



INTERIM FINANCIAL REPORT

JUNE 30, 2013

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, 2013 and 2012. The reader should also refer to the audited annual financial statements as at December 31, 2012, 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 7th 2013, and complies with Rule 51-102A of the Canadian Securities Administrators on continuous disclosure. This analysis is a supplement to the Company's unaudited financial statements for the period ended June 30, 2013, 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 473 km² in the area of Lake Victoria Goldfield, as well as in a joint venture with African Barrick Gold, 70% and MDN 30%, in the Tulawaka mine and its adjacent permits.

Quebec: Le Tac, Lac Shortt 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 Mine

At Tulawaka, the focus was on the commencement of the closure process. As a result of the continued clean-up of the site and the process plant, 1,294 ounces were produced in the quarter. All mining and milling activities have now ceased.

Following the end of mining operations in Q1 2013 ABG has continued to progress the clean-up of the mine site ahead of formal commencement of closure activities. During the quarter, the stripping of all underground equipment from the mine was completed, the pit clearing progressed, and the decommissioning of the process plant commenced and the levelling of the run of mining pad is completed.

The Mine Closure Plan has been submitted to the relevant government departments and remains in discussions with the Tanzanian government, with regards to the ultimate end use of the mine site.

Exploration in Tanzania

In the second quarter of 2013, the Company carried out mapping field work on its Ikungu East and Nikonga projects and continued to seek financial partners for Ikungu.

Ikungu: one of the most advanced gold projects in Tanzania

On February 20, the Company signed an agreement with Metalinvest providing for Metalinvest to invest US \$14 million in exploration expenditures on the Ikungu property in Tanzania over a four-year period to acquire a 55% undivided interest in MDN's interest in the property. Metalinvest was to invest at least US \$3 million in the Ikungu project by December 31, 2013.

Following the signature of the agreement, a management committee consisting of two representatives each of MDN and Metalinvest was set up in March. The committee then reviewed and approved a US \$3 million work program for 2013. Metalinvest was required to deposit the funds required to cover the expenditures for the first half of 2013 within days of the approval of the exploration program to maintain its option, but was unable to do so, despite being granted an extension to May 13. MDN therefore notified Metalinvest that the agreement was terminated.

MDN is already in contact with other groups who could be interested in accelerating exploration on the Ikungu project.

Several soil acidity (pH) and redox potential (eH) test lines were cut in June to determine whether this exploration technique could accurately locate the Ikungu gold zone. If so, this technique will be used in other areas of the property, as well as on the Ikungu East property.

Ikungu is one of the most advanced projects in Tanzania. It should be recalled that the 53 holes drilled to date in earlier exploration programs along the four-kilometre Ikungu structure have identified a mineralized zone that extends more than two kilometres along strike and 300 metres vertically. Four higher-grade gold zones with a minimum horizontal thickness of two metres have been delineated, formed around the drill intersections in holes IKD-45 (8.6 g/t Au over 14.78 m) on Section 2230mE, IKD-48 (3.11 g/t Au over 9.50 m) on Section 2830mE, IKD-51

(3.39 g/t Au over 7.05 m) on Section 3190mE and IKD-36 (13.22 g/t Au over 4.62m) on Section 3610mE.

Ikungu East: Volcanic belt discovered in 2012

To the east of the property, detailed mapping (stratigraphic section) was carried out over a north-south-striking 1,500 m section along a road that crosses the entire volcanic belt. A series of rock samples were taken for thin-section mineralogical analysis to accurately identify the facies encountered.

Nikonga: Discovered by drilling in 2012

In the first quarter of this year, a ground magnetic survey was conducted over the western part of the property. The survey, which covered 108 line-km, supplemented the survey done on the eastern part of the property in 2012. The magnetic data from the 2012 and 2013 surveys is now being processed. Various formats of maps of the magnetic data will be used for structural and lithological interpretation and to generate drill targets. Another mapping program is planned for the third quarter to validate the interpretation of the magnetic survey.

CREVIER PROJECT DEVELOPMENT

HISTORY

In fiscal 2010, MDN received a positive preliminary economic assessment (“PEA”) for the Crevier project, a niobium (Nb) and tantalum (Ta) resource found north of the Lac-Saint-Jean region in Quebec. The PEA was carried out by Met-Chem Canada Inc.

In light of the positive PEA, MDN and Crevier Minerals (CMI) decided to do a feasibility study on the project with the intention of bringing the niobium and tantalum resource to market. The feasibility study was ongoing throughout 2011, with the preparation of the environmental and geotechnical studies required for construction of the key facilities (see 2011 MD&A for description).

In the last quarter of 2011, the extraction of an initial bulk sample enabled the Company to start metallurgical process development work, but a delay in the preparation and execution of pilot plant testing and the analysis of the results of this portion of the study led to a delay in the overall preparation of the feasibility study.

During 2012, much of the work related to the Crevier feasibility study was suspended pending the results of work on the metallurgy needed for process development, which consisted strictly of completing the hydrometallurgy studies and conducting a second pilot test at COREM to confirm the ore flotation parameters (see Q4 2012 MD&A for description).

During the course of the study, MDN decided to increase its stake in the project to 72.5%, with IAMGOLD holding the remaining 27.5% interest.

Serge Bureau has devoted all his time to the presidency of Crevier Minerals Inc. since February of this year. His mandate for the near term is to finance the project and secure the funds required to complete the feasibility study. Marc Boisvert, formerly MDN’s Vice President, Exploration,

was appointed the Company's President and Chief Executive Officer effective February 1, 2013.

Q2 2013

The second quarter was devoted to meeting various finance companies. The Company signed confidentiality agreements with various potential partners, who were given technical information and are now assessing the project.

