, 2008)

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 the accompanying notes to the financial statements for the 9 month periods ended September 30, 2008 and 2007. The reader should also refer to the audited annual financial statements as at December 31, 2007, 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 24, 2008 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 3 month period ended September 30, 2008, 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 business of the Company consists of acquiring, exploring and developing mining properties. In the context of realizing its objectives, the Company is likely to sign various agreements specific to the mining industry, such as the purchase of and options to purchase mining claim agreements as well as Joint Venture Agreements ("JVA"). Under a JVA with Pangea Goldfields Inc., 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 also holds interests in properties located in the following areas:

Tanzania, East Africa: Tulawaka, Baraka, Kunga (Viyonza), Simba (Isambara) and Ikungu, totalling 35 exploration permits;

Quebec: Des Méloïzes in the Normetal area; Le Tac, Lac Shortt, Lespérance, Clairy, East Barlow and West Barlow in the Chibougamau area; Isle-Dieu and Lozeau in the Matagami area; and Landrienne in the Barraute area.

THIRD QUARTER 2008 HIGHLIGHTS

- Revenue of $6,115,879 compared with $377,326 for the same period in 2007.

- Net income of $5,132,751 or $0.056 per share compared with a net loss of $1,975,929 or $0.023 per share for the same period in 2007.

- The Tulawaka gold mine in Tanzania produced 53,694 ounces of gold with an average grade of 17.8 g/t at a recovery rate of 96.2%. MDN's 30% participation in the Tulawaka gold mine results in its share being equal to 16,108 ounces of gold.

- Total cash costs to produce an ounce of gold in the quarter were US$231.

- The Tulawaka gold mine sold 60,945 ounces of gold at an average price of US$865 per ounce, generating gross income of US$52.7M. The MDN share (30%) is equivalent to 18,284 ounces of gold sold for a gross income equivalent to US$15.8M. MDN is to receive US$5.7M as royalty distribution on its share of the operating profits of the Tulawaka gold mine. This amount is adjusted for taxes (income and withholding), reserves, accounts receivable and is subject to available distributable cash.

- Under a JVA dated September 13, 2002 between MDN, Lakota Resources Inc. and Jope Business Associates Ltd. concerning the Simba property, located in Tanzania, MDN exercised its rights in respect of the Agreement and diluted the interests of each of Lakota (15%) and Jope (15%) to nil. Lakota and Jope's interests were converted into a 1% net smelter return (NSR) royalty as they no longer have any rights or interest as parties under the Agreement. The Isambara project is part of MDN's Simba property and is now 100% owned by MDN.

- Under the terms of the July 31, 2008 Warrant Exchange Offer completed on September 19, 2008, MDN cancelled 19 million warrants representing a shareholder potential dilution of more than 20%.

- On September 11, 2008, Marc Boisvert, a geological engineer, was appointed MDN's Vice President of Exploration, replacing Dominique Fournier, Ph.D., who had occupied that position since July 2006. Previously, Marc Boisvert was the Vice President – Exploration of Midlands Minerals Corporation and, prior to that, he was Vice President and Director of subsidiaries of Barrick Gold Corporation in Tanzania (1999-2003) where he was instrumental in establishing their presence in that country.

EXPLORATION ACTIVITIES

Tanzania

- The first phase of the 2008 drilling program consisting of diamond drill (DD) holes and of reverse circulation drilling (RC) on the Isambara project, located 28 kilometres north of the Tulawaka gold mine in Tanzania, was completed and indicated additional mineralization zones. Drill hole ISDD-16 intersected a zone of 2.9 metres grading 33.88 g/t gold 200 meters south of the East Zone. Drill hole ISRC-233 intersected 10.51 g/t gold over 2 metres and drill hole ISRC-234 intersected 9.54 g/t gold over 1 metre in the Isambara shear halfway between the closest intersections in the Central and East targets, thereby linking the two best mineralized zones. The Central and East targets now contain continuous mineralization over 1,700 metres of strike length and are still opened at depth and along strike.

