MONETA PORCUPINE MINES INC.

Interim Consolidated Financial Statements
and
Management Discussion and Analysis

For the six months ended June 30, 2011

Q2 2011

MONETA PORCUPINE MINES INC.

Interim Consolidated Financial Statements

For the six month period ended June 30, 2011

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

MONETA PORCUPINE MINES INC.

Interim Consolidated Statements of Financial Position (Balance sheet)

UNAUDITED

As at	Notes	June 30, 2011 $	December 31, 2010 $ (Note 10)
Current assets			
Cash and equivalents		**4,690,246**	1,389,019
Prepaid expenses		**23,118**	26,206
Sales taxes recoverable		**720,846**	340,707
Interest receivable		**5,654**	-
Total current assets		**5,439,864**	1,755,932
Investments held for trading		**5,583**	11,167
Exploration and evaluation assets	3	**1,644,268**	1,625,634
		7,089,715	3,392,733
Current liabilities			
Accounts payable and accrued liabilities		**663,626**	536,529
Deferred premium on flow-through shares	4	**1,600,000**	-
Total current liabilities		**2,263,626**	536,529
Contingent liabilities	7		
Shareholders' equity			
Capital stock	4	**36,650,251**	30,533,488
Contributed surplus		**1,251,156**	2,189,583
Deficit		**(33,075,318)**	(29,866,867)
Total shareholders' equity		**4,826,089**	2,856,204
		7,089,715	3,392,733

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

MONETA PORCUPINE MINES INC.

Interim Consolidated Statements of Changes In Shareholders' Equity

UNAUDITED

	Notes	Capital Stock Shares	Capital Stock $	Contributed Surplus	Other Comprehensive Loss (Earnings)	Deficit	Shareholders' Equity
Balance as at December 31, 2010		**142,255,882**	**30,533,488**	**2,189,583**	**-**	**(29,866,867)**	**2,856,204**
Share issuance on private placement financing	**4**	**14,285,714**	**6,600,000**				**6,600,000**
Deferred premium on flow through shares	**4**		**(1,600,000)**				**(1,600,000)**
Share issuance costs	**4**		**(215,074)**				**(215,074)**
Share issuance on exercise of stock options	**4**	**765,500**	**117,170**				**117,170**
Fair value of stock options exercised	**4**		**73,574**	**(73,574)**			**-**
Equity settled transactions - fair value warrants	**4**		**1,141,093**	**(1,141,093)**			**-**
Share based compensation on vested options	**4**			**276,240**			**276,240**
Net earnings (loss) and comprehensive earnings (loss)						**(3,208,451)**	**(3,208,451)**
Balance as at June 30, 2011		**157,307,096**	**36,650,251**	**1,251,156**	**-**	**(33,075,318)**	**4,826,089**

Balance as at January 1, 2010	126,690,027	26,848,329	3,184,326	-	(25,834,379)	4,198,276
Share issuance on exercise of stock options	3,136,738	310,786				310,786
Share issuance on exercise of warrants	100,000	18,000				18,000
Equity settled transactions - fair value warrants		1,470,480	(1,470,480)			-
Share based compensation on vested options			197,639			197,639
Net earnings (loss) and comprehensive earnings (loss)					(1,249,179)	(1,249,179)
Balance as at June 30, 2010	129,926,765	28,647,595	1,911,485	-	(27,083,558)	3,475,522

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

MONETA PORCUPINE MINES INC.

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

UNAUDITED

		Three months ended		Six months ended	
For the periods ended June 30,		**2011**	2010	**2011**	2010
	Notes	**$**	$	**$**	$
			(Note 10)		(Note 10)
Expenses					
Exploration and evaluation expenditures	**3**	**1,503,220**	793,341	**2,645,230**	2,452,506
Stock-based compensation	**4**	**253,251**	197,639	**276,240**	197,639
Management fees		**54,965**	87,500	**104,965**	100,206
General & administration		**41,938**	47,065	**78,849**	87,992
Legal & audit		**43,181**	58,047	**57,417**	65,398
Unrealized loss (gain) on investments held for trading		**4,653**	19,775	**5,584**	55,370
Travel and promotion		**30,568**	18,150	**60,819**	36,604
Other income		**(4,250)**	(888)	**(7,531)**	(888)
Interest income		**(11,327)**	(5,689)	**(13,122)**	(6,236)
Loss before income taxes		**1,916,199**	1,214,940	**3,208,451**	2,988,591
Deferred taxes	**10 (b)**	**-**	(1,430,912)	**-**	(1,739,412)
Net loss (earnings) and comprehensive loss (earnings)		**1,916,199**	(215,972)	**3,208,451**	1,249,179
Deficit - beginning of period		**31,159,119**	27,299,530	**29,866,867**	25,834,379
Deficit - end of period		**33,075,318**	27,083,558	**33,075,318**	27,083,558
Loss (earnings) per share (basic and diluted)		**$0.01**	($0.00)	**$0.02**	$0.01
Weighted average outstanding shares		**150,148,542**	127,624,669	**150,148,542**	127,624,669

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

MONETA PORCUPINE MINES INC.

Interim Consolidated Statements of Cash Flows

UNAUDITED

For the periods ended June 30,	Notes	Three months ended 2011 $	Three months ended 2010 $ (Note 10)	Six months ended 2011 $	Six months ended 2010 $ (Note 10)
Operating activities					
Net (loss) earnings and comprehensive (loss) earnings		**(1,916,199)**	215,972	**(3,208,451)**	(1,249,179)
Add : non-cash items					
Deferred taxes	**10 (b)**	**-**	(1,430,912)	**-**	(1,739,412)
Unrealized loss (gain) on investments held for trading		**4,653**	19,775	**5,584**	55,370
Stock-based and other compensation		**253,251**	197,639	**276,240**	197,639
Net change in non-cash working capital balances		**(844,774)**	196,282	**1,344,392**	(1,550,154)
Cash provided from (used in) operating activities		**(2,503,069)**	(801,244)	**(1,582,235)**	(4,285,736)
Investing activities					
Evaluation and exploration assets		**(2,250)**	-	**(18,634)**	-
Cash provided from (used in) investing activities		**(2,250)**	-	**(18,634)**	-
Financing activities					
Issuance of common shares on exercise of stock options		**-**	254,586	**117,170**	310,786
Issuance of common shares on exercise of warrants		**-**	-	**-**	18,000
Issuance of common shares, net of issue costs		**-**	-	**6,384,926**	-
Renunciation (Deferred premium) on flow-through shares	**4, 10 (b)**	**-**	-	**(1,600,000)**	1,739,412
Cash provided from (used in) financing activities		**-**	254,586	**4,902,096**	2,068,198
Net increase (decrease) in cash and equivalents		**(2,505,319)**	(546,658)	**3,301,227**	(2,217,538)
Cash and equivalents, beginning of period		**7,195,565**	2,983,309	**1,389,019**	4,654,189
Cash and equivalents, end of period		**4,690,246**	2,436,651	**4,690,246**	2,436,651
Interest paid during the period		**27**	2	**30**	39
Income taxes paid during the period		**-**	-	**-**	-
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 public company listed on the Toronto Stock Exchange (**TSX: ME**) and operating under the laws of the Province of Ontario. Moneta is a mineral resource exploration and development company actively exploring for gold on its substantial land package in the Timmins Camp in Timmins, Ontario (Canada). The Company's registered office is 65 Third Avenue, Timmins, Ontario, P4N 1C2. Moneta, a former gold producer, is an exploration stage company and has no properties in current production and no production revenues at the present time.

These unaudited interim consolidated financial statements, including comparatives, have been prepared using International Financial Reporting Standards ("**IFRS**") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from June 30, 2011. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As a result of these risks, there is significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material. The Company will have to raise additional funds to advance it exploration and development efforts and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

2. Significant accounting policies

Basis of presentation

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including *International Accounting Standards 34: Interim Financial Reporting* ("***IAS 34***") and *IFRS 1: First-time Adoption of International Financial Reporting Standards* ("***IFRS 1***")*,* as adopted by the *International Accounting Standards Board* ("***IASB***").

The Company's IFRS accounting policies have been applied consistently in all periods in preparing the unaudited interim consolidated financial statements for the six months ended June 30, 2011, the comparative information for the six months ended June 30, 2010, the annual financial statements for the year ended December 31, 2010 and the preparation of an opening IFRS statement of financial position on the January 1, 2010 Transition Date ("**Transition Date**").

The Company applied *IFRS 1* in preparing these IFRS interim consolidated financial statements. Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company are disclosed in note 10.

