MDN inc.

INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2009

MDN INC.

MANAGEMENT DISCUSSION AND ANALYSIS

(FOR THE PERIOD ENDED SEPTEMBER 30, 2009)

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 three-months periods ended September 30, 2009 and 2008. The reader should also refer to the audited annual financial statements as at December 31, 2008, 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 November 10, 2009, 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-month period ended September 30, 2009, 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 and options to purchase mining claim agreements as well as joint venture agreements. Under a joint venture agreement with Pangea Goldfields Inc. ("Pangea"), MDN holds a 30% interest in the Tulawaka gold mine. It also holds 28.75% of the shares of Les Minéraux Crevier Inc., owner of a niobium and tantalum qualified resource under NI 43-101 located in the Lac St-Jean (Québec) area. It also carries on exploration on other mining properties but has not yet determined whether these other properties contain economically viable mineral assets.

Other mining properties in which the Company holds interests are located in the following areas:

Tanzania, East Africa: Tulawaka, Baraka, Kunga (Viyonza), Simba (Isambara), Msasa, Kinyongi and Ikungu, totalling 621 km^2;

Quebec: Des Méloizes in the Normétal 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 2009 HIGHLIGHTS

- Revenue of $2,790,286.
- Net income of $737,649 or 0.01 $ per share, including a loss on foreign currency of $419,909.
- EBITDA was $1,412,674.
- As of September 30, 2009, MDN had over $20 million in available funds, an amount which is sufficient to ensure its ongoing operations and planned investments.
- The Tulawaka gold mine in Tanzania produced 29,489 ounces of gold with an average grade of 8.5 g/t at a recovery rate of 94.2%. MDN's 30% ownership interest in the Tulawaka gold mine gives it a pro-rata share equal to 8,847 ounces of gold.
- The total cash costs to produce an ounce of gold in the quarter were US$375.
- The Tulawaka gold mine sold 28,373 ounces of gold on the spot market at an average price of US$948 per ounce, representing US$26.9M. The MDN share (30%) is equal to 8,512 ounces of gold sold or US$8.1M.
- Drilling programs on the property under MDN's control started during the third quarter, following the announcement of a $1.5M minimum budget, with the possibility of increasing it up to $3M based on positive drilling results. A total of 13 drill holes totalling close to 2,837 m were completed on the Isambara project.
- The Ikungu project and the geochemical soil surveys at 800 meters space lines have been completed and cover the entire property. MMI ("Mobil Metal Ion") detailed soil sampling was also undertaken in order to better define the extensions of the drilling targets already identified. A first phase of drilling is currently underway on Ikungu.
- At the Tulawaka gold mine, 6,500 meters of underground exploration drilling program was completed since the beginning of 2009. Additional drilling and exploration activities have been planned by the operator following the good results of the initial program.
- The acquisition of the niobium and tantalum project, now named the Anita Project, will be MDN's priority in the upcoming months for the geology and metallurgy aspects, as well as its positioning in the markets. An investment of $3.4M was made to date on the Anita project, including $1.1 M for the scoping study.
- All Quebec exploration properties are being re-evaluated in order to fully assess their potential.
- In the context of it normal course issuer bid filed with the Toronto Stock Exchange on March 24, 2009, and in the course of its normal activities, the Company during the third quarter purchased 1,131,000 shares at an average cost of $0.57 per share for a total amount of $646,572.

EXPLORATION ACTIVITIES

Tanzania

MDN announced a $1.5M minimum budget, with the possibility of increasing it up to $3M based on positive drilling results, for its exploration activities in Tanzania initiated in July and ending in December 2009.

- Most of the investment is being used for drilling at Isambara and Ikungu.

- In the Tulawaka gold mine area, a Phase 1 drilling program of approximately 2,837 meters (13 drill holes) was completed on the Isambara project. The compilations and geologic interpretations were completed in October. The Isambara project is caracterised by a 5 km long anomaly divided in three zones (South, Centre and North).

- Supported by encouraging results of detailed soil sampling programs, conducted in April and May 2009, on the Southern Area of the Isambara project, two new Mobil Metal Ion ("MMI") soil sampling programs were conducted on the Central and Northern Areas to identify additional targets for the drilling planned for the near term.

- Concerning the Ikungu project, geochemical soil surveys with 800 meters space lines have been completed in order to cover the entire property. MMI detailed soil sampling was also undertaken in order to better define the extensions of the drilling targets already identified. A first phase of drilling is currently underway on Ikungu.

- In order to support the mining development activities, the board of directors approved a budget aiming at evaluating new acquisition projects. MDN's management team can be, if needed, assisted by a multidisciplinary team of industry experts qualified for the evaluation and analysis of such projects.

- At the Tulawaka Gold Mine, a partnership between MDN (30%) and Pangea Goldfields (70%), 6,500 meters of drilling were completed since the beginning of 2009, mainly for the underground mine development. Additional investments and activities have been planned by the operator following the good results of the initial drilling programs.

- Drilling activities in Quebec and the development of the Anita project (niobium and tantalum) were subject to an update which should be completed before the end of the fiscal year 2009.

- With the great majority of exploration permits in Tanzania being located a short distance from the Tulawaka gold mine and covering an area of more than 621 km², the compilation and updating conducted by the Company is of vital importance in the guiding and planning of current and future drilling.

Quebec

- The mining exploration properties held in Quebec have been the subject of detailed analysis over the last few months. A strategy involving analysis and establishment of goals was instituted in order to maximise the value of the portfolio. Mapping has been completed on the Le Tac and Lespérance properties.

- The acquisition of the niobium and tantalum project, which is now promoted under the name of Anita Project, will be MDN's priority in the upcoming months for the geology and metallurgy aspects, as well as its positioning in the markets.

