INTERIM FINANCIAL STATEMENTS

MARCH 31ST, 2011

MDN INC.

MANAGEMENT DISCUSSION AND ANALYSIS

(FOR THE PERIOD ENDED MARCH 31, 2011)

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-month periods ended March 31, 2011 and 2010. The reader should also refer to the audited annual financial statements as at December 31, 2010, including the section describing the risks and uncertainties. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board. Comparative information included in the March 31, 2011 interim financial statements and in this MD&A has been restated in accordance with IFRS.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This Management Discussion and Analysis was prepared as of May 25, 2011, 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 March 31, 2011, 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 involved in various gold exploration projects totalling 757 km2 in the area of Lake Victoria Goldfield, as well as in a joint venture with African Barrick Gold, ABG 70% and MDN 30%, in the Tulawaka mine and its adjacent permits.

Quebec: Le Tac, Lac Shortt, Lespérance and MCGold in the Chibougamau area, and Isle-Dieu in the Matagami area. MDN is also preparing a feasibility study for the Crevier project in Lac-St-Jean, controlled at 72.5%.

FIRST QUARTER 2011 HIGHLIGHTS

- Net loss was $876,031 or $0.006 per share, compared to a net loss of 1,412,320$ or $0.014 per share for the same period in 2010. Since 2010, the two partners in the Tulawaka mine have agreed to invest aggressively in an exploration program in order to extend the life of mine;this investment program was continued in the first three months therefore eliminating the available liquidities from the mine production.

- The total gold production, from the Tulawaka mine was 19,606 ounces of gold at an average head grade of 5.92 g/t gold and a mill recovery of 93.6%. Production for the same period in 2010 was 14,588 ounces of gold at an average head grade of 4.09 g/t gold.

- Quarterly production was up from last year due to higher tonnage and grade of underground ore production. In 2011, the underground operation generated 43,053 tonnes grading 12.8 g/t, compared versus underground production of 27,544 tonnes at an average grade of 9.04 g/t gold for the same period in 2010. This increase in underground production was achieved through investments in 2010 to improve the overall efficiency of the underground mine operation.

- Total cash cost to produce one ounce of gold was US $738, compared to US $558 in 2010.

- The Tulawaka gold mine sold 18,350 ounces of gold on the spot market at an average price of US $1,398.

- Capital investments for the quarter amounted to $3.9 million, compared to $2.3 million in the same period last year. Tulawaka continued its intensive exploration drilling program during the quarter, aimed at extending the mine's useful life. This program was supported by investment in additional mining equipment to carry out the development needed for the exploration program. During the quarter, capitalized exploration drilling expenses, development capital, and sustaining capital each represented $1.3 million.

- A drilling program began on the Ikungu project in the first quarter with the goal of pursuing exploration of the east and west extensions of the mineralized structures.

- Feasibility study work for the Crevier project continued throughout the first quarter. The overall feasibility study has been hampered by a delay in pilot plant test production. Originally planned for the first half of 2011, completion of the study is now expected at the end of the second half of 2011.

- Following execution of the $2,000,000 second exploration investment in CMI on January 21, 2011, the Board of Directors authorized the Corporation to exercise its option to increase its interest in CMI by 5%, and approved the additional $2,000,000 work program.

CREVIER PROJECT DEVELOPMENT

The feasibility study that started in early 2010 is progressing as outlined in the Crevier property development plan. However, a delay in the preparation and execution of pilot plan testing will cause a delay in the preparation of the overall feasibility study. The study cannot be completed as planned by the end of the first half of the year, and the entire study timetable is presently being updated.

The main activities in the first quarter were:

- Mine plan and in-pit mineral resource
- Metallurgical development and flotation plant
- Environmental baseline study
- Geotechnical characterization of the infrastructure sites

Mine Plan and In-Pit Mineral Resource

Our consultants Met-Chem and SGS Geostat spent the quarter revising and optimizing the resource estimate model. The model was revised on the basis of the new property topography and the 2010 drill results, and the assessment criteria were modified to reflect higher metal prices. Optimization of the economic value of the pit is underway to determine the optimal economic parameters. The quantity of waste in the pit and optimization of the ore-to-waste ratio are being reassessed.

On the mining front, two scenarios are being considered: mining with our own team, and mining using a mining contractor. Budget submissions are being solicited to support the financial analysis of the two scenarios.

Metallurgical Development and Flotation Plant

In the first quarter, metallurgical development was exclusively devoted to the preparation and execution of a pilot plant trial. This process resulted in a delay relative to the original timetable, due to a general increase in mining activity and the resulting demand for pilot plant test services. The pilot plant trial began at the end of February and was completed in March. The pilot trial was designed based on the criteria developed in laboratory testing in 2010. The plant processed 215 tonnes of Crevier ore. The pilot trial had three objectives: to confirm the process metallurgy in a plant environment, to confirm the design criteria and to produce the concentrate required to continue work on the leaching process. Compilation and interpretation of the data from this pilot plant trial are still underway.

A geochemical sampling program was set up during the pilot trial to characterize the mine tailings and process water, required for tailings pond design and general water management.

The design of the flotation plant is underway, and several modules are complete. The final results from the pilot plant trial are needed for final preparation.

Environmental Baseline Study

Inventory-related field work has been done, and the environmental baseline study report will be available for inclusion in the feasibility study as provided for in the general feasibility study preparation timetable. Once the various operating components of the project are better defined, a report on the potential impacts and their mitigation will be prepared to complete the Crevier project environmental study.

Geotechnical Characterization of the Infrastructure Sites

Field studies on the characterization of the bedrock in the area of the tailings pond and the waste dump and the location of the flotation plant were completed in the first quarter. This data will provide a basis for the design of these facilities, which is currently underway. However, the preparation process is affected by the delay encountered in pilot plant testing, as many of the parameters from the pilot plant testing are required to design these facilities

EXPLORATION ACTIVITIES

TANZANIA

In the first quarter, our main exploration activity consisted of drilling on the Ikungu property.

Ikungu

The drilling program began on January 20 with just one RC-type drill instead of two drills (1 RC & 1DDH) as planned in December. The second diamond drill arrived on site on March 31 instead of January 20, due to logistical problems on the part of the contractor.

The program began with drill fences to test soil anomalies in the west and east extensions of the mineralized zone. Drilling was done on sections 970E and 1195E to the west and sections 4180E and 4590E to the east. The assays for the western results are available, while those for the eastern sections are underway and should be received in May. Pas clair

The mineralized structure was intercepted on Section 970E, with an intersection of 2.87 g/t Au over 2 m, which confirms the presence of the mineralized structure toward the west. The holes to the west were drilled to test a gold soil anomaly 400 m from Hole IKBH 42 (2.15 g/t Au over 6.2 m and 1.54 g/t Au over 21.45 m), drilled on the mineralized structure. Put together, the results for IKBH-48 and IKBH 42 would appear to prove that this structure extends 1 km west from the last hole, IKD-33 (2.66 g/t Au over 5.36 m), which increases the potential for additional tonnage.

In the eastern part of the property, holes on the southern part of the drill fences intercepted volcanic rocks favourable to mineralization, unlike those on the northern part, which intercepted intrusive granites unfavourable to gold mineralization. Assays are currently underway. The holes that intersected the volcanic rocks lie between 500 and 800 metres southeast of the last intersection, in Hole IKD-43 (1.21 g/t Au over 2.73 m).

All the 2010 drill data was compiled to update the mineralized blocks on section pas clair and do an estimate using polygons on section. The MDN team did an overall conceptual estimate of the mineral potential of the Ikungu deposit. The geological interpretation of the mineralized zones was done on cross-sections looking toward 290° azimuth. There are at least two holes on most of the sections. In all, 20 cross-sections were interpreted to have mineralized intersections and 52 mineralized intersections were defined in 36 holes. True width was calculated on the assumption that the mineralized zones strike 110° and dip 70° south.

An alternative estimate was also done on longitudinal section, extrapolating the values to midway between the intersections. The estimates obtained by the two methods indicate a conceptual estimate of 1,786,760 to 9,038,247 tonnes grading between 9.10 and 3.72 g/t Au for the Ikungu deposit, for 522,000 to 1,000,000 ounces of gold. It is important to note that the tonnage and grade are hypothetical, the estimates are conceptual, the exploration done to date is still insufficient to define a mineral resource, and there can be no assurance that more detailed exploration would succeed in establishing the presence of a resource. However, the estimate shows that the Ikungu property has promising gold potential.

BUSINESS DEVELOPMENT

MDN remains first and foremost a gold exploration company, and plans to continue developing the Tulawaka mine with African Barrick Gold. On its exploration properties, most of the Tanzanian exploration budget will be allocated to the Ikungu gold property.

In the first quarter, the Company increased its investment in the Crevier project (niobium-tantalum) in Quebec. MDN increased its equity in the project to 72.5%, while Iamgold now owns 27.5%. MDN will continue with feasibility study preparation throughout the year, with the goal of determining the financial and technical parameters it needs to make a decision on the future of the Crevier project development.

Numerous meeting were held with financial institutions to publicize the quality of our exploration properties and the Crevier project. Many meetings were also held with financial institutions to assess our financing options for the Crevier project construction.

SUMMARY OF OPERATING RESULTS

For the three months ended March 31	**2011**	2010
(In thousands of dollars, except for amounts per share)		
Revenue	**$46**	$33
Administrative expenses	**$807**	$1,477
Net income (loss) attributable to the shareholders of the company	**($876)**	($1,412)
Basic and diluted net earnings (loss) per share	**($.006)**	($0.014)
Weighted-average number of shares outstanding (in thousands)	**98,444**	95,376

Operating results

MDN's revenues are generated mainly from royalties derived from the production at the Tulawaka gold mine. Underway since 2010, the aggressive exploration program necessary to increase the life of mine continued during the first quarter of 2011 with the investment for new equipment.Subsequently to the above decisions, royalties were not declared in the first quarter results. Other revenues consisted of interest income from the Company's various investments.

