MONETA PORCUPINE MINES INC.

Annual Report 2011

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MONETA PORCUPINE MINES INC.

Consolidated Financial Statements

For the year ended December 31, 2011

2011

The accompanying financial statements of Moneta Porcupine Mines Inc. (the "Company") were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the audited annual consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the audited annual consolidated financial statements together with other financial information. An Audit Committee, whose members are not officers of the Company, assists the Board of Directors in fulfilling this responsibility. The Audit Committee, on behalf of the Board of Directors, meets with management to review the internal controls over the financial reporting process, the audited annual consolidated financial statements together with other financial information of the Company, and the auditor's report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) Ian C. Peres

Ian C. Peres, CA
President & CEO

(signed) Richard A Boulay

Richard A. Boulay
Interim Chief Financial Officer

March 29, 2012

SIEVERT & SAWRANTSCHUK LLP
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Moneta Porcupine Mines Inc.:

We have audited the accompanying consolidated financial statements of Moneta Porcupine Mines Inc**.** and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2011, December 31, 2010, and January 1, 2010, and the consolidated statements of net loss (earnings), comprehensive loss (earnings) and deficit, and the consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ending December 31, 2011 and December 31, 2010 and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Moneta Porcupine Mines Inc. and its subsidiaries as at December 31, 2011, December 31, 2010 and January 1, 2010, and their financial performance and their cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Moneta Porcupine Mines Inc.'s ability to continue as a going concern.

March 29, 2012	Sievert & Sawrantschuk LLP
Toronto, Canada	Chartered Accountants, Licensed Public Accountants

MONETA PORCUPINE MINES INC.

Consolidated Statements of Financial Position

As at	Notes	December 31, 2011	December 31, 2010 $ (Note 10)	January 1, 2010 $ (Note 10)
Current assets				
Cash and equivalents		**2,120,138**	1,389,019	4,654,189
Prepaid expenses		**16,743**	26,206	20,854
Sales taxes recoverable		**307,296**	340,707	58,151
Interest receivable		**21,704**	-	-
Total current assets		**2,465,881**	1,755,932	4,733,194
Investments held for trading		**1,861**	11,167	71,190
Exploration and evaluation assets	**3**	**1,650,268**	1,625,634	1,617,716
		4,118,010	3,392,733	6,422,100
Current liabilities				
Accounts payable and accrued liabilities		**384,196**	536,529	484,411
Deferred premium on flow-through shares	**4**	**1,600,000**	-	1,200,000
Total current liabilities		**1,984,196**	536,529	1,684,411
Going Concern	**1**			
Contingent liabilities	**7**			
Shareholders' equity				
Capital stock	**4**	**35,423,340**	30,382,574	27,723,587
Contributed surplus		**3,094,400**	2,879,909	2,848,480
Deficit		**(36,383,926)**	(30,406,279)	(25,834,378)
Total shareholders' equity		**2,133,814**	2,856,204	4,737,689
		4,118,010	3,392,733	6,422,100

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

Approved on behalf of the Board of Directors:

(signed) Ian C. Peres — Ian C. Peres, Director

(signed) Alex D. Henry — Alex D. Henry, Director

MONETA PORCUPINE MINES INC.

Consolidated Statements of Changes In Shareholders' Equity

	Notes	Capital Stock Shares	Capital Stock $	Contributed Surplus	Other Acumulated Comprehensive Earnings (Loss)	Deficit	Shareholders' Equity
Balance as at January 1, 2011		**142,255,882**	**30,382,574**	**2,879,909**	**-**	**(30,406,279)**	**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		(229,074)				(229,074)
Share issuance on exercise of stock options	4	1,210,823	163,683				163,683
Fair value of stock options exercised	4		106,157	(106,157)			-
Share based compensation on vested options	4			320,648			320,648
Net earnings (loss) and comprehensive earnings (loss)						(5,977,647)	(5,977,647)
Balance as at December 31, 2011		**157,752,419**	**35,423,340**	**3,094,400**	**-**	**(36,383,926)**	**2,133,814**

Balance as at January 1, 2010	126,690,027	27,723,587	2,848,480	-	(25,834,378)	4,737,689
Share issuance on private placement financing	7,500,000	1,500,000				1,500,000
Equity settled transactions - fair value warrants		(532,515)	532,515			-
Share issuance costs		(63,021)				(63,021)
Share issuance on exercise of stock options	4,486,738	381,286				381,286
Fair value of stock options exercised		373,009	(373,009)			-
Share issuance on exercise of warrants	3,579,117	644,241				644,241
Fair value of warrants exercised		355,987	(355,987)			-
Share based compensation on vested options			227,910			227,910
Net earnings (loss) and comprehensive earnings (loss)					(4,571,901)	(4,571,901)
Balance as at December 31, 2010	142,255,882	30,382,574	2,879,909	-	(30,406,279)	2,856,204

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

MONETA PORCUPINE MINES INC.

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

For the years ended December 31,	Notes	2011 $	2010 $ (Note 10)
Expenses			
Exploration and evaluation expenditures	3, 6	5,094,039	4,872,803
Share based compensation	4, 6	320,648	227,910
Management fees, wages and tax benefits	6	272,720	269,255
General & administration	6	168,992	185,072
Legal & audit		95,771	121,570
Unrealized loss (gain) on investments held for trading		9,306	60,023
Travel and promotion		68,836	60,236
Other income		(17,395)	(4,963)
Interest income		(35,270)	(20,005)
Loss before income taxes		5,977,647	5,771,901
Deferred taxes	10 (b)	-	(1,200,000)
Net loss (earnings) and comprehensive loss (earnings)		5,977,647	4,571,901
Deficit - beginning of year		30,406,279	25,834,378
Deficit - end of year		36,383,926	30,406,279
Loss (earnings) per share (basic and diluted)		$0.04	$0.04
Weighted average outstanding shares		154,114,529	130,541,407

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

MONETA PORCUPINE MINES INC.

Consolidated Statements of Cash Flows

For the years ended December 31,	Notes	2011 $	2010 $ (Note 10)
Operating activities			
Net (loss) earnings and comprehensive (loss) earnings		**(5,977,647)**	(4,571,901)
Add : non-cash items			
Deferred taxes	**10 (b)**	**-**	(1,200,000)
Unrealized loss (gain) on investments held for trading		**9,306**	60,023
Stock-based and other compensation		**320,648**	227,910
Net change in non-cash working capital balances		**(131,163)**	(235,790)
Cash provided from (used in) operating activities		**(5,778,856)**	(5,719,758)
Investing activities			
Evaluation and exploration assets		**(24,634)**	(7,918)
Cash provided from (used in) investing activities		**(24,634)**	(7,918)
Financing activities			
Issuance of common shares on exercise of stock options		**163,683**	381,286
Issuance of common shares on exercise of warrants		**-**	644,241
Issuance of common shares, net of issue costs		**6,370,926**	1,436,979
Cash provided from (used in) financing activities		**6,534,609**	2,462,506
Net increase (decrease) in cash and equivalents		**731,119**	(3,265,170)
Cash and equivalents, beginning of year		**1,389,019**	4,654,189
Cash and equivalents, end of year		**2,120,138**	1,389,019
Interest paid during the year		**48**	453
Income taxes paid during the year		**-**	-

1. Nature of operations and going concern

Nature of operations

Moneta Porcupine Mines Inc. ("Moneta" or the "Company") is a public company listed on the Toronto Stock Exchange **(TSX: ME) (OTC: MPUCF) (XETRA: MOP)** and incorporated under the laws of the Province of Ontario on October 14, 1910. Moneta is a mineral resource exploration and development company actively exploring for gold on its 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.

Going concern

These 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 December 31, 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

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before adoption of IFRS. As these financial statements represent the Company's initial annual presentation of its results and financial position under IFRS, they were prepared in accordance with IFRS 1, First-time Adoption of IFRS ("**IFRS 1**"). The policies applied in these financial statements are based on IFRS issued and outstanding as of March 29, 2012, the date of approval by the Company's Board of Directors. 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 Company's IFRS accounting policies have been applied consistently in all periods in preparing the consolidated financial statements for the year ended December 31, 2011, the restated comparative information 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**").

Basis 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 are largely inactive with limited operations.

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 accumulated comprehensive income.

Financial instruments

Financial instruments recognized in the statement of financial position include cash and equivalents, sales taxes recoverable, interest receivable, 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 on the statement of net loss (earnings) and comprehensive loss (earnings) and deficit. 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

Acquisition costs related to exploration properties are capitalized as exploration and evaluation assets 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 exploration and evaluation asset. Exploration and evaluation assets are not depreciated until the properties are in commercial production.

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.

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.

Revenue recognition

The Company currently has no revenue from active mining operations. Royalty income is recognized in the period in which it is earned in accordance with the terms of the royalty agreement, with collection reasonably assured. Interest revenue is recognized in the period in which it is 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

The Company is currently evaluating the impact on its consolidated financial statements of recent accounting pronouncements, as follows:

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments was issued by the IASB and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income(loss). IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

IFRS 10 Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements was issued by the IASB to replace IAS 27, Consolidated and Separate Financial Statement and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11, Joint Arrangements supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by joint venture partners. IFRS 11 requires a joint venture partner to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the joint venture partners will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 Disclosures of Interests in Other Entities was issued by the IASB to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity’s involvement with other entities. It also includes the requirements for unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13, Fair Value Measurement is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

Significant judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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. Estimates and assumptions are regularly 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.

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 transferred from contributed surplus 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. 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.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale of the project, or where exploration activities are not adequately advanced to support a gold resource assessment. The determination is an estimation process that requires varying degrees of uncertainty and these estimates directly impact the deferral of exploration and evaluation expenditures.

