MDN inc.

INTERIM FINANCIAL REPORT

JUNE 30, 2012

MDN INC.

MANAGEMENT DISCUSSION AND ANALYSIS

(FOR THE PERIOD ENDED JUNE 30, 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 six-month periods ended June 30, 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 August 9th 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 June 30, 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. MDN acquired a 100% interest in the Nikonga property which is 40 km apart from the Tulawaka mine mentioned above.

Quebec: Le Tac, Lac Shortt, Lespérance and MC Gold 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.

During the second quarter, the Tulawaka mine continued to perform in line with expectations during the reporting period, as it transitioned to only an underground operation, causing the process plant to operate under a batch processing method. This led to an expected reduction in production and associated higher cost. An increase in the grade profile is expected during the second half of the year, which should help increase production levels.

Tulawaka drilling continues to be successful and the operator has been able to replace reserves mined in the first half of the year, thereby extending the mine life into mid 2013.

Deeper drilling continues to encounter continuity of mineralisation at depth and ABG is targeting further extensions of the mine life. Further updates will be provided later this year as the development of the 2013 mining plan will be more advanced.

Key statistics

Tulawaka (reflected as 100%)		Three months ended 30 June		Six months ended 30 June	
(Unaudited)		**2012**	**2011**	**2012**	**2011**
Underground ore tonnes hoisted	Kt	41	43	84	86
Open pit ore tonnes mined	Kt	-	-	61	-
Open pit waste tonnes mined	Kt	-	-	317	-
Ore milled	Kt	58	106	154	216
Head grade	g/t	5.9	6.7	5.6	6.3
Mill recovery	%	95.9%	95.0%	95.6%	94.3%
Ounces produced	Oz	10,537	21,.517	26,500	41,131
Ounces sold	Oz	9,350	22,500	26,250	40,850
Cash cost per ounce sold	US$/oz	1,305	645	1,046	686
Cash cost per tonne milled	US$/t	211	138	178	130
Capital expenditure (100%)	US$(000)	4,442	5,384	9,564	9,279

Operating performance

The operator is progressing with the exploration drilling programmes and has replaced the reserves mined to date, and as mentioned previously extending the mine life into the middle of 2013. Work is currently ongoing to construct a second underground portal, which will provide additional access for mining and future drill platforms.

During the second quarter of 2012, Tulawaka focused on process plant optimisation because of the reduction of ore stockpile levels at the surface. This resulted in the application of batch milling, where the mill was being run at optimum throughput levels for shorter periods of time, as opposed to low throughput levels on a consistent basis. This resulted in mill throughput decreasing by 39% in the second quarter of 2012, leading to production for the quarter of 10,537 ounces, 51% lower than 2011.

As a result of the above, Tulawaka's total gold production for the six months was 26,500 ounces, 36% lower than the 41,131 ounces produced in 2011. Gold ounces sold were in line with production and 36% lower than in 2011. Head grade was 11% lower in this quarter compared to the same period of 2011 as a result of the low grade stockpiles left into the mill feed. These results should improve during the second half of the year.

Cash costs for the first half of the year were US$1,046 per ounce sold compared to US$686 in the prior year period. This cost increase was mainly due to the lower production base, an increase in mining activity (specifically relating to open pit mining during the first quarter) in combination with the costs incurred to service an ageing mining fleet and increased general administration cost.

Cash costs per tonne milled increased to US$178 in H1 2012 from US$130 in H1 2011, primarily as a result of the higher cost base as explained above and lower mill throughput due to the batch milling campaign.

Capital expenditure for the reporting period totalled US$9.6 million, 3% higher than the US$9.3 million in the prior year period. Key capital expenditures included:

i. Capitalised development: capitalised underground development of US $ 3.6 Million which includes the investment in the Tulawaka underground Eastern portal extension.
ii. Expansion capital: capitalised exploration drilling of US$1.9 million; and
iii. Sustaining capital: US$4.1 million sustaining capital including a non-cash rehabilitation asset adjustment credit of US$0.6 million.

Exploration and Development Update

East Zone Underground Extensions

A total of 73 underground diamond core holes for 9,251 metres were drilled during the first semester of 2012 from four drill platforms located at Levels 11E (Zone 550), 9E (Zone 250), 10 DD1 and 10 Access (Zone 150) to test the Tulawaka East Zone underground extensions between Level 11 and Level 20 (160m to 400m below the completed pit floor).

