



INTERIM FINANCIAL STATEMENTS

JUNE 30, 2010

MDN INC.

MANAGEMENT DISCUSSION AND ANALYSIS

(FOR THE PERIOD ENDED JUNE 30, 2010)

SCOPE OF MANAGEMENT'S FINANCIAL ANALYSIS

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

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This Management Discussion and Analysis was prepared as of August 2nd, 2010, and complies with Rule 51-102A of the Canadian Securities Administrators on continuous disclosure. This analysis is a supplement to the Company's unaudited interim financial statements for the three and the six month periods ended June 30, 2010, and is intended to help the reader understand and assess the material changes and trends affecting the Company's results and financial position. It represents the view of management on the Company's ongoing activities and its current and past financial results and presents an overview of activities planned for the coming months. The Company regularly discloses additional information through press releases and financial statements available on the Company's website at www.mdn-mines.com and on SEDAR at www.sedar.com.

NATURE OF OPERATIONS

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

Quebec: Des Méloizes in the Normétal area; Le Tac, Lac Shortt, Lespérance, Mc Gold in the Chibougamau area; Isle-Dieu and Lozeau in the Matagami area; and Landrienne in the Barraute area.

SECOND QUARTER 2010 HIGHLIGHTS

- Net revenue of \$42,569 compared to \$2,849,265 for the same period in 2009
- Net loss attributable to the shareholders of the company of \$1,457,009 or \$0.015 per share compared to net earnings attributable to the shareholders of the company of \$1,153,330 or \$0.012 per share for the same period in 2009
- The decrease in net revenue and net earnings for the period was attributable to a lower quantity of gold produced at the Tulawaka Mine in Tanzania and reinvestment of available cash in an exploration program.
- The Tulawaka gold mine produced 12,923 ounces of gold at an average grade of 3.5 g/t gold and a recovery of 92.9%. MDN's 30% interest in Tulawaka generated a share of 3,877 ounces of gold. Production for the same period in 2009 was 24,561 ounces of gold at an average grade of 7.5 g/t. The decrease in underground mine production was due to operating issues related to the mechanical availability of the mining equipment. The overall drop in head grade occurred because the shortfall in underground production was compensated for with lower-grade ore from surface stockpiles.
- The total cash cost of producing one ounce of gold was US \$759 compared to US \$363 in 2009. Costs were higher because the mine is in the underground development phase.
- The Tulawaka Mine sold 12,000 ounces of gold on the spot market at an average price of US \$1,191, generating gross revenues of US \$14,288,000. MDN's share (30%) was equal to 3,600 ounces of gold sold, for gross revenues of US \$4,286,000.
- Exploration at the Tulawaka Mine confirmed the continuity of the Tulawaka deposit at depth and identified a new gold-bearing zone (Mojamoja) to the west of the existing mine, but still on the property covered by the joint venture agreement with African Barrick Gold.
- The Ikungu project continues to return good gold values and demonstrate continuity over more than 2.5 km.
- An agreement with SOQUEM allowed MDN to acquire a gold exploration project in Quebec, for the MCGOLD project in Chibougamau, Quebec. The agreement grants MDN an option to earn a 50% interest in the project in consideration of a payment schedule and exploration expenses of up to \$5.25 million over five years.

- The feasibility study for the Crevier project is progressing according to schedule. A resource update for the project shows an increase in niobium and tantalum grades for the deposit.
- Appointment of Robert Lavallière, geologist, to the board of directors on June 17, 2010.

CREVIER PROJECT DEVELOPMENT

A new estimate of the mineral resource at the Crevier property was completed in the second quarter. This resources update followed 6,480-meters drilling program conducted on the property in the second half of 2009. Drilling was carried out in conjunction with the preparation of a Preliminary Economic Assessment tabled in early January 2010, but was not included in the study economic parameters. The highlights of the new resource estimate include a 5.38% increase in niobium grade and a 17.6% increase in tantalum grade. Despite a 1.48% drop in measured and indicated tonnage, the new indicated and measured resource contains 3.8% more niobium oxide and 15.8% more tantalum oxide. In addition, 50% of the original indicated mineral resource is now classified as measured.

The following table compares the updated estimate to the April 2009 resource:

<i>New 2010 Mineral Resource (43-101)</i>				<i>2009 Mineral Resource (43-101)</i>			
Category	Million Tonnes	Nb₂O₅ %	Ta₂O₅ (ppm)	Category	Million Tonnes	Nb₂O₅ %	Ta₂O₅ (ppm)
Measured	12,465	0.199	234	Measured	NA	NA	NA
Indicated	12,904	0.194	234	Indicated	25,750	0.186	199
Total Measured+Indicated	25,369	0.196	234	Total Measured+Indicated	25,750	0.186	199
Inferred	15,423	0.17	252	Inferred	16,880	0.162	204
Mineral resource within the geological deposit, 0.1% Nb ₂ O ₅ cutoff grade Niobium: High grades cut to 0.5% Nb ₂ O ₅ Tantalum: High grades cut to 550 ppm Ta ₂ O ₅							

In 2009, a down-grade correction was applied to the SOQUEM niobium and tantalum grade values. In 2010, new drilling confirmed that this grade correction was appropriate for niobium, but it was not required for tantalum, and was therefore removed.

The primary goals of the 2009 drilling program were to:

- Better define the estimate of the niobium and tantalum grades of the Crevier deposit with definition drilling at a 50-meters spacing;
- Upgrade a portion of the indicated resource to the measured category, thus improving the reliability of the economic parameters used for the feasibility study currently underway;
- Explore the possible extensions of the deposit;

- Test and validate the anomalies located in the northern part of the Crevier property.