The accounting policies applied in these interim consolidated financial statements are based on IFRSs issued and outstanding as of August 11, 2011, the date the Board of Directors approved these interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in the restatement of these interim consolidated financial statements, including the transition adjustments recognized on the change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with the Company's Canadian generally accepted accounting principles ("**Canadian GAAP**") annual consolidated financial statements for the year ended December 31, 2010 and the unaudited interim consolidated financial statements prepared in accordance with IFRS 1 and IAS 34 for the three month period ended March 31, 2011 with comparatives and reconciliations reported in note 10.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and the assets, liabilities, revenues and expenses of its wholly-owned subsidiaries: Wounded Bull Resources Inc. and 508825 Ontario Ltd. The subsidiaries have very limited operations and are planned to be wound up.

Critical accounting estimates and judgments

The preparation of the interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Significant areas requiring the use of management estimates include, but are not limited to, the determination of carrying value of exploration and evaluation assets, the valuation of share-based compensation transactions, the valuation of purchase warrants issued on financings, deferred income tax assets and liabilities, and accrued liabilities and contingencies.

Presentation and functional currency

The Company's presentation currency and functional currency is the Canadian Dollar.

Foreign currency translation

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) and Comprehensive Loss (Earnings), except for differences arising on the translation of available for sale equity instruments that are recorded in other comprehensive income.

Financial instruments

Financial instruments recognized in the statement of financial position include cash and equivalents, other receivables, investments held for trading, and accounts payable and accrued liabilities. The respective accounting policies are described below.

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. Cash and equivalents are classified as held-for-trading and measured at fair value.

Investments

Investments held for trading are recorded at fair value with the difference between fair value and cost being recorded as unrealized gain or loss 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.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are initially recognized at fair value and classified as other financial liabilities measured at amortized cost.

Exploration and evaluation assets

Exploration and evaluation assets include the acquisition costs and deferred exploration and evaluation expenditures of the Company's 'green fields' exploration properties.

Acquisition costs related to exploration properties are capitalized at fair value at the time of purchase. The acquisition costs are written off when an exploration and evaluation asset is disposed of through sale or abandonment.

Exploration and evaluation expenditures incurred on exploration properties are expensed until such time that a future economic benefit is more likely to be realized than not by the establishment of ore resources. Exploration and evaluation expenditures incurred subsequent to the establishment of commercially viable and technically feasible gold resources on a property are capitalized as an asset. Exploration and evaluation assets are not depreciated until the properties are in commercial production.

Asset retirement obligations

Asset retirement obligations are legal and/or constructive obligations. These obligations include, but are not limited to, the retirement of exploration and evaluation assets such as restoration, reclamation and re-vegetation of affected areas. 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 cost of the asset retirement to expense using a systematic and rational method over its useful life, and records the accretion of the liability as a charge to the Consolidated Statements of Net Loss (Earnings), Comprehensive Loss (Earnings).

Impairment of long-lived assets

The Company reviews its long-lived assets, consisting primarily of exploration and evaluation assets, at each reporting period end, for any indicators of impairment whenever events or changes in circumstances indicate that such carrying value may not be recoverable.

To determine whether a long-lived mining asset may be impaired, the recoverable amount is compared to the carrying value of the individual asset. If the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down and the impairment loss is recognized in the Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings).

A previously recognized impairment loss may be reversed only if there has been a change in the estimates used to determine the recoverable amount of the asset since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount and is recognized in the Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings). The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset.

Share-based compensation transactions

Stock options

The fair value of stock options granted to directors, officers, and employees is measured at grant date using the Black-Scholes valuation model using assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares, expected forfeitures and expected life of the options. The fair value of this share-based payment is recognized as a charge to the Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings) with a corresponding credit to shareholders' equity on the Consolidated Statements of Financial Position.

The fair value of stock options, subject to a vesting schedule, is recognized using the accelerated method and is measured using Black Scholes and assumptions at the time of vesting. The applicable fair value of any stock options which are exercised are charged to contributed surplus are transferred to capital stock.

Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

Share-based payments to non-employees

Share-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the Company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the underlying equity instrument, measured at the date the Company obtains the goods or the counterparty renders the service.

Provisions

Provisions are recognized for liabilities of uncertain timing when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized and treated as a separate asset when it is virtually certain that reimbursement will be received if the Company settles the obligation.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the flow-through subscribers at an agreed upon date.

Flow-through shares are reported at issue price. If the flow-through shares are issued at a premium to the market price of non-flow through or hard dollar shares at the date of announcement, such premium or excess proceeds is reported as a liability on the Consolidated Statements of Financial Position. The subsequent renunciation of such qualifying expenditures incurred by the Company in favor of the flow-through subscribers is reported as a reduction in the 'deferred premium on flow-through shares' liability on the Consolidated Statements of Financial Position and a corresponding reduction in deferred tax expense on the Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings).

Income taxes

Income taxes are calculated using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for timing differences between the tax and accounting basis of assets and liabilities, and for the recognition of accumulated capital and non-capital losses, which in the opinion of management, are more likely than not to be realized before expiry.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The effect on deferred income tax assets and liabilities resulting from a change in enacted tax rates is included in income in the year in which the change is enacted or substantively enacted. Deferred income taxes related to flow-though share tax deductions are recognized in the year in which they are renounced.

Revenue recognition
Revenue is recognized when all significant acts have been completed, when it is probable that the economic benefits will flow to the Company, when the revenue can be reliably measured, and when collection is reasonably assured. Revenue is measured at the fair value of the consideration received or receivable. Interest income is accrued as earned.

Earnings (loss) per share
Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. In periods where 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 earnings (loss) per share are the same.

Recent Accounting Pronouncements
A number of new standards and issued amendments to standards and interpretations are not yet effective for the year ending December 31, 2011, and have not been applied when preparing these interim consolidated financial statements as follows:

> *Amendments to IAS 1: Presentation of Items of Other Comprehensive Income* introduces changes to the presentation of items of other comprehensive income that may be reclassified to profit or loss in the future are presented separately from items that would never be reclassified;
>
> *IFRS 9: Financial Instruments* specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.
>
> *IFRS 10: Consolidated Financial Statements* builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company;
>
> *IFRS 11: Joint Arrangements* establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled;
>
> *IFRS 12: Disclosure of Interest in Other Entities* outlines the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities;
> *IFRS 13: Fair Value Measurement* defines fair value, requires disclosures regarding fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards;

Management does not currently expect that the implementation of these new standards and amendments will have a significant effect on the interim consolidated financial statements of the Company, except for *IFRS 9: Financial Instruments* which will become mandatory for the Company's 2013 consolidated financial statements and is expected to impact the classification and measurement of the Company's financial assets. The extent of the impact has not yet been determined.

3. Exploration and evaluation assets

	Six months ended June 30, 2011 $	Year ended December 31, 2010 $
Acquisition costs		
Balance, beginning of period	**1,625,634**	1,617,716
Acquisition costs	**18,634**	7,918
Balance, end of period	**1,644,268**	1,625,634

	Acquisition costs		
	Opening January 1, 2011	**Additions**	**Closing June 30, 2011**
Golden Highway Project	1,616,021	9,141	**1,625,162**
North Tisdale	1,022	3,719	**4,741**
Kayorum	7,400	2,920	**10,320**
Nighthawk Lake	1,191	2,009	**3,200**
Denton Thorneloe	-	845	**845**
	1,625,634	**18,634**	**1,644,268**

Exploration and evaluation expenditures for the six months ended June 30, 2011 of $2,645,230 (June 30, 2010 – $2,452,506) were charged to the Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings).

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.

Capital stock transactions during the period

In March 2011, the Company completed a non-brokered private placement financing for $6.6 million and issued 11,428,571 common shares on a structured flow-through basis at $0.49 per share for gross proceeds of $5,600,000 and 2,857,143 common shares at $0.35 for gross proceeds of $1,000,000. The $6.6 million in aggregate gross proceeds was reported as a $6.6 million increase in capital stock offset by a $1.6 million increase in deferred premium on flow-through shares, reflecting the premium received on the structured flow-through financing. Share issue costs associated with this financing were $215,074.

Stock options

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

	Six months ended June 30, 2011		Year ended December 31, 2010	
	Weighted Average Exercise Price	**No. of Options**	Weighted Average Exercise Price	No. of Options
Outstanding, beginning of period	**$0.20**	**4,009,906**	$0.11	7,266,644
Transactions during the period:				
Granted [1]	**0.28**	**1,550,000**	0.29	2,250,000
Options exercised [2]	**0.15**	**(765,500)**	0.08	(4,486,738)
Expired [3]	**-**	**-**	0.27	(1,020,000)
Outstanding, end of period	**$0.23**	**4,794,406**	$0.20	4,009,906
Exercisable, end of period	**$0.23**	**4,573,566**	$0.19	3,597,402

(1) In Q2 2011, the Company granted 1,550,000 stock options to directors, officers, and consultants. The estimated fair value of these options, subject to immediate vesting and a three year term, was $240,353 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 $0.16 per option. The underlying assumptions used in the estimation of fair value in the Black Scholes model are as follows:

Risk free rate	2.0%
Remaining life	3 years (based on option term)
Expected volatility	91%
Expected dividend yield	0.00%
Forfeiture rate	0.00%

During fiscal 2010, the Company granted 2,250,000 stock options to directors, officers, and consultants. The estimated fair value of these options, subject to immediate vesting or vesting over one to three year periods, was $217,814 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 per option.