The technical and scientific information in this report was reviewed by Marc Boisvert, geological engineer and Vice-President Exploration, acting as the qualified person pursuant to National Instrument 43-101.

ANITA PROJECT

On October 21, 2009, MDN announced an update of the market analyses and technical progress achieved on the Anita project, an advanced rare and strategic metals project located in the Lac St-Jean area of Québec and 100% owned by Les Minéraux Crevier Inc. ("MCI"). MDN now owns 28.75% of MCI and has agreed to invest up to

$13.5 million, including $7.5 million for the feasibility study over the next three years and $6 million to raise its ownership to 75%.

Highlights:

- Team of experts and partners in place to develop the Anita project up to the production stage and the marketing of strategic metals.
- Management exploring an open-pit only development for more than 18 years.
- Independent firm Roskill Consulting Group confirms that market conditions could be favourable to the entry of the Anita project as new producer of niobium oxide and tantalum oxide.
- Drilling program just completed will improve the quality of the current resource of 25.75 million tones.
- A bulk sample of approximately 70 tonnes of ore is in progress to provide further information on niobium and tantalum's treatment and processing costs.

More than $3.4 million was invested by MDN since the announcement of the project in April 2009. The engineering firm Met-Chem Canada was awarded the mandate to perform a scoping study. Other firms were also mandated for analysis and development of the Anita project, namely: SGS Geostat to qualify the resource, Roskill Consulting Group for the market study, Hatch and COREM for metallurgical studies and the evaluation of ore treatment processes, Golder for the Environmental Base Line Assessment and Roche for the preliminary assessment of mining infrastructures, in conformity with environmental laws.

Also worth mentioning are Forages Mario Rouillier for the definition drilling of the resource, ACTLAB for assay results, MIR Télédétection for topographical maps production from satellite images and IOS Services Géoscientifiques for project coordination on the site.

<u>Economic Aspects of the Project</u>

At this point in time, Management of MDN is assessing the potential to operate the mine as an open pit for more than 18 years instead of the originally proposed work plan of 6 years as an open pit and 12 years underground (see press release of April 14, 2009).

Roskill Consulting Group (UK), a world-renowned metals consulting firm, was contracted to produce a market study for niobium and tantalum. The scope of the project included the assessment of trends in demand, pricing, and consumption by various industry segments. Their price forecasts leads Management to believe that we could expect better market and better prices in 2012-2013 when the project will have started its commercial production.

The proposed annual targeted output of the mine is currently of approximately 1.2 million kg of Niobium oxide (Nb_20_5) and 115,000 kg of Tantalum oxide / K-salt (Ta_2O_5 / TaK_2F_7). Forecasted prices are estimated at US$45 per kg of Nb_20_5 and US$150 per kg of Ta_2O_5 / TaK_2F_7.

In their study, Roskill commented as follows:

The project has several clear advantages... It has a large indicated resource at good head grades in niobium and tantalum. The deposit is in a location with excellent infrastructure to support its development. It has the necessary financing in place and a management team with experience in niobium production and marketing. It has a short timeline to production and will begin to supply tantalum and niobium when the market is likely to be in most need. It is Roskill's view, and one that was confirmed during the research interviews, that the Anita project has a very high probability of success."

Technical Aspects of the Project

A diamond drilling program for a total of 5,500 m was completed to bring a portion of the actual indicated resource of 25.75 million tonnes from the indicated to the measured category. The remaining drilling is to explore and confirm the intersections with high grade values located to the north of the main ore body and intercepted on drill holes performed by SOQUEM when the deposit was discovered in the 80's. SGS Geostat will be mandated to proceed with an update of the resource in compliance with NI 43-101. A first 43-101 report produced by SGS Geostat and confirming the niobium and tantalum resource has already been posted on SEDAR (www.sedar.com) on May 25, 2009.

A total of 15 new claims were added to the property to secure the space required for the construction of infrastructures necessary to bring the project to production.

Preliminary ore flow sheet designs, in particular for the flotation and lixiviation processes were completed and additional metallurgy testing is under progress. Operating costs and capital expenditures estimates, including processing operation costs, tailing treatment costs, water, roads and electricity costs are about to be completed.

Off-take Agreement with IAMGOLD

A preliminary agreement was entered into with IAMGOLD, currently the 3rd largest producer of ferro niobium in the world, through its Niobec mine located 190 km south east of the Anita project. The total niobium oxide production could be, if needed, bought by IAMGOLD for the life of the mine for the production of ferro-niobium. IAMGOLD currently owns 37.5% of MCI.

Scarcity of Information

Management of MDN and of MCI are facing a scarcity of information concerning the costs of treatment and processing for niobium and tantalum. It thus becomes imperative that more precise and detailed estimations of these costs become available through larger volumes tests. Metallurgical tests on large volumes are currently underway.

Preliminary design of the open pit, flotation plant, tailing pond and other mining infrastructure are completed. Only the cost evaluation of the ore treatment process and of the 161 Kv power line remains to be done.

Next Steps

A pre-feasibility study is to start in 2010 in order to firmly establish all the economic parameters of the project. The preliminary feasibility study may not have the same outcome but, assuming the economics are positive, Management is targeting the start of the construction phase for 2011, with production anticipated to start in 2012-2013.

Other important facts

- Continuously rising demand for the two metals is being felt worldwide, with only a small number of producers in existence. Bringing the Resource into production will provide the future customer with stable sources of supply that will help further in the development of finished products and overall market demand.

- MDN management holds the view that substantial value will be gained from this investment as the Resource goes from investment status to the construction stage of a mining and processing operation for two metals considered highly strategic in the future of world industrial development.

- MDN's investment over the three-year period must be conducted on a gradual basis, with each advance linked and supported by evidence of the commercial viability of the niobium and tantalum mining operations. Other investments will serve to finance the feasibility study, other exploration expenses (if required), design and planning of open pit operations and any other required expenditures leading to construction of the mine.

