MONETA PORCUPINE MINES INC.

Annual Consolidated Financial Statements

For the years ended December 31, 2012 and 2011

2012

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
Chief Financial Officer

March 28, 2013

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 statement of financial position as at December 31, 2012 and December 31, 2011, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years ending December 31, 2012 and December 31, 2011, 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 misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 Company'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 Company'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, 2012 and December 31, 2011, and their financial performance and their cash flows for the years then ended 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 matters and conditions 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.

Sievert & Sawrantschuk LLP
Chartered Accountants, Licensed Public Accountants

March 28, 2013
Toronto, Canada

MONETA PORCUPINE MINES INC.

Consolidated Statements of Financial Position

As at December 31,	Notes	2012 $	2011 $
Current assets			
Cash and equivalents		**9,082,092**	2,120,138
Prepaid expenses		**18,001**	16,743
Sales taxes recoverable		**165,914**	307,296
Interest receivable		**-**	21,704
Total current assets		**9,266,007**	2,465,881
Investments held for trading		**1,396**	1,861
Exploration and evaluation assets	3	**1,683,430**	1,650,268
		10,950,833	4,118,010
Current liabilities			
Accounts payable and accrued liabilities		**610,664**	384,196
Deferred premium on flow-through shares	4	**1,385,287**	1,600,000
Total current liabilities		**1,995,951**	1,984,196
Going Concern	1		
Commitments	7		
Contingent liabilities	8		
Shareholders' equity			
Capital stock	4	**44,128,613**	35,423,340
Contributed surplus		**3,455,231**	3,094,400
Deficit		**(38,628,962)**	(36,383,926)
Total shareholders' equity		**8,954,882**	2,133,814
		10,950,833	4,118,010

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 Accumulated Comprehensive	Deficit	Shareholders' Equity
Balance as at December 31, 2011		**157,752,419**	**35,423,340**	**3,094,400**	**-**	**(36,383,926)**	**2,133,814**
Share issuance on private placement financing	**4**	**35,699,963**	**11,067,277**				**11,067,277**
Deferred premium on flow through shares	**4**		**(1,385,287)**				**(1,385,287)**
Share issuance costs - cash	**4**		**(847,436)**				**(847,436)**
Share issuance costs - fair value of broker compensation options	**4**		**(137,298)**	**137,298**			**-**
Share issuance on exercise of warrants	**4**	**20,000**	**7,000**				**7,000**
Fair value of warrants exercised	**4**		**1,017**	**(1,017)**			**-**
Share based compensation on vested options				**224,550**			**224,550**
Earnings (loss) and comprehensive earnings (loss)						**(2,245,036)**	**(2,245,036)**
Balance as at December 31, 2012		**193,472,382**	**44,128,613**	**3,455,231**	**-**	**(38,628,962)**	**8,954,882**
Balance as at December 31, 2010		**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**
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**

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

MONETA PORCUPINE MINES INC.

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

For the year ended December 31,	Notes	2012 $	2011 $
Expenses			
Exploration and evaluation expenditures	3	3,067,024	5,094,039
Share based compensation	4, 6	224,550	320,648
Management fees, wages and tax benefits	6	420,112	272,720
General & administration	6	177,843	168,992
Legal & audit		81,680	95,771
Travel and promotion		26,270	68,836
Loss before other items		3,997,479	6,021,006
Other items			
Other income		(137,532)	(17,395)
Unrealized (gain) loss on investments held for trading		465	9,306
Interest income		(15,376)	(35,270)
Loss before income taxes		3,845,036	5,977,647
Deferred taxes	5	(1,600,000)	-
Loss (earnings) and comprehensive loss (earnings)		2,245,036	5,977,647
Deficit - beginning of year		36,383,926	30,406,279
Deficit - end of year		38,628,962	36,383,926
Loss (earnings) per share (basic and diluted)		$0.01	$0.04
Weighted average outstanding shares		166,115,377	154,114,529

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

MONETA PORCUPINE MINES INC.

Consolidated Statements of Cash Flows

For the year ended December 31,	Notes	2012 $	2011 $
Operating activities			
Loss (earnings) and comprehensive loss (earnings)		**(2,245,036)**	(5,977,647)
Add : non-cash items			
Unrealized (gain) loss on investments held for trading		**465**	9,306
Deferred premium on flow-through shares	**4**	**(1,385,287)**	-
Shared based compensation		**224,550**	320,648
Net change in non-cash working capital balances		**173,583**	(131,163)
Cash provided from (used in) operating activities		**(3,231,725)**	(5,778,856)
Investing activities			
Evaluation and exploration assets	**3**	**(33,162)**	(24,634)
Cash provided from (used in) investing activities		**(33,162)**	(24,634)
Financing activities			
Issuance of common shares on exercise of stock options and warrants		**7,000**	163,683
Issuance of common shares, net of issue costs	**4**	**10,219,841**	6,370,926
Cash provided from (used in) financing activities		**10,226,841**	6,534,609
Net increase (decrease) in cash and equivalents		**6,961,954**	731,119
Cash and equivalents, beginning of year		**2,120,138**	1,389,019
Cash and equivalents, end of year		**9,082,092**	2,120,138
Interest paid during the year		**37**	48
Income taxes paid during the year		**-**	-

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

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 currently 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, 2012. 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 and statement of compliance

These audited consolidated financial statements were prepared in accordance with IFRS, as issued by the International Accounting Standards Board and applicable to the preparation of consolidated financial statements. The Company operates in one segment defined as the cash generating unit ("CGU") which is Canada. These financial statements were authorized for issue by the Board of Directors on March 28, 2013.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments designated at fair value through profit and loss, which are stated at their fair value.

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

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 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.

The Company translates the assets and liabilities of its wholly-owned Wounded Bull Resources Inc. at the rate of exchange in effect at the reporting date. Income and expenses are translated at the rate of exchange prevailing at the date of the transaction. All resulting exchange differences are recognized in other comprehensive income and accumulated in a cumulative translation reserve under shareholders' equity.

Related party transactions

Related party transactions conducted in the normal course of operations are measured at the exchange value. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, to similar transactions to non-key management personnel related entities on an arm's length basis.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes party to a contractual agreement.

Financial assets are initially measured at fair value and classified into one of the following specified categories: fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM"), available-for-sale ("AFS") and loans and receivables. HTM instruments and loans and receivables are measured at amortized cost. AFS instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the Consolidated Statement of Loss (Earnings) and Comprehensive Loss (Earnings) for the period.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the Consolidated Statement of Loss (Earnings) and Comprehensive Loss (Earnings) for the period. Other financial liabilities, including borrowings, are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities recorded at fair value through loss for the period are recognized immediately in the Consolidated Statement of Loss (Earnings) and Comprehensive Loss (Earnings) for the period.

Financial assets and financial liabilities are offset and reported on the Statement of Financial Position only if there is an enforceable legal right to offset the recognized amounts, and an intention to realize the asset and settle the liability simultaneously.

The fair value of financial instruments traded in active markets (such as FVTPL and AFS securities) is based on quoted market prices at the date of the Statement of Financial Position. The quoted market price used for financial assets held by the Company is the current bid price.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs.

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 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 within its cash generating units, 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 Loss (Earnings) and Comprehensive Loss (Earnings). Where it is not possible to estimate the recoverable amount of a specific non-financial asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

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 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 temporary <u>non-cash</u> 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 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 presented as a non-current item and 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 period in which the change is enacted or substantively enacted.

Other income 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.

Other comprehensive loss (earnings)

Other comprehensive loss (earnings) is the change in net assets that results from transactions and events, not included in loss for the period and other than changes in the shareholders' equity. The Company's comprehensive loss (earnings), components of other comprehensive income, and cumulative translation adjustments on foreign currency gains or losses related to foreign operations, are presented in the Consolidated Statement of Loss (Earnings) and Comprehensive Loss (Earnings) and the Consolidated Statements of Changes in Shareholders' Equity.

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.

Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. If the Company is virtually certain that some or all of a provision will be reimbursed, for example under an insurance contract, such reimbursement is recognized as a separate asset. Provisions may be discounted using a current pre-tax rate that reflects the risks specific to the liability. The expense relating to any provision is presented in the Consolidated Statement of Loss (Earnings) and Comprehensive Loss (Earnings).

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 period 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 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 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.

Purchase warrants and broker compensation options

Purchase warrants are classified as equity and measured at fair value on the date of issue using the Black-Scholes option pricing model. Broker compensation options are classified as issuance costs and a deduction from equity and measured at fair value on the date of issue using the Black-Scholes option pricing model. The fair value of the purchase warrants and broker compensation options are not subsequently revalued.

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

Year ended December 31,	2012 $	2011 $
Acquisition costs		
Balance, beginning of year	**1,650,268**	1,650,268
Acquisition costs	**33,162**	-
Balance, end of year	**1,683,430**	1,650,268

Acquisition costs	Opening January 1, 2012	Additions	Closing December 31, 2012
Golden Highway Project	1,630,162	12,797	**1,642,959**
North Tisdale	4,741	3,023	**7,764**
Kayorum	11,320	4,616	**15,936**
Nighthawk Lake	3,200	2,211	**5,411**
Denton Thorneloe and other	845	10,515	**11,360**
	1,650,268	33,162	**1,683,430**

There were no property disposals and no indications of impairment of exploration and evaluation assets during the year ended December 31, 2012 and 2011. Exploration and evaluation expenditures for the year ended December 31, 2012 of $3,067,024 (December 31, 2011 – $5,094,039) were charged to the Consolidated Statements of Loss (Earnings) and Comprehensive Loss (Earnings).

