



INTERIM FINANCIAL REPORT

SEPTEMBER 30, 2014

MDN INC.

MANAGEMENT DISCUSSION AND ANALYSIS (FOR THE PERIOD ENDED SEPTEMBER 30, 2014)

SCOPE OF MANAGEMENT'S FINANCIAL ANALYSIS

The following analysis should be read in conjunction with the interim condensed consolidated financial statements of MDN Inc. (the "Company" or "MDN") and the accompanying notes to the financial statements for the three-month periods ended September 30, 2014. The reader should also refer to the audited annual financial statements as of December 31, 2013, 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. In preparing its opening IFRS statement of financial position, the Group has adjusted the amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This Management Discussion and Analysis was prepared as of November 5, 2014, and complies with Rule 51-102A1 of the Canadian Securities Administrators on continuous disclosure. This analysis is a supplement to the Company's non-audited financial statements and not reviewed by auditors for the period ended September 30, 2014, 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. Mining activities ceased in February 2013 at the Tulawaka gold mine. Under a joint venture agreement with African Barrick Gold "ABG", MDN held a 30% interest in liquidity surplus of the Tulawaka gold mine. MDN 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 owns in various gold exploration projects totalling 473 km² in the area of Lake Victoria Goldfield.

Quebec: MDN has 72.5% interest in the Crevier niobium and tantalum deposit located in Saguenay Lac-St-Jean, also, the company owns 100 % of the property Samaqua property located south-west of the Crevier deposit.

EXPLORATION & EVALUATION IN TANZANIA

Due to the current challenging gold market, we kept activities at our properties in Tanzania to a minimum while respecting our contractual obligations and maintaining our rights. We pursued our discussions with various groups to identify partners for ongoing exploration, and hope to reach an agreement in the coming months.

MDN has a good base , with its high-quality projects as described briefly below.

High-quality projects

- Ikungu is one of the most advanced gold projects in Tanzania, as well as being one of the few with growth potential.
- Ikungu East is a 15 km volcanic belt discovered by MDN in 2012, and is the eastern extension of the Ikungu project. Field work conducted in 2013 identified two areas with good gold potential. Together, the Ikungu and Ikungu East projects enable MDN to explore a mineralized zone at the definition drilling stage, as well as an area where other similar zones could be discovered in the next several years.
- Nikonga was discovered by MDN in 2012. Work done in 2013 indicated that 2012 drill discoveries are part of a single gold system that is 2.0 km in diameter. Geochemical soil surveys combined with a soil acidity survey defined a circular zone of gold-copper-molybdenum enrichment associated with higher soil acidity. This soil anomaly covers all the gold intersections obtained in the 2012 drilling, which ranged in grade from 1.86 g/t Au to 14.5 g/t Au over lengths of 1m to 10m.

IKUNGU

MDN has resumed discussions with other potential partners. The Ikungu project, with its 2-km long by 300-m deep gold zone, is one of the most advanced projects in Tanzania, with additional growth potential along each of its extensions. In addition, many of the gold intersections have a sampled average grade of over 6 g/t Au. In a economically weak gold market, investors give preference to higher-grade gold projects.

IKUNGU EAST

In 2012, exploration work done by MDN led to the discovery of an as-yet unknown 15-km long volcanic belt. These days, discoveries of volcanic belts over 15 km long with gold potential are few and far between. It is even more unusual to be in a position to explore more than 15 km of uncharted territory, in a region of the world that hosts world-class deposits containing more than 3 million ounces of gold.

MDN has acquired licences to the east of its Ikungu property in Tanzania. These acquisitions were granted by the Ministry of Energy and Minerals of the United Republic of Tanzania. The new mineral property covers an area of 133 km² and is wholly-owned by MDN.

Ground magnetic reconnaissance surveys were carried out in 2012 over the entire 15-km long volcanic belt on lines spaced at 200 metres. A more detailed survey was then conducted at a 100-metre spacing. Together, these two surveys involved 1,600 line-kilometres of ground magnetic surveying.

In 2013, some areas were surveyed in greater detail at a spacing of 50 metres, with MDN crews covering a total of 1,992 line kilometres.

Soil geochemistry reconnaissance surveying was carried out in 2012. The survey was conducted on lines spaced at 800 metres, with stations every 50 metres on the volcanic belt and every 100 metres at the contact with the granitoids next to the belt. In 2013, soil acidity readings were also taken in these areas. Four zones were identified, formed of gold-enriched samples spread over three or four consecutive lines. These zones are 1.5 to 3 km long and are defined by gold grades of 25 to 1,500 ppb Au. Such grades are considered significant anomalies when compared to historical soil samples from mines now in production in Tanzania. They are also similar to the results from the Ikungu mineralized zone on MDN's adjacent property.

In 2013, sampling was carried out on lines between the 2012 survey lines. As a result, the 2012 and 2013 surveys put together covered the entire volcanic belt with lines spaced at 400 meters.

Mapping reconnaissance work initiated in 2012 continued in 2013, with a total of 1,918 outcrops visited by MDN's geologists in 2013.

The **interpretation** of the 2013 field work was done for the Ikungu East property in the first quarter of 2013. The mapping, prospecting and geomagnetic survey results revealed that the volcanic belt discovered by MDN in 2012 is indeed the eastern extension of the Ikungu project, and the soil geochemistry survey results identified two zones of gold-enriched soil on this extension.

The 2013 field work combined with the field work done in 2012 revealed a volcanic belt sandwiched between a potassium granitoid to the north and a sodium granitoid to the south. The soil geochemistry results identify two distinctive zones with gold-enriched soil. The two zones cover the volcanic rocks, as does the Ikungu showing on MDN's adjacent property, which is at the definition drilling stage.

A first zone, called Bisumwa, is 17 km east of the Ikungu gold showing, at the eastern end of the Ikungu East property. This zone measures 3 km by 2 km. The second zone, called Kamgaruki, has an elongated shape that covers 4 km by 0.5 km. It lies halfway between the Ikungu mineralized showings and Bisumwa zone. These two zones plus the Ikungu mineralized showing form three nodes of gold-enriched soil along the volcanic belt, which is over 20 km long.

MDN controls a 20 km section of the volcanic belt along which the three gold nodes have been identified. Due to the large size of the exploration targets on the Ikungu East property, induced

polarization work and compressed air rotary drilling, commonly called RAB drilling (rotary air blast), are recommended as future work to define drill targets.

Exploration targets:

The highest-priority exploration targets are the two zones identified in 2013. The areas between these zones are second priority targets and targets for future years.