- MDN and MCI plan to produce niobium oxide (Nb2O5) and tantalum oxide/K-salt (Ta_2O_5 / TaK_2F_7) to be sold in various markets, especially as enhancing elements in super alloys and other markets. Niobium is an additive in the production of specialty steel which is alloyed in to increase strength and improve corrosion resistance. A 2% alloy of niobium has the ability to triple the tensile strength of steel from 40,000 psi (pounds per square inch) to 120,000 psi. Niobium-alloyed steel is used in construction, oil and gas pipelines, nuclear plant pipelines, the automotive industry and aerospace.

- Tantalum is the metal with the highest known specific capacitance, which is the ability to hold and instantaneously release electrical charge. As such, tantalum is essential to most electronic devices. Tantalum is a good conductor of heat and electricity, resists corrosion by acids and has a very high melting point (~3,000° C). As a metal powder, tantalum is used primarily in the production of electronic components, mainly tantalum capacitors, where its ability to form stable oxide films creates highly efficient, highly reliable and environmentally versatile components. Capacitors are used in desktop and laptop computers, mobile phones, digital cameras, pagers, PDA's, handheld games, automotive applications and a number of other areas in the electronics industry. Tantalum, which is biocompatible, is also used in implant materials in humans.

- Niobium and tantalum are destined to play an increasingly vital role, considering their unique properties and the fact that for governments – the United States Government in particular – they constitute strategic metals.

BUSINESS DEVELOPMENT

During the third quarter, MDN's management team participated in numerous meetings with shareholders and potential investors, namely in private meetings in Montreal, Toronto, Vancouver, Denver, Quebec and Dar es Salaam.

Following the Anita project acquisition, MDN's management team also met with mining analysts in Montreal, Vancouver and Toronto to make the project's potential benefits better known and to establish long-term relationships aimed at ensuring the follow-up of development work.

MDN management is active on an ongoing basis in analyzing promising projects with strong growth potential that meet its investment criteria. The targeted projects are analyzed based on the strengths of the management team, the quality of the assets, the costs, and the outlook for growth in light of the Company's strategic development plan. In order to support the mining development activities, the board of directors has approved a budget aiming at evaluating new acquisition projects. MDN's management team can be, if needed, assisted by a multidisciplinary team of industry experts qualified for the evaluation and analysis of such projects.

SUMMARY OF OPERATING RESULTS

For the three months ended September 30, 2009	**2009**	2008
(In thousands of dollars, except for amounts per share)		
Revenue	**$2,790**	$6,116
Administrative expenses	**$1,061**	$1,016
Foreign exchange gain (loss)	**($420)**	$33
Net income (loss)	**$738**	$5,133
Basic and diluted net earnings (loss) per share	**$0.008**	$0.056
Weighted-average number of shares outstanding (in thousands)	**94,939**	91,580

Operating results

Revenue totalled $2,790,286 for the three-month period ended September 30, 2009, compared to $6,115,879 for the same period in 2008. Revenue is attributable mainly to royalties from the operation of the Tulawaka gold mine. This revenue amounted to $2,758,618 in 2009, compared to $6,020,566 in 2008. The decline in revenue from the mine was due mainly to the fact that the ore was derived in part from the development of underground operations, compared to the same period in 2008, when the ore was mined from the open pit. Other revenues consisted of interest income from the Company's various investments.

Administrative expenses totalled $1,060,706, compared to $1,016,150 in 2008. Administrative expenses in 2008 included management fees of $125,917 ($152,987 in 2008) representing 3% of all operating expenses of the Tulawaka project invoiced by the operator; professional fees of $447,678 ($255,769$ in 2008), with the increase due mainly to legal, analysis and promotion fees in regard to the participation in Crevier Minerals ($166,173) , the hiring of consultants for business development and project analysis. The administrative expenses also included salary costs of $151,831 ($99,523 in 2008), with the increase due mainly to a change in the terms of payment of the members of the Board of Directors, who are now paid on a quarterly basis. Since the amounts distributed by the Tulawaka gold mine are now recorded as royalties on the income statement, the Company is recording amortization charges for the cost of exploration conducted prior to the opening of the mine; this amount came to $107 586 during the quarter, ($290,526 in 2008).

The exchange rate fluctuation between the Canadian and the US $ resulted in a loss of $419,909 during the three month period, in comparaison with a gain of $33,022 during the same period in 2008. Without this negative fluctuation, the net income of the three-month period ended September 30, 2009, would have exceeded one million dollars.

SUMMARY OF OPERATING RESULTS (continued)

Net income

For the nine-month period ended September 30, 2009, the Company recorded net income of $2,685,193 or $0.028 per share compared to net income of $13,018,213 or $0.144 per share for the same period in 2008.

The change in net income is attributed to the lower royalties received from the Tulawaka mine, explained in the assessment of revenue. The net gain per share was calculated according to the weighted average of 95,156,103 common shares outstanding on September 30, 2009, compared to the weighted average of 90,452,133 common shares outstanding on September 30, 2008.

Future results

The Company's future results will be influenced mainly by the amount of royalty income received by the Company from the operation of the Tulawaka gold mine. Also, the Company's future results should benefit from the expected increase in underground production.

Financial position	*September 30* **2009**	*December 31* 2008
(In thousands of dollars)		
Cash ,cash equivalents & term deposit	**$19,382**	$18,081
Long term investments	**$1,030**	$1,019
Total cash & investment	**$20,412**	$19,100
Receivables	**$3,829**	$6,020
Mining properties and deferred exploration costs	**$17,188**	$15,965
Investment in Crevier Minerals	**$3,386**	$0
Total assets	**$46,676**	$44,928
Capital stock	**$60,710**	$61,515
Shareholders' equity	**$46,298**	$44,356

LIQUIDITY AND FINANCIAL POSITION

Cash, cash equivalents, short term deposits and long term bonds

As of September 30, 2009, the Company's cash position, consisting of cash, short term investments and long term bond amounted to $20,412,805 compared with $19,100,248 as at December 31, 2008. The change in the cash position is due to the receipt of the royalties' payment from the Tulawaka mine.