MDN has fulfilled all the obligations required to earn its 72.5% interest in the Crevier project. Following the decision to carry out additional studies, the completion of the feasibility study has been postponed. However, various aspects of the project are being reviewed to assess various scenarios that could improve the project's economics and adjust its development to the current niobium, tantalum and financial markets. Given the steady rise in tantalum demand and higher tantalum prices, the Company remains convinced that Crevier is one of the best tantalum projects to be developed in the coming years.

SUMMARY OF OPERATING RESULTS

For the three months period ended June 30	2013	2012
<i>(In thousands of dollars, except for amounts per share)</i>		
Total revenues net of financial charges	\$1	\$363
Administrative expenses	\$354	\$814
Management fees related to the Tulawaka mine	\$71	\$167
Net loss attributable to the shareholders of the company	(\$405)	(\$584)
Basic and diluted net loss per share	(\$0.004)	(\$0.006)
<hr/>		
Number of shares outstanding (in thousands)	101,527	101,527

Operating results

MDN's revenues are generated mainly from royalties derived from the production at the Tulawaka gold mine. These royalties are distributed based on available cash at the end of periods and are therefore affected by changes in accounts payables, receivables, inventory fluctuation, capital investments and by setting aside funds for the restoration of land during the mine closure. Subsequently to the above, the lower production of the period, and the closure process of the mine, royalties were not declared for the first quarter of 2013, compared to the royalties of \$313,144 declared for the same period in 2012. Other revenues (\$7,360 in 2013 and \$58,813 in 2012), consist of interest income from the Company's various investments and gains on disposal of investment.

Financial charges totalled \$5,904 compared with \$9,139 for the second quarter of 2013 and 2012, respectively. The financial charges included bank charges of \$1,936 (\$3,193 in 2012) and accretion expenses on other long-term liability of \$3,968 (\$5,946 in 2012).

Administrative expenses totalled \$354,058 for the second quarter 2013, compared with \$813,545 in 2012. Administrative expenses included professional fees of \$122,363 (\$146,600 in 2012), a decrease mainly due to lower fiscal advisor's charges in Tanzania, salary costs of \$141,088 (\$258,574 in 2012) variation mainly attributable to the non-replacement of one opened position, and a temporary voluntary salary reduction of employees, directors and board members resulting in a net payroll decrease of 35% since September 2012. Due to the current economic situation, MDN conducted a review of its operation and promotion expenditures, thus reducing several costs including office expenses \$11,177 (compared to \$17,200 in 2012), Membership and training expenses \$1,251 (compared to \$10,001 in 2012), moreover, no promotion expenses were incurred during the second quarter 2013 (compared to \$12,798 in 2012).

During the second quarter of 2012, 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.

The management fees representing 30% of 3% of all operating expenses of the Tulawaka project invoiced by the operator; was \$71,049 for the second quarter 2013 in comparison of \$167,296 for the same period in 2012.

Net loss

For the three month period ended June 30, 2013, the Company recorded a net loss attributable to shareholders of the Company of \$405,299 or \$0.004 per share compared to net loss of \$583,820 or \$0.006 per share for the same period in 2012, the variation is mainly due to the decrease of the administration expenses partly offset by the 2012 Tulawaka mine royalties.

The net loss per share is based on weighted-average number of 101,527,220 common shares outstanding as at June 30, 2013, which is the same as of for the same period in 2012.

For the six months ended June 30	2013	2012
<i>(In thousands of dollars, except for amounts per share)</i>		
Total revenues net of financial charges	\$10	\$312
Administrative expenses	\$752	\$1,514
Write off of evaluation and exploration assets	\$-	\$947
Management fees related to the Tulawaka mine	208	\$361
Net income (loss) attributable to the shareholders of the company	(\$905)	(\$2,221)
Basic and diluted net earnings (loss) per share	(\$0.009)	(\$0.02)

Operating results

They were no royalties recorded for the six months ended June 30 2013, the royalties were of \$313,144 for the same period in 2012,. Other revenues (\$22,795 in 2013 and \$42,542 in 2012), 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 \$12 728 compared with \$43,500 for the six first months of 2013 and 2012, respectively. The financial charges included bank charges of \$4,279 (\$6,167 in 2012), accretion expenses on other long-term liability of \$8,449 (\$12,357 in 2012) and net foreign exchange loss of \$24,976 in 2012.

Administrative expenses totalled \$751,625 for the six months ended June 30 2013, compared with \$1,513,959 in 2012. Administrative expenses included professional fees of \$251,443 (\$377,009 in 2012), decrease mainly due to the non-renewal of financial communication and investor relation contract coupled with lower fiscal advisor's charges for in Tanzania, partly offset by cost related to the search for a strategic partner for the Crevier project. Salary costs of \$312,791 (\$535,494 in 2012) variation mainly attributable the non-replacement of one opened position, and temporary voluntary salary reduction of employees, directors and board members resulting in a net payroll decrease of 35% since September 2012. Due to the current economic situation, MDN conducted a review of its operation and promotion expenditures, thus reducing several costs including office expenses \$21,754 (compared to \$41,647 in 2012), Membership and training expenses \$5,133 (compared to \$11,718 in 2012), promotion expenses \$2,273 (compared to \$38,966 in 2012) and travel expenses \$43,274 (compared with \$68,343 in 2012).

During the second quarter of 2012, 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 \$946,667 of exploration assets in 2012 was 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. During the first six months of 2013, 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 \$208,285 for the six months period ended June 30, 2013 in comparison of \$360,505 for the same period in 2012.

Net loss

For the six month period ended June 30, 2013, the Company recorded a net loss attributable to owners of the Company of \$905,056 or \$0.009 per share compared to net loss of \$2,220,812 or \$0.02 per share for the same period in 2012 the variation is mainly due to the write-off of exploration assets and the decrease of the royalty distribution.