Decommissioning and restoration provision

The Company records the fair value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation, and re-vegetation of affected areas.

The estimated fair value of a liability, and corresponding increase in the related property, is reported in the year in which it is incurred and when a reasonable estimate of fair value can be made. The fair value 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 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).

As the Company has not commenced construction and development of any mining operations it does not have any provisions for decommissioning or restoration costs.

Warrants

The valuation of warrants includes estimates of risk-free interest rates, volatility of the Company's share price and expected life of the warrants. By their nature, these estimates are subject to measurement uncertainty and could materially impact the financial statements.

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.

3. Exploration and evaluation assets

For the year ended December 31,	2011 $	2010 $
Acquisition costs		
Balance, beginning of year	**1,625,634**	1,617,716
Acquisition costs	**24,634**	7,918
Balance, end of year	**1,650,268**	1,625,634

	Acquisition costs		
	Opening January 1, 2011	**Additions**	**Closing December 31, 2011**
Golden Highway Project	1,616,021	14,141	**1,630,162**
North Tisdale	1,022	3,719	**4,741**
Kayorum	7,400	3,920	**11,320**
Nighthawk Lake	1,191	2,009	**3,200**
Denton Thorneloe	-	845	**845**
	1,625,634	24,634	**1,650,268**

There were no property disposals and no indications of impairment of exploration and evaluation assets during the year ended December 31, 2011 and 2010. Exploration and evaluation expenditures for the year ended December 31, 2011 of $5,094,039 (December 31, 2010 – $4,872,803) 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 year
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 $229,074.

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:

For the years ended December 31,	2011		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]	0.26	1,700,000	0.29	2,250,000
Options exercised [2]	0.14	(1,210,823)	0.08	(4,486,738)
Expired [3]	-	-	0.27	(1,020,000)
Outstanding, end of period	$0.25	4,499,083	$0.20	4,009,906
Exercisable, end of period	$0.24	4,319,907	$0.19	3,597,402

(1) During fiscal 2011, the Company granted 1,700,000 stock options to directors, officers, and consultants. The estimated fair value of these options, subject to immediate vesting or vesting over two years, and a three year term, was $320,648 using the Black Scholes model and was charged as share 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% - 3.0%
Remaining life	3 years (based on option term)
Expected volatility	43% - 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 share 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 year, directors, officers and consultants exercised 1,210,823 (2010 – 4,486,738) stock options at an average exercise price of $0.14 (2010 - $0.08) for total gross proceeds of $163,683 (2010 - $381,286). The fair value of $106,157 (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.

Warrants

For the year ended December 31,	Exercise Price	Expiry Date	2011 #	2010 #
Outstanding, beginning of year:				
	$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 year	$0.35	April 2012	-	7,500,000
Exercised during the year	$0.18	January 2011	-	(3,579,117)
Expired during the year:				
	$0.18	January 2011	-	(590,000)
	$0.45	June 2011	**(6,000,000)**	-
			7,500,000	13,500,000
Outstanding, end of year:				
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

During the year, a total of 6,000,000 warrants with an expiry date of June 2011, expired unexercised.

5. Income taxes

The Company's effective tax rate, which differs from the combined federal and provincial statutory income tax rates for the year ended December 31, 2011, has been reconciled as follows:

For the year ended December 31,	Notes	2011 $	2010 $ (Restated under IFRS)
Income tax recovery at statutory rates		**1,643,641**	1,442,975
Increase (decrease) related to:			
Exploration and evaluation expenditures		**(1,413,031)**	(1,218,201)
Stock-based compensation		**(89,781)**	(56,978)
Unrealized (gain) loss on investments held for trading		**(2,606)**	(15,006)
Other		**32,881**	19,193
		171,104	171,984
Valuation allowance		**(171,104)**	(171,984)
Add: Deferred premium on flow through shares [1]	**10 (b)**	-	(1,200,000)
Deferred taxes		-	(1,200,000)

[1] In March 2010, the Company renounced $4,200,000 of expenditures on flow-through common shares issued in December 2009, resulting in a reversal of the 'deferred premium on flow through shares' liability of $1,200,000 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:

For the year ended December 31,	2011 $	2010 $ (Restated under IFRS)	January 1, 2010 $ (Restated under IFRS)
Deferred tax assets:			
Net operating loss carry forwards	**941,000**	788,500	694,000
Resource deductions	**5,330,700**	4,069,000	2,870,800
Other	**130,000**	168,200	174,700
	6,401,700	5,025,700	3,739,500
Less: Valuation allowance	**(4,212,000)**	(2,836,000)	(3,058,200)
	2,189,700	2,189,700	681,300
Deferred tax liabilities:			
Resource deductions	**(2,189,700)**	(2,189,700)	(681,300)
	-	-	-

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 $3,765,000 (2010 - $3,154,000) available for deduction against future taxable income, the balances of which will expire as follows:

Year	2011 $	2010 $
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	**618,000**	618,000
2030	**694,000**	694,000
2031	**611,000**	-
	3,765,000	3,154,000

The potential tax benefit of the above losses has not been recognized in these consolidated financial statements. The Company has approximately $11,821 (2010 – $11,821) in capital losses available to apply against future capital gains.

6. Related party transactions

The Company paid remuneration of $250,000 (2010 - $275,000) to a company controlled by an officer and director for the year ended December 31, 2011. The remuneration was for management services provided to the Company under an ongoing contract.

The Company paid consulting fees of $129,400 (2010 - $108,450) to a related individual for the year ended December 31, 2011. Taxable benefits on exercised stock options by this related individual, representing the difference between market price and exercise price at the time of exercise, were $32,206 (2010 - $Nil). The fees were for management consulting services provided to the Company.

The Company paid cash directors' fees of $37,371 during the year. Taxable benefits for one director on exercised stock options, representing the difference between market price and exercise price at the time of exercise, were $62,400 (2010 - $Nil).

During the year, 1,600,000 stock options (2010: 800,000) were issued to directors and officers. The stock options were issued out of the money with no intrinsic value however an accounting fair value of $250,600 (2010: $163,200) was reported on the statement of net loss.

There were no loans to Directors or Officers during 2011 (2010: $Nil).

All related party transactions were completed in the normal course of business at the exchange amounts.

7. Contingent liabilities

Order to file closure plan on Moneta Mine

Pursuant to an Order received from the Mining and Lands Commissioner related to the Company's historic Moneta Mine, located on the Company's Kayorum project, the Company undertook necessary steps and submitted the mine closure plan on July 31, 2011.

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

The Ministry of Northern Development Mines and Forestry ("**MNDMF**") provided comments on the closure plan in November 2011. The Company submitted an amended closure plan in December 2011 addressing the minor comments. The MNDMF provided further comments on the amended closure plan in February 2012. The Company is in the process of addressing the further minor comments related to the amended closure plan.

The longstanding accounting provision to cover the costs of developing a mine closure plan of $70,000 (2010 – $70,000) was fully depleted during the year.

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.

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 year ended December 31, 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 year. 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 December 31, 2011 was $2,449,138 (December 31, 2010 - $1,729,726), and was comprised of $307,296 (December 31, 2010 - $340,707) in harmonized sales taxes recoverable, $21,704 (December 31, 2010 - $Nil) in interest receivable, and $2,120,138 (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 preparing the consolidated financial statements for the year ended December 31, 2011, the restated comparative information 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**").

In preparing its opening IFRS statement of financial position, comparative information for the year ended December 31, 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 year in the initial *IFRS 1* optional exemption elections disclosed in the interim consolidated financial statements during 2011 which provided for certain mandatory exceptions and optional exemptions for initial adoption of IFRS. The Company elected to apply the following *IFRS 1* optional exemptions:

Share-based payment transactions
IFRS 1 encourages, but does not require, first-time adopters to apply *IFRS 2: Share-based Payment ("**IFRS 2**")*, to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected to apply the requirements of *IFRS 2* only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.

Cumulative translation differences
IFRS 1 permits cumulative translation differences to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with *IAS 21: The effects of changes in foreign exchange rates*, from the date a subsidiary was formed or acquired. The Company elected to reset all cumulative translation differences to zero and adjusted opening deficit at the Transition Date.

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 Consolidated Statements of Financial Position as at December 31, 2010 has been reconciled to IFRS as follows:

As at December 31, 2010		Balance under GAAP	IFRS Adjustments	Balance under IFRS
Current assets				
Cash and equivalents		**1,389,019**		1,389,019
Prepaid expenses		**26,206**		26,206
Other receivables		**340,707**		340,707
Total current assets		**1,755,932**	-	1,755,932
Investments held for trading		**11,167**		11,167
Exploration and evaluation assets	(a)	**14,007,837**	(12,382,203)	1,625,634
		15,774,936	(12,382,203)	3,392,733
Current liabilities				
Accounts payable and accrued liabilities		**536,529**		536,529
Deferred premium on flow through shares		**-**	-	-
Total current liabilities		**536,529**	-	536,529
Contingent liabilities				
Shareholders' equity				
Capital stock	(b)	**30,074,074**	308,500	30,382,574
Contributed surplus	(c)	**2,869,813**	10,096	2,879,909
Deficit	(a), (b)	**(17,705,480)**	(12,700,799)	(30,406,279)
Total shareholders' equity		**15,238,407**	(12,382,203)	2,856,204
		15,774,936	(12,382,203)	3,392,733

The Canadian GAAP Consolidated Statements of Financial Position as at January 1, 2010 has been reconciled to IFRS as follows:

As at January 1, 2010	Notes	Balance under GAAP	IFRS Adjustments	Balance under IFRS
Current assets				
Cash and equivalents		**4,654,189**		4,654,189
Prepaid expenses		**20,854**		20,854
Other receivables		**58,151**		58,151
Total current assets		**4,733,194**	-	4,733,194
Investments held for trading		**71,190**		71,190
Exploration and evaluation assets	(a)	**9,127,116**	(7,509,400)	1,617,716
		13,931,500	(7,509,400)	6,422,100
Current liabilities				
Accounts payable and accrued liabilities		**484,411**		484,411
Deferred premium on flow through shares	(b)	**-**	1,200,000	1,200,000
Total current liabilities		**484,411**	1,200,000	1,684,411
Contingent liabilities				
Shareholders' equity				
Capital stock	(b)	**28,923,587**	(1,200,000)	27,723,587
Contributed surplus		**2,848,480**		2,848,480
Deficit	(a)	**(18,324,978)**	(7,509,400)	(25,834,378)
Total shareholders' equity		**13,447,089**	(8,709,400)	4,737,689
		13,931,500	(7,509,400)	6,422,100

The Canadian GAAP Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings) for the year ended December 31, 2010 has been reconciled to IFRS as follows:

For the year ended December 31, 2010		Balance under GAAP	IFRS Adjustments	Balance under IFRS
Expenses				
Exploration and evaluation expenditures	(a)	-	4,872,803	4,872,803
Share based compensation	(c)	217,814	10,096	227,910
Management fees		269,255		269,255
General & administration		185,072		185,072
Legal & audit		121,570		121,570
Unrealized loss (gain) on investments held for trading		60,023		60,023
Travel and promotion		60,236		60,236
Other income		(4,963)		(4,963)
Interest income		(20,005)		(20,005)
Loss before income taxes		889,002	4,882,899	5,771,901
Deferred taxes	(b)	(1,508,500)	308,500	(1,200,000)
Net loss (earnings) and comprehensive loss (earnings)		(619,498)	5,191,399	4,571,901
Loss (earnings) per share (basic and diluted)		($0.00)		$0.04
Weighted average outstanding shares		130,541,407		130,541,407

Other comprehensive loss (earnings)

There were no IFRS conversion adjustments affecting other accumulated 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 $12,382,203, previously capitalized in mineral properties and deferred costs as at December 31, 2010, have been written off as a charge to Deficit as at December 31, 2010. The $12,382,203 includes exploration and evaluation expenditures for the year ended December 31, 2010 of $4,872,803 which has been charged to the Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings). Exploration and evaluation asset acquisition costs of $1,625,634 remained capitalized as exploration and evaluation assets at December 31, 2010.

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 year 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 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).

In December 2009, the Company completed a structured charity flow-through financing of $4,200,000 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, at the IFRS Transition Date of January 1, 2010, capital stock was reduced by a total of $1,200,000 to report a 'deferred premium on flow through share' liability, reflecting the premium received on the structured flow-through financing. An amount of $1,508,500, previously reported under GAAP under deferred taxes and representing the tax effect of the $4,200,000 financing at the Company's marginal tax rate of 25%, was reversed at March 31, 2010 under IFRS.

c) Share based compensation

Under Canadian GAAP, the fair value of share 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 as stock options subject to a vesting schedule were introduced only in 2010. The difference between the IFRS accelerated method and Canadian GAAP straight-line method for graded vesting options resulted in an adjustment of $10,096 at December 31, 2010.

11. Subsequent events

On March 27, 2012, Moneta completed an equity financing by issuing 10,000,000 common shares at $0.30 per share for gross proceeds of $3,000,000.

MONETA PORCUPINE MINES INC.

Management Discussion and Analysis

For the year ended December 31, 2011

2011

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 year ended December 31, 2011 and 2010. This MD&A should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended December 31, 2011 and 2010.

The Company's Annual 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 March 29, 2012.

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:

Page 1	Forward-Looking/Safe Harbour Statement and Fair Disclosure Statement
Page 2	Outlook, Corporate Overview
Page 3	Results of Operations
Page 14	Financial Review Consolidated Operating Results, Consolidated Financial Position, Liquidity and Capital Resources
Page 18	Off-Balance Arrangements, Transactions with Related Parties, Disclosure Controls and Procedures, and Internal Controls over Financial Reporting
Page 19	Critical Accounting Estimates
Page 21	Changes in Accounting Policies, Recent Accounting Pronouncements
Page 23	Financial Instruments and Other Instruments
Page 25	Outstanding Share Data

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 objective of the 2011 drill program in the *Golden Highway Project* was to expand known mineralization at surface including that of the greater Southwest Zone, Windjammer South, and the 55 Zone. Additional emphasis was 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*.

CORPORATE OVERVIEW

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

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.

Moneta holds a 100% interest in 5 core gold 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.

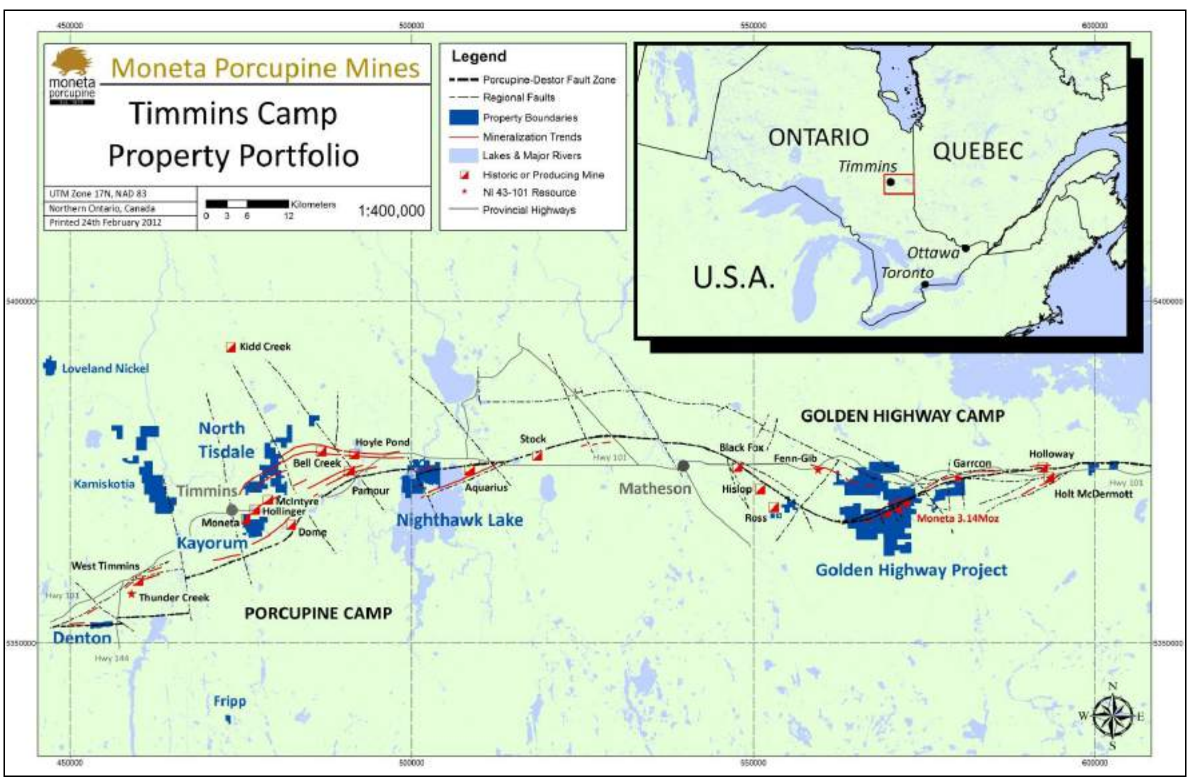

Figure I: Moneta's Key Gold Exploration Properties

Moneta's land position for gold exploration is one of the best, and is the fourth largest, in the world class Timmins Camp – after three gold producers – including a commanding position in the emerging Golden Highway Camp with a robust 3.1 million ounces of gold resources (all categories) in three main zones (Southwest Zone, Windjammer South, 55 Zone).

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.

The Company is leveraged to gold 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).

RESULTS OF OPERATIONS

Golden Highway Project

Moneta's primary gold exploration and resource development focus is the Golden Highway Project which contains a largely contiguous land package of 692 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.

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

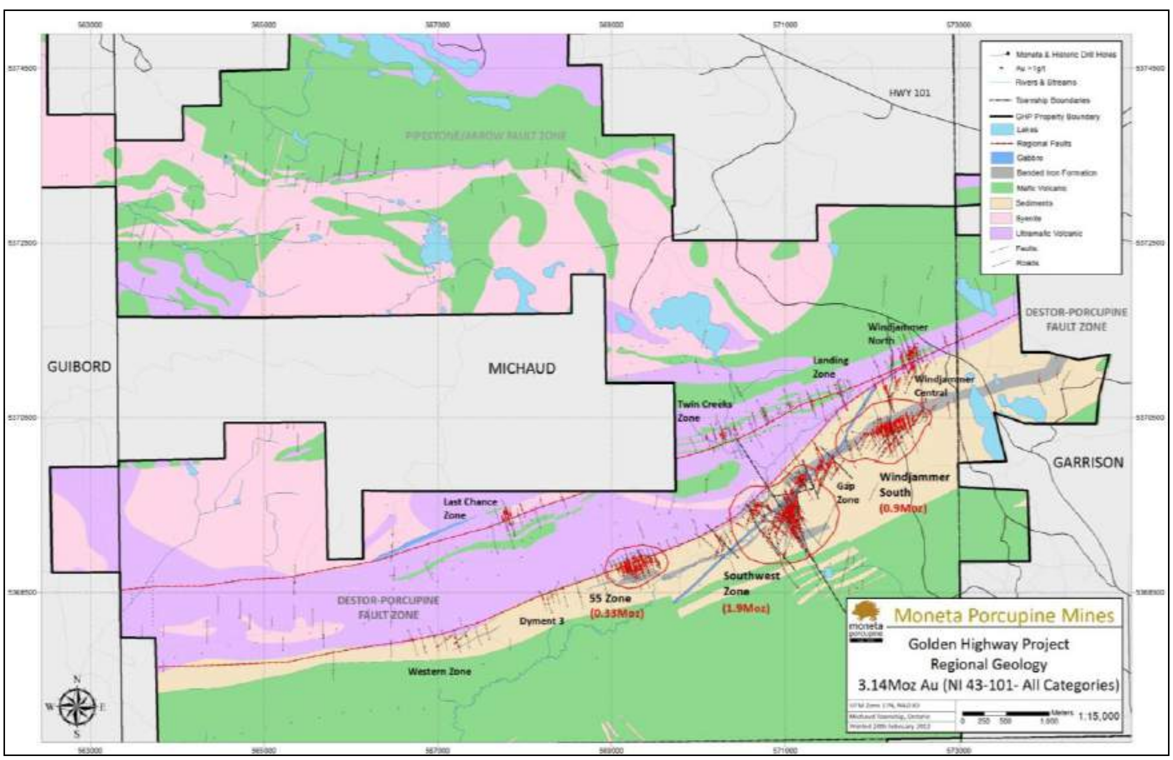

Figure II – Moneta's Golden Highway Project: Geology and Main Gold Zone Locations