Accounts receivable

As of September 30, 2009, accounts receivable consisted mainly of the payment of royalties of $3,664,096 from the Tulawaka mine. This amount was determined by the Company from the financial reports of Pangea Minerals, the operators of the Tulawaka mine.

Mining properties

During the three-month period ended September 30, 2009, the Company did not make any transactions regarding the mining properties.

Deferred exploration costs

During the three-month period ended September 30, 2009, the Company invested $618,647 in deferred exploration costs. Of this amount, $533,414 was spent for the Simba, Baraka, Msasa, Kunga and Ikungu properties in Tanzania. As at September 30, 2009, deferred exploration costs related to mining properties came to $14,857,670, compared to $13,725,184 as at December 31, 2008.

Investment in Crevier Minerals

The investment include three differents distinctive elements; $813,231 was attribuate for the acquisition of 28.75% Crevier Minerals class A share; $1,500,000 for a convertible debenture with annual interest of 2% maturing in November 2015, and a deposit for share aquisiton of $1,072,500, representing exploration expenses realized since the month of June 2009. The Company iscommited to spend $2,000,000 in exploration costs by the end of May 31, 2010, to obtain a right to purchase 10% additional class A shares for an amount of $1,000,000.

Assets, shareholders' equity and liquidity

Total assets amount to $46,675,534 as of September 30, 2009, compared to $44,928,045 as of December 31, 2008. The difference is attributable to the increase in deferred exploration costs and the investment in Crevier Minerals partly offset by the reduction of Future income tax asset.

Shareholders' equity amounted to $46,297,521 as of September 30, 2009, compared to $44,356,347 as of December 31, 2008, with the increase being attributable to net income earned in the last nine months.

The Company's short-term and long-term liquidity is available for the payment of administrative expenses, the financing of exploration activities and to support the Company's growth plan.

LIQUIDITY AND FINANCIAL POSITION

Capital stock

During the nine-months period ended September 30, 2009; following the normal course issuer bid, the Company purchased 1,247,500 shares. As of September 30, 2009, the number of outstanding shares was 94,077,913.

Liquidity needs for the current financial year

Gold production at the Tulawaka mine began in March 2005. Based on the operation of the mining property and the available liquidity pursuant to the joint venture agreement, the Company receives a pro-rata share of 30%. For the current financial year, from January 1 to December 31, 2009, the Company's liquidity needs are estimated at approximately $6,000,000, which includes fixed costs and exploration expenses in Tanzania and Quebec. Also, the investment in Crevier Minerals should amount to approximately $2,000,000 for the same period. Without taking into account the revenues generated by future payments of royalties that will be paid by the mine in 2009, the Company already has the liquidity required to meet its needs.

RISKS AND UNCERTAINTIES

The Company's principal revenue is derived from the operation of the Tulawaka gold mine, which has been in operation since March 2005. The lifespan of the mine is linked to the exploitable gold-bearing reserves. Exploration is underway at Tulawaka to extend the mine's life. As of September 30, 2009, the mine operator has yet to define the lifespan of the mine in the context of underground development.

Except for the Company investment in Crevier Minerals Inc., which is at the evaluation phase, all the Company's other resource properties are exploration and development properties. The Company's long-term profitability depends on the costs and success of its evaluation, 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, and the competitive nature of the industry.

Substantial investments are necessary 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 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 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.

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, as the Company carries on business in foreign countries, it is subject to governmental decisions and policies.

Related party transactions

During the third quarter of 2009, as in the third of 2008, 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 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 and the audit committee will be informed of the progress along the way.

Training

In the fall 2008, the CFO participated in training workshops given by the IFRS Task Force of an accounting cabinet. In June 2009, the CFO participated in training session given by the CICA about the IFRS for the mining industry. As IFRS is expected to change prior to 2011, other training session are forecasted to take in consideration any changes impacting the Company.

Accounting policies impacted

The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed throughout 2009. Overall, a lot of 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 a significant impact on the Company's financial statements. The list below should not be regarded as a complete list of changes that will result from transition to the IFRS. It is intended to highlight areas that the Company believes to be the most significant; however, analysis of changes is still in process and the selection of accounting policies where choices are available under IFRS has not been completed. We note that the regulatory bodies that promulgate the Canadian GAAP and the 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. They 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:

- optional 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.

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").

Share-based payments (IFRS 2)

Per IFRS, the forfeiture rate, with respect to share options, needs to be estimated by the Company at the grant date instead of recognizing the entire compensation expense and only record 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.

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.

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

Under IFRS, the Company can elect to measure fixed assets 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 fixed asset with a cost that is significant in relation to the total cost of the asset shall be depreciated separately. In Canadian GAAP, the same requirement exists but when practical, and consequently rarely implemented. The IFRS may result in additional details needed to maintain de fixed assets sub-ledger. Under IFRS, the residual value and the useful life of an as set shall be reviewed at least at each year end. The Canadian GAAP was requesting the same review but only on a regular basis.

Information systems

The accounting processes of the Company are simple since it is still at the exploration stage and no major challenges are expect at this point to operate the accounting system under the IFRS. Nevertheless, some excel spreadsheets will probably have to be adapted to support the change made in accounting policies.
The Company has yet to establish if historical data will have to be regenerated to comply with some of the choices to be made under IFRS

As the Company will perform its accounting under Canadian GAAP 2010, it has yet to determine how it will generate in parallel the accounting under IFRS so that in 2011 it has the comparative available. Once the extent of the adjustments needed to convert to IFRS will be established, processes will be put in place effective January 2010 to generate the dual accounting.