The program met its goals in that it outlined a resource with higher quantities of niobium and tantalum, and converted a portion of the indicated resource to a measured resource. This new NI 43-101 resource will be used as a basis for the feasibility study now underway.

Southerly Extension

Four holes drilled on two sections spaced 100 meters apart showed that the deposit extends another 200 meters and more to the south. Additional drilling will commence in July 2010 to continue delineating the deposit to the south.

Exploration to the North

Two holes drilled north of Lac à la Truite confirmed the occurrence of niobium and tantalum in this area, which lies more than three kilometres north of the main deposit. These holes reiterate the Crevier property's strong potential.

The inferred resource, located primarily to the north and under the measured and indicated resources, represents a total resource of 15.42 million tonnes grading 0.17% Nb₂O₅ and 252 ppm Ta₂O₅. The new estimate shows a significant 23.5% increase in the Ta₂O₅ grade for this category.

Feasibility Study Underway

The feasibility study initiated in early 2010 is proceeding in accordance with the Crevier property development plan.

The metallurgical testing program on ore flotation is being conducted by SGS Lakefield, and will be followed by a pilot plant program in the coming months, as well as the definition of the metallurgical parameters for leaching of the concentrate. The leaching process parameters to be used to produce the final niobium and tantalum oxide products will also be developed.

The environmental baseline study, a geotechnical program for optimization of the open pit and work on the siting of the tailings pond are underway, and are being carried out by Golder Associates.

All these programs will be completed in the coming months, and will provide data for the feasibility study, scheduled for completion in the first half of 2011.

The data on the new 43-101 resource estimate was prepared by SGS Geostat and can be found on the SEDAR and MDN websites.

EXPLORATION ACTIVITIES

Tanzania

- The 2010 field exploration programs began in the first quarter with drilling on the Ikungu property, which then moved to the Msasa property in the second quarter.

Ikungu

The assay results for the second part of the drilling program, which resumed on January 28, 2010, and was completed on March 17, were all received in the second quarter. The results show multiple mineralized intersections grading over 5 g/t and as high as 54.3 g/t Au.

A total of 11 holes (IKD-27 to IKD-37) were drilled in the first quarter. The mineralized horizon was thus tested over a distance of 2.5 km by holes drilled about 70 m apart, with only two of these drilled deeper than 100 meters.

Holes IKD-34, 36 and 37 confirmed the hypothesis of a higher-grade mineralized zone in the east sector between sections 3190 E and 3790 E. The same applies to holes IKD-32 and IKD-35 in the central sector, for a second zone between sections 2435 E and 2770 E. Hole IKD-33 returned an intersection of 2.66 g/t Au over 5.36 m at the western end, indicating that the mineralized horizon traced over 2.5 km remains open to the west.

Compilation of the intersections showed the presence of high-grade zones:

Hole ID	Section	From	To	Interval (m)	True Width(m)	Au g/t
IKD08	2010 E	142.17	144.77	2.60	1.99	9.31
IKD04	2435 E	226.04	230.88	4.84	2.42	6.74
IKD-32	2560 E	83.00	86.75	3.75	2.41	8.02
IKD-18	2770 E	242.00	245.00	3.00	2.30	5.79
IKD-34	2910 E	97.20	99.80	2.60	1.99	6.63
IKD-28	3400 E	34.50	37.50	3.00	1.99	10.95
IKD-36	3610 E	51.60	56.94	5.34	4.09	13.22
IKD-37	3730 E	276.50	281.70	5.20	3.98	5.39
SIK1	3760 E	140.84	144.68	3.84	1.91	24.54
SIK8	3760 E	206.90	212.81	5.91	2.94	11.50

The assay results received to date confirm that the mineralization is continuous over more than 2.5 km, with a minimum thickness of 2 meters (true width) and sample grades above 1.2 g/t Au. This gold-bearing horizon hosts higher-grade zones with true widths of 2 to 4 metres, ranging in grade from 5 g/t Au to 11.5 g/t Au, including sections of up to 54.3 g/t Au over 0.4 m. The gold-bearing intersections for holes IKD-08, IKD-28, IKD-36, IKD-

37, SIK1 and SIK8 are good examples of these higher-grade zones. A concentration of such zones has been identified in the central and eastern sectors, with a higher occurrence of zones with an average sample grade of over 10 g/t Au toward the east.

Compilation table for all the drill holes intersecting the mineralized zone:

East Sector

Hole #	Section	From (m)	To (m)	Length (m)	True width (m)	Au (g/t)
SIK1	3760 E	140.84	144.68	3.84	1.91	24.54
SIK8	3730 E	189.9	193.8	3.9	1.94	2.1
SIK8	3730 E	206.9	212.81	5.91	2.94	11.5
IKD-02	3745 E	95.21	98.1	2.89	2.2	3.63
IKD-37	3745 E	276.5	281.7	5.2	3.98	5.39
IKD-36	3610 E	51.6	56.94	5.34	4.09	13.22
IKD-03	3550 E	66.5	69.15	2.65	2.02	2.08
IKD-28	3400 E	59	62	3	2.3	2.52
IKD-28	3400 E	142.17	144.77	3	2.3	10.95
IKD-06	3320 E	65.81	68.81	3	2.3	3.77
IKD-30	3250 E	77	80	3	2.3	2.37
IKD-31	3190 E	241	243	2	1.53	1.24
IKD-26	3190 E	64.6	70.6	6	4.6	3.67
IKD-31	3190 E	137	141	4	3.06	2.49
IKD-26	3190 E	173.6	175.6	2	1.53	3.18
IKD-29	2980 E	87.2	90.07	2.87	2.2	3.35
IKD-29	2980 E	174.1	176.7	2.6	1.99	2.79
IKD-34	2890 E	97.2	99.8	2.6	1.99	6.63
IKD-34	2890 E	138.1	141.7	3.6	2.76	2.85
IKD-13	2850 E	44.08	46.88	2.8	2.14	3.87