(2) During the period, directors, officers and consultants exercised 765,500 (2010 – 4,486,738) stock options at an average exercise price of $0.15 (2010 - $0.08) for total gross proceeds of $117,170 (2010 - $381,286). The fair value of $73,574 (2010 – $373,009) related to the exercised stock options and previously charged to contributed surplus was reversed to share capital.

(3) During fiscal 2010, following the departures of a director and a former employee, a total of 1,020,000 stock options, with an average exercise price of $0.27, expired unexercised.

The estimated fair value of stock options vested during the six month period ended June 30, 2011 was $35,887 (June 30, 2010 – Nil) 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 underlying assumptions used in the estimation of fair value in the Black Scholes model are as follows:

Risk free rate	2.0%
Remaining life	1.9 - 4.3 years (based on remaining option term)
Expected volatility	43% - 81%
Expected dividend yield	0.00%
Forfeiture rate	0.00%

Warrants

The fair value of outstanding warrants was adjusted by $1,141,093 during the period ended June 30, 2011 (June 30, 2010 – $1,470,480) as a credit to capital stock and a charge to contributed surplus in shareholders' equity. The underlying assumptions used in the estimation of fair value in the Black Scholes model are as follows:

Risk free rate	2.0%
Remaining life	0.18 - 1.06 years (based on expiry date)
Expected volatility	24% - 52%
Expected dividend yield	0.00%
Forfeiture rate	0.00%

	Exercise Price	Expiry Date	**Six months ended June 30, 2011** #	Year ended December 31, 2010 #
Outstanding, beginning of period:				
	$0.18	January 2011	-	4,169,117
	$0.45	June 2011	**6,000,000**	6,000,000
	$0.35	April 2012	**7,500,000**	-
			13,500,000	10,169,117
Issued during the period	$0.35	April 2012	-	7,500,000
Exercised during the period	$0.18	January 2011	-	(3,579,117)
Expired during the period:				
	$0.18	January 2011	-	(590,000)
	$0.45	June 2011	**(6,000,000)**	-
			7,500,000	13,500,000
Outstanding, end of period:				
Warrants outstanding	$0.45	June 2011	-	6,000,000
Warrants outstanding	$0.35	April 2012	**7,500,000**	7,500,000
			7,500,000	13,500,000

5. Income taxes

The Company's effective tax rate, which differs from the combined federal and provincial statutory income tax rate of 25% for the period ended June 30, 2011 (2010 – 25%), has been reconciled as follows:

	Notes	**June 30, 2011 $**	December 31, 2010 $ (Restated under IFRS)
Income tax recovery at statutory rates		**802,113**	1,442,975
Increase (decrease) related to:			
Stock-based compensation		**69,060**	56,978
Realized (gain) loss on disposition of mineral property		**-**	-
Unrealized (gain) loss on investments held for trading		**1,396**	15,006
Realized (gain) loss on investments held for trading		**-**	-
Other		**(6,602)**	(19,193)
		865,967	1,495,765
Valuation allowance		**(865,967)**	(1,495,765)
Add: Deferred premium on flow through shares [1]	**10 (b)**	**-**	(1,739,412)
Deferred taxes		**-**	(1,739,412)

[1] In March 2010, the Company renounced $6,034,000 of expenditures on flow-through common shares issued in August and December 2009, resulting in a reversal of the 'deferred premium on flow through shares' liability of $1,739,412 on the statement of financial position and a credit to deferred tax recovery on the consolidated statements of net loss (earnings), comprehensive loss (earnings) and deficit.

The Company's deferred tax assets and liabilities are comprised of the following:

	June 30, 2011 $	December 31, 2010 $ (Restated under IFRS)
Deferred tax assets:		
Net operating loss carry forwards	**1,340,000**	970,000
Resource deductions	**3,006,000**	3,010,000
Other	**142,000**	103,000
	4,488,000	4,083,000
Less: Valuation allowance	**(1,482,000)**	(1,073,000)
	3,006,000	3,010,000
Deferred tax liabilities:		
Resource deductions	**(3,006,000)**	(3,010,000)
	-	-

The Company has recorded a valuation allowance as the Company does not consider it more likely than not that the deferred tax assets will be realized in the foreseeable future.

The Company has non-capital losses of $5,359,000 (2010 - $5,359,000) available for deduction against future taxable income, the balances of which will expire as follows:

Year	2011 $	2010 $ (Restated under IFRS)
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	**2,975,000**	2,975,000
	5,359,000	5,359,000

The potential tax benefit of the above losses has not been recognized in these consolidated financial statements. The Company has approximately $3,050 (2010 – $3,050) in capital losses available to apply against future capital gains.

6. Related party transactions

The Company recorded management fees of $100,000 (2010 - $100,000) to related individuals and companies controlled by officers or consultants for the six month period ended June 30, 2011. The fees were for management and consulting services provided to the Company under ongoing contracts. Directors' fees of $20,000 were charged during the six month period and remain payable at the end of the period. All related party expenditures were in the normal course of business at the exchange amounts.

7. Contingent liabilities

Order to file closure plan on Moneta Mine

The Mining and Lands Commissioner notified the Company in 2010 that its appeals of the 2001 and 2004 Orders to file a closure plan on the former Moneta Mine were dismissed and that a closure plan was to be filed. The Company undertook the necessary steps and submitted a closure plan by the July 31, 2011 deadline.

The Company's geotechnical consultant prepared the closure plan to identify and evaluate the former mine hazards and the Company completed necessary geotechnical drilling during Q2 2011. Although beyond the scope of work required by the Order, the Company elected to complete progressive rehabilitation of certain mine hazards, where feasible.

Upon approval of the closure plan, the Company will be required to provide normal course financial assurance for mine hazards where progressive rehabilitation is not currently possible, but may be required in future. The financial assurance, estimated by the geotechnical consultant to be approximately $13,000, is payable in cash and/or a letter of credit to the Ministry of Northern Development Mining and Forestry upon approval of the closure plan.

The accounting provision to cover the costs of the Order of $70,000 (2010 – $70,000) was fully depleted during the period and management believes that no other provisions are required in these consolidated statements related to these efforts.

Civil lawsuits

Two 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 mine subsidence. One of these parties also 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.

8. 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 six month period ended June 30, 2011.

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 exploration and evaluation assets 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.

9. 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, sales taxes recoverable, Interest receivable, 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 period. The objectives and strategy for the exploration and evaluation asset portfolio 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 three specific areas: the credit risk on operating balances including sales taxes recoverable, interest receivable on short term deposits, and cash and equivalents held with Canadian financial institutions. The maximum exposure to credit risk is equal to the carrying values of these financial assets.

The aggregate gross credit risk exposure at June 30, 2011 was $5,416,746 (December 31, 2010 - $1,729,726), and was comprised of $720,846 (December 31, 2010 - $340,707) in harmonized sales taxes recoverable, $5,654 (December 31, 2010 - $Nil) in interest receivable, and $4,690,246 (December 31, 2010 - $1,389,019) 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.

10. First time adoption of IFRS

The accounting policies presented in Note 2 have been applied consistently in all periods, in accordance with IFRS, in preparing the unaudited interim consolidated financial statements for the six months ended June 30, 2011, the comparative information for the six months ended June 30, 2010, the financial statements for the year ended December 31, 2010 and the preparation of an opening IFRS statement of financial position on the January 1, 2010 Transition Date.

In preparing its opening IFRS statement of financial position, comparative information for the six months ended June 30, 2010 and financial statements for the year ended December 31, 2010, the Company has adjusted amounts previously reported in financial statements prepared in accordance with Canadian GAAP.

Guidance for the first time adoption of IFRS is set out in *IFRS 1*, which provides for certain mandatory exceptions and optional exemptions for initial adoption of IFRS. There were no changes during the quarter in the *IFRS 1* optional exemption elections disclosed in the interim consolidated financial statements at March 31, 2011.