Bisumwa zone: This 3 km by 2 km zone lies at the eastern end of the Ikungu East property. The anomaly spans the entire volcanic belt and straddles the two granitoids. At this stage, it is not clear whether this is a single anomaly that covers the whole zone or two anomalies associated with the north and south contacts of the volcanic belt.

Kamgaruki zone: This zone is an elongated, 4 km by 0.5 km anomaly that coincides with the volcanic belt. It hosts the highest value obtained from the surveys, which was 1,500 ppb Au.

Intermediate areas: There could be gold zones at depth with no surface geochemical signatures between the Bisumwa, Kamgaruki and Ikungu gold showings. These intermediate areas will be exploration targets for several years to come. This type of at-depth target has resulted in the exploration success of the LaRonde-Bousquet-Doyon-Mouska mining camp in Canada for many years.

NIKONGA

The Nikonga discovery was the result of two drilling program in 2012 on this wholly-owned MDN property. The intersections that confirmed the discovery were:

NKD-02:	12.3 g/t Au over 4.2 m
	10.9 g/t Au over 4.9 m
NKD-05:	9.9 g/t Au over 4.2 m
NKD-04:	17.3 g/t Au over 1.1 m

Geophysics and mapping revealed the presence of a deformation corridor over 1 km wide that crosses the property from east to west over a distance of more than 7 km. This corridor marks the contact between the volcanic rocks and the Timiskaming-type sediments.

The soil acidity survey (6,810 reading sites) showed areas with higher acidity (low pH),

suggesting the presence of sulphides at depth. One of these acidic areas coincides with the gold showings, as well as being associated with gold, copper and molybdenum soil enrichment. The circular Au-Cu-Mo geochemical anomaly is two kilometers in diameter. The acidity anomaly and the Au-Cu-Mo anomaly also coincide with the positive drill results of 2012, which revealed the presence of mineralization along felsic porphyry dykes.

Detailed mapping (1,440 sites visited) and the petrographic study confirmed the contact between the volcanic rocks and the sediments, and the presence of the felsic porphyry dykes.

Many lineaments with gold-enriched soil were detected within the most acidic area and at the centre of the Au-Cu-Mo anomaly. These lineaments, which range from 500 m to over 1.5 km in length, are quality drill targets that could lead to the discovery of gold-bearing quartz-tourmaline veins or shear zones with sulphides. Several of these lineaments in fact coincide with gold-bearing drill intersections obtained in 2012, and they all constitute drill targets with strong potential for the discovery of additional gold zones.

The presence of the following elements allows a parallel to be drawn with the Timmins mining camp:

- 1) Presence of a quartz-tourmaline vein and gold-bearing pyritic shear between felsic porphyry dykes
- 2) Gold-copper-molybdenum soil enrichment forming a circular anomaly 2 km in diameter
- 3) Increased soil acidity, suggesting a chemical reaction due to the presence of sulphides at depth
- 4) A deformation corridor marking the contact between the volcanic rocks and the sediments.

These geological observations allow a parallel to be drawn with the types of gold deposit in Timmins, Canada, particularly those of the Hollinger-McIntire, Dome and Pamour mines, which are world-class deposits associated with porphyry dykes and sometimes a porphyry intrusive. These mines lie at the edge of a discontinuity at the contact between volcanics and sediments.

CREVIER PROJECT DEVELOPMENT

HISTORY

In fiscal 2010, MDN received a positive Preliminary Economic Assessment for the Crevier project. This project consists of a niobium (Nb) and tantalum (Ta) resource found north of the Lac-Saint-Jean region in Quebec. The Preliminary Economic Assessment was carried out by Met-Chem Canada Inc.

Based on this positive assessment, 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 description in the 2011 MD&A).

The extraction of an initial bulk sample in the last quarter of 2011 enabled the Company to start metallurgical process development work. 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.

Much of the work related to the Crevier feasibility study was suspended throughout 2012 pending the metallurgical results needed for process development. Work was limited to completing the hydrometallurgy studies and conducting a second pilot plant test at COREM to confirm the ore flotation parameters (see description in the Fourth Quarter 2012 MD&A).

During the course of the study, MDN decided to increase its stake in the project to 72.5%, with Niobec a subsidiary of NIOBEC INC. holding the remaining 27.5% interest.

Crevier project developments in Q3

Highlights

- *Appointment of Claude Dufresne as President and Chief Executive Officer*
- *Review of the Crevier project development strategy*

Appointment of Claude Dufresne

On May 12, the Company announced that appointment of Claude Dufresne as President and Chief Executive Officer. Mr. Dufresne has extensive niobium industry experience. His primary objective is to resume work on the Crevier property, including carrying out a feasibility study, financing mine development and mining the resource.

The Company retained the services of G Mining to review the work done to date on the Crevier project, paying particular attention to the metallurgy. The engineering firm's proposals, which will be available in the third quarter, will supply an estimate of the cost of completing the Crevier project feasibility study and will also provide an opinion on the metallurgical results obtained to date and future work requirements.

Feasibility Study Orientation

By now, everyone is well aware of the quality of the Crevier deposit. This resource is one of the finest niobium / tantalum deposits in North America. The challenge we face is to finance its development. To do so, we must make sure to devise conservative production scenarios while taking into consideration the availability of capital. Fortunately, the oxide niobium and tantalum markets, demand and price, are doing relatively well, and we have several advantages favoring Crevier Minerals in the current context. The negotiation of agreements with strategic partners will be necessary for the financing of the project, and the Company has initiated a strategic plan to identify which partners would allow for the greatest project return.

In the present economic context where capital is limited to fund developmental projects, and fortunately in light of the increase in the last years of the selling prices for niobium and tantalum, Crevier Mineral is in a position to re-evaluate its early production objectives. A new financial model is underway and will be completed in the coming months.

SAMAQUA PROJECT

The Company has acquired a 100% interest in the 99 mineral claims of the Samaqua property, which covers an area of 5,557 hectares southwest of the Crevier deposit.

On June 18, the Company announced the start of exploration on the Samaqua property. The exploration program is aimed at confirming the presence of a carbonatite or alkaline system with the potential to host niobium / tantalum mineralizations. The work consists of a helicopter-borne geophysical survey and an induced polarization ground survey on a circular anomaly, followed by about 1,500 m of drilling on the target.

The airborne high-density work was completed during the month of September. The results of the airborne survey has identified three targets. The work of Geophysics using the induced polarization has begun and will be completed in November. It will be followed by a diamond drilling campaign. The objective of the program is the discovery of a carbonatite mineralized niobium.