Central Sector

Hole #	Section	From (m)	To (m)	Length (m)	True width (m)	Au (g/t)
IKD-27	2830 E	75.4	78.4	3	2.3	2.53
IKD-27	2830 E	91.3	94.3	3	2.3	1.05
IKD-18	2770 E	100.5	103.5	3	2.3	2.04
IKD-18	2770 E	138.5	141.5	3	2.3	1.31
IKD-18	2770 E	242	245	3	2.3	5.79
IKD-35	2650 E	61.84	64.26	2.42	1.85	2.76
IKD-35	2650 E	72.5	81	8.5	6.51	2.79

IKD16	2545 E	44.8	48.06	3.26	2.5	2.12
IKD16	2545 E	65.5	67.25	1.75	1.34	4.11
IKD-32	2545 E	83	86.75	3.75	2.41	8.02
IKD-32	2545 E	103.5	108.5	5	3.21	2.47
IKD-25	2470 E	97	100	3	2.3	1.51
IKD-25	2470 E	109	112	3	2.3	1.71
IKD-25	2470 E	115	119	4	3.06	1.6
IKD04	2380 E	206.72	211.19	4.47	2.24	2.27
IKD04	2380 E	226.04	230.88	4.84	2.42	6.74

West Sector

Hole #	Section	From (m)	To (m)	Length (m)	True width (m)	Au (g/t)
IKD08	1960 E	34.5	37.5	2.6	1.99	10.95
IKD08	1960 E	133.55	136.15	2.6	1.99	1.07
SIK5	1930 E	115	119	4	1.98	1.1
IKD-24	1870 E	160	163	3	2.3	2.58
IKD07	1795 E	177	180	3	2.3	2.72
IKD07	1795 E	196.24	199.63	3.39	2.6	1.48
IKD-33	1750 E	108	113	5	3.83	2.5
IKD-33	1750 E	141.6	145	3.4	2.6	2.26
IKD-33	1750 E	154	161	7	5.36	2.66

Msasa

- Drilling began in April and ended in May, for a total of 14 RC holes (1,405 m) and two diamond drill holes (365 m). The best results were:

Hole #	From (m)	To (m)	Length (m)	Au (g/t)
MADD-01	107.00	108.00	1.00	0.54
	191.00	192.00	1.00	2.43
MADD-03	105.11	106.05	0.94	0.52

Hole #	From (m)	To (m)	Length (m)	Au (g/t)
MARC-115	18.00	19.00	1.00	1.95
	19.00	20.00	1.00	0.71
	67.00	68.00	1.00	0.72
	68.00	69.00	1.00	0.66
	70.00	71.00	1.00	1.70
MARC-118	38.00	39.00	1.00	1.93
MARC-120	52.00	53.00	1.00	0.52
MARC-121	58.00	59.00	1.00	0.87
	4.00	5.00	1.00	8.23

MARC-123	5.00	6.00	1.00	15.50
	6.00	7.00	1.00	0.57
MARC-126	3.00	4.00	1.00	0.51
	18.00	19.00	1.00	0.97
MARC-129	19.00	20.00	1.00	1.22
	20.00	21.00	1.00	1.31

The results of this first phase of exploration on the Msasa property did not meet the Company's expectations. All the property data is presently under review, and the drilling program has been refocused on the Ikunku property.

BUSINESS DEVELOPMENT

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

The Company has increased its interest in the Crevier project (niobium-tantalum) in Quebec to 67.5% and has undertaken to carry out a feasibility study in 2010, with the goal of completing resource definition and defining the financial and technical parameters needed to complete the feasibility study, scheduled for the first half of 2011.

Numerous meetings were held with financial institutions to promote the quality of the Company's exploration properties and the Crevier project.

SUMMARY OF OPERATING RESULTS

For the three months ended June 30 2010 and 2009	2010	2009
<i>(In thousands of dollars, except for amounts per share)</i>		
Revenue	\$43	\$2,849
Administrative expenses	\$1,084	\$871
Foreign exchange gain (loss)	\$127	(\$200)
Net income (loss) attributable to the shareholders of the company	(\$1,457)	\$1,153
Basic and diluted net earnings (loss) per share	(0.015)	\$0.012
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Weighted-average number of shares outstanding (in thousands)	97,126	95,277

Operating results

Revenue totalled \$42,569 for the three-month period ended June 30, 2010, compared to \$2,849,625 for the same period in 2009. Revenue for 2009 is attributable mainly to royalties from the production at the Tulawaka gold mine (\$2,844,517). Following an agreement between the two partners a new aggressive exploration program was initiated in order to increase the life of mine and causing a reduced gold production. There was no liquidity available to record any royalty during the 2010 second quarter results. Other revenues accounted for interest income from the Company's various investments.

Administrative expenses totalled \$1,084,017 (including \$37,794 for MCI) compared with \$870,781 in 2009. Administrative expenses included management fees of \$131,179 (\$123,928 in 2009) representing 3% of all operating expenses of the Tulawaka project invoiced by the operator; professional fees of \$314,555 including \$29,795 registered in MCI (\$267,363 in 2009), with the increase due mainly to legal, audit, and communication analysis for the investment in MCI, salary costs of \$215,874 (\$190,590 in 2009), project development expense for a value of \$12,398 (\$26,444 in 2009) and promotion expenses of \$24,825 (\$7,266 in 2009). The increase is mainly due to the development of the new corporate web site. As the company reached its target to increase resources before May 31, 2010 by 500,000 gold ounces, or gold equivalents through its investment in Crevier Mineral Inc's project, an amount of \$201,499 was recorded in stock-based compensation in conformity with the long-term incentive plan. The directors renounced their share of the LTIP plan. An amount of \$28,627 was also recorded in the same account following share option attribution during the period.

