MDN inc.

INTERIM FINANCIAL REPORT

SEPTEMBER 30, 2012

MDN INC.

MANAGEMENT DISCUSSION AND ANALYSIS

(FOR THE PERIOD ENDED SEPTEMBER 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 September 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 November 8th 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 September 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 882 km^2 in the area of Lake Victoria Goldfield. MDN acquired a 100% interest in the Nikonga property which is approximately 40 km from the Tulawaka mine mentioned above.

Quebec: Le Tac, Lac Shortt and Lespérance 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

Throughout the third quarter, the objective at the Tulawaka mine was to increase the amount of underground development work, with the goal of extending the mine life. The increase in development work resulted in a 30% decrease in tonnage mined compared to the third quarter of 2011. Combined with the depletion of the open pit ore, this reduction in underground production meant that the operator was obliged to do batch milling and process some of the low-grade ore.

Production Statistics

Tulawaka (on a 100% basis)		Three months ended September 30		Nine months ended September 30	
(*Unaudited*)		**2012**	**2011**	**2012**	**2011**
Tonnes of ore from underground	kt	46	66	130	151
Tonnes of ore from open pit	kt	-	3	61	3
Tonnes of waste from open pit	kt	-	84	317	84
Ore milled	kt	61	97	216	311
Head grade	g/t	5.7	6.8	5.6	6.4
Mill recovery	%	95.8%	96.0%	95.7%	94.9%
Ounces produced	oz	10,773	20,160	37,273	61,291
Ounces sold	oz	11,900	20,900	38,150	61,750
Cash cost per ounce sold	US $/oz	1,309	749	1,128	707
Cash cost per tonne milled	US $/t	254	162	200	140
Capital expenditures (100%)	US $ ('000)	7,638	8,111	17,202	17,390

Operating Performance

During the quarter, operations focused on increasing the rate of underground development, which led to a reduction in the tonnage mined from the high-grade stopes and a proportional increase in the tonnage of lower-grade ore from stope development.

Batch milling carried throughout the quarter contributed to a 37% drop in tonnage milled compared to the third quarter of 2011. To maximize mill efficiency, underground production tonnage was mixed with slightly mineralized waste rock, which resulted in a 16% drop in head grade compared to the previous year. This activity, combined with a lower processing capacity, resulted in total third quarter gold production of 10,773 ounces compared to 20,160 ounces for the third quarter of 2011.

Direct operating costs for the quarter totalled US $1,309 per ounce sold, compared to US $749 for the same period last year. This increase was primarily due to the fact that production costs were spread over fewer ounces produced, and to an increase in the utilization of drilling supplies, explosives and ground support for underground development.

Capital expenditures for the quarter totalled US $7.6 million compared to US $8.1 million for the same period last year. Capital expenditures were mainly incurred for the following activities:

(i) Capitalized underground development (US $1.8 million);
(ii) Capitalized exploration drilling (US $1.1 million); and
(iii) Capital invested to support extension of the mine life (US $4.7 million).

Development Projects

Underground extensions to the east

ABG continued to test the potential of extending the mine life beyond the first half of 2013. To achieve this objective, development of the second mine access portal continued throughout the quarter. Access ramp development is taking place from the lower level in the direction of the portal. This second underground mine access will help improve gold production and facilitate mine access for the development of future drilling bases.

The Tulawaka project is a contractual joint venture between MDN (30% working interest) et Pangea Goldfield Inc. (70% working interest), a wholly-owned indirect subsidiary of African Barrick Gold plc, the project operator and owner through its subsidiary Pangea Minerals Ltd. Disclosure on the Tulawaka gold mine is based on information provided by the mine operator.

MDN Exploration in Tanzania

Nikonga

A second drilling program began on June 11, 2012, and ended on July 30, 2012. A total of 1,213.6 meters were drilled, including 391 meters of HQ drilling and 822.6 meters of NQ drilling, in a total of nine holes (NKD-03, 04 and 06 to 12).

The goal was to drill seven holes on the Kezeria Main zone to test the extensions of Hole NKD-02 (12.3 g/t Au over 4.2 m and 10.9 g/t Au over 4.9 m). Two other holes were planned further north, including one to test the parallel Kezeria North zone explored by Hole NKRC-14 (14.5 g/t Au / 2m) and another to test the soil anomaly in the northern part of the property, where the soils show the highest values on the property.