SUMMARY OF OPERATING RESULTS

For the three months period ended September 30	2014	2013
<i>(In thousands of dollars, except for amounts per share)</i>		
Administrative expenses	\$216	\$290
Management fees related to operation of Tulawaka mine	\$ 0.0	\$14
Finance income	(\$41)	(\$7)
Finance cost	\$32	\$7
Net loss attributable to the shareholders of the company	(191)	(\$291)
Net loss attributable to non-controlling interests	(\$16)	(\$14)
Basic and diluted net loss per share	(\$0.002)	(\$0.003)
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Number of shares outstanding (in thousands)	113,958	101,527

Administrative expenses:

	2014	2013
Professional fees	\$ 104,903	\$ 85,045
Salaries and fringe benefits	39,487	128,625
Share-based payments	1,238	2,000
Transfer fees	4,318	12,594
Travelling expenses	8,996	9,673
Rent	29,567	27,496
Office expenses	1,786	9,089
Promotion expenses	2,440	1,681
Reports to shareholders	7,968	2,341
Insurance, taxes and permits	4,354	4,847
Membership and training	0	0

Telecommunications	4,885	2,451
Project development	0	1,544
Mining title management	3,504	0
Amortization of property and equipment	2,135	2,782
	<u>\$ 215,581</u>	<u>\$ 290,168</u>

Mining title management

Administrative expenses totalled \$215,581 for the third quarter 2014, compared with \$290,168 in 2013. Administrative expenses included professional fees of \$104,903 (\$85,045 in 2013), an increase mainly due to a new reorganization of the company transforming some permanent positions into contractual positions, resulting in an increase of \$ 46 254 at the level of professional fees. Salary costs of \$39,487 (\$128,625 in 2013) a variation mainly attributable to the decision by the board of director's to eliminate their remuneration as of 09/30/13, and the reorganization described in professional fees. MDN conducted a review of its operations, thus reducing several costs including travelling expenses \$8,996 (compared to \$9,673 in 2013), office expenses \$1,786 (compared with 9,089 in 2013), and Project development expenses \$0 (compared with \$1,544 in 2013). These savings was partly offset by the mining title management for the Samaqua project (\$3,504).

For the third quarter of 2014, as well as for the second quarter of 2013, there was no write-off of evaluation and exploration assets.

Following the closing and the sale of Tulawaka mine, management fees representing 30% of 3% of all operating expenses of the Tulawaka project have been eliminated. During the third quarter of 2013, this charge was \$13,725.

Operating results

Finance income (\$40,802 in 2014 and \$6,704 in 2013), primarily represent other income related to flow through shares (\$38,185), interest income from the Company's various investments \$2,617 (\$5,768 in 2013), coupled with foreign exchange gain in 2013 (\$936).

Financial charges totalled \$32,257 compared with \$7,435 for the third quarter 2014 and 2013 respectively. The financial charges included accretion expenses on other long-term liability of \$1,205 (\$3,443 in 2013), bank charges & others of \$800 for 2014 (\$1,925 in 2013), loss on sale of investment in 2013 (\$2,067) and net foreign exchange loss of \$30,252 in 2014 compared to a gain in 2013.

(Net loss)

For the three months period ended September 30 2014, the Company recorded a net loss attributable to the shareholders of the Company of \$191,339 or \$0.002 per share compared to net loss of \$290,795 or \$0.003 per share for the same period in 2013. The variation is mainly due the management fees from the Tulawaka mine in 2013 coupled with the decrease in administration expenses.

The net loss per share is based on weighted-average number of 112,065,969 common shares outstanding as at September 30, 2014, compared with 101,527,220 for the same period in 2013.

SUMMARY OF OPERATING RESULTS

For the nine months period ended September 30	2014	2013
<i>(In thousands of dollars, except for amounts per share)</i>		
Administrative expenses	\$841	\$1,042
Management fees related to operations of Tulawaka mine	\$0.0-	\$222
Finance income	(\$46)	(\$29)
Finance cost	\$40	\$20
Net loss attributable to the shareholders of the company	(\$789)	(\$1,196)
Net loss attributable to non-controlling interests	(\$45)	(\$59)
Basic and diluted net loss per share	(\$0.008)	(\$0.012)
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Number of shares outstanding (in thousands)	113,957	101,527

Administrative expenses:

	2014	2013
Professional fees	\$ 322,946	\$ 336,488
Salaries and fringe benefits	231,454	441,414
Share-based payments	51,078	5,906
Transfer fees	22,718	22,167
Travelling expenses	28,348	52,947
Rent	88,964	84,113
Office expenses	11,542	30,843
Promotion expenses	13,784	3,954
Reports to shareholders	27,092	17,677
Insurance, taxes and permits	13,824	20,970
Membership and training	2,285	5,133
Telecommunications	10,040	8,706
Mining title management	10,350	0
Project development	0	3,129
Amortization of property and equipment	6,407	8,346
	<hr/>	<hr/>
	\$ 840,832	\$ 1,041,793

Administrative expenses totalled \$840,832 for the nine months period of 2014, compared with \$1,041,793 in 2013. Administrative expenses included professional fees of \$322,946 (\$336,488 in 2013), a decrease mainly due to reimbursement of legal expenses incurred by the cancellation of the agreement with Tanzania Minerals on the Ikungu project (\$25,000) partly offset by a new reorganization of the company transforming some permanent positions into contractual ones, resulting in an increase of \$ 71,578 at the level of professional fees. Salary costs of \$231,454 (\$441,414 in 2013) variation mainly attributable to the decision of the board of director's, as of September 2013, to no longer receive fees, the reorganization described in professional fees, the non-replacement of one opened position, and temporary voluntary salary reduction of directors, partly offset by the attribution of severance payments totaling \$38,812. Following a new reorganization, the nomination of a new president, the conversion of permanent positions into contractual position, the company has granted options for a value of \$51,078 in share base payment (\$ 5,906 in 2013). These options were issued in exchange of legal obligations and for the loss of remuneration. Due to the current economic situation, MDN conducted a review of its operations, thus reducing several costs including travelling expenses \$28,348 (compared to

\$52,947 in 2013), office expenses \$11,542 (compared with 30,843 in 2013), and Insurance tax and permits 13,824 (compared with \$20,970 in 2013). These savings was partly offset by the promotion expenses (\$13,784) and the mining title management (\$10,350) both expenses made for the Crevier project.

For the first nine months of 2014, as well as for the same period in 2013, there was no write-off of evaluation and exploration assets.

Following the closing and the sale of Tulawaka mine, management fees representing 30% of 3% of all operating expenses of the Tulawaka project have been eliminated. During the nine months period of 2013, this charge was \$222,010.