Internal Controls

Management is 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, more specifically assessing that the SEDAR filings are presenting fairly the results of the Company. Management will make sure that once the convergence process is completed, it can still certify its fillings.

Impact on the business

The business processes of the Company are simple and no major challenges are expected at this point to operate under IFRS. The Company has no debt and no capital obligations. The Company doesn't expect that IFRS will have an impact on the requirements or business processes when it enters in flowthrough financing. The Company has no compensation arrangements that will be affected by the IFRS implementation. The Company's Stock Option Plan is not affected by ratios or financial targets.

Business process will be monitored through 2009 to detect unsuspected impact.

(s) Paul-A. Girard	(s) Yves Therrien, CMA
Chairman & CEO	Vice President, Finance

Montreal, Canada
November 5, 2009

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

	2009	**2008**	**2007**
	9 months	*12 months*	*12 months*
Total revenue	**$7,555,170**	$27,256,716	$1,570,637
Net income (loss)	**$2,685,193**	$22,127,336	($11,405,625)
Net income (loss) per share	**$0.028**	$0.241	($0.138)
Exploration expenses	**$1,262,900**	$3,979,794	$3,166,210
Accounts receivable	**$3,828 912**	$6,019,795	$335,650
Total assets	**$46,675,534**	$44,928,045	$30,768,074
Shareholders' equity			
Total	**$46,297,521**	$44,356,347	$22,597,080
Per share	**$0.49**	$0.47	$0.25

FOR THE LAST EIGHT QUARTERS

			2009
	1st quarter	*2nd quarter*	*3rd quarter*
Total revenue	$1,915,619	$2,849,265	$2,790,286
Net income	$794,214	$1,153,330	$737,649
Net income per share	$0.008	$0.012	$0.008

				2008
	1st quarter	*2nd quarter*	*3rd quarter*	*4th quarter*
Total revenue	$6,751,819	$8,385,228	$6,115,879	$6,003,790
Net income	$1,563,057	$6,322,404	$5,132,751	$9,109,124
Net income per share	$0.017	$0.073	$0.056	$0.095

	2007
	4th quarter
Total revenue	$273,575
Net loss	$3,237,463
Net loss per share	$0.036

Note: The first and second quarters of 2008 have been adjusted to reflect the amortization charge for the deferred exploration costs incurred before the start of mining operations at the property from which the Company receives royaltie

MDN Inc.

Interim Financial Statements

September 30, 2009

Consolidated Statements of Earnings and Comprehensive Income *(Unaudited)*

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Revenue				
Operating royalties from a mining property	**$ 2,758,618**	$ 6,020,566	**$ 7,470,812**	$ 20,921,731
Interest	**31,668**	95,313	**84,358**	331,195
	2,790,286	6,115,879	**7,555,170**	21,252,926
Administrative expenses				
Professional fees	**447,678**	255,769	**993,577**	616,303
Salaries and fringe benefits	**151,831**	99,523	**519,012**	447,241
Transfer fees	**3,596**	22,737	**70,967**	59,563
Travelling expenses	**102,151**	105,326	**271,873**	249,007
Rent	**24,611**	22,574	**72,244**	67,894
Office expenses	**12,095**	9,142	**72,100**	38,059
Promotion expenses	**25,233**	29,695	**42,561**	76,591
Reports to shareholders	**15,368**	4,030	**30,758**	14,656
Insurance, taxes and permits	**31,016**	8,768	**44,034**	44,382
Telecommunications	**6,189**	10,751	**26,155**	25,765
Management fees	**125,917**	152,987	**329,438**	428,171
Interest on long-term debt	**-**	-	**-**	314,964
Projects development	**2,344**	-	**28,788**	-
Bank charges and licenses	**3,312**	2,270	**7,338**	7,489
Amortization of property, equipment and intangible asset	**109,365**	292,578	**296,697**	877,826
	1,060,706	1,016,150	**2,805,542**	3,267,911
Income before the following items	**1,729,580**	5,099,729	**4,749,628**	17,985,015
Other expenses (revenue)				
Change in fair value of a financial instrument held for trading	**6,362**	-	**6,362**	-
Gold price royalty	**-**	-	**-**	4,928,474
Foreign exchange loss (gain)	**419,909**	(33,022)	**336,142**	38,328
Share of earnings in a company under significant influence	**6,460**	-	**11,769**	-
Write-off of mining properties and deferred exploration costs	**-**	-	**73,562**	-
	432,731	(33,022)	**427,835**	4,966,802
Income before income taxes	**1,296,849**	5,132,751	**4,321,793**	13,018,213
Income taxes				
Current	**443,000**	1,613,000	**1,403,885**	4,106,000
Recoverable from loss carry-forwards	**(443,000)**	(1,613,000)	**(1,403,885)**	(4,106,000)
Future				
Recognition and utilization of losses carry-forward	**443,000**	-	**1,403,885**	-
Change in temporary differences and others	**116,200**	-	**232,715**	-
	559,200	-	**1,636,600**	-
Net income and comprehensive income	**$ 737,649**	$ 5,132,751	**$ 2,685,193**	$ 13,018,213
Basic and fully diluted net income per share	**$ 0.008**	$ 0.056	**$ 0.028**	$ 0.144
Weighted-average number of outstanding shares (in thousands)	**94,939**	91,580	**95,156**	90,452

See notes to the consolidated financial statements

Consolidated Statements of Deficit *(Unaudited)*

	Three months ended September 30, **2009**	**2008**	*Nine months ended September 30,* **2009**	**2008**
Balance at beginning of period	**$ 21,408,459**	$ 36,857,566	**$ 23,334,051**	$ 44,728,217
Net income	**(737,649)**	(5,132,751)	**(2,685,193)**	(13,018,213)
Excess of paid-up capital on consideration paid for redeemed shares	**(83,000)**	-	**(73,000)**	-
Share issue costs	**-**	683,834	**11,952**	698,645
Balance at end of period	**$ 20,587,810**	$ 32,408,649	**$ 20,587,810**	$ 32,408,649