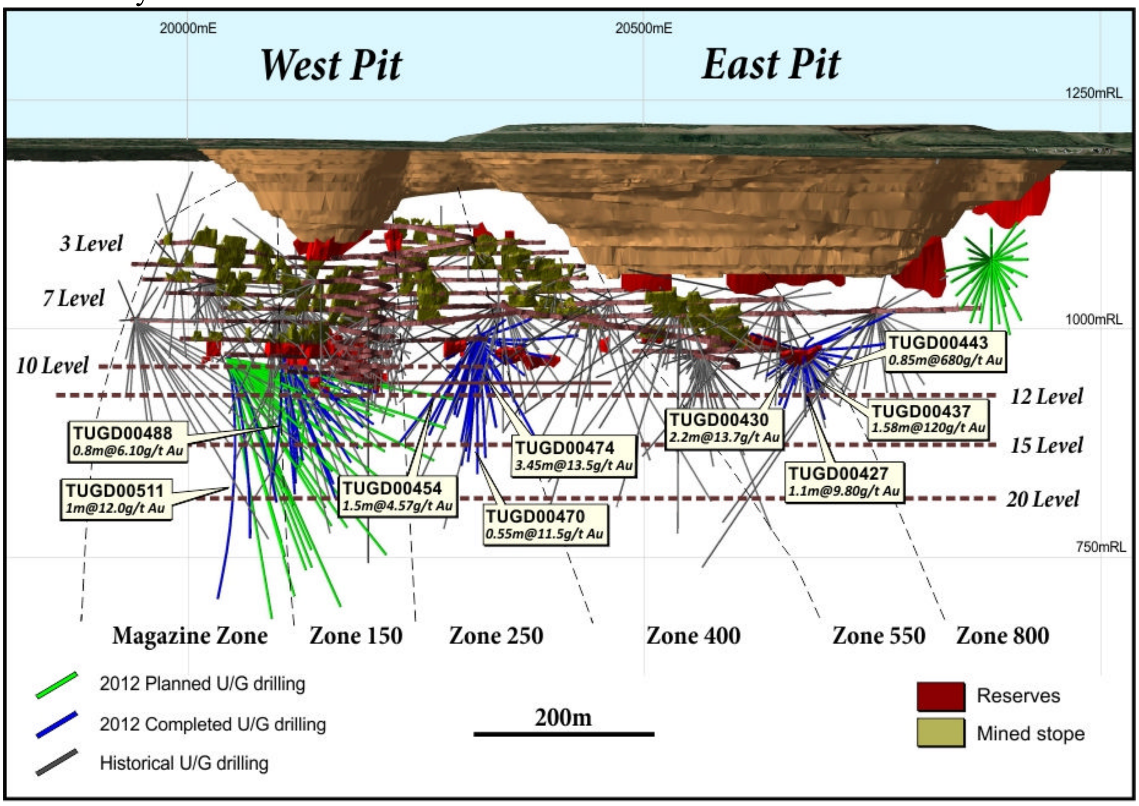
It has then been possible to fully replace reserves mined in the first half of 2012 and thereby extending the life of the mine into 2013. Diamond drilling continues to test depth, plunge and strike extensions below current reserves in the East Zone of the mineralised lodes between Levels 10 and 12, and we remain confident of further extending the mine life.

The majority of the holes drilled during the period returned patchy grades which confirm the pinch and swell (boudinage) nature of the Tulawaka ore body. During the early part of the year, three of the holes drilled through Zone 550E returned promising high grades with visible gold in core between levels 11 and 12. This re-emphasises the potential of high grade mineralisation at depth, within the 550 Zone even though holes around them did not show the same concentration of mineralisation.

Significant intersections made during the period include the following;

- TUGD00427: 1.1m @ 9.8g/t Au.
- TUGD00430: 2.2m @ 13.7g/t Au.
- TUGD00437: 1.6m @ 120.0/t Au and 2m @ 34.8g/t Au.
- TUGD00443: 0.9m @ 680.0g/t Au.
- TUGD00470: 0.6m @ 11.5g/t Au.
- TUGD00474: 3.5m @ 13.5g/t Au.
- TUGD00511: 1.0m @ 12.0g/t Au.

Figure 1 – Tulawaka long section showing reserve outline, planned drill programmes and recent assay results



Though results received to date consist of narrow intercepts, they are significant in that they confirm the predicted continuity (at depth) of the ore body, within zones 150 and 250. The intersection of 1.0m @ 12.0g/t Au from TUGD00511 is around Level 19 (850m RL) in zone 150. This, and the fact that historically, closed spaced sampling has realised more ounces than the reserve estimates, provides a good indication of the resource potential at depth.

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.

MDN Exploration Work in Tanzania

A second drilling program began June 11, 2012. As of June 30, we have drilled 793 meters of a 1,850 meters planned program. A total of 4 holes are completed (NKD-03, 04, 05 and 06) and sampling is underway.

The objective is to verify the drilling extensions of NKD-02 (12.3 g/t Au on 4.2 m and 10.9 g/t Au on 4,9m) in the "Keseria Hand" zone with the drilling of 7 holes. Two drillings are planned, more to the north, with another drilling to test the parallel structure at "Keseria North", NKRC-14 (14.5 g/t Au / 2m) and a last one, to test the abnormality of the soil in the northern part of the property, where the soil reveals the strongest values on the property.

A magnetic analysis of the soil was completed for a total of 177 km of lines spaced every 100 meters to cover an area of 16 km^2.

Summary of the results to date: In 2010, MDN acquired the Nikonga property located 40 km to the southeast of the Tulawaka mine. MDN holds 100 % ownership of the Nikonga property.

Regional information suggests a lineation oriented towards the west, northwest, linking the Nikonga property to the Tulawaka mine. The property is covered by two gold abnormalities in the soil, separated by 1 km and parallel to the regional lineation. Gold values as high as 580 ppb Au have been detected. These abnormalities coincide and form the extensions of artisanal mining sites that exploit volcanic rocks strongly silicified with a high content of gold. Samples holding from 4 g/t Au to a maximum of 33 g/t Au were obtained by MDN in 2011.