- The first phase of the 2008 drilling program on the Viyonza Permit, located 15 kilometres north of the Tulawaka gold mine, further defined a mineralization zone 4 kilometres southeast of the main mineralized zone. Drill hole NTRC-106 intersected 57.1 gold over 2 metres in a wider zone of 7 metres grading 23.3 g/t gold, under a 70 metres down dip from the discovery intersection of 7 metres grading 2.6 g/t gold.

Québec

- A surface bulk sampling program on the Lespérance Permit (MDN 50% – SOQUEM 50%) was completed during the quarter with the objective of confirming a geological formation favourable to the presence of a property containing gold and copper.

BUSINESS DEVELOPPEMENT

Given these uncertain times, the Company is reassessing its growth and capital market strategies, and investor relations. MDN's strong financial resources and debt-free balance sheet provide the financial flexibility needed to seize upon opportunities to add value for the Company shareholders.

MDN's management has reviewed and is evaluating new prospects and growth opportunities which are a relatively small capital investment. Prospective projects are assessed on the basis of their known added value potential and cost, management strength and development prospects in respect of the Company's strategic development plan.

SUMMARY OF OPERATING RESULTS

For the three months ended September 30 *(In thousands of dollars, except per-share amounts)*		**2008**		2007
Revenue	**$**	**6,116**	$	377
Administrative expenses	**$**	**1,016**	$	905
Gold price royalties	**$**	**-**	$	1,695
Foreign exchange gain (loss)	**$**	**(33)**	$	248
Net income (loss)	**$**	**5,133**	$	(1,976)
Basic and diluted net earnings (loss) per share	**$**	**0.056**	$	(0.023)
Weighted-average number of shares outstanding (in thousands)		**91,580**		86,850

Operating Results

Revenue for the 3 month period ended September 30, 2008, totalled $6,115,879 compared with $377,326 for the same period in 2007. As Pangea Minerals Ltd repaid its debt to MDN in full, the amounts distributed by the Tulawaka gold mine are now reported as operating royalties from a mining property ($6,020,566 for the period). Administrative expenses amounted to $1,016,150 compared with $905,434 in 2007. Administrative expenses in 2007 included interest on long-term debt ($384,448) which was fully repaid during the second quarter of 2008. The administrative expenses also include management fees of $152,987 ($163,077 in 2007) representing 3% of all operating expenses of the Tulawaka project billed by the operator; professional fees of $255,769 ($109,549 in 2007) as well as travel and promotion expenses of $135,021 ($49,138 in 2007) which increased mainly due to additional business development activities; and salary expenses of $99,523 ($133,344 in 2007). Since all the amounts distributed by the Tulawaka gold mine are now reported as operating royalties, MDN has started to amortize deferred exploration cost incurred before the start-up of the mine which amounted to $290,527 for the 3 month period ended September 30, 2008. For the 3 month period ended September 30, 2007, a royalty of $1,695,448 was paid on gold sales by the Tulawaka gold mine. Under the loan agreement, the royalty ceases after the mine has sold more than 500,000 ounces. During the second quarter of 2008, the royalty payment was terminated, as the 500,000 ounces threshold was achieved.

Net Income year to date

For the 9 month period ended September 30, 2008, the Company recorded a net income of $13,018,813 or $0.144 per share compared with a net loss of $8,174,222 or $0.101 per share for the same period in 2007.

The net income is the result of the operating royalties from the mining property since Pangea Minerals Ltd has repaid its debt to MDN in full. The net gain per share is based on a weighted-average number of 90,452,133 common shares outstanding as at September 30, 2008, compared with a weighted-average number of 80,780,421 common shares outstanding as at September 30, 2007.

Future results

The Company's future results will be influenced mainly by the amount of royalty income received from the operation of the Tulawaka gold mine. In fact, since the loan receivable has been repaid in full, the future distributions coming from the Tulawaka gold mine will be fully considered as revenues. Also, the termination as of June 30, 2008 of the long-term debt and the payment of royalties on the gold sold by the Tulawaka mine should have a favorable impact on future results.