An explanation of how the transition from the previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables:

The Canadian GAAP Interim Consolidated Statements of Financial Position as at June 30, 2010 has been reconciled to IFRS as follows:

As at June 30, 2010	Notes	Balance under GAAP	IFRS Adjustments	Balance under IFRS
Current assets				
Cash and equivalents		**2,436,651**		2,436,651
Prepaid expenses		**22,318**		22,318
Other receivables		**43,663**		43,663
Total current assets		**2,502,632**	-	2,502,632
Investments held for trading		**15,820**		15,820
Exploration and evaluation assets	(a)	**11,579,622**	(9,961,906)	1,617,716
		14,098,074	(9,961,906)	4,136,168
Current liabilities				
Accounts payable and accrued liabilities		**660,645**		660,646
Deferred premium on flow through shares		**-**	-	-
Total current liabilities		**660,645**	-	660,646
Contingent liabilities				
Shareholders' equity				
Capital stock	(b), (d)	**27,743,873**	903,722	28,647,595
Contributed surplus	(d)	**3,046,119**	(1,134,634)	1,911,485
Deficit	(a), (b)	**(17,352,563)**	(9,730,994)	(27,083,558)
Total shareholders' equity		**13,437,429**	(9,961,906)	3,475,522
		14,098,074	(9,961,906)	4,136,168

The Canadian GAAP Interim Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings) for the three months ended June 30, 2010 has been reconciled to IFRS as follows:

For the three months ended June 30, 2010	Notes	Balance under GAAP	IFRS Adjustments	Balance under IFRS
Expenses				
Exploration and evaluation expenditures	(a)	**-**	793,341	793,341
Stock based compensation		**197,639**		197,639
Management fees		**87,500**		87,500
General & administration		**47,065**		47,065
Legal & audit		**58,047**		58,047
Unrealized loss (gain) on investments held for trading		**19,775**		19,775
Travel and promotion		**18,150**		18,150
Other income		**(888)**		(888)
Interest income		**(5,689)**		(5,689)
Loss before income taxes		**421,599**	793,341	1,214,940
Deferred taxes	(b)	**-**	(1,430,912)	(1,430,912)
Net loss (earnings) and comprehensive loss (earnings)		**421,599**	(637,571)	(215,972)
Loss (earnings) per share (basic and diluted)		**$0.00**		($0.00)
Weighted average outstanding shares		**127,624,669**		127,624,669

The Canadian GAAP Interim Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings) for the six months ended June 30, 2010 has been reconciled to IFRS as follows:

For the six months ended June 30, 2010	Notes	Balance under GAAP	IFRS Adjustments	Balance under IFRS
Expenses				
Exploration and evaluation expenditures	(a)	-	2,452,506	2,452,506
Stock based compensation		197,639		197,639
Management fees		100,206		100,206
General & administration		87,992		87,992
Legal & audit		65,398		65,398
Unrealized loss (gain) on investments held for trading		55,370		55,370
Travel and promotion		36,604		36,604
Other income		(888)		(888)
Interest income		(6,236)		(6,236)
Loss before income taxes		536,085	2,452,506	2,988,591
Deferred taxes	(b)	(1,508,500)	(230,912)	(1,739,412)
Net loss (earnings) and comprehensive loss (earnings)		(972,415)	2,221,594	1,249,179
Loss (earnings) per share (basic and diluted)		($0.01)		$0.01
Weighted average outstanding shares		127,624,669		127,624,669

Other comprehensive loss (earnings)

There were no IFRS conversion adjustments affecting other comprehensive loss (earnings).

Cash flow statement

There were no IFRS conversion adjustments affecting net cash on the cash flow statement.

References to the IFRS conversion adjustments

a) Expensing exploration and evaluation expenditures

Under Canadian GAAP, the Company's policy for exploration and evaluation expenditures was to capitalize the expenditures that have the potential of being economically recoverable. Upon transition to IFRS, the Company has adopted the IASB framework for exploration and evaluation costs. As a result, the Company has derecognized and expensed exploration and evaluation expenditures previously capitalized in mineral properties and deferred costs. This is a change in accounting policy which has been applied retroactively.

Exploration and evaluation expenditures are now expensed in the Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings) until the completion of a pre-feasibility study and the determination of commercial viability of the property. The Company capitalizes development costs related to specific properties only once a pre-feasibility study is completed and the commercial viability of a project is determined.

The exploration and evaluation expenditures of $7,509,400 previously capitalized in mineral properties and deferred costs as at December 31, 2009 have been written off as a charge to Deficit on the Transition Date of January 1, 2010.

The exploration and evaluation expenditures of $9,961,906, previously capitalized in mineral properties and deferred costs as at June 30, 2010, have been written off as a charge to Deficit as at June 30, 2010. The $9,961,906 includes exploration and evaluation expenditures for the six month period ended June 30, 2010 of $2,452,506 (3 months - $793,341) which has been charged to the Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings). Exploration and evaluation asset acquisition costs of $1,617,716 remain capitalized as exploration and evaluation assets.

b) Flow-through shares

Under Canadian GAAP, the Company reported common shares issued on a flow-through basis ("flow-through shares") at the issue price. The Company subsequently reported an income tax recovery on the Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings) in the period in which the exploration expenditures were renounced in favor of the flow-through subscriber.

IFRS does not provide guidance on flow-through shares or the related tax consequences however the Company has adopted the following policy under IFRS. If flow-through shares are issued at a premium to the market price of non-flow-through or hard dollar shares at the date of announcement, such premium or excess proceeds is reported as a liability on the Consolidated Statements of Financial Position. The subsequent renunciation of such qualifying expenditures incurred by the Company in favour of the flow-through subscribers is reported as a reduction in the 'deferred premium on flow-through shares' liability on the Consolidated Statements of Financial Position and a corresponding reduction in deferred tax expense on the Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings).

In August 2009 and December 2009, the Company completed a structured flow-through financings of $1,834,000 and $4,200,000, respectively, with the amounts reported in capital stock under Canadian GAAP. IFRS requires any premium received above the prevailing market price of the Company's stock to be reported as a liability. Under IFRS, capital stock was reduced by a total of $1,739,412 ($539,412 and $1,200,000, respectively) to report a 'deferred premium on flow through share' liability, reflecting the premium received on the structured flow-through financing, at the IFRS Transition Date of January 1, 2010. An amount of $1,508,500, previously reported under GAAP under deferred taxes and representing the tax effect of the $1,834,000 and $4,200,000 financings at the Company's marginal tax rate of 25%, was reversed at June 30, 2010 under IFRS.

c) Stock-based compensation

Under Canadian GAAP, the fair value of stock-based awards with graded vesting was amortized on a straight-line basis over the vesting period and any forfeiture of awards was recognized as occurred.

Under IFRS, the Company changed the amortization method for the fair value of stock options under graded vesting from the straight-line method to the accelerated method. The Company is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to estimated forfeitures, if any, is recognized in the Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings) with a corresponding adjustment to Shareholders' Equity.

There was no significant financial impact on the January 1, 2010 Transition Date or at June 30, 2010 as stock options subject to a vesting schedule were introduced only in 2010.

d) Purchase warrants

Under Canadian GAAP, purchase warrants issued by the Company in conjunction with a financing were recognized as capital stock. The fair value of these purchase warrants, with no intrinsic value, was determined at issue date using the Black Scholes model.

Under IFRS, the initial fair value is also reported as capital stock at issue date using the Black Scholes model however the fair value of the warrants is subsequently revalued at each reporting date, using current assumptions in the Black Scholes model, with any change reported under shareholders' equity in the Consolidated Statements of Financial Position.

This resulted in a charge of $335,846 to opening deficit representing the change in fair value of the purchase warrants outstanding from date of issuance to the IFRS Transition Date of January 1, 2010. An amount of $1,134,634 was charged to contributed surplus and capital stock, representing the change in fair value of the purchase warrants outstanding from date of issuance to June 30, 2011.

MONETA PORCUPINE MINES INC.

Management Discussion and Analysis

For the six months ended June 30, 2011

Q2 2011

MONETA PORCUPINE MINES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the six months ended June 30, 2011 and 2010

This Management's Discussion and Analysis ("**MD&A**") provides a discussion and analysis of the financial condition and results of operations of Moneta Porcupine Mines Inc. ("**Moneta**" or the "**Company**") to enable a reader to assess material changes in the financial condition and results of operations of the Company as at and for the six months ended June 30, 2011 and 2010. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto of the Company for the six months ended June 30, 2011 and 2010.

The Company's Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts included in this MD&A are in Canadian Dollar. The MD&A is prepared with an effective date of August 12, 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 completed a significant financing of $6.6 million in Q1 2011, is well-funded to continue and build on the 2010 successes, and will undertake substantial exploration programs over the next 18-24 months. 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 recognized highly prospective geology, remains the top priority exploration and development target.