4. Capital stock

Authorized share capital

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

Capital stock transactions during the period

In December 2012, the Company completed a brokered private placement financing and issued 15,392,077 flow-through common shares at $0.35 for gross proceeds of $5,387,227 and 10,307,885 common shares at $0.26 per share for gross proceeds of $2,680,050, for aggregate gross proceeds of $8,067,277. A cash commission of $281,953 was paid to the Underwriters. In addition, broker compensation options were issued entitling the Underwriters to purchase up to 1,079,998 common shares of the Company at a price of $0.28 per common share for eighteen months following closing or June 21, 2014. The underlying assumptions used in the estimation of fair value using a Black Scholes model are as follows: risk free rate 1.5%, remaining life: 1.5 years (based on option term), expected volatility 48%, expected dividend yield 0.00%, and forfeiture rate 0.00%. The fair value amounted to $84,079 and has been reported as non-cash issuance costs. The $5,387,227 in structured flow through gross proceeds was reported as a $4,001,990 increase in capital stock, offset by a $1,385,287 increase in a temporary non-cash 'deferred premium on flow-through shares' liability, reflecting the premium received on the structured flow-through financing.

In March 2012, the Company completed a brokered private placement financing and issued 10,000,000 common shares at $0.30 per share for gross proceeds of $3,000,000. A cash commission of $297,882 was paid to the Underwriters. In addition, broker compensation options were issued entitling the Underwriters to purchase up to 700,000 common shares of the Company at a price of $0.30 per common share until March 2014. The underlying assumptions used in the estimation of fair value using a Black Scholes model are as follows: risk free rate 1.5%, remaining life: 2.0 years (based on option term), expected volatility 55%, expected dividend yield 0.00%, and forfeiture rate 0.00%. The fair value amounted to $53,219 and has been reported as non-cash issuance costs.

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.

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:

Year ended December 31,	**2012**		2011	
	Weighted Average Exercise Price	**No. of Options**	Weighted Average Exercise Price	No. of Options
Outstanding, beginning of year	**$0.25**	**4,499,083**	$0.20	4,009,906
Transactions during the year:				
Granted (1)	**$0.24**	**2,635,000**	0.26	1,700,000
Options exercised (2)	**-**	**-**	0.14	(1,210,823)
Expired (3)	**$0.29**	**(400,000)**	-	-
Outstanding, end of year	**$0.24**	**6,734,083**	$0.25	4,499,083
Exercisable, end of year	**$0.24**	**5,654,911**	$0.24	4,319,907

(1) During the year ended December 31, 2012, the Company granted 2,635,000 stock options at an average exercise price of $0.24 to directors, officers, and consultants. The estimated fair value of these options, subject to immediate vesting or vesting over a period of up to three years, and a three year term, was $224,550 using a Black Scholes model and was charged as share based compensation. The weighted average grant date fair value amounted to $0.11 per option. The underlying assumptions used in the estimation of fair value in the Black Scholes model are as follows: risk free rate 1.5%, remaining life: up to 3 years (based on option term), expected volatility 64% - 70%, expected dividend yield 0.00%, and forfeiture rate 0.00%.

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. The weighted average grant date fair value amounted to $0.16 per option.

(2) During fiscal 2011, directors, officers and consultants exercised 1,210,823 stock options at an average exercise price of $0.14 for total gross proceeds of $163,683. The fair value of $106,157 related to the exercised stock options and previously charged to contributed surplus was transferred to share capital.

(3) During fiscal 2012, a total of 400,000 stock options at an average exercise price of $0.29 expired unexercised following the departure of a former director.

Warrants and Compensation Options

Year ended December 31	Exercise Price	Expiry Date	2012 #	2011 #
Outstanding, beginning of period:				
Purchase warrants	$0.45	June 2011	**-**	6,000,000
Purchase warrants	$0.35	April 2012	**7,500,000**	7,500,000
			7,500,000	13,500,000
Issued during the year:				
Broker compensation options [1]	$0.30	March 2014	**700,000**	-
Broker compensation options [1]	$0.28	June 2014	**1,079,998**	-
			1,779,998	-
Exercised during the period:				
Purchase warrants [2]	$0.35	April 2012	**(20,000)**	-
Expired during the period:				
Purchase warrants [3]	$0.45	June 2011	**-**	(6,000,000)
Purchase warrants [3]	$0.35	April 2012	**(7,480,000)**	-
			(7,480,000)	(6,000,000)
			1,779,998	7,500,000
Outstanding, end of period:				
Purchase Warrants	$0.35	April 2012	**-**	7,500,000
Broker compensation options	$0.30	March 2014	**700,000**	-
Broker compensation options	$0.28	June 2014	**1,079,998**	-
			1,779,998	7,500,000

(1) In March 2012, upon completion of the $3,000,000 private placement financing, broker compensation options were issued entitling Underwriters to purchase up to 700,000 common shares of the Company at a price of $0.30 per common share until March, 2014.

In December 2012, upon completion of the $8,067,277 private placement financing, broker compensation options were issued entitling Underwriters to purchase up to 1,079,998 common shares of the Company at a price of $0.28 per common share for eighteen months following closing or June 21, 2014.

(2) In March 2012, the Company issued 20,000 common shares on the exercise of purchase warrants at an exercise price of $0.35 for total gross proceeds of $7,000. The fair value of $1,017 related to the exercised warrants and previously charged to contributed surplus was transferred to share capital.

(3) In April 2012, a total of 7,480,000 (June 2011 - 6,000,000) warrants 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 years ended December 31, 2012 and 2011, has been reconciled as follows:

	Notes	**December 31, 2012 $**	December 31, 2011 $
Income tax recovery at statutory rates		**999,709**	1,643,641
Increase (decrease) related to:			
Exploration and evaluation expenditures		**(797,426)**	(1,413,031)
Stock-based compensation		**(58,383)**	(89,781)
Unrealized (gain) loss on investments held for trading		**(121)**	(2,606)
Other		**72,672**	32,881
		216,452	171,104
Valuation allowance		**(216,452)**	(171,104)
Add: Deferred premium on flow through shares [(1)]		**(1,600,000)**	-
Deferred taxes (recovery)		**(1,600,000)**	-

[(1)] In March 2012, the Company renounced $6,600,000 of expenditures on flow-through common shares issued in March 2011, resulting in a reversal of the 'deferred premium on flow through shares' liability of $1,600,000 on the statement of financial position and a credit to deferred tax recovery on the consolidated statements of loss (earnings), comprehensive loss (earnings) and deficit.

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

	December 31, 2012 $	December 31, 2011 $
Deferred tax assets:		
Net operating loss carry forwards	**1,251,000**	941,000
Resource deductions	**2,667,000**	5,330,700
Other	**282,000**	130,000
	4,200,000	6,401,700
Less: Valuation allowance	**(2,675,200)**	(4,212,000)
	1,524,800	2,189,700
Deferred tax liabilities:		
Resource deductions	**(1,524,800)**	(2,189,700)
	-	-

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 $4,810,000 (2011 - $3,765,000) available for deduction against future taxable income, the balances of which will expire as follows:

	December 31, 2012	December 31, 2011
	$	$
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	**671,000**	611,000
2032	**985,000**	-
	4,810,000	3,765,000

The potential tax benefit of the above losses has not been recognized in these consolidated financial statements. The Company has approximately $3,974,113 (2011 – $3,974,113) in capital losses available to apply against future capital gains.

6. Related party transactions

The Company paid salary of $400,000 (2011 - $260,000) to an officer and director for the year ended December 31, 2012. The compensation was for services provided to the Company under an ongoing employment contract. The Company reported a salary of $12,000 (2011 – NIL) to an officer and director for the year ended December 31, 2012. The amount was payable at December 31, 2012 and related to services provided to the Company. The Company reported a salary of $6,731 (2011 – NIL) to an officer for the year ended December 31, 2012. The compensation was for services provided to the Company under an ongoing employment contract. The Company paid consulting fees of $101,800 (2011 - $121,300) to a related individual for the year ended December 31, 2012. The fees were for management consulting services provided to the Company. Directors' fees of $31,534 (2011 – $37,371) were expensed during the year ended December 31, 2012, with $8,000 payable at December 31, 2012. During the year, 2,210,000 stock options (2011: 1,600,000) were issued to directors, officers and consultants. The stock options were issued out of the money with no intrinsic value however an accounting fair value of $205,749 (2011: $250,600) was reported based on the Black Scholes model. All related party transactions were completed in the normal course of business at the exchange amounts. There were no loans to Directors or Officers during the year (2011: $NIL).

7. Commitments

Pursuant to the December 2012 equity financing which included the issuance of common shares on a flow-through basis (see Note 4), the Company renounced certain qualifying expenditures at December 31, 2012 to its flow-through subscribers, in accordance with the look-back rules under the Income Tax Act (Canada). As a result, the Company is committed to incurring $5,387,227 in qualifying expenditures prior to December 31, 2013.

8. 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 a mine closure plan in 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 and Mines ("**MNDM**") provided comments on the closure plan in November 2011. The Company submitted an amended closure plan in December 2011 addressing the minor comments. The MNDM provided further comments on the amended closure plan in

February 2012. The Company responded by submitting a proposal to resolve the minor outstanding issues and the MNDM responded with further comments in July 2012. No provision has been made in the financial statements as the Company is in discussions with the MNDM to close this matter.