A first drilling program was carried out from January 30, 2012 to March 3, 2012. The objective was to verify two sub-parallel lines where the chosen samples showed high gold content.

The results of the first drilling program reveal three types of gold mineralization:

- Small veins of quartz in argillite,
- Massive veins of quartz to tourmaline,
- Small veins of quartz to tourmaline in an intrusive with porphyries of quartz and feldspars.

These three types of mineralization are associated with two gold structures (Principal Kezeria and Kezeria North) with 500 meters of space separating each other, adjacent or parallel to an intrusive with porphyries of quartz feldspars. The latter is equally mineralized by small veins of quartz and tourmaline in some places.

Published results for Principal Kezeria:

Drilling #	East (m)	North (m)	From (m)	To (m)	Value (g/t Au)	Interval* (m)
NKD-02	369 751	9 621 340	86.0	112,0	4,39	26,0
Including			92,3	96,5	12,27	4,2
			107,1	112,0	10,87	4,9
NKRC-01	369 823	9 621 322	55,0	65.0	1,86	10,0

Published results for Kezeria North:

Previously reported on March 1, 2012						
Drilling #	East (m)	North (m)	From (m)	To (m)	Value (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	369 200	9 622 093	42,00	43,00	5,60	1,00

Note: The intervals are alongside drilling, the true thickness is unknown at this point in time.

IKUNGU EAST

MDN acquired mining properties located to the east of its Ikungu property in Tanzania. The new property covers an area of 133.33 km^2 and MDN holds 100% ownership. The new mining licences of these properties were granted to MDN by the Ministry of Energy and Minerals of the United Republic of Tanzania.

The geological compilation of available information and the interpretation of the data by MDN geologists suggest that the eastern extension of Ikungu's gold structure continues for an additional 15 kilometers alongside Ikungu's structure.

This new property covers a wide portion of the territory located between the Ikungu property and the artisanal gold mining site "Magarombe", which is equal to the colonial mine "Buhemba" in terms of high gold-bearing production. This mine produced 393,000 tonnes of ore at a grade of 12 g/t Au.

A mapping and prospecting program is underway.

DEVELOPMENT OF THE CREVIER PROJECT

During the first half of 2012, all work was devoted to the preparation of the feasibility study for this project.

The work on the feasibility occurred throughout 2011 and 2012. A delay at the preparation level and the execution of the manufacturing pilot test as well as the analysis of the results for this part of the study caused a delay in the general preparation of the feasibility study. The study could thennot be finished, as foreseen, at the end of the first part of the year 2012. Furthermore, additional work was added at the metallurgical development level.

Ore flotation:

During the first quarter 2012, we received the final report of the manufacturing pilot test of the plant. As previously discussed, the report recommends proceeding to a second pilot plant test to consolidate the results obtained during the first manufacturing test. During the second quarter a request of service to two laboratories was completed. The manufacturing test will take place during the months of September and October and the extraction of the necessary sample for the manufacturing test will take place during the month of August.

Lixiviation process:

The lixiviation program has been underway since the month of November 2011 and continued throughout the second quarter of 2012. This program's objective is the development of a procedure allowing the recuperation of niobium and tantalum oxides contained in concentrates resulting from ore flotation. This work is carried out by SGS Lakefield.

Until now, the results of these tests tend to confirm the hypotheses used in the preparation of the Preliminary Economic Study for the Crevier project, and tend to confirm that we could have improvement in the parameters used. The principal results obtained until now are:

- Pre-Lixiviation

  - A first phase of lixiviation using HCL allowed with success the reduction of sterile minerals without the loss of Niobium and of Tantalum.
  - During these tests, other alternatives were examined (H2SO4 Bake, H2SO4 Leach) but no advantage could be shown while using these methods.

- Lixiviation

  - At the level of the lixiviation, the concentrates of the Crevier deposit responded very well to the procedure of lixiviation HF/H2SO4.
  - The recuperation obtained for niobium and tantalum while using this method was of 97.1% and 96.9%, respectively.
  - This procedure is very selective and allows for most of the sterile minerals to be left in the residue forming the gangue thus allowing a concentrate of zirconium in the residue, a by-product which increases the value of the concentrates at Crevier.
  - Generally, lixiviation using HF/H2SO4 is followed by a second lixiviation of HF to extract the niobium and the tantalum. In the case of the concentrate at Crevier, the second extraction is not necessary thus reducing by 61% the consumption of HF comparatively to conventional procedures. This could represent a substantial economic saving in production costs.

- Extraction by solvent

  - The solvent MIBK was used for the extraction of Nb and of Ta; this solvent is very selective in the separation of the niobium and tantalum
  - For the Ta, an extraction of 99% was possible
  - For the Nb, an extraction of 93% was possible after 3 phases of lixiviation. A more complete extraction will be possible by using more than 3 phases. (Underway)
  - For the niobium, it was possible to obtain two different products: a pure niobium, while using the same method of extraction that was used for the tantalum and a hydroxide of niobium while using a precipitation method. This second product could be the departure point for the production of ferroniobium.

This program, essential to the achievement of the feasibility study, will continue during the next months. A pilot program is underway.