The objective of the 2011 drill program in the *Golden Highway Project* is to expand known mineralization at surface including that of the greater Southwest Zone, Windjammer South, and the 55 Zone. Additional emphasis will be placed on the 'Gap area' between the Southwest Zone and Windjammer South to the east and several highly prospective and newly identified structural targets, located both in close proximity to existing gold zones and in previously underexplored areas of the *Golden Highway Project*.

RESULTS OF OPERATIONS

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.

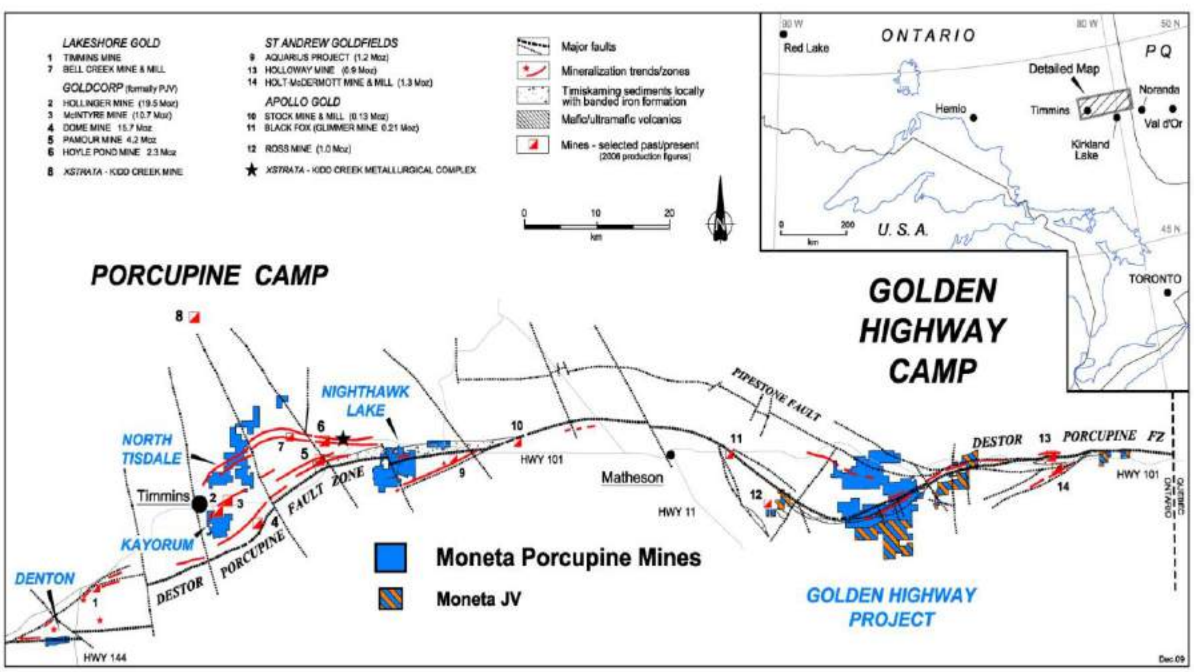

Figure I: Moneta's Mineral Property Portfolio

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 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 and into 2011.

Golden Highway Project

Moneta's primary gold exploration focus is the *Golden Highway Project* which contains a largely contiguous land package of 679 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* currently 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 centered on the Destor fault: 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.

Structural and geological reviews, completed in 2010 through 2011, have added areas of high gold exploration potential associated with the east west trending Pipestone/Arrow Fault and associated splays north of the Destor Fault Zone in the northern portion of the property.

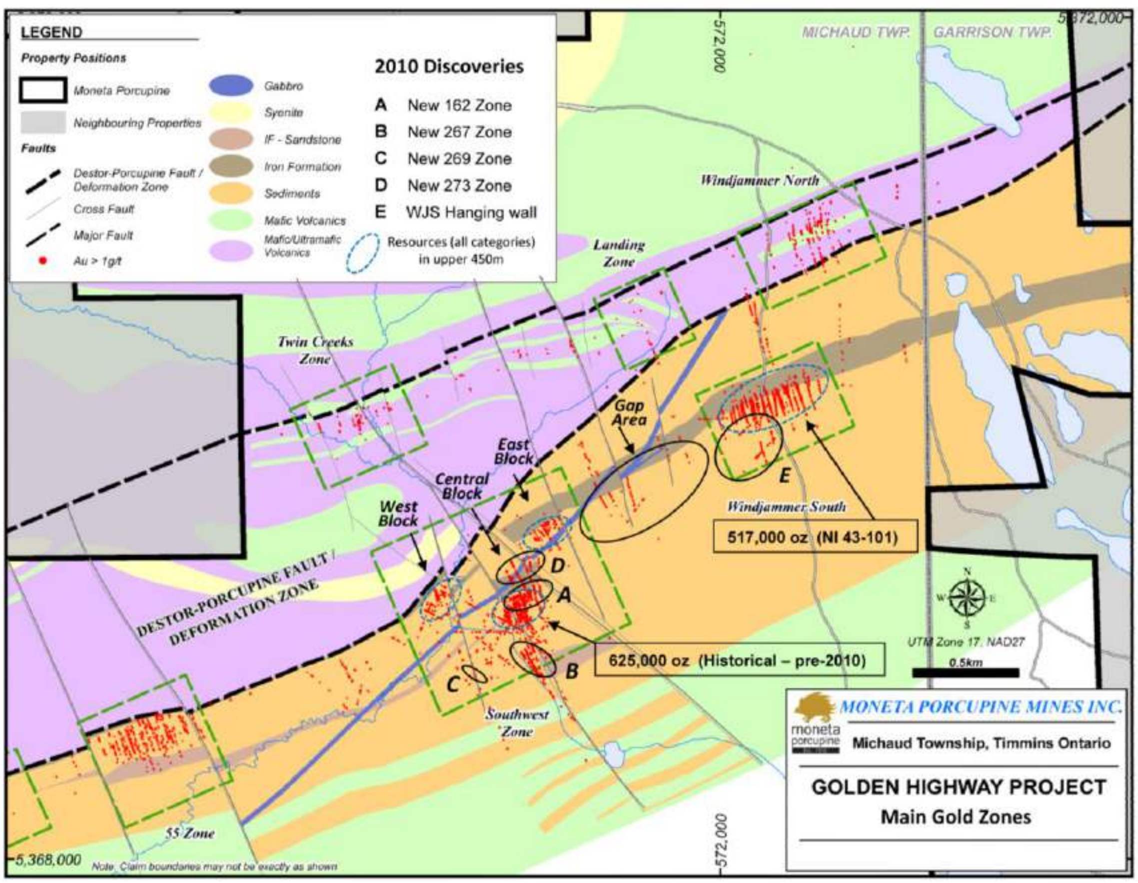

Figure II – Moneta's Golden Highway Project: Geology and Main Gold Zone Locations

Resources to date include the *Windjammer South* zone which 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**

2011 EXPLORATION ACTIVITY

Moneta's Q2 2011 exploration drill program consisted of approximately 7,400 metres in the *Golden Highway Project* and 525 metres on Kayorum (on the historical Moneta Mine) in the Porcupine Camp.

Golden Highway Project

The eastern area of the Golden Highway Project contains the bulk of gold mineralization discovered to date with 4 new gold zones discovered in 2010, all within the greater *Southwest Zone* area and additional zones along strike such as Windjammer South (east) and the 55 Zone (west). These are all within the Timiskaming sediments and along the associated iron formation over a 12km strike length as the southern corridor. Timiskaming potential has been greatly enhanced with the discovery the 267 Zone with its substantial vein widths, orientation, high grade, and setting some, 200 metres into the hanging wall sediments of the iron formation.

The Q2 2011 exploration within the Golden Highway Project primarily tested targets generated by a comprehensive structural review completed in Q1 2011. Areas of focus include the Pipestone/Arrow Fault within a mafic volcanic/syenite setting, the Destor from the Twin Creek Zone to Windjammer North within a mafic-ultramafic volcanic/sedimentary setting, and selected areas in the southeast of the property predominantly in ultramafic/mafic volcanics.

Southwest Zone:

East Block area

In Q2 2011, Moneta completed drill holes MSW11-281 and MSW11-282 which targeted northerly trending vein orientations, similar to the Southwest Zone - 267 Zone, not previously tested in historical drilling.

MSW11-281 was successful in intersecting multiple alteration zones near surface with northerly to northwesterly trending vein zones returning 2.30 g/t over 5.40 m including 7.21 g/t over 1.10m, and 3.82 g/t over 6.50m including 6.15 g/t over 1.60m. MSW11-281 did not reach its targeted and highly prospective (south) iron formation contact area due to a difference in the interpreted location of the main gabbro dyke that cross cuts the Southwest Zone.