The 2011 program culminated in a new NI 43-101 resource estimate for the three main Golden Highway gold zones (*Southwest Zone, Windjammer South, and 55 Zone.)*

These contain combined near-surface NI 43-101 resources (December 1, 2011) of 3,140,000 ounces Au, as calculated by P&E Mining Consultants Inc. ("P&E"), of 1,071,000 indicated (@ 0.99 g/t) and 2,069,000 (@ 1.35 g/t) inferred ounces of gold as detailed below and broken down as both "in-pit" and "out-of-pit" resources:

TOTAL RESOURCE ESTIMATE (1)(2)(3)(4)						
Classification	**Indicated**			**Inferred**		
Cut-Off Au g/t	**Tonnes**	**Au g/t**	**Au oz**	**Tonnes**	**Au g/t**	**Au oz**
In Pit: 0.35 g/t	32,884,000	0.95	1,002,000	40,640,000	0.98	1,280,000
Out of Pit: 2.0 g/t	649,000	3.33	69,000	7,197,000	3.41	789,000
Total	**33,533,000**	**0.99**	**1,071,000**	**47,837,000**	**1.35**	**2,069,000**

(1) The mineral resources in this report were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.
(2) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the estimated Mineral Resources will be converted into Mineral Reserves.
(3) The Mineral Resources are based on 313 diamond drill holes over approximately 2km of the Golden Highway Project's 55 Zone, Southwest Zone and Windjammer South gold zones and includes drilling from historical operators Lac Minerals (a subsidiary of Barrick Gold) during the period 1994 - 1997, and Noranda Exploration during the period 1983 - 1989.
(4) Values in the table above may differ due to rounding.

Exploration continues to focus on the expansion of existing resources and advancement of additional gold zones and mineralization.

2011 EXPLORATION ACTIVITY

Exploration in 2011 has been primarily focused on the Golden Highway Project with a 24,687 metre drill program culminating in Q4 with a NI 43-101 resource of 3.14 Moz, and summarized as follows:

- Drilling continued on the Southwest Zone, Gap area, Windjammer South, and Windjammer Central, building on the 2010 drill program with a focus on near-surface bulk tonnage mineralization;
- Paused additional testing of the deeper 267 zone style high grade mineralization in the Southwest Zone to advance near surface mineralization;
- Drilling continued to systematically test along strike between Southwest Zone and Windjammer South;
- Completed a first phase Pipestone drilling program as follow-up to the Q1 2011 aeromag structural review;
- Initiated Windjammer Central follow-up of the 2009 drilling and assessment of the potential for Windjammer South expansion to the north. Windjammer Central defined as preliminary 750m X 200m wide zone of mineralization similar to that of Windjammer South;

Moneta undertook geotechnical drilling (523m) on the historical Moneta Mine to support the submission of a mine closure plan in July 2011 and an amended plan in December 2011.

A Titan 24 Geophysical Survey (IP and MT) was completed on two profiles crossing the North Tisdale property in order to identify potential targets related to large regional structure.

Several Moneta base metal properties in the Porcupine Camp subject to a sales agreement with Amador Gold were returned.

NI 43-101 Compliant Resource Estimate

In Q4 2011 Moneta commissioned P&E Mining Consultants to complete an independent NI 43-101 technical report and resource estimate for the three main Golden Highway Project gold zones; Southwest Zone, Windjammer South, and 55 Zone. These are only three of the 10 zones within the 12 km strike of highly prospective and similar geology crossing the property and associated with the Destor Porcupine Fault Zone.

The report encompassed the most recent drill data in order to prepare an initial Resource Estimate on the Southwest Zone and the 55 Zone as well as an updated Resource Estimate on the Windjammer South zone that supersedes the updated NI 43-101 Resource Estimate prepared by Cargill Consulting Geologist Limited in 2009. (See NI 43-101 Technical Report filed on SEDAR January 16th 2012).

Resource Estimate Summary

The Gemcom database for this estimate was constructed from 313 surface drill holes of which 274 were utilized in the resource calculation. All remaining data were not in the area that was modeled for the resource estimate. Verification of 39,903 assay database values was performed with original laboratory and electronically issued certificates.

Seven domains or mineralized zones were created named 55, SW Central Block, SW Central Block Lower, SW East Block, SW East Block Lower, SW West Block and Windjammer South. These were determined from lithology, structure and grade boundary interpretation from visual inspection of drill hole sections followed by computer screen digitizing on the drill hole sections. On each section, interpretations were digitized from drill hole to drill hole but not typically extended more than 50 metres into untested territory, and then "wireframed" in Gemcom into 3-D domains. The resulting solids (domains) were then used for statistical analysis, grade interpolation, rock coding and resource reporting purposes.

Length weighted composites were generated for the drill hole data that fell within the domains. These composites were calculated for Au over 1.5 metre lengths. Un-assayed intervals were set to 0.23 g/t Au which was deemed to represent the prolific low grade background gold value within the deposits, but at the same time did not introduce any mineralization above the open pit resource cut-off grade.

Statistical analysis of the data indicated robust behaviour and predictability of the mineralization. Grade capping on the 1.5m composite values was evaluated using log-normal histograms which indicated that only limited capping was required. Variography was used to evaluate ranges of the spherical search ellipse parameters required for grade interpolation.

The bulk density used for the creation of a density block models was derived from 20 site visit samples whose average was determined to be 2.74 tonnes per cubic metre.

The resource model was divided into a block model framework using 10x10x10 metre blocks. Separate block models were created for rock type, density, percent, class and Au. Inverse distance cubed (ID3) grade interpolation was utilized with the first grade interpolation pass utilized for the Indicated classification and the second for Inferred. Grade blocks were interpolated within the domains using the following parameters;

Total Resource Estimate (1)(2)(3)(4)						
Classification	**Indicated**			**Inferred**		
Cut-Off Au g/t	**Tonnes**	**Au g/t**	**Au oz**	**Tonnes**	**Au g/t**	**Au oz**
In Pit: 0.35 g/t	32,884,000	0.95	1,002,000	40,640,000	0.98	1,280,000
Out of Pit: 2.0 g/t	649,000	3.33	69,000	7,197,000	3.41	789,000
Total	**33,533,000**	**0.99**	**1,071,000**	**47,837,000**	**1.35**	**2,069,000**

(1) The mineral resources in this report were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.

(2) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the estimated Mineral Resources will be converted into Mineral Reserves.

(3) The Mineral Resources are based on 313 diamond drill holes over approximately 2km of the Golden Highway Project's 55 Zone, Southwest Zone and Windjammer South gold zones and includes drilling from historical operators Lac Minerals (a subsidiary of Barrick Gold) during the period 1994 - 1997, and Noranda Exploration during the period 1983 - 1989.

(4) Values in the table above may differ due to rounding.

