MDN inc.

INTERIM FINANCIAL REPORT

MARCH 31, 2012

MDN INC.

MANAGEMENT DISCUSSION AND ANALYSIS

(FOR THE PERIOD ENDED MARCH 31, 2012)

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, 2012 and 2011. The reader should also refer to the audited annual financial statements as at December 31, 2011, 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.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This Management Discussion and Analysis was prepared as of May 10 2012, and complies with Rule 51-102A of the Canadian Securities Administrators on continuous disclosure. This analysis is a supplement to the Company's audited financial statements for the period ended March 31st, 2012, 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 ''ABG'', MDN holds a 30% interest in liquidity surplus of 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 minerals.

The Company also holds interests in properties located in the following areas:

Tanzania, East Africa: MDN is involved in various gold exploration projects totalling 815 km^2 in the area of Lake Victoria Goldfield, as well as in a joint venture with African Barrick Gold, 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, holding an interest of 72.5% in this property.

TULAWAKA GOLD MINE

Operating performance

Total gold production at Tulawaka for the quarter was 15,963 ounces compared to the 19,616 ounces produced in Q1 2011. Higher grade ore from the underground mining area was blended with lower grade supplemental ore from the West pit extension, resulting in a slight decrease in head grade.

Cash costs for the quarter were US$902 per ounce sold compared to US$738 in the prior year. This cost increase was mainly due to the increase in open pit mining activity which resulted in increased headcount, maintenance and contracted services as well as year-on-year inflationary increases. These were partially offset by increased capitalized mine development costs due to the higher underground mining cost base.

Cash costs per tonne milled increased to US$158 in the quarter from US$123 in Q1 2011, primarily as a result of the cost increases detailed above and lower throughput.

Having extended the mine life twice in 2011, ABG is also continuing the exploration drilling programs and is aiming to be in a position later in the year to make a commitment to further extend the life of mine. As a result of the extended drilling associated with the mine life extension and the lack of available surface material, the process plant will begin to operate under a batch processing method. The reduction in throughput will be the cause of a reduced production during the second half of 2012, followed by an expected increase in the grade profile in the second half of 2012.

Work will also continue through 2012 to construct a second underground portal to enable the operator to increase mining rates from the underground in order to be in a better position to access the potential resources in depth.

Capital expenditure for the quarter totaled US$5.1 million compared to US$3.9 million for the previous year. Key capital expenditure items included:

(i) Capitalized development: capitalized underground development (US$2.4 million); and capitalized exploration drilling (US$0.8 million).

(ii) Expansion capital: expenditure incurred on the extension of the mine life (US$1.7 million)

Tulawaka production results (reflected as 100%)

(Unaudited)		Three months ended 31 March 2012	2011
Underground ore tonnes hoisted	Kt	43	43
Open pit ore tonnes mined	Kt	61	-
Open pit waste tonnes mined	Kt	317	-
Ore milled	Kt	96	110
Head grade	g/t	5.4	5.9
Mill recovery	%	95.4%	93.6%
Ounces produced	oz	15 963	19 616
Ounces sold	oz	16 900	18 350
Cash cost/ounces sold	$/oz	902	738
Cash cost per tonne milled	$/t	158	123
Capital expenditure	$('000)	5,122	3,895

Exploration and Development Update

Tulawaka East Zone Underground Extensions

The current program is targeting high grade mineralized shoots within Zones 500-850 between Levels 11 and 15, below the current reserves. The drill results to date indicate that the mineralization is exhibiting similar characteristics as in the upper levels of the mine.

Selected assay results for Tulawaka underground drilling during the quarter included:

- TUGD00427: 1.1m @ 9.80g/t Au from 15m (including 0.5m @ 15.6g/t Au from 15.6m),
- TUGD00430: 2.2m @ 13.7g/t Au from 32.6m (including 0.56m @ 37.9g/t Au from 32.6m)
- TUGD00437: 1.58m @ 120g/t from 15.52m and 2m @ 34.8g/t from 21m
- TUGD00443: 0.85m @ 680g/t from 15.75m

These grades zones were intersected at the hanging wall between Levels 11 and 12 (550 zone) which ties in well with the expected high grades at the eastern portion of the deposit. The underground drill program is expected to continue throughout 2012 targeting the eastern areas of the underground which to date have had limited testing due to lack of drill drive access.

The Tulawaka project is a contractual joint-venture between MDN (30% participating interest) and Pangea Goldfields Inc. (70% participating interest), a wholly owned indirect subsidiary of African Barrick Gold plc and project operator and owner through its subsidiary Pangea Minerals Ltd. The information disclosed on the Tulawaka Gold Mine is based on information provided by the Operator.

EXPLORATION IN TANZANIA

MDN acquired a 100% interest in the Nikonga property, 40 km southeast of the Tulawaka mine, in 2010.

Regional data suggests a west-northwest-striking lineament connecting the Nikonga property to the Tulawaka mine. The property hosts two gold soil anomalies lying parallel to the regional lineament, one kilometre apart. Gold values of up to 580 ppb Au have been obtained. These anomalies coincide with and form extensions to sites where artisanal miners are mining in strongly silicified volcanic rocks with high gold values. Grab sampling by MDN in 2011 returned grades ranging from 4 g/t Au to up to 33 g/t Au.

A drilling program was initiated on January 30, 2012, and completed on March 3, 2012. The program totalled 1,431 metres of drilling, including 1,302 metres of reverse circulation drilling and 129 metres of diamond drilling. The two last holes were drilled by diamond drilling due to drilling difficulties. The goal was to test two subparallel trends where high gold values were obtained in grab samples. Assay results have been received for all the holes of the program, and confirm the presence of high grade gold mineralization on the Kezeria Main structure (two holes) and Kezeria North structure (three holes), located 500 metres apart.

The drill program revealed three styles of mineralization:

- ✓ Quartz veinlets (stockwerk) in argillite shale rock,
- ✓ Massive quartz-tourmaline veins, and
- ✓ Quartz tourmaline veinlets in quartz porphyry intrusive.

The three styles of mineralization form two gold bearing structures 500 meters apart, located adjacent or parallel to a quartz feldspath porphyry intrusive with gold-enriched quartz-tourmaline veinlets.

