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MONETA PORCUPINE MINES INC.

Interim Consolidated Financial Statements

For the six months ended June 30, 2010

Q2 2010

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED BY MANAGEMENT AND HAVE NOT BEEN REVIEWED BY THE COMPANY'S AUDITOR

MONETA PORCUPINE MINES INC.

Consolidated Balance Sheets

As at	(Unaudited) June 30, 2010 $	(Audited) December 31, 2009 $
Current assets		
Cash restricted for flow-through (note 12)	**2,436,651**	4,654,189
Prepaid expenses	**22,318**	20,854
Other receivables	**43,663**	58,151
Total current assets	**2,502,632**	4,733,194
Investments held for trading	**15,820**	71,190
Mineral properties and deferred costs (note 3)	**11,579,622**	9,127,116
	14,098,074	13,931,500
Current liabilities		
Accounts payable and accrued liabilities	**660,645**	484,411
Total current liabilities	**660,645**	484,411
Shareholders' equity		
Capital stock (note 4)	**27,743,873**	28,923,587
Contributed surplus (note 5)	**3,046,119**	2,848,480
Deficit	**(17,352,563)**	(18,324,978)
Total shareholders' equity	**13,437,429**	13,447,089
	14,098,074	13,931,500

The accompanying notes are an integral part of these financial statements.

MONETA PORCUPINE MINES INC.

Consolidated Statements of Net Loss, Comprensive Loss and Deficit

For the periods ended June 30,	Three months ended **2010** $	2009 $	Six months ended **2010** $	2009 $
Expenses				
Stock-based compensation (note 4)	**197,639**	-	**197,639**	70,755
Consulting fees	**87,500**	53,407	**100,206**	124,134
General & administration	**47,065**	26,168	**87,992**	56,741
Legal & audit	**58,047**	6,250	**65,398**	15,500
Unrealized loss on investments held for trading	**19,775**	5,400	**55,370**	10,800
Travel and promotion	**18,150**	21,956	**36,604**	44,759
Mineral property write-downs	**-**	2,741	**-**	8,859
Management fees and other income	**(888)**	(3,101)	**(888)**	(18,263)
Interest income	**(5,689)**	(847)	**(6,236)**	(1,088)
	421,599	111,974	**536,085**	312,196
Loss before income taxes	**421,599**	111,974	**536,085**	312,196
Recovery of future income taxes (note 6)	**-**	-	**(1,508,500)**	(40,600)
Net Loss (Earnings) and Comprehensive Loss (Earnings)	**421,599**	111,974	**(972,415)**	271,596
Deficit - beginning of period	**16,930,964**	17,965,953	**18,324,978**	17,806,331
Deficit - end of period	**17,352,563**	18,077,927	**17,352,563**	18,077,927
Loss per share	**$0.00**	$0.00	**($0.01)**	$0.00
Weighted average outstanding shares	**127,624,669**	101,879,792	**127,624,669**	101,879,792

The accompanying notes are an integral part of these financial statements.

MONETA PORCUPINE MINES INC.

Consolidated Statements of Cash Flows

For the periods ended June 30,	Three months ended 2010 $	2009 $	Six months ended 2010 $	2009 $
Operating activities				
Net Earnings (Loss) and Comprehensive Earnings (Loss)	**(421,599)**	(111,974)	**972,415**	(271,596)
Add : non-cash items				
Unrealized loss (gain) on investments held for trading	**19,775**	5,400	**55,370**	10,800
Writedowns - mineral property and deferred costs	**-**	2,741	**-**	8,859
Stock-based and other compensation	**197,639**	-	**197,639**	70,755
Recovery of future income taxes	**-**	-	**(1,508,500)**	(40,600)
Net change in non-cash working capital balances	**196,282**	153,817	**189,258**	188,185
Cash provided from (used in) operating activities	**(7,903)**	49,984	**(93,818)**	(33,597)
Investing activities				
Mineral properties and deferred costs	**(793,341)**	(142,080)	**(2,452,506)**	(248,033)
Cash provided from (used in) investing activities	**(793,341)**	(142,080)	**(2,452,506)**	(248,033)
Financing activities				
Issuance of common shares on exercise of stock options and warrants	**254,586**	-	**328,786**	-
Cash provided from (used in) financing activities	**254,586**	-	**328,786**	-
Net increase (decrease) in cash and equivalents	**(546,658)**	(92,096)	**(2,217,538)**	(281,630)
Cash and equivalents, beginning of period	**2,983,309**	497,778	**4,654,189**	687,312
Cash and equivalents, end of period	**2,436,651**	405,682	**2,436,651**	405,682
Interest paid during the period	**39**	5	**39**	5
Income taxes paid during the period	**-**	-	**-**	-
Common shares issued to acquire mineral properties	**-**	-	**-**	-

The accompanying notes are an integral part of these financial statements.

1. Nature of operations

Moneta Porcupine Mines Inc. ("Moneta" or the "Company") is a mineral resource exploration and development company. The Company has no properties in current production and no production revenues at the present time. Fees are earned from the rental of its core shack facility, core storage, and from management fees as the operator of joint venture exploration programs. In addition, royalty income is generated by an Idaho perlite operation.

These consolidated financial statements have been prepared on the basis that the Company is a going concern which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. The ability of the Company to continue operations is dependent upon obtaining the necessary financing to complete the exploration and development of its properties and/or the realization of proceeds from the sale of one or more of its properties. These consolidated financial statements do not include any adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. The significant accounting policies used in the preparation of the consolidated financial statements are as follows:

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Wounded Bull Resources Inc. ("Wounded Bull") and 508825 Ontario Ltd.

Financial instruments

The Company is required to classify all financial instruments as held-for-trading, available-for-sale, held-to-maturity, or loans and receivables or other financial liabilities. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized on the consolidated statements of net loss, comprehensive loss and deficit. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Items held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost.

The Company has designated its cash and equivalents as held-for-trading, which are measured at fair value. Other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost. Investments held for trading are recorded at fair value with the difference between fair value and cost being recorded as unrealized appreciation or depreciation in value of investments. In the case of securities listed on stock exchanges, the fair value means the latest bid price. Investments available for sale are measured at fair value with changes in fair value reported in other comprehensive income until the financial asset is disposed of, or becomes impaired. Investments for which reliable quotations are not readily available are valued at their fair value using a valuation model and market inputs. The Company has not classified any financial assets as available-for-sale or held-to-maturity.

2. Significant accounting policies (continued)

Cash and equivalents

Cash and equivalents include money market instruments and short-term investments with maturities of 90 days or less held with Canadian financial institutions with a "AA" credit rating.

Mineral properties and deferred costs

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment. Proceeds from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in the consolidated statements of net loss, comprehensive loss and deficit for the period.

The amount at which mineral properties and deferred exploration and development expenditures are recorded do not necessarily reflect present or future values of the resource properties. The recoverability of amounts recorded as mineral properties and deferred exploration and development expenditures is dependent upon a number of factors including environmental risks, legal and political risks, the discovery of economically recoverable reserves, confirmation of the Company's interests in the underlying properties, the ability of the Company to obtain the financing necessary to complete the development, and future profitable production or proceeds from the disposition thereof.

If a project is successful, the related mineral property and deferred exploration costs are amortized on a unit-of-production basis, based on estimated economic reserves, over the estimated economic life of the project. If a project is unsuccessful, or if exploration ceases because continuation is not economically feasible, the mineral properties and the related deferred exploration and development costs are written off to the consolidated statements of net loss, comprehensive loss and deficit for the period.

Revenue recognition

Revenues associated with the sales of gold are recognized when title passes from the Company to its customer and when collection is reasonably assured. Revenues associated with other income are realized when all significant acts have been completed and when collection is reasonably assured.

Foreign currency translation

The functional currency of the Company is the Canadian dollar. The functional currency of the subsidiary Wounded Bull is the US dollar and the temporal method of foreign currency translation is applied as Wounded Bull is considered to be an integrated foreign operation. Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in operations.

Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of mineral properties that result from acquisition. The Company records the estimated fair value of a liability, and corresponding increase in the related property, for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The fair value of a liability for an asset retirement obligation is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation transaction and, in the absence of observable market transactions, is determined as the present value of expected cash flows. The Company subsequently allocates the asset's retirement cost to expense using a systematic and rational method over the asset's useful life, and records the accretion of the liability as a charge to the consolidated statements of net loss, comprehensive loss and deficit.

2. Significant accounting policies (continued)

Stock-based compensation

The Company has adopted CICA Handbook Section 3870: Stock-Based Compensation and Other Stock-Based Payments, which requires that a fair value based method of accounting be applied to all stock-based payments. The fair value of incentive stock options granted to directors, officers, consultants, employees, and service providers and purchase warrants issued to shareholders on private placements are calculated using the Black-Scholes valuation model. The fair value of stock-based compensation is recorded as a charge to the consolidated statements of net loss, comprehensive loss and deficit with a corresponding credit to contributed surplus. The fair value for each instrument is estimated using the following weighted average assumptions:

Risk free rate	0.5% - 1.0%
Expected life	Determined by the terms and conditions of each instrument
Expected volatility	Determined by the closing sale price for the Company for a historical time interval equal to the expected life of the instrument
Expected dividend yield	0%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Income taxes

Income taxes are accounted for using the future income tax method. Under this method, income taxes are recognized for the estimated income taxes payable for the current year. Future income taxes are recognized for timing differences between the tax and accounting basis of assets and liabilities, and for the recognition of those accumulated capital and non-capital losses, which in the opinion of management, are more likely than not to be realized before expiry. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of the assets and liabilities and measured using the substantively enacted income tax rates expected to apply when such differences are expected to reverse. Future income taxes are also related to the recognition of flow-though share tax deductions. Flow-through share tax deductions are recognized in the year in which they are renounced.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. In periods when the Company reports a comprehensive loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and therefore, basic and diluted loss per share are the same. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact.

Environmental expenditures

The operations of the Company may, in the future, be occasionally affected by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

2. Significant accounting policies (continued)

Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Shares issued through flow-through financing are recorded at their selling price. Under the terms of the flow-through share agreements, the tax benefits of the exploration expenses are renounced in favor of the investors. Flow-through share tax deductions are recognized in the year in which they are renounced.

Financial instruments - disclosures

The provisions in CICA Handbook Section 3862, Financial Instruments – Disclosure, increase the disclosures currently required that will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable. The Company has included disclosures recommended by the new handbook section in Note 10 below.

Financial instruments – presentation

The Company classifies for presentation on the balance sheet its financial assets, financial liabilities and equity based upon the substance of the instrument at the date of issuance, and separately classifies the components of any instrument that contains elements of financial liability and equity while appropriately classifying costs or gains associated with issuing financial liabilities within the income statement and distributions to holders of equity instruments in the equity section of the balance sheet.

Hedging

CICA Handbook Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company does not engage in hedging transactions and therefore does not have any financial instruments which are subject to hedge accounting.

Comprehensive income

Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income, and this standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until it is considered appropriate to recognize into net earnings. Comprehensive income, and its components, are required to be presented in a separate interim financial statement that is displayed with the same prominence as the other financial statements.

