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MONETA PORCUPINE MINES INC.

Annual Report 2010

This Management Discussion and Analysis ("MD&A") analyzes the significant changes in the Consolidated Statements of Net Loss (Earnings), Comprehensive Loss (Earnings) 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 Consolidated Financial Statements and notes thereto for the years ended December 31, 2010 and 2009. The MD&A is prepared with an effective date of March 31, 2011.

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, on the United States OTC market under the symbol MPUCF, and the Berlin Stock Exchange, the Xetra, and Frankfurt Stock Exchange under the symbol MOP.

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 is not treating historical resource estimates as current mineral resources as defined by National Instrument 43-101 ("NI 43-101") as a "qualified person" has not done sufficient work to classify the historical resource estimate as a current mineral resource. Accordingly, the historical resource estimates should not be relied upon.

OUTLOOK

The Company is well-funded to undertake robust exploration programs over the next 18-24 months, excluding other expected cash inflows. The Company has contracted three drills and plans to complete up to 30,000 metres in the 2011 drill program. The *Golden Highway Project,* which covers 12km of highly prospective geology, remains the top priority exploration and development target, however Moneta's four other highly prospective and underexplored core projects will also be advanced. The objective of the 2011 drill program in the *Golden Highway Project* is to expand the newly identified gold zones, namely the *162 Zone, 267 Zone*, *269 Zone* and *273 Zones*, located in the Central and East Blocks of the *Southwest Zone*. In addition, several highly prospective and newly identified 2011 targets, all located in close proximity to the *Southwest Zone,* are to be tested.

CORPORATE OVERVIEW

Moneta Porcupine Mines Inc. ("Moneta" or the "Company") is a resource exploration and development company incorporated pursuant to the laws of the Province of Ontario on October 14, 1910. The Company is a former gold producer but has no properties currently in production and no production revenues at the present time.

The Company is leveraged to exploration, with limited overhead and fixed costs and one of the highest ratios of dollars to drilling of any junior explorer. It is operated by a strong technical and management team which maintains a low-cost Timmins-based exploration operation with its own field office, rolling stock and equipment, and proprietary drill core logging and storage facility (core shack).

Moneta holds a 100% interest in 5 core projects strategically located on or along the Destor Porcupine Fault Zone ("**Destor**"), one of the key structural features in the Abitibi Greenstone belt in Ontario, with excellent infrastructure including access roads, water, electricity, and mills. 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, Brigus Gold, and St Andrew Goldfields.

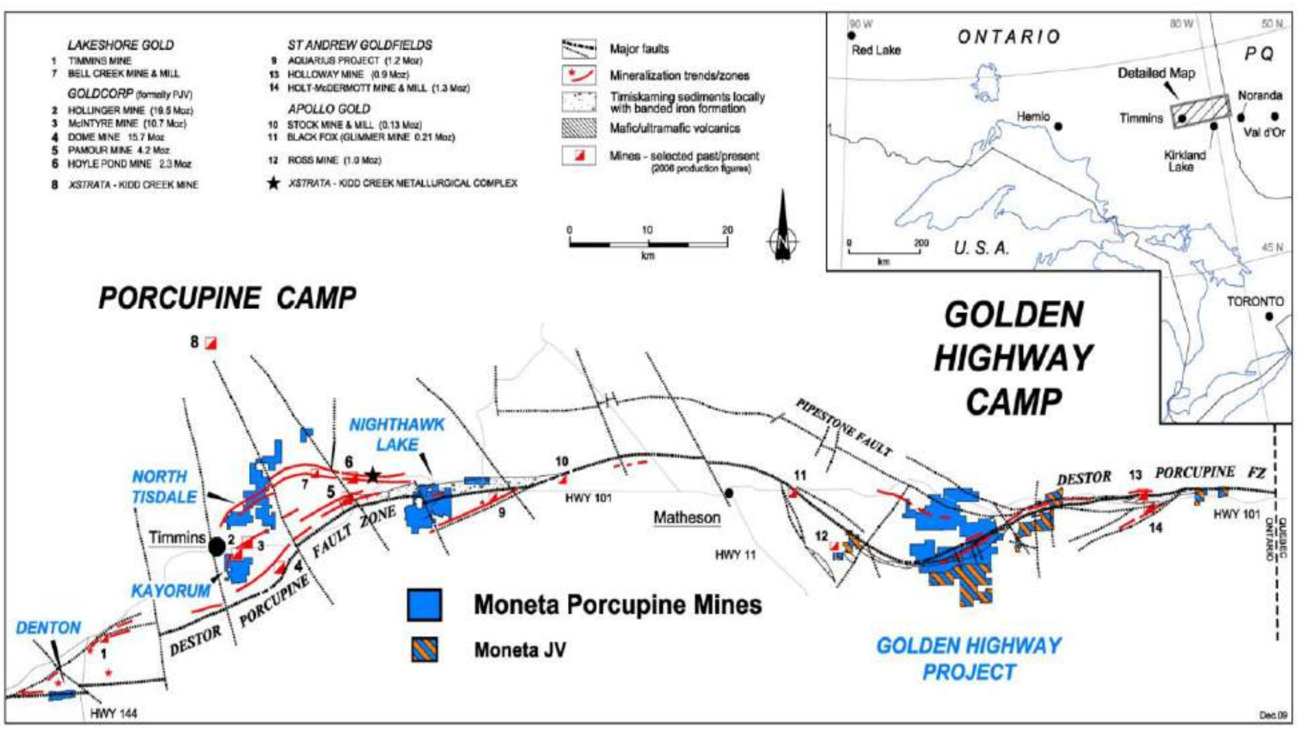

Figure I: Moneta's Mineral Property Portfolio

The Porcupine Camp and Golden Highway Camp (collectively referred to as "**Timmins Camp**") is one of the most prolific gold-producing areas in the world with over 72 million ounces of gold produced primarily from some 26 mines, each of which generated more than 100,000 ounces.

Moneta's land position is one of the best, and is the fourth largest, in the world class Timmins Camp – after three gold producers – including a commanding position in the emerging Golden Highway Camp with 1.1 million ounces of gold resources (all categories) identified prior to reactivation of aggressive exploration and the best reported grades and widths in 2010.

Golden Highway Project

Moneta's primary gold exploration focus is the *Golden Highway Project* which contains a largely contiguous land package of 676 claim units or approximately 10,600 hectares, and is centered in Michaud Township, 100 km east of Timmins, Ontario along Highway 101, a major all-season route.

The *Golden Highway Project* hosts nine distinct gold-bearing zones (namely Windjammer South, Southwest Zone, 55 Zone, Dyment 3, Western Zone, Windjammer North, Landing Zone, Twin Creeks Zone, and Last Chance Zone) along with numerous gold intersections along a 12km mineralized corridor which contains two highly prospective geological settings: a northern corridor with mafic and ultramafic volcanic units and syenite intrusive complexes; and a southern corridor defined by Timiskaming sediments and banded iron formation (BIF).

Moneta owns a 100% ownership interest in the *Golden Highway Project* since December 2009 when the Company acquired the remaining 50% ownership interest, with no underlying encumbrances, from its former corporate partner in the now dissolved Michaud Joint Venture. The former Michaud Joint Venture 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).