Kezeria Main structure results

Hole #	Easting (m)	Northing (m)	From (m)	To (m)	Grade (g/t Au)	Interval* (m)
NKD-02**	369751	9 21340	92.30	96.50	**12.27**	4.2
			107.10	112.00	**10.87**	4.9
NKRC-01**	369823	9621322	55.00	65.00	1.86	10.0

** Hole needs to be deepened

Kezeria North structure results

Hole #	Easting (m)	Northing (m)	From (m)	To (m)	Grade (g/t Au)	Interval* (m)
NKRC-14	369 000	9 621 799	53.00	59.00	**5.51**	6.0
Including			53.00	55.00	**14.50**	2.0
			55.00	59.00	1.16	4.0
			63.00	64.00	**9.34**	1.00
NKRC-05	369 200	9 622 153	39.00	44.00	3.20	5.0
NKRC-06	369200	9 622 093	42.00	43.00	5.60	1.00

* Note: Intervals are core length; true widths are not yet known.

NKD-02 (10.87 g/t Au over 4.9 m and 12.3 g/t Au over 4.20 m). The diamond drill hole tested the gold-bearing Kezeria Main structure, where previous grab samples graded from 4.32 g/t to 33.05 g/t Au. At 92.3 m, the hole intersected an 8-m wide quartz vein with tourmaline averaging 12.27 g/t Au over 4.2 m. The hole ended in a quartz feldspath porphyry intrusive, at 112.0 meters, in a gold-bearing zone of quartz-tourmaline veinlets averaging 10.87 g/t Au over 4.9 m. Given the location of the surface grab samples and the gold-bearing drill intersections, the zone is interpreted as dipping north at 70 to 80 degree.

NKRC-01 (1.86 g/t Au over 10.00 m) is a reverse circulation (RC) hole located in the most eastern part of the Keseria Main structure, 75 meters east of NKD-02. This hole intersected a 2-m quartz tourmaline vein at the contact of a sheared argillite shale and a carbonate-altered felsic intrusive. It also cut a gold-bearing zone at the north contact of the felsic intrusive, while NKD-02 intersected mineralization in the felsic intrusive. The gold-bearing interval intersected in Hole NKD-02 was interpreted as being located deeper in Hole NKRC-01. Hole NKRC-01 would therefore need to be extended to reach the eastern extension of this gold-bearing zone.

NKRC-14 (14.5 g/t Au over 2.00 m and 9.34 g/t Au over 1.0 m) was the first hole to test the gold-bearing Kezeria North structure where previous grab samples graded from 6.48 g/t to 23.7 g/t Au (Press release of September 28th 2011) At 53.0 m the hole intersected a 2 meter wide quartz vein averaging 14.5 g/t Au over 2.0 m, followed by a 4 meter zone of quartz veinlets within an argillite grading 1.16 g/t Au over 4.0 meters. A second quartz vein was cut at 63.0 meters grading 9.8 g/t Au over 1.0 meter. This hole confirms the high-grade nature of the structure.

NKRC-06 (5.60 g/t Au over 1.00 m) tested the western extension of a soil anomaly associated with the Kezeria North structure. This drill hole, located 450 meters northwest of NKRC-14, intersected a 2 meter wide quartz vein associated with fault gouge material. This indicates that the Kezeria North structure has significant lateral extension.

NKRC-05 (5.27 g/t Au over 1.0 m and 8.01 g/t Au over 1.0 m) was drilled on the same section as NKRC-06 to test the north part of the soil anomalies. The hole intersected a 5 meter zone of argillite with quartz veinlets averaging 3.2 g/t Au over 5 meters including two intervals of 1.0 meter grading 5.27 and 8.01 g/t Au respectively. These results indicate that there is another gold-bearing zone in the hanging wall of Kezeria North.

The geological setting consists of quartz tourmaline veins in conglomerate, greywacke and argillite sediments (considered equivalent to the Timiskaming sediments) in contact with a quartz-feldspath porphyry-type intrusive, not unlike the settings at the Hollinger, Dome and Pamour mines of the Timmins mining camp.

Drill Results

Hole # 	East (m)	North (m)	From (m)	To (m)	Grade (g/t Au)	Interval* (m)	Comments
NKD-02	**369 751**	**9 621 340**	**86.00**	**112.00**	**4,39**	**26,0**	
			86.00	**89.90**	**2.02**	**3.90**	
Including			86.00	86.50	0.640	0.50	Shear zone (mylonite)
			86.50	87.50	0.040	1.00	
			87.50	88.40	0.090	0.90	
			88.40	88.90	7.760	0.50	
			88.90	89.90	3.560	1.00	
			89.90	90.80	0.080	0.90	Shear zone Dilution
			90.80	91.70	0.020	0.90	
			91.70	92.30	0.020	0.60	
			92.30	**96.50**	**12.27**	**4.2**	
Including			92.30	93.00	11.200	0.70	Quartz-tourmaline vein
			93.00	93.90	39.050	0.90	
			93.90	94.50	1.150	0.60	
			94.50	95.00	0.800	0.50	
			95.00	95.50	8.570	0.50	

			95.50	96.00	5.060	0.50	
			96.00	96.50	1.300	0.50	
			96.50	97.00	0.090	0.50	
			97.00	97.50	0.150	0.50	
			97.50	98.00	1.160	0.50	
			98.00	98.50	0.130	0.50	
			98.50	99.00	0.820	0.50	
			99.00	99.50	0.020	0.50	
			99.50	100.60	0.040	1.10	Dilution zone
			100.60	101.60	0.030	1.00	
			101.60	102.60	0.030	1.00	
			102.60	103.50	0.030	0.90	
			103.50	104.40	0.020	0.90	
			104.40	105.30	0.030	0.90	
			105.30	106.20	0.030	0.90	
			106.20	107.10	0.020	0.90	
			107.10	**112.00**	**10.87**	**4.9**	
			107.10	108.00	2.220	0.90	Quartz-feldspath porphyry with quartz-tourmaline veinlets
			108.00	109.00	6.915	1.00	
Including			109.00	110.00	26.450	1.00	
			110.00	111.00	4.810	1.00	
			111.00	112.00	13.100	1.00	
NKRC-01	**369 823**	**9 621 322**	**55.00**	**65.00**	**1,86**	**10,0**	
			55.00	56.00	1.270	1.00	
Including			56.00	57.00	1.410	1.00	Clayey shale
			57.00	58.00	1.310	1.00	
			58.00	59.00	1.355	1.00	Felsic intrusive

	59.00	60.00	0.600	1.00	
	60.00	61.00	4.190	1.00	
	61.00	62.00	0.160	1.00	Quartz vein
	62.00	63.00	1.620	1.00	
	63.00	64.00	0.050	1.00	Felsic intrusive
	64.00	65.00	6.680	1.00	

* Note: Interval lengths are core lengths; true widths are not yet known

IKUNGU

A descriptive report was prepared for the Ikungu property and filed on Sedar on March 31, 2012. The report provides a summary of the key scientific and technical information regarding exploration activities on the Ikungu property from 2008 to 2012.