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, directors of the Company at that time, 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.

9. Capital Management

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the year ended December 31, 2012.

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.

10. Financial instruments and risk management

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

Fair value
The carrying values for primary financial instruments, including cash and equivalents, 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, 2012 was $9,248,006 (December 31, 2011 - $2,449,138), and was comprised of $165,914 (December 31, 2011 - $307,296) in harmonized sales taxes recoverable, $NIL (December 31, 2011 - $21,704) in interest receivable, and $9,082,092 (December 31, 2011 - $2,120,138) 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. This risk is not applicable as the Company is not currently in commercial gold production. 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.

MONETA PORCUPINE MINES INC.

Management Discussion and Analysis

For the years ended December 31, 2012, 2011

2012

This Management 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, 2012 and 2011. This MD&A should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended December 31, 2012 and 2011. All amounts included in this MD&A are in Canadian Dollars. The MD&A is prepared with an effective date of March 28, 2013. 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.

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

The MD&A is presented in the following sections:

FORWARD-LOOKING/SAFE HARBOUR STATEMENT AND FAIR DISCLOSURE STATEMENT

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

OUTLOOK

The Company remains focused on its *Golden Highway Project*. The 2012 objectives and success of the 2012 drill program in the *Golden Highway Project* expanded known mineralization near surface including that of the Southwest Zone, Gap Zone, Windjammer South, Windjammer Central, Windjammer North, and the 55 Zone.

As a result, an updated NI 43-101 Resource Estimate and related Preliminary Economic Assessment (PEA) was released in Q4 2012 increasing the number of gold zones evaluated from three to six. The robust nature of the Resource Estimate and PEA is providing the framework for additional 2013 drilling within and adjacent to all the current resources to both add resources and advance the quality of the resources.

In addition, highly prospective structural targets located in close proximity to existing gold zones and in under-explored areas of the *Golden Highway Project* remain to be tested.

CORPORATE OVERVIEW

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

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 world class infrastructure including access roads, water, electricity, and mills. Most gold mineralization in the region is associated with the Destor, including significant resources and producing mines now operated by Porcupine Gold Mines (Goldcorp) and several others such as Lake Shore Gold, Brigus Gold, and St Andrew Goldfields. The Golden Highway Camp area has experienced rapid advancement of large bulk tonnage gold resources by Moneta and others, reflecting the strong regional gold potential.

Moneta's additional property interests include a base metal portfolio, with some properties containing nickel-copper and copper zones.

Moneta's land position for gold exploration is one of the best, and fourth largest, in the world class Timmins Camp – after three gold producers – including a commanding position in the emerging Golden Highway Camp with a significant **4.3 million ounce gold resource** (NI 43-101 - all categories, October 25th, 2012), now in six zones (Southwest Zone, Gap, Windjammer South/Central/North, and 55 Zone).

The *Porcupine Camp* and *Golden Highway Camp* (here collectively referred to as "**Timmins Camp**") is one of the most prolific gold-producing areas in the world with over 75 million ounces of gold produced primarily from some 26 mines, each of which generated more than 100,000 ounces.

The Company is leveraged to exploration, with very low overhead and fixed costs and one of the highest ratios of dollars raised to exploration dollars spent in the ground 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).

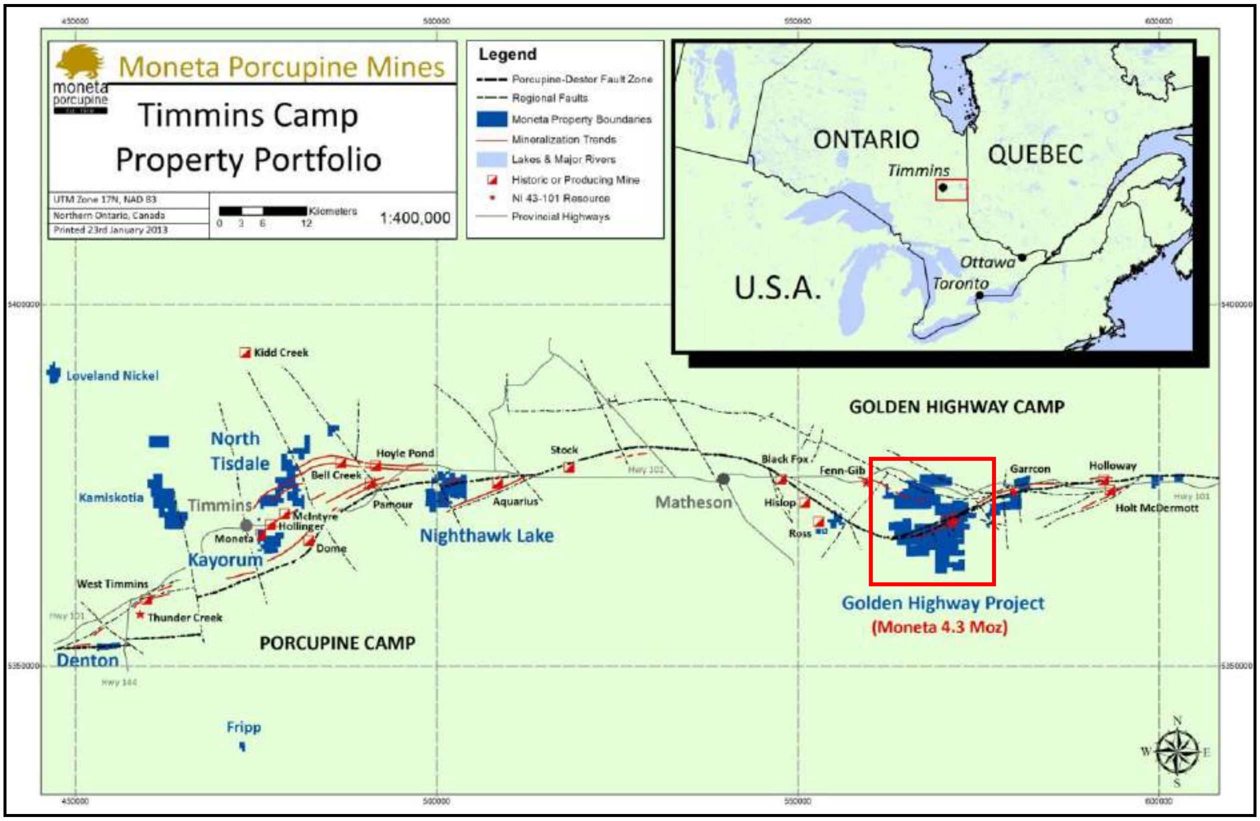

Figure I: Moneta's Key Gold Exploration Properties

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, centered in Michaud Township 100 km east of Timmins, Ontario along Highway 101, a major all-season route.

Moneta has 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.

The October 2012 NI 43-101 resource estimate significantly increased to **4,295,000** ounces of gold consisting of **1,091,000** ounces indicated (31.1 Mt at 1.09 g/t Au) and **3,204,000** ounces (83.3 Mt at 1.20 g/t Au) inferred. The earlier NI 43-101 resource estimate (December 2011) was based on three gold zones (Southwest Zone, Windjammer South, and 55 Zone) which contained combined near-surface NI 43-101 resources of 3,140,000 ounces of gold, with 1,071,000 indicated (33.5 Mt @ 0.99 g/t) and 2,069,000 (47.8 Mt @ 1.35 g/t) inferred ounces. The October 2012 NI 43-101 resource estimate now includes three additional gold zones (Gap Zone, Windjammer Central and Windjammer North), as illustrated in Figure II.