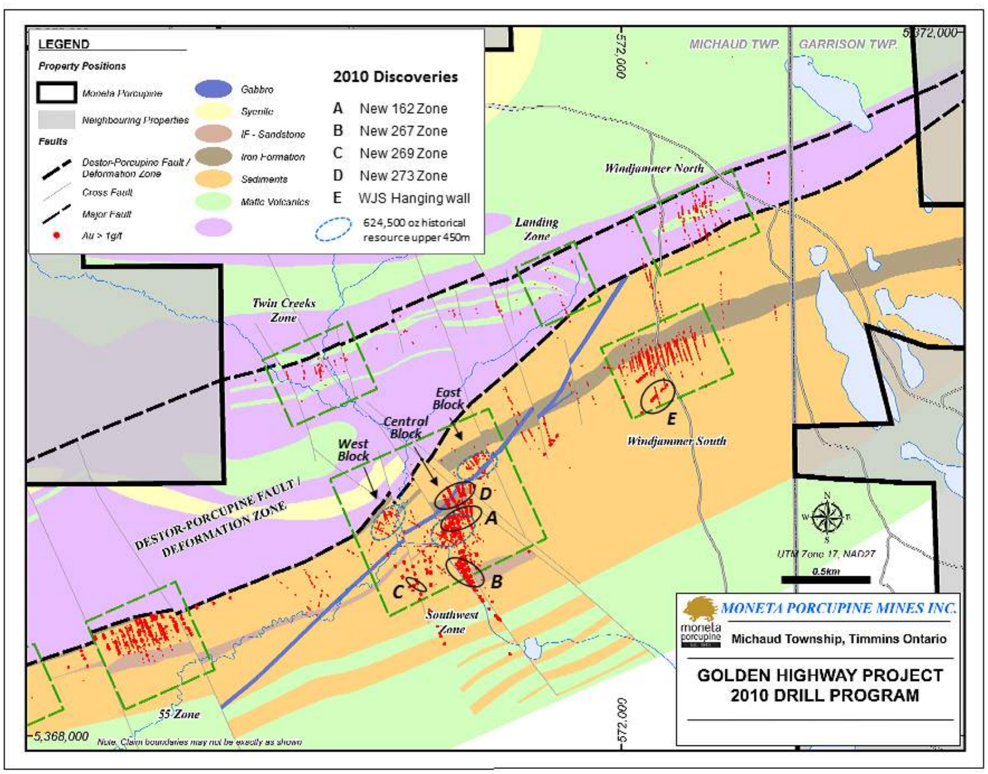

Figure II – Moneta's Golden Highway Project: Geology and Gold Zone Locations

The *Windjammer South* zone contains a near-surface NI 43-101 resource of 305,379 indicated and 211,951 inferred ounces of gold (cutoff grade of 0.7 g/t), 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**

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 (cut-off grade of 3.0 g/t), which was developed by Lac Minerals ("**Barrick**") by way of option agreement with Moneta between 1994-1997.

Cut-Off Grade (g/t Au)	Non NI-43-101 Compliant	Tonnes	Grade (g/t Au)	Oz Au
3.0	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 that returned 2.14 g/t gold over 68.0 metres.

Golden Highway Project - 2010 EXPLORATION ACTIVITY

The 2010 exploration drill program in the *Golden Highway Project* has focused on the eastern portion of property which contains the bulk of gold mineralization discovered to date. The last significant exploration program prior to 2010 on the *Golden Highway Project* was from 1994-1997. Four new gold zones have been discovered in 2010 in the greater *Southwest Zone* area, as further described below.

Southwest Zone – New 162 Zone

In Q1 and Q2 2010, three drill hole wedges were completed from the Barrick drill hole MN96-162. Drill hole wedge MSW10-162A intersected the well-mineralized Central Block (south) hanging wall alteration gold zone at the iron formation contact and continued northerly into the greywacke East Block (south) hanging wall and iron formation.

Drill hole wedge MSW10-162B was completed at a similar elevation to the original drill hole MN96-162 and MSW10-162A but intersected the (south) iron formation ~65 metres to the west with a well-mineralized alteration and vein zone in the greywacke and conglomerate forming the immediate hanging wall of the iron formation as well as sulphidization with quartz veining at the contact. This wedge was continued through the Central Block iron formation intersecting a prominent fault breccia along the iron formation north contact (footwall) in greywacke followed by a high grade quartz carbonate vein.

The third completed drill hole wedge MSW10-162D, was directed off drill hole wedge MSW10-162C which was stopped due to undesirable deviation relative to the target area. MSW-10-162D intersected the Central Block iron formation contact 100 metres above drill hole wedges MSW10-162A and MSW10-162B, and continued until terminating in the East Block iron formation. MSW10-162D returned the best *Southwest Zone* results to date intersecting an intensely sulphidized iron formation at the contact to the sediments as well as strong alteration and a vein zone in the hanging wall sediments of the East Block iron-formation.

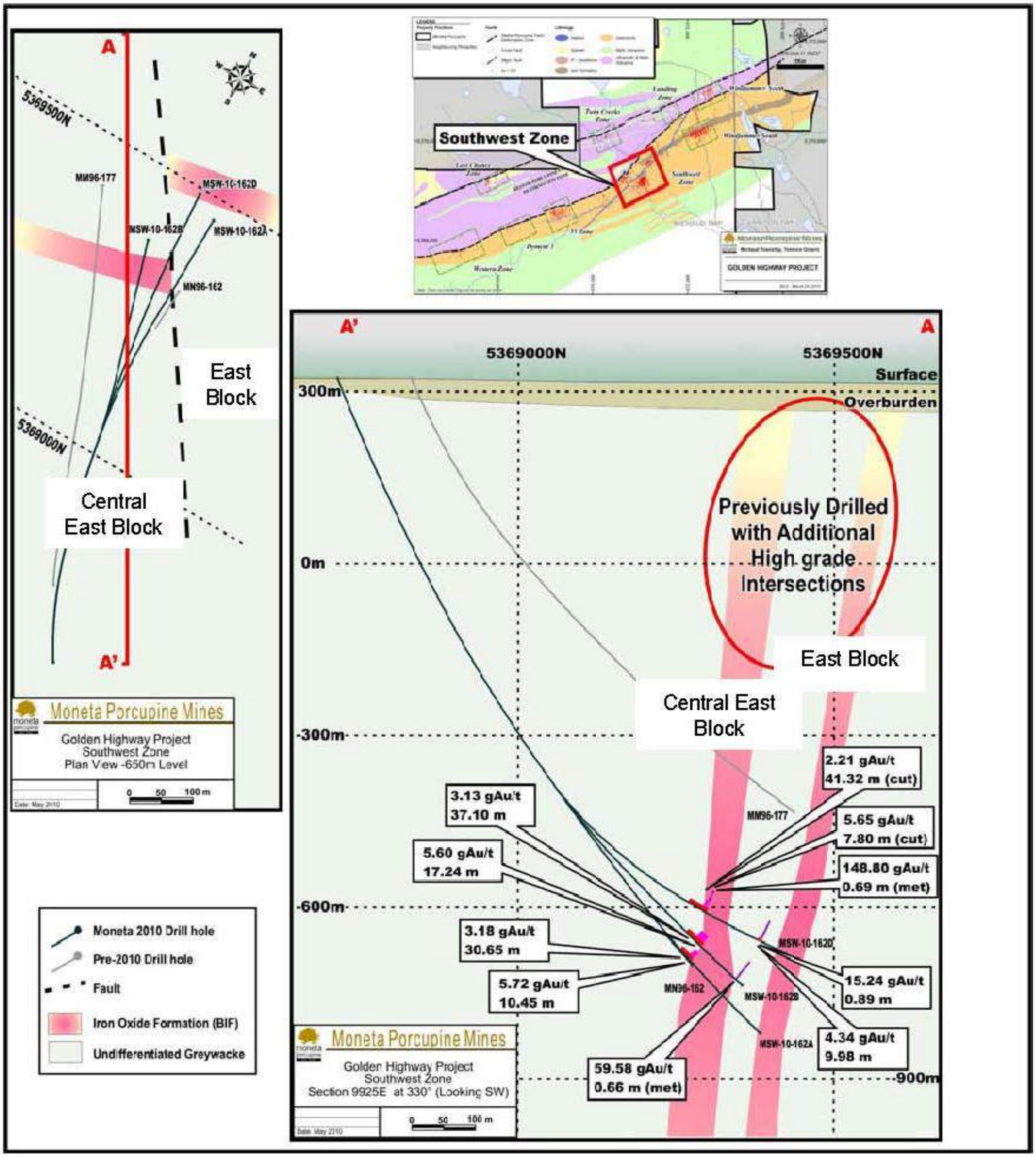

Figure III – Moneta's Southwest Zone Plan View, Cross Section and Golden Highway Project location map

Highlights from the new *162 Zone* drill wedge results from the MN96-162 mother hole include:

Drill hole	From (m)	To (m)	Width [(1)] (m)	Au [(2)] (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
	1199.43	1216.67	17.24	5.60
	1303.43	1306.00	2.57	17.32
incl.	1303.43	1304.09	0.66	59.58
MSW-10-162C	Stopped due to excessive deviation, continued as MSW-10-162D			
MSW-10-162D	**1152.48**	**1198.80**	**41.32**	**2.21**
incl.	1158.00	1158.63	0.63	15.32
or	**1186.00**	**1193.80**	**7.80**	**15.78**
incl.	**1189.90**	**1193.80**	**3.90**	**29.85**
or	**1192.47**	**1193.80**	**1.33**	**81.30**
or	**1192.78**	**1193.47**	**0.69**	**148.80**
	1192.78	**1193.47**	**8.61**	**4.80**
incl.	1317.49	1318.38	0.89	15.24
	1342.07	1342.54	0.47	11.81
	1344.00	1344.30	0.30	10.34

[(1)] Drilled widths are currently reported

[(2)] Metallic checks completed on all assays >15.0 g/t

The next stage of drilling shifted to west with new step-out mother holes MSW10-267 and MSW10-268 being completed 150 and 300 metres to the west along strike.