The drill results from holes NKD-05 (9.88 g/t Au / 4.2 m) and NKD-04 (1.73 g/t Au / 12.35 m including 17.35 g/t Au / 1 m) confirmed MDN's discovery in Hole NKD-02, which returned 12.3 g/t Au / 4.2 m and 10.9 g/t Au / 4.9 m on the Kezeria Main zone. In addition, Hole IKD-07 (1.39 g/t Au /2.6 m and 2.6 g/t Au / 3.0 m) adjacent to NKRC-14 (14.5 g/t Au over 2.0 m and 9.34 g/t Au over 1.0 m) confirmed the Kezeria North structure, located 500 metres north of the Kezeria Main zone.

Summary of results to date: MDN acquired the Nikonga property, located approximately 40 km southeast of the Tulawaka mine, in 2010. The property is wholly-owned by MDN. The results of the first and second drilling programs revealed three types of mineralization:

- Quartz veinlets in a clayey sediment,
- Massive quartz-tourmaline veins, and
- Quartz tourmaline veinlets in a quartz-feldspar porphyry intrusive.

The three types of mineralization are associated with two gold-bearing structures (Kezeria Main and Kezeria North) lying 500 metres apart, adjacent or parallel to a quartz-feldspar porphyry intrusive that is also mineralized by quartz-tourmaline veinlets in places.

The gold occurs in quartz veins and disseminated sulphides associated with foliation, shearing and a breccia. Interpretation suggests the presence of a shear zone of mafic volcanic rocks between more competent felsic porphyry dikes.

At this stage, two possibilities are being considered for future exploration work: either a linear shear zone associated with a northwest-striking deformation zone (Cadillac Break-type) or a series or parallel shears located between the dikes above an intrusion at depth (porphyry-gold type or the type of deposit that characterizes the Timmins camp).

Kezeria Main Results

Hole #	Easting (m)	Northing (m)	From (m)	To (m)	Grade (g/t Au)	Interval* (m)
NKD-04	369845	9621358	105.1	118.3	1.73	12.35
NKRC-01	369823	9621322	55.0	65.0	1.86	10.0
including			111.3	112.4	**17.35**	1.1
NKD-02	369751	9621340	92.3	96.5	**12.27**	4.2
including			92.3	93.0	11.200	0.70
			93.0	93.9	39.050	0.90
			93.9	94.5	1.150	0.60
			94.5	95.0	0.800	0.50
			95.0	95.5	8.570	0.50
			95.5	96.0	5.060	0.50
			96.0	96.5	1.300	0.50
NKD-02			107.1	112.0	**10.87**	4.9
including			107.1	108.0	2.220	0.90
			108.0	109.0	6.915	1.00
			109.0	110.0	26.450	1.00
			110.0	111.0	4.810	1.00
			111.0	112.0	13.100	1.00
NKD-03	369750	9621380	114.9	145.6	0.65	0.7
			151.8	152.8	0.88	1.0
NKD-05	369682	9621347	97.8	102.0	**9.88**	4.2
including			97.8	98.5	**7.69**	0.7
			98.5	99.0	**19.15**	0.5
			99.0	99.5	**14.25**	0.5

			99.5	100.0	0.15	0.5
			100.0	100.5	0.05	0.5
			100.5	101.0	**36.05**	0.5
			101.0	101.5	0.04	0.5
			101.5	102.0	2.52	0.5
NKD-12	369599	9621388	119.8	120.5	0.70	0.
			181.0	182.0	0.91	1.0
			188.0	188.6	3.50	0.6
NKD-06	369499	9621374	117.1	118.1	1.89	1.0
NKD-11	368600	9621560	108.3	108.9	1.63	0.6

Kezeria North Results

Hole #	Easting (m)	Northing (m)	From (m)	To (m)	Grade (g/t Au)	Interval* (m)
NKD-07			107.5	110.7	1.39	2.6
			117.1	120.1	2.6	3.0
NKRC-14	369000	9621799	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	369200	9622153	39.00	44.00	3.20	5.0
NKRC-06	369200	9622093	42.00	43.00	5.60	1.00

* Note: Intervals are core lengths; true widths have not yet been determined.

IKUNGU EAST

MDN has acquired mineral rights to the east of its Ikungu property in Tanzania. The Company owns 100% of the new property, which cover an area of 133.33 km^2. The Ministry of Energy and Minerals of the United Republic of Tanzania approved MDN's mineral rights application for this mining property.

The geological compilation of the available data and interpretation of the data by MDN's geologists indicates that the eastern extension of the Ikungu gold structure extends onto the new property. The acquisition of these rights will enable MDN to explore an additional 15 km of the

Ikungu structure.