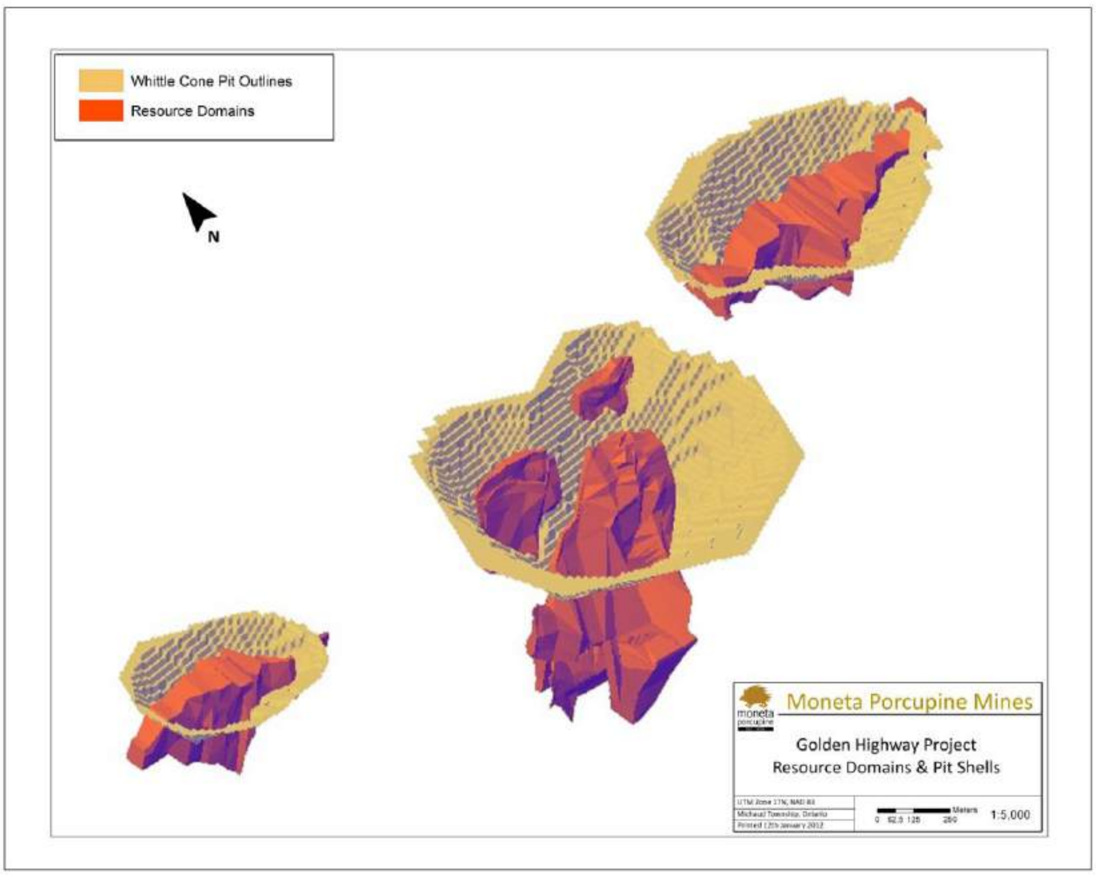

Figure III - Golden Highway Project: Resource Domains & Pit Shells

The detailed breakdown of both "in-pit" and "out-of-pit" resource estimates on a gold zone basis is as follows;

TABLE 1: MINERAL RESOURCE ESTIMATE (1), (2), (3), (4)					
Category	**Location**	**Cutoff Grade (g/t)**	**Tonnes**	**Au (g/t)**	**Au (oz)**
Indicated					
Windjammer South	In Pit	0.35	16,177,400	0.86	445,800
Southwest Zone	In Pit	0.35	10,708,300	0.97	333,300
55 Zone	In Pit	0.35	5,997,800	1.15	222,600
			32,883,500	0.95	1,001,600
Windjammer South	Out of Pit	2.0	36,200	3.06	3,600
Southwest Zone	Out of Pit	2.0	556,200	3.41	61,100
55 Zone	Out of Pit	2.0	56,300	2.65	4,800
			648,600	3.33	69,400
		TOTAL INDICATED	**33,532,100**	**1.00**	**1,071,100**
Inferred					
Windjammer South	In Pit	0.35	16,766,400	0.79	427,500
Southwest Zone	In Pit	0.35	20,455,300	1.17	766,300
55 Zone	In Pit	0.35	3,417,900	0.78	86,200
			40,639,600	0.98	1,280,000
Windjammer South	Out of Pit	2.0	76,900	2.72	6,700
Southwest Zone	Out of Pit	2.0	6,980,800	3.43	770,400
55 Zone	Out of Pit	2.0	139,100	2.83	12,700
			7,196,800	3.41	789,700
		TOTAL INFERRED	**47,836,400**	**1.35**	**2,069,700**

(1) The mineral resources in this report were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.

(2) Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the estimated Mineral Resources will be converted into Mineral Reserves.

(3) The Mineral Resources are based on 313 diamond drill holes over approximately 2km of the Golden Highway Project's 55 Zone, Southwest Zone and Windjammer South gold zones and includes drilling from historical operators Lac Minerals (a subsidiary of Barrick Gold) during the period 1994 - 1997, and Noranda Exploration during the period 1983 - 1989.

(4) Values in the table above may differ due to rounding.

TABLE 2: IN-PIT RESOURCE AT 0.35 G/T CUTOFF AND SENSITIVITY						
	INDICATED			**INFERRED**		
Cutoff Grade (g/t)	**Tonnes**	**Au (g/t)**	**Au (oz)**	**Tonnes**	**Au (g/t)**	**Au (oz)**
0.50	23,116,500	1.17	869,500	28,312,500	1.22	1,114,900
0.45	26,078,200	1.09	914,800	31,579,500	1.15	1,164,600
0.40	29,157,800	1.02	956,800	35,809,000	1.06	1,222,300
0.35	**32,883,500**	**0.95**	**1,001,600**	**40,639,600**	**0.98**	**1,279,900**
0.30	37,359,800	0.87	1,048,200	46,487,600	0.90	1,341,600
0.25	43,209,500	0.79	1,099,900	53,850,000	0.81	1,406,400

TABLE 3: OUT OF PIT RESOURCE AT 2.0 G/T CUTOFF AND SENSITIVITY						
	INDICATED			INFERRED		
Cutoff Grade (g/t)	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)
2.20	554,800	3.54	63,100	6,089,400	3.65	715,000
2.00	**648,600**	**3.33**	**69,400**	**7,196,800**	**3.41**	**789,700**
1.50	1,043,600	2.72	91,300	13,103,100	2.65	1,117,000
1.00	1,825,800	2.08	121,800	22,576,000	2.05	1,487,000

P&E has concluded that there is significant potential to further develop existing and additional gold resources on the Golden Highway Project. This potential exists both within the three Whittle Cone optimized pit shells, as well as outside the pit shells along strike and to depth over the 12 km of similar and favourable geological setting.

P&E has proposed recommended work in two phases. Phase I includes additional drilling to expand the current resource estimate, additional metallurgical tests, and baseline environmental studies. Phase II recommendations are for additional drilling to upgrade the resource category of existing resources, with a move towards the completion of a Preliminary Economic Assessment (PEA).

Golden Highway Project 2011 Drill Program

Southwest Zone and East Block

The 2011 focus within the Southwest Zone and East Block was on the completion in Q2 of the 2010 deeper drill program targeting the high grade 267 style vein zone and mineralization along the iron formation south contact as discussed in the 2011 Q1 & Q2 MD&A reports.

This included four shallower East Block drill holes and one drill hole extension testing northerly trending vein orientations, similar to those identified in the CB and 267 Zone, and potentially not tested by historical drilling.

Gap Area

The area east of the *Southwest Zone East Block* towards *Windjammer South* is of significant interest with confirmed potential to host significant gold mineralization. The Gap covers over 800m of strike along the iron formation and both the corridor along the iron formation contact and its (south) hanging wall, as well as recently interpreted north-westerly and northerly trending structures.

Previous drilling in the area was limited to a section of deeper scissor holes completed by Barrick in the central Gap with numerous occurrences of gold mineralization in the sediments both north and south of the main iron formation. In addition Moneta drill hole M08-259 (437 metres) was completed as a 100m eastern stepout towards Windjammer South from this Barrick section returning numerous gold intersections of moderate grade and wider alteration zones including 1.06 g/t Au over 16.50 metres.

Moneta drilling in Q1 to Q3 2011 has demonstrated the significance of gold mineralization within the zone. Previously reported drill hole MSW11-283 completed in Q2 2011 in the western Gap Area between historical drill hole MN96-175 and the East Block returned an intersection of 1.06g/t over 117.1m including a large, consistently mineralized zone of 5.15 g/t over 14.3m. Of similar significance was MSW11-290 drilled 100m to the southwest and intersecting a near surface alteration zone with 1.18 g/t over 23.00m including 3.43 g/t over 3.70m or 9.09 g/t over 0.50m. This zone is located approximately halfway between East Block and Gap and some 200m southeasterly from the iron formation in its hanging wall sediments. The lower portion of the drill hole intersected a well-defined wide breccia/fault zone returning 0.995 g/t over 53.2m including 2.61 g/t over 4.00m and 1.27 g/t over 29.3m, followed by a significant 5.1m wide vein zone similar to the 267 vein zone with a best interval of 1.47 g/t over 2.7m.

Q4 2011 drilling continued to advance the zone for potential resource estimation. MSW11-291/291A was collared next to MSW11-290 and drilled on section to test the 290 mineralization and vein zone at depth. The hole was stopped at 339 metres due to significant deviation and continued with drill hole wedge MSW11-291A to 597m for future deepening. Vein zones were intersected in the upper part of the hole including 4.96 g/t over 3.07m, 1.35 g/t over 10.30m, and 4.91 g/t over 4.40m including 9.79 g/t over 0.50m. MSW11-292 was subsequently drilled on section above MSW11-286 and MSW11-283 to test for mineralization at a shallower elevation along the iron formation (south) hanging wall sediments. Several alteration zones were intersected including 1.25 g/t over 5.07m and 1.05 g/t over 16.20m including 1.89 g/t over 6.85m.

The newly discovered 267 style 290 Vein Zone and associated wide mineralized fault/breccia zone, has confirmed the importance of the NW trending structures to generate gold zones and the continued potential for discovering significant vein zones both along strike and to depth in the iron formation hanging wall sediments. Additional drilling is required in the Gap to better define a near surface to intermediate depth gold resource.

Related to the Gap drilling but significantly displaced to the southeast by 500 metres is exploration drill hole MSW11-293 (389m) which targeted the potential strike extension of the north-westerly trending Gap structures to the southeast. Abundant graphitic and weak sericite altered argillite and greywacke cut by a fault were intersected with no associated gold mineralization.

Windjammer

Drilling on *Windjammer* in the 1980s by Noranda (58 holes) defined two separate gold zones, *Windjammer South* and *Windjammer North*. Subsequently Moneta has expanded on both zones and identified a third zone between them, appropriately named *Windjammer Central.*

Windjammer North

Windjammer North is located one kilometre north of *Windjammer South* on the northern boundary of the Destor and is on strike with Moneta's *North Zone* (*Last Chance, Twin Creek, Miller and Landing Zones)* which has returned erratic but encouraging gold intersections including 11.3 g/t over 3.7 metres, 20.6 g/t over 1.2 metres, 8.6 g/t over 2.5 metres, 13.0 g/t over 3.1 metres and 13.0 g/t over 1.8 metres.