Search for a strategic partner:

Still in the framework of developing the Crevier project, MDN continues its search for a strategic partner that will support the next development phases of the Crevier project.

BUSINESS DEVELOPMENT

MDN remains above all, a company devoted to gold exploration and we are satisfied with the progress of the drilling program at Tulawaka as well as the further extension of the mine life announced by its operator African Barrick Gold. In terms of its exploration properties, the biggest part of its exploration budget in Tanzania will be devoted to the gold-bearing property of Nikonga. MDN will continue to work on the feasibility study with the objective of obtaining the economic and technical parameters, as soon as possible in order to complete the final economic study of the Crevier project.

On May 14, 2012, Robert LaVallière joined MDN Inc., as Vice President Corporate Development. He's also a member of the Board of Directors since 2010. Corporate development efforts have been focused on the search for strategic partners in order to accelerate exploration work on the gold-bearing property of Ikungu in Tanzania: The objective being to establish an initial calculation of mineral resources on the property. Despite a less than favorable market for junior exploration companies, MDN management intends to meet in the next quarters with corporate financing departments of brokerage firms, institutional banks and potential investors, to inform them of the progress achieved on our projects and hopefully secure partners for our numerous projects.

SUMMARY OF OPERATING RESULTS

For the three months period ended June 30	**2012**	2011
(In thousands of dollars, except for amounts per share)		
Total revenues net of financial charges	**$363**	$1,272
Administrative expenses	**$981**	$1,069
Net loss attributable to the shareholders of the company	**($584)**	($154)
Basic and diluted net loss per share	**($0.006)**	($0.003)
Number of shares outstanding (in thousands)	**101,527**	99,976

Operating results

MDN's revenues are historically generated 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 the land following a mine closure. Because of capital expenses of US$9.6M, representing a 3% increase over the corresponding period of 2011, the royalties declared for the second quarter of 2012, was $313,144 in comparison with $1,187,830 in 2011. Other revenues ($58,813 in 2012 and $118,190 in 2011), consist of net foreign exchange gain, interest income from the Company's various investments, gains on disposal of investment and also a partial reversal of the liability related to the issuance of flow-through shares.

Financial charges totalled $9,139 compared with $33,898 for the second quarter of 2012 and 2011, respectively. The financial charges included interest and bank charges of $3,193 ($26,160 in 2011) and accretion expenses on other long-term liability of $5,946 ($7,738 in 2011).

Administrative expenses totalled $980,841 for the second quarter 2012, compared with $1,069,460 in 2011. Administrative expenses included management fees of $167,296 ($180,570 in 2011) representing 30% of 3% of all operating expenses of the Tulawaka project invoiced by the operator; professional fees of $146,600 ($202,768 in 2011), decrease mainly due to the non-renewal of financial communication and investor relation contract, salary costs of $258,574 ($449,798 in 2011) variation mainly due to a notice of assessment received from Revenue Quebec in 2011 for the periods between 2007 and 2010 changing the rates used for the Health and service Funds for a value a $150,127 and the non-replacement of one opening position. Amortization of the intangible assets comes from a percentage of the royalties distributed by the mine. This amount was $46,325 in 2011 and nil in 2012 because the company has completely amortized these charges in 2011.

After evaluation of the joint ventures, made by the Tanzanian authorities, they confirmed ''that when a joint venture agreement between two foreign companies is made, regarding activities held in Tanzania, the companies must pay a stamp duty, based on the value of the agreement''. Following an audit made by the Tanzanian authorities, the company paid $273,562 on several joint ventures, to be in accordance with this rule. The stamp duty charge was registered in the administrative expenses.

Net loss

For the three month period ended June 30, 2012, the Company recorded a net loss attributable to shareholders of the Company of $583,820 or $0.006 per share compared to net loss of $154,462 or $0.003 per share for the same period in 2011, the variation is mainly due to the decrease of the royalty distribution.

The net income per share is based on weighted-average number of 101,527,220 common shares outstanding as at June 30, 2012, compared with a weighted-average number of 99,209,956 common shares outstanding as at June 30, 2011.

For the six months ended June 30	2012	2011
(In thousands of dollars, except for amounts per share)		
Total revenues net of financial charges	**$312**	$1,254
Administrative expenses	**$1,874**	$1,877
Write off of evaluation and exploration assets	**$947**	-
Net income (loss) attributable to the shareholders of the company	**($2,221)**	($794)
Basic and diluted net earnings (loss) per share	**($0.002)**	($0.009)

Operating results

Royalties declared for the six months ended June 30 2012, was $313,144 compared with $1,187,830 in 2011, a reduction mainly due to the increase in capital investment necessary to increase the mine life. Other revenues ($42,542 in 2012 and $116,206 in 2011), consist of interest income from the Company's various investments, gains on disposal of investment and a partial reversal of the liability related to the issuance of flow-through shares.