IKUNGU EAST

MDN has succeeded in acquiring the ground to the east of its Ikungu property. The new property covers an area of 133.33 km^2 and is wholly-controlled by MDN. MDN’s request for the prospecting licences was granted by the Ministry of Energy and Minerals of the United Republic of Tanzania.

Compilation of the available geological data and interpretation by MDN’s geologists indicate that the eastern extension of the Ikungu gold-bearing structure extends onto these new licences. The acquisition of this new licensing property will enable MDN to explore an additional 15 km of the Ikungu structure.

This property covers a large area of land between the Ikungu property and the Magarombe artisanal gold mine, located on trend with the Buhemba colonial high-grade gold mine, which produced 393,000 tonnes at 12 g/t Au.

A mapping and prospecting program is currently underway.

CREVIER PROJECT DEVELOPMENT

During the first quarter of 2012, management was totally devoted to the preparation of the feasibility study.

The feasibility study continued throughout 2011. A delay in the preparation and execution of pilot plant testing and analysis of these results for this portion of the study caused a delay in the preparation of the overall feasibility study, which was not be completed, by the end of the first half of the year, as planned. Complementary metallurgical works have been added to the original program.

Ore flotation:

The final report on the pilot plan executed in 2011 was received during the first quarter of 2012. As announced previously, the report recommends proceeding with a second pilot test to consolidate the results obtained during the first test. A tender has been submitted to two laboratories. The pilot test will be conducted, as soon as the laboratory selection is completed and a new schedule of work is negotiated.

Leaching Process

The HF leaching program has been underway since November 2011and continued for the entire first quarter 2012. The goal of the program is to recover the niobium and tantalum oxides contained in a concentrate produced by pilot plant flotation testing done in 2011. The work is being carried out by SGS Lakefield.

To date, test results appear to confirm the assumptions used in the preparation of the Crevier project Preliminary Economic Assessment and show that there could be an improvement in the parameters used. The optimization factors currently underway are:

- Confirmation of the percentage of niobium and tantalum extracted on dissolution of the concentrate
- Potential for the elimination of the pre-leaching stage of the process, which would reduce the capital costs associated with refinery construction, as well as operating costs
- A reduction in the consumption of the hydrofluoric acid used for leaching, which could result in a significant reduction in refinery operating costs, as hydrofluoric acid is a major component of production costs
- Results obtained to date indicate the possibility of producing zirconium oxide, an economic by-product not accounted for in earlier studies.

This program, which is required to complete the feasibility study, will continue in the coming months, with selective recovery testes for niobium and tantalum oxides.

Search for a Strategic Partner:

In the context of the Crevier project, MDN pursued its search for a strategic partner to support the next stages of project development, in collaboration with Price Waterhouse Coopers Corporate Finance (PwCCF).

SUMMARY OF OPERATING RESULTS

For the period ended March 31	2012	2011
(In thousands of dollars, except for amounts per share)		
Total revenues net of financial charges	**($51)**	($18)
Administrative expenses	**$894**	$807
Impairment of evaluation and exploration assets	**$947**	-
Net loss attributable to the shareholders of the company	**($1,637)**	($640)
Basic and diluted net loss per share	**($0.016)**	($0.006)
Number of shares outstanding (in thousands)	**101,527**	98,444

Operating results

MDN's revenues are generated mainly from royalties derived from the production at the Tulawaka gold mine. These royalties are distributed based on available cash at the end of periods and are therefore affected by changes in accounts payables, receivables, inventory fluctuation, capital investments and by setting aside funds for the restoration of land during the mine closure. Subsequently to the above, royalties were not declared for the first quarter of 2012 as well as for the first quarter 2011. Other revenues ($27,110 in 2012 and $45,770 in 2011), consist of interest income from the Company's various investments, gains on disposal of investment and a part of the reversal of the liability related to the issuance of flow-through shares.

Financial charges totalled $77,742 compared with $63,925 for the first quarter of 2012 and 2011, respectively. The financial charges included bank charges of $2,974 ($4,802 in 2011), accretion expenses on other long-term liability of $6,411 ($8,159 in 2011) and net foreign exchange loss of $68,357 ($50,964 in 2011).

Administrative expenses totalled $893,623 for the first quarter 2012, compared with $807,409 in 2011. Administrative expenses included management fees of $193,209 ($157,644 in 2011) representing 30% of 3% of all operating expenses of the Tulawaka project invoiced by the operator; professional fees of $230,409 ($179,220 in 2011), increase primarily due to cost related to up the search for a strategic partner for the Crevier project, salary costs of $276,920 ($256,191 in 2011) variation mainly due to annual increase.

The write-off of $946,667 of exploration assets is for the Msasa project. The partnership agreement on the project Msasa, stated that we had to make a feasibility study for the month of December 2012. As the cumulative results on this property do not justify conducting such a study by year end of 2012, the Company entered into negotiations with the partner to postpone the date of execution of the study in order to get more positive results. Given the refusal of the partner to negotiate a further extension at the end of March 2012, the Company decided to cease operations on the property and proceeded to write off the project. In 2011, there was no write-off of exploration assets.

Net loss

For period ended March 31, 2012, the Company recorded a net loss attributable to owners of the Company of $1,636,992 or $0.016 per share compared to net loss of $639,637 or $0.006 per share for the same period in 2011.

The net income per share is based on weighted-average number of 101,527,220 common shares outstanding as at March 31, 2012, compared with a weighted-average number of 98,444,024 common shares outstanding as at March 31, 2011.

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 and the development of Crevier project.