In total, this area represents an under-explored strike length of 4.5 kilometres. *Windjammer North* has been defined by 21 drill holes over 400 metres along strike with intersections including 6.37 g/t over 5.9m core length. Mineralization occurs in altered ultramafic to mafic volcanics or altered mafic volcanics in high strain zones.

Moneta undertook preliminary modeling in 2009 and completed a three hole (1,388 m) drill program to assess the historical Noranda work. Extensive alteration with gold mineralization was intersected, all similar to the historical data in drill holes MWJ09-26/27/28 drilled grid north to south and continued into the sediments that are now part of Windjammer Central. Additional drilling is planned for 2012 to test for volcanic hosted gold mineralization along strike, primarily to the east.

Windjammer Central

Windjammer Central describes the area containing the sediments found between *Windjammer North* and the iron formation of Windjammer South. Historical drilling by Noranda on Windjammer North had indicated that the more northern sediments close to, and in contact with the Northern Corridor mafic/ultramafic volcanics of the DPFZ had significant potential for near surface bulk gold mineralization. Moneta's 2009 profile drilling discovered a similar style of gold mineralization to that in Windjammer South within the sediments between Windjammer South and Windjammer North.

Results to date confirm the gold mineralization potential along the volcanic/sedimentary contact and up to 200 metres into the hanging wall, over a 750 metre strike length. Additional drilling is required to define a potential bulk resource in Windjammer Central that may encompass Windjammer North.

2012 objectives in this area are to assess the potential for significant near surface bulk mineralization. Drilling has started by testing the area between the historical WJN sediment hosted mineralization and the Moneta profile with an overall 100m spacing to cover both strike and width of a potential corridor south of the volcanics. Included in this phase is the area immediately north of the Windjammer South iron formation.

The discovery of gold mineralization in this area expanded the potential of the central sediments to host significant gold mineralization and, in this case, the potential of a large untested area to the east, and west between the iron-formation and volcanics to the north. In 2011 wide spaced drilling was initiated to test the potential for bulk near surface mineralization both east and west of the 2009 drill hole profile and drill holes 51 to 59 were completed.

Holes MWJ11-51 to 55 were drilled east of the 2009 profile with MWJ11-53 and MWJ11-55 testing along the volcanic-sedimentary contact and MWJ11-51/52 and 54 testing the more central sediments. To the west of the 2009 profile, MWJ11-56 to 58 tested along the volcanic sedimentary contact while MWJ11-59 was drilled more southerly from the Windjammer South iron formation into the central portion of the sediments. MWJ11-56 was abandoned due to technical issues and replaced with MWJ11-58.

Follow-up drilling is underway with MWJ12-60 and 62 east of the 2009 profile while MWJ12-63 and 64 are testing the eastern extension of Wind Central immediately north of and along the main iron formation. Final results are pending.

Drill hole		From (m)	To (m)	Width [(1)] (m)	Vertical Depth (m)	Au (g/t)
MWJ11-51		144.00	154.00	10.00	110	0.70
	incl.	144.00	159.00	4.60		0.96
		291.00	300.00	9.00		1.05
	incl.	295.00	298.00	3.00		1.69
		412.00	468.60	56.60		0.72
	incl.	412.00	434.00	22.00		0.97
MWJ11-52		107.00	109.00	2.00	85	3.26
		181.00	182.00	1.00		6.74
		208.00	209.00	1.00		5.86
		302.00	313.00	11.00		0.79
		318.00	330.00	12.00		0.89
	incl.	327.00	330.00	3.00		2.13
MWJ11-53		211.00	351.00	140.00	165	0.76
	incl.	211.00	220.00	9.00		1.34
	and	270.00	343.00	73.00		1.02
	incl.	296.00	320.00	24.00		1.15
	incl.	328.00	343.00	15.00		0.96
MWJ11-54		133.70	137.52	3.82	110	1.56
		368.00	376.00	17.00		0.71
	incl.	368.00	369.00	1.00		5.83
MWJ11-55		139.00	145.00	6.00	105	0.78
		212.00	265.55	53.55		0.94
	incl.	239.42	265.55	26.13		1.42

incl.	265.00	265.55	0.55		27.67
MWJ11-57	261.00	316.00	55.00	200	0.72
incl.	294.00	316.00	22.00		1.06
incl.	316.00	316.00	1.00		6.61
MWJ11-59	143.70	145.00	1.30	110	2.23
	186.00	194.00	8.00		0.64
	200.00	215.00	15.00		0.65
	223.00	225.00	2.00		2.09

Windjammer South

Windjammer South closely resembles the style of mineralization in the nearby *Southwest Zone* where gold mineralization is typically hosted by fine quartz stringers and veining found within variably altered (hematite, silica, ankerite, and sericite) Timiskaming sediments forming the hanging wall to a thick banded oxide facies iron formation with potential for sulphidization.

Drilling in Q2 and Q3 2011 as previously reported focused on resource expansion at shallow depths particularly in the more southerly hanging wall of the iron formation and along its strike, including westerly into the Gap area between Windjammer South and the East Block of the Southwest Zone.

A total of 6,872 metres were drilled in 17 holes using wider spaced drilling (100m step-outs) in the hanging wall sediments. Gold mineralization, in the form of both stockwork and high grade quartz veins, was intersected in all drill holes and expanded the gold mineralization of the main zone hanging wall and both easterly and westerly along the iron formation providing the basis for the new NI 43-101 resource estimate completed in Q4 by P&E and released December 1st, 2011.

Additional drilling in 2012 is targeting both "in-pit" and "out-of-pit" resource expansion opportunities of Windjammer South immediately to the north and along strike of the iron formation as well as the untested potential for high grade mineralization continuing to depth.

Windjammer East

One hole, MWJ11-34 (462.6 m), was drilled near the eastern property boundary in Garrison Township and targeted a prominent offset in the Windjammer South main iron formation potentially due to a north-westerly trending structure as interpreted from ground and airborne magnetic data, as well as alteration/gold mineralization commonly found in the iron formation hanging wall sediments.

The drill hole intersected pillowed to massive mafic metavolcanics and gabbro intrusives followed by sediments, all cut by quartz feldspar porphyry dykes with two narrow breccia zones. Minor and weak gold mineralization was limited to rare narrow quartz stringers associated with locally elevated pyrite. Minor ankerite alteration zones were observed in the sediments with no significant associated gold values. The targeted iron formation/sedimentary contact where a historical drill hole had intersected weak gold mineralization, was not reached. Additional exploration of this eastern setting is under review.

55 Zone

No additional drilling undertaken in the *55 Zone* in 2011 following Moneta's significant program completed in 2010. With the completion of the 2010 drill program, a total of 64 drill holes (19,393 metres) were drilled in the *55 Zone* by the Moneta (36 holes), the Michaud Joint Venture (10 holes), Acrex (13 holes), and Lac Minerals (Barrick) (5 holes). Significant and multiple gold mineralized veins and vein alteration zones were intersected defining a mineralized system currently extending for over 350 metres along strike. The system is within a corridor of variably altered Timiskaming sediments along ultramafics of the Destor immediately to the north. Scattered narrow syenite dykes have also been intersected within this window. The northern contact was typically marked by narrow hematite and magnetite variably developed iron formation while the southern limit is a relatively unaltered and intercalated purplish hematitic iron formation/chloritic greywacke-sandstone sequence.

The 55 Zone contains a combination of quartz and quartz/carbonate/feldspar stringers, veins and stockworks with variable orientations. The altered wall rock is predominantly and pervasively sericitized and ankeritized with pyrite 3% to 5% and up to 10% locally. The 2010 drilling targeted the higher grade series of northerly dipping and stacked (en echelon) laminated quartz veins with widths up to 3 metres and frequently associated with brecciation. Additional high grade mineralization was found to occur in the northern iron formation when intersected by these vein systems resulting in local sulphidization of the iron formation.

Currently "in-pit" and "out-of-pit" resource expansion opportunities are being evaluated as drill targets for both the sulphidized iron formation and quartz vein zone style of gold mineralization along strike and to depth.

Pipestone/Arrow Fault

Q2 and Q3 2011 First Phase exploration drilling from the Q1 2011 structural review and compilation, focused on the structural contact between northern mafic volcanics and southern syenite, as well as structures within the syenite. Drilling (MPL11-01 to 09 totalling 2,475 metres) was with progressive step-outs along the main structure as well as on other but separate targets. Highly silicified, locally brecciated and variably pyritic and altered zones along the contacts and within the syenite when intersected returned an elevated gold tenor primarily in conjunction with felsic dykes and hematitic alteration in the syenite.

In addition to potential follow-up of the current results, additional targets remain to be drill tested.

Other Golden Highway Properties and Exploration

No exploration activities were undertaken in 2011 in all the Moneta – St Andrew Goldfields joint ventures. These include the Barnet, Garrison, Guibord, Holloway, and Marriott joint ventures with St Andrew as operator.

PORCUPINE CAMP

Several projects constitute Moneta's activities in the Porcupine Gold Camp where Moneta continues to maintain a large land holding. Camp gold properties are North Tisdale, Nighthawk Lake, Kayorum, and Denton-Thorneloe. No exploration work was carried out in 2012 on the Nighthawk and Denton-Thorneloe properties. Additional properties are historical base metal projects and include Loveland Nickel, Kamiskotia, and Fripp. The under explored nature, higher gold and recovering base metal prices with new activity in the immediate areas, has enhanced these properties' strategic value with gold remaining as the Company's focus.

North Tisdale Exploration Program 2011

The North Tisdale property is currently being reviewed for target areas requiring drilling to greater depth. These areas are expected to be found primarily in the central portion of the property where the "New Mine Trend" and its host volcanics are believed to cross- trending west-southwest.