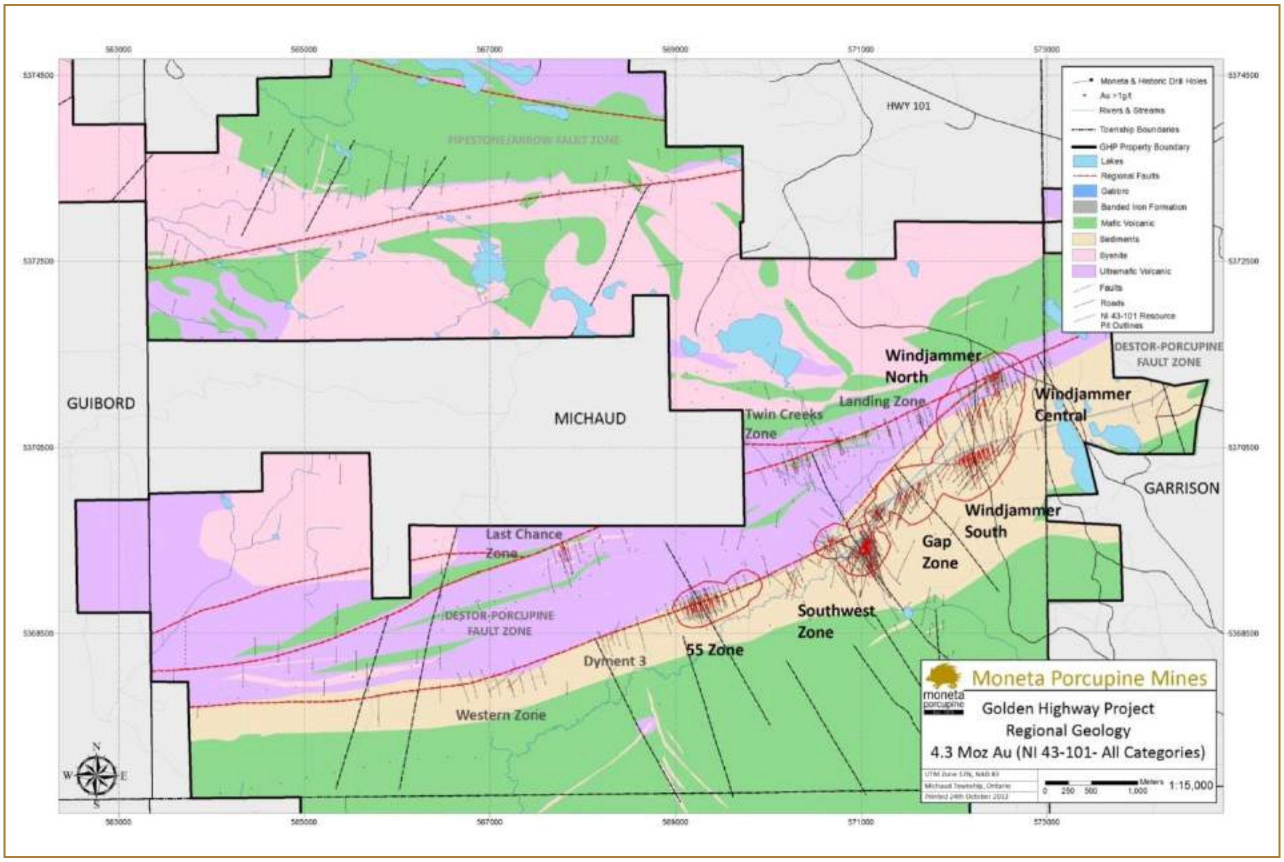

Figure II – Moneta's Golden Highway Project: Geology and Main Gold Zone Locations

2012 EXPLORATION ACTIVITY

Golden Highway Project 2012 Program

Exploration in 2012 remained focused on the *Golden Highway Project* with the completion of a drill program designed to expand the potential resources primarily of the three gold zones not previously included in the prior (December 2011) NI 43-101 resource estimate. A total of 13,285 metres of diamond drilling were completed in the Southwest Zone, Gap Zone, Windjammer South, Windjammer Central, and the 55 Zone. Drilling focused on near-surface bulk tonnage gold mineralization to support an updated Resource Estimate by systematically testing along strike, to depth, and adjacent to the December 2011 NI 43-101 modelled open pit shells to expand gold resources and test possible linkage of pits.

Additional work in 2012 on the *Golden Highway* consisted of magnetic data modelling by an independent consultant using several mathematically driven parameters and algorithms. This has refined several structural targets which remain to be drill tested both within the greater resource corridor and adjacent across the property.

Drilling in Q1 2013 is underway in- and out- of the October 2012 resource pit shells, including underground resource expansion areas.

Southwest Zone

Two drill holes were completed during 2012 within the 2011 NI 43-101 Resource Estimate pit shells of the *Southwest Zone.*

MSW12-296 tested the southeast in-pit area for additional gold mineralization intersecting 1.33 g/t over 8.20 metres and 1.97 g/t over 9.00 metres while MSW12-302 drilled in the southwest pit portion returned no significant mineralization. The values intersected in MSW12-296 in the southeast pit area occur in a more complex faulted area and potentially may be related to the deeper Southwest Zone mineralization with additional drilling required. The southwest pit area is the hanging wall of the main southwest dipping structure that defines the western limit of the Central Block mineralization and well into the hanging wall of the West Block iron formation to the north.

The updated December 2012 Resource Estimate and PEA were supported by an optimized pit shell for the Southwest Zone which was reduced to 300 metres vertical from 550 metres vertical with a favourable reduction in the strip ratio.

In addition to resource expansion drilling underway in 2013, several priority exploration targets and areas have been defined from structural and geophysical modelling. Exploration drilling in 2012 included testing an interpreted structural and geophysical anomaly north of the Southwest Zone in volcanics. Drilling intersected highly altered and structurally complex mafic to ultramafic volcanics cut be numerous felsic dykes confirming the interpretation. Extensive quartz and quartz-carbonate stringers and local veining with elevated pyrite returned values of 0.74 g/t over 1.95m in an area of felsic dykes in MSW12-297, and several gold values such as 0.80 g/t over 0.77m in MSW12-298. Exploration drilling to depth and easterly closer to, and in the nearby main north-northwest structure, remains to be completed.

Gap Zone

The Gap Zone is located between the Southwest Zone (East Block) and Windjammer South and is now included in the 4.3Moz NI 43-101 resource estimate (October 2012). The Gap mineralization currently covers 450 metres of strike along the south iron formation contact in the immediate hanging wall sediments, and along a north-westerly trending and steep southwesterly dipping cross structure with an associated vein system. Previous highlights included 1.04g/t over 117.1m with 5.15g/t over 14.3m (MSW11-283).

The 2012 drill program targeted the main corridor and the NW structure both north and south of the iron formation with six drill holes completed to develop internal modeling of mineralization domains. Drilling was highly successful with significant gold values recently reported along the iron formation towards Windjammer South (MSW12-301, MSW12-304, MSW12-306) and within the zone (MSW12-295A). Gold mineralization was also confirmed along the NW structure immediately north of the main iron formation (MSW12-300, MSW12-303).

MSW12-295A intersected zones that include 1.04g/t over 55.0m with 5.52g/t over 4.0m, 1.49 g/t over 7.0m, and 1.21 g/t over 6.65m. MSW12-301, drilled to the east, returned 1.14g/t over 39.0m including 1.98g/t over 6.0m, and 1.17 g/t over 46.0m including 1.63 g/t over 11.4m. MSW12-304 intersected several zones in sequence including 0.82 g/t over 12.29m, 0.70 g/t over 15.15m, 0.69 g/t over 18.12, and 0.89 g/t over 34.69m. MSW12-306 was drilled southerly through the iron formation and at the southern contact intersected 1.12 g/t over 14.4m

MSW12-300 tested the north contact of the iron formation west of the historical drilling by Barrick and intersected 4.32 g/t over 1.2m. MSW12-303 targeted the NW trending cross structure within the northern portion of the iron formation which is generally more inter-fingered with sediments, and returned 0.78 g/t over 25.5m including 0.99 g/t over 14.3m.

The eastern extension of the Gap Zone was tested with three drill holes to establish mineralization limits and potential connectivity to Windjammer South. Drilling was highly successful with significant gold values found along the iron formation towards Windjammer South (MSW12-305, MSW12-307, and MSW12-308). MSW12-305 intersected zones that include 1.08g/t over 10.4m, 0.94g/t over 38.0m including 2.27g/t over 6.42m. MSW12-307, drilled between and above MSW12-301 and MSW12-304, returned two broad zones of 0.74g/t over 52.0m (including 1.17g/t over 21.49m) and 0.76g/t over 30.59m (including 1.05g/t over 14.7m). MSW12-308 intersected 0.77g/t over 30.2m with a higher grade core of 1.12g/t over 10.6m.

The drill program also targeted the deeper extensions of the northwest cross-structure near the volcanic-sedimentary contact. One new drill hole and one drill hole extension were completed. Drill hole MSW12-309 tested the northwesterly continuation of the NW cross-structure near the volcanic-sedimentary contact. Drilling did not reach the target contact and no significant gold values were reported. MSW11-291A was extended to test for mineralization at greater depth in the Gap Zone. In addition to the previous 4 intercepts in MSW12-291A, four more zones were intersected between 600 and 900 metres below surface. These include 14.19 g/t Au over 1.5 metres, 1.33 g/t Au over 42.0 metres with 1.88 g/t Au over 26.0 metres, 1.38 g/t Au over 21.0 metres with 2.98 g/t Au over 4.7 metres, and 0.94 g/t Au over 27.0 metres with 7.37 g/t Au over 1.0 metre. The occurrence of multiple gold zones with both high and low grade components confirms the potential for large and higher grade zones in this target area similar to those discovered at depth in the Southwest Zone.

This drilling successfully expanded and confirmed the continuity of the Gap Zone mineralization and highlighted its expansion potential to depth and along structures cutting the iron formation. These expansion areas are currently being tested in Q1 2013 with several alteration zones intersected. Final results are pending.

Windjammer South

Previous drilling on Windjammer South identified several gold-bearing zones within a mineralized system currently known to extend for 500 metres along strike to a depth of 350 metres with a moderate dip to the southeast and open both along strike and to depth. 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 2011 resulted in significant 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. Wider spaced drilling (100m step-outs) in the hanging wall sediments was undertaken with mineralization, in the form of both stockwork and high grade quartz veins, being intersected in all drill holes.

2012 drilling focused on the Windjammer South potential 2011 "in-pit" northerly resource expansion which overlaps with testing the southern portion of the Windjammer Central sediments. MWJ12-62 and MWJ12-63 were drilled on very wide 200m spacing along the north contact of main Windjammer South iron formation while MWJ12-64 stepped 200m west.

MWJ12-62 intersected 1.46g/t over 6.3m and 0.69/t over 23.0m in the northern and deeper portion of the hole, north of the Windjammer South iron formation and into Windjammer Central. MWJ12-63 intersected patchy low grade alteration with no significant results. The western most hole MWJ12-64/64A intersected unaltered greywacke with no significant assay values. Untested potential remains both north and south of the iron formation in the eastern and southern areas of the conceptual Windjammer South open pit.