Financial position		*September 30,* **2008**		*December 31,* **2007**
(In thousands of dollars)				
Cash and cash equivalents	**$**	**12,825**	$	3,514
Term deposits	**$**	**1,012**	$	12,298
Royalties receivable	**$**	**6,021**	$	-
Interest and other receivables	**$**	**111**	$	1,805
Mining properties and deferred exploration costs	**$**	**15,512**	$	12,765
Total assets	**$**	**36,156**	$	30,768
Long-term debt	**$**	**-**	$	7,892
Capital stock	**$**	**65,363**	$	64,750
Shareholders' equity	**$**	**35,322**	$	22,597

LIQUIDITY AND FINANCIAL POSITION

Cash, cash equivalents and term deposits

As at September 30, 2008, the Company's cash position, consisting of cash and term deposits, amounted to $13,836,477 compared with $15,812,408 as at December 31, 2007.

Loan and interest receivable		*September 30,* **2008**
Balance as at December 31, 2007	**$**	**1,804,591**
Repayment		**(1,804,591)**
Balance as at June 30, 2008 and September 30, 2008	**$**	**Nil**

Pangea Minerals Ltd., operator of the Tulawaka gold mine, repaid the loan receivable in full in the first quarter. This loan amounted to $1,804,591 as at December 31, 2007.

Deferred exploration costs

During the 9 month period ended September 30, 2008, the Company disbursed $3,553,341 for deferred exploration costs. Of this amount, $3,128,821 were spent on the Simba, Baraka, Msasa and Kunga properties in Tanzania. Deferred exploration costs on mining properties as at September 30, 2008, amounted to $13,298,731 compared with $11,242,750 as at December 31, 2007.

Long-term debt		*September 30,* **2008**
Balance as at December 31, 2007	**$**	**7,892,377**
Capitalized interest		**314,964**
Capitalized gold price royalty		**4,928,475**
Foreign exchange loss		**358,110**
Repayment		**(13,493,926)**
Balance as at June 30, 2008 and September 30, 2008	**$**	**Nil**

The Company's non-recourse loan in respect of the Tulawaka gold mine, which had a balance of $7,892,377 as at December 31, 2007, was fully repaid during the quarter ended June 30, 2008. Also, the Company's obligations under the Gold Price Participation Agreement ended during the same quarter. This obligation was due on the first 500,000 ounces of gold sold by the Tulawaka mine.

Assets, shareholders' equity and liquidities

Total assets amounted to $36,156,064 as at September 30, 2008 compared with $30,768,074 as at December 31, 2007. The difference is attributable to a net increase in mineral properties and deferred exploration costs, accounts receivable and by the repayment of the loan receivable.

Shareholders' equity amounted to $35,322,059 as at September 30, 2008 compared with $22,597,080 as at December 31, 2007, the increase being attributable to the net earnings for the last 9 month period.

Cash on hand and future cash flow are sufficient to sustain the payment of administrative expenses, the financing of exploration activities and to support the business development plan of the Company.

Capital stock

As of September 30, 2008, the number of common shares outstanding totalled 95,375,413 compared with 89,627,237 as of December 31, 2007.

Liquidity needs for the current financial year

Gold production at the Tulawaka gold mine started in March 2005. Based on operation of the mining property and the available liquidity according to the JVA, the Company further receives its 30% share of surplus distributed. For the current financial year ending on December 31, 2008, the Company's liquidity needs are estimated at $7,570,000, which includes fixed costs and exploration expenses in Tanzania and Québec. Without considering the future distribution of royalties by the mine in 2008 fiscal year, the Company's available liquidity exceeds the amount required to meet these needs.

RISK FACTORS

The Company's principal revenue is derived through the operation of the Tulawaka gold mine which is in operation since March 2005. Exploration at Tulawaka to extend the mine life is underway, however as at September 30, 2008 the mine operator has yet to estimate the impact of this work on the current mine or its underground operations.

All the Company's other resource properties are exploration and development properties. The Company's future and profitability depends on the costs and success of its exploration and development programs, which may also be influenced by different factors. Among these factors, one must consider the attributes of future mineral deposits, including the quantity and quality of the resources, the development costs of a production infrastructure, financing costs, the market value of gold, as well as the competitive nature of the industry.

Substantial investments are necessary to carry out exploration programs and to develop reserves. In the absence of cash flows generated by mining operations, the Company depends on the 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

Factors beyond the control of the Company's officers may influence the market value of gold, base metals and any other mineral discovered. Resource prices have fluctuated considerably, especially 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 claims arising from these liabilities 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.