Administrative expenses totalled $807 409 (including $11,308 for MCI) compared with $1,477,095 in 2010. Administrative expenses included management fees of $157,644 ($110,937 in 2010) representing 3% of all operating expenses of the Tulawaka project invoiced by the operator; professional fees of $179,220 ($411 942 in 2010),.Last year the company incurred $133,406 for legal, audit, and communication analysis for the investment in MCI, also,, the company recorded the termination of two consulting contracts (Tanzanian country manager and advisor to the president) representing $51,350 and the reclassification of a contractual position into a salaried position ($49,325). Stock base compensation of $12,583 ($149,620 in 2010) due to attribution of stock option, salary costs of $256,191 ($559,357 in 2010), decrease mainly due to record of discounted indemnification in 2010 partly offset by the reclassification of a contractual position into a salaried position. Project development expense for a value of $54 in 2011 compared with $38,275 in 2010.

Net loss

For the three-month period ended March 31, 2011, the Company recorded a net loss of $890,450 or $0.006 per share compared to net loss of $1,432,937 or $0.014 per share for the same period in 2010.

The net loss per share was calculated according to the weighted average of 98,444,024 common shares outstanding on March 31, 2011, compared to the weighted average of 95,376,362 common shares outstanding on March 31, 2010.

Future results

The Company's future results will be influenced mainly by the amount of royalty income received from its 30% participation in the Tulawaka gold mine and from its exploration programs.

Financial position	*March 31* **2011**	*December 31* 2010
(In thousands of dollars)		
Cash and cash equivalents	**$2,582**	$4,975
Investments	**$5,733**	$5,739
Mining taxes receivable	**$478**	$ 346
Accounts receivables	**$2,304**	$1,660
Exploration and evaluation assets	**$33,029**	$31,687
Total assets	**$47,151**	$47,272
Capital stock	**$62,824**	$62,824
Shareholders' equity	**$41,731**	$42,594

LIQUIDITY AND FINANCIAL POSITION

Cash, cash equivalents and term deposits

As at March 31, 2011, the Company's cash position, consisting of cash, investments and term deposits, amounted to $8,314,618 compared with $10,713,786 as at December 31, 2010. This decrease is mainly due to the investment in exploration and evaluation assets.

Mining taxes receivables

As of March 31, 2011, tax credit receivables amounted to $477,775 of which $346,004 were attributable to the Crevier project.

Accounts receivables

As of March 31, 2011, accounts receivable amounted to $2,304,270 mainly due to Resources credit ($1,421,040) receivable interests on investments ($72,390), $170,503 for GST and QST reimbursements, and $585,872 for Tanzanian sales tax reimbursements.

Mining properties

During the three-month period ended March 31, 2011, the Company made its annual payment pursuant to its agreement for the Ikungu property ($43,632) and for Nikonga property ($15,023) both in Tanzania

Exploration and evaluation assets

During the three-month period ended March 31, 2011, the Company expensed $2,145,992 in exploration and evaluation assets. Of this amount, $286,478 was spent for properties in Tanzania, mainly for the Ikungu property. The Company also expensed $1,859,514 in the province of Quebec, mainly for the Crevier property.

Assets, shareholders' equity and liquidity

Total assets amount to $47,150,590 as at March 31, 2011, compared to $47,272,468 as of December 31, 2010.

Shareholders' equity amounted to $41,730,793 as of March 31, 2011, compared to $42,594,241 as of December 31, 2010, with the decrease being attributable to the loss for the period.

The Company's liquidity, short-term and long-term, is sufficient 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 three-month period ended March 31, 2011, the company did not issue any new shares, as of March 31 2011, the number of outstanding shares is 98,444,024 which is the same as of December 31,2010.

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. Notwithstanding the future distribution of royalties from the mine in 2011, the Company's available liquidity exceeds the amount required to meet its financial 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 March 31, 2011, 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 CMI, the Company paid $459,000 and issued 1,488,790 shares to its actual president and to a director 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 the same director.

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

Since the third quarter of 2010, following the issuance of shares of the long-term incentive plan, the Company provided a loan to two of its keys managers to the amount of $62,400. This loan, which carries a rate of 1% per year, is reimbursable at all times either in part or in full and will mature in December 31, 2012. If the borrower ceases to be an employee of the Company, the loan will become due immediately.

Financial instruments and financial risk management

(a) Financial instruments:

Non-derivative financial assets and liabilities are initially recognized at fair value, plus any directly attributable transaction costs.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company classified its cash and cash equivalents, temporary investments, accounts receivable and long-term investments as loans and receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Financial assets at fair value through profit or loss include:

- the option to acquire additional shares of CMI, which corresponds to a derivative instrument and as such was classified as held for trading;

- the convertible debenture which was designated at fair value through profit or loss upon initial recognition.

These financial assets are presented on the face of the statement of financial position under the investment in an equity accounted investee line item as at January 1, 2010.

Financial liabilities

The Company classified its trade accounts payable and accrued liabilities and other long-term liability as financial liabilities at amortized cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(b) Foreign exchange risk:

The Company receives royalty revenues and incurs exploration costs in US dollars, and is consequently exposed to foreign exchange risk.

The balances denominated in foreign currency are as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
	$ US	$ US	$ US
Cash	201,938	176,492	989,390
Accounts receivable	–	–	2,994,379
Trade accounts payable and accrued liabilities	500,414	337,827	268,049

As at March 31, 2011, if the exchange rate (CA$/US$) had increased or decreased by 5%, the net results would have been higher or lower by approximately $55,440 (approximately $8,000 as at

December 31, 2010 and $195,000 as at January 1, 2010). During the period, the net foreign exchange loss was $50,964 compare to a loss of $131,568 in 2010.

(c) Credit risk:

The Company invests its cash and cash equivalents and its investments in fully guaranteed high quality titles issued by Canadian financial institutions. Also, the Company invests a portion of its cash and cash equivalents in guaranteed investment certificates and in bonds of public companies in order to reduce its exposure to credit risk.

(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.

As at March 31, 2011, the Company has accounts receivable of $2,304,270 and trade accounts payable and accrued liabilities of $1,888,717, coming to maturity within the next twelve months.

As at March 31, 2011, the Company was holding cash and cash equivalents and temporary investments totalling $7,292,368. Given the Company's available liquidities as compared with the timing of the payments of liabilities, management assesses that the Company's liquidity risk is low.

(e) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company holds the majority of its cash and cash equivalent balance in interest-bearing accounts which are therefore only exposed to future cash flow fluctuations coming from changes in market interest rates. Temporary investments and long-term investments consist mainly of bonds and guaranteed investment certificates with maturity of less than eighteen months and are, therefore, exposed to interest rate risk on fair value. A fluctuation of 100 basis points on market interest rate would not have a significant impact on the financial results of the Company.

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.

International Financial Reporting Standards

Effective January 1, 2011, International Financial Standards ("IFRS") became Canadian GAAP ("CDN GAAP") for publicly accountable enterprises. As a result, MDN Inc. interim financial statements for the first quarter of 2011 are reported in accordance with IFRS, with comparative information for 2010 restated.

The Company developed and executed a changeover plan in order to begin reporting in accordance with IFRS from January 1, 2011. The changeover plan included an assessment phase, a design phase, and an implementation phase, each of which set out activities to be performed over the life of the project, resulting in the Company's first interim reporting under IFRS for the first quarter of 2011. The implementation phase will continue to culminate in the preparation of our financial reporting under IFRS in 2011.

Throughout 2011, we will continue to execute the final phase of our changeover plan. Activities in this respect include continuing to execute business process and internal control changes, testing internal controls impacted by our IFRS changeover, monitoring accounting and regulatory developments and evaluating impacts on our financial reporting, and continuing to fulfill presentation and reporting requirements.

Reconciliations from CDN GAAP to IFRS

These are the first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 of the financial statements have been applied in preparing the financial statements for the period ended March 31, 2011, the comparative information presented in these financial statements as at December 31, 2010 and for the period ended March 31, 2010, and in the preparation of an opening IFRS statement of financial position as at January 1, 2010 (the Group's date of transition).

Material adjustments to the statement of cash flows for 2010

Interests received have been presented separately in the body of the Statement of Cash Flows, within operating activities. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

Notes to the reconciliations

(a) Acquisition of CMI:

In February 16, 2010, the Company obtained the control of CMI. Under Canadian GAAP, CMI was not considered to be a business and as such this acquisition was not accounted for as a business combination, but rather as an acquisition of net assets. However, since the Company took control over CMI, this latter was considered a subsidiary whose assets and liabilities were consolidated. The accounting treatment is compliant with IFRS, except for the following two differences:

Non-controlling interests were accounted for at the pro rata share of the net book value of CMI's net assets while under IFRS they are accounted for at their fair value at the date on which the Company obtained control of CMI. This difference resulted in an increase in non-controlling interest of $1,518,089, the counterpart being an increase in mining properties for the same amount.

Deferred tax liabilities were recorded under Canadian GAAP as a result of this transaction, while under IFRS a deferred tax liability (asset) is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit. Therefore, the deferred tax liabilities of $1,866,601 recorded under Canadian GAAP were reversed under IFRS with a corresponding decrease in mining properties. In addition, during the year 2010, a deferred tax asset of $180,701 recorded under Canadian GAAP was reversed under IFRS since there were no more deferred tax liabilities to offset them.

(b) Classification of other financial instruments:

Cash, cash equivalents, temporary investments and long-term investments do not meet the criteria for the fair value through profit and loss designation under IFRS, as they are not managed on a fair value basis but yield to maturity basis, and as they are not traded on an active market. Under Canadian GAAP, they met the classification of financial assets designated as held for trading.

As a result of the IFRS, cash, cash equivalents, temporary investments and long-term investments are classified as loans and receivables. With regard to cash and cash equivalents, this change in classification does not have a financial impact on the consolidated financial statements as the fair value of those instruments approximates cost; therefore, this is only a disclosure difference.

With regard to temporary investments and long-term investments, this change resulted in an immaterial impact. However, reclassification entries were recorded in the condensed consolidated interim statements of financial position and the condensed consolidated interim statements of comprehensive income.

Interests receivable under Canadian GAAP were presented in temporary investments in the amounts of $10,042, $48,950 and $38,636 as at January 1, 2010, March 31, 2010 and December 31, 2010, respectively. Under IFRS, these amounts were reclassified in accounts receivable.

Changes in fair value of financial instruments held for trading amounting to $25,264 and $60,730 for the three-month period ended March 31, 2010 and for the year ended December 31, 2010, respectively, were recorded under Canadian GAAP. Under IFRS, these amounts were reclassified against finance income in the condensed consolidated interim statements of comprehensive income.