The Company had no comprehensive income or loss transactions, other than its net loss which is presented in the Consolidate Statements of Net Loss, Comprehensive Loss and Deficit, nor accumulated other comprehensive income during the periods that have been presented. Accordingly a statement of comprehensive income has not been presented.

Mining Exploration Costs

In March 2009, the Emerging Issue Committee ("EIC") of the CICA issued abstract EIC 174, Mining Exploration Costs. This abstract considers when exploration costs related to mining properties may be capitalized, and if exploration costs are initially capitalized, when impairment should be assessed to determine whether a write-down is required and what conditions indicate impairment. It applies to financial statements issued subsequent to March 27, 2009. The adoption of this policy is reflected in Note 3 below.

2. Significant accounting policies (continued)

Change in Accounting Policies

Going Concern

CICA Handbook Section 1400 has been amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The adoption of this section resulted in additional disclosure in note 1.

Inventories

CICA Handbook Section 3031 (which supercedes Section 3030) prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-downs to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The adoption of this section did not impact the Company.

3. Mineral properties and deferred costs

The following is a summary of the mineral properties and deferred costs:

	Six months ended June 30, 2010 $	Year ended December 31, 2009 $
Acquisition costs		
Balance, beginning of period	**1,617,716**	598,963
Acquisition costs [(1)]	**-**	1,018,752
Balance, end of period	**1,617,716**	1,617,716
Deferred exploration and development expenditures		
Balance, beginning of period	**7,509,400**	6,479,600
Exploration expenditures [(2)]	**2,452,506**	1,029,800
Balance, end of period	**9,961,906**	7,509,400
Balance, end of period	**11,579,622**	9,127,116

(1) Acquisition costs in 2009 of $1,018,752 primarily related to the buyout of the Michaud Joint Venture now owned 100% by Moneta.

(2) Exploration expenditures amounted to $2,452,506 for the six months ended June 30, 2010 (2009 - $1,029,800) of which $2,413,879 (2009 - $899,761) was eligible flow-through expenditures.

4. Capital stock

Authorized share capital

The Company is authorized to issue an unlimited number of Class A Preferred shares, Class B Preferred shares, Common shares, and Non-voting shares. Class A Preferred shares are entitled to preference as to the payment of dividends and distribution of the remaining property of the Company on dissolution over Class B Preferred shares, Common shares and Non-voting shares. Class B Preferred shares are entitled to preference as to the payment of dividends and distribution of the remaining property of the Company on dissolution over Common shares and Non-voting shares. The Non-voting shares shall rank equally with Common shares in all respects except that the holders are not entitled to vote at shareholder meetings.

Issued share capital

The issued and outstanding share capital consists of Common Shares as follows:

	Six months ended June 30, 2010		Year ended December 31, 2009	
	No. of Shares	**$**	No. of Shares	$
Balance, beginning of period	**126,690,027**	**28,923,587**	101,879,792	24,425,846
Issuance of shares for cash:				
Private placements [(1)]	**-**	**-**	22,788,235	6,034,000
Exercise of stock options [(2)]	**3,136,738**	**310,786**	797,000	105,250
Exercise of warrants [(3)]	**100,000**	**18,000**	1,225,000	220,500
Issuances of shares for non-cash consideration:				
Income tax benefits renounced on flow-through shares (Note 6)		**(1,508,500)**		(40,600)
Valuation of purchase warrants issued during the period [(1)]		**-**		(1,545,893)
Share issuance costs [(1)]		**-**		(275,515)
Balance, end of period	**129,926,765**	**27,743,873**	126,690,027	28,923,587

(1) In December 2009, Moneta completed a non-brokered private placement financing ("Placement") and issued 12,000,000 structured flow-through units ("Unit") at $0.35 per share for aggregate gross proceeds of $4,200,000. Moneta attracted hard (non-flow through) dollar investors and converted the otherwise hard dollar financing into "structured" flow through with the effect that the final participants in the financing do not hold Moneta common shares at a zero cost base.

In August 2009, Moneta completed a non-brokered private placement financing ("Placement") and issued 10,788,235 structured flow-through units ("Unit") at $0.17 per share for aggregate gross proceeds of $1,834,000. Moneta attracted hard (non-flow through) dollar investors and converted the otherwise hard dollar financing into "structured" flow through with the effect that the final participants in the financing do not hold Moneta common shares at a zero cost base.

(2) During the period, directors, officers and consultants exercised 3,136,738 (2009 - 797,000) stock options for total gross proceeds of $310,786 (2009 - $105,250).

(3) The Company issued 100,000 (2009 - 1,225,000) common shares on the exercise of purchase warrants at an exercise price of $0.18 (2009 - $0.18) for total gross proceeds of $18,000 (2009 - $220,500).

Stock option plan

The Company has established a stock option plan whereby the Board of Directors may grant options to directors, officers, consultants, employees, and service providers to acquire common shares of the Company. The maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding common shares. Options granted have a maximum term of five years and vest immediately or over time at the discretion of the Board. The following table summarizes the outstanding stock options:

	Six months ended June 30, 2010		Year ended December 31, 2009	
	Weighted Average Exercise Price	**No. of Options**	Weighted Average Exercise Price	No. of Options
Outstanding, beginning of period	**$0.11**	**7,266,644**	$0.12	7,130,321
Transactions during the period:				
Granted [1]	**0.30**	**1,950,000**	0.10	2,345,323
Options exercised [2]	**0.10**	**(3,136,738)**	0.13	(797,000)
Expired [3]	**0.23**	**(170,000)**	0.12	(1,412,000)
Outstanding, end of period	**$0.18**	**5,909,906**	$0.12	7,266,644
Exercisable, end of period	**$0.15**	**4,930,738**	$0.11	7,266,644

(1) During the period, the Company granted 1,950,000 (2009 - 2,345,323) stock options to directors, officers, and consultants. The estimated fair value of these options, which are subject to immediate vesting or vesting on a quarterly basis over two or three year periods, was $197,639 (2009 - $201,880) using the Black Scholes model and was charged as stock-based and other compensation to the consolidated statements of net loss, comprehensive loss and deficit and credited to contributed surplus in shareholders' equity. The weighted average grant date fair value amounted to $0.30 (2009 - $0.10) per option. The underlying assumptions used in the estimation of fair value in the Black Scholes model are as follows:

Risk free rate	0.1% (2009: 0.5%-1.0%)
Expected life	5 years (based on option term)
Expected volatility	89% (2009: 85-88% / 2008: 73%-76%)
Expected dividend yield	0.00%

(2) During the period, directors, officers and consultants exercised 3,136,738 (2009 - 797,000) stock options at an average exercise price of $0.10 (2009 - $0.13) for total gross proceeds of $310,786 (2009 - $105,250).

(3) A total of 170,000 (2009 - 1,412,000) stock options, with an average exercise price of $0.23 (2009 - $0.12), expired unexercised during the period. The expired stock options were issued over the years to a two longstanding former director of the Company.

4. Capital stock (continued)

Warrants

	Exercise Price	Expiry Date	Six months ended June 30, 2010 #	Year ended December 31, 2009 #
Outstanding, beginning of period:				
Warrants outstanding	$0.18	January 2, 2011	**4,169,117**	-
Warrants outstanding	$0.45	June 4, 2011	**6,000,000**	-
			10,169,117	-
Issued (exercised) during the period:				
Warrants issued during the period	$0.18	January 2, 2011	**-**	5,394,117
Exercised during the period	$0.18	January 2, 2011	**(100,000)**	(1,225,000)
			(100,000)	4,169,117
Warrants issued during the period	$0.45	June 4, 2011	**-**	6,000,000
			(100,000)	10,169,117
Outstanding, end of period:				
Warrants outstanding	$0.18	January 2, 2011	**4,069,117**	4,169,117
Warrants outstanding	$0.45	June 4, 2011	**6,000,000**	6,000,000
			10,069,117	10,169,117

5. Contributed surplus

	Six months ended June 30, 2010 $	Year ended December 31, 2009 $
Balance, beginning of period	**2,848,480**	1,100,706
Value assigned to:		
Valuation of purchase warrants on financing (1)	**-**	1,545,894
Stock-based compensation on options granted (note 4)	**197,639**	201,880
Balance, end of period	**3,046,119**	2,848,480

(1) In conjunction with the $6,034,000 non-brokered private placement financings completed in August 2009 and December 2009, Moneta issued 22,788,235 structured flow-through common shares and 11,394,117 common share purchase warrant ("Warrant"). The estimated fair value of these Warrants is $1,545,894 using the Black Scholes model and was charged as stock-based and other compensation to the consolidated statements of net loss, comprehensive loss and deficit and credited to contributed surplus in shareholders' equity. The weighted average fair value amounted to $0.15 per Warrant. The underlying assumptions used in the estimation of fair value in the Black Scholes model are as follows:

Risk free rate	0.50%
Expected life	1.5 years (based on Warrant term)
Expected volatility	108-116% (2008: 73%-76%)
Expected dividend yield	0.00%

6. Income taxes

The Company's effective tax rate, which differs from the combined federal and provincial statutory income tax rate of 25.0% for the period ended June 30, 2010 (2009 – 29.0%), has been reconciled as follows:

	Six months ended June 30, 2010	Year ended December 31, 2009
	$	$
Income tax (recovery) provision at statutory rates	**(134,021)**	(162,182)
Increase (decrease) related to:		
Stock-based compensation	**49,410**	58,545
Realized (gain) loss on disposition of mineral property	**-**	(26,448)
Unrealized (gain) loss on investments held for trading	**13,843**	(3,766)
Realized (gain) loss on investments held for trading	**-**	(1,901)
Other	**(7,425)**	(21,554)
	(78,194)	(157,305)
Losses not tax benefited	**78,194**	157,305
Add: Tax benefits renounced on flow-through shares [1]	**(1,508,500)**	(40,600)
Recovery of future income taxes	**(1,508,500)**	(40,600)

[1] In March 2010, the Company renounced $6,034,000 (2009 - $140,000) of expenditures on flow-through common shares issued in 2009, resulting in a $1,508,500 (2009 – $40,600) reduction in share capital and corresponding decrease to future income tax assets. The Company has not recognized its future income tax assets, and the $1,508,500 (2009 - $40,600) was recorded as a future income tax recovery on the consolidated statements of net loss, comprehensive loss and deficit.

The Company's future income taxes are comprised of the following:

Future income taxes	**Three months ended March 31, 2010**	Year ended December 31, 2009
	$	$
Future tax assets:		
Net operating loss carry forwards	**675,000**	610,000
Resource deductions	**-**	676,000
Other	**99,000**	102,000
	774,000	1,388,000
Less: Valuation allowance	**(473,000)**	(1,388,000)
	301,000	-
Future tax liabilities:		
Resource deductions	**(301,000)**	-
	-	-

6. Income taxes (continued)

The Company has recorded a valuation allowance as the Company does not consider it more likely than not that the future tax assets will be realized in the foreseeable future. The Company has non-capital losses of $2,701,000 (2009 - $2,701,000) available for deduction against future taxable income, the balances of which will expire as follows:

Year	2010 $	2009 $
2010	**317,000**	317,000
2014	**325,000**	325,000
2015	**241,000**	241,000
2026	**307,000**	307,000
2027	**317,000**	317,000
2028	**652,000**	652,000
2029	**542,000**	542,000
	2,701,000	2,701,000

The potential tax benefit of the above losses has not been recognized in these consolidated financial statements. The Company has approximately $3,050 (2009 – $3,050) in capital losses available to apply against future capital gains.