Related party transactions

During the first and second quarters of 2008, as for the same periods in 2007, the Company did not enter into any related party transactions.

Financial instruments

Fair value
Fair values for cash and cash equivalents, term deposits, accounts receivable, trade accounts payable and accruals approximate their book value due to their short-term maturity.

DIVIDEND POLICY

The Company has not 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.

Paul-A. Girard
President and CEO

Yves Therrien, CMA
Vice-President, Finance

Montreal, Canada
October 24, 2008

FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements that reflect management's current expectations with regards to future events. Such forward-looking statements are subject to certain factors and involve a number of risks and uncertainties. There can be no assurance that such statements will prove to be correct. Factors that could cause our results, our operations and future events to change materially compared with the expectations expressed or implied by such forward-looking statements include, but are not limited to, gold price volatility, risks inherent to the mining industry, uncertainty regarding mineral resource estimates, additional funding requirements and the Company's ability to obtain such funding.

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

	2008	2007	2006
	9 months	*12 months*	*12 months*
Total revenue	**$ 21,252,926**	$ 1,570,637	$ 2,300,159
Net income (loss)	**$ 13,018,213**	$ (11,405,625)	$ (7,662,630)
Net income (loss) per share	**$ 0.144**	$ (0.138)	$ (0.112)
Exploration expenses	**$ 3,553,341**	$ 3,166,210	$ 2,719,127
Total assets	**$ 36,156,064**	$ 30,768,074	$ 35,320,482
Shareholders' equity			
Total	**$ 35,322,059**	$ 22,597,080	$ 16,084,687
Per share	**$ 0.37**	$ 0.25	$ 0.23

FOR THE LAST EIGHT QUARTERS

			2008
	1st Quarter	*2nd Quarter*	*3nd Quarter*
Total revenue	6,751,819	8,385,228	$ 6,115,879
Net income	1,563,057	6,322,404	$ 5,132,751
Net income per share	0.017	0.073	$ 0.056

				2007
	1st Quarter	*2nd Quarter*	*3rd Quarter*	*4th Quarter*
Total revenue	$ 447,506	$ 472,230	$ 377,326	$ 273,575
Net loss	$ 1,993,805	$ 4,204,488	$ 1,975,929	$ 3,237,463
Net loss per share	$ 0.028	$ 0.058	$ 0.023	$ 0.036

	2006
	4th Quarter
Total revenue	$ 502,228
Net loss	$ 2,108,267
Net loss per share	$ 0.029

Note: The first and the second quarters of 2008 were adjusted to reflect the amortization charge of the deferred exploration costs incurred before the start-up of the Tulawaka gold mine.

MDN Inc.

Interim Financial Statements

September 30, 2008

Consolidated Statements of Operations	1
Consolidated Statements of Deficit	2
Consolidated Statements of Contributed Surplus for Stock-based Awards	2
Consolidated Balance Sheets	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5