(c) Change of functional currency of MDN Tanzania Ltd.:

The foreign currency adjustments related to an integrated foreign operation under Canadian GAAP. IFRS do not distinguish between integrated and self-sustaining foreign operations and the current rate method is required to be applied to all entities whose functional currency is different from the presentation currency, resulting in an adjustment on transition to IFRS.

As at January 1, 2010, March 31, 2010 and December 31, 2010, this change resulted in a currency translation account of $273,059, $536,307 and $810,573, respectively, recorded in accumulated other comprehensive income. Losses of $263,248 and $537,514 were recorded in other comprehensive income for the three-month period ended March 31, 2010 and for the year ended December 31, 2010, respectively.

(d) Deferred mining duties taxes:

The Company incurred exploration and evaluation costs that were capitalized, but certain of these costs will not be deductible in the future for mining duties tax purposes. Deferred tax liabilities were recorded under Canadian GAAP on these items of nil, nil and $19,000 as at January 1, 2010, March 31, 2010 and December 31, 2010, respectively. Under IFRS, a deferred tax liability (asset) is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit. Therefore, the above-mentioned deferred tax liabilities recorded under Canadian GAAP were reversed under IFRS with a corresponding decrease in deficit.

(e) Deficit:

The above changes decreased (increased) deficit (each net of related tax) as follows:

	Note	January 1, 2010	March 31, 2010	December 31, 2010
Foreign exchange loss reclassified in other comprehensive income	(c)	$ –	$ 12,308	$ 39,578
Income tax adjustment related to acquisition of CMI	(a)	–	–	(180,701)
Income tax adjustment related to deferred mining duties taxes	(d)	–	–	19,000
Increase (decrease) in deficit		$ –	$ 12,308	$ (122,123)

(f) Reclassification in the statement of comprehensive income:

Interest received on bank accounts, bank charges, accretion of the other liability and foreign exchange losses were reclassified within the finance income and expense line items under IFRS, while they were presented under revenue, administrative expenses and other separate line items under Canadian GAAP.

IFRS accounting policies

Our significant accounting policies under IFRS are disclosed in our interim financial statements for the first quarter of 2011, and resulting accounting changes are highlighted in our reconciliations from previous CDN GAAP reporting. The exemptions from full retrospective application elected by the Company in accordance with IFRS 1 "First time adoption of International Financial Reporting Standards" are also disclosed in our interim financial statements for the first quarter of 2011.

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 since March 31, 2010. Based on this assessment, the President and the Chief Financial Officer have concluded that such controls and procedures were not effective for the reasons enunciate on the following paragraph.

Companies of small capitalization such as MDN do not necessarily have all the technical knowhow related to financial information, in particular in the interpretation of new chapters of the CICA handbook and in the extreme technical complexity of certain transactions which require an 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.

SUBSEQUENT EVENTS

a) Issuance of shares:

Following the decision of the Board of Directors to approve the issuance of common shares for the acquisition of an additional interest of 5% in CMI on March 16, 2011, the Company issued 1,531,863 shares at $0.408 per share on April 4, 2011, leading to an increase in the Company's interest in CMI from 67.5% to 72.5%.

b) Communication with Tanzania Revenue Authority:

On May 10, 2011, the Company received a request from the Tanzania Revenue Authority ("TRA") to file certain documents in respect of the Tulawaka mine operation and the legal structure of the Company's share in the royalties from this mining property. This request included also preliminary calculations made by TRA presuming that the Company owes substantial amounts to the Tanzanian government related to corporate taxes on gold sales from the Tulawaka mining property and other various withholding taxes for the fiscal years 2004 to 2010. The Company subsequently sent the requested information to TRA and discussions are presently in progress in order to clarify this situation. Pursuant to the Joint Venture Agreement between the Company, Pangea Goldfields Inc. and Pangea Minerals Limited (the "Operator"), the Operator cannot distribute the cash flow from the Tulawaka mine before first paying taxes to the TRA. The Company has obtained a confirmation from the Operator that since the beginning of the production at the Tulawaka Mine in 2004, the Operator has paid the taxes due to the TRA.

No provisions have been recorded in the Company's financial statements as at March 31, 2011 as management is in the opinion that amounts included in this communication are not founded and that the Company does not owe any taxes to the TRA in respect of these mining operations. Any amounts that may become payable related to this contingency could have a negative impact on the Company.

(c) Change in refundable credit on mining duties:

The Quebec government's Bill 5 has received first reading on May 4, 2011, making it substantively enacted for IFRS purposes on that date. The bill includes proposals to amend the mining duties regime, as announced in the 2010 Quebec budget, for expenses incurred after March 30, 2010. As a result, the mining duties rate has increased from 12% to 16% after March 30, 2010, while credit on mining duties rates has decreased from 12% to 7% from March 30, 2010 to December 31, 2010 and has increased to 7.5% from January 1, 2011 to December 31, 2011.

During the quarter ending June 30, 2011, these changes will result in an increase in deferred tax liabilities and deferred tax expenses of $319,644 and a decrease in mining taxes receivable and current taxes of $117,731.

Outlook

In 2011, MDN will continue to operate in all its key activity sectors. Most of the Tulawaka mine production will come from the underground mine and the low-grade surface stockpile. A major underground exploration program is also underway to extend the mine life by renewing the reserves already mined.

MDN will remain active on its own exploration programs in Tanzania, focusing most of its efforts on the Ikungu property. In Canada, efforts will primarily be focused on the Crevier project feasibility study and drilling work currently being planned for the MCGold property.

The technical team will be pursuing business opportunities throughout the year, continuing to seek out advanced projects with potential for rapid development, as well as acquisitions with the potential to enhance the quality of our exploration property portfolio.

Serge Bureau	Yves Therrien, CMA
Chairman & CEO	Vice President, Finance

Montreal, Canada
May 25th 2011

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

	2011	**2010**	**2009**
	3 months	*12 months*	*12 months*
Total revenue	**$45,770**	$134,367	$7,109,664
Net income (loss)	**($890,450)**	($3,441,896)	$824,029
Net income (loss) per share	**($0.006)**	($0.035)	$0.09
Exploration expenses	**$1,554,710**	$6,397,268	$2,716,069
Accounts receivable	**$2,787,045**	$2,005,826	$3,358,402
Total assets	**$47,150,590**	$47,272,467	$45,245,826
Shareholders' equity			
Total	**$41,730,793**	$44,971,578	$44,566,803
Per share	**$0.42**	$0.46	$0.45

FOR THE LAST EIGHT QUARTERS

	2011
	1st quarter
Total revenue	$45,770
Net income (loss)	($890,450)
Net income (loss) per share	(.006)

				2010
	1st quarter	*2nd quarter*	*3rd quarter*	*4th quarter*
Total revenue	$33,347	$38,315	$27,285	35,420
Net income (loss)	(1,149,072)	(729,878)	($500,610)	($1,062,336
Net income (loss) per share	($0.12)	($.008)	($0.005)	($0.020)

			2009
	2nd quarter	*3rd quarter*	*4th quarter*
Total revenue	$2,849,265	$2,790,286	($445,506)
Net income (loss)	$1,153,330	$737,649	($1,861,164)
Net income (loss) per share	$0.012	$0.008	($0.020)

Note : 2009 are expressed on Canadian GAAP

Condensed Consolidated Interim Financial Statements of
(Unaudited)

MDN INC.

Periods ended March 31, 2011 and 2010

MDN INC.

Condensed Consolidated Interim Financial Statements
(Unaudited)

Periods ended March 31, 2011 and 2010

Financial Statements

MDN INC.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

March 31, 2011, December 31, 2010 and January 1, 2010

	March 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash and cash equivalents	$ 2,581,968	$ 4,974,737	$ 12,200,029
Temporary investments (note 5)	4,710,400	4,406,886	5,162,243
Accounts receivable	2,304,270	1,659,822	3,534,535
Mining taxes receivable	477,775	346,004	26,756
Prepaid expenses	19,094	31,473	32,023
Total current assets	10,093,507	11,418,922	20,955,586
Non-current assets:			
Investment in an equity accounted investee (notes 4 and 6)	–	–	4,128,228
Long-term investments (note 7)	1,022,250	1,332,163	–
Mining properties (note 8)	10,090,615	10,040,154	2,229,470
Exploration and evaluation assets (note 9)	22,938,804	21,646,987	15,870,229
Equipment	36,623	38,222	42,734
Intangible assets	179,020	179,020	179,020
Deferred tax assets	2,789,771	2,617,000	2,069,500
Total non-current assets	37,057,083	35,853,546	24,519,181
Total assets	$ 47,150,590	$ 47,272,468	$ 45,474,767
Liabilities and Equity			
Current liabilities:			
Trade accounts payable and accrued liabilities	$ 1,888,717	$ 1,228,514	$ 679,023
Total current liabilities	1,888,717	1,228,514	679,023
Non-current liabilities:			
Other long-term liability	209,534	226,375	–
Deferred tax liabilities	958,627	846,000	502,000
Total non-current liabilities	1,168,161	1,072,375	502,000
Equity:			
Share capital (note 10)	62,823,630	62,823,630	60,505,590
Warrants (note 10)	–	–	74,219
Contributed surplus	6,527,922	6,515,339	6,569,228
Accumulated other comprehensive income	(1,046,967)	(810,573)	(273,059)
Deficit	(26,573,792)	(25,934,155)	(22,582,234)
Total equity attributable to equity holders of the Company	41,730,793	42,594,241	44,293,744
Non-controlling interests	2,362,919	2,377,338	–
Total equity	44,093,712	44,971,579	44,293,744
Subsequent events (note 17)			
Total liabilities and equity	$ 47,150,590	$ 47,272,468	$ 45,474,767

The notes on pages 5 to 47 are an integral part of these unaudited condensed consolidated interim financial statements.

MDN INC.