Southwest Zone – New 267 Zone

Drill hole MSW-10-267 was completed in Q3 2010 targeting the south Central Block 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.

Hole 267 intersected the most significant quartz vein zone ("**267 Zone**") to date in the *Golden Highway Project*, returned 3.43 g/t over 36.09 metres within a wider 49.75 metre vein/ankerite alteration zone in the hanging wall sediments of the (south) iron formation contact. Additional new gold mineralization was also intersected in a (south) hanging wall mixed sediment/iron-formation sequence where a sulphidized and quartz vein interval returned 4.51 g/t over 7.21 metres.

The *267 Zone*, the largest quartz vein zone intersected to date on Moneta's *Golden Highway Project*, is located in the previously untested area 200 metres south of the iron formation, and is associated with highly prospective iron carbonate (ankerite) alteration extending for over 250 metres. This ankerite alteration is typically associated with gold mineralization in major Abitibi gold camps including Timmins, Kirkland Lake and Red Lake.

During Q3 2010 and into Q4 2010, several drill hole wedges (MSW-10-267A, 267B, 267C, 267D and 267E) were completed. Assay results in all the drill hole wedges demonstrate strong continuity in grade along the intervals with no significant coarse gold (nugget) effect.

Drill hole wedge MSW10-267B intersected quartz veins up to 5.5 metres in width and returned 5.85 g/t over 20.00 metres, including 9.05 g/t over 9.75 metres, within a significant broader mineralization corridor of 3.93 g/t over 36.37 metres.

Drill hole wedge MSW-10-267C targeted the *267 Zone* below MSW10-267B and intersected 5.61 g/t Au over 23.89 metres, including two large and separate vein zones of 8.08 g/t Au over 7.75 metres and 10.55 g/t Au over 5.70 metres.

Drill hole wedge MSW-10-267D was drilled to the east and above MSW10-267B intersecting moderate to pervasive ankerite alteration interpreted to be the hanging wall of the *267 Zone.* 267D was continued and returned 2.38 g/t Au over 25.08 metres, including 2.80 g/t Au over 18.36 metres and 3.37 g/t Au over 10.28 metres along the hanging wall (south) side of the Central Block iron formation.

Drill hole wedge MSW-10-267E intersected the *267 Zone* approximately 50 metres up-dip and to the east from drill hole wedge MSW-10-267B and east of MSW10-267D. Two separate gold zones of 3.90 g/t over 11.50 metres and 3.91 g/t over 10.79 metres within a broad and variably intense ankerite alteration zone of 2.83 g/t over 49.40 metres were intersected. Included is a substantial 10.5 metre wide quartz vein within the 49.40 metre interval. MSW10-267E was continued through the Central Block iron-formation to finish in the East Block iron-formation. Additional mineralization intersected here included 2.66 g/t over 8.92m or 5.51 g/t over 3.18m.

Initial drill hole wedge MSW-10-267A, drilled approximately 30 metres above and west of the original *267 Zone,* intersected reduced veining and alteration.

Highlights from the *267 Zone* intersections include:

Drill hole	From (m)	To (m)	Vertical depth (m)	Width [1] (m)	Au [2] (g/t)	g X m
MSW-10-267E	**1011.30**	**1060.70**	**910**	**49.40**	**2.83**	**140**
incl.	1018.25	1029.75		**11.50**	**3.90**	
and	1048.36	1059.15		**10.79**	**3.91**	
MSW-10-267C	**1030.69**	**1054.58**	**950**	**23.89**	**5.61**	**134**
incl.	1038.00	1054.58		**16.58**	**7.42**	
and	1038.00	1045.75		**7.75**	**8.08**	
and	1048.88	1054.58		**5.70**	**10.55**	
MSW-10-267B	**1058.00**	**1094.37**	**960**	**36.37**	**3.93**	**143**
incl.	1058.00	1078.00		**20.00**	**5.85**	
incl.	1066.90	1076.65		**9.75**	**9.05**	
MSW-10-267	**1064.85**	**1100.94**	**980**	**36.09**	**3.43**	**124**
incl.	1066.11	1081.70		**15.59**	**4.16**	
incl.	1087.92	1098.15		**10.23**	**4.10**	

(1) Drilled widths are currently reported
(2) Metallic checks completed on all assays > 15.0 g/t

The substantial veining, such as that from MSW10-267E at 10.5 metre width and the largest ever intersected in the *Golden Highway Project*, along with veins of up to 5.5 metres in MSW-10-267B, confirm the existence of dominant veins supporting the interpreted continuity and north-northwesterly strike with a moderately steep southwesterly dip of the *267 Zone*. Additional modeling is ongoing and follow-up drilling to expand the mineralization both along strike and up-dip.

Southwest Zone – New *269 Zone*

Drill hole MSW-10-269 was drilled to follow the upper Central Block higher grade zone south-westerly along plunge to depth at approximately the 650m level intersecting several vein alteration zones and the iron-formation contact. The most significant vein alteration zone with elevated pyrite content returned 8.34 g/t Au over 6.40m found 150m south of the iron-formation in the hanging wall sediments. An additional zone occurs 15 metres deeper. All holes intersected the main shear zone defining the upper contact of the Central Block iron-formation.

Drill hole	From (m)	To (m)	Width (1) (m)	Au (2) (g/t)
MSW-10-269	**600.50**	**606.90**	**6.40**	**8.34**
incl.	600.50	601.00	0.50	**42.73**
	621.00	**631.50**	**10.50**	**2.18**
or	627.00	631.50	4.50	**3.02**
incl.	628.00	629.00	1.00	**5.26**

(1) Drilled widths are currently reported
(2) Metallic checks completed on all assays > 15.0 g/t

Southwest Zone – New *273 Zone*

Drill hole MSW-10-273 was completed as a new mother hole targeting the area 100m up dip of MSW-10-162D, the shallowest drill hole wedge in the *162 Zone*. Three new gold zones were successfully intersected with substantial widths ranging from 38m to 45m, all hosted within variably intense ankerite alteration over 215 metres.

MSW-10-273 intersected a gold zone in the area previously interpreted to contain the Central Block iron formation. This first gold zone returned 3.82 g/t Au over 3.87m and 3.67 g/t Au over 4.20m within a substantial larger zone of 1.97 g/t Au over 45.07m.

A second gold zone was intersected in the hanging wall (south) side of the Eastern Block iron formation similar to the mineralization intersected in MSW-10-162D (4.80g/t over 8.61m). This second gold zone returned 2.33 g/t Au over 41.65m including 4.07 g/t Au over 15.5m and 4.96 g/t Au over 8.45m.

A large third gold zone was discovered, similar in grade and width to the *267 Zone* up-dip extension along the hanging wall (south) side of the East Block iron formation. This third zone returned 3.51 g/t Au over 38.00 metres, including 5.66 g/t Au over 6.25m and 4.78 g/t Au over 7.7m. The style of the gold mineralization, including reported grade and width, is similar to the Central Block which contains the bulk of the historical resource of 625,000 oz Au at 5.98 g/t.

The new 273 Zone has substantially added to the gold mineralization potential of East Block iron-formation both to the west and up-dip. Drill hole wedge MSW-10-273A targeted the Central Block and East Block iron-formations to the east but was abandoned due to wedging difficulties and replaced by MSW-10-273B. MSW-10-273B, drilled both to the east and at a higher elevation than MSW10-273, was successfully completed in Q1 2011.

Highlights from the *273 Zone* intersections include:

Drill hole	From (m)	To (m)	Vertical depth (m)	Width [(1)] (m)	Au [(2)] (g/t)	g X m
MSW-10-273	**1021.13**	**1066.20**	**810**	**45.07**	**1.97**	**89**
incl.	1021.13	1025.00		**3.87**	**3.82**	
and	1032.64	1040.00		**7.36**	**2.67**	
and	1062.00	1066.20		**4.20**	**3.67**	
	1088.50	**1130.15**	**855**	**41.65**	**2.33**	**97**
incl.	1109.60	1125.10		**15.50**	**4.07**	
and	1112.50	1120.95		**8.45**	**4.96**	
	1172.00	**1210.00**	**890**	**38.00**	**3.51**	**133**
incl.	1173.95	1180.20		**6.25**	**5.66**	
and	1183.15	1190.85		**7.70**	**4.78**	

(1) Drilled widths are currently reported
(2) Metallic checks completed on all assays > 15.0 g/t

Greater *Southwest Zone* (including *162 Zone, 267 Zone, 269 Zone* and *273 Zone*) - next steps

Continued successes with the 2010 drilling continue to illustrate the potential and widespread nature of this gold system and its ability to generate high grade gold mineralization. Drilling has now significantly expanded the gold mineralization further into the hanging wall sediments with new vein and alteration zones confirmed. These are in addition to those zones previously known and found along the south iron formation contact and in the immediate hanging wall sediments. Mineralization continues to occur as discrete high grade quartz vein zones and broad stockworks, both returning significantly elevated high grade gold values with sulphidization at the iron formation contact.