Administrative expenses totalled $1,874,464 for the six months ended June 30 2012, compared with $1,876,869 in 2011. Administrative expenses included management fees of $360,505 ($328,214 in 2011) representing 30% of 3% of all operating expenses of the Tulawaka project invoiced by the operator; professional fees of $377,009 ($381,988 in 2011), decrease mainly due to the non-renewal of financial communication and investor relation contract, partly offset by cost related to the search for a strategic partner for the Crevier project. Salary costs of $535,494 ($705,989 in 2011) variation mainly due to a notice of assessment received from Revenue Quebec in 2011 for the periods between 2007 and 2010 changing the rate used for the Health and Service Fund for a value a $150,127 and the non-replacement of one opened position. Amortization of the intangible assets comes from a percentage of the royalties distributed by the mine. This amount was $46,325 in 2011 and nil in 2012 because the company has completely amortized these charges in 2011.

After evaluation made by the Tanzanian authorities, they confirmed ''when an joint venture agreement between two foreign companies is made, regarding activities held in Tanzania, the companies must pay a stamp duty, based on the value of the agreement''. Following an audit made by the Tanzanian authorities, the company paid $273,562 on several joint ventures, to comply with this rule. The stamp duty charge was registered in the administrative expenses.

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 complete a feasibility study by December 2012. As the cumulative results on this property did not justify conducting such a study by year end, 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 the six month period ended June 30, 2012, the Company recorded a net loss attributable to owners of the Company of $2,220,812 or $0.02 per share compared to net loss of $794,099 or $0.009 per share for the same period in 2011 the variation is mainly due to the write-off of exploration assets and the decrease of the royalty distribution.

The net income per share is based on weighted-average number of 101,527,220 common shares outstanding as at June 30, 2012, compared with a weighted-average number of 99,209,956 common shares outstanding as at June 30, 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	*June 30* **2012**	*December 31* 2011
(In thousands of dollars)		
Cash and cash equivalents	**$2,710**	$1,660
Investments	**$3,514**	$3,475
Accounts receivables	**$1,678**	$5,570
Mining taxes receivable	**$252**	$240
Exploration and evaluation assets	**$36,566**	$36,392
Total assets	**$46,783**	$49,087
Share Capital	**$63,813**	$63,813
Total equity attributable to equity holders of the Company	**$43,171**	$45,364

LIQUIDITY AND FINANCIAL POSITION

Cash, cash equivalents and term deposits

As at June 30, 2012, the Company's cash position, consisting of cash, investments and term deposits, amounted to $6,223,573 compared with $5,134,442 as at December 31, 2011. This increase is mainly due to the collection of accounts receivable, partly offset by investments in exploration and evaluation assets.

Mining taxes receivables

As of June 30, 2012, tax credit receivables amounted to $251,704 compared with $240,446 as at December 31, 2011. The mining taxes receivable are mainly attributable to the Crevier project.

Accounts receivable

As of June 30, 2012, accounts receivable amounted to $1,678,121 mainly due to resources credit ($720,869) and sales tax (mainly Tanzanian) reimbursements for a value of $794,511.

Mining properties

In relation with several property agreements in Tanzania, MDN made annual payments of $67,924 for Ikungu ($44,888), Nikonga ($20,394) and Kunga (2,642).

Exploration and evaluation assets

During the sixth month period ended June 30, 2012, the Company increased by $1,119,543 its exploration and evaluation assets. Of this amount, $834,386 was spent for properties in Tanzania, mainly for the Nikonga property ($546,283) and for the Ikungu property ($258,712). The Company also expensed $285,157 in the province of Quebec, $246,725 for the Crevier property and $38,432 at the MCGold project.

Assets, equity attributable to equity holders of the Company and liquidity

Total assets amount to $46,783,195 as at June 30th, 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 and the reduction of accounts receivable.

Equity attributable to equity holders of the Company amounted to $43,170,769 as of June 30th, 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 is sufficient for the payment of administrative expenses, the financing of exploration activities and to support the Company's short term development plan.

Share capital

During the period ended June 30, 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.

Liquidity needs for the current financial year

Based on the operation of the mining property and the available liquidities based on the JVA, the Company receives a 30% share of liquidity 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 first quarter 2013. However, exploration is underway at Tulawaka to extend the mine's life in the context of underground development beyond this period.

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 period ended June 30th, 2012. 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 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 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)	(S)
Serge Bureau	Yves Therrien, CMA
Chairman & CEO	Vice President, Finance

Montreal, Canada
August 9th , 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	**$312,186**	$6,329,995	$(76,119)
(Net Loss) income	**($2,220,812)**	$1,675,414	($3,347,965)
(Net loss) income per share	**($0.02)**	$0.016	($0.035)
Addition on Exploration and evaluation assets	**$1,119,543**	$4,389,491	$6,397,268
Accounts receivable & Mining tax receivables	**$1929,825**	$5,810,914	$2,005,826
Total assets	**$46,783,195**	$49,087,267	$47,272,468
Shareholders' equity			
Total	**$45,105,850**	$47,312,724	$44,971,579

FOR THE LAST EIGHT QUARTERS

				2012
	1st quarter			
Total revenues net of finance expenses	($50,632)	$362,818		
Net income (loss)	($1,636,992)	($583,820)		
Net income (loss) per share	($0.016)	($0.006)		

				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
	3rd quarter	*4th quarter*
Total revenues net of finance expenses	$27,285	35,420
Net income (loss)	($500,610)	($1,062,336)
Net income (loss) per share	($0.005)	($0.011)

Condensed Consolidated Interim Financial Statements of
(Unaudited)

MDN INC.

Periods ended June 30, 2012 and 2011

MDN INC.