Consolidated Statements of Operations *(Unaudited)*

	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Revenue				
Operating royalties from a mining property	$ **6,020,566**	$ -	$ **20,921,731**	$ -
Interest	**95,313**	377,326	**331,195**	1,297,062
	6,115,879	377,326	**21,252,926**	1,297,062
Administrative expenses				
Professional fees	**255,769**	109,549	**616,303**	549,969
Salaries and fringe benefits	**99,523**	133,344	**447,241**	250,166
Stock-based compensation	**-**	-	**-**	76,980
Transfer fees	**22,737**	16,206	**59,563**	42,680
Travelling expenses	**105,326**	46,352	**249,007**	135,768
Rent	**22,574**	24,532	**67,894**	44,299
Office expenses	**9,142**	3,455	**38,059**	16,312
Promotion expenses	**29,695**	2,786	**76,591**	15,151
Reports to shareholders	**4,030**	4,485	**14,656**	24,250
Insurance, taxes and permits	**8,768**	8,058	**44,382**	21,797
Telecommunications	**10,751**	2,132	**25,765**	14,901
Management fees	**152,987**	163,077	**428,171**	485,306
Interest on long-term debt	**-**	384,448	**314,964**	1,440,459
Penalty and bank charges	**2,270**	2,342	**7,489**	12,852
Depreciation on fixed assets	**292,578**	4,668	**877,826**	10,473
	1,016,150	905,434	**3,267,911**	3,141,363
Income (loss) before the following items	**5,099,729**	528,108	**17,985,015**	(1,844,301)
Other expenses (revenue)				
Gold price royalty	**-**	1,695,448	**4,928,474**	4,553,192
Foreign exchange loss (gain)	**(33,022)**	(247,627)	**38,328**	(236,167)
Write-off of deferred financing costs	**-**	-	**-**	723,364
Loss on disposal of a subsidiary	**-**	-	**-**	1,293,319
	(33,022)	1,447,821	**4,966,802**	6,333,708
Income (loss) before income taxes and non-controlling interest	**5,132,751**	(1,975,929)	**13,018,213**	(8,178,009)
Income taxes				
Current	**1,613,000**	-	**4,106,000**	-
Recoverable from loss carry-forwards	**(1,613,000)**	-	**(4,106,000)**	-
	-	-	**-**	-
Income (loss) before non-controlling interest	**5,132,751**	(1,975,929)	**13,018,213**	(8,178,009)
Non-controlling interest	**-**	-	**-**	3,787
Net income (loss)	$ **5,132,751**	$ (1,975,929)	$ **13,018,213**	$ (8,174,222)
Basic and fully diluted net income (loss) per share	$ **0.056**	$ (0.023)	$ **0.144**	$ (0.101)
Weighted-average number of outstanding shares (in thousands)	**91,580**	86,850	**90,452**	80,780

Consolidated Statements of Deficit *(Unaudited)*

	Three months ended September 30, 2008	2007	*Nine months ended September 30,* 2008	2007
Balance at beginning of period				
As previously reported	**$ 36,276,421**	$ 39,395,505	**$ 44,728,217**	$ 32,479,460
Prior periods adjustment (note 7)	**581,145**	-	-	-
As restated	**36,857,566**	39,394,505	**44,728,217**	32,479,460
Net loss (income)	**(5,132,751)**	1,975,929	**(13,018,213)**	8,174,222
Share issue expenses	**683,834**	8,508	**698,645**	725,260
Balance at end of period	**$ 32,408,649**	$ 41,378,942	**$ 32,408,649**	$ 41,378,942

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

	Three months ended September 30, 2008	2007	*Nine months ended September 30,* 2008	2007
Balance at beginning of period	**$ 2,416,453**	$ 2,642,723	**$ 2,535,129**	$ 3,035,287
Awards during the period	-	-	**14,811**	248,620
Exercise of warrants	-	(10,823)	-	(128,440)
Exercise of options	**(88,350)**	(92,934)	**(221,837)**	(616,501)
Balance at end of period	**$ 2,328,103**	$ 2,538,966	**$ 2,328,103**	$ 2,538,966

Consolidated Balance Sheets

	September 30, 2008 Unaudited	December 31, 2007 Audited
Current assets		
Cash and cash equivalents (note 2)	**$ 12,824,498**	$ 3,514,393
Term deposits, variable rates	**1,011,979**	12,298,015
Accounts receivable	**6,130,709**	335,650
Prepaid expenses	**20,563**	14,179
	19,987,749	16,162,237
Loan receivable	**-**	1,804,591
Mining properties (note 3)	**2,214,199**	1,522,645
Deferred exploration costs (note 4)	**13,298,731**	11,242,750
Fixed assets (note 5)	**655,385**	35,851
Total assets	**$ 36,156,064**	$ 30,768,074
Current liabilities		
Trade accounts payable and accrued liabilities	**$ 834,005**	$ 278,617
Current portion of long-term debt	**-**	7,892,377
	834,005	8,170,994
Shareholders' equity		
Capital stock (note 6)	**65,362,605**	64,750,168
Contributed surplus for stock-based awards	**2,328,103**	2,535,129
Other contributed surplus	**40,000**	40,000
Deficit	**(32,408,649)**	(44,728,217)
	35,322,059	22,597,080
Total liabilities and shareholders' equity	**$ 36,156,064**	$ 30,768,074