The net loss per share is based on weighted-average number of 101,527,220 common shares outstanding as at June 30, 2013, which is the same as of for the same period in 2012.

Future results

The Company's future results will be influenced mainly by the loss of royalty income received from its 30% participation in the Tulawaka gold mine, given its closure as of the middle of the year, as well as its exploration results in Tanzania and finally from its development of Crevier project.

Financial position	<i>June 30</i> 2013	<i>December 31</i> 2012
<i>(In thousands of dollars)</i>		
Cash and cash equivalents	\$512	\$1,375
Investments	\$2,172	\$3,059
Accounts receivables	\$1,202	\$1,124
Mining taxes receivables	\$140	\$138
Exploration and evaluation assets	\$31,645	\$30,359
Total assets	\$35,761	\$36,168
Share Capital	\$63,813	\$63,813
Total equity attributable to equity holders of the Company	\$32,008	\$32,237

LIQUIDITY AND FINANCIAL POSITION

Cash, cash equivalents and term deposits

As at June 30, 2013, the Company's cash position, consisting of cash, investments and term deposits, amounted to \$2,684,149 compared with \$4,433,437 as at December 31, 2012. This variation is mainly due to the investment in exploration and evaluation assets coupled with normal operational expenses.

Mining taxes receivables

As of June 30, 2013, mining tax credit receivables amounted to \$139,557 compared with \$138,095 as at December 31, 2012. The mining taxes receivable are mainly attributable to the Crevier project.

Accounts receivable

As of June 30, 2013, accounts receivable amounted to \$1,201,544 mainly due to resources credit (\$383,757), Tanzanian sales tax reimbursements of \$556,674 and provincial and federal sales tax reimbursements of \$125,474.

Mining properties

In relation with several property agreements in Tanzania, MDN made annual payments of \$81,473 for Ikungu (\$51,860) and Nikonga (\$29,613) for the period ended June 30, 2013.

Exploration and evaluation assets

During the six months period ended June 30, 2013, the Company increased by \$561,438 its exploration and evaluation assets. These amounts were spent mainly for the Ikungu property (\$178,504), Nikonga property (\$111,100), Simba (\$89,548) and Ikungu East (\$154,845). The Company also expensed \$30,619 in the province of Quebec, for the Crevier property.

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

Total assets amount to \$35,761,310 as at June 30th, 2013, compared to \$36,167,533 as of December 31, 2012. The difference is mainly attributable to the impairment of exploration assets coupled with normal administration expenses engaged for continuing activities of the period.

Equity attributable to equity holders of the Company amounted to \$32,007,882 as of June 30th, 2013, compared to \$32,236,847 as of December 31st, 2012, with the decrease being attributable to the loss of the period.

The Company's liquidities are sufficient for the payment of administrative expenses, the financing of exploration activities and to support the Company's growth plan for at least the next twelve months.

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, 2012.

Liquidity needs for the current financial year

Gold production at the Tulawaka gold mine started in March 2005. Based on the operation of the mining property and the available liquidities based on the JVA, the Company receives a 30% share of surplus distributed. The Company's liquidity needs are estimated at \$2,300,000 the Company's management believes that the available liquidity exceeds the amount required to meet at least its financial needs.

The financial statements have been prepared on a going concern basis. The application of the assumption of going concern may be inappropriate because the above mentioned conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern. The financial statements do not include adjustments that should be made to the carrying amount of assets and liabilities if the assumption of going concern proves to be unfounded.

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. African Barrick Gold (ABG) announced that it decided not to extend the life of the mine beyond the middle of 2013. ABG is therefore now starting to implement a mine closure plan and will focus on closure preparations in 2013.

Except for the Company's investment in CMI, 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.

During the second quarter of 2013, the Company received a new written communication from the regional TRA office in Mwanza regarding source deductions on interest payments between MDN Tanzania and MDN Inc., and more specifically on amounts advanced by the parent company to its Tanzanian subsidiary for fiscal years 2004 to 2011. The TRA has appropriated an amount of approximately \$515K in sales taxes included in the Receivables in compensation for the amounts claimed in the notice of assessment. The Company has always stated, in various documents including a contract between the two parties, that advances made by parent company to its

Tanzanian subsidiary were interest-free, which is standard practice in the mining exploration industry. The regional TRA office claims that a loan cannot be interest-free, and that the subsidiary should have withheld 10% of the amount paid in interest as a source deduction.

After discussions with its counsel, the Company promptly notified the TRA commissioner general of its opposition in this regard. In the Company's opinion, the regional TRA office in Mwanza fails to understand the special aspects of mining exploration companies, and in particular standard market practice, the nature of the business and how difficult it is for exploration companies to obtain loans. The Company is confident that it can successfully argue its position in this dispute.

No provisions have been recorded in the Company's financial statements as of June, 2013 as management is of the opinion that amounts claimed by the TRA mentioned 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 these 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 procedures, as defined by Multilateral Instrument 52-109 of the Canadian Securities Administrators.

An evaluation has been conducted to measure the effectiveness of controls and procedures used for the preparation of reporting documents. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective and well-designed at the year ended December 31, 2012 and, more specifically, that the design of such controls and procedures provides reasonable assurance that they are advised of material information relating to the Company during the period in which these reporting documents are prepared.

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.

Management has evaluated the effectiveness of internal control over financial reporting. Management as well as the Chief Executive Officer and the Chief Financial Officer conclude, as at December 31, 2012, that the Company's internal control over financial reporting was effective in that it provides reasonable assurance as to the reliability of the Company's financial reporting and the preparation of its financial statements for disclosure purposes in accordance with IFRS.

Changes in internal Control over Financial Reporting

No changes in the Company's internal control over financial reporting occurred during the second quarter of 2013 materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

SUBSEQUENT EVENTS

At the date of the deposit of the 2013 interim consolidated condensed financial statements for the period ended June 30, 2013, there were no subsequent events to record.