Condensed Consolidated Interim Financial Statements
(Unaudited)

Periods ended June 30, 2012 and 2011

Financial Statements

MDN INC.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

June 30, 2012 and December 31, 2011

	June 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 2,709,557	$ 1,659,611
Temporary investments (note 4)	3,514,016	3,474,831
Accounts receivable	1,678,121	5,570,468
Mining taxes receivable	251,704	240,446
Prepaid expenses	10,767	31,941
Total current assets	8,164,165	10,977,297
Non-current assets:		
Mining properties (note 6)	10,258,987	10,190,702
Exploration and evaluation assets (note 7)	26,307,031	26,201,184
Equipment	96,577	45,084
Deferred tax assets	1,956,435	1,673,000
Total non-current assets	38,619,030	38,109,970
Total assets	$ 46,783,195	$ 49,087,267
Liabilities and Equity		
Current liabilities:		
Trade accounts payable and accrued liabilities	$ 323,094	$ 393,734
Liability related to flow-through shares	–	9,366
Current portion of other long-term liability	100,000	100,000
Total current liabilities	423,094	503,100
Non-current liabilities:		
Other long-term liability	118,800	156,443
Deferred tax liabilities	1,135,451	1,115,000
Total non-current liabilities	1,254,251	1,271,443
Equity:		
Share capital (note 8)	63,813,193	63,813,193
Contributed surplus	6,554,016	6,542,619
Accumulated other comprehensive income	(455,413)	(471,845)
Deficit	(26,741,027)	(24,520,215)
Total equity attributable to equity holders of the Company	43,170,769	45,363,752
Non-controlling interests	1,935,081	1,948,972
Total equity	45,105,850	47,312,724
Contingencies (note 14)		
Total liabilities and equity	$ 46,783,195	$ 49,087,267

The notes on pages 5 to 17 are an integral part of these unaudited condensed consolidated interim financial statements.

MDN INC.

Condensed Consolidated Interim Statements of Comprehensive Income
(Unaudited)

Periods ended June 30, 2012 and 2011

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Revenue:				
Operating royalties from the Tulawaka mine	$ 313,144	$ 1,187,830	$ 313,144	$ 1,187,830
Administrative expenses (note 10)	980,841	1,069,460	1,874,464	1,876,869
Impairment of exploration assets	–	–	946,667	–
(Loss) income before net finance expense and income taxes	(667,697)	118,370	(2,507,987)	(689,039)
(Finance income) finance cost (note 11):				
Finance income	(58,813)	(118,190)	(42,542)	(116,206)
Finance cost	9,139	33,898	43,500	50,069
	(49,674)	(84,292)	958	(66,137)
(Loss) income before income taxes	(618,023)	202,662	(2,508,945)	(622,902)
Income tax (recovery):				
Current taxes (recoverable)	(6,071)	104,837	(11,258)	(6,527)
Deferred taxes	(14,929)	333,032	(262,984)	272,888
	(21,000)	437,869	(274,242)	266,361
Net loss	(597,023)	(235,207)	(2,234,703)	(889,263)
Other comprehensive income for the period:				
Gain (loss) on foreign currency translation differences of foreign operations	280,182	(38,676)	16,432	(275,070)
Net comprehensive loss for the period	$ (316,841)	$ (273,883)	$ (2,218,271)	$ (1,164,333)
Net loss attributable to:				
Owners of the Company	$ (583,820)	$ (154,462)	$ (2,220,812)	$ (794,099)
Non-controlling interests	(13,203)	(80,745)	(13,891)	(95,164)
Total comprehensive loss attributable to:				
Owners of the Company	$ (303,638)	$ (193,138)	$ (2,204,380)	$ (1,069,169)
Non-controlling interests	(13,203)	(80,745)	(13,891)	(95,164)
Basic and fully diluted net loss per share	$ (0.006)	$ (0.003)	$ (0.02)	$ (0.009)
Weighted average of outstanding shares - basic	101,527,220	99,975,887	101,527,220	99,209,956

The notes on pages 5 to 17 are an integral part of these unaudited condensed consolidated interim financial statements.

MDN INC.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited)

Periods ended June 30, 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, 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
Acquisition of an additional participation in CMI	1,531,863	625,000	–	–	(261,474)	363,526	(363,526)	–
Share-based payments	–	–	19,186	–	–	19,186	–	19,186
Foreign currency translation differences of foreign operations	–	–	–	(275,070)	–	(275,070)	–	(275,070)
Net loss	–	–	–	–	(794,099)	(794,099)	(95,164)	(889,263)
Balance, June 30, 2011	99,975,887	$ 63,448,630	$ 6,534,525	$ (1,085,643)	$ (26,989,728)	$ 41,907,784	$ 1,918,648	$ 43,826,432
Balance, December 31, 2011	101,527,220	$ 63,813,193	$ 6,542,619	$ (471,845)	$ (24,520,215)	$ 45,363,752	$ 1,948,972	$ 47,312,727
Share-based payments	–	–	11,397	–	–	11,397	–	11,397
Foreign currency translation differences of foreign operations	–	–	–	16,432	–	16,432	–	16,432
Net loss	–	–	–	–	(2,220,812)	(2,220,812)	(13,891)	(2,234,703)
Balance, June 30, 2012	101,527,220	$ 63,813,193	$ 6,554,016	$ (455,413)	$ (26,741,027)	$ 43,170,769	$ 1,935,081	$ 45,105,850

The notes on pages 5 to 17 are an integral part of these unaudited condensed consolidated interim financial statements.