Consolidated Statements of Cash Flows *(Unaudited)*

	Three months ended September 30, 2008	Three months ended September 30, 2007	Nine months ended September 30, 2008	Nine months ended September 30, 2007
Operating activities				
Net income (loss)	$ **5,132,751**	$ (1,975,929)	$ **13,018,213**	$ (8,174,222)
Items not affecting cash				
Operating royalty revenue applied in reduction of the long-term debt	-	-	**(11,483,138)**	-
Stock-based compensation	-	-	-	76,980
Management fees paid by the disposal of a subsidiary	-	-	-	50,939
Interest income capitalized to the loan receivable	-	(233,392)	-	(987,994)
Interest expense capitalized to the long-term debt	-	384,448	**314,964**	1,440,459
Depreciation on fixed assets	**292,578**	4,668	**877,826**	10,473
Gold price royalty capitalized to the long-term debt	-	1,695,448	**4,928,474**	4,553,192
Unrealized foreign exchange loss (gain)	-	(167,187)	**151,914**	(184,304)
Write-off of deferred financing costs	-	-	-	723,364
Loss on disposal of a subsidiary	-	-	-	1,293,319
Non-controlling interest	-	-	-	(3,787)
	5,425,329	(291,944)	**7,808,253**	(1,201,581)
Changes in non-cash working capital items	**(1,882,513)**	43,014	**(5,246,055)**	(46,567)
	3,542,816	(248,930)	**2,562,198**	(1,248,148)
Financing activities				
Issuance of capital stock	**160,400**	482,210	**390,600**	15,557,780
Share issue expenses	**(683,834)**	(8,508)	**(683,834)**	(73,620)
	(523,434)	473,702	**(293,234)**	15,484,160
Investing activities				
Term deposit	**(6,856)**	-	**11,286,036**	(9,650,000)
Cash disposal	-	-	-	(3,438)
Additions to fixed assets	-	(4,436)	-	(29,420)
Additions to mining properties	**(571,554)**	-	**(691,554)**	(41,196)
Deferred explorations costs	**(1,210,138)**	(1,410,922)	**(3,553,341)**	(2,368,508)
	(1,788,548)	(1,415,358)	**7,041,141**	(12,092,562)
Net increase (decrease) in cash and cash equivalents	**1,230,834**	(1,190,586)	**9,310,105**	2,143,450
Cash and cash equivalents at beginning of period	**11,593,664**	3,981,054	**3,514,393**	647,018
Cash and cash equivalents at end of period	$ **12,824,498**	$ 2,790,468	$ **12,824,498**	$ 2,790,468

Supplemental information *(note 10)*

Notes to Consolidated Financial Statements *(Unaudited)*

September 30, 2008

Information as at December 31, 2007 is audited.

The interim financial statements should be read in conjunction with Northern Mining Explorations Ltd's annual financial statements for the year ended December 31, 2007.

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, 2007, except for the adoption of the following standards effective January 1st, 2008:

Capital disclosures

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued Section 1535 of the *Handbook*, "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital; i) qualitative information about an entity's objectives, policies and processes for managing capital; ii) summary quantitative data about the components of the entity's capital; iii) the fact that the entity has complied with any externally imposed capital requirements; and iv) if the entity has not complied, the consequences of such non-compliance. As a result of the adoption of these standards, note 8 has been added to these interim consolidated financial statements.

Financial instruments – disclosure and presentation

In December 2006, the CICA issued *Handbook* Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation" which replace existing Section 3861 "Financial Instruments – Disclosure and presentation" and require additional disclosure, particularly regarding the documentation of risks. As a result of the adoption of this standard, note 9 has been added to these interim consolidated financial statements.

Revenue recognition

Revenue of operating royalties from a mining property are recognized when the operating partner discloses the amount of the distribution.

2. Cash and cash equivalents

	September 30, **2008**	*December 31,* 2007
Cash	**$ 653,924**	$ 238,944
Cash held for exploration work	**13,501**	449
Term deposit, rate of 2.9% (rate of 3.75% in 2007)	**11,418,553**	2,900,000
Term deposit, rate of 2.45%, held for exploration work (rate of 3.45% in 2007)	**100,000**	375,000
Term deposit in US dollars, rate of 1.52%	**638,520**	-
	$ 12,824,498	$ 3,514,393

Notes to Consolidated Financial Statements *(Unaudited)*

September 30, 2008

Information as at December 31, 2007 is audited.