Condensed Consolidated Interim Statements of Comprehensive Income
(Unaudited)

Periods ended March 31, 2011 and 2010

	Three months ended March 31, 2011	Three months ended March 31, 2010
Revenue:		
Operating royalties from the Tulawaka mine (note 1)	$ –	$ –
Administrative expenses (note 12)	807,409	1,477,095
Loss before net finance expense and income taxes	807,409	1,477,095
Net finance expense (note 13):		
Finance income	45,770	33,347
Finance expense	(63,925)	(146,548)
	(18,155)	(113,201)
Loss before income taxes	(825,564)	(1,590,296)
Income tax recovery:		
Current taxes	(111,364)	–
Deferred taxes	(60,144)	(420,607)
	(171,508)	(420,607)
Net loss	(654,056)	(1,169,689)
Other comprehensive income for the period:		
Foreign currency translation differences of foreign operations	(236,394)	(263,248)
Net comprehensive loss for the period	$ (890,450)	$ (1,432,937)
Net loss attributable to:		
Owners of the Company	$ (639,637)	$ (1,149,072)
Non-controlling interests	(14,419)	(20,617)
Total comprehensive loss attributable to:		
Owners of the Company	$ (876,031)	$ (1,412,320)
Non-controlling interests	(14,419)	(20,617)
Basic and fully diluted net loss per share	$ (0.006)	$ (0.014)

The notes on pages 5 to 47 are an integral part of these unaudited condensed consolidated interim financial statements.

MDN INC.

Condensed Consolidated Interim Statement of Changes in Equity
(Unaudited)

Periods ended March 31, 2011 and 2010

	Number of shares outstanding	Share capital	Number of warrants outstanding	Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity attributable to equity holders	Non-controlling interests	Total equity
Balance, January 1, 2010	93,775,913	$ 60,505,590	300,000	$ 74,219	$ 6,569,228	$ (273,059)	$ (22,582,234)	$ 44,293,744	$ –	$ 44,293,744
Shares issued	3,349,777	1,641,391	–	–	–	–	–	1,641,391	–	1,641,391
Share issuance costs	–	–	–	–	–	–	(4,955)	(4,955)	–	(4,955)
Share-based payments	–	–	–	–	149,620	–	–	149,620	–	149,620
Acquisition of a participation giving the control of CMI (note 4)	–	–	–	–	–	–	–	–	2,471,268	2,471,268
Foreign currency translation differences of foreign operations	–	–	–	–	–	(263,248)	–	(263,248)	–	(263,248)
Net loss	–	–	–	–	–	–	(1,149,072)	(1,149,072)	(20,617)	(1,169,689)
Balance, March 31, 2010	97,125,690	$ 62,146,981	300,000	$ 74,219	$ 6,718,848	$ (536,307)	$ (23,736,261)	$ 44,667,480	$ 2,450,651	$ 47,118,131
Balance, January 1, 2010	93,775,913	$ 60,505,590	300,000	$ 74,219	$ 6,569,228	$ (273,059)	$ (22,582,234)	$ 44,293,744	$ –	$ 44,293,744
Shares issued	3,349,777	1,641,391	–	–	–	–	–	1,641,391	–	1,641,391
Share issuance costs	–	–	–	–	–	–	(3,956)	(3,956)	–	(3,956)
Share-based payments	1,318,334	676,649	–	–	(128,108)	–	–	548,541	–	548,541
Acquisition of a participation giving the control of CMI (note 4)	–	–	–	–	–	–	–	–	2,471,268	2,471,268
Foreign currency translation differences of foreign operations	–	–	–	–	–	(537,514)	–	(537,514)	–	(537,514)
Net loss	–	–	–	–	–	–	(3,347,965)	(3,347,965)	(93,930)	(3,441,895)
Warrants expired	–	–	(300,000)	(74,219)	74,219	–	–	–	–	–
Balance, December 31, 2010	98,444,024	62,823,630	–	–	6,515,339	(810,573)	(25,934,155)	42,594,241	2,377,338	44,971,579
Share-based payments	–	–	–	–	12,583	–	–	12,583	–	12,583
Foreign currency translation differences of foreign operations	–	–	–	–	–	(236,394)	–	(236,394)	–	(236,394)
Net loss	–	–	–	–	–	–	(639,637)	(639,637)	(14,419)	(654,056)
Balance, March 31, 2011	98,444,024	$ 62,823,630	–	$ –	$ 6,527,922	$ (1,046,967)	$ (26,573,792)	$ 41,730,793	$ 2,362,919	$ 44,093,712

The notes on pages 5 to 47 are an integral part of these unaudited condensed consolidated interim financial statements.

MDN INC.

Condensed Consolidated Interim Statement of Cash Flows
(Unaudited)

Periods ended March 31, 2011 and 2010

	Three months ended March 31, 2011	2010
Cash flows from operating activities:		
Net loss	$ (654,056)	$ (1,169,689)
Adjustments for:		
Share-based payments	12,583	149,620
Deferred taxes	(60,144)	(420,607)
Depreciation of equipment	1,465	1,370
Accretion expense related to other long-term liability	8,159	9,743
Interest income	(45,770)	(33,347)
Severance benefit (payment) expense presented in other long-term liability	(25,000)	389,729
Change in non-cash working capital items	1,072,478	2,771,215
Interest received	88,281	8,679
	397,996	1,706,713
Cash flows from financing activities:		
Share issuance costs	–	(4,955)
Cash flows from investing activities:		
Acquisition of a participation giving the control of CMI, net of cash acquired (note 4)	–	(441,432)
Investment in a company under significant influence (note 4)	–	(1,127,500)
Acquisition of investments	(512,320)	(516,655)
Disposal of investments	500,000	–
Acquisition of equipment	(300)	–
Additions to mining properties	(58,655)	(37,338)
Increase in exploration and evaluation assets	(2,715,368)	(857,679)
	(2,786,643)	(2,980,604)
Foreign exchange loss on cash and cash equivalents related to translation of foreign operations	(4,121)	(3,829)
Net decrease in cash and cash equivalents	(2,392,769)	(1,282,675)
Cash and cash equivalents, beginning of year	4,974,737	12,200,029
Cash and cash equivalents, end of year	$ 2,581,968	$ 10,917,354

The notes on pages 5 to 47 are an integral part of these unaudited condensed consolidated interim financial statements.

1. Reporting entity:

MDN Inc. (the "Company") is a company domiciled in Canada, incorporated under Part 1A of the *Québec Companies Act*. The address of the Company's registered office is 1010 de la Gauchetière West, Montréal, Québec, Canada.

The condensed consolidated interim financial statements of the Company as at and for the period ended March 31, 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in an associate.

The Group is primarily involved in the exploration of mineral resources. Under a joint venture agreement with African Barrick Gold, the Group also holds an interest of 30% in the excess cash flows generated by the operating activities of the Tulawaka gold mine which is presented as "operating royalties from the Tulawaka mine" in the condensed consolidated interim statements of comprehensive income.

Although the Group has taken steps to verify title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Group's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Recovery of amounts indicated under mining properties and the related exploration and evaluation assets are subject to the discovery of economically recoverable reserves, the Group's ability to obtain the financing required to complete development and profitable future production or the proceeds from the sale of such assets. At March 31, 2011, management determined that the net carrying value of mining properties represented the best estimate of their net recoverable value. This value may nonetheless be reduced in the future.

2. Basis of preparation:

Statement of compliance

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards, which require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these condensed consolidated interim financial statements. In the financial statements the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. Subject to certain transition elections disclosed in note 18, the Company has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect. Note 18 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies, from those used in the Company's consolidated financial statements for the year ended December 31, 2010.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of May 25, 2011, the date on which the Board of Directors approved the condensed consolidated interim financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these condensed consolidated interim financial statements, including the transition adjustments recognized on transition to IFRS.

The condensed consolidated interim financial statements should be read in conjunction with the Company's Canadian GAAP annual financial statements for the year ended December 31, 2010. Note 18 discloses IFRS information for the year ended December 31, 2010, not provided in the 2010 annual financial statements.

Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for financial instruments at fair value through profit or loss.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s functional currency.

2. Basis of preparation (continued):

Use of estimates and judgements

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements is included in note 3 - determination of capitalizable costs as exploration and evaluation assets.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Notes 3, 8 and 9 - recoverability of mining properties and exploration and evaluation assets;
- Note 3 - assessment of refundable tax credits related to resources and credit on mining duties;
- Note 3 - recoverability of deferred tax assets;
- Notes 10 and 11 - fair value of share-based payment and warrants.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3. Significant accounting policies (continued):

(a) Basis of consolidation:

Subsidiaries

The condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries, MDN Tanzania Ltd. (100% interest) and Crevier Minerals Inc. ("CMI") (67.5% interest).

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders; therefore, no goodwill is recognized as a result of such transactions.

At the date the Company acquired control of the subsidiary, non-controlling interests are measured at their fair value.

Investment in an associate (equity accounted investee)

As at January 1, 2010, the consolidated financial statements include an investment in an associate, CMI. This entity became a subsidiary as at February 16, 2010.

An associate is an entity in which the Group has significant influence, but has no control over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

The investment in an associate is accounted for using the equity method (equity accounted investee) and is recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of an equity accounted investee, after adjustments to align the accounting policies with those of the Group, from the date significant influence commences until the date significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

Jointly controlled assets

The Company holds interests in mining properties through joint operating agreements which constitute jointly controlled assets.

A jointly controlled asset involves joint control and offers joint ownership by the Group and other venturers of assets contributed to or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity. Where the Group's activities are conducted through jointly controlled assets, the Group recognizes its share of the jointly controlled assets and liabilities it has incurred, its share of liabilities incurred jointly with other venturers, and exploration and evaluation costs in the financial statements.

Transactions eliminated upon consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with an equity accounted investee are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency:

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Foreign currency differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3. Significant accounting policies (continued):

(b) Foreign currency (continued):

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income in the cumulative translation account.

When a foreign operation is disposed of, the relevant amount in the cumulative amount of foreign currency translation differences is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the cumulative amount of foreign currency translation differences.

(c) Financial instruments:

Non-derivative financial assets and liabilities are initially recognized at fair value, plus any directly attributable transaction costs.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The Company classified its cash and cash equivalents, temporary investments, accounts receivable and long-term investments as loans and receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

3. Significant accounting policies (continued):

(c) Financial instruments (continued):

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Financial assets at fair value through profit or loss include:

- the option to acquire additional shares of CMI, which corresponds to a derivative instrument and as such was classified as held for trading;
- the convertible debenture which was designated at fair value through profit or loss upon initial recognition.

These financial assets are presented on the face of the statement of financial position under the investment in an equity accounted investee line item as at January 1, 2010.

Financial liabilities

The Company classified its trade accounts payable and accrued liabilities and other long-term liability as financial liabilities at amortized cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(d) Mining properties and exploration and evaluation assets:

Mining properties correspond to acquired interests in mining exploration permits / claims which include the rights to explore, mine, extract and sell all minerals from such claims.

All pre-exploration costs, i.e. costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest, are expensed as incurred.

Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized in respect of each identifiable area of interest until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Costs incurred include appropriate technical and administrative overheads.

Exploration and evaluation assets are carried at historical cost, less any impairment losses recognized.

3. Significant accounting policies (continued):

(d) Mining properties and exploration and evaluation assets (continued):

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable for an area of interest, the Group stops capitalizing exploration and evaluation costs for that area, tests recognized exploration and evaluation assets for impairment and reclassifies any unimpaired exploration and evaluation assets either as tangible or intangible mine development assets according to the nature of the assets.

(e) Equipment:

Items of equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

The estimated useful lives for the current and comparative periods are as follows:

- Furniture and equipment - 10 years
- Computer equipment - 5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted, if appropriate.

(f) Intangible assets:

Intangible assets correspond to exploration and evaluation assets transferred on development of a mining property, which is now operated by another party and from which the group receives a royalty.

Intangible assets are carried at historical cost, less accumulated depreciation and any impairment losses recognized.

Accumulated mine development costs are depreciated using the variable charge method at a rate of 3.9% applied on operating royalties from a mining interest. The estimate is revised on an annual basis by management based on anticipated operating royalties from a mining interest that will be paid to the Company.

3. Significant accounting policies (continued):

(g) Impairment:

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

The carrying amounts of mining properties and exploration and evaluation assets are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances applies:

- Exploration rights have / will expire in the near future;
- No future substantive exploration expenditures are budgeted;
- No commercially viable quantities discovered and exploration and evaluation activities will be discontinued;
- Exploration and evaluation assets are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

Mining properties and exploration and evaluation assets are also assessed for impairment upon the transfer of exploration and evaluation assets to development assets regardless of whether facts and circumstances indicate that the carrying amount of the exploration and evaluation assets is in excess of their recoverable amount.

3. Significant accounting policies (continued):

(g) Impairment (continued):

Non-financial assets (continued):

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). The level identified by the group for the purposes of testing exploration and evaluation assets for impairment corresponds to each mining property.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(h) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Share capital and warrants:

Common shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as an increase to deficit, net of any tax effects.

3. Significant accounting policies (continued):

(i) Share capital and warrants (continued):

Flow-through shares

The Canadian tax legislation permits an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the entity. These securities are referred to as flow-through shares. The Company finances a portion of its exploration programs with flow-through share issuance.

At the time of share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as a liability for flow-through shares obligation. The Company estimates the fair value of the obligation using the residual method, i.e. by comparing the price of the flow-through share to the quoted price of common share at the date of the financing announcement.

A company may renounce the deductions for tax purposes under either what is referred to as the “general” method or the “look-back” method.

If tax deductions are to be renounced under the general method, and the Company has the expectation of renouncing and has capitalized the expenditures during the current year, then the entity records a deferred tax liability with the corresponding charge to deferred income tax expense. The obligation is reduced to zero, with a corresponding income recorded.

If tax deductions are to be renounced under the look-back method, the Company records a deferred tax liability with a corresponding charge to deferred income tax expense when expenditures are made and capitalized. At that time, the obligation would be reduced to zero, with a corresponding income recorded.

Warrants

Warrants are classified as equity as they are derivatives over the Company’s own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company’s own equity instruments.

When shares and warrants are issued at the same time, the proceeds are allocated first to warrants issued, according to their fair value using the Black-Scholes pricing model, the residual value being allocated to shares.

Share issuance costs

Share issuance costs are charged to deficit in the same period during which they are incurred.

3. Significant accounting policies (continued):

(j) Share-based payments:

The grant date fair value of share-based payment awards granted to employees and directors is recognized as an employee expense, with a corresponding increase in contributed surplus, over the period during which the employees and directors unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

(k) Revenue:

The Group receives operating royalties from Tulawaka mine which is operated by African Barrick Gold. Royalties are recognized in the period in which they are realized, when collection is reasonably assured and when the Company is able to estimate the amount reliably.

(l) Leases:

All leases are classified as operating leases and as such the leased assets are not recognized in the Company's statement of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

(m) Finance income and finance costs:

Interests received and interests paid are classified under operating activities in the statement of cash flows.

(n) Income tax:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies (continued):

(n) Income tax (continued):

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities, to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are recognized as income or expense in profit or loss except to the extent that tax arises from business combinations and transactions recognized in equity. Therefore, when deferred taxes relate to equity items, a backwards tracing is necessary to determine the adjustment to taxes (e.g. change in tax rates and change in recognized deferred tax assets) that should be recorded in equity. For this purpose, the accounting policy of the Company is to allocate changes in the recognition of deferred tax assets based on their expected maturity date.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Significant accounting policies (continued):

(o) Refundable credit on mining duties and refundable tax credit related to resources:

The Company is eligible for a refundable credit on mining duties under the *Quebec Mining Duties Act*. This refundable credit on mining duties is equal to 12% of expenses incurred for mining activities in Québec (7.5% after March 30, 2010, as explained in note 17 (c)). The accounting treatment for refundable credit on mining duties depends on management's intention to go into production in the future or rather to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under IAS 12, *Income Taxes*, which generates at the same time a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no more tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future; accordingly, the credit on mining duties is recorded as a government grant under IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, which is recorded against exploration and evaluation assets.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources represents up to 38.75% of the amount of eligible expenses incurred and is recorded as a government grant against exploration and evaluation assets.

Credits related to resources and credits on mining duties recognized against exploration and evaluation expenditures are recorded at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the credits. They will be recognized in profit or loss on a systematic basis over the useful life of the related assets.

(p) Earnings per share:

The Company presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted.

3. Significant accounting policies (continued):

(q) Segment reporting:

The Company determined that it had only one operating segment, i.e. the mining exploration.

(r) Adoption of new accounting standards:

Annual improvements to IFRS:

The IASB's improvements to IFRS contain seven amendments that result in accounting changes for presentation, recognition or measurement purposes. The most significant features of the IASB's annual improvements project published in May 2010, which are applicable for annual period beginning on or after January 1, 2011 with partial adoption permitted, are included under the specific revisions to standards discussed below.

(i) IFRS 7:

Amendment to IFRS 7, Financial Instruments: Disclosures:

Multiple clarifications related to the disclosure of financial instruments and in particular in regard to transfers of financial assets.

(ii) IAS 1:

Amendment to IAS 1, Presentation of Financial Statements:

Entities may present the analysis of the components of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

(iii) IAS 27:

Amendment to IAS 27, Consolidated and Separate Financial Statements:

The 2008 revisions to this standard resulted in consequential amendments to IAS 21, *The Effects of Changes in Foreign Exchange Rates*, IAS 28, *Investments in Associates,* and IAS 31, *Interests in Joint Ventures.* IAS 27 now provides that these amendments are to be applied prospectively.

3. Significant accounting policies (continued):

(r) Adoption of new accounting standards (continued):

Annual improvements to IFRS (continued):

(iv) IAS 34:

Amendment to IAS 34, Interim Financial Reporting:

The amendments place greater emphasis on the disclosure principles for interim financial reporting involving significant events and transactions, including changes to fair value measurements and the need to update relevant information from the most recent annual report.

(s) New standards and interpretations not yet adopted:

The following new standard has been issued but is not yet applicable to the Company:

(i) IFRS 9 Financial instruments:

Effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

As part of the project to replace IAS 39, *Financial Instruments: Recognition and Measurement*, this standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets. More specifically, the standard:

- deals with classification and measurement of financial assets;
- establishes two primary measurement categories for financial assets: amortized cost and fair value;
- prescribes that classification depends on entity's business model and the contractual cash flow characteristics of the financial asset;
- eliminates the existing categories: held to maturity, available for sale, and loans and receivables.

Certain changes were also made regarding the fair value option for financial liabilities and accounting for certain derivatives linked to unquoted equity instruments.

4. Acquisition of a participation giving the control of CMI:

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 conducted by CMI could highly benefit its shareholders.

On January 29, 2010, in accordance with its exclusive option to acquire additional shares of CMI, the Company increased its participation from 28.75% to 38.75% for a consideration of $950,000 in cash paid to CMI's 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 an additional 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 valued at $1,641,391. The Company's interest in CMI therefore increased from 38.75% to 67.5%.

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

Following the transaction giving the control to the Company, the options allowing the Company to increase its participation have been modified. The Company had the option to increase its participation in CMI by 5% by investing an additional $2,000,000 in exploration work by February 2011 and paying $625,000, in cash or in shares at the Company's option, to the non-controlling shareholder (note 17 (a)).

The Company has the option to obtain an additional participation of 15% in CMI by completing an investment in an additional $2,000,000 of exploration costs by June 2012 and paying $750,000, in cash or in shares at the Company's option, to the non-controlling shareholder.

The acquisition on February 16, 2010 has been recorded as an asset acquisition since CMI does not meet the definition of a business according to IFRS 3, *Business Combinations*.

Net assets acquired were accounted for at their net book value in CMI's books, which the exception of mining properties, which includes the difference between the amount of consideration paid and the book value of net assets acquired, as well as the counterpart of the reevaluation of non-controlling interest at fair value.

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

The major components of assets acquired and liabilities assumed 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)	7,472,676
Exploration and evaluation assets	1,277,883
Equipment	675
	10,202,244
Liabilities assumed:	
Accounts payable and accrued liabilities	114,207
Deferred tax liability	136,900
	251,107
	9,951,137
Non-controlling interests	2,471,268
Net assets acquired	$ 7,479,869
Consideration paid:	
Acquisition of a participation of 28.75% as of June 1, 2009, in cash	$ 825,000
Acquisition of an additional participation of 10% on January 29, 2010, in cash	950,000
Investment in exploration costs completed up to January 29, 2010	2,000,000
Share of cumulative losses on investment from June 1, 2009 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
	$ 7,479,869

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

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

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

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

Acquisition of a participation of 28.75% as of June 1, 2009, in cash	$ 825,000
Convertible debenture held in CMI	1,500,000
Advances relating to exploration work as at December 31, 2009	1,822,500
Investment in a company under significant influence as at December 31, 2009	4,147,500
Acquisition of an additional participation of 10% on January 29, 2010, in cash	950,000
Advances relating to exploration work ($2,000,000), less advances already made as at December 31, 2009	177,500
Investment in a company under significant influence from January 1, 2010 to January 29, 2010	1,127,500
	$ 5,275,000

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

(i) The mining property value was increased by $6,871,333.