Since the amounts distributed by the Tulawaka gold mine are now recorded as royalties in the income statement, the Company is reporting amortization charges for the cost of exploration conducted prior to the opening of the mine based on royalties paid; this amount was \$110,936 in 2009 and no amortization was recorded in the second quarter of 2010.

Net loss

For the six-month period ended June 30, 2010, the Company recorded a net loss attributable to the shareholders of the company of \$2,618,389 or \$0.027 per share compared to net income attributable to the shareholders of the company of \$1,947,544 or \$0.02 per share for the same period in 2009.

The change in net income attributable to the shareholders is caused by the reduction of royalties from the Tulawaka mine, following the extensive exploration program. The net gain per share was calculated based on the weighted average of 96,255,858 common shares outstanding on June 30, 2010, compared to the weighted average of 95,301,054 common shares outstanding on June 30, 2009.

Future results

The Company's future results will be influenced mainly by the amount of royalty income received by the Company from the production at the Tulawaka gold mine and from its exploration programs.

Financial position	<i>June 30</i> 2010	<i>December 31</i> 2009
<i>(In thousands of dollars)</i>		
Cash and cash equivalents	\$10,138	\$12,200
Investments	\$5,267	\$5,162
Income tax receivables	\$1,118	
Receivables	\$582	\$3,561
Mining properties and deferred exploration costs	\$29,330	\$18,370
Total assets	\$46,673	\$45,246
Capital stock	\$62,147	\$60,506
Shareholders' equity	\$43,965	\$44,567

LIQUIDITY AND FINANCIAL POSITION

Cash, cash equivalents and investments

As at June 30, 2010, the Company's cash position, consisting of cash and investments, amounted to \$15,404,680 compared with \$17,362,272 as at December 31, 2009. This decrease is due to the transfer of short term investments to long term investment and the increase of deferred exploration costs.

Tax credit receivables

As of June 30, 2010, tax credit receivables amounted to \$1,118,484 of which \$1,002,961 were attributable to the Crevier project.

Accounts receivables

As of June 30, 2010, accounts receivable amounted to \$582,054 of which \$54,835 were receivable interests on investments, \$151,930 for GST and QST reimbursements and \$375,289 for Tanzanian sales tax reimbursements.

Mining properties

During the three-month period ended June 30, 2010, the Company has entered into an agreement with SOQUEM Inc for the MC Gold project in Chibougamau. This agreement grants MDN the option to acquire a 50% interest in the project in consideration of a payment schedule and exploration expenses of up to \$5.25 million over five years. The company made a payment of \$20,000 for this project during the period. Also, the value of the mining properties consolidated to the financial statements for MCI was \$7,992,052.

Deferred exploration costs

During the three-month period ended June 30, 2010, the Company expensed \$763,939 in deferred exploration costs. Of this amount, an amount of \$504,717 was spent for properties in Tanzania, mainly for the Msasa, Ikungu and Kunga property. The Company also expensed \$259,222 in the province of Quebec, mainly for the Crevier property. As at June 30, 2010, deferred exploration costs related to mining properties reached \$18,986,536 compared with \$16,068,387 as at December 31, 2009.

Assets, shareholders' equity and liquidity

Total assets amounted to \$46,672,858 as at June 30, 2010, compared to \$45,245,826 as of December 31, 2009. The difference is attributable to the increase in deferred exploration costs and the acquisition of MCI.

Shareholders' equity amounted to \$43,964,596 as of June 30, 2010, compared to \$44,566,803 as of December 31, 2009, with the increase being attributable to the acquisition of MCI.

The Company's short-term and long-term liquidity are 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 six-month period ended June 30, 2010, the company issued 3,349,777 common shares at a price of \$0.49 for the acquisition of MCI. As of June 30, 2010, the number of outstanding shares was 97,125,690 compared to 93,775,913 as of December 31, 2009.

Liquidity needs for the current financial year

Gold production at the Tulawaka gold mine started in March 2005. Based on the operation of the mining property and the available liquidities based on the JVA, the Company receives a 30% share of surplus distributed. For the current financial year ending on December 31, 2010, the Company's liquidity needs are estimated at \$9,000,000, which includes fixed costs and exploration expenses in Tanzania, in Québec and for the investment in Crevier Minerals Inc. Without considering the future distribution of royalties by the mine in 2010 the Company's available liquidity exceeds the amount required to meet these 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 June 30, 2010, the mine operator has yet to define the lifespan of the mine in the context of underground development.

Except for the Company's investment in MCI, which is at the evaluation phase, all of the Company's other resource properties are exploration 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 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 of 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

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

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

During the second quarter of 2010, the Company did not enter into any related party transactions.

Financial instruments

Fair value

Fair value for cash and cash equivalents, temporary investments, long-term investments, accounts receivable, trade accounts payable and accruals approximate their book value due to their short-term maturity. The level of data entries used by the Company to evaluate the fair value of these instruments is a Level 1, because they are valued on quotes prices from the stock market.

DIVIDEND POLICY

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

IFRS CONVERGENCE

In April 2008, the CICA published an exposure draft as guidance which requires the transition to International Financial Reporting Standards (“IFRS”) to replace Canadian GAAP as currently employed by Canadian publicly accountable enterprises. The changeover will occur no later than fiscal years beginning on or after January 1, 2011. Accordingly, the Company expects that its first interim financial statements presented in accordance with IFRS will be for the three-month period ended March 31, 2011, and its first annual financial statements presented in accordance with IFRS will be for the year ended December 31, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement and disclosure requirements.