The Company continues to build on the newly discovered significant and wide quartz vein alteration zones, in particular those in the *162 Zone*, *267 Zone*, *269 Zone*, and *273 Zone* in order to build new resources and integrate the historical data and resources primarily found in the upper 400m of the *Southwest Zone*. Areas of high potential have been defined at intermediate depths (400-850m vertically) both in the Central and East blocks. Both these settings have identified gold mineralization along the iron-formation contact with sulphidization, and zones located well into the associated hanging wall sediments.

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 a significant 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 examples of near-surface high grade results from the 2010 drill program (note: drilled width approximates true width):

Drill hole	From (m)	To (m)	Width [1] (m)	Au [2] (g/t)
M55-10-1	50.30	50.70	0.40	4.03
	104.50	110.00	5.50	4.15
incl.	106.03	106.36	0.33	10.29
	112.60	113.00	0.40	4.48
	147.90	149.66	1.76	3.00
	151.40	151.71	0.31	16.05
	159.62	160.28	0.66	3.00
	168.58	169.17	0.59	2.68
	184.08	184.58	0.50	4.04
M55-10-2	31.41	32.06	0.65	5.01
	72.84	73.21	0.37	5.74
	88.42	88.96	0.54	3.16
	90.90	91.28	0.38	4.07
	92.28	93.20	0.92	4.64
	119.42	119.74	0.32	3.06
	127.23	127.75	0.52	13.65
	151.71	152.62	0.91	14.76
	155.25	155.82	0.57	4.72
M55-10-3	41.88	43.52	1.64	7.02
	89.00	91.10	2.10	3.98
	133.30	133.70	0.40	3.36
	174.80	175.45	0.65	10.58
M55-10-4	76.60	78.80	2.20	8.70
incl.	76.60	77.00	0.40	13.27
and	77.50	77.85	0.35	7.84
	80.35	81.80	1.45	21.39
incl.	80.35	80.70	0.35	8.25
and	80.70	81.14	0.44	29.42
and	81.14	81.80	0.66	23.01
	115.00	115.70	0.70	15.04
M55-10-5	53.60	54.07	0.47	9.33
	101.36	101.70	0.34	3.14
	192.00	193.20	1.20	4.07
incl.	192.72	193.20	0.48	6.11
	266.30	268.90	1.20	9.67
incl.	266.70	267.20	0.50	7.73
and	267.20	267.90	0.70	11.05
M55-10-8	202.60	203.00	0.40	3.94
	249.35	250.56	1.21	12.00
incl.	249.78	250.23	0.45	25.63
	252.20	252.85	0.65	6.04
M55-10-11	215.47	215.74	0.27	18.79
	215.74	216.20	0.46	1.41
	216.20	216.55	0.35	14.33
M55-10-14	88.60	88.90	0.30	22.68
	89.65	89.95	0.30	16.86
	92.66	95.30	2.64	14.90
	100.00	100.95	0.95	3.08

(1) Drilled widths are currently reported
(2) Metallic checks completed on all assays >15.0 g/t

The Company is currently evaluating new drill targets for both the sulphidized iron formation and quartz vein zone style of gold mineralization along strike and to depth. There was no additional drilling undertaken in the *55 Zone* in Q3 and Q4. In addition, the *55 Zone,* including the very significant 2010 drilling results, is currently being evaluated as a potential bulk tonnage resource.

PORCUPINE CAMP (TIMMINS AREA) PROPERTIES

Moneta owns a 100% interest in 4 Porcupine Camp projects from east to west; Nighthawk Lake, North Tisdale, Kayorum, and Denton-Thorneloe. Moneta's Nighthawk Lake and North Tisdale projects were subject to short drill programs in 2010.

Nighthawk Lake property

The *Nighthawk Lake* property is located at the eastern end of the Porcupine Camp on Nighthawk Lake approximately 30 km east of Timmins And represents "mini gold camp" defined primarily by gold mineralization along the Nighthawk Break, a prominent splay off the Destor Porcupine Fault/Deformation Zone. The *Nighthawk Lake* project is along the Destor, immediately north of the Nighthawk Break hosting Goldcorp's Nighthawk Mine, several other gold zones, as well as St Andrew's Aquarius Deposit.

Moneta recently acquired a 100% interest in 29 claim units in Cody Township from St Andrew Goldfields. The acquired Cody Township claims have consolidated the property, covering the westerly strike extension to Moneta's *Collins Zone* by at least 200 metres, increasing the total strike length to 700 metres, with additional untested potential continuing westerly.

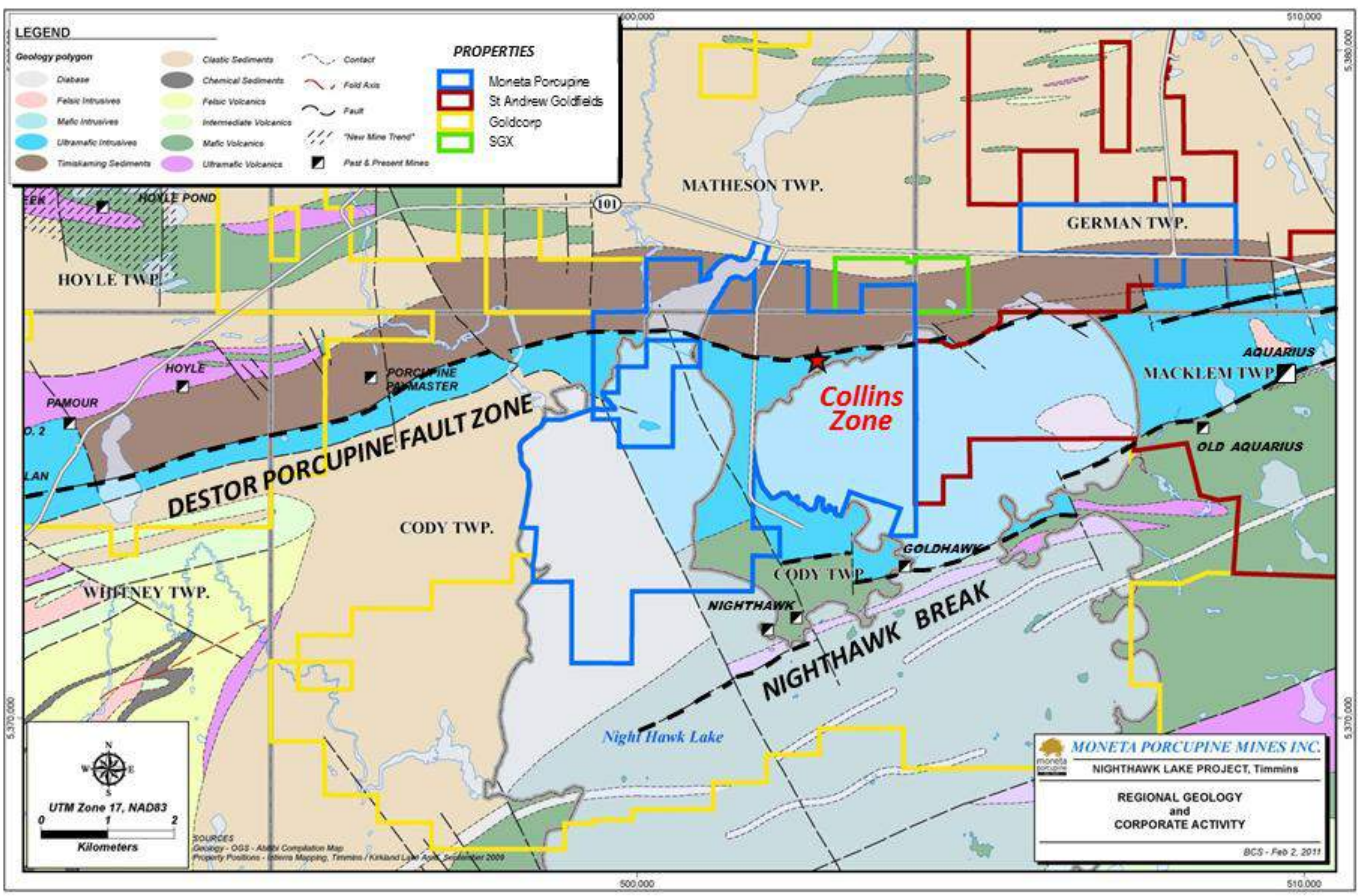

Figure IV – Moneta's Nighthawk Lake Project including *Collins Zone*

Moneta's 1997-2006 drilling resulted in several gold intersections of economic merit (up to 9.54 g/t of gold over 5.75 metres) over a strike length of 500m defining the *Collins Zone*. The gold mineralization is hosted within a moderately northerly dipping broad zone of highly altered ultramafic volcanics in contact with overlying Timiskaming sediments and is similar to the nearby Aquarius Mine consisting of quartz stringers within green carbonate alteration zone.