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

	Three months ended September 30, **2009**	**2008**	*Nine months ended September 30,* **2009**	**2008**
Balance at beginning of period	**$ 6,135,447**	$ 2,416,453	**$ 6,135,447**	$ 2,535,129
Awards during the period	**-**	-	**-**	14,811
Exercise of options	**-**	(88,350)	**-**	(221,837)
Balance at end of period	**$ 6,135,447**	$ 2,328,103	**$ 6,135,447**	$ 2,328,103

Consolidated Balance Sheets *(Unaudited)*

	September 30, 2009	December 31, 2008
	Unaudited	*Audited*
Current assets		
Cash and cash equivalents (Note 2)	**$ 14,860,644**	$ 18,081,261
Current portion of investments (Note 6)	**4,521,799**	1,018,987
Receivables	**3,828,912**	6,019,715
Prepaid expenses	**102,611**	169,427
	23,313,966	25,289,390
Mining properties (Note 3)	**2,330,820**	2,239,474
Deferred exploration costs (Note 4)	**14,857,670**	13,725,184
Property, equipment and intangible asset (Note 5)	**210,885**	491,297
Investments (Note 6)	**4,416,093**	-
Future income taxes	**1,546,100**	3,182,700
Total assets	**$ 46,675,534**	$ 44,928,045
Current liabilities		
Trade accounts payable and accrued liabilities	**$ 378,013**	$ 571,698
Shareholders' equity		
Capital stock (Note 7)	**60,709,884**	61,514,951
Contributed surplus for stock-based awards	**6,135,447**	6,135,447
Other contributed surplus	**40,000**	40,000
Deficit	**(20,587,810)**	(23,334,051)
	46,297,521	44,356,347
Total liabilities and shareholders' equity	**$ 46,675,534**	$ 44,928,045

See notes to the consolidated financial statements

Consolidated Statements of Cash Flows *(Unaudited)*

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Operating activities				
Net income	**$ 737,649**	$ 5,132,751	**$ 2,685,193**	$ 13,018,213
Items not affecting cash				
Operating royalty revenue applied in reduction of the long-term debt		-	**-**	(11,483,138)
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	**559,200**	-	**1,636,600**	-
Interest expense capitalized to the long-term debt	**-**	-	**-**	314,964
Amortization of property, equipment and intangible asset	**109,365**	292,578	**296,697**	877,826
Gold price royalty capitalized to the long-term debt	**-**	-	**-**	4,928,474
Unrealized foreign exchange loss (gain)	**-**	-	**-**	151,914
	1,412,674	5,425,329	**4,703,821**	7,808,253
Changes in non-cash working capital items (Note 9)	**551,731**	(1,882,513)	**2,063,934**	(5,246,055)
	1,964,405	3,542,816	**6,767,755**	2,562,198
Financing activities				
Issuance of shares	**-**	160,400		390,600
Redemption of shares	**(646,572)**	-	**(732,067)**	-
Share issue costs	**-**	(683,834)	**(11,952)**	(683,834)
	(646,572)	(523,434)	**(744,019)**	(293,234)
Investing activities				
Additions to investments	**(4,552,161)**	(6,856)	**(4,533,174)**	11,286,036
Investment in a company under significant influence	**(790,165)**	-	**(3,397,500)**	-
Additions to property, equipment and intangible asset	**-**	-	**(16,285)**	-
Additions to mining properties	**-**	(571,554)	**(91,890)**	(691,554)
Deferred explorations costs	**(561,249)**	(1,210,138)	**(1,205,504)**	(3,553,341)
	(5,903,575)	(1,788,548)	**(9,244,353)**	7,041,141
Net increase (decrease) in cash and cash equivalents	**(4,585,742)**	1,230,834	**(3,220,617)**	9,310,105
Cash and cash equivalents at beginning of period	**19,446,386**	11,593,664	**18,081,261**	3,514,393
Cash and cash equivalents at end of period	**$ 14,860,644**	$ 12,824,498	**$ 14,860,644**	$ 12,824,498

Supplementary data (Note 9)

See notes to the consolidated financial statements

The interim financial statements should be read in conjunction with MDN Inc.'s annual financial statements for the year ended December 31, 2008.

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, 2008, except for the following changes:

New accounting policies

Business combinations and non-controlling interests
As an activity consistent with Canadian GAAP being converged with IFRS-IASB, the previously existing recommendations for business combinations and consolidation financial statements will be replaced with new recommendations for business combinations (CICA Handbook Section 1582), consolidations (CICA Handbook Section 1601) and non-controlling interest (CICA Handbook Section 1602)

Generally, the new recommendations result in measuring business acquisitions at the fair value of the acquired business and a prospectively applied shift form a parent corporation conceptual view of consolidation theory (which results in the parent corporation recording book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent corporation recording fair values attributable to non-controlling interests). Both the new Canadian GAAP recommendations and IFRS-IASB allow the choice of whether or not to recognize the fair value of goodwill attributable to non-controlling interests on an acquisition-by-acquisition basis.

As of June 30, 2009, the Company decided to postpone the adoption of these recommendations until January 1st, 2011 (as allowed by the CICA Handbook) and therefore cancels the early adoption it had announced in its March 31, 2009 financial statements.

Financial statement concepts
Section 1000 "Financial Statement Concepts" which specifies criterias to recognize assets and liabilities so that, from now on, they are not recognized strictly in accordance on the basis of matching revenues with expenses. These changes which also clarify when expenses are to be recognized did not have an impact on the Company's financial statements.