(ii) The fair value of common shares issued in consideration was $0.49 based on the Company's quoted market price as at February 16, 2010.

5. Temporary investments:

	March 31, 2011	December 31, 2010	January 1, 2010
Guaranteed investment certificates, rate of 0.25%, maturing in April 2011 (rate of 0.25% as at December 31, 2010 and January 1, 2010)	$ 1,000,000	$ 1,000,000	$ 1,000,000
Current portion of long-term investments (note 7)	3,710,400	3,406,886	4,152,201
	$ 4,710,400	$ 4,406,886	$ 5,152,201

6. Equity accounted investee and related financial instruments at fair value through profit or loss:

The Company's share of loss in its equity accounted investee for the year 2010 was nil. It did not receive dividends from its investments in equity accounted investee.

Summary financial information for the equity accounted investee, not adjusted for the percentage ownership held by the Group as at January 1, 2010 is as follows:

Ownership	28.75%
Total assets	$ 7,851,424
Total liabilities	3,188,885
Revenue	4,485

On June 1, 2009, the Company, CMI and the shareholders of CMI entered into a memorandum of agreement, pursuant to which the Company was granted an exclusive option to purchase up to 76% of CMI's issued and outstanding shares.

On the same date, the Company (the holder) entered into an unsecured convertible debenture with CMI (the debtor) with the following terms:

- Principal amount of $1,500,000;
- Interest at an annual rate of 2%, payable at date of settlement;
- Maturity date: December 31, 2015;
- At any time, CMI can redeem the debenture (principal and accrued interest) through payment of cash;
- At any time, CMI can redeem the debenture (principal and accrued interest) through the issuance of shares based on specific conversion prices.

7. Long-term investments:

	March 31, 2011	December 31, 2010	January 1, 2010
Guaranteed investment certificates, rates varying from 1.25% to 4.00%, maturing in September 2011 and December 2013, redeemable at the option of the Company once a month without penalty	$ 1,026,150	$ 1,026,150	$ –
Bonds, rates varying from 3.03% to 4.80%, maturing from February 2011 to June 2012 (rates varying from 3.03% to 4.80% as at December 2010, and from 1.15% to 5.50% as at January 1, 2010)	3,706,500	3,712,899	4,152,201
	4,732,650	4,739,049	4,152,201
Current portion of long-term investments	(3,710,400)	(3,406,886)	(4,152,201)
	$ 1,022,250	$ 1,332,163	$ –

8. Mining properties:

Mining properties can be detailed as follows:

2011					
Properties	Interest at end	January 1, 2011	Additions	Effect of foreign exchange	March 31, 2011
Tanzania:					
Kunga (Viyonza)	65.9% - 100%	$ 976,035	$ –	$ –	$ 976,035
Simba (Isambara)	100	655,645	–	(1,639)	654,006
Baraka (PL-1561-1562)	90	237,690	–	(3,278)	234,412
Baraka (PL-2479)	100	169,101	–	(3,277)	165,824
Ikungu	60	144,185	43,632	–	187,817
Nikonga	100	10,290	15,023	–	25,313
Québec:					
Lac Shortt	50	170,461	–	–	170,461
Lespérance	50	78,000	–	–	78,000
Le Tac	50	43,052	–	–	43,052
Isle Dieu	100	24,180	–	–	24,180
Crevier	67.5	7,481,515	–	–	7,481,515
MC Gold	–	50,000	–		50,000
		$ 10,040,154	$ 58,655	$ (8,194)	$ 10,090,615

2010					
Properties	Interest at end	January 1, 2011	Additions	Effect of foreign exchange	March 31, 2011
Tanzania:					
Kunga (Viyonza)	65.9% - 100%	$ 976,035	$ –	$ –	$ 976,035
Simba (Isambara)	100	630,865	–	24,780	655,645
Baraka (PL-1561-1562)	90	164,463	23,667	49,560	237,690
Baraka (PL-2479)	100	85,414	34,128	49,559	169,101
Ikungu	60	57,000	87,185	–	144,185
Nikonga	100	–	10,290	–	10,290
Québec:					
Lac Shortt	50	170,461	–	–	170,461
Lespérance	50	78,000	–	–	78,000
Le Tac	50	43,052	–	–	43,052
Isle Dieu	100	24,180	–	–	24,180
Crevier	67.5	–	7,481,515	–	7,481,515
MC Gold	–	–	50,000	–	50,000
		$ 2,229,470	$ 7,686,785	$ 123,899	$ 10,040,154

9. Exploration and evaluation assets:

Exploration and evaluation assets by properties can be detailed as follows:

					2011
	January 1, 2011	Tax credits related to resources	Exploration and evaluation costs	Effect of foreign exchange	March 31, 2011
Properties:					
Tanzania:					
Tulawaka	$ 290,040	$ –	$ 1,936	$ (5,380)	$ 286,596
Simba (Isambara)	4,277,010	–	1,848	(79,360)	4,199,498
Baraka (PL-1561-1562)	278,968	–	582	(5,175)	274,375
Baraka (PL-2479)	267,084	–	–	(4,955)	262,129
Kunga (Viyonza)	4,997,323	–	9,512	(92,769)	4,914,066
Msasa	921,575	–	6,107	(17,096)	910,586
Ikungu	3,121,819	–	257,617	(57,944)	3,321,492
Nikonga	2,655	–	8,876	(214)	11,317
Québec:					
Lac Shortt	1,371,023	–	–	–	1,371,023
Lespérance	485,188	–	–	–	485,188
Le Tac	885,981	(180)	514	–	886,315
Des Meloïses	898,991	(19)	53	–	899,025
Isle Dieu	556,307	(408)	1,166	–	557,065
Crevier	3,084,955	(585,121)	1,841,911	–	4,341,745
MC Gold	208,068	(5,554)	15,870	–	218,384
	$ 21,646,987	$ (591,282)	$ 2,145,992	$ (262,893)	$ 22,938,804

9. Exploration and evaluation assets (continued):

						2010
	January 1, 2010	Acquisition	Tax credits related to resources	Exploration and evaluation costs	Effect of foreign exchange	December 31, 2010
Properties:						
Tanzania:						
Tulawaka	$ 238,045	$ –	$ –	$ 64,735	$ (12,740)	$ 290,040
Simba (Isambara)	4,395,904	–	–	53,959	(44,640)	4,277,010
Baraka (PL-1561-1562)	289,559	–	–	636	(202,006)	278,968
Baraka (PL-2479)	275,658	–	–	2,200	(172,853)	267,084
Kunga (Viyonza)	5,133,783	–	–	65,546	(11,227)	4,997,323
Msasa	510,814	–	–	455,401	(10,774)	921,575
Ikungu	850,874	–	–	2,437,061	(166,116)	3,121,819
Nikonga	–	–	–	2,809	(154)	2,655
Québec:						
Lac Shortt	1,367,012	–	(2,159)	6,170	–	1,371,023
Lespérance	481,580	–	(2,131)	5,739	–	485,188
Le Tac	878,344	–	(4,526)	12,163	–	885,981
Des Meloïses	895,175	–	(2,054)	5,870	–	898,991
Isle Dieu	553,481	–	(1,690)	4,516	–	556,307
Crevier	–	1,277,883	(701,715)	2,508,787	–	3,084,955
MC Gold	–	–	(128,191)	336,259	–	208,068
	$ 15,870,229	$ 1,277,883	$ (842,466)	$ 5,961,851	$ (620,510)	$ 21,646,987

10. Share capital and warrants:

(a) Authorized:

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

10. Share capital and warrants (continued):

(b) Warrants:

The table presents a summary of the outstanding warrants:

	March 31, 2011			December 31, 2010		
	Number	Weighted average exercise price	Fair value	Number	Weighted average exercise price	Fair value
Balance, beginning of year	–	$ –	$ –	300,000	$ 0.75	$ 74,219
Expired	–	–	–	(300,000)	0.75	(74,219)
Balance, end of the period	–	$ –	$ –	–	$ –	$ –

During the year ended December 31, 2010, all warrants came to maturity without being exercised.

11. Share-based payments:

(a) Share option plan:

Under the share option plan, the Company may grant up to a maximum of 8,000,000 share options to employees, directors and officers to acquire share capital.

The Board of Directors sets the conditions for acquiring the share options according to quantity and exercise prices which they established in accordance with in-force regulations, for a contractual period not to exceed ten years.

Prior to 2010, options were vesting immediately. Since 2010, options are vesting immediately or over a period of 5 years.

11. Share-based payments (continued):

(a) Share option plan (continued):

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

	March 31, 2011			December 31, 2010		
	Number of outstanding options		Weighted average exercise price	Number of outstanding options		Weighted average exercise price
Balance, beginning of period	4,799,438	$	0.57	3,884,438	$	0.75
Granted	–		–	1,425,000		0.50
Cancelled	(1,670,000)		0.84	(510,000)		0.80
Balance, end of period	3,129,438	$	0.58	4,799,438	$	0.67
Exercisable options, end of period	2,734,438	$	0.58	4,264,438	$	0.67

No options were exercised in 2011 (2010 - nil).

11. Share-based payments (continued):

(a) Share option plan (continued):

The table below presents supplemental information about the share option plan as at March 31, 2011:

Range of exercise prices	Number of outstanding options	Weighted average remaining contractual life (years)	Weighted average exercise price
$0.45 - $0.51	2,160,000	4.31	$ 0.49
$0.73 - $0.79	150,000	3.04	0.73
$0.80 - $0.84	609,438	0.32	0.81
$0.90 - $0.91	90,000	1.07	0.90
Undetermined [i]	120,000	–	Undetermined
	3,129,438	3.34	$ 0.58

[i] 200,000 options have been granted and are vesting linearly once a year over a five-year period. The exercise price is then determined when options are vesting.

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

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

The fair value of the shares granted during 2010 was established at the grant date according to the value of the Company’s shares on that date. The average fair value of the shares granted under the incentive plan was $0.51 per share.

