



**MONETA PORCUPINE MINES INC.**

Interim Consolidated Financial Statements

For the three months ended March 31, 2013

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



**MONETA PORCUPINE MINES INC.**

Consolidated Statements of Financial Position

**Unaudited**

<b>As at</b>	<b>Notes</b>	<b>(Unaudited) March 31, 2013 \$</b>	<b>(Audited) December 31, 2012 \$</b>
<b>Current assets</b>			
Cash and equivalents		7,817,706	9,082,092
Prepaid expenses		24,778	18,001
Sales taxes recoverable		208,230	165,914
Interest receivable		20,020	-
<b>Total current assets</b>		<b>8,070,734</b>	<b>9,266,007</b>
Investments held for trading		1,861	1,396
Exploration and evaluation assets	3	1,712,014	1,683,430
		<b>9,784,609</b>	<b>10,950,833</b>
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		423,425	610,664
Deferred premium on flow-through shares	4	-	1,385,287
<b>Total current liabilities</b>		<b>423,425</b>	<b>1,995,951</b>
<i>Going Concern</i>	1		
<i>Commitments</i>	7		
<i>Contingent liabilities</i>	8		
<b>Shareholders' equity</b>			
Capital stock	4	44,192,549	44,128,613
Contributed surplus		3,451,348	3,455,231
Deficit		(38,282,713)	(38,628,962)
<b>Total shareholders' equity</b>		<b>9,361,184</b>	<b>8,954,882</b>
		<b>9,784,609</b>	<b>10,950,833</b>

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



**MONETA PORCUPINE MINES INC.**

Interim Consolidated Statements of Changes In Shareholders' Equity

Unaudited

	Notes	Capital Stock		Contributed Surplus	Other Accumulated Comprehensive	Deficit	Shareholders' Equity
		Shares	\$				
<b>Balance as at December 31, 2012</b>		<b>193,472,382</b>	<b>44,128,613</b>	<b>3,455,231</b>	<b>-</b>	<b>(38,628,962)</b>	<b>8,954,882</b>
Share issuance on exercise of stock options	4	170,000	39,100				39,100
Fair value of stock options exercised	4		24,836	(24,836)			-
Share based compensation on vested options				20,953			20,953
Earnings (loss) and comprehensive earnings (loss)						346,249	346,249
<b>Balance as at March 31, 2013</b>		<b>193,642,382</b>	<b>44,192,549</b>	<b>3,451,348</b>	<b>-</b>	<b>(38,282,713)</b>	<b>9,361,184</b>
<b>Balance as at December 31, 2011</b>		<b>157,752,419</b>	<b>35,423,340</b>	<b>3,094,400</b>	<b>-</b>	<b>(36,383,926)</b>	<b>2,133,814</b>
Share issuance on private placement financing	4	10,000,000	3,000,000				3,000,000
Deferred premium on flow through shares	4		-				-
Share issuance costs	4		(264,281)				(264,281)
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	4			5,375			5,375
Earnings (loss) and comprehensive earnings (loss)						590,104	590,104
<b>Balance as at March 31, 2012</b>		<b>167,772,419</b>	<b>38,167,076</b>	<b>3,098,758</b>	<b>-</b>	<b>(35,793,822)</b>	<b>5,472,012</b>

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



**MONETA PORCUPINE MINES INC.**

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

For the three months ended March 31,	Notes	2013 \$	2012 \$
<b>Expenses</b>			
Exploration and evaluation expenditures	3	869,132	909,809
Share based compensation	4, 6	20,953	5,375
Management fees, wages and tax benefits	6	98,372	53,447
General & administration	6	62,679	43,993
Legal & audit		7,500	7,876
Travel and promotion		12,467	7,437
<b>Loss before other items</b>		<b>1,071,103</b>	1,027,937
<b>Other items</b>			
Other income		(9,303)	(11,832)
Unrealized (gain) loss on investments held for trading		(465)	(465)
Interest income		(22,297)	(5,744)
<b>Loss before income taxes</b>		<b>1,039,038</b>	1,009,896
Deferred taxes	5	(1,385,287)	(1,600,000)
<b>Loss (earnings) and comprehensive loss (earnings)</b>		<b>(346,249)</b>	(590,104)
<b>Deficit - beginning of period</b>		<b>38,628,962</b>	36,383,926
<b>Deficit - end of period</b>		<b>38,282,713</b>	35,793,822
<b>Loss (earnings) per share (basic and diluted)</b>		<b>(\$0.00)</b>	(\$0.00)
<b>Weighted average outstanding shares</b>		<b>193,475,917</b>	158,191,979