EIC 173: Credit risk and the fair value of financial assets and financial liabilities
On January 20, 2009, the CICA issued EIC abstract 173 which establish that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The adoption of this standard did not have a significant impact on the Company's financial statements.

1. Significant accounting policies (cont'd)

New accounting policies (cont'd)

EIC 174: Mining exploration costs
On March 27, 2009, the CICA issued abstract EIC 174 to provide additional guidance for mining exploration enterprises on when an impairment test is required. This abstract was applied during the current year. The adoption of this standard did not have a significant impact on the Company's financial statements.

Other new standards were issued, but are not expected to have a material impact on the Company's financial statements.

Change in accounting policy – Revenue recognition
In order to recognize the revenues of operating royalties from a mining property in the period in which they were realized, the recognition is done when their receipt is reasonably assured and when the Company is able to estimate the distribution with enough accuracy. Previously, these revenues were only recognized when the operating partner disclosed the amount of the distribution. The operating partner not being obligated, and having ceased to disclose the amount of the distribution on a quarterly basis, no amount was disclosed since January 1st, 2009, therefore, the Company decided it was necessary to make this change.

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, mining properties and deferred exploration costs and certain amounts payable. Actual results could therefore differ from these estimates.

Future changes in accounting policies

Harmonization of Canadian and international standards
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 1st, 2011. Accordingly, the Company expects that its first interim financial statements presented in accordance with IFRS will be for the three-months 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.

1. Significant accounting policies (cont'd)

Future changes in accounting policies (cont'd)

Harmonization of Canadian and international standards (cont'd)

Set out below are the main areas where changes in accounting policies are expected to have a significant impact on the Company's financial statements. The list below should not be regarded as a complete list of changes that will result from transition to the IFRS. It is intended to highlight areas that the Company believes to be the most significant; however, analysis of changes is still in process and the selection of accounting policies where choices are available under IFRS has not been completed. We note that the regulatory bodies that promulgate the Canadian GAAP and the 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. They are as follows:

Property, plant and equipment (IAS 16);
Impairment of assets (IAS 36);
Mineral property interests, exploration and evaluation costs (IFRS 6);
Share-based payments (IFRS 2).

Furthermore, 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:

a) optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and

b) 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 is analyzing the various accounting policy choices available and will implement those determined to be most appropriate in the Company's circumstances. The Company has not yet determined the aggregate financial impact of adopting IFRS 1 on its financial statements.

Information as at December 31, 2008 is audited.

2. Cash and cash equivalents

	September 30, **2009**	*December 31,* 2008
Cash	**$ 13,455,372**	$ 1,733,634
Cash held for exploration work	**4,678**	9,019
Money market funds	**1,400,594**	-
Term deposits, floating rate (between 0.3% and 0.45%)	**-**	16,238,608
Term deposit, rate of 0.5%, held for exploration work	**-**	100,000
	$ 14,860,644	$ 18,081,261

3. Mining properties

	September 30, **2009** Interest	Amount	*December 31,* 2008 Interest	Amount
Properties				
Tanzanie				
Kunga (Viyonza)	**65% – 100%**	**$ 904,785**	65% – 100%	$ 904,785
Simba (Isambara)	**100%**	**645,252**	100%	645,252
Baraka (PL-1561-1562)	**90%**	**169,478**	90%	169,478
Baraka (PL-2479)	**100%**	**114,188**	100%	79,298
Ikungu	**60%**	**57,000**	-%	-
Quebec				
Lac Shortt	**50%**	**170,461**	50%	170,461
Lespérance	**50%**	**78,000**	50%	78,000
Le Tac	**50%**	**43,052**	50%	43,052
Barlow Est	**100%**	**60,000**	100%	60,000
Barlow Ouest	**100%**	**60,000**	100%	60,000
Other properties	**100%**	**28,604**	100%	29,148
		$ 2,330,820		$ 2,239,474

In 2009, the balance of other properties takes into account the write-off of Lozeau property in the amount of $544.

4. Deferred exploration costs

The table below shows the changes in deferred exploration costs:

	December 31, 2008	Exploration costs	Reductions	September 30, **2009**
Properties				
Tanzanie				
Tulawaka	$ 220,276	$ 21,800	$ -	**$ 242,076**
Simba (Isambara)	3,250,204	638,479	-	**3,888,683**
Baraka (PL-1561-1562)	252,986	36,843	-	**289,829**
Baraka (PL-2479)	259,553	17,421	-	**276,974**
Kunga (Viyonza)	5,036,308	157,427	-	**5,193,735**
Msasa	477,707	40,331	-	**518,038**
Ikungu	22,799	216,494	-	**239,293**
Quebec				
Lac Shortt	1,202,121	698	(300)	**1,202,519**
Lespérance	359,644	16,068	(6,877)	**368,835**
Le Tac	657,639	98,154	(42,010)	**713,783**
Clairy	445,047	-	-	**445,047**
Des Meloïses	785,634	860	(368)	**786,126**
Isle Dieu	474,941	16,935	(7,248)	**484,628**
Barlow Est	74,705	695	(297)	**75,103**
Barlow Ouest	74,705	695	(297)	**75,103**
Other properties	130,915	-	(73,017)	**57,898**
	$ 13,725,184	$ 1,262,900	$ (130,414)	**$ 14,857,670**

The reductions of exploration costs are due to the write-off of Lozeau property ($73,017) located in Quebec and to the credit on mining duties refundable for losses and refundable tax credit for resources ($57,397).