In Q4 2010, a review was completed to identify structural controls on the *Collins Zone* mineralization identifying east-west and north-northwest structures, both north and northeast dipping. A short follow-up drill program consisted of 3 holes for a total of 709 metres.

Drill holes NHL10-29 and NHL10-31 were completed within the *Collins Zone* to obtain oriented drill core to support structural interpretation with best results from NHL10-29 showing both local very high grade and broader lower grade styles of mineralization. A third hole NHL10-30 was completed as a step-out to the west along the mineralized trend and intersected a thick sequence of talc-chlorite altered ultramafic rocks with locally weak grey carbonate alteration. Numerous fault and shear zones occur in the drill hole that may have displaced the main alteration trend. Summary drill results are tabulated below:

Drill hole	From (m)	To (m)	Vertical depth (m)	Width [1] (m)	Au [2] (g/t)
NHL10-29	**181.70**	**239.00**	**175**	**57.30**	**2.00**
incl.	181.70	191.50		**9.80**	**3.34**
and	214.00	232.00		**18.00**	**1.30**
and	236.68	239.00		**2.32**	**21.62**
NHL10-30	**86.50**	**92.35**		**5.85**	**1.79**
incl.	89.18	90.18		**1.00**	**8.83**

[1] Drilled widths are currently reported
[2] Metallic checks completed on all assays >15.0 g/t

The Company is currently evaluating the potential expansion of the higher grade within the zone to support a near-surface bulk tonnage gold resource given the style of gold mineralization, proximity to milling infrastructure, and potentially favourable zone geometry.

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 Q3 2010 and into Q4 2010 a two hole 787 metre shallow drill program was completed, testing a shallow interpreted WSW trending structure along an ultramafic/mafic volcanic contact and a separate NW structure. Structures were defined with no significant mineralization intersected. Data integration is continuing with the focus 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 annual 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 (Earnings), Comprehensive Loss (Earnings) and Deficit, and Consolidated Statements of Cash Flows for the years ended December 31, 2010 and 2009.

SELECTED ANNUAL INFORMATION

($ except per share data)	**For the years ended December 31,**		
Highlights	**2010**	2009	2008
Revenue	**-**	-	-
Net loss (earnings) and comprehensive loss (earnings)	**(619,498)**	518,647	410,264
Net earnings (loss) per share	**$0.00**	$0.00	$0.00
Total Assets	**15,774,936**	13,931,500	7,855,469
Total Long-term liabilities	**Nil**	Nil	Nil

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			
Highlights	**Dec**	Sep	Jun	Mar	Dec	Sep	Jun	Mar
Revenue	**-**	-	-	-	-	-	-	-
Net loss (earnings) and comprehensive loss (earnings)	**212,777**	140,140	421,599	(1,394,014)	238,500	8,551	111,974	159,623
Net loss (earnings) per Share	**(0.00)**	0.00	0.00	(0.01)	0.00	0.00	0.00	0.00

SIGNIFICANT EVENTS DURING THE FOURTH QUARTER 2010

Moneta continued the most aggressive exploration program in its history in Q4 2010. Mineral property acquisition and deferred exploration expenditures in Q4 2010 were $1,328,933 (YTD 2010 - $4,880,721) as compared to $1,775,249 in Q4 2009 (YTD 2009 - $2,230,952). The exploration primarily focused on the Southwest Zone corridor, and intersected three new gold zones (162 Zone, 267 Zone and East Block Zone) with the best grades and widths ever on its 100% owned Golden Highway Project.

In October 2010, Moneta completed a non-brokered private placement financing ("Placement") and issued 7,500,000 Units at $0.20 per Unit for aggregate gross proceeds of $1,500,000. Each Unit was comprised of a one common share and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one common share at an exercise price of $0.35 for a term of eighteen months following the closing of the Placement. The shortfall in cash restricted for flow-through at December 31, 2009, resulting from the December 2009 buyout of the joint venture partner on the Golden Highway Project which is now 100% owned by Moneta, was fully reimbursed as a result of this financing.

SIGNIFICANT EVENTS DURING 2010

During the year, 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. At the Company's request, the deadline was subsequently extended to eight months. The Company elected not to appeal the decision, secured a consultant, and is undertaking necessary steps to facilitate compliance with the Order. 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 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.

In 2010, the Company granted 2,250,000 (2009 – 2,345,323) stock options to directors, officers, and consultants with a weighted average grant date fair value of $0.29 per option. Also during the year, directors, officers and consultants exercised 4,486,738 (2009 – 797,000) stock options at an average exercise price of $0.13 for total gross proceeds of $381,286 (2009 – $105,250). The fair value of $373,009 related to the exercised stock options and previously charged to contributed surplus was reversed to share capital.

During the year, the Company issued 3,579,117 (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 $644,241 (2009 - $220,500). The fair value of $355,987 related to the exercised warrants and previously charged to contributed surplus was reversed to share capital.

CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with the Consolidated Statements of Net Loss (Earnings), Comprehensive Loss (Earnings) and Deficit for the years ended December 31, 2010 and 2009 and the corresponding notes thereto. All references to years "2010" or "2009" relate to the years ended December 31 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 $212,777 in Q4 2010 (YTD 2010 - $619,498 net earnings) as compared to a net loss and comprehensive loss of $238,500 in Q4 2009 (YTD 2009 - $518,647). Stock-based compensation expense, a non-cash charge related to the issuance of stock options, was $15,934 in Q4 2010 (YTD 2010 - $217,814) as compared to $NIL in Q4 2009 (YTD 2009 - $590,737). Management fees were $105,856 in Q4 2010 (YTD 2010 - $269,255) as compared to $236,233 in Q4 2009 (YTD 2009 - $408,707). The 2010 management fees relate to CEO Services, accounting services, and also include a one-time severance payment in the amount of $37,500 to a former director. General & administration expenses were $34,278 in Q4 2010 (YTD 2010 - $185,072) as compared to $22,085 in Q4 2009 (YTD 2009 - $117,361). The increase is primarily related to the costs associated with the Toronto annual general meeting, cash director fees paid for the first time in 2010, and incremental costs related to the dissemination of a higher number of press releases from an active exploration program in 2010. Legal and audit expenses were $35,900 in Q4 2010 (YTD 2010 - $121,570) as compared to $9,854 in Q4 2009 (YTD 2009 - $34,604). The audit and related fees are largely unchanged year over year. The increase is primarily related to legal work associated with the annual general meeting, with additional disclosure regarding IFRS (which are effective January 1, 2011), with addressing the decision by the Mining and Lands Commissioner on the former Moneta Mine, as well as legal work associated with agreements for new employees and consultants. The unrealized loss (gain) on investments held for trading, resulting from market value fluctuations, was $4,653 in Q4 2010 (YTD 2010 - $60,023 unrealized loss) as compared to $2,890 unrealized loss in Q4 2009 (YTD 2009 - $13,110 unrealized gain). Travel and promotion expenses were $20,067 in Q4 2010 (YTD 2010 - $60,236) as compared to $NIL in Q4 2009 (YTD 2009 - $51,395). The increase is primarily related to airfare and hotel accommodations for technical consultants who travelled from Toronto to Timmins to support the increased level of exploration activities in 2010. Other income was $3,677 in Q4 2010 (YTD 2010 - $4,963) as compared to $8,394 in Q4 2009 (YTD 2009 - $40,535). The reduction is primarily due to mineral property option payments received only in 2009, and the result of Moneta using its coreshack, previously rented out to other exploration companies, exclusively for its own aggressive 2010 drill program. Recovery of future income taxes related to the renunciation of flow through expenditures was $NIL in Q4 2010 (YTD 2010 - $1,508,500) as compared to $NIL in Q4 2009 (YTD 2009 - $40,600). The variation relates to the renunciation of tax credits on flow through expenditures, in the normal course, in Q1 of the year following the financings; a flow through financing of $6,034,000 was completed in 2009 as compared to $140,000 in 2008. The October 2010 financing was a hard dollar financing.

CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the Consolidated Balance Sheets as at December 31, 2010 and 2009, and the corresponding notes thereto. References made to "2010" or "2009" relate to the respective balances as at December 31, unless stated otherwise.

Consolidated assets

Consolidated assets were $15,744,936 at December 31, 2010 as compared to $13,931,500 at December 31, 2009. Cash and equivalents was $1,389,019 at December 31, 2010 as compared to $4,654,189 at December 31, 2009. Mineral properties and deferred costs were $14,007,837 at December 31, 2010 as compared to $9,127,116 at December 31, 2009, resulting from the significant increase in exploration expenditures during the year.

Consolidated liabilities

Consolidated liabilities were $536,529 at December 31, 2010 as compared to $484,411 at December 31, 2009. The marginal increase is due to an increase in exploration expenditures on the Golden Highway Project, incurred in Q4 2010 but unpaid in the normal course until Q1 2011.

Shareholders' equity

Shareholders' equity was $15,238,407 at December 31, 2010 as compared to $13,447,089 at December 31, 2009. The increase is primarily due to the common shares issuances on the $1,500,000 October 2010 financing, the $381,286 in stock option exercises and the $644,241 in warrant exercises, in addition to $619,498 in net earnings and comprehensive earnings, all offset by the reduction in capital stock resulting from the Q1 2010 renunciation of flow-through of $1,508,500.

LIQUIDITY AND CAPITAL RESOURCES

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

The consolidated working capital ratio at December 31, 2010, including cash restricted for flow-through, was 3.3 : 1 as compared to 10 : 1 at December 31, 2009. The Company is well-funded at December 31, 2010 with $1.4 million in cash and equivalents and $340,707 in other receivables, primarily comprised of HST recoverable. In addition, the Company completed a $6.6 million financing in March 2011.

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 years ended December 31, 2010 and 2009.

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 and equivalents were $1,389,019 at December 31, 2010. Other receivables of $340,707 primarily consist of HST Recoverable and other receivable amounts to be collected in Q1 2011. Accounts payable and accrued liabilities of $536,529 primarily relate to unpaid Q4 2010 exploration expenditures paid in the normal course.

Cash provided from (used in) operating activities

Cash used in operations totaled $846,955 in 2010, as compared to $48,796 in 2009. The variation is primarily due to the 2010 renunciation of tax credits on flow-through expenditures of $1,508,500, and cash used in net changes in non-cash working capital balances of $235,790 in 2010 as compared to cash provided of $327,351 in 2009 offset by the net earnings and comprehensive earnings of $619,498 in 2010 as compared to a net loss and comprehensive loss of $518,647 in 2009.

Cash provided from (used in) investing activities

Cash used in investing activities was $4,880, 721 for 2010, as compared to $2,068,562 in 2009 primarily reflecting the significant year over year increase in exploration expenditures.

Cash provided from (used in) financing activities

Cash provided from financing activities were $2,462,506 for 2010 as compared to $6,084,235 in 2009, representing the proceeds on the $1,500,000 financing in October 2010 net of issue costs of $63,021, and the $1,025,527 in stock option and warrant exercises in 2010, as compared to the $6,034,000 financings completed in 2009.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company recorded fees of $303,000 (2009 - $416,703) to related individuals and companies controlled by officers or consultants for the year ended December 31, 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 $217,814 (2009 - $201,880) were issued to directors, officers or consultants during the year. Directors' fees of $40,750 were paid or payable during the year.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and interim 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 December 31, 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 December 31, 2010. The CEO and interim 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 net loss (earnings), comprehensive loss (earnings) 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.

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash and cash equivalents	Held for trading
Other receivables	Loans and receivables
Investments held for trading	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities

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.

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs to fair value measurements, including their classifications within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities:
Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - Inputs that are not based on observable market data.

The assets carried at fair value are cash and equivalents and investments held for trading, both considered Level 1 in the hierarchy.

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.

Use of estimates

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 year. Actual results could differ from these estimates.

Significant areas requiring the use of management estimates relate to the determination of carrying value of mineral properties and deferred costs, stock-based compensation, future tax assets and liabilities and contingencies.

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 (earnings), comprehensive loss (earnings) and deficit for the year.

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 (earnings), comprehensive loss (earnings) and deficit for the year.

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 (earnings), comprehensive loss (earnings) and deficit.

Impairment of long-lived assets

The Company has adopted the CICA Handbook Section 3063: Impairment of Long-Lived Assets. This section requires the Company assess the impairment of long-lived assets, which consist primarily of mineral properties, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company reviews mineral properties for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable based on future discounted cash flow models. An investment carried at cost is written down when an impairment, other than temporary, has occurred.

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 (earnings), comprehensive loss (earnings) 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% - 1.4%
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 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.

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. As at December 31, 2010, the Company has no environmental expenditures or known liabilities.

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.

Comprehensive loss (earnings)

Comprehensive loss (earnings) 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 loss (earnings) is comprised of net loss (earnings) for the period and other comprehensive loss (earnings), and this standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "Other comprehensive loss (earnings)" until it is considered appropriate to recognize into net loss (earnings). Comprehensive loss (earnings), and its components, are required to be presented in a separate financial statement that is displayed with the same prominence as the other financial statements.

The Company had no comprehensive loss (earnings) transactions, other than its net loss (earnings) which is presented in the Consolidated Statements of Net Loss (Earnings), Comprehensive Loss (Earnings) and Deficit, nor accumulated other comprehensive loss (earnings) during the periods that have been presented. Accordingly a statement of comprehensive loss (earnings) 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.

CHANGES 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.

Recent Accounting Pronouncements

Business Combinations

CIBC Handbook Section 1582 - Business Combinations, which replaces Section 1581, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. The new standard applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The Company does not expect the adoption of this new standard to have an impact on its financial statements.

Consolidated Financial Statements and Non-Controlling Interests

CIBC Handbook Section 1601 - Consolidated Financial Statements and Section 1602 - Non-Controlling Interests, together, replace Section 1600 - Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes the accounting for a non-controlling interest in a subsidiary, in the consolidated financial statements, subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011 however earlier adoption is permitted. The Company does not expect the adoption of this new standard to have an impact on its financial statements.

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 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 December 31, 2010 was $1,729,726 (December 31, 2009 - $4,712,340), and was comprised of $340,707 (December 31, 2009 - $58,151) in Other receivables primarily comprised of GST recoverable, and $1,389,019 (December 31, 2009 - $4,654,189) in Cash and equivalents 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 foreign currency exchange rates, commodity prices, interest 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.

Commodity price risk

Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside of the Company's control. The current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

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.

Sensitivity Analysis

The Company believes that the movements in investments held for trading that are reasonably possible over the next twelve-month period will not have a significant impact on the Company. 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 December 31, 2010, the Company has a total of 142,255,882 (December 31, 2009 - 126,690,027) common shares outstanding and 4,009,906 (December 31, 2009 – 7,266,644) stock options outstanding with an average exercise price of $0.20 (December 31, 2009 - $0.12) per share.

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
MONETA PORCUPINE MINES INC.:

We have audited the accompanying consolidated financial statements of Moneta Porcupine Mines Inc. which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of net loss (earnings), comprehensive loss (earnings) and deficit, and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material aspects, the financial position of Moneta Porcupine Mines Inc. as at December 31, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

March 30, 2011 | Sievert & Sawrantschuk LLP
Toronto, Canada | Chartered Accountants, Licensed Public Accountants

MONETA PORCUPINE MINES INC.

Consolidated Balance Sheets

As at December 31,	Note	2010 $	2009 $
Current assets			
Cash and equivalents		**1,389,019**	4,654,189
Prepaid expenses		**26,206**	20,854
Other receivables		**340,707**	58,151
Total current assets		**1,755,932**	4,733,194
Investments held for trading		**11,167**	71,190
Mineral properties and deferred costs	3	**14,007,837**	9,127,116
		15,774,936	13,931,500
Current liabilities			
Accounts payable and accrued liabilities		**536,529**	484,411
Total current liabilities		**536,529**	484,411
Contingent liabilities	8		
Shareholders' equity			
Capital stock	4	**30,074,074**	28,923,587
Contributed surplus	5	**2,869,813**	2,848,480
Deficit		**(17,705,480)**	(18,324,978)
Total shareholders' equity		**15,238,407**	13,447,089
		15,774,936	13,931,500

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

Approved on behalf of the Board of Directors:

Ian C. Peres, Director

Alex Henry, Director

MONETA PORCUPINE MINES INC.