7. Related party transactions

The Company recorded fees of $75,000 (December 31, 2009 - $416,703) to related individuals and companies controlled by directors and officers for the period ended June 30, 2010. The fees were for management and consulting services provided to the Company under ongoing contracts. All related party expenditures were in the normal course of business at the exchange amounts.

Stock options with an aggregate Black Scholes valuation of $197,639 (2009 - $201,880) were issued to directors, officers or consultants during the period.

8. Contingent liabilities

In Q2, 2010, the Mining and Lands Commissioner notified the Company that its longstanding appeals of the 2001 and 2004 Orders to file a closure plan on the former Moneta Mine was dismissed and that a closure plan was to be filed within six months. The Company has elected not to appeal the decision and is proceeding to secure a consultant to facilitate compliance with the Orders. The financial statements include a provision of $70,000 (2009 – $70,000) which the Company believes to be adequate to cover the costs of the Order.

In addition, certain parties, which owned the surface rights and occupied buildings on the site of the former Moneta Mine, filed suit in 2005 against the Company, its directors and other third parties claiming damages related to the subsidence. One of these parties brought a claim for compensation under the Ontario Mining Act which was dismissed by the Mining Commissioner in March 2008. The Company believes the claims have no merit and intends to defend such claims vigorously. Accordingly, no provision has been made in these financial statements for these claims. Status hearings for this long-standing litigation are scheduled in Q3 2010.

9. Capital Management

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the period ended June 30, 2010.

The Company's capital structure reflects a company focused on mineral exploration and financing both internal and external growth opportunities. The exploration for and development of mineral deposits involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

The Company manages capital in proportion to risk and manages the mineral properties and capital structure based on economic conditions and prevailing gold commodity pricing and trends. The Company relies on equity financings to maintain adequate liquidity to support its ongoing exploration and development activities and ongoing working capital commitments.

10. Financial instruments and risk management

The Company's financial risk management goals are to ensure that the outcome of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance and protecting the Company's consolidated balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk with overall exploration and development strategy, diversifying risk, mitigation through preventive controls, and transferring risk to third parties.

Fair Value

The carrying values for primary financial instruments, including Cash and equivalents, Other receivables, and Accounts payable and accrued liabilities approximate fair values due to their short-term maturities. The Company's exposure to potential loss from financial instruments relates primarily to its cash and equivalents held with Canadian financial institutions.

There have been no major or significant changes that have had an impact on the overall risk assessment of the Company during the year. The objectives and strategy for the mineral property portfolio exploration and development activities remains unchanged.

The Company's exploration and development activities expose it to the following financial risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's exposure to credit risk is concentrated in two specific areas: the credit risk on operating balances including Other receivables primarily comprised of GST recoverable, and Cash and equivalents held with Canadian financial institutions. The maximum exposure to credit risk is equal to the carrying values of these financial assets.

The aggregate gross credit risk exposure at June 30, 2010 was $2,480,314 (December 31, 2009 - $4,712,340), and was comprised of $43,663 (December 31, 2009 - $58,151) in Other receivables primarily comprised of GST recoverable, and $2,436,651 (December 31, 2009 - $4,654,189) in Cash held with Canadian financial institutions with a "AA" credit rating.

10. Financial instruments and risk management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rates, foreign currency exchange rates, and liquidity. A discussion of the Company's primary market risk exposures and how those exposures are currently managed follows:

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's financial assets and liabilities and operating costs are principally denominated in Canadian dollars. The Company has historically had insignificant operations in United States ("US") dollars. The Company has no US dollar hedging program due to its minimal exposure to financial gain or loss as a result of foreign exchange movements against the Canadian dollar.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity management is to ensure that there will be sufficient cash to meet all financial commitments and working capital obligations as they become due. To manage cash flow requirements, the Company maintains principally all its assets in cash and equivalents.

11. Recent accounting pronouncements

International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") has confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations as Canadian generally accepted accounting principles ("Canadian GAAP") for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual consolidated financial statements under IFRS beginning with the quarter ended March 31, 2011 which will contain IFRS-compliant disclosure on a comparative basis and reconciliations for the interim and annual periods and as at the January 1, 2010 transition date.

IFRS uses a conceptual framework similar to Canadian GAAP, however there are significant differences in recognition, measurement, and both qualitative and quantitative disclosure.

The Company is an exploration stage company and many of the differences identified between IFRS and Canadian GAAP are not expected to have material impact on the Company's reported financial position and results of operations. There may be, however, significant changes as a result of the first time adoption of IFRS accounting principles and provisions. The Company continues to evaluate the full accounting effects of adopting IFRS.

IFRS 1*: First-Time Adoption of IFRS ("*IFRS 1") provides the framework for the first-time adoption of IFRS and specifies that an entity shall apply the principles under IFRS retrospectively. Certain optional exemptions and mandatory exceptions to retrospective application are provided under IFRS. The Company has relied on exemptions to this retrospective application for certain items, as described in further detail below.

The Company has developed an IFRS convergence plan ("IFRS Plan") which includes:

- Training (initial and ongoing) of key personnel in IFRS;

- Review and assessment of all relevant IFRS standards to identify differences from current accounting policies and practices;
- Design of IFRS accounting policies including accounting policy alternatives and optional exemptions; and
- Evaluation of changes required to its financial information systems and processes to enable it to maintain data required to report its 2010 financial information under IFRS for comparative purposes;
- Implementation of changes to affected accounting policies and practices, business processes, systems and internal controls.

Ongoing updates on the status of IFRS Plan and activities will be provided in the Company's 2010 interim Management's Discussion and Analysis. The Company has completed a review and assessment of the relevant IFRS standards and is in the process of designing IFRS accounting policies. The more significant accounting policy changes include the methodology for impairment testing of mineral properties and deferred costs, future income taxes, accounting for stock compensation, disclosure and presentation, and the provisions related to the initial adoption of IFRS under IFRS 1. The following accounting policies are believed to have the most significant disclosure impact in the transition to IFRS:

Impairment of Long Lived Assets

Impairment testing of long-term assets is based on a two-step approach under current Canadian GAAP, first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with fair values.

International Accounting Standards 36 - *Impairment of Assets* ("IAS 36") uses a one-step approach testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value, less costs to sell, and value in use (which uses discounted future cash flows).

This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. However, the extent of any new write-downs may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses. The Company will adopt IAS 36 requirement on transition to IFRS.

Future Income Taxes

Under Canadian GAAP, deferred income taxes are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and by applying expected tax rates applicable to such temporary differences. There are no changes under IFRS for deferred income taxes. IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that, at the time of the transaction, neither affects accounting nor taxable net earnings. The Company expects the impact of implementing IAS 12, *Income Taxes* to be material impacting the resource properties and deferred exploration and future income tax balances.

Share Based Payments - Stock Compensation

The guidance provided by IFRS 2 - *Share Based Payments* is largely consistent with Canadian GAAP and requires estimates of the fair value of stock options to be made at the date of the grant and recognition of the related expense in income as the options vest. The use of the Black-Scholes model is an acceptable method to estimate the fair value of the options at the date of grant, and is consistent with the Company's current practice.

IFRS 2 requires the use of the attribution method for stock options subject to vesting period. Vested stock options are treated as a separate share option grant with a different fair value. Unlike Canadian GAAP, IFRS 2 does not include the straight line method as an alternative to the attribution method for awards with a service condition and graded-vesting features. The Company will need to account for its awards using the attribution method.

The Company currently records stock option forfeitures as they occur. Upon transition to IFRS, the Company will be required to make an estimate of the forfeiture rates for use in the determination of the total share based compensation expense.

These changes will result in a difference in valuation of the stock based awards and timing differences for the recognition of compensation expenses. IFRS 2 is applicable for stock compensation expense issued on or after January 1, 2005; earlier adoption is permitted. The Company expects to recognize under IFRS 2 all share-based awards that were recognized under Canadian GAAP. The Company expects to utilize the exemption under IFRS 1 which allows the prospective application of IFRS 2 for stock options granted on or after November 7, 2002.

Resource properties and deferred exploration expenditures

Similar to Canadian GAAP, IFRS allows the choice of capitalizing or expensing exploration costs. The Company's policy under Canadian GAAP has been to capitalize all exploration expenditures and expects to follow the same policy under IFRS.

Unlike Canadian GAAP, IFRS does not allow the capitalization of expenditures incurred prior to obtaining the exploration license. The Company is in the process of identifying any such costs capitalized; costs identified will be recorded in the opening deficit on transition.

Flow-through common shares

The Company is evaluating the impact of IFRS on its accounting for flow-through shares and expects to identify differences.

Transaction costs

IFRS requires that financing and transaction costs relating to financial assets and liabilities, except for held for trading financial instruments, to be capitalized and amortized to earnings using the effective interest rate method. The Company's current accounting policy is to expense transaction costs in the period in which they occur.

The Company will continue to monitor standards development prior to the IFRS transition date of January 1, 2011 as issued by the International Accounting Standards Board and the AcSB as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of its adoption of IFRS.

12. Cash restricted for flow-through

At June 30, 2010, the Company had temporarily borrowed $573,323 (December 31, 2009 - $769,664) from cash restricted for flow through to fund the hard/non-flow through dollar acquisition of the remaining 50% joint venture interest in the former Michaud Joint Venture which closed December 8, 2009. The Company expects to raise a sufficient amount of hard/non-flow dollars through the early exercise of stock options by directors and officers, through the exercise of the in-the-money $0.18 January 2, 2011 warrants (the early expiration trigger of which has been satisfied), and through other cash flows. The Company fully expects to reimburse the cash restricted for flow-through and does not anticipate any delays in completing the necessary 2010 flow-through exploration expenditures.

13. Comparatives

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the current period.

MONETA PORCUPINE MINES INC.

Management Discussion and Analysis

For the six months ended June 30, 2010

Q2 2010

MONETA PORCUPINE MINES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the periods ended June 30, 2010 and 2009

This Management Discussion and Analysis ("MD&A") analyzes the significant changes in the Interim Consolidated Statements of Net Loss, Comprehensive Loss and Deficit, Consolidated Balance Sheets and Consolidated Statements of Cash Flows for Moneta Porcupine Mines Inc. ("Moneta" or the "Company"). It should be read in conjunction with the Interim Consolidated Financial Statements and notes thereto for the periods ended June 30, 2010 and 2009. The MD&A is prepared with an effective date of August 13, 2010.

Additional information related to the Company is available in Moneta's Annual Information Form ("AIF"). The AIF and other continuous disclosure documents, including the Company's press releases and interim quarterly reports are available through its filings with the securities regulatory authorities in Canada at www.sedar.com and are also available on the Company's website www.monetaporcupine.com.