Team

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

The Company is using a five step roadmap to convert to IFRS:

STEP 1: DIAGNOSTIC

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

STEP 2: DESIGN AND PLANNING

STEP 2.1: ACCOUNTING POLICIES

The detailed analysis of the accounting policies impacted by the IFRS convergence is expected to be completed in the third quarter of 2010. 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, the 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.

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

Impairment of assets (IAS 36)

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

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

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

The Company believes that the changes of this policy will have no impact on the financial statements on the changeover date. Nevertheless, in the subsequent years, this policy could generate more impairment than Canadian GAAP would since it uses a one-step test.

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.

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

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

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

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

The Company believes that the changes of this policy will have no impact on the Financial Statements on the changeover date and in subsequent years.

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

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

Under IFRS, each part of a PPE with a cost that is significant in relation to the total cost of the asset shall be depreciated separately. The IFRS may result in additional details needed to maintain de PPE sub-ledger. Under IFRS, the residual value and the useful life of an asset shall be reviewed at least at each year end. The Canadian GAAP was requesting the same review but only on a regular basis.

The Company believes that the changes of this policy will have no impact on the Financial Statements on the changeover date since its PPE were simple. Nevertheless, when the Company obtains the right to built the exploration ramp, additional attention will be needed to identify the different parts of each PPE.

Financial instruments (IAS 39)

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

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

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

STEP 2.2: FINANCIAL STATEMENTS PREPARATION +

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

STEP 2.3: TRAINING AND COMMUNICATION

During the second quarter of 2010, the Company will evaluate if there is a need to engage experts to assist in the transition and provide the appropriate training to the employees.

STEP 2.4: IT 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 changes 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 1.

It has yet to determine how it will generate in parallel the accounting under IFRS so that in 2011 it has the comparative information available. Once the extent of the adjustments needed to convert to IFRS will be established, processes will be put in place in the third quarter 2010 to generate the dual accounting.

STEP 2.5: 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.

STEP 2.6: 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 2010 to detect unsuspected impact.

STEP 3: IMPLEMENTATION

In this stage the Company will implement the changes that have been developed including changes to the accounting processes and policies. The Company will also quantify the IFRS impacts.

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

Management plans to start this step in the third quarter of 2010 and finalize it in the fourth quarter of 2010.

STEP 4: POST IMPLEMENTATION

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

INTERNAL CONTROL REGARDING FINANCIAL INFORMATION

Information disclosure controls and procedure

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

Companies of small capitalization such as MDN do not necessarily have all the technical knowhow related to financial information, in particular in the interpretation of new chapters of the CICA handbook and in the extreme technical complexity of certain transactions which require a in-depth knowledge of generally recognised accounting principles of Canada. Therefore, some transactions could be incorrectly reported resulting in a significant discrepancy in the financial statements of the Company.

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

The management of the Company realized that this control was not efficient during the preparation of the unaudited financial statements of the first quarter of 2010, specifically in the selection and application of the new chapter 1582 of the CICA handbook in relation to the Company amalgamation related to the acquisition of Les Minéraux Creviers Inc. and in the interpretation of a contract signed with an ex- employee of the Company. The Company therefore had the obligation to amend and restate the financial statements of the first quarter of 2010.

Subsequent to the period ending March 31st 2010, management of the Company brought necessary improvements to control processes in order to allow efficient controls in the future.

OUTLOOK

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

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

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

Serge Bureau

Chairman & CEO

Yves Therrien, CMA

Vice President, Finance

Montreal, Canada
August 3, 2010

FINANCIAL SUMMARIES

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

FOR THE LAST THREE YEARS

	2010	2009	2008
	<i>6 months</i>	<i>12 months</i>	<i>12 months</i>
Total revenue	\$101,180	\$7,109,664	\$27,256,716
Net income (loss) attributable to the shareholders of the company	(\$2,618,389)	\$824,029	\$21,956,836
Net income (loss) per share attributable to the shareholders of the company	(\$0.027)	\$0.009	\$0.239
Exploration expenses	\$2,918,149	\$2,716,069	\$4,006,636
Accounts receivable	\$1,700,538	\$3,561,291	\$6,019,795
Total assets	\$46,672,858	\$45,245,826	\$44,757,545
Shareholders' equity			
Total	\$43,964,596	\$44,566,803	\$44,185,847
Per share	\$0.45	\$0.45	\$0.46

FOR THE LAST EIGHT QUARTERS

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

	<i>3rd quarter</i>	2008 <i>4th quarter</i>
Total revenue	\$6,115,879	\$6,003,790
Net loss attributable to the shareholders of the company	\$5,132,751	\$9,109,124
Net loss per share attributable to the shareholders of the company	\$0.056	\$0.095

Consolidated Financial Statements of
(Unaudited)

MDN INC.

Periods ended June 30, 2010 and 2009

MDN INC.

Consolidated Financial Statements
(Unaudited)

Periods ended June 30, 2010 and 2009

Consolidated Financial Statements

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MDN INC.