Windjammer Central

Windjammer Central is hosted in a large 500 metre wide sedimentary sequence located between Windjammer North and the iron formation of Windjammer South. Gold mineralization has been intersected near surface in wide intervals in the sediments along the volcanic contact. The gold mineralization is similar to the adjacent Windjammer South gold resource and is in the footwall of the steeply northerly dipping volcanics of the Destor Porcupine Fault Zone and Windjammer North gold zone.

Windjammer Central has been systematically drill tested near surface on 100m horizontal and vertical drill hole spacing both along the volcanic/sedimentary contact over a 750 metre strike length, extending up to 350 metres southerly in the footwall sediments and to a depth of 350 metres. Previously reported drill highlights included MWJ11-51 (0.97 g/t over 22 m or 0.72 g/t over 57 m), MWJ11-53 (1.02 g/t over 73 m or 0.76 g/t over 140 m), MWJ11-55 (0.94 g/t over 54 m including 1.42 g/t over 26 m), and MWJ11-57 (1.06 g/t over 22.0 m or 0.72 g/t over 55 m).

MWJ12-60 stepped 100m to the west from MWJ11-55 targeting mineralization at the volcanic/sedimentary contact intersecting 0.71g/t over 59.0m including 1.01/t over 23.0m, and 0.85 g/t over 33.0m including 0.99 g/t over 20.0m. Similarly MWJ12-61 stepped out 100m to the east from MWJ11-55 and intersected 0.69g/t over 21.9m including 1.21g/t over 6.5m and 1.03/t over 11.4m in the contact area. MWJ12-65 stepped out 100m to the west from MWJ12-60 and at the contact intersected an alteration zone with 1.09g/t over 18.0m. MWJ12-69, drilled at shallow elevation in the sediments between MWJ12-60 and MWJ11-55, intersected 1.83 g/t over 10.0m including 8.81 g/t over 1.0m.

MWJ12-66, MWJ12-68, and MWJ12-71, stepped along the volcanic/ sedimentary contact further to the east of the gold zone. MWJ12-66 intersected 1.33g/t over 7.8m, and 0.81g/t over 7.3m, MWJ12-68 returned 35.86g/t over 0.5m and MWJ12-71 intersected 0.64g/t over 7.0m and 0.81g/t over 6.0m. MWJ12-72 filled a significant data gap in the deeper and central portion of Windjammer Central mineralization in the sedimentary-volcanic contact area, intersecting 0.96g/t over 20.0metres and 0.89g/t over 14.45m all within a wider zone of 0.66g/t over 153.4m.

Drill hole MWJ12-74 intersected 0.94g/t over 12.0m including 1.62g/t over 6.0 metres. MWJ12-75 encountered three distinct zones of 0.70g/t over 67.0m, 0.72g/t over 18.0m, and 0.83g/t over 17.45m within a broad mineralized zone. MWJ12-76 intersected 0.83g/t over 9.28m and 0.73g/t over 35.0m including 0.97g/t over 21.0 metres. MWJ12-77 intersected 1.01g/t over 6.0m, and 1.03g/t over 28.0m including 1.96g/t over 12.0 metres. MWJ12-78 intersected 0.80g/t over 42.1m and 0.56g/t over 33.0m.

MWJ12-79 intersected shallow and wide low grade gold mineralization of 0.69 g/t Au over 40.0 metres including 1.11 g/t Au over 13.0 metres and deeper 1.58 g/t Au over 3.0 metres in the southeastern portion of Windjammer Central.

Further drilling within Windjammer Central is ongoing in 2013 testing the limits to the mineralization within this large and pervasive gold system characterized by wide lower grade zones enhanced with higher grade intervals. Two drill holes have been completed to date with alteration zones intersected and final results pending.

55 Zone

The 55 Zone contains a combination of quartz and quartz/carbonate/feldspar stringers, veins and stockworks with variable orientations. Previous 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.

Three holes were completed in early 2012 targeting the eastern extension of the zone as a follow-up to the 2011 NI 43-101 Resource Estimate. Two holes M55-12-37 and 39 were completed on a 100m stepout profile, the third hole, M55-12-38 is an additional 100m stepout. Highlights include hole M55-12-37 which intersected 1.05g/t over 14.0m including 2.24g/t over 5.0m associated with a felsic dyke, a common feature in the central part of the zone.

The current drilling indicates a moderate and approximately 100m extension of the zone to the east centered around a felsic porphyry dyke system as seen previously within the zone. The mineralized system now extends for over 450 metres along strike, still within the corridor of variably altered Timiskaming sediments along ultramafics of the Destor immediately to the north.

Currently in-pit and out-of-pit resource expansion opportunities are being evaluated as drill targets in 2013 for both the sulphidized iron formation and quartz vein zone style of gold mineralization along strike and to depth.

Metallurgical Testing and Specific Gravity

During Q3 2012, the Company completed a metallurgical testing program, with SGS Laboratories (formerly Lakefield), on the six gold zones (Southwest Zone, Gap Zone, Windjammer South, Windjammer Central, Windjammer North, and 55 Zone) included in the updated NI 43-101 Mineral Resource Estimate on *Golden Highway*. The objective of the program was to assess gold recoveries and grindability of the individual zones, which directly influence project economics. Highlights from the results include:

- Recoveries of up to 96.4% Au for the 55 Zone, Gap Zone, Windjammer Central/South/North and Southwest Zone;
- Recoveries are consistent across all zones and suggest that the mineralization can be processed by one standardized milling method;
- The current metallurgical leach results are consistent with historical testing completed on the Southwest Zone by Barrick Gold and Windjammer North and South by Newmont Canada.

In Q2 2012, Specific Gravity (SG as t/m^3) measurements were undertaken to support the updated NI 43-101 Mineral Resource Estimate and PEA on *Golden Highway*. A total of 350 lithological samples were analyzed, representing both mineralized and un-mineralized host rocks for all six gold zones. The average SG value was been confirmed as 2.79, slightly better than the 2.74 value used in the December 2011 NI 43-101 Mineral Resource Estimate.

Updated NI 43-101 Mineral Resource Estimate (October 2012)

An updated NI 43-101 Mineral Resource Estimate was completed on the *Golden Highway* and reported by way of press release on October 25, 2012. Readers seeking additional details to those disclosed here are directed to the (combined) NI 43-101 Mineral Resource Estimate and Preliminary Economic Assessment technical report filed on SEDAR in December 2012.

In addition to the Southwest Zone, Windjammer South and 55 Zones, the updated mineral resource estimate now included the Gap Zone, Windjammer Central and Windjammer North. There were 21,000 metres of drilling completed since the previous resource estimate and 19,375 metres of historical drilling on these three new gold zones.

The *Golden Highway* boasts a 12 km long gold system hosted in sediments. This sedimentary hosted gold mineralization tends to have more predictable lower grade continuity amenable to open pit mining as opposed to the historical Timmins production which has been primarily from narrow(er) higher grade veins within deformed volcanic host rocks.

2012 drilling continued to confirm this predictable sedimentary geology with low gold grade variability. Table 2 below illustrates little variation in tonnage or contained ounces at varying cutoff grades for the in-pit and out–of-pit gold resources:

With a 2012 focus on 100m step-out drilling along strike and in three dimensions, the updated resource estimate represents an Inferred Mineral Resource Estimate increase of **55%** to 3.2 million ounces from the previous Resource Estimate of 2.1 million ounces. The 2012 and historical drill programs were highly successful in adding 1.2 million indicated and inferred ounces at a <u>discovery cost under $5 per ounce</u>.

P&E concluded that there remains significant potential to further develop existing and additional gold resources on the *Golden Highway*. This potential exists both within the Whittle 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 recommendations including additional drilling to expand and upgrade the resource categories of the current resource estimate, additional metallurgical tests, and continuing environmental baseline studies initiated in Q4 2011.

Updated NI 43-101 Mineral Resource Estimate (October 2012) – highlights, using US$1,200/ounce gold, include:

- In-Pit and Out-of-Pit:
    - Indicated: **1,091,000** ounces (31.1 Mt at 1.09 g/t Au); **plus**
    - Inferred: **3,204,000** ounces (83.3 Mt at 1.20 g/t Au);
- The Mineral Resource Estimate increased by **55%** to 3.2 million ounces inferred from the previous resource estimate of 2.1 million ounces (December 1, 2011 press release);
- The original Southwest Zone pit dimensions have been optimized in this resource update;
- Resource remains open in all directions for further expansion.

The following table summarizes the Mineral Resource Estimate breakdown into Indicated and Inferred resources:

TABLE 1: MINERAL RESOURCE ESTIMATE (1), (2), (3), (4), (5), (6), (7), (8), (9), (10)

Mining	Cutoff Grade (g/t)	INDICATED Tonnes	INDICATED Au (g/t)	INDICATED Au (oz)	INFERRED Tonnes	INFERRED Au (g/t)	INFERRED Au (oz)
In Pit	0.37	30,000,000	1.01	977,000	71,627,000	0.86	1,971,000
Out of Pit	2.00	1,080,000	3.29	114,000	11,684,000	3.28	1,233,000
Combined*	0.37 / 2.00	**31,080,000**	**1.09**	**1,091,000**	**83,311,000**	**1.20**	**3,204,000**

* Open pit mineral resources are reported at a cut-off grade of 0.37 g/t gold and underground mineral resources are reported at a cut-off grade of 2.00 g/t gold.