OUTLOOK

In 2013, despite the current difficult market conditions, particularly for junior mining exploration companies, the Company will continue to prudently develop each of its assets as described below so as to be among the frontrunners when the markets recover. Going forward, our next steps to increase shareholder value in the long-term are to:

- Focus on Tanzania and project development
- Cut costs as much as possible to get through the current unfavourable period for junior exploration company financings
- Sign an agreement on Ikungu to accelerate drilling
- Develop the targets on Nikonga
- Find a strategic partner to independently finance Crevier.

MDN's advantages include:

- A solid foundation on which to build its value
- Two outstanding discoveries in one year in 2012, with Nikonga and Ikungu East
- Ikungu, one of the most advanced gold projects in Tanzania
- Crevier, an asset that continues to gain value as it is develop.

Ikungu:

Ikungu is an advanced exploration project with a large gold-bearing zone and excellent growth potential. It is one of the most advanced projects in Tanzania and one of the few not owned by a major gold producer. Furthermore, many of the gold intersections sampled returned an average grade of over 6 g/t Au, an advantage in a context of falling gold prices, where projects with higher gold values have an edge.

MDN is in discussions with various groups who could be interested in accelerating exploration on the Ikungu project. These groups are currently assessing the project data and results.

Ikungu East

Ikungu East shows synergies with the Ikungu drill results. Wholly-owned by MDN, this property covers a 133-km² area adjacent to the Ikungu project and the eastern extension of the volcanic belt hosting the Ikungu gold zone. The work now underway follows up on prospecting done last year, and is aimed at locating drill targets of similar quality to those at Ikungu by the fourth quarter of 2013. The current program consists of work such as mapping, geophysical surveying

and soil sampling.

Nikonga

MDN's application for a prospecting license to the west of the discovery was approved in 2012, opening up more than seven kilometres to the west of the gold-bearing structure to exploration. In the first three quarters of 2013, MDN is doing the basic work required to identify drill targets on the western extension. The goal is to identify drill targets large enough to potentially represent a gold deposit. This work will also provide additional data to enhance the understanding of the geological setting. Results to date suggest similarities with the Timmins camp, one of the most prolific gold mining camps in Canada.

Crevier

We remain convinced that the Crevier project is one of the niobium-tantalum projects with the best chance of going into production in the next few years. The Crevier project could also become one of the few sources of tantalum located in a stable region.

The higher tantalum demand and prices seen in the past two years are positive factors for the Crevier project. Since the completion of the preliminary economic assessment in 2010, tantalum has risen in price from US \$150 per kg to over US \$300 per kg. In light of the results of the metallurgical testing in the first quarter of 2013, MDN has decided to carry out additional metallurgical work to optimize the results.

The first six months of 2013 were devoted to meeting various financial companies. The Company signed confidentiality agreements with various potential partners, who were given technical information on the project. Discussions will continue in the third quarter.

MDN has fulfilled all the obligations required to earn its 72.5% interest in the Crevier project. Following the decision to carry out additional studies, the completion of the feasibility study has been postponed. During this period, the Company will assess the merits of amending the base scenario of the 2010 preliminary economic assessment so as to optimize the already-positive economic parameters. In the future, the Crevier project development will be assured by new financment.

(S)

Marc Boisvert, ing

Chairman & CEO

Montreal, Canada
August 7th, 2013

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Yves Therrien, CPA, CMA

Vice President, Finance

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

	2013	2012	2011
	<i>6 months</i>	<i>12 months</i>	<i>12 months</i>
Total revenues net of finance expenses	\$10,067	\$278,049	\$6,329,995
(Net Loss) income	(\$905,056)	(\$12,862,510)	\$1,675,414
(Net loss) income per share	(\$0.009)	(\$0.0127)	(\$0.016)
Addition on Exploration and evaluation assets	\$561,438	\$3,265,453	\$4,389,491
Accounts receivable & Mining tax receivables	\$1,341,101	\$1,262,059	\$5,810,914
Total assets	\$35,761,310	\$36,167,533	\$49,087,267
Shareholders' equity			
Total	\$33,890,966	\$34,164,743	\$47,312,724

FOR THE LAST EIGHT QUARTERS

	2013	
	<i>1st quarter</i>	<i>2nd quarter</i>
Total revenues net of finance expenses	\$8,611	\$1,456
Net income (loss)	(\$499,757)	(\$405,299)
Net income (loss) per share	(\$0.005)	(\$0.004)

	2012			
	<i>1st quarter</i>	<i>2nd quarter</i>	<i>3rd quarter</i>	<i>4th quarter</i>
Total revenues net of finance expenses	(\$50,632)	\$362,818	(\$39,402)	\$5,265
Net income (loss)	(\$1,636,992)	(\$583,820)	(1,012,463)	(\$9,629,335)
Net income (loss) per share	(\$0.016)	(\$0.006)	(\$0.10)	(\$0.095)

	2011	
	<i>3rd quarter</i>	<i>4th quarter</i>
Total revenues net of finance expenses	\$3,574,336	\$1,501,692
Net income (loss)	\$1,983,794	\$485,719
Net income (loss) per share	\$0.020	\$0.005

Interim Condensed Consolidated Financial Statements of
(Unaudited)

MDN INC.

Periods ended June 30, 2013 and 2012

MDN INC.

Interim Condensed Consolidated Financial Statements
(Unaudited)

Periods ended June 30, 2013 and 2012

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MDN INC.