Financial position	*March 31* **2012**	*December 31* 2011
(In thousands of dollars)		
Cash and cash equivalents	**$4,090**	$1,660
Investments	**$3,507**	$3,475
Accounts receivables	**$1,634**	$5,570
Mining taxes receivable	**$246**	$240
Exploration and evaluation assets	**$35,830**	$36,392
Total assets	**$47,307**	$49,087
Share Capital	**$63,813**	$63,813
Total equity attributable to equity holders of the Company	**$43,470**	$45,364

LIQUIDITY AND FINANCIAL POSITION

Cash, cash equivalents and term deposits

As at March 31, 2012, the Company's cash position, consisting of cash, investments and term deposits, amounted to $7,596,186 compared with $5,134,442 as at December 31, 2011. This increase is mainly due to the collection of account receivable, partly offset by investment in exploration and evaluation assets.

Mining taxes receivables

As of March 31, 2012, tax credit receivables amounted to $245,633 compared with $240,446 as at December 31, 2011. The mining taxes receivable are mainly attributable to the Crevier project.

Accounts receivables

As of March 31, 2012, accounts receivable amounted to $1,633,960 mainly due to resources credit ($680,006) and Tanzanian sales tax reimbursements for a value of $784,875.

Mining properties

In relation with several property agreements in Tanzania, MDN made annuals payments of $65,282 for Ikungu ($44,888) and Nikonga ($20,394).

Exploration and evaluation assets

During the first quarter of 2012, the Company increased by $569,337 its exploration and evaluation assets. Of this amount, $479,064 was spent for properties in Tanzania, mainly for the Nikonga property ($316,316) and for the Ikungu property ($142,581). The Company also expensed $125,226 in the province of Quebec, $99,753 for the Crevier property and $25,473 at the MCGold project.

<u>Assets, equity attributable to equity holders of the Company and liquidity</u>

Total assets amount to $47,307,320 as at March 31st, 2012, compared to $49,087,267 as of December 31, 2011. The difference is mainly attributable to the impairment of exploration assets coupled with normal administration expenses engaged for continuing activities of the period.

Equity attributable to equity holders of the Company amounted to $43,470,157 as of March 31st, 2012, compared to $45,363,752 as of December 31st, 2011, with the decrease being attributable to the loss of 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.

<u>Share capital</u>

During the period ended March 31, 2012, the Company did not issue any new shares. The Company`s outstanding share number is 101,527,220 which is the same as of December 31, 2011.

<u>Liquidity needs for the current financial year</u>

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 31st, 2012, the Company's liquidity needs are estimated at $9,650,000, 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 2012, the Company's available liquidity exceeds the amount required to meet its financial needs for the year 2012.

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. Presently, the operator estimates the life of the mine to end by the end of 2012. However, exploration is underway at Tulawaka to extend the mine's life in the context of underground development. Following the result of the exploration, the operator will re-evaluate the mine's life during 2012.

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.

Metal and 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.

CONTINGENCIES

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 owed 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 all taxes due to the TRA.

Furthermore in August 2011, the operator`s auditors have confirmed to the TRA the above statement. Meetings between the different stakeholders were held during 2011 and exchange of documentation and information are still continuing.

No provisions have been recorded in the Company's financial statements as at December, 2011 as management is of 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 to these mining operations. Any amounts that may become payable related to this contingency could have a negative impact on 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.

INFORMATION DISCLOSURE CONTROLS AND PROCEDURE

The President and Chief Executive Officer and the Chief Financial Officer have designed or supervised the design of disclosure controls and procedures ("DCP") 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 and the information that must be presented by the Company in its annual documents, its intermediate documents or other reports that the Company files or transmits under the securities commission legislation is recorded, processed, condensed and presented within the timeframe prescribed by the legislation.

Company Management, including the President and Chief Executive Officer and the Chief Financial Officer, participated in an assessment of the effectiveness of information disclosure controls and procedures for the year ended December 31st, 2011. Bases on this assessment, the President and Chief Financial Officers have concluded that such DCP were effective and provided reasonable assurance that material information on the Company was adequately disclosed to them by personnel member and the information presented was recorded, processed, condensed and presented within the timeframe prescribed.

ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer and the Chief Financial Officer have designed or supervised the design of internal control over financial reporting (« ICFR ») to provide reasonable assurance that financial reporting is reliable and that the financial statements are designed to report financial information in compliance with IFRS.

There were no important changes in the ICFR during the year ended December 31st, 2011 that had or could reasonably be expected to materially affect the ICFR.

The president and Chief Executive Officer and the Chief Financial Officer evaluated or supervised under their supervision the design and operating effectiveness of the Company's ICFR as at December 31st, 2012. At the end of the period on March 31st, 2012, these officers concluded that the ICFR was effective.

SUBSEQUENT EVENTS

At the date of the deposit of the 2012 interim consolidated condensed financial statements, there were no subsequent events to record.

OUTLOOK

In 2012, MDN will remain active in all its key activity sectors in Tanzania, as well as in Quebec, in exploration and development of its advanced niobium-tantalum project.

At Tulawaka, most of the gold production will come from the underground mine and the various sources of additional ore on surface. The underground exploration program will also be implemented, with the goal of extending the mine life by replacing the ore mined and actively exploring the potential between the current mining levels and level 20. A second mine access will be built to support mine operation.

MDN will remain active on its own exploration programs in Tanzania, focusing most of its efforts on the Ikungu property and on the mining concessions acquired to the east of the original property in the first quarter of 2012. Drilling will also take place on the Nikonga property in 2012.

In Canada, efforts will mainly be devoted to ongoing exploration on the McGold property and the finalization of the Crevier project feasibility study.

Our team will be actively developing financing strategies for the Company in general and for ongoing work on the Crevier project in particular.

Our technical team will be on the lookout for 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.