Consolidated Balance Sheets

June 30, 2010 and December 31, 2009

	June 30, 2010	December 31, 2009
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,137,528	\$ 12,200,029
Temporary investments (note 3)	4,551,846	5,162,243
Accounts receivable	1,700,538	3,561,291
Prepaid expenses	14,582	32,023
	16,404,494	20,955,586
Investment in a company under significant influence (note 2)	–	4,128,228
Long-term investments (note 4)	715,306	–
Mining properties (note 5)	10,343,932	2,301,406
Deferred exploration costs (note 6)	18,986,536	16,068,387
Property and equipment	43,570	45,699
Intangible asset	179,020	179,020
Future tax asset	–	1,567,500
	\$ 46,672,858	\$ 45,245,826
Liabilities and Equity		
Current liabilities:		
Trade accounts payable and accrued liabilities	\$ 736,589	\$ 679,023
Other liability (note 7)	258,834	–
Future tax liability	792,560	–
	1,051,394	–
Equity:		
Non-controlling interests	920,279	–
Shareholders' equity:		
Capital stock (note 8)	62,146,981	60,505,590
Warrants	74,219	74,219
Contributed surplus	6,948,974	6,569,228
Deficit	(25,205,578)	(22,582,234)
	43,964,596	44,566,803
	44,884,875	44,566,803
	\$ 46,672,858	\$ 45,245,826

See accompanying notes to unaudited consolidated financial statements.

MDN INC.

Consolidated Statement of Earnings and Comprehensive Income (Unaudited)

Periods ended June 30, 2010 and 2009

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	2010	2009	2010	2009
Revenue:				
Operating royalties from a mining property	\$ —	\$ 2,844,517	\$ —	\$ 4,712,194
Interest	42,569	4,748	101,180	52,690
	42,569	2,849,265	101,180	4,764,884
Administrative expenses (note 9)	1,084,017	870,781	2,576,092	1,744,836
(Loss) income before the following items	(1,041,448)	1,978,484	(2,474,912)	3,020,048
Other expenses (revenue):				
Change in fair value of a financial instrument held for trading	4,254	—	29,518	—
Foreign exchange (gain) loss	(127,306)	199,845	16,570	(83,766)
Share of earnings in a company under significant influence	—	5,309	—	5,309
Write-off mining properties and deferred exploration costs	—	—	—	73,561
	(123,052)	205,154	46,088	(4,896)
(Loss) income before income taxes	(918,396)	1,773,330	(2,521,000)	3,024,944
Income taxes				
Current	—	(560,500)	—	(960,885)
Recoverable from loss carry-forward	—	560,500	—	960,885
Future				
Recognition and utilization of losses carry-forward	—	560,500	—	960,885
Change in temporary differences and other	550,896	59,500	130,289	116,515
	550,896	620,000	130,289	1,077,400
Net (loss) income and comprehensive income	\$ (1,469,292)	\$ 1,153,330	\$ (2,651,289)	\$ 1,947,544
Attributable to shareholders of the Company	\$ (1,457,009)	\$ 1,153,330	\$ (2,618,389)	\$ 1,947,544
Attributable to non-controlling interest	(12,283)	—	(32,900)	—
Basic and fully diluted net (loss) income per share	\$ (0.015)	\$ 0.012	\$ (0.027)	\$ 0.020
Weighted-average number of outstanding shares (in thousands)	97,126	95,277	96,256	95,301

See accompanying notes to unaudited consolidated financial statements.

MDN INC.

Consolidated Statement of Shareholders' Equity (Unaudited)

Three months and six months periods ended June 30, 2010 and year ended December 31, 2009

	Number of shares outstanding	Capital stock	Number of warrants outstanding	Warrants	Contributed surplus	Deficit	Total
Balance, December 31, 2008	95,325,413	\$ 61,514,951	2,133,154	237,743	\$ 5,937,704	\$(23,504,551)	\$ 44,185,847
Share issued	125,000	71,250	–	–	–	–	71,250
Redemption of shares	(1,674,500)	(970,371)	–	–	–	–	(970,371)
Share issue or redemption costs	–	–	–	–	–	(11,952)	(11,952)
Excess of paid-up capital on consideration paid for redeemed shares	–	(110,240)	–	–	–	110,240	–
Expiry of warrants	–	–	(1,833,154)	(163,524)	163,524	–	–
Stock-based compensation	–	–	–	–	468,000	–	468,000
Net income	–	–	–	–	–	824,029	824,029
Balance, December 31, 2009	93,775,913	60,505,590	300,000	74,219	6,569,228	(22,582,234)	44,566,803
Share issued	3,349,777	1,641,391	–	–	–	–	1,641,391
Share issue costs	–	–	–	–	–	(4,955)	(4,955)
Stock-based compensation	–	–	–	–	149,620	–	149,620
Net loss	–	–	–	–	–	(1,161,380)	(1,161,380)
Balance, March 31, 2010	97,125,690	62,146,981	300,000	74,219	6,718,848	(23,748,569)	45,191,479
Stock-based compensation	–	–	–	–	230,126	–	230,126
Net loss	–	–	–	–	–	(1,457,009)	(1,457,009)
Balance, June 30, 2010	97,125,690	\$ 62,146,981	300,000	74,219	\$ 6,948,974	\$(25,205,578)	\$ 43,964,596

See accompanying notes to unaudited consolidated financial statements.

MDN INC.

Consolidated Statement of Cash Flows (Unaudited)