Interim Condensed Consolidated Statements of Financial Position (Unaudited)

June 30, 2013 and December 31, 2012

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash	\$ 512,443	\$ 1,374,545
Temporary investments (note 4)	2,171,706	3,058,892
Accounts receivable (note 5)	1,201,544	1,123,964
Mining taxes receivable	139,557	138,095
Prepaid expenses	10,738	29,415
Total current assets	4,035,988	5,724,911
Non-current assets:		
Mining properties (note 6)	8,846,717	8,749,999
Exploration and evaluation assets (note 7)	22,798,231	21,608,818
Property and equipment	80,374	83,805
Total non-current assets	31,725,322	30,442,622
Total assets	\$ 35,761,310	\$ 36,167,533
Liabilities and Equity		
Current liabilities:		
Trade accounts payable and accrued liabilities	\$ 636,588	\$ 728,946
Current portion of the other long-term liability	100,000	100,000
Total current liabilities	736,588	828,946
Non-current liabilities:		
Other long-term liability	37,701	79,252
Deferred tax liabilities	1,096,055	1,094,592
Total non-current liabilities	1,133,756	1,173,844
Equity:		
Share capital	63,813,193	63,813,193
Contributed surplus	6,565,993	6,562,087
Accumulated other comprehensive loss	(83,523)	(755,708)
Deficit	(38,287,781)	(37,382,725)
Total equity attributable to shareholders of the Company	32,007,882	32,236,847
Non-controlling interests	1,883,084	1,927,896
Total equity	33,890,966	34,164,743
Contingencies and commitments (notes 14 and 15)		
Total liabilities and equity	\$ 35,761,310	\$ 36,167,533

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

MDN INC.

Interim Condensed Consolidated Statements of Comprehensive Income (Unaudited)

Periods ended June 30, 2013 and 2012

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Operating royalties from the Tulawaka mine	\$ –	\$ 313,144	\$ –	\$ 313,144
Administrative expenses (note 10)	354,058	813,545	751,625	1,513,959
Management fees related to the Tulawaka mine	71,049	167,296	208,285	360,505
Write-off of exploration and evaluation assets (note 8)	–	–	–	946,667
Loss before net finance (income) cost and income taxes	(425,107)	(667,697)	(959,910)	(2,507,987)
Net finance (income) cost (note 11):				
Finance income	(7,360)	(58,813)	(22,795)	(42,542)
Finance cost	5,904	9,139	12,728	43,500
	(1,456)	(49,674)	(10,067)	958
Loss before income taxes	(423,651)	(618,023)	(949,843)	(2,508,945)
Income taxes (recovery):				
Current taxes (recoverable)	(1,001)	(6,071)	(1,438)	(11,258)
Deferred taxes	1,001	(14,929)	1,463	(262,984)
	–	(21,000)	25	(274,242)
Net loss	(423,651)	(597,023)	(949,868)	(2,234,703)
Other comprehensive income (loss):				
Change in fair value of financial assets	(3,150)	–	(3,150)	–
Foreign currency translation differences of foreign operations	427,957	280,182	675,335	16,432
Net comprehensive income (loss)	\$ 1,156	\$ (316,841)	\$ (277,683)	\$ (2,218,271)
Net loss attributable to:				
Shareholders of the Company	\$ (402,299)	\$ (583,820)	\$ (905,056)	\$ (2,220,812)
Non-controlling interests	(18,352)	(13,203)	(44,812)	(13,891)
Total comprehensive income (loss) attributable to:				
Shareholders of the Company	\$ 19,508	\$ (303,638)	\$ (232,871)	\$ (2,204,380)
Non-controlling interests	(18,352)	(13,203)	(44,812)	(13,891)
Basic and fully diluted net loss per share	\$ (0.004)	\$ (0.006)	\$ (0.009)	\$ (0.02)
Weighted average of outstanding shares - basic	101,527,220	101,527,220	101,527,220	101,527,220

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

MDN INC.

Interim Condensed Consolidated Statements of Changes in Equity (Unaudited)

Periods ended June 30, 2013 and 2012

	Number of ordinary shares outstanding	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total equity attributable to shareholders of the Company	Non-controlling interests	Total equity
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
Balance, December 31, 2012	101,527,220	\$ 63,813,193	\$ 6,562,087	\$ (755,708)	\$ (37,382,725)	\$ 32,236,847	\$ 1,927,896	\$ 34,164,743
Share-based payments	–	–	3,906	–	–	3,906	–	3,906
Change in fair value of financial assets	–	–	–	(3,150)	–	(3,150)	–	(3,150)
Foreign currency translation differences of foreign operations	–	–	–	675,335	–	675,335	–	675,335
Net loss	–	–	–	–	(905,056)	(905,056)	(44,812)	(949,868)
Balance, June 30, 2013	101,527,220	\$ 63,813,193	\$ 6,565,993	\$ (83,523)	\$ (38,287,781)	\$ 32,007,882	\$ 1,883,084	\$ 33,890,966

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

MDN INC.

Interim Condensed Consolidated Statements of Cash Flows (Unaudited)