12. Administrative expenses:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Professional fees	$ 179,220	$ 411,942
Salaries and fringe benefits	256,191	559,357
Share-based payments	12,583	149,620
Transfer fees	20,921	20,508
Travelling expenses	60,935	73,459
Rent	29,653	24,469
Office expenses	31,544	18,821
Promotion expenses	12,697	33,994
Reports to shareholders	9,006	6,766
Insurance, taxes and permits	10,530	24,364
Membership and training	21,788	–
Telecommunications	3,178	3,213
Management fees	157,644	110,937
Project development	54	38,275
Depreciation of equipment	1,465	1,370
	$ 807,409	$ 1,477,095

13. Net finance expense:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Interest income on cash and cash equivalents and temporary and long-term investments	$ 45,770	$ 33,347
Finance income	45,770	33,347
Bank charges	(4,802)	(5,237)
Accretion expense on other long-term liability	(8,159)	(9,743)
Net foreign exchange loss	(50,964)	(131,568)
Finance expense	(63,925)	(146,548)
Net finance expense recognized in profit or loss	$ (18,155)	$ (113,201)

14. Financial instruments and financial risk management:

Financial instruments fair value

(a) Fair value:

Certain of the Company's accounting policies and disclosures require the determination of fair value. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

- Level 1: defined as observable inputs such as quoted prices in active markets.
- Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data and, therefore, requiring entities to develop their own assumptions.

Accounts receivable and trade accounts payable and accrued liabilities are financial instruments whose fair value approximates their carrying value due to their short-term maturity.

The fair value of the temporary investments, long-term investments and other long-term liability is based on quoted market price when applicable or obtained by discounting future cash flows or forward interest rates derived from interest rates at the close of business on the balance sheet date for similar instruments available on capital markets. The following table summarizes the book value and fair value of those instruments:

		March 31, 2011		December 31, 2010		January 1, 2010
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Temporary investments	$ 4,710,400	$ 4,714,615	$ 4,406,886	$ 4,406,886	$ 5,162,243	$ 5,162,243
Long-term investment	1,022,250	1,022,400	1,332,163	1,332,163	–	–
Other long-term liability	209,534	209,534	226,375	226,375	–	–

The input level used by the Company to measure the fair value of its financial assets at fair value through profit or loss is Level 3.

14. Financial instruments and financial risk management (continued):

Financial instruments fair value (continued):

(a) Fair value (continued):

The fair value of these instruments was determined using a Black-Scholes model as well as discounted future cash flows.

Financial risk management

(b) Foreign exchange risk:

The Company receives royalty revenues and incurs exploration costs in US dollars, and is consequently exposed to foreign exchange risk.

The balances denominated in foreign currency are as follows:

	March 31, 2011	December 31, 2010	January 1, 2010
	US$	US$	US$
Cash	201,938	176,492	989,390
Accounts receivable	–	–	2,994,379
Trade accounts payable and accrued liabilities	500,414	337,827	268,049

As at March 31, 2011, if the exchange rate (CA$/US$) had increased or decreased by 5%, the net results would have been higher or lower by approximately $55,440 (approximately $8,000 as at December 31, 2010 and $195,000 as at January 1, 2010).

(c) Credit risk:

The Company invests its cash and cash equivalents and its investments in fully guaranteed high quality titles issued by Canadian financial institutions. Also, the Company invests a portion of its cash and cash equivalents in guaranteed investment certificates and in bonds of public companies in order to reduce its exposure to credit risk.

(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.

14. Financial instruments and financial risk management (continued):

Financial risk management (continued):

(d) Liquidity risk (continued):

As at March 31, 2011, the Company has accounts receivable of $2,304,270 and trade accounts payable and accrued liabilities of $1,888,717, coming to maturity within the next twelve months.

As at March 31, 2011, the Company was holding cash and cash equivalents and temporary investments totalling $7,292,368. Given the Company's available liquidities as compared with the timing of the payments of liabilities, management assesses that the Company's liquidity risk is low.

(e) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company holds the majority of its cash and cash equivalent balance in interest-bearing accounts which are therefore only exposed to future cash flow fluctuations coming from changes in market interest rates. Temporary investments and long-term investments consist mainly of bonds and guaranteed investment certificates with maturity of less than eighteen months and are, therefore, exposed to interest rate risk on fair value. A fluctuation of 100 basis points on market interest rate would not have a significant impact on the financial results of the Company.

15. Related parties:

The Company has no ultimate parent.

Transactions with key management personnel

Loans to key management personnel

In 2010, following the issuance of shares of the long-term incentive plan, the Company provided a loan to two of its key managers in the amount of $62,400, which is included in accounts receivable as at March 31, 2011 and December 31, 2010. This loan, bearing interest at 1% per year, is reimbursable at all times either in part or in full and will mature on December 31, 2012. If the borrower ceases to be an employee of the Company, the loan will become due immediately.

15. Related parties (continued):

Transactions with key management personnel (continued):

Key management personnel compensation

Key management personnel compensation comprises:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Short-term employee benefits	$ 172,235	$ 190,550
Share-based payments	12,583	74,726

Other 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 director of the Company, and to a shareholder of CMI who was already a director of the Company, in consideration for 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.

16. Statement of cash flows:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Changes in non-cash working capital items:		
Accounts receivable and mining taxes receivable	$ (208,729)	$ 3,133,003
Prepaid expenses	12,379	14,410
Trade accounts payable and accrued liabilities	1,229,579	(367,719)
Foreign currency translation of foreign operations	39,249	(8,749)
	$ 1,072,478	$ 2,771,215
Operations without impact on cash related to:		
Operating activities:		
Change in accounts payable and accrued liabilities related to exploration and evaluation assets	$ 569,376	$ –
Investing activities:		
Change in exploration and evaluation assets for which tax credits related to resources are included in accounts receivable	591,282	43,622

17. Subsequent events:

a) Issuance of shares:

Following the decision of the Board of Directors to approve the issuance of common shares for the acquisition of an additional interest of 5% in CMI on March 16, 2011, the Company issued 1,531,863 shares at $0.408 per share on April 4, 2011, leading to an increase in the Company's interest in CMI from 67.5% to 72.5%.

b) Communication with Tanzania Revenue Authority:

On May 10, 2011, the Company received a request from the Tanzania Revenue Authority ("TRA") to file certain documents in respect of the Tulawaka mine operation and the legal structure of the Company's share in the royalties from this mining property. This request included also preliminary calculations made by TRA presuming that the Company owes substantial amounts to the Tanzanian government related to corporate taxes on gold sales from the Tulawaka mining property and other various withholding taxes for the fiscal years 2004 to 2010. The Company subsequently sent the requested information to TRA and discussions are presently in progress in order to clarify this situation. Pursuant to the Joint Venture Agreement between the Company, Pangea Goldfields Inc. and Pangea Minerals Limited (the "Operator"), the Operator cannot distribute the cash flow from the Tulawaka mine before first paying taxes to the TRA. The Company has obtained a confirmation from the Operator that since the beginning of the production at the Tulawaka Mine in 2004, the Operator has paid the taxes due to the TRA.

No provisions have been recorded in the Company's financial statements as at March 31, 2011 as management is in the opinion that amounts included in this communication are not founded and that the Company does not owe any taxes to the TRA in respect of these mining operations. Any amounts that may become payable related to this contingency could have a negative impact on the Company.

(c) Change in refundable credit on mining duties:

The Quebec government's Bill 5 has received first reading on May 4, 2011, making it substantively enacted for IFRS purposes on that date. The bill includes proposals to amend the mining duties regime, as announced in the 2010 Quebec budget, for expenses incurred after March 30, 2010. As a result, the mining duties rate has increased from 12% to 16% after March 30, 2010, while credit on mining duties rates has decreased from 12% to 7% from March 30, 2010 to December 31, 2010 and has increased to 7.5% from January 1, 2011 to December 31, 2011.

17. Subsequent events (continued):

(c) Change in refundable credit on mining duties (continued):

During the quarter ending June 30, 2011, these changes will result in an increase in deferred tax liabilities and deferred tax expenses of $319,644 and a decrease in mining taxes receivable and current taxes of $117,731.

18. Explanation of transition to IFRS:

As stated in note 2, these are the Group's first consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the period ended March 31, 2011, the comparative information presented in these financial statements as at December 31, 2010 and for the period ended March 31, 2010, and in the preparation of an opening IFRS statement of financial position as at January 1, 2010 (the Group's date of transition).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and accompanying notes.

18. Explanation of transition to IFRS (continued):

Reconciliation of equity:

		January 1, 2010			March 31, 2010			December 31, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets										
Current assets:										
Cash and cash equivalents		$ 12,200,029	$ –	$ 12,200,029	$ 10,917,354	$ –	$ 10,917,354	$ 4,974,737	$ –	$ 4,974,737
Temporary investments	(b)	5,172,285	(10,042)	5,162,243	5,660,442	(48,950)	5,611,492	4,445,522	(38,636)	4,406,886
Accounts receivable	(b)	3,524,493	10,042	3,534,535	1,367,584	48,950	1,416,534	1,621,186	38,636	1,659,822
Mining taxes receivable		26,756	–	26,756	–	–	–	346,004	–	346,004
Prepaid expenses		32,023	–	32,023	17,613	–	17,613	31,473	–	31,473
Total current assets		20,955,586	–	20,955,586	17,962,993	–	17,962,993	11,418,922	–	11,418,922
Non-current assets:										
Investment in an equity accounted investee		4,128,228	–	4,128,228	–	–	–	–	–	–
Long-term investments		–	–	–	457,142	–	457,142	1,332,163	–	1,332,163
Mining properties	(a), (c)	2,301,406	(71,936)	2,229,470	10,159,932	(287,808)	9,872,124	10,336,704	(296,550)	10,040,154
Exploration and evaluation assets	(c)	16,068,387	(198,158)	15,870,229	18,160,327	(580,791)	17,579,536	22,465,655	(818,668)	21,646,987
Equipment	(c)	45,699	(2,965)	42,734	45,004	(3,912)	41,092	42,511	(4,289)	38,222
Intangible asset		179,020	–	179,020	179,020	–	179,020	179,020	–	179,020
Deferred tax assets		2,069,500	–	2,069,500	–	–		2,617,000	–	2,617,000
Total non-current assets		24,792,240	(273,059)	24,519,181	29,001,425	(872,511)	28,128,914	36,973,053	(1,119,507)	35,853,546
Total assets		$ 45,747,826	$ (273,059)	$ 45,474,767	$ 46,964,418	$ (872,511)	$ 46,091,907	$ 48,391,975	$ (1,119,507)	$ 47,272,468

18. Explanation of transition to IFRS (continued):

Reconciliation of equity (continued):