Operating results

Finance income (\$46,324 in 2014 and \$29,240 in 2013), primarily represent other income related to flow through shares (\$38,185), interest income from the Company's various investments \$8,139 (\$25,491 in 2013), coupled with foreign exchange gain in 2013 (\$3,749).

Financial charges totalled \$40,112 compared with \$19,904 for the nine months period 2014 and 2013 respectively. The financial charges included accretion expenses on other long-term liability of \$5,341 (\$11,892 in 2013), bank charges & others of \$3,195 (\$6,204 in 2013) and foreign exchange loss in 2014 (\$31,576).

(Net loss)

For the nine months period ended September 30 2014, the Company recorded a net loss attributable to the shareholders of the Company of \$789,220 or \$0.008 per share compared to net loss of \$1,195,851 or \$0.012 per share for the same period in 2013, The variation is mainly due to the elimination of management fees from the Tulawaka mine in 2013 coupled with the decrease in administration expenses.

The net loss per share is based on weighted-average number of 105,078,740 common shares outstanding as at September 30, 2014, compared with 101,527,220 for the same period in 2013.

Financial position	<i>September 30</i>	<i>December 31</i>
	2014	2013
<i>(In thousands of dollars)</i>		
Cash	\$516	\$275
Investments	\$750	\$1,700
Mining taxes receivable	\$140	\$ 140
Accounts receivables	\$758	\$728
Exploration and evaluation assets	\$28,851	\$27,409
Total assets	\$31,096	\$30,346
Total liabilities	\$1,375	\$1,216
Share Capital	\$64,482	\$63,813
Total equity attributable to equity holders of the Company	\$27,911	\$27,275
Non-controlling interest	\$1,809	\$1,855

LIQUIDITY AND FINANCIAL POSITION

Cash, cash equivalents and term deposits

As at September 30, 2014, the Company's cash position, consisting of cash, investments and term deposits, amounted to \$1,265,918 compared with \$1,974,943 as at December 31, 2013. This variation is mainly due to the investment in exploration and evaluation assets coupled with normal operational expenses for the nine first months of 2014, partly offset by July 15th private placement for the Samaqua property exploration program.

Mining taxes receivables

As of September 30, 2014, tax credit receivables amounted to \$139,609 compared with \$139,607 as at December 31, 2013. The mining taxes receivable are mainly attributable to the Crevier project.

Accounts receivables

As of September 30, 2014, accounts receivable amounted to \$758,194 mainly due Tanzanian sales tax reimbursements of \$641,206, provincial and federal sales tax reimbursements of \$42,631 and resources credit of \$1,550.

Mining properties

During the nine first months of 2014, as per our property agreements in Tanzania, MDN made the annual payment of \$35,078 for Nikonga property, also, the company acquired claims in the Samaqua project for a value of \$4,983.

Exploration and evaluation assets

During the nine months period ended September 30, 2014 the Company increased by \$588,385 its exploration and evaluation assets. Of this amount, \$432,188 was spent for properties in Tanzania, mainly for the Nikonga property (\$35,610), for the Ikungu property (\$243,477), for Ikungu East property (\$113,737) and for Simba property (\$39,364). The Company also expensed \$156,197 in

the province of Quebec, of this amount; \$31,409 was spent for the Crevier property and \$124,788 for the Samaqua property.

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

Total assets amount to \$31,096,280 as at September 30, 2014, compared to \$30,345,795 as of December 31, 2013. The variation is mainly attributable to the normal administration expenses engaged for continuing activities of the period, partly offset by the investment in exploration and evaluation assets coupled with effect of foreign exchange on Tanzanian property and the July 2014 private placement.

Equity attributable to equity holders of the Company amounted to \$27,911,330 as of September 30, 2014, compared to \$27,275,448 as of December 31st, 2013, with the decrease being attributable to accumulate other comprehensive income coupled with the loss of the period.

Liabilities

Total liabilities amount to \$1,375,754 as at September 30, 2014, compared to \$1,215,751 as of December 31, 2013.

Share capital

During the nine months period ended September 30, 2014, the Company issued 12 430 319 new shares under a private placement. As of September 30, 2014, the Company's outstanding share number is 113,957,539 compared with 101 527 220 as of December 31, 2013.

Non-controlling interest

The non-controlling interest is linked to the participation of 27,5% owned by Niobec Inc. in Crevier Minerals Inc. . Exercise variation relates essentially to the net loss of period ending September 30, 2014.

Liquidity needs for the current financial year

	Three-months period ended September 30		nine-months period ended September 30	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash flows from (used in) operating activities	\$(350,097)	\$129,104	\$(898,160)	\$(551,841)
Cash flows from financing activities	785,000		785 000	
Cash flows from (used in) investing activities	28,853	(200,700)	350,978	(390,527)
Effect of exchange rate changes on cash denominated in foreign currency	0	3,060	3,157	11,730
Net variation in cash	\$463,756	\$(68,536)	\$(240,975)	\$(930,638)

For the actual financial period, from January 1, 2014 to December 31, 2014, MDN's liquidity needs are estimated at \$1,275,000. As the Company no longer generates revenue, the Company must periodically obtain new funds to continue its operations and, despite the ability of the Company to raise funds in the past, there is no guarantee that it will be able to obtain financing in the future. Management expects that the funds of the Company as at September 30, 2014 are just sufficient to meet its budget for administrative costs and minimum expenses related to mining properties for the next twelve months (until September 2015). The Company must find additional funding in the next year to meet its short-term obligations and to cover administrative costs and future exploration activities. 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 was derived from the operation of the Tulawaka gold mine, which African Barrick Gold (ABG) decided not to extend the life of the mine beyond the middle of 2013 and sold its last assets to Stamico in February 2014.

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. 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.

Foreign Countries and Regulatory Requirements

The Corporation has various properties located in Tanzania, which may be affected in varying degrees by political and financial instability, inflation and haphazard changes in government regulations relating to the mining industry. Any changes in regulations or shifts in political or financial conditions are beyond its control and may adversely affect its business.

Operations may be affected in various degrees by laws and regulations with respect to, among other things, restrictions on production, price controls, export controls, exchange controls, income taxes, expropriation of property, social and environmental matters and mine safety.

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.

Commitments and other contractual agreements

There have been no changes in the commitments and other contractual agreements since December 31, 2013.

CONTINGENCIES

Communication with Tanzania Revenue Authority:

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 seized 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.

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 the interest, calculated by the TRA, as withholding tax.

Management, after discussion with his lawyers, immediately notified the National Commissioner of the TRA of 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.

During the third quarter of 2013, TRA's decision to use sales tax receivable in compensation of the amounts claimed was overturned in court, but the TRA appealed to the highest appellate instance, the Court of Appeal. On December 19, 2013, the Court of Appeal overturned once again the TRA claims in favor of MDN'S position.