Periods ended June 30, 2013 and 2012

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Cash flows (used in) from operating activities:				
Net loss	\$ (423,651)	\$ (597,023)	\$ (949,868)	\$ (2,234,703)
Adjustments for:				
Share-based payments	1,953	4,250	3,906	11,397
Amortization of property and equipment	2,782	2,969	5,564	4,871
Other income related to flow-through shares	—	(3,847)	—	(9,366)
Interest income	(7,248)	(11,585)	(19,723)	(33,176)
Accretion expense related to the other long-term liability	3,968	5,946	8,449	12,357
Gain on disposition of assets	(109)	—	(259)	—
Write-off of evaluation and exploration assets	—	—	—	946,667
(Gain) loss on foreign exchange	(3)	(43,381)	(2,813)	24,976
Income taxes	—	(21,000)	25	(274,242)
Change in non-cash working capital items	56,085	(127,222)	(132,076)	3,811,172
Payment of the other long-term liability	(25,000)	(25,000)	(50,000)	(50,000)
Interests received	12,041	26,054	24,875	53,421
	(379,182)	(789,839)	(1,111,920)	2,263,374
Cash flows (used in) from investing activities:				
Acquisition of investments	(754,192)	(866,305)	(754,192)	(1,705,403)
Disposal of investments	293,000	850,000	1,643,000	1,650,000
Acquisition of property and equipment	—	(54,239)	—	(56,663)
Additions to mining properties	(51,860)	(2,642)	(92,435)	(67,924)
Increase in evaluation and exploration assets	(314,329)	(558,915)	(555,225)	(1,038,983)
	(827,381)	(632,101)	241,148	(1,218,973)
Effect of exchange rate changes on cash denominated in foreign currency				
	2,575	41,864	8,670	5,545
Net change in cash	(1,203,988)	(1,380,076)	(862,102)	1,049,946
Cash, beginning of period	1,716,431	4,089,633	1,374,545	1,659,611
Cash, end of period	\$ 512,443	\$ 2,709,557	\$ 512,443	\$ 2,709,557

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

MDN INC.

Notes to Interim Condensed Consolidated Financial Statements
(Unaudited)

Periods ended June 30, 2013 and 2012

1. Reporting entity and going concern:

MDN Inc. (the "Company") is a Company domiciled in Canada incorporated under Part 1A of the Québec *Companies Act*. The common shares are traded on the Toronto Stock Exchange under the symbol MDN. The address of the Company's registered office is 1010 de la Gauchetière West, Suite 680, Montréal, Québec, Canada.

The interim condensed consolidated financial statements of the Company as at and for the period ended June 30, 2013 comprise the Company and its subsidiaries, MDN Tanzania Ltd. (100% interests) and Crevier Mineral Inc. ("CMI", 72.5% interests) (together referred to as the "Group" and individually as "Group entities").

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

On February 13, 2013, African Barrick Gold decided to not extend the life of the mine beyond mid-2013. A closure plan is actually ongoing and options for the sale of the mine assets are considered. Under its joint venture agreement with African Barrick Gold, the Company will continue to receive 30% of all liquidity generated by the mine operations, the realization of the non-cash working capital items as well as liquidity generated by the sale of assets. The amount of future royalties remains unknown and uncertain.

Although the Company 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 Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Recovery of amounts indicated under mining properties and the related deferred exploration costs are subject to the discovery of economically recoverable reserves, the Company's ability to obtain the financing required to complete development and profitable future production or the proceeds from the sale of such assets.

These financial statements have been prepared on a going concern basis. The application of the assumption of going concern may be inappropriate because the above mentioned conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Company to continue as a going concern. These financial statements do not include adjustments that should be made to the carrying amount of assets and liabilities if the assumption of going concern proves to be unfounded.

MDN INC.

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

Periods ended June 30, 2013 and 2012

2. Basis of preparation:

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*, and, therefore, are condensed consolidated financial statements since they do not contain all disclosures required by IFRS for annual consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2012, including the significant accounting policies used by the Company.

The interim condensed consolidated financial statements were approved by the Board of directors on August 8, 2013.

Functional and presentation currency

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

3. Significant accounting policies:

The accounting policies described in the Company's December 31, 2012 annual consolidated financial statements have been applied consistently to all periods presented in these interim condensed consolidated financial statements, except for the change in accounting policy described in Note 4. The accounting policies have been applied consistently by Group entities.

New standards and interpretations adopted during the period

The following new standards and amendments to standards and interpretations are effective for the first time for interim periods beginning on or after January 1, 2013 and have been applied in preparing these interim condensed consolidated financial statements:

IFRS 10, *Consolidated Financial Statements*, replaces the guidance in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation - Special Purpose Entities*. The consolidation procedures are carried forward substantially unmodified from IAS 27. IFRS 10 adoption did not have a material impact on the Company's interim condensed consolidated financial statements.

MDN INC.

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

Periods ended June 30, 2013 and 2012

3. Significant accounting policies (continued):

IFRS 11, *Joint Arrangements*, replaces the guidance in IAS 31, *Interest in Joint Ventures*. IFRS 11 carves out of previous jointly controlled entities, those arrangements which although structured through a separate vehicle, such separation is ineffective and the parties to the arrangement have rights to the assets and obligations for the liabilities and are accounted for as joint operations in a fashion consistent with jointly controlled assets/operations under IAS 31. In addition, under IFRS 11, joint ventures are stripped of the free choice of equity accounting or proportionate consolidation. These entities must now use the equity method. IFRS 11 adoption did not have a material impact on the Company's interim condensed consolidated financial statements.

IFRS 12, *Disclosure of Interests in Other Entities*, complements the disclosure requirements concerning interests that an entity holds in subsidiaries, joint ventures, associates and consolidated structured entities. The standard requires an entity to disclose information regarding the nature and risks associated with all its interest in other entities and the effect of those interests on its financial position, financial performance and cash flows. IFRS 12 adoption did not have a material impact on the Company's interim condensed consolidated financial statements.

IFRS 13, *Fair Value Measurement*, replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. IFRS 13 adoption did not have a material impact on the Company's interim condensed consolidated financial statements.

Amendments to IAS 1, *Presentation of Financial Statements*, require that an entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. As the amendments only require changes in the presentation of items in other comprehensive income, the amendments to IAS 1 did not have a material impact on the Company's interim condensed consolidated financial statements.

IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, requires recognition of production stripping costs that improve access to ore to be mined in the future as a non-current asset if specific criteria are met. IFRIC 20 adoption did not have an impact on the interim condensed consolidated financial statements as the Company has not entered into the production phase of its mining property.

MDN INC.