3. Mining properties

Following dilution of Lakota and Jope companies participation in the Simba project, an amount of $546,141 was added to this property. MDN inc. now owns 100% of the Simba property. Also, an amount of $3,573 was added to the Kunga property and $21,840 to the Baraka property.

4. Deferred exploration costs

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

	December 31, 2007			*September 30,* **2008**
	Opening balance	Additions	Reduction	Closing balance
Tulawaka	$ 1,692,392	$ 44,135	$ (1,497,360)	**$ 239,167**
Simba, Baraka and Kunga	5,376,582	3,093,154	-	**8,469,736**
Msasa	423,738	35,667	-	**459,405**
Ikungu	-	10,837	-	**10,837**
Des Meloïzes	573,498	204,119	-	**777,617**
Lac Shortt and Lespérance	1,524,374	15,397	-	**1,539,771**
Le Tac	635,614	1,212	-	**636,826**
Clairy	441,856	2,794	-	**444,650**
Isle Dieu	443,654	22,194	-	**465,848**
Barlow	-	123,832	-	**123,832**
Other properties	131,042	-	-	**131,042**
	$ 11,242,750	$ 3,553,341	$ (1,497,360)	**$ 13,298,731**

The reduction represents the amount of the deferred exploration costs incurred for the Tulawaka mine which are transferred to the fixed assets.

5. Fixed assets

			September 30, **2008**	*December, 31* 2007
	Cost	Cumulative depreciation	Net value	Net value
Exploration costs	$ 1,497,360	$ 871,672	**$ 625,688**	$ -
Exploration equipment	13,056	12,749	**307**	361
Furniture and equipment	22,161	8,317	**13,844**	16,287
Computer equipment	32,595	17,049	**15,546**	19,203
	$ 1,565,172	$ 909,787	**$ 655,385**	$ 35,851

6. 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:

		September 30, **2008**		*December 31,* 2007
	Number	Value	Number	Value
Balance at beginning of period	**89,627,232**	**$ 64,750,168**	69,708,771	$ 45,488,860
Shares issued in consideration of:				
Warrant exchange	**5,069,174**	-	-	-
Mining properties	-	-	125,000	98,750
Share issue expenses	-	-	400,000	480,000
Shares issued for cash				
Private placements	-	-	8,000,000	9,600,000
Flow-through shares	-	-	369,500	369,500
Exercise of warrants	**5,000**	**5,000**	8,793,776	6,584,580
Exercise of stock options	**674,007**	**385,600**	2,230,185	1,379,700
Amounts from contributed surplus				
Exercise of warrants	-	-	-	128,440
Exercise of stock options	-	**221,837**	-	620,338
	5,748,181	**612,437**	19,918,461	19,261,308
Balance at end of period	**95,375,413**	**$ 65,362,605**	89,627,232	$ 64,750,168

6. Capital stock (Cont'd)

Warrants
The table below presents a summary of the warrants:

	September 30, **2008**			*December 31,* 2007		
	Number		Weighted average exercise price	Number		Weighted average exercise price
Outstanding at beginning of period	**29,437,571**	**$**	**1.17**	30,397,087	$	0.92
Granted	**110,000**	**$**	**1.00**	8,619,010	$	1.58
Exercised	**(5,000)**	**$**	**1.00**	(8,793,776)	$	0.75
Exchanged	**(19,009,417)**	**$**	**1.00**	-	$	-
Cancelled	**-**	**$**	**-**	(784,750)	$	0.75
Outstanding at end of period	**10,533,154**	**$**	**1.47**	29,437,571	$	1.17

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	100,000	2008-12-31
$	1.00	1,733,154	2009-01-14
$	0.75	300,000	2010-12-05

During the period, the Company repurchased and cancelled 19,009,417 warrants exercisable at the price of $1 per common share and maturing on January 14, 2009, in exchange for 5,069,174 common shares for a ratio of 3.75 per 1.