1. The mineral resources 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. Assay composites were capped up to 35 g/t based on geo-statistical support for each zone.
4. A modeling cut-off grade of 0.25 g/t Au was only used to create a three-dimensional wireframe for subsequent interpolation.
5. A block model was created with 10x10x10 metre blocks using inverse distance cubed grade interpolation.
6. Indicated Mineral resources were classified with a 35 metre search radius and a minimum of two drill holes.
7. A bulk density of 2.79 t/m³ was used for all tonnage calculations.
8. A gold price of **US$1,200/oz** and an exchange rate of US$1.00 = C$1.00 was utilized in the Au cut-off grade calculations of 0.37 g/t for open pit and 2.0 g/t for out of pit.
9. Open pit mining costs were assumed at C$1.60/t for mineralized material, C$1.60/t for waste rock and C$1.25/t for overburden, while out of pit mining costs were assumed at C$59/t, with process costs of C$11/t, G&A of C$2.00/t, and a 93% metallurgical recovery.
10. Totals in the table may not sum due to rounding.

TABLE 2: IN-PIT RESOURCE CUTOFF SENSITIVITY						
Cutoff Grade	INDICATED			INFERRED		
(g/t)	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)
0.80	12,708,000	1.65	673,000	26,853,000	1.37	1,185,000
0.60	18,518,000	1.35	802,000	41,724,000	1.13	1,516,000
0.50	22,672,000	1.20	875,000	52,702,000	1.01	1,708,000
0.40	28,144,000	1.05	954,000	66,689,000	0.89	1,910,000
0.37	**30,000,000**	**1.01**	**977,000**	**71,627,000**	**0.86**	**1,971,000**
0.35	31,160,000	0.99	990,000	74,954,000	0.83	2,010,000
0.30	34,853,000	0.92	1,029,000	84,038,000	0.78	2,105,000

TABLE 3: OUT OF PIT RESOURCE CUTOFF SENSITIVITY						
Cutoff Grade	INDICATED			INFERRED		
(g/t)	Tonnes	Au (g/t)	Au (oz)	Tonnes	Au (g/t)	Au (oz)
2.50	670,000	3.94	85,000	7,401,000	3.89	925,000
2.20	880,000	3.56	101,000	9,805,000	3.51	1,106,000
2.00	**1,080,000**	**3.29**	**114,000**	**11,684,000**	**3.28**	**1,233,000**
1.80	1,277,000	3.07	126,000	13,889,000	3.06	1,367,000
1.50	1,789,000	2.67	153,000	18,801,000	2.69	1,626,000

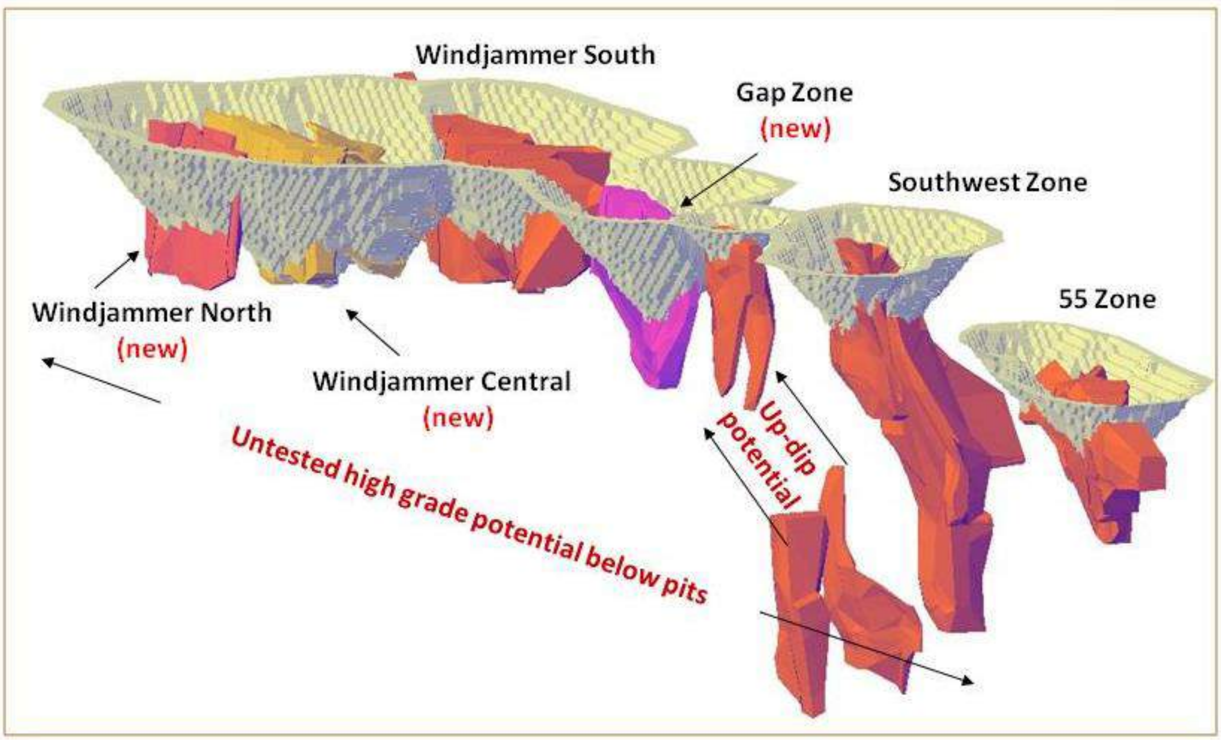

Figure III - Golden Highway Project: Schematic Resource Domains & Pit Shells looking East

Preliminary Economic Assessment (November 2012)

A Preliminary Economic Assessment ("PEA") was completed on the *Golden Highway* and reported by way of press release on November 1, 2012. Readers seeking additional details to those disclosed here are directed to the (combined) NI 43-101 Mineral Resource Estimate and Preliminary Economic Assessment technical report filed on SEDAR in December 2012.

The PEA incorporated the NI 43-101 Mineral Resource Estimate (press release October 25, 2012) of 31.1 Mt at 1.09 g/t Au indicated plus 83.3 Mt at 1.20 g/t Au inferred and demonstrated robust economics in establishing a new gold mine and mill complex on the property.

Pre-tax Net Present Value is **$748 million** (5% discount rate), with a **24.4%** internal rate of return, and 4.1 year payback period using **US$1,350** gold price. A gold price sensitivity table follows:

TABLE 1: ECONOMIC SENSITIVITY TO GOLD PRICE					
Gold Price (US$)	BASE CASE: $1,350	$1,400	$1,500	$1,600	$1,700
Net Present Value ($ millions)	**748**	858	1,080	1,301	1,523
Internal Rate of Return (%)	**24.4**	26.8	31.3	35.5	39.5
Payback period	**4.1**	3.7	3.3	2.9	2.6

PEA Highlights:

- Life of mine metal production of **3.8 million ounces gold with 92% recovery**;
- Processing facility throughput of 25,000 tonnes per day ("tpd");
- Life of mine average cash costs of $607 per ounce gold;
- Average diluted mill head grade of 1.11 g/t gold;
- Average annual production of 288,000 gold ounces;
- 12 year mine life;
- No royalties or encumbrances on the project.

Areas of upside potential include:

- Four additional gold zones on the property outside the NI 43-101 resource;
- Undrilled areas within the conceptual pits;
- Potential below current constrained pits - similar to Southwest Zone;
- Exploration potential within 12km of strike of the Property.

The PEA incorporates the recent NI 43-101 Mineral Resource Estimate of 31.1 Mt at 1.09 g/t Au indicated plus 83.3 Mt at 1.20 g/t Au inferred (press release October 25, 2012). The PEA assumes that both open pit and underground mining methods would be used for resource extraction. Potentially economic open pit portion of the resources have been calculated assuming a dilution of 6% and a material loss of 2%. Potentially economic underground portion of the resources have been calculated assuming a dilution of 15% and a material loss of 10%.

Mining

The PEA is based on a processing facility of 25,000 tpd of blended feed from open pit and underground operations. The open pit is designed as a conventional surface mining operation producing at an average rate of 22,500 tpd. The underground mining is designed as bulk tonnage mining operation producing at an average rate of 2,500 tpd.

The open pit scenario includes development of a large Southwest Zone, Gap and Windjammer (South/Central/North) pit and smaller 55 Zone pit. The underground portion is scheduled to be in full production by way of ramp in the second year of operations, accessing over 1.3 million ounces of bulk underground gold resources. Development of a shaft is scheduled for year 2, to be funded from operating cash flow.

Infrastructure
Moneta's *Golden Highway* significantly benefits from world-class infrastructure and services including a major highway and excellent access roads, available skilled labor, and a provincial power grid.

The proposed *Golden Highway* mill and mine site is ideally located and characterized by outcrop and shallow overburden to the immediate southeast of the main open pit. Along the east and northeast perimeter of the open pits, esker ridges form natural containment dykes for at least two sides of a tailings management facility. These nearby eskers contain significant quantities of coarse gravel and small boulder material, ideal for road upgrades and infrastructure construction materials.

The labour force for the construction and operation of this project are anticipated to be drawn from Kirkland Lake, Timmins, Matheson and nearby Quebec communities. The labour pool in this area is highly experienced in both construction and mining operations, requiring less training than many other remote or non-mining locations.