An initial geological reconnaissance survey covering the entire property confirmed the presence and the extension towards the east of the volcanic rocks hosting the Ikungu mineralized zone. This belt had not been identified prior to MDN's field work. Mapping has confirmed a 15-km extension of the belt towards the east, in the direction of the former "Buhemba" colonial mine, a high-grade gold mine that produced 393,000 tonnes of ore grading 12 g/t Au (historical values). The discovery of this volcanic belt opens up the territory considerably for gold exploration and gives MDN regional control of a favourable geological structure.

A ground magnetic survey was conducted over the entire 15-km volcanic belt on lines spaced at 200 m. A more detailed survey is underway at a 100-m spacing, for a total of 1,200 km of magnetic surveying.

A soil reconnaissance survey was done in May and June using a DGPS. The survey was carried out on lines spaced at 800 metres, with stations every 50 metres on the volcanic belt and every 100 metres along the contact with the granitoids adjacent to the belt. A total of 1,260 samples were sent for assaying. Four zones were identified, formed of gold-enriched samples spread over three or four consecutive lines. These zones are 1.5 to 3.0 km long and show gold grades of 15 ppb to 1,500 ppb Au.

Such grades are considered significant anomalies when compared to historical soil samples from mines now in production in Tanzania. For instance, more than 60% of the Geita mine reserves were discovered by drilling an 80 ppb Au soil anomaly.

A more detailed follow-up geochemical survey with lines spaced at 400 m is underway to cover the four zones identified by the survey at 800-metre spacings.

MCGold

The last drilling program on the MCGold property did not meet its objectives. The Company therefore decided in August 2012, not to pursue exploration on this property, and sent SOQUEM a letter indicating that it was withdrawing from the project, as a result, the Company took a write-off on the MCGold property of $791,727 during the third quarter 2012.

CREVIER PROJECT DEVELOPMENTS

Much of the work related to the Crevier feasibility study is still on hold pending the results of ore processing development work.

The main work done in the third quarter was as follows:

Leaching process

The leaching program underway since November 2011 was completed in July 2012. The goal of this program was to confirm the process used to recover the niobium oxide and tantalum in the ore flotation concentrate. The work was carried out by SGS Lakefield.

To date, the results of these tests tend to confirm the assumptions used in the preparation of the Preliminary Economic Assessment for the Crevier project. The preliminary report from the program was received in September. The process produced two niobium oxides and high-quality tantalum.

To complete this portion of the process, a second program including pilot plant tests will be carried out to confirm all the processing parameters. These tests will be performed by Lakefield once the flotation process development, presently underway, has been completed by COREM.

Bulk Sampling

The Company mined 100 tonnes of ore from the Crevier property in August 2012 by surface blasting. The sample was crushed and trucked to COREM, a mineral research consortium in Quebec City. COREM was selected to prepare and execute the next pilot plant program, which will build on work done in 2010 and 2011 by SGS Lakefield for flotation of the Crevier niobium-tantalum ore.

Pilot Plant Testing

The pilot plant program began in September with laboratory work, and has been completed during October and November with the ore flotation itself.

The laboratory portion of the program allowed the Company to confirm the recovery and concentration parameters to achieve. The targets are: 65% recovery accompanied by 30% niobium-tantalum concentration.

The laboratory work also tested the effectiveness of the various chemical products to be used in the pilot plant tests.

Pilot plant testing will take place in the last week of October and the first week of November, and will allow the results from preliminary testing to be consolidated.

Search for a Strategic Partner

MDN is still in search of a strategic partner to support the next stages of the Crevier project development.

BUSINESS DEVELOPMENT

MDN remains above all, a company devoted to gold exploration and the largest part of its 2012 Tanzanian exploration budget will be dedicated 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 in Quebec.

Corporate development efforts continue, while focusing mainly on the search for strategic partners in order to accelerate exploration work on the gold-bearing property of Ikungu in Tanzania. The objective is to establish an initial calculation of mineral resources on the property.

SUMMARY OF OPERATING RESULTS

For the three months period ended September 30	2012	2011
(In thousands of dollars, except for amounts per share)		
Total revenues net of financial charges	**($39)**	$3,574
Administrative expenses	**$408**	$63
Write-off of prospecting and exploration &evaluation assets	**$792**	0
Management fees	**$212**	$180
Net loss attributable to the shareholders of the company	**($1,012)**	$1,984
Basic and diluted net loss per share	**($0.01)**	$0.02
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$7.6M, mainly focus on underground development work aimed a extending the life mine, also resulting in a production decrease, no royalty was declared for the third quarter of 2012, in comparison with $3,563,568 in 2011. Other revenues ($20,862 in 2012 and $23,588 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 $60,264 compared with $12,820 for the third quarter of 2012 and 2011, respectively. The financial charges included interest and bank charges of $5,538 ($5,513 in 2011), accretion expenses on other long-term liability of $5470 ($7,307 in 2011) and $49,256 net foreign exchange loss for 2012.