No provisions have been recorded in the Company's financial statements as of September 30, 2014 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 the internal loans between MDN and MDN Tanzania. . 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 or 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, 2013 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 its internal control over the last financial reporting period. Management as well as the Chief Executive Officer and the Chief Financial Officer conclude, as at December 31, 2013 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 the financial reporting covering the nine months period ended September 30, 2014, materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

OUTLOOK

In 2013 and 2014, the vast majority of junior exploration companies saw their market capitalizations plummet for the third consecutive year and stagnate at their lowest levels, and we

were no exception. Fortunately, the market appears to have bottomed, and investor interest for resource stocks has picked up slightly. The Company is no exception to this market reality

While interest in base metals and special metals grew, the gold sector unfortunately remains very difficult. Although many studies are optimistic about the metals sector for the coming quarters, they remain cautious in their forecasts.

Given the lack of investor interest in the gold sector and the high costs associated with conducting exploration in Africa, the Company chose to reduce its activities in Tanzania while maintaining its properties and its property rights. In addition, the Company is currently in discussions with various groups in order to find one or more strategic partners and/or sell some of its Tanzanian assets.

The Company is presently focusing most of its attention on the Crevier asset in Quebec.

Crevier: A World Class Project

In the first quarter of 2013, COREM presented its final ore flotation report, which confirmed a stable recovery. These results, along with the SGS hydrometallurgy results from testing in 2012, provide an overview of the mineral processing required to produce niobium and tantalum.

However, further metallurgy work will be needed to optimize the current results. To complete the metallurgy work, the Company has partnered with G Mining, a company with years of niobium processing experience.

The Company will also revisit the production scenarios established in recent years in the context of very limited access to capital. In a preliminary review, based on current and forecasted niobium oxide and tantalum prices and significantly lower capital costs (elimination of the high-cost transmission line, lower construction costs given the slowdown in the industry, etc.), the project return should be very respectable.

Samaqua: A High Potential Exploration Project

On June 18, the Company announced the start of exploration on its wholly-owned Samaqua property. The exploration program is aimed at confirming the presence of a carbonatite or alkaline system with the potential to host niobium / tantalum mineralization. The work consists of a helicopter-borne geophysical survey and an induced polarization ground survey on a circular anomaly, followed by about 1,500 m of drilling on the target.

As mentioned land induced polarization survey is underway and following the analysis of the results of the helicopter survey and the induced polarization, the drilling program will follow when the drill targets will be identified. Drilling results will be available towards the end of the year 2014 / beginning of the year 2015.

The discovery of a mineralized carbonatite on the Samaqua property would create synergy with the Crevier project and additional value for the Company.

Future results

The Company's future results is negatively impacted by the loss of its royalties following the closure of Tulawaka mine. The future of MDN will also be influence by the success in our search for strategic partners in Tanzania and Quebec, by the results of our exploration on gold projects in Tanzania and the development of the Crevier project, and our ability to secure new financing.

(S)

Claude Dufresne, ing.
Chairman & CEO

Montreal, Canada
November 5, 2014

(S)

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. The Company believes that the data for these quarters have been prepared in the same manner as the annual audited financial statements.

FOR THE LAST THREE YEARS

	2014	2013	2012
	<i>9 months</i>	<i>12 months</i>	<i>12 months</i>
Operating royalties from Tulawaka mine	\$-	\$-	\$313,144
Finance Income	\$46,324	\$19,514	\$82,907
Net Loss	(\$789,220)	(\$5,791,668)	(\$12,862,510)
Net loss per share	(\$0.008)	(\$0.057)	(\$0.127)
Addition on Exploration and evaluation assets	\$588,385	\$1,032,113	\$3,265,453
Accounts receivable & Mining tax receivables	\$897,803	\$867,176	\$1,262,059
Total assets	\$31,096,280	\$30,345,795	\$36,167,533
Non-current liabilities	\$462,224	\$462,224	\$1,173,844
Shareholders' equity			
Total	\$29,720,526	\$29,130,044	\$34,164,743

FOR THE LAST EIGHT QUARTERS

	2014			
	<i>1st quarter</i>	<i>2nd quarter</i>	<i>3rd quarter</i>	<i>4th quarter</i>
Total revenues net of finance expenses	(\$22,129)	\$19,796	\$8,545	
Net loss	(\$220,541)	(\$377,341)	(191,339)	
Net loss per share	(\$0.002)	(\$0.004)	(\$0.002)	
	2013			
	<i>1st quarter</i>	<i>2nd quarter</i>	<i>3rd quarter</i>	<i>4th quarter</i>
Total revenues net of finance expenses	\$8,611	\$1,456	(\$731)	(\$96,836)
Net income loss	(\$499,757)	(\$405,299)	(\$290,795)	(\$4,595,817)
Net income loss per share	(\$0.005)	(\$0.004)	(\$0.010)	(\$0.095)
	2012			
	<i>4th quarter</i>			
Total revenues net of finance expenses	\$5 265			
Net loss	(\$9,629,235)			
Net loss per share	(\$0.095)			

Note: the loss in the 4th quarter are mainly due to write off of prospecting, exploration and evaluation and mining properties.

Interim Condensed Consolidated Financial Statements of
(Unaudited and not reviewed by the auditors)

MDN INC.

Periods ended September 30, 2014 and 2013

MDN INC.

Interim Condensed Consolidated Financial Statements
(Unaudited and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

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MDN INC.

Interim Condensed Consolidated Statements of Financial Position
(Unaudited and not reviewed by the auditors)

September 30, 2014 and December 31, 2013

	September 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash	\$ 515,918	\$ 274,943
Temporary investments (note 4)	750,000	1,700,000
Accounts receivable (note 5)	758,194	727,569
Mining taxes receivable	139,609	139,607
Prepaid expenses	15,757	23,745
Total current assets	2,179,478	2,865,864
Non-current assets:		
Mining properties (note 6)	8,554,308	8,510,000
Exploration and evaluation assets (note 7)	20,296,464	18,899,201
Property and equipment	66,030	70,730
Total non-current assets	28,916,802	27,479,931
Total assets	\$ 31,096,280	\$ 30,345,795
Liabilities and Equity		
Current liabilities:		
Trade accounts payable and accrued liabilities	\$ 811,045	\$ 659,478
Liability related to flow-through shares	78,095	–
Current portion of other long-term liability	24,390	94,049
Total current liabilities	913,530	753,527
Non-current liabilities:		
Deferred tax liabilities	462,224	462,224
Total non-current liabilities	462,224	462,224
Equity:		
Share capital	64,481,913	63,813,193
Contributed surplus	6,621,071	6,569,993
Accumulated other comprehensive income	771,959	66,655
Deficit	(43,963,613)	(43,174,393)
Total equity attributable to shareholders of the Company	27,911,330	27,275,448
Non-controlling interests	1,809,196	1,854,596
Total equity	29,720,526	29,130,044
Commitments and contingencies (notes 14 and 15)		
Total liabilities and equity	\$ 31,096,280	\$ 30,345,795