MSW11-282 stepped westerly 50m along strike from MSW11-281 and ended at the iron formation contact. Several vein zones were intersected including 4.51 g/t over 2.00m, 2.17 g/t over 6.64m, and 3.59 g/t over 4.89m including 8.03 g/t over 1.34m, all in the upper 200 metres.

267 Zone

MSW11-279 was completed in Q2 2011 testing the northwesterly strike extension and up-dip continuity, at depth, of the 267 Zone located 200 metres in the iron formation (south) hanging wall. MSW11-279 intersected a vein zone, at depth, of 3.49 g/t over 3.35m similar in style but above the *267 Zone* projection and was continued to depth and returned 1.99 g/t over 45.76m, including 4.43 g/t over 7.00m in the area expected to contain the Central Block iron formation now believed to be locally pinched out suggesting variable thickness.

MSW11-285 was drilled above the 267 Zone to test its up-dip extension and was stopped beyond its expected projection. Results included 4.66 g/t over 1.45m, 3.91 g/t over 1.3m, and 1.35 g/t over 3.40m.

MSW11-284 was stopped at 253m due to unexpected and excessive deviation.

Gap Area

Drilling continued in Q2 2011 to assess the 'Gap Area' located between the Southwest Zone and Windjammer South with over 800m of strike along the iron formation. Both the corridor along the iron formation contact and its (south) hanging wall, as well as recently interpreted north-westerly and northerly trending structures were targeted for gold mineralization.

In Q2 2011, Moneta completed drill hole MSW11-283 collared in the western Gap Area between a historical drill hole MN96-175 and the East Block of the Southwest Zone. Several minor structures and weak to moderate, locally strong, ankerite and sericite alteration with quartz veins were intersected, returning a previously reported intersection of 1.06g/t over 117.1m including a large, consistently mineralized zone of 5.15 g/t over 14.3m (May 16, 2011 press release). The MSW11-283 drilling confirmed the structural aeromag interpretation that the iron formation is offset along a northerly trending fault in this area.

MN96-175, located on the east side of the iron formation offset intersected 1.74 g/t over 42.7m along contact of the iron formation (south) hanging wall and 2.30 g/t over 18.6m including 4.15 g/t over 5.00m within the iron formation (south) hanging wall sequence.

MSW11-286 was drilled on section 100m above MSW11-283 to test for mineralization at a shallower elevation along the iron formation (south) hanging wall sediments. Several alteration zones, similar in style to the MSW11-283 mineralization, were intersected including 0.97 g/t over 8.0m, 1.07 g/t over 17.45m, and 1.19 g/t over 12.0m.

MSW11-287 was drilled 200m northeast of MSW11-283 to test for near-surface lateral continuity along the east-westerly trending iron formation. Several weaker alteration zones were intersected including 9.65g/t over 0.5m, 4.59/t over 1.1m , 0.89 g/t over 9.0m, and 1.25 g/t over 5.4m.

MSW11-288 was drilled 150m east of MSW11-283 and intersected several alteration zones similar in style to the MSW11-283 mineralization. MSW11-289 was drilled to the north from the same collar as MSW11-288 and also intersected several alteration zones, similar in style to MSW11-283. MSW11-288 and MSW11-289 were completed in July 2011 and results are pending.

Windjammer South

Recent results identified significant gold intercepts in WJ88-40 and MWJ10-32 (1.76 g/t over 41.83m including 11.88 g/t over 3.70m) 100 metres south of the main Windjammer South resource in the iron formation (south) hanging wall sediments.

In Q2 2011, widely spaced drilling (100m step-outs) commenced to evaluate the expansion potential of the near surface Windjammer South gold zone (517,000oz – 43-101 compliant) to the west, east and south of the east-westerly trending iron formation. Mineralization, in the form of both stockwork and high grade quartz veins, was intersected in all drill holes.

MWJ11-35 was drilled 100m north of MWJ10-32 and intersected weak alteration returning 1.13 g/t over 2.00m and 1.09 g/t over 2.45m. MWJ11-36 was collared 100m east of MWJ10-32 and 325m away from the iron formation intersecting weak alteration and a vein returning 15.12 g/t Au over 1.0m. MWJ11-37 was completed on section with MSW11-32 but stepped 100m ahead, intersecting 0.98 g/t over 8.80m and 5.28 g/t over 0.80m.

MWJ11-38 was drilled southerly from the Windjammer South iron formation to test for near surface mineralization and northerly dipping veins in the central portion of main zone intersecting 1.03 g/t over 6.50m, followed by 1.10 g/t over 32.4m and 2.91 g/t over 3.00m, all in the upper 300 metres.

MWJ11-39 was collared 100m south of the iron formation and 200m west of Windjammer South zone and intersected 0.97 g/t over 34.00m, including 1.22 g/t over 22.50m and 4.47 g/t over 2.60m, and confirmed the continuation of the Windjammer South zone westerly along the iron formation.

MWJ11-40 was stepped back 100m on section under MWJ10-32 and is the furthest drill hole collar to the southwest of the Windjammer South zone. MWJ11-40 intersected several alteration zones in the upper 250m from surface including 11.02 g/t over 0.35m, 0.73 g/t over 9.00m, 0.94 g/t over 15.00m including 8.04 g/t over 1.0m, 1.98 g/t over 2.94m including 8.05 g/t over 0.39m, and 8.59 g/t over 0.66m.

Q3 2011 drilling continued to test for mineralization east of the Windjammer South zone with 100m step-outs along the iron formation. Final results are pending for holes MWJ11-41, MSW11-42, and just completed MWJ11-43. Follow-up in-fill drilling is now underway to better define identified mineralization to expand the Windjammer South zone.

55 Zone

The 55 Zone is 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*.

The 2010 drill program defined a key structural zone 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. Several of these quartz veins/zones in contact with the northern iron formation resultied in local sulphidization of the iron formation and significantly enhanced grade.

From the ongoing *55 Zone* review for bulk tonnage resource potential, several drill targets have been indentified for both the sulphidized iron formation and quartz vein zone style of gold mineralization.

Pipestone/Arrow Fault

Exploration drilling has focused on the structural contact between northern mafic volcanics and southern syenite, as well as structure within the syenite. Drilling to date (MPL11-01 to 04) has been with progressive easterly step-outs along the main structure. Highly silicified, locally brecciated and variably pyritic and altered zones along the contact have been intersected. To date an elevated gold tenor is associated primarily with felsic dykes and hematitic alteration in the syenite. Drilling is ongoing with additional step-outs planned in the areas to the west.

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. It 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 6 kilometres to the east.

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 consisting of 3 holes was completed in Q1 2011. In Q2 2011 no additional drilling has been completed on the property.

The Company is currently evaluating the overall potential for a near-surface bulk tonnage gold resource given the style of gold mineralization, proximity to milling infrastructure, and favourable zone geometry.

Kayorum Property (including the former Moneta Mine)

The Moneta Mine geotechnical work program was completed in Q2 2011 and a final closure plan submitted end of July 2011 to the Ministry of Northern Development, Mines and Forestry. The geotechnical program for this closure plan included extensive historical compilation to identify hazards related to the former mine workings, ground penetrating radar surveying to help locate subsurface changes potentially related to voids, detailed diamond drilling to assess bedrock conditions, and progressive rehabilitation of identified hazards by capping a fill raise and small historical shaft.

This drilling program was completed from mid April to the end of June 2011 and required the demobilization of one of the three drills from the Golden Highway Project which has now returned. A total of 523 metres in 15 drill holes were drilled and provided additional geological information on the former mine and its mineralization potential. Results are under review for future work that includes evaluating potential residual ore, and the potential for additional mineralization to depth and along strike as well as other property areas.

The immediately adjacent Hollinger Mine pit project remains in an advanced permitting, feasibility, and consultation stage for the 2012 development of a multiphase 200-250 metre deep open pit based on a 2010 resource of 3.47Mozs and 782,000 oz reserves.

FINANCIAL REVIEW

These unaudited interim consolidated financial statements, including comparatives, have been prepared using International Financial Reporting Standards ("**IFRS**") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from June 30, 2011. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As a result of these risks, there is significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material. The Company will have to raise additional funds to advance it exploration and development efforts and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

This section discusses significant changes in the Interim Statements of Financial Position, the Interim Statements of Shareholders' Equity, the Interim Consolidated Statements of Net Loss (Earnings), Comprehensive Loss (Earnings) and Deficit, and the Interim Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and 2010.