Administrative expenses totalled $407,900 for the third quarter 2012, compared with $637,680 in 2011. Administrative expenses included professional fees of $93,231 ($133,988 in 2011), decrease mainly due to the non-renewal of financial communication and investor relation contract, salary costs of $208,957 ($276,686 in 2011) variation mainly due to the non-replacement of a vacant position. Amortization of the intangible assets comes from a percentage of the royalties distributed by the mine. This amount was $132,695 in 2011 and nil in 2012 because the company has completely amortized these charges in 2011.

Write-off of prospecting and exploration &evaluation assets for the third quarter of 2012 totalled $791,727 is applicable to the MC Gold project. The result of the second drilling campaign having not achieved its objectives, the Company decided to withdraw from the project in August 2012.

The management fees representing 30% of 3% of all operating expenses of the Tulawaka project invoiced by the operator; was $211,870 in 2012 in comparison of $180,302 in 2011.

Net income (net loss)

For the three month period ended September 30, 2012, the Company recorded a net loss attributable to shareholders of the Company of $1,012,463 or $0.01 per share compared to net income of $1,983,794 or $0.02 per share for the same period in 2011, the variation is mainly due to the the royalty distribution.

The net income per share is based on weighted-average number of 101,527,220 common shares outstanding as at September 30, 2012, compared with a weighted-average number of 99,465,266 common shares outstanding as at September 30, 2011.

For the nine months ended September 30	**2012**	2011
(In thousands of dollars, except for amounts per share)		
Total revenues net of financial charges	**$273**	$4,828
Administrative expenses	**$1,922**	$2,176
Write off of evaluation and exploration assets	**$1,738**	-
Management fees	**$572**	$519
Net income (loss) attributable to the shareholders of the company	**($3,233)**	$1,190
Basic and diluted net earnings (loss) per share	**($0.032)**	$0.01

Operating results

Royalties declared for the nine months ended September 30 2012, was $313,144 compared with $4,751,397 in 2011, a reduction mainly due to the increase in capital investment necessary to increase the mine life. Other revenues ($63,404 in 2012 and $138,631 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.

Financial charges totalled $103,764 compared with $61,725 for the nine month period ended September 2012 and 2011 respectively. The financial charges included interest and bank charges of $11,705 ($36,475 in 2011), accretion expenses on other long-term liability of $17,827 ($23,204 in 2011) and $74,232 net foreign exchange loss for 2012 ($2,046 in 2011).

Administrative expenses totalled $1,921,860 for the nine months ended September 30 2012, compared with $2,176,335 in 2011. Administrative expenses included professional fees of $476,240 ($515,976 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 $744,451 ($982,676 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 $179,020 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 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 comply with this rule. The stamp duty charge was registered in the administrative expenses.

The write-off of $1,738,394 of exploration assets is for two projects; Msasa project ($946,667). 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 preceded to write-off the project. Also, a write-off amount of $791,727 was applied to MC Gold project; the result of the second drilling campaign having not achieved its objectives. The Company has decided to withdraw from the project in August 2012. In 2011, there was no write-off of exploration assets.

The management fees representing 30% of 3% of all operating expenses of the Tulawaka project invoiced by the operator; was $572,375 in 2012 in comparison of $518,516 in 2011.

Net income (net loss)

For the nine month period ended September 30, 2012, the Company recorded a net loss attributable to shareholders of the Company of $3,233,275 or $0.032 per share compared to net income of $1,189,695 or $0.01 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 September 30, 2012, compared with a weighted-average number of 99,465,266 common shares outstanding as at September 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	*September 30* **2012**	*December 31* 2011
(In thousands of dollars)		
Cash and cash equivalents	**$1,120**	$1,660
Investments	**$3,506**	$3,475
Accounts receivables	**$1,839**	$5,570
Mining taxes receivable	**$270**	$240
Exploration and evaluation assets	**$36,348**	$36,392
Total assets	**$45,517**	$49,087
Share Capital	**$63,813**	$63,813
Total equity attributable to equity holders of the Company	**$41,673**	$45,364

LIQUIDITY AND FINANCIAL POSITION

Cash, cash equivalents and term deposits

As at September 30, 2012, the Company's cash position, consisting of cash, investments and term deposits, amounted to $4,625,511compared with $5,134,442 as at December 31, 2011. This decrease is mainly due to the investments in exploration and evaluation assets.