The MD&A is presented in the following sections:

FORWARD-LOOKING/SAFE HARBOUR STATEMENT AND FAIR DISCLOSURE STATEMENT

This MD&A may contain certain forward looking statements concerning the future performance of Moneta's business, its operations and its financial performance and condition, as well as management's objectives, strategies, beliefs and intentions. These forward-looking statements are based on information currently available to the Company and the Company provides no assurance that actual results will meet management's expectations. Forward-looking statements include estimates and statements that describe the Company's future plans, objectives or goals, its ability to access capital, the speculative nature of mineral exploration and development, fluctuating commodity prices, competitive risks and reliance on key personnel, and include words to the effect that the Company or management expects a stated condition or result to occur. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Statements relating to estimates of reserves and resources are also forward-looking statements as they involve risks and assumptions, including but not limited to assumptions with respect to future commodity prices and production economics, that the reserves and resources described exist in the quantities and grades estimated and are capable of economic extraction. Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". All forward-looking information is inherently uncertain and subject to risks, uncertainties, and a variety of assumptions to address future events and conditions. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

HISTORICAL RESOURCE ESTIMATES

Moneta's projects include properties with historical resource estimates which are not compliant with National Instrument 43-101 ("NI 43-101"). These estimates are sourced from various government and company archives which provide information on the geology and extent of the mineralization. It should be noted that a "qualified person" has not done sufficient work to classify the historical resource estimate as a current mineral resource or mineral reserve. Moneta is not treating the historical resource estimates as current mineral resources or mineral reserves as defined by NI 43-101 and historical resource estimates should not be relied upon.

OUTLOOK

Moneta has contracted three drills for the 2010 exploration program. We have committed $5.5M to the 2010 exploration budget and assembled a strong technical team with delivery capability. We can now address one of the best 100% owned land package between Timmins and the Quebec border with known high grade targets. An aggressive and well managed 30,000m drill program should advance our key projects, increase our gold resources and generate substantial shareholder value in 2010.

CORPORATE OVERVIEW

Moneta Porcupine Mines Inc. ("Moneta" or the "Company") is a Canadian mineral resource exploration and development company incorporated pursuant to the laws of the Province of Ontario on October 14, 1910. The Company has no properties in current production and no production revenues at the present time. Fees are earned from the rental of its core shack facility, core storage, and from management fees as the operator of joint venture exploration programs. In addition, royalty income is derived from an Idaho perlite operation. The Company is operated by an experienced geological and management team which maintains a low-cost, efficient Timmins-based exploration operation with its own field office, equipment, and drill core logging and storage facility (core shack).

Moneta is a "reporting issuer" in the Canadian provinces of Ontario, Alberta and Quebec. The Company's common shares trade on the Toronto Stock Exchange ("TSX") under the symbol ME, and the Berlin Stock Exchange the Xetra and Frankfurt Stock Exchange under the symbol MOP.

The Company holds an extensive, high-quality exploration portfolio with five primary gold projects in the prolific Golden Highway Camp and Porcupine Camp near Timmins, Ontario. These camps have collectively produced over 72 million ounces of gold primarily from some 26 mines, each of which generated more than 100,000 ounces.

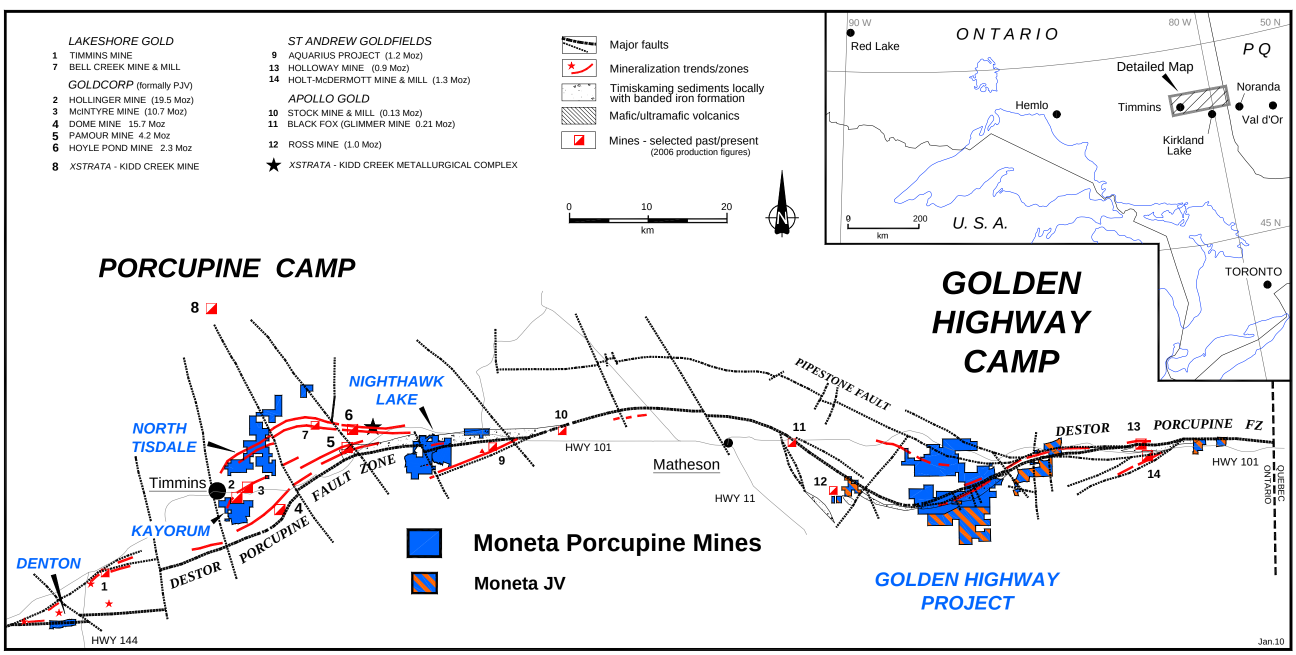

Figure I: Moneta's Key Exploration Properties

Moneta's properties straddle or are closely associated with the Destor Porcupine Fault/Deformation Zone ("Destor"), a key structural feature of one of the most prolific gold-producing areas in the world. Most historic production in the region is associated with the Destor, including significant producing mines now operated by Porcupine Gold Mines (Goldcorp) and several others in production, including Lake Shore Gold, Apollo Gold, and St Andrew Goldfields.

Moneta's primary gold exploration focus is the *Golden Highway Project* which is centered in Michaud Township, 100 km east of Timmins, Ontario along Highway 101, a major all-season route. The *Golden Highway Project* hosts numerous gold-bearing zones and intersections along a 12km mineralized corridor and is a largely contiguous land package consisting of 673 claim units or approximately 10,600 hectares.

In Q4 2009, Moneta acquired the remaining 50% ownership interest in the Michaud Joint Venture ground ("Michaud JV") for $1 million, and has terminated the Michaud JV with no underlying encumbrances. The Michaud JV formerly covered 68 claim units located in the southern portion of Golden Highway Project and extended west from the hanging wall of Windjammer South, south of the Southwest Zone, and contained the 55 Zone, Dyment 3, and Western Zone gold zones (See Figure II). Moneta now has a 100% ownership interest in the Golden Highway Project.

Moneta also finalized an agreement to transfer certain claims from St Andrew Goldfields ("St Andrew") including 100% interests in 29 claim units in Cody Township and 3 claim units in Guibord Township, plus a $50,000 cash payment from St Andrew: in exchange for St Andrew earning a 75% vested interest in the Guibord Property; and, earning a 50% vested interest and operatorship of the Barnet Joint Venture.

Moneta's primary focus within the *Golden Highway Project* is the area directly associated with the Destor as it crosses Michaud and Garrison Townships, as illustrated on the map below, with two distinctive settings or parallel corridors; a northern volcanic corridor and a southern corridor defined by Timiskaming sediments and banded iron formation (BIF). The property has nine gold zones discovered to date with gold resources on the Southwest Zone and Windjammer South.

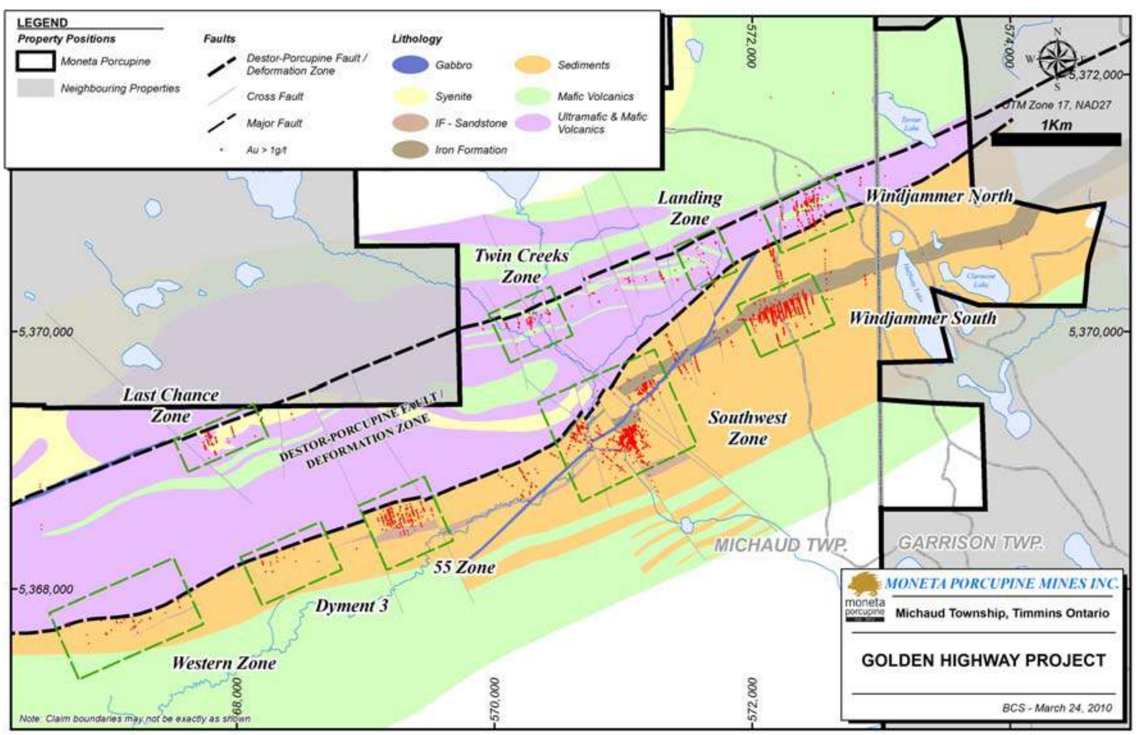

Figure II - Golden Highway Project: Exploration Area Geology and Gold Intercepts / Zone Locations

Geological Setting

The *Golden Highway Project* is located in the western Archean Abitibi Greenstone Belt centered on the Destor. This regional deformation zone is a key geological feature hosting numerous and geologically varied gold deposits in this part of the Abitibi Greenstone Belt.

Several gold mineralization settings have been discovered in the *Golden Highway Project*:

1) Mineralization hosted by altered ultramafic and mafic volcanic rocks occurs along the Destor and associated splays. This includes the *Perry Lake* Property, *North Zone* (collectively the *Twin Creeks, Miller* and *Landing Zones*), and *Windjammer North*. Typically, the zones in volcanics exhibit quartz carbonate veining in high strain zones usually silicified and carbonatized (ankerite) with subordinate hematite, sericite, and albite.