SUMMARY OF QUARTERLY RESULTS

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

($ except per share data)	2011		2010 (restated under IFRS)				2009 (Canadian GAAP)	
Highlights	June	Mar	Dec	Sep	Jun	Mar	Dec	Sep
Revenue	-	-	-	-	-	-	-	-
Net loss and comprehensive loss	**1,916,199**	1,292,252	1,543,888	1,239,422	1,214,940	1,465,151	238,500	8,551
Net loss per share	**0.01**	0.01	0.01	0.01	0.01	0.01	0.00	0.00

SIGNIFICANT EVENTS DURING THE SECOND QUARTER 2011

Exploration and evaluation expenditures

Exploration and evaluation expenditures, previously capitalized under Canadian GAAP, are now expensed under IFRS. A total of $1,503,220 (YTD 2011 - $2,645,230) was incurred during Q2 2011 as compared to $793,341 in Q2 2010 (YTD 2010 - $2,452,506). Two of the three contracted drills were focused on drill targets in the Golden Highway Project while the third drill was focused on the former Moneta Mine in the Porcupine Camp as explained below.

Former Moneta Mine

During Q2 2011 the Company undertook the necessary steps to submit a mine closure plan by the July 31, 2011 deadline to the Ministry of Northern Development Mines and Forestry. The Company engaged a geotechnical consultant to prepare the closure plan and to identify and evaluate the former mine hazards. The Company completed necessary drilling during Q2 2011 to evaluate the former mine for residual gold potential as well as the mine hazards. The Company voluntarily undertook progressive rehabilitation on certain of the mine hazards, where feasible, including the installation of a concrete cap, in accordance with current mining standards, for the historical Fill Raise.

During the six month period ended June 30, 2011, a total of $248,329 (YTD 2010 - $23,087), completed on the former Moneta Mine area and workings, was charged to exploration and evaluation expenditures, offset by the accounting provision of $70,000 (2010 - $70,000) historically accrued to cover the costs of preparing the mine closure plan.

CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with the Interim Consolidated Statements of Net Loss (Earnings), Comprehensive Loss (Earnings) and Deficit for the period ended June 30, 2011 and 2010 and the corresponding notes thereto, in addition to the unaudited interim consolidated financial statements prepared in accordance with IFRS 1 and IAS 34 for the three month period ended March 31, 2011 with comparatives and reconciliations reported in note 10. All references to years "2011" or "2010" relate to the six month period ended June 30 of those years unless stated otherwise. Moneta has not generated any material operating revenues in 2011 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 $3,208,451 for the six month period ended June 30, 2011 as compared to a net loss and comprehensive loss of $1,249,179 for the six month period ended June 30, 2010.

Exploration and evaluation expenditures were $1,503,220 in Q2 2011 (YTD 2011 – $2,645,230) as compared to $793,341 in Q2 2010 (YTD 2010 – $2,425,506). Stock-based compensation charges related to options granted (with immediate vesting) during Q2 2011 and options vested in Q2 2011 was $253,251 (YTD 2011 – $276,240) as compared to charges related to options granted (with immediate vesting) of $197,639 in Q2 2010 (YTD 2010 – $197,639).

Management fees were $54,965 in Q2 2011 (YTD 2011 – $104,965) as compared to $87,500 in Q2 2010 (YTD 2010 – $100,206). General & administration expenses were $41,938 in Q2 2011 (YTD 2011 – $78,849), a marginal decline from $47,065 in Q2 2010 (YTD 2010 – $87,992). Legal and audit expenses were $43,181 in Q2 2011 (YTD 2011 – $57,417) as compared to $58,047 in Q2 2010 (YTD 2010 – $65,398). The accrual related to F2011 audit and related fees were unchanged quarter over quarter. The decrease in legal expenses primarily related to reduced legal work associated with the annual general meeting information circular and related materials. The unrealized loss on investments held for trading, resulting from market value fluctuations, was $4,653 in Q2 2011 (YTD 2011 – $5,584) as compared to $19,775 in Q2 2010 (YTD 2010 – $55,370). Travel and promotion expenses were $30,568 in Q2 2011 (YTD 2011 – $60,819) as compared to $18,150 in Q2 2010 (YTD 2010 – $36,604). The increase is primarily related to an investor relations program in place during YTD 2011 which was not in place in YTD 2010 results. Other income was $4,250 in Q2 2011 (YTD 2011 – $7,531) as compared to $888 in Q2 2010 (YTD 2010 – $888). Interest income was $11,327 in Q2 2011 (YTD 2011 – $13,122) as compared to $5,689 in Q2 2010 (YTD 2010 – $6,236). The increase quarter over quarter relates to interest earned on higher cash and equivalent balances in Q2 2011 as compared to Q2 2010. Deferred taxes in Q2 2011 was $Nil (YTD 2011 – $Nil) as compared to $1,430,912 in Q2 2010 (YTD 2010 – $1,739,412). The YTD 2010 amount of $1,739,412 relates to a reversal of the 'deferred premium on flow-through shares' liability reported under IFRS and reversed to deferred taxes upon normal course renunciation of eligible expenditures to flow-through investors.

CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the Interim Consolidated Statements of Changes in Financial Position and Interim Consolidated Statements of Changes in Shareholders' Equity as at June 30, 2011 and 2010, and the corresponding notes thereto, in addition to the unaudited interim consolidated financial statements prepared in accordance with IFRS 1 and IAS 34 for the three month period ended March 31, 2011 with comparatives and reconciliations reported in note 10.

IFRS accounting policies have been applied in preparing and are presented in Note 2 to the unaudited interim consolidated financial statements for the six months ended June 30, 2011. The comparative information for the six months ended June 30, 2010, the financial statements for the year ended December 31, 2010 and the preparation of an opening IFRS balance sheet on the January 1, 2010 Transition Date have been restated. Please refer to Note 10 to the unaudited interim consolidated financial statements for the six months ended June 30, 2011 for details.

Consolidated assets

Consolidated assets were $7,089,715 at June 30, 2011 as compared to $3,392,733, as restated under IFRS at December 31, 2010. Cash and equivalents was $4,690,246 at June 30, 2011 as compared to $1,389,019 at December 31, 2010.

Exploration and evaluation assets were $1,644,268 at June 30, 2011 as compared to $1,625,634, as restated under IFRS at December 31, 2010, resulting in the capitalization of project acquisition costs and expensing of previously deferred exploration expenditures.

Consolidated liabilities

Consolidated liabilities, excluding the 'deferred premium on flow through shares' liability of $1,600,000, were $663,626 at June 30, 2011 as compared to $536,529 at December 31, 2010.

The $1,600,000 'deferred premium on flow-through shares' liability does not represent a cash funding obligation. It reflects the premium or excess proceeds received on the structured flow-through financing completed in March 2011 and is expected to reverse to deferred taxes upon normal course renunciation, in Q1 2012, of qualifying expenditures incurred by the Company in favour of the flow-through subscribers.

Shareholders' equity

Shareholders' equity was $4,826,089 at June 30, 2011 as compared to $2,856,204, as restated under IFRS at December 31, 2010. The increase is primarily due to the $6,600,000 financing completed in March 2011 (reported as a $5,000,000 issuance of common shares and $1,600,000 'deferred premium on flow-through shares' liability), the $117,170 in stock option exercises, offset by net loss and comprehensive loss of $3,208,451 for the six month period ended June 30, 2011.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with the Interim Consolidated Statements of Financial Position as at June 30, 2011 and December 31, 2010, and the corresponding notes thereto, in addition to the unaudited interim consolidated financial statements prepared in accordance with IFRS 1 and IAS 34 for the three month period ended March 31, 2011 with comparatives and reconciliations reported in note 10.

The consolidated working capital ratio at June 30, 2011, excluding the 'deferred premium on flow-through shares' liability to be reversed to deferred taxes upon renunciation of qualifying expenditures to subscribers in Q1 2012, was 8.2 : 1 as compared to 3.3 : 1 at December 31, 2010.

> The Company is well-funded at June 30, 2011 with $4,690,246 (June 30, 2010 - $2,436,651) in cash and equivalents, $720,846 (June 30, 2010 - $43,663) in sales taxes recoverable, and $5,654 (June 30, 2010 - $Nil) in short term interest receivable.
>
> Current liabilities at June 30, 2011 include accounts payable and accrued liabilities of $663,626 (June 30, 2010 - $660,645) primarily related to unpaid exploration expenditures incurred during the quarter and paid in the normal course.
>
> The 'deferred premium on flow-through shares' liability of $1,600,000 <u>does not represent a cash funding obligation</u>. It reflects the premium or excess proceeds received on the structured flow-through financing completed in March 2011 and is expected to reverse to deferred taxes upon normal course renunciation, in Q1 2012, of qualifying expenditures incurred by the Company in favour of the flow-through subscribers.

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the six month period ended June 30, 2011.