Mining taxes receivables

As of September 30, 2012, tax credit receivables amounted to $269,831 compared with $240,446 as at December 31, 2011. The mining taxes receivable are mainly attributable to the Crevier project.

Accounts receivable

As of September 30, 2012, accounts receivable amounted to $1,839,465 mainly due to resources credit ($843,957) and sales tax (mainly Tanzanian) reimbursements for a value of $828,894.

Mining properties

In relation with several property agreements in Tanzania, MDN made annual payments of $92,566 for Ikungu ($44,888), Baraka ($24,642), Nikonga ($20,394) and Kunga (2,642).

Exploration and evaluation assets

During the nine month period ended September 30, 2012, the Company increased by $2,250,978 its exploration and evaluation assets. Of this amount, $1,612,307 was spent for properties in Tanzania, mainly for the Nikonga property ($1,179,864), for the Ikungu property ($244,014) and Ikungu East property ($153,243). The Company also expensed $638,571 in the province of Quebec, mainly for the Crevier property.

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

Total assets amount to $45,516,684 as at September 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 $41,672,958 as of September 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 September 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 Joint Venture Agreement, the Company receives a 30% share of distributed liquidity surplus. 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 Crevier Minerals Inc., 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 September 2012, 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.

DISCLOSURE CONTROLS AND PROCEDURE

The chief Executive Officer and Chief financial Officer of the Company are in charge of establishing and maintaining disclosure controls and procedure, as defined by Multilateral Instrument 52-109 of the Canadian Securities Administrators.

As stated in the 2011 annual management's report, an evaluation has been conducted to measure the effectiveness of controls and procedures as of December 31, 2011 used for the preparation of reporting documents.

Internal Control over Financial Reporting

The chief Executive Officer and Chief financial Officer of the Company are in charge of establishing and maintaining an adequate internal control system in regard to financial reporting.

As stated in the 2011 annual management's report, management has evaluated the effectiveness of internal control over financial reporting as of December 31, 2011.

Changes in internal Control over Financial Reporting

No changes in the Company's internal control over financial reporting occurred during the first nine months of 2012 materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

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 is actually under development 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
Chairman & CEO

Yves Therrien, CMA
Vice President, Finance

Montreal, Canada
November 8th , 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**
	9 months	*12 months*	*12 months*
Total revenues net of finance expenses	**$272,784**	$6,329,995	$(76,119)
(Net Loss) income	**($3,233,275)**	$1,675,414	($3,347,965)
(Net loss) income per share	**($0.032)**	$0.016	($0.035)
Addition on Exploration and evaluation assets	**$2,250,978**	$4,389,491	$6,397,268
Accounts receivable & Mining tax receivables	**$2,109,296**	$5,810,914	$2,005,826
Total assets	**$45,516,684**	$49,087,267	$47,272,468
Shareholders' equity			
Total	**$43,604,148**	$47,312,724	$44,971,579

FOR THE LAST EIGHT QUARTERS

	2012			
	1st quarter	*2nd quarter*	*3rd quarter*	
Total revenues net of finance expenses	($50,632)	$362,818	($39,402)	
Net income (loss)	($1,636,992)	($583,820)	($1,012,463)	
Net income (loss) per share	($0.016)	($0.006)	($0.01)	

	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		35,420
Net income (loss)		($1,062,336)
Net income (loss) per share		($0.011)

Condensed Consolidated Interim Financial Statements of
(Unaudited)

MDN INC.

Periods ended September 30, 2012 and 2011

MDN INC.

Condensed Consolidated Interim Financial Statements
(Unaudited)