MDN INC.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)

Periods ended June 30, 2012 and 2011

	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
Cash flows from operating activities:				
Net loss	$ (597,023)	$ (235,207)	$ (2,234,703)	$ (889,263)
Adjustments for:				
Share-based payments	4,250	6,603	11,397	19,186
Depreciation of equipment	2,969	1,467	4,871	2,932
Depreciation of intangible asset	–	46,325	–	46,325
Liability related to flow-through shares	(3,847)		(9,366)	–
Interest income (note 11)	(11,585)	(60,365)	(33,176)	(106,135)
Accretion expense related to other long-term liability	5,946	7,738	12,357	15,897
Impairment of evaluation and exploration asset	–	–	946,667	–
Income taxes	(21,000)	437,869	(274,242)	266,361
(Loss) gain on foreign exchange	(43,381)	–	24,976	–
Change in non-cash working capital items	(127,222)	(2,048,715)	3,811,172	(864,873)
(Payment) severance benefit expense presented in other long-term liability	(25,000)	(25,000)	(50,000)	(50,000)
Interest received	26,054	74,050	53,421	162,330
	(789,839)	(1,795,235)	2,263,374	(1,397,240)
Cash flows from investing activities:				
Acquisition of investments	(866,305)	(150,000)	(1,705,403)	(662,320)
Disposal of investments	850,000	1,228,615	1,650,000	1,728,615
Acquisition of equipment	(54,239)	(16,373)	(56,663)	(16,673)
Additions to mining properties	(2,642)	(9,525)	(67,924)	(68,180)
Increase in exploration and evaluation assets	(558,915)	(218,180)	(1,038,983)	(2,933,548)
	(632,101)	834,537	(1,218,973)	(1,952,106)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency	41,864	(307)	5,545	(4,428)
Net (decrease) increase in cash and cash equivalents	(1,380,076)	(961,005)	1,049,946	(3,353,774)
Cash and cash equivalents, beginning of period	4,089,633	2,581,968	1,659,611	4,974,737
Cash and cash equivalents, end of period	$ 2,709,557	$ 1,620,963	$ 2,709,557	$ 1,620,963

The notes on pages 5 to 17 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 June 30, 2012 and for the periods ended June 30, 2012 and 2011 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

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 June 30, 2012, 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

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards, or “IFRS” applicable to the preparation of interim financial statements, including IAS 34.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of August 10, 2012, 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, 2012 could result in restatement of these condensed consolidated interim 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 judgments, 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:

The condensed consolidated interim financial statements have been prepared following the same accounting policies used in the annual consolidated financial statements for the years ended December 31, 2011 and 2010.

4. Temporary investments:

	June 30, 2012	December 31, 2011
Guaranteed investment certificates, rate of 0.25%, maturing in April 2013 (rate of 0.25% as at December 31, 2011)	$ 1,000,000	$ 1,000,000
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 3.05% to 4.67%, maturing from December 2012 to June 2013 (rates varying from 3.03% to 4.80% as at December 2011)	1,699,016	1,659,831
	$ 3,514,016	$ 3,474,831

5. Accounts receivable:

	June 30, 2012	December 31, 2011
Account receivable of the Tulawaka mine	$ –	$ 3,353,829
Tax credit related to resources	720,869	1,295,132
Sales tax receivable	794,511	758,101
Other	162,741	163,406
	$ 1,678,121	$ 5,570,468

6. Mining properties:

Mining properties can be detailed as follows:

Properties	Interest at end	January 1, 2012	Additions	Effect of foreign exchange	June 30, 2012
Tanzania:					
Kunga (Viyonza)	65.9% - 100%	$ 976,035	$ 2,642	$ –	$ 978,677
Simba (Isambara)	100	657,109	–	71	657,180
Baraka (PL-1561-1562)	90	264,240	–	145	264,385
Baraka (PL-2479)	100	172,030	–	145	172,175
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	$ 67,924	$ 361	$ 10,258,987

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

6. 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.

7. Exploration and evaluation assets:

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

	January 1, 2012	Tax credits related to resources	Exploration costs	Effect of foreign exchange	Write-off [(i)]	June 30, 2012
Properties:						
Tanzania:						
Tulawaka	$ 308,078	$ –	$ 7,809	$ 104	$ –	$ 315,991
Simba (Isambara)	4,318,261	–	8,474	4,096	–	4,330,831
Baraka (PL-1561-1562)	282,350	–	2,770	130	–	285,250
Baraka (PL-2479)	269,473	–	1,414	181	–	271,068
Kunga (Viyonza)	5,053,076	–	6,534	2,861	–	5,062,471
Msasa	956,979	–	2,390	(12,702)	946,667	–
Ikungu	5,581,587	–	187,726	7,760	–	5,777,073
Ikungu East		–	70,986	–	–	70,986
Nikonga	26,295	–	546,283	6,318	–	578,896
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	(75,777)	246,725	–	–	4,734,214
MC Gold	651,290	–	38,432	–	–	689,722
	$ 26,201,184	$ (75,777)	$ 1,119,543	$ 8,748	$ 946,667	$ 26,307,031

[(i)] Msasa:

The partnership agreement on the project Msasa stated that we had to make a feasibility study by year-end 2012. As the cumulative results of this property did not justify conducting such a study for December 2012, the Group entered into negotiations with the partner to postpone the date of execution of the study in order to receive 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.