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 and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Administrative expenses (note 10)	\$ 215,581	\$ 290,168	\$ 840,832	\$ 1,041,793
Management fees related to the Tulawaka mine	–	13,725	–	222,010
Loss before net finance income and income taxes	(215,581)	(303,893)	(840,832)	(1,263,803)
(Net finance income)				
net finance cost (note 11):				
Finance income	(40,802)	(6,704)	(46,324)	(29,240)
Finance cost	32,257	7,435	40,112	19,904
	(8,545)	731	(6,212)	(9,336)
Loss before income taxes	(207,036)	(304,624)	(834,620)	(1,254,467)
Income taxes (recovery):				
Current taxes	159	(52)	–	(1,490)
Deferred taxes	(159)	52	–	1,515
	–	–	–	25
Net loss	(207,036)	(304,624)	(834,620)	(1,254,492)
Other comprehensive income (loss):				
Change in fair value of financial assets	–	2,624	–	(526)
Foreign currency translation differences of foreign operations	670,869	(261,277)	705,304	414,058
Net comprehensive income (loss)	\$ 463,833	\$ (563,277)	\$ (129,316)	\$ (840,960)
Net loss attributable to:				
Shareholders of the Company	\$ (191,339)	\$ (290,795)	\$ (789,220)	\$ (1,195,851)
Non-controlling interests	(15,697)	(13,829)	(45,400)	(58,641)
Total comprehensive income (loss) attributable to:				
Shareholders of the Company	\$ 479,530	\$ (549,448)	\$ (83,916)	\$ (782,319)
Non-controlling interests	(15,697)	(13,829)	(45,400)	(58,641)
Basic and fully diluted net loss per share	\$ (0.002)	\$ (0.003)	\$ (0.008)	\$ (0.012)
Weighted average of outstanding shares - basic	112,065,969	101,527,220	105,078,740	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 and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

	Number of ordinary shares outstanding	Number of warrants 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, 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	–	–	–	5,906	–	–	5,906	–	5,906
Change in fair value of financial assets and reclassification of the realized loss to the net loss	–	–	–	–	(526)	–	(526)	–	(526)
Foreign currency translation differences of foreign operations	–	–	–	–	414,058	–	414,058	–	414,058
Net loss	–	–	–	–	–	(1,195,851)	(1,195,851)	(58,641)	(1,254,492)
Balance, September 30, 2013	101,527,220	–	\$ 63,813,193	\$ 6,567,993	\$ (342,176)	\$ (38,578,576)	\$ 31,460,434	\$ 1,869,255	\$ 33,329,689
Balance, December 31, 2013	101,527,220	–	\$ 63,813,193	\$ 6,569,993	\$ 66,655	\$ (43,174,393)	\$ 27,275,448	\$ 1,854,596	\$ 29,130,044
Issuance of shares and warrants (note 8)	12,430,319	3,681,747	668,720	–	–	–	668,720	–	668,720
Share-based payments	–	–	–	51,078	–	–	51,078	–	51,078
Foreign currency translation differences of foreign operations	–	–	–	–	705,304	–	705,304	–	705,304
Net loss	–	–	–	–	–	(789,220)	(789,220)	(45,400)	(834,620)
Balance, September 30, 2014	113,957,539	3,681,747	\$ 64,481,913	\$ 6,621,071	\$ 771,959	\$ (43,963,613)	\$ 27,911,330	\$ 1,809,196	\$ 29,720,526

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 and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Cash flows (used in) from operating activities:				
Net loss	\$ (207,036)	\$ (304,624)	\$ (834,620)	\$ (1,254,492)
Adjustments for:				
Share-based payments	1,238	2,000	51,078	5,906
Amortization of property and equipment	2,135	2,782	6,407	8,346
Interest income	(2,617)	(5,768)	(8,139)	(25,491)
Accretion expense related to the other liability	1,205	3,443	5,341	11,892
Net loss on disposition of investments	–	2,067	–	1,808
Net loss (gain) on foreign exchange	30,252	(936)	31,576	(3,749)
Income taxes	–	–	–	25
Other income related to flow-through shares	(38,185)	–	(38,185)	–
Change in non-cash working capital items	(110,164)	444,520	(43,058)	743,419
Payment of the other liability	(25,000)	(25,000)	(75,000)	(75,000)
Interests received	(1,925)	10,620	6,440	35,495
	(350,097)	129,104	(898,160)	(551,841)
Cash flows from financing activities:				
Share and warrants issuance	785,000	–	785,000	–
Cash flows from (used in) investing activities:				
Acquisition of investments	–	(400,000)	–	(1,154,192)
Disposal of investments	200,000	473,155	950,000	2,116,155
Additions to mining properties	(2,738)	–	(40,061)	(92,435)
Increase in evaluation and exploration assets	(168,409)	(273,855)	(558,961)	(1,260,055)
	28,853	(200,700)	350,978	(390,527)
Effect of exchange rate changes on cash denominated in foreign currency				
	–	3,060	3,157	11,730
Net change in cash	463,756	(68,536)	240,975	(930,638)
Cash, beginning of period	52,162	512,443	274,943	1,374,545
Cash, end of period	\$ 515,918	\$ 443,907	\$ 515,918	\$ 443,907

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 and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

1. Reporting entity and going concern:

MDN Inc. (the "Company") is a company domiciled in Canada and 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 September 30, 2014 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.

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.

On February 13, 2013, African Barrick Gold decided not to extend the mine life beyond midyear 2013. On November 15, 2013, African Barrick Gold signed an agreement with STAMICO, the mining company of the Tanzanian government, to acquire the Tulawaka Gold Mine and certain exploration licenses around Tulawaka for a consideration of US\$4.5 million. Under the joint venture agreement with African Barrick Gold, the Company should continue to receive its share of 30% in the excess cash flows generated by the operating activities of the Tulawaka Gold mine in 2013, the realization of non-cash working capital and the cash generated by the sale of assets. However, after analysis of operating losses since 2012, other operating expenses, sale of equipment and the result of this transaction, the Company does not expect to get benefits or assume any obligation under this transaction.