To advance this targeting, a Q4 2011 deep penetrating Quantec "Titan 24" Induced Polarization (IP) and Magneto-telluric (MT) survey was completed on two north-south profiles. Larger scale lithological features were carried to depths beyond the current drilling and more subtle anomalies identified as potential drill targets in the final interpretation completed in Q1 2012.

The *West Tisdale* area also remains of interest with untested results from the 2006 IP/mag ground survey. Results indicate a central east-westerly trending series of IP anomalies that appear to be offset by faulting and at the western end and include the historical McMahon shaft and Pentland diamond drill hole with known quartz-carbonate veining and grey zone alteration. Historical overburden drilling anomalies are also concentrated south of this IP trend.

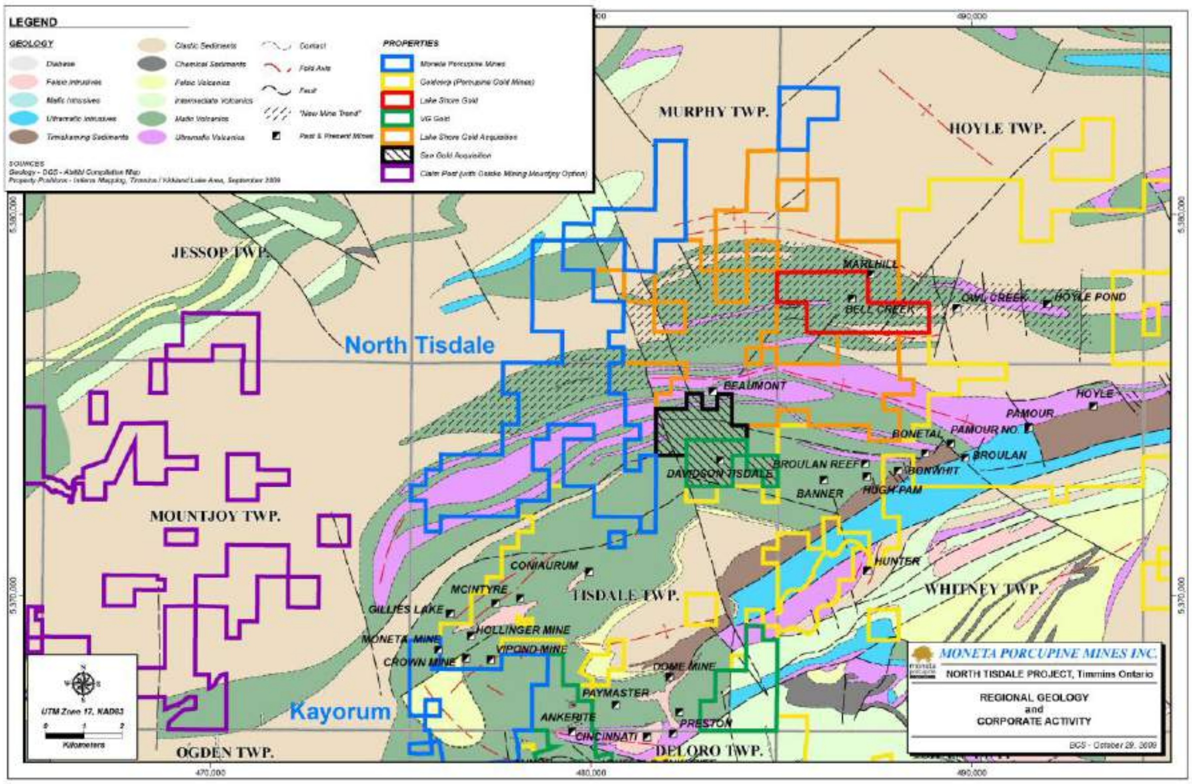

Figure IV – Moneta's Porcupine Camp Properties

Moneta Mine Exploration 2011

The Moneta Mine is located in the NW portion of the property and mined the continuation of Hollinger Mine veining across the property boundary. Despite several exploration phases from 1911 to 1935 little mineralization of interest was found. In 1936, a 10,590 foot drill program defined a high grade vein that led to rapid underground development of the Moneta Mine by 1938. Production ceased in 1943 after production of 149,250 oz gold from 314,829 tons at an average grade of 0.47 oz/t. Mine infrastructure included a shaft to 1492 feet and 6 levels of development and mining.

In late 2010 Moneta initiated a geological, mining, and structural review compiled into a 3D model, in order to assess the brownfields potential of the former mine and its immediate area. Additional work was completed in 2011 to facilitate a closure plan for the Ministry of Northern Development Mines and Forestry.

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 for review and approval. Minor modifications and changes were re-submitted December 2011 and final approval is expected in Q2 2012. 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 with a total of 523 metres in 15 drill holes drilled providing 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 has been approved for development in 2012. The project envisions a multiphase 200-250 metre deep open pit based on a 2010 resource of 3.47Mozs and 782,000 oz in reserves. Exploration drill programs have also identified several underground mining opportunities by ramp and existing underground infrastructure for both the Hollinger (Millerton) and McIntyre (Central Porphyry Zone) mines.

Porcupine Camp – Base Metal Projects

Moneta hold a 100% interest in base metal projects consist of a combination of 138 staked, 56 leased, and 1 patented claim units in Loveland, Godfrey, Jamieson, and Fripp Townships. These claims (Loveland Nickel, Kamiskotia, and Fripp) were subject to a purchase and sale agreement in 2008 with Amador Gold Corp. ("Amador"). Under the terms of the agreement, Amador was to make annual cash and share payments to Moneta over time. In Q1 2011, Amador defaulted on the final cash and share payment. Following notice of default and discussions, Amador, due to a lack of liquidity, elected to return the claims in good standing to Moneta in Q4 2011.

Historical work up to the mid 1970's on Loveland Nickel by Hollinger Gold Mines outlined nickel-copper mineralization with a non NI43-101 compliant historical resource estimate of 422,000 tons grading 0.71% Ni and 0.42% Cu. Mineralization is primarily associated with quartz diabase intrusive in intermediate to mafic volcanic flows and intrusives. Potential for additional mineralization remains high given the recent success on the immediately adjacent property to the northwest.

Historical but scattered zinc and copper mineralization is also known on the Kamiskotia property. Gold potential is not well defined and appears to be primarily associated with grey zone alteration in mafic volcanics as well as with felsic intrusives in sediments that are believed to represent northerly fault displaced West Timmins camp stratigraphy.

The Fripp copper zone was originally found by Hollinger Gold Mines and is estimated to contain a non NI 43-101 compliant historical resource of 55,000 tons grading 2% copper. The zone is hosted by mafic intrusives (diorite, quartz diorite and quartz gabbro). Additional work is required on this shallow mineralization.

The Company is evaluating options, including option or sale to interested parties or exploration itself to test the mineralization potential.

FINANCIAL REVIEW

These annual 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 December 31, 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 Consolidated Statements of Financial Position, the Statements of Shareholders' Equity, the Statements of Net Loss (Earnings) Comprehensive Loss (Earnings) and Deficit, and the Statements of Cash Flows for the year ended December 31, 2011 and 2010.

SELECTED ANNUAL INFORMATION

Highlights ($ except per share data)	December 31, 2011	December 31, 2010	January 1, 2010 (IFRS)	December 31, 2009 * (CAD GAAP)
Revenue	-	-	-	-
Net loss (earnings) and comprehensive loss (earnings)	**(5,870,147)**	(4,571,901)	518,647	518,647
Net earnings (loss) per share	**($0.04)**	($0.04)	$0.00	$0.00
Total Assets	**4,118,010**	3,392,733	6,422,100	13,931,500
Total Long-term liabilities	**Nil**	Nil	Nil	Nil

SUMMARY OF QUARTERLY RESULTS

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

($ except per share data)	2011				2010 (restated under IFRS)			
Highlights	**Dec**	**Sep**	June	Mar	Dec	Sep	Jun	Mar
Revenue	-	-	-	-	-	-	-	-
Net loss and comprehensive loss	**1,429,293**	1,232,403	1,916,199	1,292,252	3,022,746	1,232,403	(215,972)	532,724
Net loss per share	**0.01**	0.01	0.01	0.01	0.01	0.01	0.01	0.01

SIGNIFICANT EVENTS DURING THE FOURTH QUARTER 2011

Exploration and evaluation expenditures, previously capitalized under Canadian GAAP, are now expensed under IFRS. A total of $860,435 was incurred during Q4 2011 (YTD 2011: $5,094,039) as compared to $1,328,033 in Q4 2010 (YTD 2010: $4,872,803). Drilling was primarily focused on the Company's Golden Highway Project with some drilling on the on the former Moneta Mine in the Porcupine Camp as explained below.

SIGNIFICANT EVENTS DURING 2011

During 2011, the Company undertook the necessary steps to submit a mine closure plan for the former Moneta Mine located on the Company's Kayorum project. 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 in 2011.

During fiscal 2011, the Company granted 1,700,000 (2010: 2,250,000) stock options to directors, officers, and consultants. The estimated fair value of these options, subject to immediate vesting or a vesting period and a three year term, was $320,648 (2010: $227,910) using the Black Scholes model, was charged as share 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.

During the year, directors, officers and consultants exercised 1,210,823 (2010 – 4,486,738) stock options at an average exercise price of $0.14 (2010 - $0.08) for total gross proceeds of $163,683 (2010 - $381,286). The fair value of $106,157 (2010 – $373,009) related to the exercised stock options and previously charged to contributed surplus was reversed to share capital.

CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with the Consolidated Statements of Net Loss (Earnings) Comprehensive Loss (Earnings) and Deficit for the period ended December 31, 2011 and 2010 and the corresponding notes thereto, with comparatives and reconciliations reported in note 10. All references to years "2011" or "2010" relate to the year ended December 31 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 $5,870,147 for the year ended December 31, 2011 as compared to a net loss and comprehensive loss of $4,571,901 for the year ended December 31, 2010.

Exploration and evaluation expenditures were $5,094,039 in 2011 as compared to $4,872,803 in 2010, representing a marginal increase in year over year exploration expenditures. Share based compensation charges related to options vested during 2011 was $320,648 as compared to $227,910 in 2010. Management fees, wages and tax benefits were $272,720 in 2011 as compared to $269,255 in 2010. General & administration expenses were $168,992 in 2011, a decline from $185,072 in 2010. Legal and audit expenses were $95,771 in 2011 as compared to $121,570 in 2010. The accrual related to audit and related fees were unchanged year over year. The decrease in legal expenses primarily related to reduced legal work during the year. The unrealized loss on investments held for trading, resulting from market value fluctuations, was $9,306 in 2011 as compared to $60,023 in 2010. Travel and promotion expenses were $68,836 in 2011 as compared to $60,236 in 2010. The increase is primarily related to an investor relations program in place in 2011 which was not in place in 2010. Other income was $17,395 in 2011 as compared to $4,963 in 2010 and primarily relates to royalty income from a perlite operation. Interest income was $35,270 in 2011 as compared to $20,005 in 2010. The increase relates to interest earned on higher cash and equivalent balances in 2011 as compared to 2010. Deferred taxes in 2011 was $Nil as compared to $1,200,000 in 2010. The 2010 amount of $1,200,000 relates to the reversal of the 'deferred premium on flow-through shares' liability reported under IFRS and reversed to deferred taxes upon normal course renunciation in March 2010 of eligible expenditures to flow-through investors.

CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the Consolidated Statements of Changes in Financial Position and Statements of Changes in Shareholders' Equity as at December 31, 2011 and 2010 and the corresponding notes thereto, with comparatives and reconciliations reported in note 10.

IFRS accounting policies have been applied in preparing and are presented in Note 2 to the annual consolidated financial statements for the year ended December 31, 2011. The comparative information for 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 annual consolidated financial statements for the year ended December 31, 2011 for details.

Consolidated assets

Consolidated assets were $4,118,010 at December 31, 2011 as compared to $3,392,733, as restated under IFRS at December 31, 2010. Cash and equivalents was $2,120,138 at December 31, 2011 as compared to $1,389,019 at December 31, 2010.

Exploration and evaluation assets were $1,650,268 at December 31, 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 historically deferred exploration expenditures.

Consolidated liabilities

Consolidated liabilities, excluding the 'deferred premium on flow through shares' liability of $1,600,000 (2010 - $NIL), were $276,696 at December 31, 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 favor of the flow-through subscribers.

Shareholders' equity

Shareholders' equity was $2,241,314 at December 31, 2011 as compared to $2,856,204 at December 31, 2010. The decrease 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 $163,683 in stock option exercises with a related fair value reversal from contributed surplus of $106,157, offset by the net loss and comprehensive loss of $5,870,147 for the year ended December 31, 2011.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with the Consolidated Statements of Financial Position as at December 31, 2011 and December 31, 2010 and the corresponding notes thereto, with comparatives and reconciliations reported in note 10.

The consolidated working capital ratio at December 31, 2011, excluding the non-cash 'deferred premium on flow-through shares' liability to be reversed to deferred taxes upon renunciation of qualifying expenditures to subscribers in Q1 2012, was 8.9 : 1 as compared to 3.3 : 1 at December 31, 2010.

On March 27, 2012, Moneta completed an equity financing by issuing 10,000,000 common shares at $0.30 per share for gross proceeds of $3,000,000.

> The Company is well-funded at December 31, 2011 with $2,120,138 (December 31, 2010 - $1,389,019) in cash and equivalents, $307,296 (December 31, 2010 - $340,707) in sales taxes recoverable, and $21,704 (December 31, 2010 - $Nil) in short term interest receivable.
>
> Current liabilities at December 31, 2011 include accounts payable and accrued liabilities of $276,696 (December 31, 2010 - $536,529) 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 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.

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the year ended December 31, 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 paid remuneration of $250,000 (2010 - $275,000) to a company controlled by an officer and director for the year ended December 31, 2011. The remuneration was for management services provided to the Company under an ongoing contract.

The Company paid consulting fees of $129,400 (2010 - $108,450) to a related individual for the year ended December 31, 2011. Taxable benefits on exercised stock options by this related individual, representing the difference between market price and exercise price at the time of exercise, were $32,206 (2010 - $Nil). The fees were for management consulting services provided to the Company.

The Company paid cash directors' fees of $37,371 during the year. Taxable benefits for one director on exercised stock options, representing the difference between market price and exercise price at the time of exercise, were $62,400 (2010 - $Nil).

During the year, 1,600,000 stock options (2010: 800,000) were issued to directors and officers. The stock options were issued out of the money with no intrinsic value however an accounting fair value of $250,600 (2010: $163,200) was reported on the statement of net loss.

There were no loans to Directors or Officers during 2011 (2010: $Nil).

All related party transactions were completed 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 to 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 IFRS, unauthorized receipts and expenditures, or the inability to provide assurance that unauthorized acquisitions or dispositions of assets can be detected. The small size of the Company and its system of internal controls provide for the separation of duties for receiving, approving, coding and handling of invoices, entering transactions into the accounts, and include a requirement of two signatures for all payments made by cheques or wire funds.

The CEO and interim CFO evaluated the effectiveness of the Company's DC&P and ICFR as required by National Instrument 52-109 issued by the Canadian Securities Administrators. It was concluded that as of December 31, 2011, the Company's DC&P and ICFR were effective in providing reasonable assurance that material information regarding this report, and the interim consolidated financial statements and other disclosures, was made known to them on a timely basis and reported as required, and that the financial statements present fairly, in all material aspects, the financial condition, results of operations and cash flows of the Company as of December 31, 2011. The CEO and interim 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 annual consolidated financial statements for the year ended December 31, 2011.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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. Estimates and assumptions are regularly 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.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale of the project, or where exploration activities are not adequately advanced to support a gold resource assessment. The determination is an estimation process that requires varying degrees of uncertainty and these estimates directly impact the deferral of exploration and evaluation expenditures.

Decommissioning and restoration provision

The Company records the fair value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation, and re-vegetation of affected areas.

The estimated fair value of a liability, and corresponding increase in the related property, is reported in the year in which it is incurred and when a reasonable estimate of fair value can be made. The fair value 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 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).

As the Company has not commenced construction and development of any mining operations it does not have any provisions for decommissioning or restoration costs.

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 transferred from contributed surplus 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. 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.

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).

Warrants

The valuation of warrants includes estimates of risk-free interest rates, volatility of the Company's share price and expected life of the warrants. By their nature, these estimates are subject to measurement uncertainty and could materially impact the financial statements.

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-through share tax deductions are recognized in the year in which they are renounced.

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

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook").

In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in these financial statements. In the financial statements, the term "Canadian GAAP" refers to Canadian GAAP before adoption of IFRS. As these financial statements represent the Company's initial annual presentation of its results and financial position under IFRS, they were prepared in accordance with IFRS 1, First-time Adoption of IFRS ("**IFRS 1**").

The policies applied in these financial statements are based on IFRS issued and outstanding as of March 29, 2012, the date of approval by the Company's Board of Directors. 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 to the Audited Annual Consolidated Financial Statements for the year ended December 31, 2011.

The Company's IFRS accounting policies have been applied consistently in all periods in preparing the consolidated financial statements for the year ended December 31, 2011, the restated comparative information 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**").

Recent Accounting Pronouncements

The Company is currently evaluating the impact on its consolidated financial statements of recent accounting pronouncements, as follows:

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments was issued by the IASB and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

IFRS 10 Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements was issued by the IASB to replace IAS 27, Consolidated and Separate Financial Statement and SIC-12, Consolidation - Special Purpose Entities. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11, Joint Arrangements supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by joint venture partners. IFRS 11 requires a joint venture partner to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the joint venture partners will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 Disclosures of Interests in Other Entities was issued by the IASB to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13, Fair Value Measurement is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

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 December 31, 2011 was $2,449,138 (December 31, 2010 - $1,729,726), and was comprised of $307,296 (December 31, 2010 - $340,707) in harmonized sales taxes recoverable, $21,704 (December 31, 2010 - $Nil) in interest receivable, and $2,120,138 (December 31, 2010 - $1,389,019) in cash and equivalents held with Canadian financial institutions with an "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

Pursuant to an Order received from the Mining and Lands Commissioner related to the Company's historic Moneta Mine, located on the Company's Kayorum project, the Company undertook necessary steps and submitted the mine closure plan on July 31, 2011.

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

The Ministry of Northern Development Mines and Forestry ("**MNDMF**") provided comments on the closure plan in November 2011. The Company submitted an amended closure plan in December 2011 addressing the minor comments. The MNDMF provided further comments on the amended closure plan in February 2012. The Company is in the process of addressing the further minor comments related to the amended closure plan.

The longstanding accounting provision to cover the costs of developing a mine closure plan of $70,000 (2010 – $70,000) was fully depleted during the year.

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.

OUTSTANDING SHARE DATA

As of December 31, 2011, the Company has a total of 157,752,419 (December 31, 2010 - 142,255,882) common shares outstanding, 4,499,083 (December 31, 2010 – 4,009,906) stock options outstanding with an average exercise price of $0.25 (December 31, 2010 - $0.20) per share, and 7,500,000 (December 31, 2010 – 13,500,000) warrants. Additional details are available in note 4 to the annual consolidated financial statements for the year ended December 31, 2011.