Power is to be supplied by a 10 km long transmission line connecting to the provincial grid.

The reader is cautioned that this PEA is preliminary in nature as it includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the PEA will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability. The PEA was prepared under the supervision of Mr. Eugene J. Puritch, P. Eng., of P&E Mining Consultants Inc. ("P&E"), Independent Qualified Persons ("QP"), as defined by National Instrument 43-101.

PORCUPINE CAMP

Moneta continues to maintain a large land holding in *Porcupine Gold Camp* which includes the gold properties North Tisdale, Nighthawk Lake, Kayorum, and Denton-Thorneloe. Additional properties with strategic value are historical base metal projects and include Loveland Nickel, Kamiskotia, and Fripp.

Porcupine Gold Exploration Program 2012

There has been no 2012 field activity on the *Porcupine Camp* properties.

North Tisdale Project
The North Tisdale property is currently being reviewed for target areas including those 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 were identified as potential drill target areas in the final interpretation completed in 2012. Additional surveying is being considered to establish greater strike confidence.

In addition, Q2 2012 seismic modelling was completed to expand the property's potential for targets below surface. Areas of potential structural interest are related to several flat lying structures as well as high angle structures. The projection of these deeper targets to surface requires further work including assessing any correlation to existing drilling data.

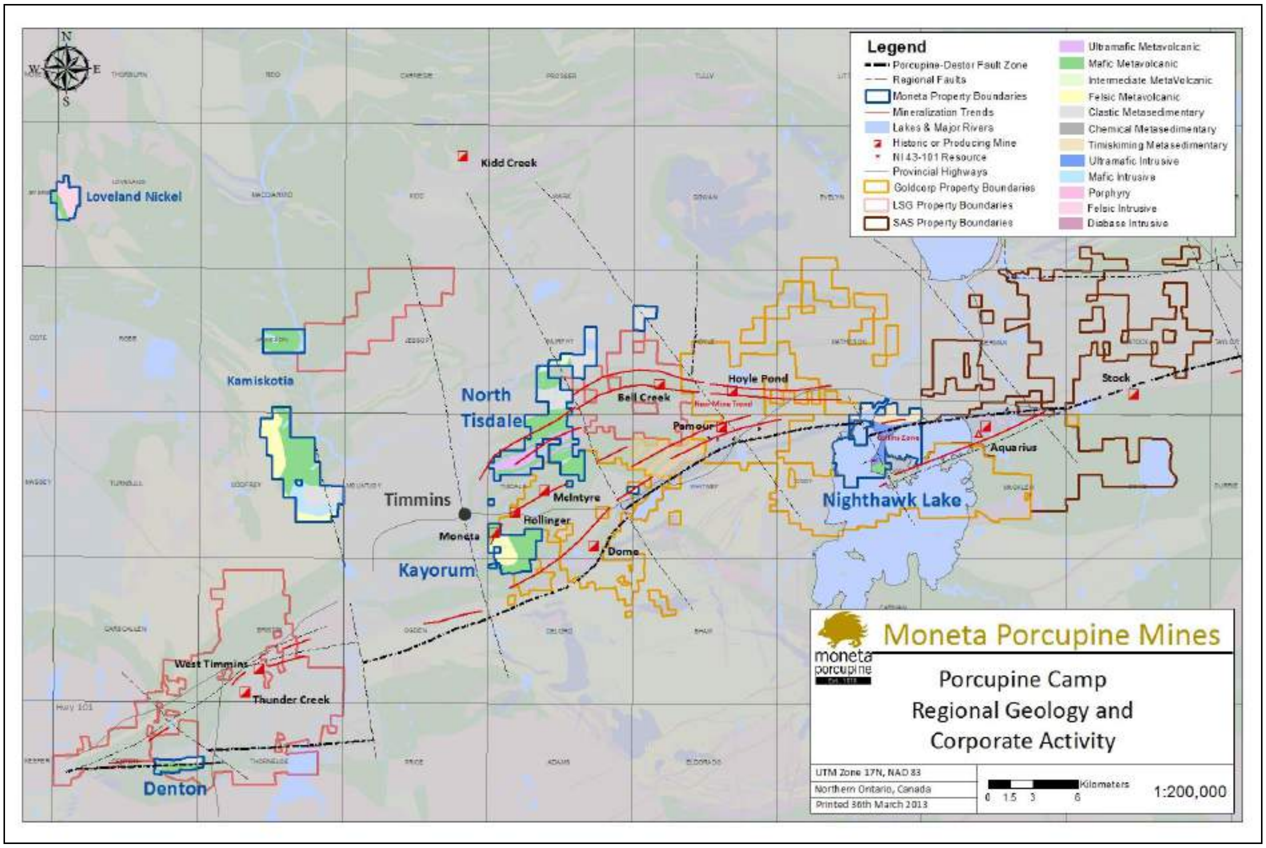

Figure IV – Porcupine Camp Projects

Kayorum Project / Moneta Mine

The Moneta Mine mined the continuation of Hollinger Mine veining across the property boundary from 1938 to 1943 with a total production of 149,250 oz gold from 314,829 tons at an average grade of 0.47 oz/t.

Moneta completed geotechnical work in 2011 including geophysics, diamond drilling, and progressive rehabilitation of identified hazards (capping a fill raise and small historical shaft). Work was completed support a closure plan for the Ministry of Northern Development Mines ("**MNDM**"). Revisions to the closure plan continue to be under discussion with the MNDM.

The immediately adjacent Hollinger Mine pit project is currently under development with haulage infrastructure completed. The project envisions a 200-250 metre deep multiple phase 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.

Moneta Mine – Tailings Pond

In 2012, Moneta entered into discussions with the MNDM regarding residual 1939 start-up tailings from the former Moneta Mine production. Moneta re-processed most of the tailings in 1995 except for tailings located directly under (Ontario) Hydro One ("**Hydro One**") poles connected to the adjoining Hydro One power station.

Moneta engaged an independent consultant to undertake a water sampling program from the tailings pond. The consultant confirmed that minor contaminants are being generated from the residual tailings which remain under the hydro poles.

Moneta also met with Hydro One and completed a joint site visit. Hydro One confirmed a modification plan to its adjacent substation layout and its intent to relocate the hydro poles outside the tailings pond by 2014. This timeline was communicated to the MNDM and accepted as reasonable.

Moneta will assess the best course of action for the residual tailings, estimated to be less than 1,000 tons, ensuring appropriate site remediation as required under the Mining Act. It is anticipated that the residual tailings will be removed and possibly re-processed which will offset associated costs. On the recommendations of the MNDM, "No Trespass" signs were erected around the tailings site.

FINANCIAL REVIEW

The 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. 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 Annual Consolidated Statements of Financial Position, the Statements of Shareholders' Equity, the Statements of Loss (Earnings) Comprehensive Loss (Earnings) and Deficit, and the Statements of Cash Flows for the years ended December 31, 2012 and 2011.

SELECTED ANNUAL INFORMATION

Highlights ($ except per share data)	**December 31, 2011**	**December 31, 2011**	**December 31, 2010**
Revenue	**-**	-	-
Loss (earnings) and comprehensive loss (earnings)	**(2,245,036)**	(5,977,647)	(4,571,901)
Earnings (loss) per share	**($0.01)**	($0.04)	($0.04)
Total Assets	**10,950,833**	4,118,010	3,392,733
Total Long-term liabilities	**Nil**	Nil	Nil

SUMMARY OF QUARTERLY RESULTS

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

Highlights	2012				2011			
($ except per share data)	**Dec 31**	**Sep 30**	**June 30**	**Mar 31**	Dec 31	Sep 30	June 30	Mar 31
Revenue	**-**	-	-	-	-	-	-	-
Loss (earnings) and comprehensive loss (earnings)	**941,549**	740,307	1,153,284	(590,104)	1,103,684	1,665,512	1,916,199	1,292,252
Earnings (loss) per share	**$0.01**	$0.01	$0.01	$0.01	0.01	0.01	0.01	0.01

SIGNIFICANT EVENTS DURING 2012

Exploration and evaluation expenditures, previously capitalized under Canadian GAAP, are now expensed under IFRS. A total of $438,158 was incurred during Q4 2012 (YTD 2012: $3,067,024) as compared to $907,935 in Q4 2011 (YTD 2011: 5,094,039). Drilling was focused on the Company's Golden Highway Project, as explained above under RESULTS OF OPERATIONS.

In December 2012, the Company improved its treasury position to just under $10M, in completing a brokered private placement financing and issuing 15,392,077 flow-through common shares at $0.35 for gross proceeds of $5,387,227, and 10,307,885 common shares at $0.26 per share for gross proceeds of $2,680,050, for aggregate gross proceeds of $8,067,277. The structured flow-through common shares were issued at a 35% premium above the trailing average of the stock price at the time. A cash commission of $281,953 (3.5%) was paid to the Underwriters. In addition, broker compensation options were issued entitling the Underwriters to purchase up to 1,079,998 (4.2%) common shares of the Company at a price of $0.28 per common share for eighteen months following closing or June 21, 2014.

CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with the Annual Consolidated Statements of Loss (Earnings) Comprehensive Loss (Earnings) and Deficit for the years ended December 31, 2012 and 2011 and the corresponding notes thereto. All references to years "2012" or "2011" relate for the years ended December 31 of those years unless stated otherwise. Moneta has not generated any material operating revenues as it is in the exploration and development stage and, therefore, operating losses are anticipated to continue in the future.