Periods ended June 30, 2010 and 2009

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	2010	2009	2010	2009
Cash flows from operating activities:				
Net (loss) income	\$ (1,469,292)	\$ 1,153,330	\$ (2,651,289)	\$ 1,947,544
Adjustments to:				
Stock-based compensation	230,126	–	379,746	–
Share of earnings in a company under significant influence	–	5,309	–	5,309
Write-off of mining properties and deferred exploration costs	–	–	–	73,561
Future income taxes	550,896	620,000	(371,711)	1,077,400
Amortization of property, equipment and intangible asset	1,434	112,714	2,804	187,332
Change in fair value of a financial instrument held for trading	4,254	–	29,518	–
Accretion expense related to other liability	9,362	–	19,105	–
Severance benefit presented in other liability	–	–	389,729	–
Changes in non-cash working capital items (note 11)	(119,895)	(2,484,931)	2,566,245	1,512,203
	(793,115)	(593,578)	364,147	4,803,349
Cash flows from financing activities:				
Redemption of shares	–	(85,495)	–	(85,495)
Share issue costs	–	(1,000)	(4,955)	(11,952)
	–	(86,495)	(4,955)	(97,447)
Cash flows from investing activities:				
Investment in a company under significant influence (note 2)	–	(1,107,335)	(441,432)	(1,107,335)
Convertible debenture	–	(1,500,000)	–	(1,500,000)
Acquisition of a participation giving the control of the CMI project, net of cash acquired (note 2)	–	–	(1,127,500)	–
Acquisition of investments	(1,002,772)	–	(1,519,427)	–
Disposition of investments	1,800,000	25,692	1,800,000	18,987
Additions to property, equipment and intangible asset	–	(9,591)	–	(16,285)
Additions to mining properties	(20,000)	(34,890)	(57,338)	(91,890)
Increase in deferred explorations costs	(763,939)	(375,910)	(1,075,996)	(644,254)
	13,289	(3,002,034)	(2,421,693)	(3,340,777)
Net increase (decrease) in cash and cash equivalents				
	(779,826)	(3,682,107)	(2,062,501)	1,365,125
Cash and cash equivalents, beginning of period				
	10,917,354	23,128,493	12,200,029	18,081,261
Cash and cash equivalents, end of period				
	\$ 10,137,528	\$ 19,446,386	\$10,137,528	\$ 19,446,386

See accompanying notes to unaudited consolidated financial statements.

MDN INC.

Notes to Consolidated Financial Statements
(Unaudited)

Periods ended June 30, 2010 and 2009

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

1. Significant accounting policies:

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

(a) Business combinations and non-controlling interests:

(i) Business combinations:

The Company adopted CICA Handbook Section 1582, *Business Combinations*.

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

(ii) Non-controlling interests:

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

(b) Financial instruments:

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

(c) Principles of consolidation:

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

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2010 and 2009

1. Significant accounting policies (continued):

(d) Use of estimates:

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

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

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

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

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

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

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

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2010 and 2009

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

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

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

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

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

Assets acquired:	
Cash	\$ 141,318
Term deposits	215,000
Tax credit receivable	800,086
Sales tax recoverable	85,959
Accrued interest receivable	8,647
Long-term investments	200,000
Mining property ⁽ⁱ⁾	7,985,188
Deferred exploration costs	1,277,883
Property, plant and equipment	675
	<hr/>
	10,714,756
Liabilities assumed:	
Accounts payable and accrued liabilities	114,207
Future tax liability	2,167,501
	<hr/>
	2,281,708
	<hr/>
	8,433,048
Non-controlling interests	953,179
	<hr/>
Net assets acquired	\$ 7,479,869

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2010 and 2009

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

Consideration paid:	
Acquisition of a participation of 28.75% as of June 1, 2009, in cash	\$ 825,000
Acquisition of an additional participation of 10% on January 29, 2010, in cash	950,000
Advances to CMI regarding completed exploration work up to January 29, 2010	2,000,000
Share of cumulated losses on investment up to February 16, 2010	(19,272)
Convertible debenture held in CMI	1,500,000
Acquisition of an additional participation of 28.75% on February 16, 2010	
Cash	582,750
Issuance of 3,349,777 common shares ⁽ⁱⁱ⁾	1,641,391
	<hr/>
	\$ 7,479,869

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

Total consideration paid	\$ 7,479,869
Less:	
Acquisition on June 1, 2009	(82,500)
Acquisition on January 29, 2010	(95,000)
Convertible debenture acquired on June 1, 2009	(1,500,000)
Advances relating to exploration work	(2,000,000)
Share issuance	(1,641,391)
Plus	
Share of cumulated losses on investment up to February 16, 2010	19,272
Acquired cash	(141,318)
Net cash consideration paid	<hr/>
	\$ 441,432

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2010 and 2009

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

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

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

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

3. Temporary investments:

	June 30, 2010	December 31, 2009
Term deposits, rates varying from 0.50% to 0.85%, maturing between August and December 2010 (rates at 0.25%, maturing in August 2010 as at December 2010)	\$ 1,215,000	\$ 1,000,000
Short-term portion of long term investments	3,336,846	4,162,243
	<hr/> \$ 4,551,846 <hr/>	<hr/> \$ 5,162,243 <hr/>

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2010 and 2009

4. Long term investments:

	June 30, 2010	December 31, 2009
Term deposits, rate at 3%, maturing in September 2011	\$ 200,000	\$ –
Bonds, rates varying from 1.15% to 4.80%, maturing between November 2010 and November 2011 (rates varying from 1.15% to 5.50%, maturing between May and December 2010 as at December 2009)	3,852,152	4,162,243
	4,052,152	4,162,243
Short-term portion of long-term investments	(3,336,846)	(4,162,243)
	\$ 715,306	\$ –

5. Mining properties:

	June 30, 2010		December 31, 2009	
	Interest	Amount	Interest	Amount
Properties:				
Tanzania:				
Kunga (Viyonza)	65% - 100% ⁽ⁱ⁾	\$ 976,035	65% - 100%	\$ 976,035
Simba (Isambara)	100	645,252	100	645,252
Baraka (PL-1561-1562)	90	193,238	90	193,238
Baraka (PL-2479)	100	114,188	100	114,188
Ikungu	60	87,474	60	57,000
Québec:				
Lac Shortt	50	170,461	50	170,461
Lespérance	50	78,000	50	78,000
Le Tac	50	43,052	50	43,052
Isle Dieu	100	24,180	100	24,180
MC Gold (note 12)	–	20,000	–	–
Crevier	67.5	7,992,052	–	–
		\$ 10,343,932		\$ 2,301,406