Periods ended September 30, 2012 and 2011

Financial Statements

MDN INC.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

September 30, 2012 and December 31, 2011

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 1,119,619	$ 1,659,611
Temporary investments (note 4)	3,505,892	3,474,831
Accounts receivable (note 5)	1,839,465	5,570,468
Mining taxes receivable	269,831	240,446
Prepaid expenses	35,069	31,941
Total current assets	6,769,876	10,977,297
Non-current assets:		
Mining properties (note 6)	10,172,205	10,190,702
Exploration and evaluation assets (note 7)	26,176,138	26,201,184
Equipment	91,707	45,084
Deferred tax assets	2,306,758	1,673,000
Total non-current assets	38,746,808	38,109,970
Total assets	$ 45,516,684	$ 49,087,267
Liabilities and Equity		
Current liabilities:		
Trade accounts payable and accrued liabilities	$ 643,911	$ 393,734
Liability related to flow-through shares	–	9,366
Current portion of other long-term liability	100,000	100,000
Total current liabilities	743,911	503,100
Non-current liabilities:		
Other long-term liability	99,270	156,443
Deferred tax liabilities	1,069,355	1,115,000
Total non-current liabilities	1,168,625	1,271,443
Equity:		
Share capital (note 8)	63,813,193	63,813,193
Contributed surplus	6,558,275	6,542,619
Accumulated other comprehensive income	(945,020)	(471,845)
Deficit	(27,753,490)	(24,520,215)
Total equity attributable to equity holders of the Company	41,672,958	45,363,752
Non-controlling interests	1,931,190	1,948,972
Total equity	43,604,148	47,312,724
Contingencies (note 14)		
Total liabilities and equity	$ 45,516,684	$ 49,087,267

The notes on pages 5 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.

MDN INC.

Condensed Consolidated Interim Statements of Comprehensive Income
(Unaudited)

Periods ended September 30, 2012 and 2011

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Revenue:				
Operating royalties from the Tulawaka mine	$ –	$ 3,563,568	$ 313,144	$ 4,751,397
Administrative expenses (note 10)	407,900	637,680	1,921,860	2,176,335
Write-off of prospecting and exploration and evaluation assets	791,727	–	1,738,394	–
Management fees	211,870	180,302	572,375	518,516
(Loss) income before net finance expense and income taxes	(1,411,497)	2,745,586	(3,919,485)	2,056,546
Finance income (finance cost) (note 11):				
Finance income	(20,862)	(23,588)	(63,404)	(138,631)
Finance expense	60,264	12,820	103,764	61,725
	39,402	(10,768)	40,360	(76,906)
(Loss) income before income taxes	(1,450,899)	2,756,354	(3,959,845)	2,133,452
Income tax (recovery):				
Current taxes (recoverable)	(18,127)	(5,153)	(29,385)	(11,681)
Deferred taxes	(416,419)	781,584	(679,403)	1,054,473
	(434,546)	776,431	(708,788)	1,042,792
(Net loss) income	(1,016,353)	1,979,923	(3,251,057)	1,090,660
Other comprehensive income for the period:				
(Loss) gain on foreign currency translation differences of foreign operations	(489,607)	1,030,038	(473,175)	754,968
Net comprehensive (loss) income for the period	$ (1,505,960)	$ 3,009,961	$ (3,724,232)	$ 1,845,628
Net income (loss) attributable to:				
Owners of the Company	$ (1,012,463)	$ 1,983,794	$ (3,233,275)	$ 1,189,695
Non-controlling interests	(3,890)	(3,871)	(17,782)	(99,035)
Total comprehensive (loss) income attributable to:				
Owners of the Company	$ (1,502,070)	$ 3,013,832	$ (3,706,450)	$ 1,944,663
Non-controlling interests	(3,890)	(3,871)	(17,782)	(99,035)
Basic and fully diluted net (loss) income per share	$ (0.01)	$ 0.020	$ (0.032)	$ 0.010
Weighted average number of shares outstanding, basic	$ 101,527,220	$ 99,975,887	$ 101,527,220	$ 99,485,266

The notes on pages 5 to 16 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 September 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, 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
Acquisition of an additional participation in CMI	1,531,863	625,000	–	–	(261,474)	363,526	(363,526)	–
Share-based payments	–	–	22,906	–	–	22,906	–	22,906
Foreign currency translation differences of foreign operations	–	–	–	754,968	–	754,968	–	754,968
Net gain (loss)	–	–	–	–	1,189,695	1,189,695	(99,035)	1,090,660
Balance, September 30, 2011	99,975,887	$ 63,448,630	$ 6,538,245	$ (55,605)	$ (25,005,934)	$ 44,925,336	$ 1,914,777	$ 46,840,113
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	–	–	15,656	–	–	15,656	–	15,656
Foreign currency translation differences of foreign operations	–	–	–	(473,175)	–	(473,175)	–	(473,175)
Net loss	–	–	–		(3,233,275)	(3,233,275)	(17,782)	(3,251,057)
Balance, September 30, 2012	101,527,220	$ 63,813,193	$ 6,558,275	$ (945,020)	$ (27,753,490)	$ 41,672,958	$ 1,931,190	$ 43,604,148

The notes on pages 5 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.