As the Company no longer generates revenue, the Company must periodically obtain new funds to continue its operations and, despite the ability of the Company to raise funds in the past, there is no guarantee that it will be able to obtain financing in the future. Management expects that the funds of the Company as at September 30, 2014 are just sufficient to meet its budget for administrative costs and minimum expenses related to mining properties for the twelve months period ending September 2015. The Company must find additional funding in the next year to meet its short-term obligations and to cover administrative costs and future exploration activities.

MDN INC.

Notes to Interim Condensed Consolidated Financial Statements, Continued
(Unaudited and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

1. Reporting entity and going concern (continued):

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

2. Basis of preparation:

Statement of compliance

The interim condensed consolidated 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, 2013, including the significant accounting policies used by the Company.

The interim condensed consolidated financial statements were approved by the Board of directors on November 5, 2014.

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, 2013 annual consolidated financial statements have been applied consistently to all periods presented in these interim condensed consolidated financial statements. The accounting policies have been applied consistently by Group entities.

MDN INC.

Notes to Interim Condensed Consolidated Financial Statements, Continued
(Unaudited and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

3. Significant accounting policies (continued):

(a) 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, 2014 and have been applied in preparing these interim condensed consolidated financial statements:

(i) IFRIC 21, *Levies*:

In May 2013, the IASB issued IFRIC 21, *Levies*. This IFRIC is effective for annual periods commencing on or after January 1, 2014 and is to be applied retrospectively. The IFRIC provides guidance on accounting for levies in accordance with the requirements of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The adoption of IFRIC 21 did not have a material impact on the Company's interim condensed consolidated financial statements.

(ii) Amendments to IAS 32, *Offsetting Financial Assets and Liabilities*:

In December 2011, the IASB published *Offsetting Financial Assets and Financial Liabilities*. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014. These amendments are to be applied retrospectively. The amendments to IAS 32 clarify when an entity currently has a legally enforceable right to set-off if and when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The adoption of this amendment did not have a material impact on the Company's interim condensed consolidated financial statements.

(b) New standards and interpretations not yet adopted:

(i) IFRS 9, *Financial Instruments*:

In November 2009, the IASB issued IFRS 9, *Financial Instruments* (IFRS 9 (2009)), and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)).

In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9, *Financial Instruments* (2013). The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be determined once the classification and measurement and impairment phases of IFRS 9 are finalized.

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additional changes relating to financial liabilities.

MDN INC.

Notes to Interim Condensed Consolidated Financial Statements, Continued
(Unaudited and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

3. Significant accounting policies (continued):

(b) New standards and interpretations adopted during the period (continued):

(i) IFRS 9, *Financial Instruments* (continued):

IFRS 9 (2013) includes a new general hedge accounting standard which will align hedge accounting more closely with risk management.

The Company does not intend to adopt IFRS 9 (2009), IFRS 9 (2010) or IFRS 9 (2013) in its interim condensed consolidated financial statements for the annual period beginning on January 1, 2015.

(ii) Annual Improvements to IFRS (2010 - 2012) and (2011 - 2013) cycles:

In December 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS.

Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014; earlier application is permitted, in which case, the related consequential amendments to other IFRS would also apply.

The Company intends to adopt these amendments in its interim condensed consolidated financial statements for the annual period beginning on January 1, 2015. The extent of the impact of adoption of the amendments has not yet been determined.

4. Temporary investments:

	September 30, 2014	December 31, 2013
Guaranteed investment certificates, rate of 1.12% (2013 - 1.00%), maturing in January 2015, redeemable at any time	\$ 200,000	\$ 1,000,000
Guaranteed investment certificates, rate of 1.25%, maturing in September 2016, redeemable at the option of the Company once a month without penalty	200,000	300,000
Guaranteed investment certificates, rate at 1.15% (2013 - 1.15%), maturing in July 2015, redeemable at any time	350,000	400,000
	\$ 750,000	\$ 1,700,000

MDN INC.

Notes to Interim Condensed Consolidated Financial Statements, Continued
(Unaudited and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

5. Accounts receivable:

	September 30, 2014	December 31, 2013
Tax credit related to resources	\$ 1,550	\$ 11,744
Sales tax receivable	722,234	639,711
Other	34,410	76,114
	\$ 758,194	\$ 727,569

6. Mining properties:

Mining properties are detailed as follows:

Properties	Interest at end	December 31, 2013	Additions	Effect of foreign exchange	September 30, 2014
Tanzania:					
Ikungu	81%	\$ 307,914	\$ –	\$ 4,247	\$ 312,161
Nikonga	100	75,320	35,078	–	110,398
Simba (Isambara)	100	645,251	–	–	645,251
Québec:					
Crevier	72.5 ⁽ⁱ⁾	7,481,515	–	–	7,481,515
Samaqua	100	–	4,983	–	4,983
		\$ 8,510,000	\$ 40,061	\$ 4,247	\$ 8,554,308

- ⁽ⁱ⁾ 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 and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

7. Evaluation and exploration assets:

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

Properties	December 31, 2013	Tax credits related to resources	Additions	Effect of foreign exchange	September 30, 2014
Tanzania:					
Ikungu East	\$ 593,439	\$ –	\$ 113,737	\$ 30,439	\$ 737,615
Ikungu	6,779,425	–	243,477	346,460	7,369,362
Nikonga	1,561,702	–	35,610	78,729	1,676,041
Simba (Isambara)	4,646,447	–	39,364	209,250	4,895,061
Québec:					
Crevier	5,318,188	144,000	31,409	–	5,493,597
Samaqua	–	–	124,788	–	124,788
	\$ 18,899,201	\$ 144,000	\$ 588,385	\$ 664,878	\$ 20,296,464

8. Shares issuance:

On July 15, 2014, the Company has completed a private placement by issuing a total of 7,363,494 units at a price of 5.5 cents per unit and 5,066,825 flow-through shares at 7.5 cents per share, for total proceeds of \$785,000. The securities issued in the private placement are subject to a four-month hold period expiring on November 15, 2014.

Each common share unit will comprise one common share and one-half of a common share purchase warrant. No warrant will be issued with the flow-through shares. Each whole common share purchase warrant will entitle the holder to purchase one common share of MDN at a price of 11 cents until July 14, 2016. An amount of \$688,720 has been recorded in share capital and an amount of \$116,280 has been recorded in liability related to flow-through shares.

The Company will use the private placement proceeds to finance its exploration plan on the Samaqua project, a MDN wholly-owned property, located south-east of niobium-tantalum Crevier property.

The Company is subject to the regulatory requirements related to the use of flow-through funds, these funding must be incurred for eligible exploration expenses. During the period, the Company has fulfilled its regulatory requirements.