6. Capital stock (Cont'd)

Stock option plan

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

	September 30, **2008**			*December 31,* 2007		
	Number		Weighted average exercise price	Number		Weighted average exercise price
Options at beginning of period	**5,138,445**	**$**	**0.75**	7,198,630	$	0.71
Granted	-	**$**	-	300,000	$	0.76
Cancelled	-	**$**	-	(130,000)	$	0.81
Exercised	**(674,007)**	**$**	**0.57**	(2,230,185)	$	0.62
Outstanding at end of period	**4,464,438**	**$**	**0.78**	5,138,445	$	0.75
Exercisable options at end of period	**4,464,438**	**$**	**0.78**	5,138,445	$	0.75

As of September 30, 2008, there were 4,464,438 stock options outstanding at exercise prices ranging from $0.45 to $1.17 with a weighted average remaining contractual life of 4.71 years.

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

Range of exercise prices	Number	Weighted average remaining life (years)		Weighted average exercise price
$0.45 – $0.50	1,225,000	6.69	$	0.48
$0.73 – $0.76	450,000	7.25	$	0.75
$0.80 – $0.84	809,438	2.21	$	0.80
$0.90 – $0.91	1,490,000	4.96	$	0.91
$1.10 – $1.17	490,000	0.80	$	1.12

7. Prior periods adjustment

In order to record amortization for the two first periods of 2008 on the exploration costs referring to the Tulawaka mine, the balance of the deficit at June 30, 2008 was increased by $581,145 and the balance of the capitalized exploration costs was transferred to the fixed assets for an amount of $1,497,360.

8. Capital disclosures

The Company's objectives concerning capital management are to ensure that it will be able to continue its activities in order to pursue the development of its mining properties.

The capital structure of the Company consists of the shareholders' equity components composed of capital stock and contributed surplus.

The Company is not subjected to externally imposed capital requirements.

9. Economic dependence

During the period, the royalties were collected from a single company, which is Pangea Goldfield Inc., a Barrick Gold Corporation's subsidiary.

10. Financial instruments and risk management

Fair value
Fair values for cash and cash equivalents, terms deposit, accounts receivable, trade accounts payable and accrued charges approximate their book value due to their short-term maturity.

Market risk
The Company is exposed to gold price fluctuations because gold price influences the economic potential of the mining properties held by the Company and impacts on the decision to enter into production or not.

Foreign exchange risk
The Company gets royalties revenue and incurs exploration costs in US dollars and is consequently exposed to currency rate fluctuations.

The Company may occasionally enter into various types of foreign exchange contracts. During the period ended September 30, 2008, the Company did not enter into any foreign exchange contracts.

10. Financial instruments and risk management (cont'd)

Credit risk

The Company invests its cash and cash equivalents in fully guaranteed high quality titles issued by financial institutions.

As at September 30, 2007, the major part of the accounts receivable represented royalties receivable from Pangea Goldfield Inc. The Company could eventually be exposed to losses if the debtor does not respect his engagements. Management estimates that the risk of not recovering the account receivable is low since it is recorded only when the debtor confirms that he will make the payment.

Liquidity risk

The Company manages its liquidity risk by using budgets allowing to determine the necessary funds required to meet its exploration plans. Moreover, the Company makes sure that the working capital is sufficient to meet its current obligations.

11. Cash flows

Supplemental information on non-cash transactions:

	Three months ended September 30,		*Nine months ended September 30,*	
	2008	2007	**2008**	2007
Unrealized foreign exchange loss (gain) allocated to loan receivable	**$ -**	$ 789,248	**$ (206,197)**	$ 2,360,930
Deferred exploration costs transferred to fixed assets	**$ 1,497,360**	$ -	**$ 1,497,360**	$ -
Reduction of long-term debt due to foreign exchange variation	**$ -**	$ 4,476,599	**$ (2,010,788)**	$ 12,734,699
Unrealized foreign exchange gain allocated to long-term debt	**$ -**	$ 956,435	**$ 358,111**	$ 2,545,234
Warrants issued in consideration of share issue expenses	**$ -**	$ -	**$ 14,811**	$ 171,640
Common shares issued in consideration of:				
Share issue expenses	**$ -**	$ -	**$ -**	$ 480,000
Mining properties	**$ -**	$ -	**$ -**	$ 98,750