MDN INC.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)

Periods ended September 30, 2012 and 2011

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Cash flows from operating activities:				
(Loss) Gain	$ (1,016,353)	$ 1,979,923	$ (3,251,057)	$ 1,090,660
Adjustments for:				
Share-based payments	4,259	3,720	15,656	22,906
Income taxes	(434,546)	776,431	(708,788)	1,042,792
Other products related to the credited actions	–	–	(9,366)	–
Depreciation of equipment	3,503	2,405	8,374	5,336
Depreciation of intangible asset	–	132,695	–	179,020
Cancellation of prospecting and exploration and evaluation assets	791,727	–	1,738,394	–
Accretion expense related to other long-term liability	5,470	7,307	17,827	23,204
Interest income (note 11)	(20,862)	(17,583)	(54,038)	(123,718)
Loss (gain) net charge	49,256	(1,163)	74,232	2,046
(Payment) severance benefit expense presented in other long-term liability	(25,000)	(25,000)	(75,000)	(75,000)
Change in non-cash working capital items (note 12)	(15,604)	(2,294,666)	3,795,569	(3,162,747)
Interest received	32,444	25,137	85,865	187,467
	(625,706)	589,206	1,637,668	(808,034)
Cash flows from investing activities:				
Acquisition of investments	–	–	(1,705,403)	(662,320)
Disposal of investments	–	842,645	1,650,000	2,571,260
Acquisition of equipment	–	–	(56,663)	(16,673)
Additions to mining properties	(24,642)	(23,620)	(92,566)	(91,800)
Increase in exploration and evaluation assets	(929,425)	(1,573,524)	(1,968,408)	(4,507,072)
	(954,067)	(754,499)	(2,173,640)	(2,706,605)
Effect of exchange rates on cash and cash equivalents denominated in foreign currency	(10,165)	10,452	(4,620)	6,024
Net decrease in cash and cash equivalents	(1,589,938)	(154,841)	(539,992)	(3,508,615)
Cash and cash equivalents, beginning of period	2,709,557	1,620,963	1,659,611	4,974,737
Cash and cash equivalents, end of period	$ 1,119,619	$ 1,466,122	$ 1,119,619	$ 1,466,122

The notes on pages 5 to 16 are an integral part of these unaudited condensed consolidated interim financial statements.

1. Reporting entity:

MDN Inc. (the “Company”) is a company stationed 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 September 30, 2012 and for the periods ended September 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 September 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 November 9, 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, 2011 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:

	September 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 certificate, 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 31, 2011)	1,690,892	1,659,831
	$ 3,505,892	$ 3,474,831

5. Accounts receivable:

	September 30, 2012	December 31, 2011
Account receivable of the Tulawaka mine	$ –	$ 3,353,829
Tax credit related to resources	843,957	1,295,132
Sales tax receivable	828,894	758,101
Other	166,614	163,406
	$ 1,839,465	$ 5,570,468

6. Mining properties:

Mining properties can be detailed as follows:

Properties	Interest at end	January 1, 2012	Additions	Radiation	Effect of foreign exchange	September 30, 2012
Tanzania:						
Kunga (Viyonza)	65.9 - 100%	$ 976,035	$ 2,642	$ –	$ –	$ 978,677
Simba (Isambara)	100	657,109	–	–	(2,213)	654,896
Baraka (PL-1561-1562)	90	264,240	24,642	–	(4,425)	284,457
Baraka (PL-2479)	100	172,030	–	–	(4,425)	167,605
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	– (ii)	100,000	–	(100,000)	–	–
Samaqua	100	10,950	–	–	–	10,950
		$ 10,190,702	$ 92,566	$ (100,000)	$ (11,063)	$ 10,172,205

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

(ii) The result of the second drilling campaign has not achieved its objectives. The Company has decided to withdraw from the project in August 2012.

MDN INC.

Notes to Condensed Consolidated Interim Financial Statements, Continued
(Unaudited)

Periods ended September 30, 2012 and 2011

6. Mining properties (continued):

Mining properties can be detailed as follows (continued):