Consolidated Statements of Net Loss (Earnings), Comprensive Loss (Earnings) and Deficit

For the years ended December 31,	Note	2010 $	2009 $
Expenses			
Stock-based compensation	4	217,814	201,880
Management fees		269,255	408,707
General & administration		185,072	117,361
Legal & audit		121,570	34,604
Unrealized loss (gain) on investments held for trading		60,023	(13,110)
Travel and promotion		60,236	51,395
Realized gain on sale of investments held for trading		-	(5,670)
Other income		(4,963)	(40,535)
Interest income		(20,005)	(12,985)
Realized gain on disposal of mineral properties		-	(182,400)
Loss before income taxes		889,002	559,247
Recovery of future income taxes	6	(1,508,500)	(40,600)
Net loss (earnings) and comprehensive loss (earnings)		(619,498)	518,647
Deficit - beginning of year		18,324,978	17,806,331
Deficit - end of year		17,705,480	18,324,978
Loss (earnings) per share (basic and diluted)		($0.00)	$0.00
Weighted average outstanding shares		130,541,407	113,407,285

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

MONETA PORCUPINE MINES INC.

Consolidated Statements of Cash Flows

For the years ended December 31,	2010 $	2009 $
Operating activities		
Net (loss) earnings and comprehensive (loss) earnings	**619,498**	(518,647)
Add : non-cash items		
Unrealized loss (gain) on investments held for trading	**60,023**	(13,110)
Realized gain on sale of investments held for trading	**-**	(5,670)
Stock-based and other compensation	**217,814**	201,880
Recovery of future income taxes	**(1,508,500)**	(40,600)
Net change in non-cash working capital balances	**(235,790)**	327,351
Cash provided from (used in) operating activities	**(846,955)**	(48,796)
Investing activities		
Investments held for trading	**-**	(20,010)
Mineral property option payments received	**-**	182,400
Mineral properties and deferred costs	**(4,880,721)**	(2,230,952)
Cash provided from (used in) investing activities	**(4,880,721)**	(2,068,562)
Financing activities		
Issuance of common shares on exercise of stock options and warrants	**1,025,527**	325,750
Issuance of common shares, net of issue costs	**1,436,979**	5,758,485
Cash provided from (used in) financing activities	**2,462,506**	6,084,235
Net increase (decrease) in cash and equivalents	**(3,265,170)**	3,966,877
Cash and equivalents, beginning of year	**4,654,189**	687,312
Cash and equivalents, end of year	**1,389,019**	4,654,189
Interest paid during the year	**850**	39
Income taxes paid during the year	**-**	-
Common shares issued to acquire mineral properties	**-**	-

The accompanying notes are an integral part of these consolidated 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 and drill core storage. 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 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 (earnings), comprehensive loss (earnings) 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.

The Company has classified its financial instruments as follows:

Financial Instrument	Classification
Cash and cash equivalents	Held for trading
Other receivables	Loans and receivables
Investments held for trading	Held for trading
Accounts payable and accrued liabilities	Other financial liabilities

2. Significant accounting policies (continued)

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.

During 2009, CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs to fair value measurements, including their classifications within a hierarchy that prioritizes the inputs to fair value measurements. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities:
Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - Inputs that are not based on observable market data.

The assets carried at fair value are cash and equivalents and investments held for trading, both considered Level 1 in the hierarchy.

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.

Use of estimates

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 year. Actual results could differ from these estimates.

Significant areas requiring the use of management estimates relate to the determination of carrying value of mineral properties and deferred costs, stock-based compensation, future tax assets and liabilities and contingencies.

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.

2. Significant accounting policies (continued)

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 (earnings), comprehensive loss (earnings) and deficit for the year.

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 (earnings), comprehensive loss (earnings) and deficit for the year.

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. Interest income is accrued as earned.

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 Consolidated Statements of Net Loss (Earnings), Comprehensive Loss (Earnings) and Deficit.

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 (earnings), comprehensive loss (earnings) and deficit.

2. Significant accounting policies (continued)

Impairment of long-lived assets

The Company has adopted the CICA Handbook Section 3063: Impairment of Long-Lived Assets. This section requires the Company assess the impairment of long-lived assets, which consist primarily of mineral properties, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The Company reviews mineral properties for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable based on future discounted cash flow models. An investment carried at cost is written down when an impairment, other than temporary, has occurred.

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 (earnings), comprehensive loss (earnings) 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% - 1.4%
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 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 year. 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 years 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 (earnings) per share are the same.

2. Significant accounting policies (continued)

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. As at December 31, 2010, the Company has no environmental expenditures or known liabilities.

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.

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 loss (earnings)

Comprehensive loss (earnings) 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 loss (earnings) is comprised of net loss (earnings) for the period and other comprehensive loss (earnings), and this standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in “Other comprehensive loss (earnings)” until it is considered appropriate to recognize into net loss (earnings). Comprehensive loss (earnings), and its components, are required to be presented in a separate financial statement that is displayed with the same prominence as the other financial statements.

The Company had no comprehensive loss (earnings) transactions, other than its net loss (earnings) which is presented in the Consolidated Statements of Net Loss (Earnings), Comprehensive Loss (Earnings) and Deficit, nor accumulated other comprehensive loss (earnings) during the periods that have been presented. Accordingly a statement of comprehensive loss (earnings) 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.

Recent Accounting Pronouncements

Business Combinations

CIBC Handbook Section 1582 - Business Combinations, which replaces Section 1581, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. The new standard applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier application is permitted. The Company does not expect the adoption of this new standard to have an impact on its financial statements.

Consolidated Financial Statements and Non-Controlling Interests

CIBC Handbook Section 1601 - Consolidated Financial Statements and Section 1602 - Non-Controlling Interests, together, replace Section 1600 - Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes the accounting for a non-controlling interest in a subsidiary, in the consolidated financial statements, subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011 however earlier adoption is permitted. The Company does not expect the adoption of this new standard to have an impact on its financial statements.

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.

3. Mineral properties and deferred costs

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

For the years ended December 31,	2010 $	2009 $
Acquisition costs		
Balance, beginning of year	**1,617,716**	598,963
Acquisition costs [(1)]	**7,918**	1,018,753
Balance, end of year	**1,625,634**	1,617,716
Deferred exploration and development expenditures		
Balance, beginning of year	**7,509,400**	6,479,600
Exploration expenditures [(2)]	**4,872,803**	1,029,800
Balance, end of year	**12,382,203**	7,509,400
Balance, end of year	**14,007,837**	9,127,116

(1) Acquisition costs in 2009 of $1,018,753 primarily related to the buyout of the Michaud Joint Venture now owned 100% by Moneta.

(2) Exploration expenditures amounted to $4,872,803 for the year ended December 31, 2010 (2009 - $1,029,800).

	Acquisition costs			Deferred exploration and development expenditures			
	Opening January 1, 2010	**Additions**	**Closing December 31, 2010**	**Opening January 1, 2010**	**Expenditures**	**Closing December 31, 2010**	**Total December 31, 2010**
Golden Highway Project	1,609,003	7,018	**1,616,021**	5,354,015	4,639,139	**9,993,154**	**11,609,175**
North Tisdale	1,022	-	**1,022**	1,698,773	116,781	**1,815,554**	**1,816,576**
Kayorum	6,500	900	**7,400**	379,330	36,294	**415,624**	**423,024**
Nighthawk Lake	1,191	-	**1,191**	5,366	79,730	**85,096**	**86,287**
Denton Thorneloe	-	-	**-**	71,916	859	**72,775**	**72,775**
	1,617,716	**7,918**	**1,625,634**	**7,509,400**	**4,872,803**	**12,382,203**	**14,007,837**

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:

For the years ended December 31,	**2010**		2009	
	No. of Shares	**$**	No. of Shares	$
Balance, beginning of year	**126,690,027**	**28,923,587**	101,879,792	24,425,846
Issuance of shares for cash:				
Private placements [(1)]	**7,500,000**	**1,500,000**	22,788,235	6,034,000
Exercise of stock options [(2)]	**4,486,738**	**381,286**	797,000	105,250
Exercise of warrants [(3)]	**3,579,117**	**644,241**	1,225,000	220,500
Issuances of shares for non-cash consideration:				
Fair value on exercise of stock options [(2)]		**373,009**		-
Fair value on exercise of warrants [(3)]		**355,987**		-
Income tax benefits renounced on flow-through shares (Note 6)		**(1,508,500)**		(40,600)
Valuation of purchase warrants issued during the year [(1)]		**(532,515)**		(1,545,894)
Share issuance costs [(1)]		**(63,021)**		(275,515)
Balance, end of year	**142,255,882**	**30,074,074**	126,690,027	28,923,587

(1) In October 2010, Moneta completed a non-brokered private placement financing ("Placement") and issued 7,500,000 Units at $0.20 per Unit for aggregate gross proceeds of $1,500,000. Each Unit was comprised of a one common share and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one common share at an exercise price of $0.35 for a term of eighteen months following the closing of the Placement. The estimated fair value of these Warrants is $532,515 using the Black Scholes model and was charged as reduction in share capital on the Balance Sheet and credited to contributed surplus in shareholders' equity. The weighted average fair value amounted to $0.071 per Warrant. Share issue costs associated with this financing were $63,021 in cash finders' fees and TSX fees.