2) Mineralization associated with sediments and/or BIF in the *Southern Corridor* is principally in the *Windjammer South and Southwest Zone* (*South, Southwest, 04, and 04 Extension Zones*). Also included are the *Independence, 55, Dyment3 and Western Zones*. Variably intense silicification and sericitization with hematization is common within mineralized zones that are also characterized by veins up to a metre scale, brecciation and fracture filled quartz-pyrite stringers as stockworks, and sulphidized iron formation.

3) Mineralization hosted in a porphyritic syenite intrusive in contact with unaltered ultramafic and mafic rocks on the south side of the Destor (*Last Chance Zone*). The syenite has a bleached and albitized core enveloped by a hematized zone. Gold mineralization is hosted in zones of quartz carbonate stringers.

2010 EXPLORATION ACTIVITY

GOLDEN HIGHWAY CAMP PROPERTIES

The Golden Highway Camp, located approximately 100km east of the Porcupine Camp, is increasingly active with increasing production from Apollo Gold's Black Fox open pit and developing underground mine and both St Andrew Goldfield's Holloway-Holt mine complex and the newly commissioned Hislop open pit near the past-producing Ross Mine. Moneta's Golden Highway Camp properties ("Golden Highway Project") are between these two gold producers.

Please refer to the PORCUPINE CAMP (TIMMINS AREA) section below for a regional update on the also very active Porcupine Camp.

Drilling in Q2 2010 included continued wedge drilling from MN96-162 and the start of 3 new mother holes as additional wedge platforms for a total of 2,400 metres completed during the quarter.

The Q1 2010 exploration drill program was primarily focused on the eastern portion of the Golden Highway Project located within the greater Destor and containing the bulk of gold mineralization discovered to date. A total of 12,500 metres were completed in 40 drill holes with 9,600 metres in 36 holes drilled in the 55 Zone and 4 holes and 3 wedges from drill hole MN96-162 for 3,000 metres drilled in the Southwest Zone.

Windjammer South zone

Windjammer South contains a near-surface NI 43-101 resource of 305,379 indicated and 211,951 inferred ounces of gold, as follows:

Cut-Off Grade (g/t Au)	Category	Tonnes	Grade (g/t Au)	Oz Au
0.7	Indicated	7,786,000	1.22	**305,379**
	Inferred	5,834,000	1.13	**211,951**
	Total			**517,330**

Southwest Zone

The *Southwest Zone* has a non NI 43-101 compliant historical inferred resource estimate of 624,500 ounces of gold based on 3.25 million tonnes averaging 5.98 g/t with a cut-off grade of 3.00 g/t, which was developed by Barrick Gold Corporation by way of option agreement with Moneta between 1994-1997 (see *Meixner Report*, SEDAR filing on April 21, 2005).

Cut-Off Grade (g/t Au)	Non NI-43-101 Compliant	Tonnes	Grade (g/t Au)	Oz Au
3.00	Historical inferred resource	3,250,000	5.98	**624,500**

The Barrick interpretation outlined several stacked and variably orientated vein zones that focused on the higher grade component of the mineralization. Included in Barrick's drill program was the then deepest drill hole MN96-162 in the zone, intersecting a wide mineralized alteration zone in contact with iron formation. This alteration zone returned 2.14 g/t gold over 68.0 metres drilled width at a depth of 1,000 metres below surface illustrating the potential and widespread nature of this gold mineralizing system.

In Q2 2010, Moneta continued deep drilling on the Southwest Zone and currently is focusing on the deeper potential of the gold mineralization, both in the iron formation hanging wall sediments with discrete quartz vein zones and broader stockworks, and that developed along the south iron formation contact which, when sulphidized, continues to return significantly elevated high grade gold values. During Q2 2010, a second deep drill rig was mobilized, in addition to a third drill to test more shallow targets.

Additional modeling has refined the spatial relationship of the three separate iron formation/sediment fault blocks (West Block, Central Block and East Block) that make up the Southwest Zone. These blocks have been variably displaced along post-mineralization, brittle and generally north-northwest trending faults. The Central Block ("CB") has been interpreted to consist of three separate sub-blocks consisting of the Central-West Block ("CWB"), Central Block and Central-East Block ("CEB"), with the Central sub-block being displaced further to the south than the CWB and CEB blocks. The CB continues to host the higher grade upper or near surface gold mineralization with a moderate plunge to the southwest. The CEB, now the eastern portion of the CB, has been displaced northerly between the CB and Eastern Block ("EB") and widens to depth. The "162" and follow-up drilling has been targeting the CEB iron formation contact. It is interpreted, based on past drilling, that the EB has not been displaced.

In 2010, three drill hole wedges have been successfully completed off hole MN96-162 testing both the mineralization in the hanging wall of the CEB iron formation (south contact area), as well as the north contact area. Two wedges were continued to intersect the south contact of the EB iron formation at depths previously untested (~1,000 and 1,150m vertical) also testing the sediments of the EB hanging wall.

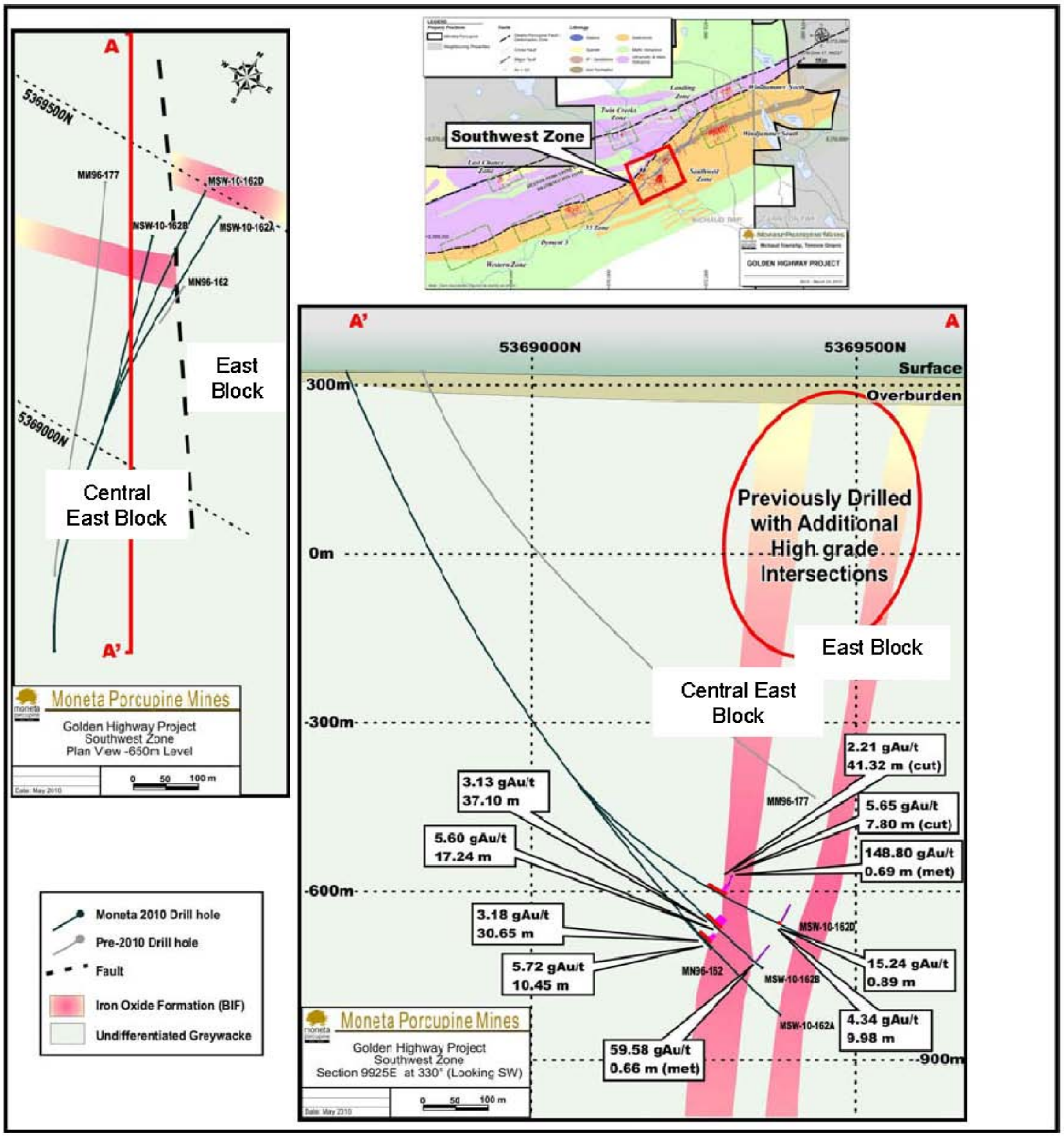

Figure III – Southwest Zone Plan View, Cross Section and Golden Highway Project location map

In Q1 2010, drill hole wedge MSW10-162A intersected the well-mineralized CEB hanging wall alteration gold zone (3.18 g/t over 31.65m) including high grade values of 9.02 g/t over 0.84m at the iron formation contact. Continuing northerly in the greywacke (hanging wall of the EB iron formation) scattered narrow quartz veins with no significant associated alteration returned gold values up to 2.54 g/t over 0.30m. A narrow altered greywacke interval was also intersected as was moderately altered and pyritic conglomerate at the EB iron formation contact with gold values up to 2.47 g/t over 0.80m. Drill hole wedge MSW10-162B was completed at a similar elevation to the original drill hole MN96-162 and MSW10-162A but intersected the CEB iron formation ~65 metres to the west. A well-mineralized alteration and vein zone was intersected in the greywacke and conglomerate representing the immediate hanging wall of the iron formation returning 3.13 g/t over 37.1m, including 6.91 g/t over 5.33m. The sulphidization of the iron formation contact with quartz veining returned 20.65 g/t over 1.94m. This wedge was continued through the CEB iron formation intersecting a prominent fault breccia along the iron formation north contact in greywacke. Immediately north of the fault breccia and as part of this fault system a quartz carbonate vein returned 59.58 g/t over 0.66m, confirming the presence of gold mineralization in this setting and expanding the overall potential of the Southwest Zone.

MSW10-162D

In Q2 2010, the third completed drill hole wedge MSW10-162D, was directed off drill hole wedge MSW10-162C which was stopped due to poor deviation relative to the target area. MSW-10-162D intersected the CEB iron formation contact 100 metres above drill hole wedges MSW10-162A and MSW10-162B, and continued until terminating in the EB iron formation. MSW10-162D returned the best deep drilling Southwest Zone results to date intersecting an intensely sulphidized iron formation at the contact to the sediments with values up to 148.80 g/t (4.4 oz/t) over 0.69 metres. The following table summarizes the significant gold mineralization drilled from the MN96-162 mother hole:

Drill Hole	From (m)	To (m)	Width (m)	Au (g/t)
MSW-10-162A	**1207.80**	**1238.45**	**30.65**	**3.18**
	1228.00	**1238.45**	**10.45**	**5.72**
MSW-10-162B	**1179.57**	**1216.67**	**37.10**	**3.13**
incl.	**1199.43**	**1216.67**	**17.24**	**5.60**
or	1214.73	1216.67	1.94	20.65
	1303.43	**1306.00**	**2.57**	**17.32**
MSW-10-162D	**1152.48**	**1193.80**	**41.32**	**4.12**
incl.	**1176**	**1193.80**	**17.80**	**7.38**
	1311.54	**1321.52**	**9.98**	**4.34**
	1341.36	**1345.00**	**3.64**	**3.07**

Follow-up wedge MSW10-162E (9 metres) was abandoned, while wedge MSW10-162F was lost (53 metres) at 316 metres in the upper portion of the mother hole. A replacement hole MSW10-162G has been temporarily halted at 555 metres in order to complete MSW10-267 stepping further to the west and significantly deeper.