	Note	January 1, 2010 Canadian GAAP	January 1, 2010 Effect of transition to IFRS	January 1, 2010 IFRS	March 31, 2010 Canadian GAAP	March 31, 2010 Effect of transition to IFRS	March 31, 2010 IFRS	December 31, 2010 Canadian GAAP	December 31, 2010 Effect of transition to IFRS	December 31, 2010 IFRS
Liabilities and Equity										
Current liabilities:										
Trade accounts payable and accrued liabilities		$ 679,023	$ –	$ 679,023	$ 550,511	$ –	$ 550,511	$ 1,228,514	$ –	$ 1,228,514
Total current liabilities		679,023	–	679,023	550,511	–	550,511	1,228,514	–	1,228,514
Non-current liabilities:										
Other long-term liabilities		–	–	–	274,472	–	274,472	226,375	–	226,375
Deferred tax liabilities	(a), (d)	502,000	–	502,000	15,394	(1,866,601)	(1,851,207)	2,550,900	(1,704,900)	846,000
Total non-current liabilities		502,000	–	502,000	289,866	(1,866,601)	(1,576,735)	2,777,275	(1,704,900)	1,072,375
Equity:										
Share capital		60,505,590	–	60,505,590	62,146,981	–	62,146,981	62,823,630	–	62,823,630
Warrants		74,219	–	74,219	74,219	–	74,219	–	–	–
Contributed surplus		6,569,228	–	6,569,228	6,718,848	–	6,718,848	6,515,339	–	6,515,339
Accumulated other comprehensive income	(c)	–	(273,059)	(273,059)	–	(536,307)	(536,307)	–	(810,573)	(810,573)
Deficit	(e)	(22,582,234)	–	(22,582,234)	(23,748,569)	12,308	(23,736,261)	(25,812,032)	(122,123)	(25,934,155)
Total equity attributable to the equity holders of the Company		44,566,803	(273,059)	44,293,744	45,191,479	(523,999)	44,667,480	43,526,937	(932,696)	42,594,241
Non-controlling interests	(a)	–	–	–	932,562	1,518,089	2,450,651	859,249	1,518,089	2,377,338
Total equity		44,566,803	(273,059)	44,293,744	46,124,041	994,090	47,118,131	44,386,186	585,393	44,971,579
Total liabilities and equity		$ 45,747,826	$ (273,059)	$ 45,474,767	$ 46,964,418	$ (872,511)	$ 46,091,907	$ 48,391,975	$ (1,119,507)	$ 47,272,468

18. Explanation of transition to IFRS (continued):

Reconciliation of comprehensive income for the period ended March 31, 2010 and for the year ended December 31, 2010:

		Three months ended March 31, 2010			Year ended December 31, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue:							
Operating royalties from the Tulawaka mine		$ –	$ –	$ –	$ –	$ –	$ –
Administrative expenses	(f)	1,492,075	(14,980)	1,477,095	4,013,963	(56,718)	3,957,245
Loss before net finance expense and income taxes		1,492,075	(14,980)	1,477,095	4,013,963	(56,718)	3,957,245
Net finance expense:							
Finance income	(b)	58,611	(25,264)	33,347	195,097	(60,730)	134,367
Finance expense	(b), (c)	(169,140)	22,592	(146,548)	(254,076)	43,590	(210,486)
		(110,529)	(2,672)	(113,201)	(58,979)	(17,140)	(76,119)
Loss before income taxes		(1,602,604)	12,308	(1,590,296)	(4,072,942)	39,578	(4,033,364)
Income taxes recovery:							
Current taxes		–	–	–	(251,069)	–	(251,069)
Deferred taxes	(a), (d)	(420,607)	–	(420,607)	(502,101)	161,701	(340,400)
		(420,607)	–	(420,607)	(753,170)	161,701	(591,469)
Net loss		(1,181,997)	12,308	(1,169,689)	(3,319,772)	(122,123)	(3,441,895)
Other comprehensive income for the period:							
Foreign currency translation differences of foreign operations	(c)	–	(263,248)	(263,248)	–	(537,514)	(537,514)
Net comprehensive loss for the period		$ (1,181,997)	$ (250,940)	$ (1,432,937)	$ (3,319,772)	$ (659,637)	$ (3,979,409)
Net loss attributable to:							
Owners of the Company		$ (1,161,380)	$ 12,308	$ (1,149,072)	$ (3,225,842)	$ (122,123)	$ (3,347,965)
Non-controlling interests		(20,617)	–	(20,617)	(93,930)	–	(93,930)
Total comprehensive loss attributable to:							
Owners of the Company		$ (1,161,380)	$ (250,940)	$ (1,412,320)	$ (3,225,842)	$ (659,637)	$ (3,885,479)
Non-controlling interests		(20,617)	–	(20,617)	(93,930)	–	(93,930)
Basic and fully diluted net loss per share		$ (0.012)	$ (0.002)	$ (0.014)	$ (0.033)	$ (0.001)	$ (0.034)

18. Explanation of transition to IFRS (continued):

Material adjustments to the statement of cash flows for 2010

Interests received have been presented separately in the body of the *Statement of Cash Flows*, within operating activities. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

Notes to the reconciliations

(a) Acquisition of CMI:

As explained in note 4, on February 16, 2010, the Company obtained the control of CMI. Under Canadian GAAP, CMI was not considered to be a business and as such this acquisition was not accounted for as a business combination, but rather as an acquisition of net assets. However, since the Company took control over CMI, this latter was considered a subsidiary whose assets and liabilities were consolidated. The accounting treatment is compliant with IFRS, except for the following two differences:

- Non-controlling interests were accounted for at the pro rata share of the net book value of CMI's net assets while under IFRS they are accounted for at their fair value at the date on which the Company obtained control of CMI. This difference resulted in an increase in non-controlling interest of $1,518,089, the counterpart being an increase in mining properties for the same amount.

- Deferred tax liabilities were recorded under Canadian GAAP as a result of this transaction, while under IFRS a deferred tax liability (asset) is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit. Therefore, the deferred tax liabilities of $1,866,601 recorded under Canadian GAAP were reversed under IFRS with a corresponding decrease in mining properties. In addition, during the year 2010, a deferred tax asset of $180,701 recorded under Canadian GAAP was reversed under IFRS since there were no more deferred tax liabilities to offset them.

18. Explanation of transition to IFRS (continued):

Notes to the reconciliations (continued):

(b) Classification of other financial instruments:

Cash, cash equivalents, temporary investments and long-term investments do not meet the criteria for the fair value through profit and loss designation under IFRS, as they are not managed on a fair value basis but yield to maturity basis, and as they are not traded on an active market. Under Canadian GAAP, they met the classification of financial assets designated as held for trading.

As a result of the IFRS, cash, cash equivalents, temporary investments and long-term investments are classified as loans and receivables. With regard to cash and cash equivalents, this change in classification does not have a financial impact on the consolidated financial statements as the fair value of those instruments approximates cost; therefore, this is only a disclosure difference.

With regard to temporary investments and long-term investments, this change resulted in an immaterial impact. However, reclassification entries were recorded in the condensed consolidated interim statements of financial position and the condensed consolidated interim statements of comprehensive income.

Interests receivable under Canadian GAAP were presented in temporary investments in the amounts of $10,042, $48,950 and $38,636 as at January 1, 2010, March 31, 2010 and December 31, 2010, respectively. Under IFRS, these amounts were reclassified in accounts receivable.

Changes in fair value of financial instruments held for trading amounting to $25,264 and $60,730 for the three-month period ended March 31, 2010 and for the year ended December 31, 2010, respectively, were recorded under Canadian GAAP. Under IFRS, these amounts were reclassified against finance income in the condensed consolidated interim statements of comprehensive income.

(c) Change of functional currency of MDN Tanzania Ltd.:

The foreign currency adjustments related to an integrated foreign operation under Canadian GAAP. IFRS do not distinguish between integrated and self-sustaining foreign operations and the current rate method is required to be applied to all entities whose functional currency is different from the presentation currency, resulting in an adjustment on transition to IFRS.

18. Explanation of transition to IFRS (continued):

Notes to the reconciliations (continued):

(c) Change of functional currency of MDN Tanzania Ltd. (continued):

As at January 1, 2010, March 31, 2010 and December 31, 2010, this change resulted in a currency translation account of $273,059, $536,307 and $810,573, respectively, recorded in accumulated other comprehensive income. Losses of $263,248 and $537,514 were recorded in other comprehensive income for the three-month period ended March 31, 2010 and for the year ended December 31, 2010, respectively.

Also, losses on foreign exchange of $12,308 and $39,578 for each period, respectively, were recorded from finance expense to other comprehensive income.

The assets as at January 1, 2010, March 31, 2010 and December 31, 2010 were adjusted as follows:

	January 1, 2010	March 31, 2010	December 31, 2010
Mining properties	$ (71,936)	$ 60,704	$ 51,962
Exploration and evaluation assets	(198,158)	(580,791)	(818,668)
Equipment	(2,965)	(3,912)	(4,289)
	$ (273,059)	$ (523,999)	$ (770,995)

(d) Deferred mining duties taxes:

The Company incurred exploration and evaluation costs that were capitalized, but certain of these costs will not be deductible in the future for mining duties tax purposes. Deferred tax liabilities were recorded under Canadian GAAP on these items of nil, nil and $19,000 as at January 1, 2010, March 31, 2010 and December 31, 2010, respectively. Under IFRS, a deferred tax liability (asset) is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither accounting profit nor taxable profit. Therefore, the above-mentioned deferred tax liabilities recorded under Canadian GAAP were reversed under IFRS with a corresponding decrease in deficit.

18. Explanation of transition to IFRS (continued):

Notes to the reconciliations (continued):

(e) Deficit:

The above changes decreased (increased) deficit (each net of related tax) as follows:

	Note	January 1, 2010	March 31, 2010	December 31, 2010
Foreign exchange loss reclassified in other comprehensive income	(c)	$ –	$ 12,308	$ 39,578
Income tax adjustment related to acquisition of CMI	(a)	–	–	(180,701)
Income tax adjustment related to deferred mining duties taxes	(d)	–	–	19,000
Increase (decrease) in deficit		$ –	$ 12,308	$ (122,123)

(f) Reclassification in the statement of comprehensive income:

Interest received on bank accounts, bank charges, accretion of the other liability and foreign exchange losses were reclassified within the finance income and expense line items under IFRS, while they were presented under revenue, administrative expenses and other separate line items under Canadian GAAP.