In 2009, the Company completed two non-brokered private placement financings. In December 2009, 12,000,000 structured flow-through units were issued at $0.35 per share for aggregate gross proceeds of $4,200,000. In August 2009, 10,788,235 structured flow-through units at $0.17 per share were issued for aggregate gross proceeds of $1,834,000.

(2) During the year, directors, officers and consultants exercised 4,486,738 (2009 - 797,000) stock options for total gross proceeds of $381,286 (2009 - $105,250). The fair value of $373,009 related to the exercised stock options and previously charged to contributed surplus was reversed to share capital.

(3) During the year, the Company issued 3,579,117 (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 $644,241 (2009 - $220,500). The fair value of $355,987 related to the exercised warrants and previously charged to contributed surplus was reversed to share capital.

4. Capital stock (continued)

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:

For the years ended December 31,	**2010**		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]	**0.29**	**2,250,000**	0.10	2,345,323
Options exercised [2]	**0.08**	**(4,486,738)**	0.13	(797,000)
Expired [3]	**0.27**	**(1,020,000)**	0.12	(1,412,000)
Outstanding, end of period	**$0.20**	**4,009,906**	$0.12	7,266,644
Exercisable, end of period	**$0.19**	**3,597,402**	$0.11	7,266,644

(1) During the year, the Company granted 2,250,000 (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 over one to three year periods, was $217,814 (2009 - $201,880) for the year using the Black Scholes model and was charged as stock-based compensation to the consolidated statements of net loss (earnings), comprehensive loss (earnings) and deficit and credited to contributed surplus in shareholders' equity. The weighted average grant date fair value amounted to $0.29 (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	0.5%-1.4% (2009: 0.5%-1.0%)
Expected life	5 years (based on option term)
Expected volatility	88%-89% (2009: 85%-88% / 2008: 73%-76%)
Expected dividend yield	0.00%

(2) During the year, directors, officers and consultants exercised 4,486,738 (2009 - 797,000) stock options at an average exercise price of $0.08 (2009 - $0.13) for total gross proceeds of $381,286 (2009 - $105,250).

(3) During the year, following the departures of a director and a former employee, a total of 1,020,000 (2009 - 1,412,000) stock options, with an average exercise price of $0.27 (2009 - $0.12), expired unexercised.

4. Capital stock (continued)

Warrants

			For the years ended December 31,	
			2010	2009
	Exercise Price	Expiry Date	#	#
Outstanding, beginning of year				
Warrants outstanding	$0.18	January 2011	4,169,117	-
Warrants outstanding	$0.45	June 2011	6,000,000	-
			10,169,117	-
Issued during the year				
October 2010 financing	$0.35	April 2012	7,500,000	-
December 2009 financing	$0.45	June 2011	-	6,000,000
August 2009 financing	$0.18	January 2011	-	5,394,117
			7,500,000	11,394,117
Exercised during the year	$0.18	January 2011	(3,579,117)	(1,225,000)
Expired during the year	$0.18	January 2011	(590,000)	-
			13,500,000	10,169,117
Outstanding, end of year:				
Warrants outstanding	$0.18	January 2011	-	4,169,117
Warrants outstanding	$0.45	June 2011	6,000,000	6,000,000
Warrants outstanding	$0.35	April 2012	7,500,000	-
			13,500,000	10,169,117

5. Contributed surplus

For the years ended December 31,	2010 $	2009 $
Balance, beginning of year	2,848,480	1,100,706
Value assigned to:		
Valuation of purchase warrants on financing [1]	532,515	1,545,894
Stock-based compensation on options granted (note 4)	217,814	201,880
Exercise of stock options [2]	(373,009)	-
Exercise of warrants [3]	(355,987)	-
Balance, end of year	2,869,813	2,848,480

(1) The fair value of warrants issues in conjunction with the $1,500,000 non-brokered private placement financings completed in October 2010 was $532,515 using the Black Scholes model with a weighted average fair value of $0.071 per warrant. The underlying assumptions used in the estimation of fair value in the Black Scholes model are as follows:

Risk free rate	1.36%
Expected life	1.5 years (based on warrant term)
Expected volatility	81% (2009: 108%-116%)
Expected dividend yield	0.00%

The fair value of warrants issues in conjunction with the $6,034,000 non-brokered private placement financings completed in August 2009 and December 2009 was $1,545,894 using the Black Scholes model with a weighted average fair value of $0.15 per warrant.

(2) The fair value of $373,009 related to the exercised stock options and previously charged to contributed surplus was reversed to share capital.

(3) The fair value of $355,987 related to the exercised warrants and previously charged to contributed surplus was reversed to share capital.

6. Income taxes

The Company's effective tax rate, which differs from the combined federal and provincial statutory income tax rate of 25% for the year ended December 31, 2010 (2009 – 25%), has been reconciled as follows:

For the years ended December 31,	2010 $	2009 $
Income tax (recovery) provision at statutory rates	222,251	(139,812)
Increase (decrease) related to:		
Stock-based compensation	54,454	50,470
Realized (gain) loss on disposition of mineral property	-	(22,800)
Unrealized (gain) loss on investments held for trading	15,006	(3,246)
Realized (gain) loss on investments held for trading	-	(1,639)
Other	(19,193)	(18,581)
	272,517	(135,608)
Losses forward - applied (not tax benefited)	(272,517)	135,608
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 (earnings), comprehensive loss (earnings) and deficit.

6. Income taxes (continued)

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

For the years ended December 31,	2010	2009
	$	$
Future tax assets:		
Net operating loss carry forwards	768,000	675,000
Resource deductions	(85,000)	583,000
Other	103,000	87,000
	786,000	1,345,000
Less: Valuation allowance	(871,000)	(762,000)
	(85,000)	583,000
Future tax liabilities:		
Resource deductions	85,000	(583,000)
	-	-

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 $3,072,000 (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
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
2030	688,000	-
	3,072,000	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 $303,000 (2009 - $416,703) to related individuals and companies controlled by officers or consultants for the year ended December 31, 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 $217,814 (2009 - $201,880) were issued to directors, officers or consultants during the year. Directors' fees of $40,750 were paid or payable during the year.

8. Contingent liabilities

During the year, 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. At the Company's request, the deadline was extended to June 2011. The Company has elected not to appeal the decision and has secured a geotechnical consultant and is undertaking necessary steps to facilitate compliance with the Order. These consolidated 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 ongoing.

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 year ended December 31, 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.

10. Financial instruments and risk management (continued)

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 December 31, 2010 was $1,729,726 (December 31, 2009 - $4,712,340), and was comprised of $340,707 (December 31, 2009 - $58,151) in Other receivables primarily comprised of GST recoverable, and $1,389,019 (December 31, 2009 - $4,654,189) in Cash and equivalents 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 foreign currency exchange rates, commodity prices, interest 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.

Commodity price risk

Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside of the Company's control. The current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

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.

Sensitivity Analysis

The Company believes that the movements in investments held for trading that are reasonably possible over the next twelve-month period will not have a significant impact on the Company. The Company believes that its cash position and short term investments provide adequate liquidity to meet all of the Company's near-term obligations.

11. Subsequent events

On March 22, 2011, Moneta completed a financing for $6,600,000. A total of 11,428,571 common shares were issued on a structured flow-through basis at $0.49 per share for gross proceeds of $5,600,000 and 2,857,143 common shares were issued at $0.35 for gross proceeds of $1,000,000.

12. Comparatives

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