(S)

Serge Bureau

Chairman & CEO

(S)

Yves Therrien, CMA

Vice President, Finance

Montreal, Canada
May 10th , 2012

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

	2012	**2011**	**2010**
	3 months	*12 months*	*12 months*
Total revenues net of finance expenses	**($50,632)**	$6,329,995	$(76,119)
(Net Loss) income	**($1,636,992)**	$1,675,414	($3,347,965)
(Net loss) income per share	**($0.016)**	$0.016	($0.035)
Addition on Exploration and evaluation assets	**$569,377**	$4,389,491	$6,397,268
Accounts receivable & Mining tax receivables	**$1,879,593**	$5,810,914	$2,005,826
Total assets	**$47,307,320**	$49,087,267	$47,272,468
Shareholders' equity			
Total	**$45,418,441**	$47,312,724	$44,971,579

FOR THE LAST EIGHT QUARTERS

				2012
	1st quarter			
Total revenues net of finance expenses	($50,632)			
Net income (loss)	($1,636,992)			
Net income (loss) per share	($0.016)			

				2011
	1st quarter	*2nd quarter*	*3rd quarter*	*4th quarter*
Total revenues net of finance expenses	$(18,155)	$1,272,122	$3,574,336	$1,501,692
Net income (loss)	($639,637)	($154,462)	$1,983,794)	$485,719
Net income (loss) per share	($0.006)	($0.002)	$0.020	$0.005

			2010
	2nd quarter	*3rd quarter*	*4th quarter*
Total revenues net of finance expenses	$38,315	$27,285	35,420
Net income (loss)	(729,878)	($500,610)	($1,062,336)
Net income (loss) per share	($.008)	($0.005)	($0.011)

Interim Condensed Consolidated Financial Statements of
(Unaudited)

MDN INC.

Periods ended March 31, 2012 and 2011

MDN INC.

Interim Condensed Consolidated Financial Statements

Periods ended March 31, 2012 and 2011

Financial Statements

MDN INC.

Interim Condensed Consolidated Statements of Financial Position

March 31, 2012 and December 31, 2011

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 4,089,633	$ 1,659,611
Temporary investments (note 4)	3,506,553	3,474,831
Accounts receivable (note 5)	1,633,960	5,570,468
Mining taxes receivable	245,633	240,446
Prepaid expenses	20,863	31,941
Total current assets	9,496,642	10,977,297
Non-current assets:		
Mining properties (note 7)	10,249,600	10,190,702
Exploration and evaluation assets (note 8)	25,580,337	26,201,184
Property and equipment	45,306	45,084
Deferred tax assets	1,935,435	1,673,000
Total non-current assets	37,810,678	38,109,970
Total assets	$ 47,307,320	$ 49,087,267
Liabilities and Equity		
Current liabilities:		
Trade accounts payable and accrued liabilities	$ 517,798	$ 393,734
Liability related to flow-through shares	3,847	9,366
Current portion of other long-term liability	100,000	100,000
Total current liabilities	621,645	503,100
Non-current liabilities:		
Other long-term liability	137,854	156,443
Deferred tax liabilities	1,129,380	1,115,000
Total non-current liabilities	1,267,234	1,271,443
Equity:		
Share capital (note 9)	63,813,193	63,813,193
Contributed surplus	6,549,766	6,542,619
Accumulated other comprehensive income	(735,595)	(471,845)
Deficit	(26,157,207)	(24,520,215)
Total equity attributable to equity holders of the Group	43,470,157	45,363,752
Non-controlling interests	1,948,284	1,948,972
Total equity	45,418,441	47,312,724
Contingencies and commitments (notes 14 and 15)		
Total liabilities and equity	$ 47,307,320	$ 49,087,267

The notes on pages 5 to 19 are an integral part of these interim condensed consolidated financial statements.

MDN INC.

Interim Condensed Consolidated Statements of Comprehensive Income

Periods ended March 31, 2012 and 2011

	Three months March 31, 2012	Three months March 31, 2011
Revenue:		
Operating royalties from a mining property	$ –	$ –
Administrative expenses (note 11)	893,623	807,409
Impairment of exploration assets	946,667	–
Loss before net finance expense and income taxes	(1,840,290)	(807,409)
(Finance income) finance cost (note 12):		
Finance income	(27,110)	(45,770)
Finance cost	77,742	63,925
	50,632	18,155
Loss profit before income taxes	(1,890,922)	(825,564)
Income taxes:		
Current taxes	(5,187)	(111,364)
Deferred taxes	(248,055)	(60,144)
	(253,242)	(171,508)
Net loss	(1,637,680)	(654,056)
Other comprehensive income for the period:		
Foreign currency translation differences for foreign operations	(263,750)	(236,394)
Net comprehensive loss for the period	$ (1,901,430)	$ (890,450)
Net loss attributable to:		
Owners of the Group	$ (1,636,992)	$ (639,637)
Non-controlling interests	(688)	(14,419)
Total comprehensive income attributable to:		
Owners of the Group	$ (1,900,742)	$ (876,031)
Non-controlling interests	(688)	(14,419)
Basic and fully diluted net loss per share	$ (0.016)	$ (0.006)
Weighted average of outstanding shares - basic	101,527,220	98,444,024

The notes on pages 5 to 19 are an integral part of these interim condensed consolidated financial statements.

MDN INC.

Interim Condensed Consolidated Statements of Changes in Equity

Periods ended March 31, 2012 and 2011

	Number of shares outstanding	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total equity attributable to equity holders	Non-controlling interests	Total equity
Balance, January 1, 2011	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
Balance, December 31, 2011	101,527,220	$ 63,813,193	$ 6,542,619	$ (471,845)	$ (24,520,215)	$ 45,363,752	$ 1,948,972	$ 47,312,724
Share-based payments	–	–	7,147	–	–	7,147	–	7,147
Foreign currency translation differences of foreign operations	–	–	–	(263,750)	–	(263,750)	–	(263,750)
Net loss	–	–	–	–	(1,636,992)	(1,636,992)	(688)	(1,637,680)
Balance, March 31, 2012	101,527,220	$ 63,813,193	$ 6,549,766	$ (735,595)	$ (26,157,207)	$ 43,470,157	$ 1,948,284	$ 45,418,441

The notes on pages 5 to 19 are an integral part of these interim condensed consolidated financial statements.

MDN INC.