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

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2010 and 2009

6. Deferred exploration costs:

The table below shows the variation of deferred exploration costs:

	December 31, 2009	Acquisition	Income tax credits	Exploration costs	June 30, 2010
Properties:					
Tanzania:					
Tulawaka	\$ 242,078	\$ —	\$ —	\$ 39,244	\$ 281,322
Simba (Isambara)	4,470,390	—	—	25,126	4,495,516
Baraka					
(PL-1561-1562)	294,465	—	—	175	294,640
Baraka (PL-2479)	280,329	—	—	175	280,504
Kunga (Viyonza)	5,220,772	—	—	45,335	5,266,107
Msasa	519,469	—	—	405,528	924,997
Ikungu	865,292	—	—	731,898	1,597,190
Québec:					
Lac Shortt	1,367,012	—	—	—	1,367,012
Lespérance	481,580	—	(1,916)	4,477	484,141
Le Tac	878,344	—	(4,215)	9,847	883,976
Des Meloïses	895,175	—	—	—	895,175
Isle Dieu	553,481	—	(1,935)	4,663	556,209
Crevier	—	1,277,883	(152,606)	534,470	1,659,747
	\$ 16,068,387	\$ 1,277,883	\$ (160,672)	\$ 1,800,938	\$ 18,986,536

7. Other liability:

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

8. Capital stock:

(a) Authorized:

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

(b) Warrants:

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

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2010 and 2009

8. Capital stock (continued):

(c) Stock option plan:

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

	June 30, 2010		December 31, 2009	
	Number of outstanding options	Weighted average exercise price	Number of outstanding options	Weighted average exercise price
Options, beginning of period	3,884,438	\$ 0.75	4,464,348	\$ 0.78
Granted	900,000	0.49	—	—
Cancelled	(110,000)	1.17	(580,000)	1.00
	4,674,438	\$ 0.69	3,884,438	\$ 0.75
Exercisable options, end of period	4,164,438	\$ 0.71	3,884,438	\$ 0.75

As at June 30, 2010, there were 4,674,438 stock options outstanding at exercise prices ranging from \$0.45 to \$0.91 with a weighted average remaining contractual life of 4.14 years.

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

Range of exercise prices	Number of outstanding options	Weighted average remaining life (years)	Weighted average exercise price
\$0.45 - \$0.50	1,965,000	5.19	\$ 0.48
\$0.73 - \$0.76	450,000	5.77	0.75
\$0.80 - \$0.84	609,438	1.30	0.81
\$0.90 - \$0.91	1,490,000	3.48	0.91
Undetermined	160,000	10.00	Undetermined
	4,674,438		

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2010 and 2009

8. Capital stock (continued):

(c) Stock option plan (continued):

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

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

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

On June 1, 2007, the Company established a LTIP for some administrators, members of management and consultants of the Company for a period of 3 years. According to this incentive plan, they vest shares of the Company if certain performance conditions are met. A total of 1,300,000 shares, net of the renunciation of the Company's directors of their shares to be issued, have been granted and acquired as at June 30, 2010, which represents the final total shares that will be granted according to this incentive plan.

The fair value of the granted shares during the period has been established at the grant date according to the value of the Company's shares on that date. The average fair value of the shares granted under the incentive plan was \$0.515 per share.

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2010 and 2009

9. Administrative expenses:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	2010	2009	2010	2009
Professional fees	\$ 314,555	\$ 267,363	\$ 726,497	\$ 545,899
Salaries and fringe benefits	215,874	190,590	775,231	367,181
Stock-based compensation	230,126	—	379,746	—
Transfer fees	10,243	5,113	30,751	67,371
Travelling expenses	68,380	62,423	141,839	169,722
Rent	33,806	22,552	58,275	47,633
Office expenses	7,211	16,201	26,032	60,007
Promotion expenses	24,825	7,266	58,819	17,328
Reports to shareholders	7,310	13,424	14,076	15,390
Insurance, taxes and permits	7,908	1,188	32,272	8,160
Telecommunications	4,532	14,835	7,745	19,966
Management fees	131,179	123,928	242,116	203,521
Projects development	12,398	26,444	50,673	26,444
Bank charges	4,874	6,740	10,111	8,882
Accretion expenses on other liability	9,362	—	19,105	—
Amortization of property and equipment and intangible asset	1,434	112,714	2,804	187,332
	<u>\$ 1,084,017</u>	<u>\$ 870,781</u>	<u>\$ 2,576,092</u>	<u>\$ 1,744,836</u>

10. Related party transactions:

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

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

There was no related party transactions during the second quarter of 2010 and for the year ended December 31, 2009.

MDN INC.

Notes to Consolidated Financial Statements, Continued
(Unaudited)

Periods ended June 30, 2010 and 2009

11. Statement of cash flows:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	2010	2009	2010	2009
Changes in non-cash working capital items				
Accounts receivables	\$ (284,004)	\$ (2,673,970)	\$ 2,755,445	\$ 1,422,296
Prepaid expenses	3,031	19,258	17,441	117,853
Trade accounts payable and accrued liabilities	161,078	169,781	(206,641)	(27,946)
	<u>\$ (119,895)</u>	<u>\$ (2,484,931)</u>	<u>\$ 2,566,245</u>	<u>\$ 1,512,203</u>

12. Commitments:

During the three-month period ended June 30, 2010, the Company entered into an agreement with SOQUEM Inc. concerning the MC Gold project in Chibougamau. The agreement grants MDN the option to acquire a 50% interest in the project in consideration of a payment schedule and exploration expenses of up to \$5,250,000 over five years. During the period, the Company made a payment of \$20,000 relating to the project.

13. Comparative figures:

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