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

Periods ended June 30, 2013 and 2012

4. Temporary investments:

	June 30, 2013	December 31, 2012
Guaranteed investment certificates, variable rate of 1.00% (1.00% as at December 31, 2012), maturing in May 2014	\$ 1,000,000	\$ 1,000,000
Guaranteed investment certificates, rate at 2.05% (1.95% as at December 31, 2012), maturing in December 2013, redeemable at the option of the Company once a month without penalty	420,000	618,000
Bonds, rates of 1.45% to 2.05% (3.05% to 4.67% as at December 31, 2012), maturing in October 2015 ⁽ⁱ⁾	751,706	1,440,892
	<u>\$ 2,171,706</u>	<u>\$ 3,058,892</u>

⁽ⁱ⁾ The Company has designated the bonds bought in the second quarter of 2013 as financial assets available for sale. The Company acquired these bonds for the purpose of selling them in the near term. These financial assets are measured at their fair values, without any deduction for transaction costs that may be incurred on their sales. Gains or losses on the fair value fluctuations of these assets are recognized in comprehensive income.

5. Accounts receivable:

	June 30, 2013	December 31, 2012
Tax credit related to resources	\$ 383,757	\$ 373,913
Sales tax receivable (note 15)	682,148	597,402
Other	135,639	152,649
	<u>\$ 1,201,544</u>	<u>\$ 1,123,964</u>

MDN INC.

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

Periods ended June 30, 2013 and 2012

6. Mining properties:

Mining properties are detailed as follows:

Properties	Interest at end	December 31, 2012	Additions	Effect of foreign exchange	June 30, 2013
Tanzania:					
Ikungu	80% ⁽ⁱ⁾	\$ 250,883	\$ 51,860	\$ 4,283	\$ 307,026
Nikonga	100	45,707	29,613	—	75,320
Simba (Isambara)	100	645,251	—	—	645,251
Québec:					
Crevier	72.5 ⁽ⁱⁱ⁾	7,481,515	—	—	7,481,515
Isle Dieu	100	24,180	1,468	—	25,648
Lac Shortt	50	170,461	—	—	170,461
Lespérance	50	78,000	—	—	78,000
Le Tac	50	43,052	—	—	43,052
Samaqua	100	10,950	9,494	—	20,444
		\$ 8,749,999	\$ 92,435	\$ 4,283	\$ 8,846,717

(i) The cumulative exploration expenditures made on the Ikungu property has allowed the Company to increase its interest by 10% in the property, for a total of 80% as of June 30, 2013 (70% as at December 31, 2012).

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

MDN INC.

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

Periods ended June 30, 2013 and 2012

7. Evaluation and exploration assets:

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

Properties	December 31, 2012	Tax credits related to resources	Additions	Effect of foreign exchange	June 30, 2013
Tanzania:					
Ikungu East	\$ 300,614	\$ –	\$ 154,845	\$ 21,460	\$ 476,919
Ikungu	6,007,061	–	178,504	333,530	6,519,095
Nikonga	1,215,064	–	111,100	71,920	1,398,083
Simba (Isambara)	4,284,113	–	89,548	209,195	4,582,856
Tulawaka	324,674	–	(3,178)	1,714	323,211
Québec:					
Crevier	5,296,763	(9,844)	30,619	–	5,317,538
Des Meloises	898,972	–	–	–	898,972
Isle Dieu	537,456	–	–	–	537,456
Lac Shortt	1,371,023	–	–	–	1,371,023
Lesperance	485,188	–	–	–	485,188
Le Tac	887,890	–	–	–	887,890
	\$ 21,608,818	\$ (9,844)	\$ 561,438	\$ 637,819	\$ 22,798,231

8. Write-off of exploration and evaluation assets:

Under the term of its joint operating agreement, the Company had the obligation to process with a feasibility study before March 31, 2012. The cumulative results of the exploration and evaluation of mineral resources in the property did not justify such a study, and the Company decided to withdraw from the project and cancelled all activities on this property.

As at March 31, 2012, the Company made a write-off of \$946,667, which was the total of exploration and evaluation assets of the Msasa property up to that date.

No write-off was made during the six-month period ending June 30, 2013.

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

MDN INC.

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

Periods ended June 30, 2013 and 2012

9. Share-based payments:

Share option plan (continued)

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

	June 30, 2013		December 31, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	2,800,000	\$ 0.47	2,920,000	\$ 0.48
Cancelled	–	–	(30,000)	0.25
Expired	(100,000)	0.84	(90,000)	0.90
Balance, end of period	2,700,000	\$ 0.46	2,800,000	\$ 0.47
Exercisable options, end of period	2,660,000	\$ 0.46	2,720,000	\$ 0.47

The table below presents supplemental information about the share option plan as at June 30, 2013:

Range of exercise prices	Number of options	Weighted average remaining contractual life (years)
\$0.05 - \$0.19	40,000	9.74
\$0.20 - \$0.44	310,000	5.89
\$0.45 - \$0.51	2,160,000	2.06
\$0.73 - \$0.79	150,000	0.79
Undetermined ⁽ⁱ⁾	40,000	–
	2,700,000	2.51

⁽ⁱ⁾ In relation with an indemnity agreement, 200,000 options have been granted during the year of 2009 and are vesting linearly once a year over a five-year period. The exercise price is then determined when options are vesting. During the three-month period ended March 31, 2013, 40,000 options have been vested at an exercise price of \$0.05 (40,000 options were vested at an exercise price of \$0.20 during the three-month period ended March 31, 2012).

MDN INC.