Interim Condensed Consolidated Statements of Cash Flows

Periods ended March 31, 2012 and 2011

	Three months March 31, 2012	2011
Cash flows from operating activities:		
Net loss	$ (1,637,680)	$ (654,056)
Adjustments for:		
Stock-based compensation	7,147	12,583
Depreciation and amortization of property, equipment	1,902	1,465
Liability related to flow-through shares	(5,519)	–
Finance income	(21,591)	(45,770)
Accretion expense related to other long-term liability	6,411	8,159
Impairment of evaluation and exploration assets	946,667	–
Deferred income taxes	(248,055)	(60,144)
Foreign exchange loss	68,357	–
Change in non-cash working capital item	3,933,207	1,072,477
Payment of the severance presented in other long-term liability	(25,000)	(25,000)
Interest received	27,367	88,281
	3,053,213	397,995
Cash flows from investing activities:		
Acquisition of investments	(839,098)	(512,320)
Disposal of investments	800,000	500,000
Acquisition of property and equipment	(2,424)	(300)
Additions to mining properties	(65,282)	(58,655)
Increase in evaluation and exploration costs	(480,068)	(2,715,368)
	(586,872)	(2,786,643)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency	(36,319)	(4,121)
Net increase (decrease) in cash and cash equivalents	2,430,022	(2,392,769)
Cash and cash equivalents, beginning of year	1,659,611	4,974,737
Cash and cash equivalents, end of year	$ 4,089,633	$ 2,581,968

The notes on pages 5 to 19 are an integral part of these interim condensed consolidated financial statements.

1. Reporting entity and going concern:

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

The interim condensed consolidated financial statements of the Group as at and for the years ended March 31, 2012 and December 31, 2011 comprise the Group and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in an associate.

The Group primarily is involved in the exploration of mineral resources. Under an 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 interim condensed consolidated 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 deferred exploration costs 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, 2012 and December 31, 2011, management determined that the net carrying value of mining properties represents 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These unaudited interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34.

The methods applied in these interim condensed consolidated financial statements are based in IFRS on May 10, 2012, date of approval on the interim condensed consolidated financial statements by the Board. Any changes subsequent to IFRS which are effective for annual consolidated financial statements of the Company for the year to be ended December 31, 2012 could result in a restatement of interim condensed consolidated financial statements.

2. Basis of preparation (continued):

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Group's functional currency.

Use of estimates and judgements

The preparation of the interim condensed consolidated 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 to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these Interim condensed financial statements, the significant judgments made by management applying the Group accounting policies and the key sources of estimation uncertainty are the same as those applied and described in the Group's 2011 annual consolidated financial statements.

3. Significant accounting policies:

(a) Amendments to IAS 1, *Presentation of Financial Statements*

This amendment is effective for annual periods beginning on or after July 1, 2012 and is to be applied retrospectively. Early adoption is permitted. The amendments require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. The Group intends to adopt the amendments in its interim condensed consolidated financial statements for the annual period beginning on January 1, 2013. As the amendments only require changes in the presentation of items in other comprehensive income, the Group has not yet measured the impact of adopting IAS 1 will have on the consolidated financial statements.

(b) IFRS 9, *Financial Instruments*

Effective for annual periods beginning on or after January 1, 2015, 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.

3. Significant accounting policies (continued):

(b) IFRS 9, *Financial Instruments (continued)*

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.

The Group has not yet measured the impact of adopting IFRS 9 will have on the consolidated financial statements.

(c) IFRS 10, *Consolidated Financial Statements*

IFRS 10 *Consolidated Financial Statements*, is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 10 replaces the guidance in *IAS* 27, *Consolidated and Separate Financial Statements* and SIC-12, *Consolidation - Special Purpose Entities*. The consolidation procedures are carried forward substantially unmodified from IAS 27. The Group intends to adopt IFRS 10 in its consolidated financial statements for the annual period beginning on January 1, 2013. The Group has not yet measured the impact of adopting IFRS 10 will have on the consolidated financial statements.

(d) IFRS 13, *Fair Value Measurement*

IFRS 13, *Fair Value Measurement,* is effective prospectively for annual periods beginning on or after January 1, 2013. IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The Group intends to adopt IFRS 13 prospectively in its consolidated financial statements for the annual period beginning on January 1, 2012. The Group has not yet measured the impact of adopting IFRS 13 will have on the consolidated financial statements.

4. Temporary investments:

	March 31, 2012	December 31, 2011
Guaranteed investment certificates, rate of 0.25%, maturing in April 2012 (rate of 0.25% as at December 31, 2011)	$ 1,000,000	$ 1,000,000
Current portion of long-term investments (note 6)	2,506,553	2,474,831
	$ 3,506,553	$ 3,474,831

5. Accounts receivable:

	March 31, 2012	December 31, 2011
Account receivable of the Tulawaka mine	$ –	$ 3,353,829
Tax credit related to resources	680,006	1,295,132
Sales tax receivable	784,875	758,101
Other	169,079	163,406
	$ 1,633,960	$ 5,570,468

6. Long-term investments:

	March 31, 2011	December 31, 2011
Guaranteed investment certificates, rate at 1.25%, maturing in December 2013, redeemable at the option of the Group once a month without penalty	$ 815,000	$ 815,000
Bonds, rates varying from 3.03% to 4.5%, maturing from May 2012 to March 2013 (rates varying from 3.03% to 4.80% as at December 2011)	1,691,553	1,659,831
	2,506,553	2,474,831
Current portion of long-term investments (note 4)	(2,506,553)	(2,474,831)
	$ –	$ –

7. Mining properties:

Properties	Interest at end	January 1, 2012	Additions	Effect of foreign exchange	March 31, 2012
Tanzania:					
Kunga (Viyonza)	65.9% - 100%	$ 976,035	$ –	$ –	$ 976,035
Simba (Isambara)	100	657,109	–	(1,278)	655,831
Baraka (PL-1561-1562)	90	264,240	–	(2,553)	261,687
Baraka (PL-2479)	100	172,030	–	(2,553)	169,477
Ikungu	70	187,817	44,888	–	232,705
Nikonga	100	25,313	20,394	–	45,707
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	72.5 (i)	7,481,515	–	–	7,481,515
MC Gold	–	100,000	–	–	100,000
Samaqua	100	10,950	–	–	10,950
		$ 10,190,702	$ 65,282	$ (6,384)	$ 10,249,600

7. Mining properties (continued):

Properties	Interest at end	January 1, 2011	Additions	Effect of foreign exchange	December 31, 2011
Tanzania:					
Kunga (Viyonza)	65.9% - 100%	$ 976,035	$ –	$ –	$ 976,035
Simba (Isambara)	100	655,645	–	1,464	657,109
Baraka (PL-1561-1562)	90	237,690	23,620	2,930	264,240
Baraka (PL-2479)	100	169,101	–	2,929	172,030
Ikungu	70	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	72.5 (i)	7,481,515	–	–	7,481,515
MC Gold	–	50,000	50,000	–	100,000
Samaqua	100	–	10,950	–	10,950
		$ 10,040,154	$ 143,225	$ 7,323	$ 10,190,702

(i) The amounts related to this property represent 100% of CMI capitalized costs because this property is consolidated in the Group.