7. Exploration and evaluation assets (continued):

	January 1, 2011	Proceeds [(ii)]	Tax credits related to resources	Exploration costs	Effect of foreign exchange	December 31, 2011
Properties:						
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 Isle Dieu property. The five-year, nine-month agreement gives the option to the buyer 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 by the buyer, 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.

8. Share capital and warrants:

Authorized:

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

9. Share-based payments:

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 in accordance with in-force regulations, for a contractual period not to exceed ten years.

Prior to 2010, options were vesting immediately. The options are now mainly vesting over a period of 5 years.

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

	June 30, 2012			December 31, 2011		
	Number of outstanding options	Weighted average exercise price		Number of outstanding options	Weighted average exercise price	
Balance, beginning of period	2,920,000	$	0.48	4,799,438	$	0.67
Granted	–		–	300,000		0.25
Cancelled	–		–	(2,179,438)		0.81
Expired	(90,000)		0.90	–		–
Balance, end of period	2,830,000	$	0.47	2,920,000	$	0.48
Exercisable options, end of period	2,725,000	$	0.47	2,675,000	$	0.48

No options were exercised in 2012 and 2011.

9. Share-based payments (continued):

Share option plan (continued):

The table below presents supplemental information about the share option plan:

Range of exercise prices	Number of outstanding options	Weighted average remaining contractual life (years)	Weighted average exercise price
$0.20 - $0.44	340,000	6.9	$ 0.24
$0.45 - $0.51	2,160,000	3.06	0.49
$0.52 - $0.79	150,000	1.79	0.73
$0.80 - $0.84	100,000	0.54	0.84
Undetermined [i]	80,000	11.01	Undetermined
	2,830,000	3.58	$ 0.47

[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.

10. Administrative expenses:

	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Professional fees	$ 146,600	$ 202,768	$ 377,009	$ 381,988
Salaries	258,574	449,798	535,494	705,989
Share-based payments	4,250	6,603	11,397	19,186
Transfer fees	24,398	34,963	28,431	55,884
Travelling expenses	12,702	28,905	68,343	89,840
Rent	30,628	36,220	61,227	65,873
Office expenses	17,200	28,332	41,647	59,876
Promotion expenses	12,798	16,410	38,966	29,107
Reports to shareholders	–	3,143	19,427	12,149
Insurance, taxes and permits	16,399	13,596	26,889	24,126
Membership and training	10,001	3,368	11,718	25,156
Telecommunications	1,842	2,742	5,720	5,920
Management fees	167,296	180,570	360,505	338,214
Taxes and duty	273,562		273,562	
Project development	1,622	14,250	9,258	14,304
Depreciation of equipment	2,969	1,467	4,871	2,932
Depreciation of intangible assets	–	46,325	–	46,325
	$ 980,841	$ 1,069,460	$ 1,874,464	$ 1,876,869

11. (Net finance income) net finance expense:

	Three months ended June 30 2012	Three months ended June 30 2011	Six months ended June 30 2012	Six months ended June 30 2011
Gain on sale of investments	$ –	$ (10,071)	$ –	$ (10,071)
Other income flow-through shares	(3,847)	–	(9,366)	–
Interest income on cash and cash equivalents and temporary and long-term investments	(11,585)	(60,365)	(33,176)	(106,135)
Net foreign exchange gain	(43,381)	(47,754)	–	–
Finance income	(58,813)	(118,190)	(42,542)	(116,206)
Interest and bank charges	3,193	26,160	6,167	30,962
Accretion expense on other long-term liability	5,946	7,738	12,357	15,897
Net foreign exchange loss	–	–	24,976	3,210
Finance expense	9,139	33,898	43,500	50,069
Net finance income	$ (49,674)	$ (84,292)	$ 958	$ (66,137)

12. Statement of cash flows:

	Three months ended June 30		Six months ended June 30	
	2012	2011	2012	2011
Operations without impact on cash related to:				
Operating activities:				
Change in accounts payable and accrued liabilities related to exploration and evaluation assets	$ 44,260	$ (781,478)	$ (80,560)	$ (212,102)
Investing activities:				
Change in exploration and evaluation assets for which tax credits related to resources are included in accounts receivable	42,664	40,893	75,777	632,155

13. 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 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.

13. 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 committed to pay US$240,000 in 2007. The Group also had to invest 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 a feasibility study from December 31, 2008 to December 31, 2010 by issuing 125,000 shares for each year of extension. Consequently, on January 30, 2007, as well as on November 17, 2009, the Group issued 125,000 shares. In the event of the start-up of a 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.

Based on results to date, the partnership agreement between MDN and its partner is no longer acceptable. 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 $978,677 and $5,062,471 respectively as at June 30, 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$165,000 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.

13. 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 covering a period extending 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	64,229

13. 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.

14. 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.