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

Periods ended June 30, 2013 and 2012

10. Administrative expenses:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Professional fees	\$ 122,363	\$ 146,600	\$ 251,443	\$ 377,009
Salaries and fringe benefits	141,088	258,574	312,791	535,494
Share-based payments	1,953	4,250	3,906	11,397
Transfer fees	6,992	24,398	9,573	28,431
Travelling expenses	25,577	12,702	43,274	68,343
Rent	28,322	30,628	56,617	61,227
Office expenses	11,177	17,200	21,754	41,647
Promotion expenses	–	12,798	2,273	38,966
Reports to shareholders	1,982	–	15,337	19,427
Insurance, taxes and permits	7,826	16,399	16,123	26,889
Membership and training	1,251	10,001	5,133	11,718
Telecommunications	2,745	1,842	6,255	5,720
Taxes and duty	–	273,562	–	273,562
Project development	–	1,622	1,582	9,258
Amortization of property and equipment	2,782	2,969	5,564	4,871
	\$ 354,058	\$ 813,545	\$ 751,625	\$ 1,513,959

11. Net finance (income) cost:

	Three months ended		Six months ended	
	June 30		June 30	
	2013	2012	2013	2012
Other income related to flow-through shares	\$	\$ (3,847)	\$	\$ (9,366)
Interest income on cash and investments	(7,248)	(11,585)	(19,723)	(33,176)
Net foreign exchange gain	(3)	(43,381)	(2,813)	–
Gain on sale of investment	(109)	–	(259)	–
Finance income	(7,360)	(58,813)	(22,795)	(42,542)
Accretion expense related to the other long-term liability	3,968	5,946	8,449	12,357
Bank charges and other	1,936	3,193	4,279	6,167
Net foreign exchange loss	–	–	–	24,976
Finance cost	5,904	9,139	12,728	43,500
Net finance (income) cost	\$ (1,456)	\$ (49,674)	\$ (10,067)	\$ 958

MDN INC.

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

Periods ended June 30, 2013 and 2012

12. Statements of cash flows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Operations without impact on cash related to:				
Operating activities:				
Change in accounts payable and accrued liabilities related to exploration and evaluation assets	\$ 10,070	\$ 44,260	\$ 424,763	\$ (80,560)
Investing activities:				
Change in tax credits related to resources capitalized in exploration and evaluation assets included in accounts receivable	6,738	42,664	9,844	75,777

13. Financial instruments:

Fair value

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

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

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

The fair value of the temporary investments obtained by discounting future cash flows or forward interest rates derived from interest rates at the close of business on the balance sheet date for similar instruments available on capital markets (Level 2).

The fair value of the other long-term liability is determined by discounting cash flows with a discount rate assessed by comparing closing rates of similar financial instruments at the balance sheet date on the financial markets (Level 3).

The difference between the fair value of short-term investments and the other long-term liability with the book value are not significant.

MDN INC.

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

Periods ended June 30, 2013 and 2012

14. Commitments:

(a) Mining properties:

Nikonga (Tanzania)

On September 30, 2010, the Company 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.

Ikungu (Tanzania)

On February 25, 2013, the Company signed an agreement with Metalinvest Capital Corporation ("Metalinvest"). Under this agreement, the Company had granted an option to Metalinvest to acquire a 55% undivided interest in the prospecting licences of the Company on the Ikungu property.

On May 14, 2013, the agreement was terminated as Metalinvest has not provided the funds required by the agreement within the required timeframe.

MDN INC.

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

Periods ended June 30, 2013 and 2012

14. Commitments (continued):

(a) Mining properties (continued):

Crevier (Québec)

Having completed its required exploration and evaluation work during 2012, the Company has a non-expiring right to acquire an additional interest of 15% in CMI by paying in cash or in shares, as the Company desires \$750,000 to the non-controlling shareholder.

Isle Dieu (Québec)

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

Amounts received related to this agreement are recorded against evaluation and exploration assets (no amount received in the six-month period ended June 30, 2013).

(b) Management fees related to the Tulawaka mine:

Under its joint venture agreement with African Barrick Gold, the Company committed itself to pay management fees of 3% on its share of exploration, operating, development and capital expenditures related to the Tulawaka mining property.

MDN INC.

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

Periods ended June 30, 2013 and 2012

15. Contingencies:

Communications 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 flows from the Tulawaka mine before first paying taxes to the TRA on 100% of the mining activity. The Company 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.

Since the month of August 2011, the Operator has delegated its tax advisors in order to confirm its statements and to help the Company to clarify the request. Meetings between the different parties have been held and exchanges of information are still in progress.

During 2012, additional requests for information were sent to the Company in relation with other matters disputed by the TRA. These issues affect MDN Inc. and MDN Tanzania Ltd., and the Company has delegated its legal advisors to address these demands.

During the second quarter of 2013, the Company received a new written communication from the TRA regional office in Mwanza in respect of withholding payment of alleged interests between MDN Tanzania Ltd. and MDN Inc. for advances made by the parent company to its Tanzanian subsidiary during the years 2004 to 2011. The TRA has used an amount of approximately \$515,000 (US\$490,000) in sales taxes receivable included in accounts receivable in compensation of the amounts claimed in the notice of assessment. No provision has been recorded at the end of the period against sales taxes receivable.

The Company has always stated in the various documents, including a contract between the two parties, that the parent company made advances to its Tanzanian subsidiary without interest, which is a common practice in the industry of mineral exploration. The TRA claims that it is not possible to have an interest-free loan and the subsidiary should have retained 10% of all amount of interest paid as withholding.

MDN INC.

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

Periods ended June 30, 2013 and 2012

15. Contingencies (continued):

Communications with Tanzania Revenue Authority (continued)

Management, after discussion with his lawyers, immediately notified the National Commissioner of the TRA its opposition. Management believes that the TRA regional office in Mwanza does not understand the particularities of mining exploration companies, given the standards of markets, corporate business style as well as the inability of exploration company to obtain bank loans. In this opposition, the management is confident of the chances of success with regard to the dispute.

No provisions have been recorded in the Company's interim consolidated financial statements as at June 30, 2013, 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 of these mining operations. Any amounts that may become payable related to this contingency could have a negative impact on the Company.