8. Evaluation and exploration assets:

Evaluation and exploration assets by properties can be detailed as follows:

Properties	January 1, 2012	Tax credits related to resources	Exploration costs	Effect of foreign exchange	Write-off [(i)]	March 31, 2012
Tanzania:						
Tulawaka	$ 308,078	$ –	$ 3,708	$ (478)	$ –	$ 311,308
Simba (Isambara)	4,318,261	–	6,637	(70,175)	–	4,254,723
Baraka (PL-1561-1562)	282,350	–	1,214	(1,857)	–	281,707
Baraka (PL-2479)	269,473	–	1,245	(2,760)	–	267,958
Kunga (Viyonza)	5,053,076	–	4,973	(48,892)	–	5,009,157
Msasa	956,979	–	2,390	(12,702)	(946,667)	–
Ikungu	5,581,587	–	142,581	(105,830)	–	5,618,338
Nikonga	26,295	–	316,316	(863)	–	341,748
Québec:						
Lac Shortt	1,371,023	–	–	–	–	1,371,023
Lespérance	485,188	–	–	–	–	485,188
Le Tac	887,890	–	–	–	–	887,890
Des Meloïses	898,972	–	–	–	–	898,972
Isle Dieu	547,456	–	–	–	–	547,456
Crevier	4,563,266	(34,913)	99,753	–	–	4,628,106
MC Gold	651,290	–	25,473	–	–	676,763
	$26,201,184	$ (34,913)	$ 604,290	$ (243,557)	$ (946,667)	$25,580,337

(i) Msasa:

The partnership agreement on the project Msasa stated that we had to make a feasibility study for the month of December 2012. As the cumulative results of this property do not justify conducting such a study for the year-end of 2012, the Group entered into negotiations with the partner to postpone the date of execution of the study in order to get more positive results. Given the refusal of the partner at the end of March 2012, the Group decided to cease operations on the property and proceeded to write off the project.

8. Evaluation and exploration assets (continued):

Evaluation and exploration assets by properties can be detailed as follows (continued):

Properties	January 1, 2011	Proceeds (ii)	Tax credits related to resources	Exploration costs	Effect of foreign exchange	December 31, 2011
Tanzania:						
Tulawaka	$ 290,040	$ –	$ –	$ 15,219	$ 2,819	$ 308,078
Simba (Isambara)	4,277,010	–	–	4,636	36,615	4,318,261
Baraka (PL-1561-1562)	278,968	–	–	976	2,406	282,350
Baraka (PL-2479)	267,084	–	–	105	2,284	269,473
Kunga (Viyonza)	4,997,323	–	–	12,799	42,954	5,053,076
Msasa	921,575	–	–	27,081	8,323	956,979
Ikungu	3,121,819	–	–	2,380,847	78,921	5,581,587
Nikonga	2,655	–	–	23,256	384	26,295
Québec:						
Lac Shortt	1,371,023	–	–	–	–	1,371,023
Lespérance	485,188	–	–	–	–	485,188
Le Tac	885,981	–	(1,028)	2,937	–	887,890
Des Meloïses	898,991	–	10	(29)	–	898,972
Isle Dieu	556,307	(10,000)	(618)	1,767	–	547,456
Crevier	3,084,955	–	(675,526)	2,153,837	–	4,563,266
MC Gold	208,068	–	(9,968)	453,190	–	651,290
	$21,646,987	$ (10,000)	$ (687,130)	$ 5,076,621	$ 174,706	$26,201,184

(ii) Isle Dieu:

On December 1, 2011, MDN signed an agreement with private company Big Bang Resources Ltd. for the the Isle Dieu property. The five-year, nine-month agreement permits the option to acquire MDN's 100% interest in consideration of payments totalling $3,060,000 and exploration work totalling $4,250,000. MDN would retain a 2% NSR royalty on the property. This agreement may be terminated at any time, however the exploration work will have to be recorded on behalf of the property. The option can only be exercised by Big Bang when all the exploration payments and costs have been incurred.

9. Share capital and warrants:

Authorized:

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

10. Share-based payments:

Share option plan:

Under the share option plan, the Group 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 common share options according to quantity and exercise prices which they established in accordance with regulations, for a contractual period not to exceed ten years. Prior to 2010, options were vesting immediately. Since 2010, options are vesting over a period of 5 to 7 years.

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

	March 31, 2012		December 31, 2011	
	Number of outstanding options	Weighted average exercise price	Number of outstanding options	Weighted average exercise price
Balance, beginning of year	2,920,000	$ 0.48	4,799,438	$ 0.67
Granted	–	–	300,000	0.25
Cancelled	–	–	(2,179,438)	0.81
Balance, end of year	2,920,000	$ 0.48	2,920,000	$ 0.48
Exercisable options, end of year	2,815,000	$ 0.48	2,675,000	$ 0.48

No options were exercised in 2012 and 2011.

10. Share-based payments (continued):

Share option plan (continued):

The table below presents supplemental information about the share option plan at the end of the year:

Range of exercise prices	Number of outstanding options	Weighted average remaining contractual life (years)	Weighted average exercise price
$0.20 - $0.44	340,000	7.10	$ 0.24
$0.45 - $0.51	2,160,000	3.31	0.49
$0.73 - $0.79	150,000	2.04	0.73
$0.80 - $0.84	100,000	0.79	0.84
$0.90 - $0.91	90,000	1.07	0.90
Undetermined [(i)]	80,000	11.24	Undetermined
	2,920,000	3.71	$ 0.48

(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. Thus, the options are not considered outstanding. During the period ended March 31, 2012, 40,000 options have been vested at a strike price of $0.2 (40,000 options were vested at a strike price of $0.475 in 2011).