MSW10-267

Drill hole MSW10-267 was started in Q2 2010 (and completed in Q3 2010) targeting the south CEB iron formation contact 200 metres deeper and 150 metres westerly along strike of the exceptional results from MN96-162 and related drill wedge holes 162A, 162B and 162D. MSW-10-267 was drilled to serve as a new mother hole from which multiple drill wedge holes will be completed upward and easterly. Multiple quartz vein zones were intersected prior to the hole successfully terminating on the north contact of the CEB iron formation. Final results are pending.

MSW10-268

Drill hole MSW10-268 was also started in Q2 2010 (and also completed in Q3 2010) using the second deep drill rig and targeting the CEB south iron formation contact at the same elevation as MN96-162 but 300m to the west, providing an additional wedging platform. Final results are also pending.

MSW10-269

Similarly, the third hole MSW10-269 was drilled to follow the upper CB higher grade zone along plunge to depth at approximately the 650m level intersecting several alteration zones. Results are pending. Follow-up wedging will test the area above the drill hole.

Southwest Zone - next steps

The Company has contracted a detailed downhole pulse EM (electromagnetic) survey in Q3 2010 utilizing these recent three drill holes and historical drill hole MN97-190, to test for sulphidized iron formation and provide additional data and refine Q3 and Q4 2010 wedge drill targets.

The Q2 2010 drilling has significantly expanded the original high grade MN96-162 gold mineralization and demonstrated the continuing high grade potential of the Southwest Zone gold mineralizing system with wide vein alteration zones in the immediate hanging wall of the CEB and EB iron formation, and sulphidization at the iron formation contact.

55 Zone

Moneta acquired the remaining 50% interest in the Michaud Joint Venture in December 2009 and now holds a 100% interest, free of any encumbrances, in the 55 Zone, Western Zone and Dyment 3. These gold zones are all hosted in altered Timiskaming greywackes and sandstones along the ultramafic/Timiskaming sedimentary contact in the western portion of the Golden Highway Project, one km along strike west-southwest of the *Southwest Zone*.

In Q2 2010, data compilation and interpretation was started on the previously identified key structural zone. Additional drilling to target both the sulphidized iron formation and quartz vein zone style of gold mineralization and test zone potential along strike and to depth is subject to final modelling and review. There was no additional drilling undertaken in the 55 Zone in Q2 2010 and final results were received and are presented in the table below.

In Q1 2010, a drill program was undertaken in the 55 Zone to follow-up on structural interpretive work completed by SRK Consulting and supplemented by downhole optical televiewer data on selective holes. This program targeted the vein orientation believed to represent the highest grade component of the known gold mineralization. A total of 36 drill holes (9,595m) were completed on sections and over a strike length of one kilometre generally testing the upper 200 metres.

A key structural zone has been interpreted over a strike length of 350 metres that hosts a series of high grade moderately north-dipping and en echelon (stacked) gold-bearing quartz veins typically laminated and associated with brecciated wall rocks and elevated levels of pyrite locally reaching 3 metres in thickness. Drilling has also intersected several of these quartz veins/zones in contact with the northern iron formation resulting in local sulphidization of the iron formation and returning significantly enhanced grade.

The following are high grade results, in addition to those previously released (note: drilled width approximates true width).

Drill Hole	From (m)	To (m)	Width (m)	Au (g/t)
M55-10-22	215.30	215.80	0.50	5.13
	218.40	219.00	0.60	7.87
	278.30	278.80	0.50	6.62
M55-10-25	205.90	207.00	1.10	4.65
	240.40	241.40	1.00	4.92
M55-10-26	64.90	67.25	2.35	4.47
incl.	64.90	65.40	0.50	6.32

	88.85	89.15	0.30	13.85
M55-10-28	100.65	103.00	2.35	3.93
incl.	101.35	101.70	0.35	6.05
	109.00	109.45	0.45	50.27
M55-10-30	205.00	206.50	1.50	7.70
incl.	205.00	205.65	0.65	12.81
	211.45	212.20	0.75	5.19
M55-10-31	29.20	29.80	0.60	4.51
	86.70	87.10	0.40	4.86
	123.48	124.06	0.58	4.81
M55-10-32	101.15	102.60	1.45	11.38
incl.	101.62	101.95	0.33	32.06
and	101.95	102.30	0.35	11.30
	185.10	185.40	0.30	18.23
M55-10-33	127.45	128.10	0.65	4.71
	170.80	171.15	0.35	6.07
M55-10-35	192.30	193.30	1.00	5.41
incl.	192.80	193.30	0.50	7.01
M55-10-36	37.00	38.70	1.70	5.36
incl.	37.35	37.70	0.35	17.56
	42.22	42.55	0.33	5.31

PORCUPINE CAMP (TIMMINS AREA) PROPERTIES

The Porcupine Gold Camp has several active and significant mine development and exploration projects. Most of the activity is in the emerging West Timmins area some 25 km southwest from Timmins, anchored by Lakeshore Gold's West Timmins mine development. This is further enhanced by the nearby and ongoing exploration and underground successes of both Lakeshore Gold on the Rusk zone and their acquisition of West Timmins Mining and the "144" Syenite and Golden River zones.

Several companies are actively exploring adjacent properties including those along the Destor back towards Timmins. Within the core historical Timmins camp, celebrating its centenary, the Porcupine Camp continues to generate new discoveries and value from former producers.

Moneta has 4 camp properties from east to west; Nighthawk Lake, North Tisdale, Kayorum, and Denton-Thorneloe.

North Tisdale property

The *North Tisdale* property is comprised of a 100% interest in 166 patented, leased, and unpatented mining claim units (approximately 2,650 hectares) located in Tisdale, Murphy and Hoyle Townships, within the (greater) City of Timmins. The property is underlain primarily by numerous east-westerly trending intercalated mafic and ultramafic volcanic flows and variably graphitic argillites and clastic sediments.

The property has been subject to limited exploration activity and contains the highly prospective *New Mine Trend* which hosts the Porcupine Gold Mines (Goldcorp) Hoyle Pond and Owl Creek Mines (9 km east) as well as Lakeshore Gold Bell Creek Mine Complex (6 km to east).

In Q2 2010, a comprehensive property review began for a Q3 2010 exploration program, focused on the potential western extension of the *New Mine Trend* believed to cross the central portion of the property.

Recent regional corporate transactions immediately adjacent to Moneta's *North Tisdale* property between Lakeshore and Goldcorp, San Gold and Laurion, and Osisko and Claimpost, have drawn renewed attention to this North Tisdale area.

FINANCIAL REVIEW

The Interim consolidated financial statements have been prepared on the basis that the Company is a going concern which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. The ability of the Company to continue operations is dependent upon obtaining the necessary financing to complete the development of its properties and/or the realization of proceeds from the sale of one or more of its properties. The consolidated financial statements do not include any adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

This section discusses significant changes in the Consolidated Balance Sheets, Consolidated Statements of Net Loss, Comprehensive Loss and Deficit, and Consolidated Statements of Cash Flows for the six months ended June 30, 2010 and 2009.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes the Company's key consolidated financial information for the last eight quarters:

($ except per share data)	2010		2009				2008	
Highlights	Jun	Mar	Dec	Sep	Jun	Mar	Dec	Sep
Revenue	-	-	-	-	-	-	-	-
Comprehensive (earnings) loss	421,599	(1,394,014)	238,500	8,551	111,974	159,623	57,296	170,959
Net Loss (Profit) per Share	0.00	(0.01)	0.00	0.00	0.00	0.00	0.00	0.00

SIGNIFICANT EVENTS DURING THE SECOND QUARTER 2010

Moneta undertook the most aggressive exploration program in its 99 year history in 2010. The budget for 2010 is $5.5M and 30,000 metres in diamond drilling. Exploration expenditures in Q2 2010 were $799,340 (YTD 2010 - $2,452,506) as compared to $135,837 in Q1 2009 (YTD 2009 - $234,731). Moneta drilled approximately 2,400 metres in Q2 2010 (YTD 2010 – 14,500 metres), identifying new high grade gold and significantly advancing its understanding of the 55 Zone and Southwest Zone.

In Q2, 2010, the Mining and Lands Commissioner notified the Company that its longstanding appeals of the 2001 and 2004 Orders to file a closure plan on the former Moneta Mine was dismissed and that a closure plan was to be filed within six months. The Company has elected not to appeal the decision and is proceeding to secure a consultant to facilitate compliance with the Orders. The financial statements include a provision of $70,000 (2009 – $70,000) which the Company believes to be adequate to cover the costs of the Order.

During the second quarter, directors, officers and consultants exercised 2,626,738 (YTD 2010 – 3,136,738) stock options for total gross proceeds of $236,586 (YTD 2010 - $310,786).

CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with the Consolidated Statements of Net Loss, Comprehensive Loss and Deficit for the six months ended June 30, 2010 and 2009 and the corresponding notes thereto. All references to years "YTD 2010" or "YTD 2009" relate to the six months ended June 30 of those years unless stated otherwise. Moneta has not generated any material operating revenues in 2010 as it is in the exploration and development stage and, therefore, operating losses are anticipated to continue in the future.