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Notes to Interim Condensed Consolidated Financial Statements, Continued
(Unaudited and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

8. Shares issuance (continued):

The fair value of the warrants granted is established according to the Black & Scholes pricing model using the following assumptions:

	Nine-month period ended September 30, 2014
Risk-free interest rate	1.10%
Expected dividend rate	0%
Expected volatility	60%
Expected life of warrants	2 years

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.

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

	September 30, 2014		September 30, 2013	
	Number of outstanding options	Weighted average exercise price	Number of outstanding options	Weighted average exercise price
Balance, beginning of period	2,560,000	\$ 0.45	2,800,000	\$ 0.47
Granted	1,850,000	0.06	60,000	0.10
Cancelled	—	—	(200,000)	0.51
Expired	(150,000)	0.73	(100,000)	0.84
Balance, end of period	4,260,000	\$ 0.15	2,560,000	\$ 0.45
Exercisable options, end of period	4,260,000	\$ 0.15	2,520,000	\$ 0.45

MDN INC.

Notes to Interim Condensed Consolidated Financial Statements, Continued
(Unaudited and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

9. Share-based payments (continued):

Share option plan (continued)

The table below presents supplemental information about the share option plan as at September 30, 2014:

Range of exercise prices	Number of outstanding options	Weighted average remaining contractual life (years)
\$0.05 - \$0.19	1,990,000	4.90
\$0.20 - \$0.44	310,000	4.60
\$0.45 - \$0.51	1,960,000	0.77
	4,260,000	2.96

10. Administrative expenses:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Professional fees	\$ 104,903	\$ 85,045	\$ 322,946	\$ 336,488
Salaries and short-term fringe benefits	39,487	128,625	231,454	441,414
Share-based payments	1,238	2,000	51,078	5,906
Transfer fees	4,318	12,594	22,718	22,167
Travelling expenses	8,996	9,673	28,348	52,947
Rent	29,567	27,496	88,964	84,113
Office expenses	1,786	9,089	11,542	30,843
Promotion expenses	2,440	1,681	13,784	3,954
Reports to shareholders	7,968	2,341	27,092	17,677
Insurance, taxes and permits	4,354	4,767	13,824	20,890
Membership and training	–	–	2,285	5,133
Telecommunications	4,885	2,451	10,040	8,706
Taxes and duty	–	80	–	80
Project development	–	1,544	–	3,129
Amortization of property and equipment	2,135	2,782	6,407	8,346
Mining claims	3,504	–	10,350	–
	\$ 215,581	\$ 290,168	\$ 840,832	\$ 1,041,793

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Notes to Interim Condensed Consolidated Financial Statements, Continued
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Periods ended September 30, 2014 and 2013

11. (Net finance income) net finance cost:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Other income related to flow-through shares	\$ (38,185)	\$ –	\$ (38,185)	\$ –
Interest income on cash and investments	(2,617)	(5,768)	(8,139)	(25,491)
Net foreign exchange gain	–	(936)	–	(3,749)
Finance income	(40,802)	(6,704)	(46,324)	(29,240)
Accretion expense related to the other liability	1,205	3,443	5,341	11,892
Bank charges and other	800	1,925	3,195	6,204
Net foreign exchange loss	30,252	–	31,576	–
Loss on sale of investments	–	2,067	–	1,808
Finance cost	32,257	7,435	40,112	19,904
(Net finance income) net finance cost	\$ (8,545)	\$ 731	\$ (6,212)	\$ (9,336)

12. Cash flows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Operations without impact on cash related to:				
Operating activities:				
Change in accounts payable and accrued liabilities related to exploration and evaluation assets	\$ 4,176	\$ 17,112	\$ 2,596	\$ (407,650)
Investing activities:				
Change in tax credits related to resources capitalized in exploration and evaluation assets included in accounts receivable	28,355	350	31,409	10,194

MDN INC.

Notes to Interim Condensed Consolidated Financial Statements, Continued
(Unaudited and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

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.

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 will be increased by US\$2,000 each year, until the start of a feasibility study or the abandonment of work.

MDN INC.

Notes to Interim Condensed Consolidated Financial Statements, Continued
(Unaudited and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

14. Commitments (continued):

(a) Mining properties (continued):

Nikonga (Tanzania) (continued)

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

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 is granting 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 because Metalinvest did not provide the funds required by the agreement within the required timeframes.

On October 15, 2013, the Company signed a letter of intent with Tanzania Minerals Corporation in which it gives it an option to acquire a 50% interest in the Company's exploration licenses forming the Ikungu property.

On December 20, 2013, the two companies have mutually decided not to enter into a definitive agreement to jointly explore and develop the Ikungu Gold Project in Tanzania. The two sides decided to abandon the letter of intent dated October 15, 2013. The Company remitted to Tanzania Minerals Corporation its initial deposit of \$200,000 which was received at the signature of the letter of intent and had been placed in trust, minus the legal fees of \$25,000 incurred by the Company.

Crevier (Québec)

Having completed its required exploration and evaluation work during 2013, 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.

MDN INC.

Notes to Interim Condensed Consolidated Financial Statements, Continued
(Unaudited and not reviewed by the auditors)

Periods ended September 30, 2014 and 2013

14. Commitments (continued):

(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. Following the sale of this property by African Barrick Gold, the management fee agreement ended.

(c) Operating lease:

The Company is committed under a lease expiring in July 2015 for the rental of its premises. In May 2013, the Company exercised an option to terminate allowing it to put an end to its lease on January 1, 2015. Minimum payments for 2014 will be \$19,713.

15. Contingencies:

Communications with Tanzania Revenue Authority

During the second quarter of 2013, the Company received a new written communication from the Tanzania Revenue Authority ("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 had used an amount of approximately \$515,000 (US\$490,000) in sales taxes receivable included in accounts receivable in the consolidated statements of financial position in compensation of the amounts claimed in the notice of assessment.

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.

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 companies to obtain bank loans. In this opposition, management is confident of the chances of success with regard to the dispute.

During the third quarter of 2013, TRA's decision to use sales tax receivable in compensation of the amounts claimed was overturned in court, but the TRA used the highest appeal court, the Court of Appeal. On December 19, 2013, the Court of Appeal ruled in favour of the Company in this case.

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Periods ended September 30, 2014 and 2013

15. Contingencies (continued):

Communications with Tanzania Revenue Authority (continued)

No provision has been recorded in the interim condensed consolidated financial statements of the Company as at September 30, 2014 as management believes that the outstanding items above are unfounded and that the Company owes no tax to TRA.