5. Property, equipment and intangible asset

	Cost	Accumulated amortization	September 30, **2009** Net value	December 31, 2008 Net value
Property and equipment				
Exploration equipment	$ 20,866	$ 12,810	**$ 8,056**	$ 289
Furniture and equipment	38,584	12,668	**25,916**	24,093
Computer equipment	40,899	22,859	**18,040**	16,680
	100,349	48,337	**52,012**	41,062
Intangible asset				
Exploration costs	1,497,360	1,338,487	**158,873**	450,235
	$ 1,597,709	$ 1,386,824	**$ 210,885**	$ 491,297

6. Investments

	September 30, **2009**	December 31, 2008
Crevier Minerals Inc. – company under significant influence		
57,500 class A shares, representing 28.75% of the outstanding voting shares – equity method	**$ 813,231**	$ -
Convertible debenture, 2%, no terms of repayment, maturing in December 2015 (a)	**1,500,000**	-
Deposit on acquisition of shares (b)	**1,072,500**	-
	3,385,731	-
Term deposit, rate of 0.25% to 1.35%	**2,000,000**	1,018,987
Bonds, rates from 3.6% to 5.65%, maturing between October 2009 and December 2010	**3,552,161**	-
	8,937,892	1,018,987
Less: Current portion	**(4,521,799)**	(1,018,987)
	$ 4,416,093	$ Nil

a) The debenture and accrued interests may be redeemed at any time. The debenture and accrued interests are convertible upon Crevier Minerals Inc.'s (Crevier) demand into class A shares of Crevier at prices ranging from $0.70 to $2.10 per share prior to maturity and at $10.00 per share at maturity.

b) The Company is committed to finance $2,000,000 of Crevier's exploration costs within May 31, 2010, to obtain therefore a right to buy 10% additional class A shares for an amount of $1,000,000. As at September 30, 2009, the Company had already financed $1,072,500 of expenses.

7. Capital stock

During the period, the Company redeemed 1,247,500 common shares for a cash consideration of $732,067, thus decreased the number of common shares issued at the end of the period to 94,077,913. The paid-up capital of these shares was $805,067, thus the excess over the consideration paid of $73,000 decreased the deficit.

Warrants

The table below shows a summary of the warrants:

	September 30, **2009** Number		Weighted average exercise price	*December 31,* 2008 Number		Weighted average exercise price
Outstanding at beginning of period	**2,133,154**	**$**	**0.99**	29,437,571	$	1.17
Granted	**-**	**$**	**-**	110,000	$	1.00
Exercised	**-**	**$**	**-**	(5,000)	$	1.00
Exchanged	**-**	**$**	**-**	(19,009,417)	$	1.00
Cancelled	**(1,733,154)**	**$**	**1.00**	(8,400,000)	$	1.60
End of period allowing holders to purchase warrants at $1.50	**-**	**$**	**1.50**	-	$	-
Outstanding at end of period	**400,000**	**$**	**1.06**	2,133,154	$	0.99

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

	Exercise price	Number	Maturity
$	2.00	100,000	12-31-2009
$	0.75	300,000	12-05-2010

Stock option plan

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

	September 30, **2009** Number		Weighted average exercise price	*December 31,* 2008 Number		Weighted average exercise price
Options at beginning of period	**4,464,438**	**$**	**0.78**	5,138,445	$	0.75
Exercised	**-**	**$**	**-**	(624,007)	$	0.56
Cancelled	**(580,000)**	**$**	**1.00**	(50,000)	$	0.65
Options at end of period	**3,884,438**	**$**	**0.75**	4,464,438	$	0.78
Exercisable options at end of period	**3,884,438**	**$**	**0.75**	4,464,438	$	0.78

7. Capital stock (cont'd)

Stock option plan (cont'd)

As at September 30, 2009, there were 3,884,438 stock options outstanding at exercise prices ranging from $0.45 to $1.17 with a weighted average remaining contractual life of 4.34 years.

The table below shows supplemental information about the stock option plan 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	5.71	$ 0.48
$0.73 – $0.76	450,000	6.27	$ 0.75
$0.80 – $0.84	609,438	1.79	$ 0.81
$0.90 – $0.91	1,490,000	3.97	$ 0.91
$1.10 – $1.17	110,000	0.45	$ 1.17

8. Financial instruments and risk management

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 or not into production.

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 occasionally enters into various types of foreign exchange contracts. During the period ended September 30, 2009, the Company did not enter into any forward exchange contracts.

Credit risk

The only credit risk the Company is exposed to be related to receivables from partners following a split of exploration expenses. The Company considers that this risk is minimized by the dilution of the partners' interest in the mining properties following a payment default.

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

Notes to Consolidated Financial Statements *(Unaudited)*

September 30, 2009

Information as at December 31, 2008 is audited.

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

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.

9. Statements of cash flows

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Changes in non-cash working capital items				
Current assets, decrease (increase)				
Receivables	**$ 768,507**	$ (2,052,770)	**$ 2,190,803**	$ (5,795,059)
Prepaid expenses	**(51,037)**	(4,116)	**66,816**	(6,384)
Current liabilities, increase (decrease)				
Accounts payable and accrued liabilities	**(165,739)**	174,373	**(193,685)**	555,388
	$ 551,731	$ (1,882,513)	**$ 2,063,934**	$ (5,246,055)

Supplemental data on non-cash transactions:

	Three months ended September 30, 2009	Three months ended September 30, 2008	Nine months ended September 30, 2009	Nine months ended September 30, 2008
Unrealized foreign exchange gain attributed to the loan receivable	**$ -**	$ -	**$ -**	$ (206,197)
Deferred exploration costs transferred to fixed assets	**$ -**	$ 1,497,360	**$ -**	$ 1,497,360
Loan receivable applied in reduction of long-term debt	**$ -**	$ -	**$ -**	$ 2,010,788
Unrealized foreign exchange gain attributed to long-term debt	**$ -**	$ -	**$ -**	$ 358,111
Issuance of warrants as consideration of share issue costs	**$ -**	$ -	**$ -**	$ 14,811

10. Comparative figures

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