11. Administrative expenses:

	Three months ended March 31 2012	2011
Professional fees	$ 230,409	$ 179,220
Salaries and fringe benefits	276,920	256,191
Share-based compensation	7,147	12,583
Transfer fees	4,033	20,921
Travelling expenses	55,642	60,935
Rent	30,599	29,653
Office expenses	24,446	31,544
Promotion expenses	26,168	12,697
Reports to shareholders	19,427	9,006
Insurance, taxes and permits	10,490	10,530
Membership and training	1,717	21,788
Telecommunications	3,878	3,178
Management fees	193,209	157,644
Project development	7,636	54
Depreciation and amortization of property and equipment	1,902	1,465
	$ 893,623	$ 807,409

12. Finance cost:

	Three months ended March 31 2012	2011
Other income - flow-through shares	$ (5,519)	$ –
Interest income on cash and cash equivalents and temporary and long-term investments	(21,591)	(45,770)
Finance income	(27,110)	(45,770)
Bank charges	2,974	4,802
Accretion expense on other long-term liability	6,411	8,159
Net foreign exchange loss	68,357	50,964
Finance costs	77,742	63,925
Net finance cost	$ 50,632	$ 18,155

13. Statement of cash flows:

	Three months ended March 31 2012	2011
Operations without impact on cash related to:		
Operating activities:		
Change in accounts payable and accrued liabilities related to exploration and evaluation assets	$ (124,820)	$ 569,376
Investing activities:		
Change in tax credits related to resources capitalized in exploration and evaluation assets included in accounts receivable	34,913	591,282

14. Commitments:

(a) Mining properties:

Baraka in Tanzania (East Africa)

The Group acquired a 90% interest and a 100% interest in claims located in the Baraka property under agreements signed on August 6, 2002, October 16, 2004 and April 18, 2005. For certain claims, the Group is committed to pay US$16,000 annually on each anniversary of the purchase agreement and this amount will be increased by US$1,000 each year for as long as the Group is carrying out exploration activities on the property. For other claims, the Group is committed to pay US$15,000 in 2006, US$20,000 in 2007, US$25,000 in 2008, US$30,000 in 2009 and will increase these amounts by US$2,000 annually until completion of a feasibility study. The Group will also have to pay US$250,000 upon acceptance of a feasibility study on the commercial operations and an additional US$450,000 one year after commencement of commercial production.

14. Commitments (continued):

(a) Mining properties (continued):

Kunga in Tanzania (East Africa)

Under the terms of purchase agreements signed on January 20, 2003 and on September 7, 2004, the Group acquired 65.9% and 100% interests depending on properties. In the event that all of the claims are kept by the Group, the Group was committed to pay US$240,000 in 2007. The Group also had to disburse US$400,000 during 2007 in exploration expenditures. Following an amendment on January 9, 2007, the Group obtained the possibility to extend the deadline of feasibility study from December 31, 2008 to December 31, 2010 by issuing 125,000 shares for each year of extension. On January 30, 2007, as well as on November 17, 2009, the Group issued 125,000 shares. In the event of the commencement of commercial production, a royalty of 0.5% to 2%, depending on the price of gold, must be paid on the net smelting income of all ore extracted.

Following the evidence that the initial parameters of the partnership agreement between MDN and its partner are no longer suitable to the current situation, the Group is currently in talks to amend the current clauses in order to better reflect the business situation, and to renew the partnership. The net book value of the mining property and the exploration and evaluation assets related to this mining property amount to $976,035 and $5,009,157 respectively as at March 31, 2012.

Ikungu in Tanzania (East Africa)

Under the terms of a purchase agreement signed on March 10, 2008, the Group had the option to acquire a 70% interest for cash payments of US$215,000 (of which US$120,000 have already been paid), and incurring US$4,000,000 in exploration expenditure (which has all been done), on the property.

MC Gold (Canada)

In 2010, the Group entered into an agreement with SOQUEM Inc. concerning the MC Gold project in Chibougamau. The agreement grants the Group the option to acquire a 50% interest in the project in consideration of a payment schedule and exploration of up to $5,250,000 over five years.

14. Commitments (continued):

(a) Mining properties (continued):

Nikonga (East Africa)

On September 30, 2010, the Group acquired the Nikonga property, located 40 kilometers south-east of the Tulawaka mine, in exchange for a series of annual payments:

- US$10,000 upon signature of the agreement;
- US$15,000 on the first anniversary of the agreement;
- US$20,000 on the second anniversary of the agreement;
- US$30,000 on the third anniversary of the agreement.

The subsequent annual payments increasing by US$2,000 each from the last payment, until the start of a feasibility study or the abandonment of work;

An additional amount of US$100,000 will be payable upon completion of the feasibility study on the property; and

An additional amount of US$200,000 will be payable upon the decision to enter into production.

Lastly, following the beginning of production, a royalty equal to 1% of net revenue of the foundry will be payable. However, this royalty will be redeemable in the amount of US$1,000,000.

(b) Management fees:

The Group committed itself to pay management fees of 3% on its share of exploration, operating, development and capital expenditures related to the Tulawaka mining property from which the Group received royalties.

(c) Operating leases:

The Group is committed into lease for its office equipment and premises which expire from March 2014 to July 2015. The future minimum lease payments under non-cancellable leases, total of $272,750, are as follows:

2013	$ 102,500
2014	106,021
2015	64,228

14. Commitments (continued):

(d) Engagements:

The Group is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds spent by the Group will qualify as Canadian exploration expenses, even if the Group has committed to take all the necessary measures for this purpose. Refusals of certain expenses by tax authorities would have negative tax consequences for investors.

15. Contingencies:

Communications with Tanzania Revenue Authority:

On May 10, 2011, the Group 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 Group's share in the royalties from this mining property. This request included also preliminary calculations made by TRA presuming that the Group owed 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 Group subsequently sent the requested information to TRA and discussions are presently in progress in order to clarify this situation. Pursuant to the agreement between the Group, 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 on 100% of the mining activity. The Group has obtained a confirmation from the Operator that since the beginning on the production at the Tulawaka mine in 2004, the Operator has paid all taxes due to the TRA.

Furthermore in August 2011, the operator's auditors have confirmed to the TRA the above statement. Meetings between the different parties were held during 2011 and exchange of documentation is still being presently in progress.

No provisions have been recorded in the Group's financial statements as at March 31, 2012, as management is of the opinion that amounts included in this communication are not founded and that the Group 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 Group.