Properties	Interest at end	January 1, 2012	Additions	Radiation	Effect of foreign exchange	September 30, 2012
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 and evaluation costs	Radiation	Effect of foreign exchange	September 30, 2012
Properties:						
Tanzania:						
Tulawaka	$ 308,078	$ –	$ 11,872	$ –	$ (882)	$ 319,068
Simba (Isambara)	4,318,261	–	8,662	–	(121,794)	4,205,129
Baraka (PL-1561-1562)	282,350	–	3,108	–	(3,289)	282,169
Baraka (PL-2479)	269,473	–	2,620	–	(4,808)	267,285
Kunga (Viyonza)	5,053,076	–	6,534	–	(84,817)	4,974,793
Msasa (i)	956,979	–	2,390	(946,667)	(12,702)	–
Ikungu	5,581,587	–	244,014	–	(194,635)	5,630,966
Nikonga	26,295	–	1,179,864	–	(12,646)	1,193,513
Ikungu East	–	–	153,243	–	(3,193)	150,050
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	(197,785)	597,155	–	–	4,962,636
MC Gold (ii)	651,290	(1,079)	41,516	(691,727)	–	–
	$ 26,201,184	$ (198,864)	$ 2,250,978	$ (1,638,394)	$ (438,766)	$ 26,176,138

(i) 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.

(ii) The result of the second drilling campaign has not achieved its objectives. The Company has decided to withdraw from the project.

7. Exploration and evaluation assets (continued):

	January 1, 2011	Proceeds [(i)]	Tax credits related to resources	Exploration and evaluation 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	–	–	23,081	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

(i) 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:

Authorized:

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

9. Share-based payments:

(a) Share option plan:

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

The Board of Directors sets the conditions for acquiring the share options according to quantity and exercise prices which they established in accordance with in-force regulations, for a contractual period not to exceed ten years. Prior to 2010, options were vesting immediately. Since 2010, options are vesting over a maximum period of five years and must be exercised no later than seven years after the grant date, apart from are exception.

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

	September 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	(30,000)		0.25	(2,179,438)		0.81
Expired	(90,000)		0.90	–		–
Balance, end of period	2,800,000	$	0.47	2,920,000	$	0.48
Exercisable options, end of period	2,695,000	$	0.47	2,675,000	$	0.48

No options were exercised in 2012 and 2011.

9. Share-based payments (continued):

(a) 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	310,000	6	$ 0.24
$0.45 - $0.51	2,160,000	2.8	0.49
$0.52 - $0.79	150,000	1.54	0.73
$0.80 - $0.84	100,000	0.29	0.84
Undetermined [(i)]	80,000	10.76	Undetermined
	2,800,000	3.23	$ 0.47

[(i)] 200,000 options have been granted and are vesting linearly once a year over a five-year period. The exercise price of the options is determined when the options are vesting, for a contractual period not to exceed 10 years.

10. Administrative expenses:

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Professional fees	$ 99,231	$ 133,988	$ 476,240	$ 515,976
Salaries	208,957	276,686	744,451	982,676
Share-based payments	4,259	3,720	15,656	22,906
Transfer fees	2,534	3,953	30,966	59,837
Travelling expenses	17,634	19,056	85,977	108,896
Rent	30,782	21,440	92,009	87,313
Office expenses	15,196	10,454	56,843	70,330
Promotion expenses	5,451	3,859	44,418	32,966
Reports to shareholders	–	2,683	19,427	14,832
Insurance, taxes and permits	9,705	6,970	36,594	31,096
Membership and training	1,756	1,595	13,473	26,751
Telecommunications	6,157	5,022	11,877	10,942
Insurance, tax and permits	–	–	273,562	–
Project development	2,735	13,154	11,993	27,458
Depreciation of equipment	3,503	2,405	8,374	5,336
Depreciation of intangible assets	–	132,695	–	179,020
	$ 407,900	$ 637,680	$ 1,921,860	$ 2,176,335

11. Net finance income

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Gain on sale of investments	$ –	$ (4,842)	$	$ (14,913)
Other products related to flow-through shares	–	–	(9,366)	–
Interest income on cash and cash equivalents and temporary and long-term investments	(20,862)	(17,583)	(54,038)	(123,718)
Net foreign exchange gain	–	(1,163)	–	–
Finance income	(20,862)	(23,588)	(63,404)	(138,631)
Interest and bank charges	5,538	5,513	11,705	36,475
Accretion expense on other long-term liability	5,470	7,307	17,827	23,204
Net foreign exchange loss	49,256	–	74,232	2,046
Finance expense	60,264	12,820	103,764	61,725
Net finance cost (finance income)	$ 39,402	$ (10,768)	$ 40,360	$ (76,906)

12. Statement of cash flows:

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Operations without impact on cash related to:				
Operating activities:				
Change in accounts payable and accrued liabilities related to exploration and evaluation assets	$ 202,010	$ 245,987	$ 121,450	$ 33,885
Investing activities:				
Change in exploration and evaluation assets for which tax credits related to resources are included in accounts receivable	123,088	37,016	198,865	669,171

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.

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 $4,974,793 respectively as at September 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.

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 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 September 30, 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.