Moneta reported a loss and comprehensive loss of $941,549 in Q4 2012 (YTD 2012: $2,245,036 or $0.01 loss per share) as compared to a net loss and comprehensive loss of $1,103,684 in Q4 2011 (YTD 2011: $5,977,647 or $0.04 loss per share).

Exploration and evaluation expenditures were $438,158 in Q4 2012 (YTD 2012: $3,067,024) as compared to $907,935 in Q4 2011 (YTD 2011: $5,094,039), representing a decline in year over year exploration expenditures given difficult market conditions. Share based compensation charges related to options granted and/or vested during the year were $174,251 in Q4 2012 (YTD 2012: $224,550) as compared to $30,922 in Q4 2011 (YTD 2011: $320,648). Management fees, wages and tax benefits were $264,662 in Q4 2012 (YTD 2012: $420,112) as compared to $115,935 in Q4 2011 (YTD 2011: $272,720). The difference relates to an increase in the incentive compensation accrual for senior management year over year. General & administration expenses were $49,719 in Q4 2012 (YTD 2012: $177,843), up from $25,349 in Q4 2011 (YTD 2011: $168,992). Legal and audit expenses were $13,152 in Q4 2012 (YTD 2012: $81,680) down from $29,659 in Q4 2011 (YTD 2011: $95,771). The unrealized loss on investments held for trading, resulting from market value fluctuations, was $465 in Q4 2012 (YTD 2012: $465), as compared to a unrealized loss of $2,792 in Q4 2011 (YTD 2011: $9,306). Travel and promotion expenses were $10,389 in Q4 2012 (YTD 2012: $26,270), as compared to $7,072 in Q4 2011 (YTD 2011: $68,836), representing a significant decline in investor relations efforts given current market interest in junior exploration companies such as Moneta. Other income was $6,073 in Q4 2012

(YTD 2012: $137,532), as compared to $4,815 in Q4 2011 (YTD 2011: $17,395). The significant increase primarily relates to the sale of certain historical data in 2012, with no significant year over year change in minor royalty income from a perlite operation. Interest income was $3,174 in Q4 2012 (YTD 2012: $15,376), as compared to $11,165 in Q4 2011 (YTD 2011: $35,270). The decrease relates to lower interest rates earned on lower cash and equivalent balances in 2012 as compared to 2011.

Deferred tax recovery in 2012 was $1,600,000 as compared to $NIL in 2011 and relates to the transfer of the temporary non-cash 'deferred premium on flow through shares' liability of $1,600,000 on the statement of financial position as a credit to deferred tax recovery on the consolidated statements of loss (earnings), comprehensive loss (earnings) and deficit on the renunciation, in the normal course, of $5,600,000 in expenditures on flow-through common shares issued in March 2011.

CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the Annual Consolidated Statements of Financial Position and Statements of Changes in Shareholders' Equity as at December 31, 2012 and 2011 and the corresponding notes thereto.

Consolidated assets

Consolidated assets were $10,950,833 at December 31, 2012 as compared to $4,118,010, as at December 31, 2011. Cash and equivalents were $9,082,092 at December 31, 2012 as compared to $2,120,138 at December 31, 2011.

Exploration and evaluation assets were $1,683,430 at December 31, 2012 as compared to $1,650,268, at December 31, 2011, resulting in the capitalization of project acquisition costs and expensing of historically capitalized (deferred) exploration expenditures.

Consolidated liabilities

Consolidated liabilities, excluding the non-cash 'deferred premium on flow through shares' liability of $1,385,287 (2011 - $1,600,000), were $610,664 at December 31, 2012 as compared to $384,196 at December 31, 2011.

In December 2012, as part of the completed structured flow-through and hard dollar brokered private placement financing for aggregate gross proceeds of $8,067,277, the Company issued 15,392,077 structured flow-through common shares at $0.35 for gross proceeds of $5,387,227. The $5,387,227 was reported as a $4,001,990 increase in capital stock, offset by a $1,385,287 increase in non-cash 'deferred premium on flow-through shares' liability, reflecting the premium received on the structured flow-through financing.

In March 2012, the Company renounced, in the normal course, $5,600,000 of expenditures on flow-through common shares issued in March 2011. As a result, the non-cash 'deferred premium on flow-through shares' liability of $1,600,000 was transferred from the statement of financial position to a deferred tax recovery credit on the consolidated statements of loss (earnings), comprehensive loss (earnings) and deficit.

Shareholders' equity

Shareholders' equity was $8,954,882 at December 31, 2012 as compared to $2,133,814 at December 31, 2011. The increase is primarily due to the $11,067,000 in financings completed in March and December 2012, offset by the loss and comprehensive loss of $2,245,036 for the year ended December 31, 2012.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with the Annual Consolidated Statements of Financial Position as at December 31, 2012 and 2011 and the corresponding notes thereto.

The consolidated working capital ratio at December 31, 2012, was 15 : 1 as compared to 6 : 1 at December 31, 2011, excluding the temporary non-cash 'deferred premium on flow-through shares' liability.

In March and December 2012, the Company completed brokered private placement financings for gross proceeds of $11,067,000. The Company held $9,082,092 in cash and equivalents at December 31, 2012 (December 31, 2011 - $2,120,138), $165,914 (December 31, 2011 - $307,296) in sales taxes recoverable, and $NIL (December 31, 2011 - $21,704) in short term interest receivable.

Current liabilities at December 31, 2012 include accounts payable and accrued liabilities of $610,664 (December 31, 2011 - $384,196) primarily related to unpaid exploration and evaluation expenditures incurred during the quarter and payable in the normal course.

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, 2012.

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. 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 salary of $400,000 (2011 - $260,000) to an officer and director for the year ended December 31, 2012. The compensation was for services provided to the Company under an ongoing employment contract. The Company reported a salary of $12,000 (2011 – NIL) to an officer and director for the year ended December 31, 2012. The amount was payable at December 31, 2012 and related to services provided to the Company. The Company reported a salary of $6,731 (2011 – NIL) to an officer for the year ended December 31, 2012. The compensation was for services provided to the Company under an ongoing employment contract. The Company paid consulting fees of $101,800 (2011 - $121,300) to a related individual for the year ended December 31, 2012. The fees were for management consulting services provided to the Company. Directors' fees of $31,534 (2011 – $37,371) were expensed during the year ended December 31, 2012, with $8,000 payable at December 31, 2012. During the year, 2,210,000 stock options (2011: 1,600,000) were issued to directors, officers and consultants. The stock options were issued out of the money with no intrinsic value however an accounting fair value of $205,749 (2011: $250,600) was reported based on the Black Scholes model. All related party transactions were completed in the normal course of business at the exchange amounts. There were no loans to Directors or Officers during the year (2011: $NIL).

COMMITMENTS

Pursuant to the December 2012 equity financing which included the issuance of common shares on a flow-through basis (see Note 4), the Company renounced certain qualifying expenditures at December 31, 2012 to its flow-through subscribers, in accordance with the look-back rules under the Income Tax Act (Canada). As a result, the Company is committed to incurring $5,387,227 in qualifying expenditures prior to December 31, 2013.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and 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 CFO evaluated the effectiveness of the Company's DC&P and ICFR as required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* issued by the Canadian Securities Administrators. It was concluded that as of December 31, 2012, 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, 2012. The CEO and CFO also concluded that no material weaknesses existed in the design of the ICFR as at December 31, 2012.

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, 2012.

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.

Provisions

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. If the Company is virtually certain that some or all of a provision will be reimbursed, for example under an insurance contract, such reimbursement is recognized as a separate asset. Provisions may be discounted using a current pre-tax rate that reflects the risks specific to the liability. The expense relating to any provision is presented in the Consolidated Statement of Loss (Earnings) and Comprehensive Loss (Earnings).

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 period 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 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

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.

Purchase warrants and broker compensation options

Purchase warrants are classified as equity and measured at fair value on the date of issue using the Black-Scholes option pricing model. Broker compensation options are classified as issuance costs and a deduction from equity and measured at fair value on the date of issue using the Black-Scholes option pricing model. The fair value of the purchase warrants and broker compensation options are not subsequently revalued.

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

The annual consolidated financial statements for the year ended December 31, 2012 were prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

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, 2012 was $9,248,006 (December 31, 2011 - $2,449,138), and was comprised of $165,914 (December 31, 2011 - $307,296) in harmonized sales taxes recoverable, $NIL (December 31, 2011 - $21,704) in interest receivable, and $9,082,092 (December 31, 2011 - $2,120,138) 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. This risk is not applicable as the Company is not currently in commercial gold production. 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 a mine closure plan in 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 and Mines ("**MNDM**") provided comments on the closure plan in November 2011. The Company submitted an amended closure plan in December 2011 addressing the minor comments. The MNDM provided further comments on the amended closure plan in February 2012. The Company responded by submitting a proposal to resolve the minor outstanding issues and the MNDM responded with further comments in July 2012. No provision has been made in the financial statements as the Company is in discussions with the MNDM to close this matter.

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, directors of the Company at that time, 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, 2012, the Company has a total of 193,472,382 (December 31, 2011 - 157,752,419) common shares outstanding and 6,734,083 (December 31, 2011 – 4,499,083) stock options outstanding with an average exercise price of $0.24 (December 31, 2011 - $0.25) per share. Additional details are available in note 4 to the Annual Consolidated Financial Statements for the year ended December 31, 2012.