Moneta reported net loss and comprehensive loss of $421,599 in Q2 2010 (YTD 2010 - $972,415 net earnings) as compared to a net loss and comprehensive loss of $111,974 in Q2 2009 (YTD 2009 - $271,596). The unrealized loss on investments held for trading, resulting from market value fluctuations, was $19,775 in Q2 2010 (YTD 2010 - $55,370) as compared to an unrealized loss of $5,400 in Q2 2009 (YTD 2009 - $10,800) reflecting a decrease in the valuation of the investments held for trading from December 31, 2009 and 2008 respectively. General & administration expenses were $47,065 in Q2 2010 (YTD 2010 - $87,992) as compared to $26,168 in Q2 2009 (YTD 2009 - $56,741). The increase is primarily related to the costs associated with the annual general meeting, and incremental costs related to the dissemination of a higher than normal number of press releases from its active exploration program. Travel and promotion expenses were $18,150 in Q2 2010 (YTD 2010 - $36,604) as compared to $21,956 in Q2 2009 (YTD 2009 - $44,759) reflecting a minor decrease in period over period costs. Consulting fees were $87,500 in Q2 2010 (YTD 2010 - $100,206) as compared to $53,407 in Q2 2009 (YTD 2009 - $124,134). The increase is primarily impacted by a one-time severance payment in the amount of $37,500. Legal and audit expenses were $58,047 in Q2 2010 (YTD 2010 - $65,398) as compared to $6,250 in Q2 2009 (YTD 2009 - $15,500). The increase is primarily related to legal work associated with the annual general meeting, with responding to an OSC recommendation for additional disclosure regarding International Financial Reporting Standards (which are effective January 1, 2011), as well as legal work associated with agreements for new employees and consultants. Stock-based compensation expense, a non-cash charge related to the issuance of stock options, was $197,639 in Q2 2010 (YTD 2010 - $197,639) as compared to $NIL in Q2 2009 (YTD 2009 - $70,755). Management fees and other income was $888 in Q2 2010 (YTD 2010 - $888) as compared to $3,101 in Q2 2009 (YTD 2009 - $18,263). The reduction in income is the result of Moneta using its coreshack exclusively for its own aggressive 2010 drill program currently underway. Recovery of future income taxes related to the renunciation of flow through expenditures was $NIL in Q2 2010 (YTD 2010 - $1,508,500) as compared to $NIL in Q2 2009 (YTD 2009 - $40,600). The variation primarily relates to the fiscal 2009 financings of $6,034,000 as compared to 2008 of $140,000, the exploration expenditures for which are subject to renunciation, in the normal course, in Q1 following the year of the financings.

CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the Interim Consolidated Balance Sheets as at June 30, 2010 and December 31, 2009, and the corresponding notes thereto.

Consolidated assets

Consolidated assets were $14,098,074 at June 30, 2010 as compared to $13,931,500 at December 31, 2009.

Cash restricted for flow-through, restricted for spending on qualifying Canadian exploration expenditures, was $2,436,651 at June 30, 2010 as compared to $4,654,189 at December 31, 2009.

At June 30, 2010, the Company had temporarily borrowed $573,323 (December 31, 2009 - $769,664) from cash restricted for flow through to fund the hard/non-flow through dollar acquisition of the remaining 50% joint venture interest in the former Michaud Joint Venture which closed December 8, 2009. The Company expects to raise a sufficient amount of hard/non-flow dollars through the early exercise of stock options by directors and officers, through the exercise of the in-the-money $0.18 January 2, 2011 warrants (the early expiration trigger of which has been satisfied), and through other cash flows. The Company fully expects to reimburse the cash restricted for flow-through and does not anticipate any delays in completing the necessary 2010 flow-through exploration expenditures.

Mineral properties and deferred costs were $11,579,622 at June 30, 2010 as compared to $9,127,116 at December 31, 2009. The increase is due to the exploration expenditures incurred during the period.

Consolidated liabilities

Consolidated liabilities were $660,645 at June 30, 2010 as compared to $484,411 at December 31, 2009. The increase is primarily due to a marginal increase in flow-through expenditures on the Golden Highway Project, incurred in Q2 2010 but unpaid until Q3 2010.

Shareholders' equity

Shareholders' equity was $13,437,429 at June 30, 2010 as compared to $13,447,089 at December 31, 2009. The marginal decline is due to a reduction in capital stock resulting from the Q1 2010 renunciation of flow-through of $1,508,500, offset by the net earnings and comprehensive earnings of $972,415, the exercise of $310,786 in stock options, and stock based compensation charges of $197,639.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with the Interim Consolidated Balance Sheets as at June 30, 2010 and December 31, 2009, and the corresponding notes thereto.

The consolidated working capital ratio at June 30, 2010, including cash restricted for flow-through, remains strong at 3.8:1 as compared to 9.8:1 at December 31, 2009. The Company is well-funded and one of the most significant sole risk exploration programs in its history is progressing well.

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the six months ended June 30, 2010.

The Company's capital structure reflects a company focused on mineral exploration and financing both internal and external growth opportunities. The exploration for and development of mineral deposits involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

The Company manages capital in proportion to risk and manages the mineral properties and capital structure based on economic conditions and prevailing gold commodity pricing and trends. The Company relies on equity financings to maintain adequate liquidity to support its ongoing exploration and development activities and ongoing working capital commitments.

Moneta has not earned significant revenues to date and is considered to be in the exploration stage. As a result, the most meaningful information concerning the Company's financial position relates to its liquidity and solvency position. The Company raises funds for its operations primarily through the issuance of common shares.

The Company has sufficient working capital to meet its current obligations and currently planned operating costs and expenditures on its mineral properties. The Company intends to strategically advance its *Golden Highway Project* by way of additional exploration programs. Moneta intends to seek additional capital resources required from equity financings including flow-through. Although the Company has been successful in the past in raising funds, there can be no assurance that any funding required by the Company in the future will be available to it and, if such funding is available, that it will be offered on reasonable terms. In the event the Company is unsuccessful at raising such funds, it may not be able to continue as a going concern. Moneta has no material commitments or contractual obligations with respect to the development of any mineral properties beyond those that would be considered as part of normal business.

Cash restricted for flow-through of $2,436,651 at June 30, 2010 will be actively used to undertake exploration expenditures. Other receivables of $43,663 primarily consist of GST Recoverable and other receivable amounts collected in Q3 2010. Accounts payable and accrued liabilities of $660,654 primarily relate to unpaid Q2 2010 exploration expenditures paid in the normal course in Q3 2010.

Cash provided from (used in) operating activities
Cash used in operations totaled $7,903 for Q2 2010, as compared to cash generated of $49,984 in Q2 2009. The variation is primarily due to the change in net loss and comprehensive loss of $421,599 in Q2 2010 as compared to $111,974 in Q2 2009, offset by the stock based compensation charges of $197,639 in Q2 2010 as compared to NIL in Q1 2009 and changes in non-cash working capital balances of $196,282 in Q2 2010 as compared to $153,817 in Q2 2009.

Cash provided from (used in) investing activities
Cash used in investing activities was $793,341 for Q2 2010, as compared to $142,080 in Q2 2009 primarily reflecting the significant quarter over quarter increase in exploration expenditures.

Cash provided from (used in) financing activities
Cash provided from financing activities were $254,586 for Q2 2010 as compared to $NIL in Q2 2009, representing the proceeds on the exercise of stock options in Q2 2010.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company recorded fees of $75,000 (December 31, 2009 - $416,703) to related individuals and companies controlled by directors and officers for the period ended June 30, 2010. The fees were for management and consulting services provided to the Company under ongoing contracts. All related party expenditures were in the normal course of business at the exchange amounts.

Stock options with an aggregate Black Scholes valuation of $197,639 (2009 - $201,880) were issued to directors, officers or consultants during the period.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and acting Chief Financial Officer ("CFO") of the Company is responsible for establishing and maintaining the Company's disclosure controls and procedures ("DC&P") and the design of internal controls over financial reporting ("ICFR"). The objective is ensure that all transactions are properly authorized, identified and entered into the accounting system on a timely basis to minimize risk of inaccuracy, failure to fairly reflect transactions, failure to fairly record transactions necessary to present financial statements in accordance with GAAP, unauthorized receipts and expenditures, or the inability to provide assurance that unauthorized acquisitions or dispositions of assets can be detected. The small size of the Company and its system of internal controls provide for the separation of duties for receiving, approving, coding and handling of invoices, entering transactions into the accounts, and include two signatures for all payments made by cheques or wire funds.

The CEO and acting CFO evaluated the effectiveness of the Company's DC&P and ICFR as required by National Instrument 52-109 issued by the Canadian Securities Administrators. It was concluded that as of June 30, 2010, the Company's DC&P and ICFR were effective in providing reasonable assurance that material information regarding this report, and the interim consolidated financial statements and other disclosures was made known to them on a timely basis and reported as required and that the financial statements present fairly, in all material aspects, the financial condition, results of operations and cash flows of the Company as of June 30, 2010. The CEO and CFO also concluded that no material weaknesses existed in the design of the ICFR.

CRITICAL ACCOUNTING ESTIMATES

Financial instruments

The Company is required to classify all financial instruments as held-for-trading, available-for-sale, held-to-maturity, or loans and receivables or other financial liabilities. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized on the Consolidated Statements of Comprehensive Loss and Deficit. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in Other Comprehensive Income. Items held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost.

The Company has designated its cash and equivalents as held-for-trading, which are measured at fair value. Other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities which are measured at amortized cost. Investments held for trading are recorded at fair value with the difference between fair value and cost being recorded as unrealized appreciation or depreciation in value of investments. In the case of securities listed on stock exchanges, the fair value means the latest bid price. Investments available for sale are measured at fair value with changes in fair value reported in other comprehensive income until the financial asset is disposed of, or becomes impaired. Investments for which reliable quotations are not readily available are valued at their fair value using a valuation model and market inputs. The Company has not classified any financial assets as available-for-sale or held-to-maturity.

Mineral properties and deferred costs

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment. Proceeds from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in the consolidated statements of net loss, comprehensive loss and deficit for the period.

The amount at which mineral properties and deferred exploration and development expenditures are recorded do not necessarily reflect present or future values of the resource properties. The recoverability of amounts recorded as mineral properties and deferred exploration and development expenditures is dependent upon a number of factors including environmental risks, legal and political risks, the discovery of economically recoverable reserves, confirmation of the Company's interests in the underlying properties, the ability of the Company to obtain the financing necessary to complete the development, and future profitable production or proceeds from the disposition thereof.

If a project is successful, the related mineral property and deferred exploration costs are amortized on a unit-of-production basis, based on estimated economic reserves, over the estimated economic life of the project. If a project is unsuccessful, or if exploration ceases because continuation is not economically feasible, the mineral properties and the related deferred exploration and development costs are written off to the consolidated statements of net loss, comprehensive loss and deficit for the period.

Revenue recognition

Revenues associated with the sales of gold are recognized when title passes from the Company to its customer and when collection is reasonably assured. Revenues associated with other income are realized when all significant acts have been completed and when collection is reasonably assured.

Foreign currency translation

The functional currency of the Company is the Canadian dollar. The functional currency of the subsidiary Wounded Bull is the US dollar and the temporal method of foreign currency translation is applied as Wounded Bull is considered to be an integrated foreign operation. Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in operations.

Stock-based compensation

The Company adopted CICA Handbook Section 3870: Stock-Based Compensation and Other Stock-Based Payments, which requires that a fair value based method of accounting be applied to all stock-based payments. The fair value of incentive stock options granted to directors, officers, consultants, employees, and service providers and purchase warrants issued to shareholders on private placements are calculated using the Black-Scholes valuation model. The fair value of stock-based compensation is recorded as a charge to the consolidated statements of net loss, comprehensive loss and deficit with a corresponding credit to contributed surplus. The fair value for each instrument is estimated using the following weighted average assumptions:

Risk free rate	0.5%
Expected life	Determined by the terms and conditions of each instrument
Expected volatility	Determined by the closing sale price for the Company for a historical time interval equal to the expected life of the instrument
Expected dividend yield	0%

Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of mineral properties that result from acquisition. The Company records the estimated fair value of a liability, and corresponding increase in the related property, for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The fair value of a liability for an asset retirement obligation is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation transaction and, in the absence of observable market transactions, is determined as the present value of expected cash flows. The Company subsequently allocates the asset's retirement cost to expense using a systematic and rational method over the asset's useful life, and records the accretion of the liability as a charge to the consolidated statements of net loss, comprehensive loss and deficit.