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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company recorded management fees of $100,000 (2010 - $100,000) to related individuals and companies controlled by officers or consultants for the six month period ended June 30, 2011. The fees were for management and consulting services provided to the Company under ongoing contracts. Directors' fees of $20,000 were charged during the six month period and remain payable at the end of the period. All related party expenditures were in the normal course of business at the exchange amounts.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer ("**CEO**") and interim Chief Financial Officer ("**CFO**") of the Company are 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 Company's system of internal controls provides 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 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. As at June 30, 2011, the CEO and the CFO evaluated the design and operation of the Company's DC&P as well as the design and operating effectiveness of the Company's ICFR. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P and ICFR were effective as at June 30, 2011. The CEO and CFO also concluded that no material weaknesses existed in the design of the ICFR.

CRITICAL ACCOUNTING ESTIMATES

Moneta's significant accounting policies are summarized in notes 2 to the interim consolidated financial statements for the six month period ended June 30, 2011.

These interim consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including *International Accounting Standards 34: Interim Financial Reporting* ("***IAS 34***") and *IFRS 1: First-time Adoption of International Financial Reporting Standards* ("***IFRS 1***"). The preparation of the interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Significant areas requiring the use of management estimates include, but are not limited to, the determination of carrying value of exploration and evaluation assets, the valuation of share-based compensation transactions, the valuation of purchase warrants issued on financings, deferred income tax assets and liabilities, and accrued liabilities and contingencies.

Exploration and evaluation assets

Exploration and evaluation assets include the acquisition costs and deferred exploration and evaluation expenditures of the Company's 'green fields' exploration properties.

Acquisition costs related to exploration properties are capitalized at fair value at the time of purchase. The acquisition costs are written off when an exploration and evaluation asset is disposed of through sale or abandonment.
Exploration and evaluation expenditures incurred on exploration properties are expensed until such time that a future economic benefit is more likely to be realized than not by the establishment of ore resources. Exploration and evaluation expenditures incurred subsequent to the establishment of commercially viable and technically feasible gold resources on a property are capitalized as an asset. Exploration and evaluation assets are not depreciated until the properties are in commercial production.

Share-based compensation transactions

Stock options

The fair value of stock options granted to directors, officers, and employees is measured at grant date using the Black-Scholes valuation model using assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares, expected forfeitures and expected life of the options. The fair value of this share-based payment is recognized as a charge to the Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings) with a corresponding credit to shareholders' equity on the Consolidated Statements of Financial Position.

The fair value of stock options, subject to a vesting schedule, is recognized using the accelerated method and is measured using Black Scholes and assumptions at the time of vesting. The applicable fair value of any stock options which are exercised are charged to contributed surplus are transferred to capital stock.

Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

Share-based payments to non-employees

Share-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the Company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the underlying equity instrument, measured at the date the Company obtains the goods or the counterparty renders the service.

Flow-through shares

The Company will, from time to time, issue flow-through shares to finance a portion of its exploration programs. Pursuant to the terms of flow-through share agreements, the Company agrees to incur qualifying expenditures and renounce the tax deductions associated with these qualifying expenditures to the flow-through subscribers at an agreed upon date.

Flow-through shares are reported at issue price. If the flow-through shares are issued at a premium to the market price of non-flow through or hard dollar shares at the date of announcement, such premium or excess proceeds is reported as a liability on the Consolidated Statements of Financial Position. The subsequent renunciation of such qualifying expenditures incurred by the Company in favour of the flow-through subscribers is reported as a reduction in the 'deferred premium on flow-through shares' liability on the Consolidated Statements of Financial Position and a corresponding reduction in deferred tax expense on the Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings).

Income taxes

Income taxes are calculated using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for timing differences between the tax and accounting basis of assets and liabilities, and for the recognition of accumulated capital and non-capital losses, which in the opinion of management, are more likely than not to be realized before expiry.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

The effect on deferred income tax assets and liabilities resulting from a change in enacted tax rates is included in income in the year in which the change is enacted or substantively enacted. Deferred income taxes related to flow-though share tax deductions are recognized in the year in which they are renounced.

Provisions

Provisions are recognized for liabilities of uncertain timing when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized and treated as a separate asset when it is virtually certain that reimbursement will be received if the Company settles the obligation.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

CHANGES IN ACCOUNTING POLICIES

First time adoption of IFRS

These interim consolidated financial statements are prepared in accordance with IFRS applicable to the preparation of interim financial statements, including *International Accounting Standards 34: Interim Financial Reporting* ("***IAS 34***") and *IFRS 1: First-time Adoption of International Financial Reporting Standards* ("***IFRS 1***"), as adopted by the *International Accounting Standards Board* ("***IASB***").

The accounting policies applied in the interim consolidated financial statements are based on IFRSs issued and outstanding as of August 11, 2011, the date the Board of Directors approved these interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending December 31, 2011 could result in the restatement of these interim consolidated financial statements, including the transition adjustments recognized on the change-over to IFRS.

The interim consolidated financial statements should be read in conjunction with the Company's Canadian generally accepted accounting principles ("**Canadian GAAP**") annual consolidated financial statements for the year ended December 31, 2010. Note 10 to the interim consolidated financial statements discloses the IFRS adjustments made to these previously published Canadian GAAP consolidated financial statements for the year ended December 31, 2010.

Recent Accounting Pronouncements

A number of new standards and issued amendments to standards and interpretations are not yet effective for the year ending December 31, 2011, and have not been applied when preparing these interim consolidated financial statements as follows:

> *Amendments to IAS 1: Presentation of Items of Other Comprehensive Income* introduces changes to the presentation of items of other comprehensive income that may be reclassified to profit or loss in the future are presented separately from items that would never be reclassified;
>
> *IFRS 9: Financial Instruments* specifies how an entity should classify and measure its financial assets. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets. Financial assets are measured either at amortized cost or fair value.
>
> *IFRS 10: Consolidated Financial Statements* builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company;
>
> *IFRS 11: Joint Arrangements* establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled;
>
> *IFRS 12: Disclosure of Interest in Other Entities* outlines the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities;
>
> *IFRS 13: Fair Value Measurement* defines fair value, requires disclosures regarding fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards;

Management does not currently expect that the implementation of these new standards and amendments will have a significant effect on the interim consolidated financial statements of the Company, except for *IFRS 9: Financial Instruments* which will become mandatory for the Company's 2013 consolidated financial statements and is expected to impact the classification and measurement of the Company's financial assets. The extent of the impact has not yet been determined.

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, sales taxes recoverable, Interest receivable, 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 period. The objectives and strategy for the exploration and evaluation asset portfolio 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 three specific areas: the credit risk on operating balances including sales taxes recoverable, interest receivable on short term deposits, and cash and equivalents held with Canadian financial institutions. The maximum exposure to credit risk is equal to the carrying values of these financial assets.
The aggregate gross credit risk exposure at June 30, 2011 was $5,416,746 (December 31, 2010 - $1,729,726), and was comprised of $720,846 (December 31, 2010 - $340,707) in harmonized sales taxes recoverable, $5,654 (December 31, 2010 - $Nil) in interest receivable, and $4,690,246 (December 31, 2010 - $1,389,019) 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.

CONTINGENT LIABILITIES

Order to file closure plan on Moneta Mine

The Mining and Lands Commissioner notified the Company in 2010 that its appeals of the 2001 and 2004 Orders to file a closure plan on the former Moneta Mine were dismissed and that a closure plan was to be filed. The Company undertook the necessary steps and submitted a closure plan by the July 31, 2011 deadline.

The Company's geotechnical consultant prepared the closure plan to identify and evaluate the former mine hazards and the Company completed necessary geotechnical drilling during Q2 2011. Although beyond the scope of work required by the Order, the Company elected to complete progressive rehabilitation of certain mine hazards, where feasible.

Upon approval of the closure plan, the Company will be required to provide normal course financial assurance for mine hazards where progressive rehabilitation is not currently possible, but may be required in future. The financial assurance, estimated by the geotechnical consultant to be approximately $13,000, is payable in cash and/or a letter of credit to the Ministry of Northern Development Mining and Forestry upon approval of the closure plan.

The accounting provision to cover the costs of the Order of $70,000 (2010 – $70,000) was fully depleted during the period and management believes that no other provisions are required in these consolidated statements related to these efforts.

Civil lawsuits

Two 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 mine subsidence. One of these parties also 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.

OUTSTANDING SHARE DATA

As of June 30, 2011, the Company has a total of 157,307,096 (December 31, 2010 - 142,255,882) common shares outstanding and 3,244,406 (December 31, 2010 – 4,009,906) stock options outstanding with an average exercise price of $0.21 (December 31, 2010 - $0.20) per share. Additional details are available in note 4 to the interim consolidated financial statements for the six month period ended June 30, 2011.