Income taxes

Income taxes are accounted for using the future income tax method. Under this method, income taxes are recognized for the estimated income taxes payable for the current year. Future income taxes are recognized for timing differences between the tax and accounting basis of assets and liabilities, and for the recognition of those accumulated capital and non-capital losses, which in the opinion of management, are more likely than not to be realized before expiry. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax basis of the assets and liabilities and measured using the substantively enacted income tax rates expected to apply when such differences are expected to reverse. Future income taxes also related to the recognition of flow-though share tax deductions. Flow-through share tax deductions are recognized in the year in which they are renounced.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. In periods when the Company reports a comprehensive loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and therefore, basic and diluted loss per share are the same. The assumed conversion of outstanding common share options and warrants has an anti-dilutive impact.

Environmental expenditures

The operations of the Company may, in the future, be occasionally affected by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Shares issued through flow-through financing are recorded at their selling price. Under the terms of the flow-through share agreements, the tax benefits of the exploration expenses are renounced in favor of the investors. Flow-through share tax deductions are recognized in the year in which they are renounced.

Financial instruments - disclosures

The provisions in CICA Handbook Section 3862, Financial Instruments – Disclosure, increase the disclosures currently required that will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable. The Company has included disclosures recommended by the new handbook section in Note 10 to the Interim Consolidated Financial Statements.

Financial instruments – presentation

The Company classifies for presentation on the balance sheet its financial assets, financial liabilities and equity based upon the substance of the instrument at the date of issuance, and separately classifies the components of any instrument that contains elements of financial liability and equity while appropriately classifying costs or gains associated with issuing financial liabilities within the income statement and distributions to holders of equity instruments in the equity section of the balance sheet.

Hedging

CICA Handbook Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company does not engage in hedging transactions and therefore does not have any financial instruments which are subject to hedge accounting.

Comprehensive income

Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income, and this standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until it is considered appropriate to recognize into net earnings. Comprehensive income, and its components, are required to be presented in a separate Interim financial statement that is displayed with the same prominence as the other financial statements.

The Company had no comprehensive income or loss transactions, other than its net loss which is presented in the Consolidate Statements of Net Loss, Comprehensive Loss and Deficit, nor accumulated other comprehensive income during the periods that have been presented. Accordingly a statement of comprehensive income has not been presented.

Mining Exploration Costs

In March 2009, the Emerging Issues Committee ("EIC") of the CICA issued abstract EIC 174, Mining Exploration Costs. This abstract considers when exploration costs related to mining properties may be capitalized, and if exploration costs are initially capitalized, when impairment should be assessed to determine whether a write-down is required and what conditions indicate impairment. It applies to Interim financial statements issued subsequent to March 27, 2009. The adoption of this policy is reflected in Note 3 to the Interim Consolidated Financial Statements.

CHANGES IN ACCOUNTING POLICIES

Recent Accounting Pronouncements

Going Concern

CICA Handbook Section 1400 has been amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The adoption of this section resulted in additional disclosure in note 1 to the Interim Consolidated Financial Statements.

Inventories

CICA Handbook Section 3031 (supercedes Section 3030) prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-downs to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The adoption of this section did not impact the Company.

International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") has confirmed that International Financial Reporting Standards ("IFRS") will replace current Canadian standards and interpretations as Canadian generally accepted accounting principles ("Canadian GAAP") for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual consolidated financial statements under IFRS beginning with the quarter ended March 31, 2011 which will contain IFRS-compliant disclosure on a comparative basis and reconciliations for the interim and annual periods and as at the January 1, 2010 transition date.

IFRS uses a conceptual framework similar to Canadian GAAP, however there are significant differences in recognition, measurement, and both qualitative and quantitative disclosure.
The Company is an exploration stage company and many of the differences identified between IFRS and Canadian GAAP are not expected to have material impact on the Company's reported financial position and results of operations. There may be, however, significant changes as a result of the first time adoption of IFRS accounting principles and provisions. The Company continues to evaluate the full accounting effects of adopting IFRS.

IFRS 1*: First-Time Adoption of IFRS ("*IFRS 1") provides the framework for the first-time adoption of IFRS and specifies that an entity shall apply the principles under IFRS retrospectively. Certain optional exemptions and mandatory exceptions to retrospective application are provided under IFRS. The Company has relied on exemptions to this retrospective application for certain items, as described in further detail below.

The Company has developed an IFRS convergence plan ("IFRS Plan") which includes:

- Training (initial and ongoing) of key personnel in IFRS;
- Review and assessment of all relevant IFRS standards to identify differences from current accounting policies and practices;
- Design of IFRS accounting policies including accounting policy alternatives and optional exemptions; and
- Evaluation of changes required to its financial information systems and processes to enable it to maintain data required to report its 2010 financial information under IFRS for comparative purposes;
- Implementation of changes to affected accounting policies and practices, business processes, systems and internal controls.

Ongoing updates on the status of IFRS Plan and activities will be provided in the Company's 2010 interim Management's Discussion and Analysis. The Company has completed a review and assessment of the relevant IFRS standards and is in the process of designing IFRS accounting policies. The more significant accounting policy changes include the methodology for impairment testing of mineral properties and deferred costs, future income taxes, accounting for stock compensation, disclosure and presentation, and the provisions related to the initial adoption of IFRS under IFRS 1. The following accounting policies are believed to have the most significant disclosure impact in the transition to IFRS:

Impairment of Long Lived Assets

Impairment testing of long-term assets is based on a two-step approach under current Canadian GAAP, first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists, and then measuring any impairment by comparing asset carrying values with fair values.

International Accounting Standards 36 - *Impairment of Assets* ("IAS 36") uses a one-step approach testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value, less costs to sell, and value in use (which uses discounted future cash flows).

This may potentially result in more write-downs where carrying values of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis. However, the extent of any new write-downs may be partially offset by the requirement under IAS 36 to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses. The Company will adopt IAS 36 requirement on transition to IFRS.

Future Income Taxes

Under Canadian GAAP, deferred income taxes are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and by applying expected tax rates applicable to such temporary differences. There are no changes under IFRS for deferred income taxes. IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that, at the time of the transaction, neither affects accounting nor taxable net earnings. The Company expects the impact of implementing IAS 12, *Income Taxes* to be material impacting the resource properties and deferred exploration and future income tax balances.

Share Based Payments - Stock Compensation

The guidance provided by IFRS 2 - *Share Based Payments* is largely consistent with Canadian GAAP and requires estimates of the fair value of stock options to be made at the date of the grant and recognition of the related expense in income as the options vest. The use of the Black-Scholes model is an acceptable method to estimate the fair value of the options at the date of grant, and is consistent with the Company's current practice.

IFRS 2 requires the use of the attribution method for stock options subject to vesting period. Vested stock options are treated as a separate share option grant with a different fair value. Unlike Canadian GAAP, IFRS 2 does not include the straight line method as an alternative to the attribution method for awards with a service condition and graded-vesting features. The Company will need to account for its awards using the attribution method.

The Company currently records stock option forfeitures as they occur. Upon transition to IFRS, the Company will be required to make an estimate of the forfeiture rates for use in the determination of the total share based compensation expense.

These changes will result in a difference in valuation of the stock based awards and timing differences for the recognition of compensation expenses. IFRS 2 is applicable for stock compensation expense issued on or after January 1, 2005; earlier adoption is permitted. The Company expects to recognize under IFRS 2 all share-based awards that were recognized under Canadian GAAP. The Company expects to utilize the exemption under IFRS 1 which allows the prospective application of IFRS 2 for stock options granted on or after November 7, 2002.

Resource properties and deferred exploration expenditures

Similar to Canadian GAAP, IFRS allows the choice of capitalizing or expensing exploration costs. The Company's policy under Canadian GAAP has been to capitalize all exploration expenditures and expects to follow the same policy under IFRS.

Unlike Canadian GAAP, IFRS does not allow the capitalization of expenditures incurred prior to obtaining the exploration license. The Company is in the process of identifying any such costs capitalized; costs identified will be recorded in the opening deficit on transition.

Flow-through common shares

The Company is evaluating the impact of IFRS on its accounting for flow-through shares and expects to identify differences.

Transaction costs

IFRS requires that financing and transaction costs relating to financial assets and liabilities, except for held for trading financial instruments, to be capitalized and amortized to earnings using the effective interest rate method. The Company's current accounting policy is to expense transaction costs in the period in which they occur.

The Company will continue to monitor standards development prior to the IFRS transition date of January 1, 2011 as issued by the International Accounting Standards Board and the AcSB as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of its adoption of IFRS.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial risk management goals are to ensure that the outcome of activities involving elements of risk are consistent with the company's objectives and risk tolerance, while maintaining an appropriate risk/reward balance and protecting the Company's consolidated balance sheet from events that have the potential to materially impair its financial strength. Balancing risk and reward is achieved through identifying risk appropriately, aligning risk with overall exploration and development strategy, diversifying risk, mitigation through preventive controls, and transferring risk to third parties.

Fair Value

The carrying values for primary financial instruments, including Cash and equivalents, Other receivables, and Accounts payable and accrued liabilities approximate fair values due to their short-term maturities. The Company's exposure to potential loss from financial instruments relates primarily to its cash and equivalents held with Canadian financial institutions.

There have been no major or significant changes that have had an impact on the overall risk assessment of the Company during the year. The objectives and strategy for the mineral property portfolio exploration and development activities remains unchanged.

The Company's exploration and development activities expose it to the following financial risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's exposure to credit risk is concentrated in two specific areas: the credit risk on operating balances including Other receivables primarily comprised of GST recoverable, and Cash and equivalents held with Canadian financial institutions. The maximum exposure to credit risk is equal to the carrying values of these financial assets.

The aggregate gross credit risk exposure at June 30, 2010 was $2,480,314 (December 31, 2009 - $4,712,340), and was comprised of $43,663 (December 31, 2009 - $58,151) in Other receivables primarily comprised of GST recoverable, and $2,436,651 (December 31, 2009 - $4,654,189) in Cash held with Canadian financial institutions with a "AA" credit rating.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rates, foreign currency exchange rates, and liquidity. A discussion of the Company's primary market risk exposures and how those exposures are currently managed follows:

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's financial assets and liabilities and operating costs are principally denominated in Canadian dollars. The Company has historically had insignificant operations in United States ("US") dollars. The Company has no US dollar hedging program due to its minimal exposure to financial gain or loss as a result of foreign exchange fluctuations against the Canadian dollar.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity management is to ensure that there will be sufficient cash to meet all financial commitments and working capital obligations as they become due. To manage cash flow requirements, the Company maintains principally all its assets in cash or equivalents.

The Company believes that its cash position and short term investments provide adequate liquidity to meet all of the Company's near-term obligations.

OUTSTANDING SHARE DATA

As of June 30, 2010, the Company has a total of 129,926,765 (June 30, 2009 - 101,879,792) common shares outstanding and 5,909,906 (June 30, 2009 – 8,015,644) stock options outstanding with an average exercise price of $0.18 (June 30, 2009 - $0.12) per share.