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



**MONETA PORCUPINE MINES INC.**

Interim Consolidated Statements of Cash Flows

**Unaudited**

<b>For the three months ended March 31,</b>	<b>Notes</b>	<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>
<b>Operating activities</b>			
Loss (earnings) and comprehensive loss (earnings)		<b>346,249</b>	590,104
Add : non-cash items			
Unrealized (gain) loss on investments held for trading		<b>(465)</b>	(465)
Shared based compensation		<b>20,953</b>	5,375
Net change in non-cash working capital balances		<b>(1,641,639)</b>	(1,273,183)
Cash provided from (used in) operating activities		<b>(1,274,902)</b>	(678,169)
<b>Investing activities</b>			
Evaluation and exploration assets	<b>3</b>	<b>(28,584)</b>	(18,483)
Cash provided from (used in) investing activities		<b>(28,584)</b>	(18,483)
<b>Financing activities</b>			
Issuance of common shares on exercise of stock options and warrants		<b>39,100</b>	7,000
Issuance of common shares, net of issue costs	<b>4</b>	<b>-</b>	2,735,719
Cash provided from (used in) financing activities		<b>39,100</b>	2,742,719
<b>Net increase (decrease) in cash and equivalents</b>		<b>(1,264,386)</b>	2,046,067
Cash and equivalents, beginning of period		<b>9,082,092</b>	2,120,138
<b>Cash and equivalents, end of period</b>		<b>7,817,706</b>	4,166,205
<b>Interest paid during the period</b>		<b>39</b>	48
<b>Income taxes paid during the period</b>		<b>-</b>	-

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



## **MONETA PORCUPINE MINES INC.**

Notes to the Interim Consolidated Financial Statements  
For the three month period ended March 31, 2013

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### **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, 2013. 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 its 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 reviewed by the Audit Committee and approved by the Board of Directors on May 14, 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



## MONETA PORCUPINE MINES INC.

Notes to the Interim Consolidated Financial Statements  
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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.



## MONETA PORCUPINE MINES INC.

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### **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 non-cash 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).





## MONETA PORCUPINE MINES INC.

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### 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.



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### **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.



## MONETA PORCUPINE MINES INC.

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### 3. Exploration and evaluation assets

	For the three months ended March 31, 2013	For the year ended December 31, 2012
	\$	\$
<b>Acquisition costs</b>		
Balance, beginning of period	1,683,430	1,683,430
Acquisition costs	28,584	-
Balance, end of period	1,712,014	1,683,430

Acquisition costs			
	Opening January 1, 2013	Additions	Closing March 31, 2013
<b>Golden Highway Project</b>	1,642,959	3,358	1,646,317
<b>North Tisdale</b>	7,764	3,640	11,404
<b>Kayorum</b>	15,936	4,367	20,303
<b>Nighthawk Lake</b>	5,411	1,765	7,176
<b>Denton Thorneloe and other</b>	11,360	15,454	26,814
	1,683,430	28,584	1,712,014

There were no property disposals and no indications of impairment of exploration and evaluation assets during the three month period ended March 31, 2013. Exploration and evaluation expenditures for the three month period ended March 31, 2013 of \$869,132 (Q1 2012 – \$909,809) 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.

#### 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.



## MONETA PORCUPINE MINES INC.

Notes to the Interim Consolidated Financial Statements  
For the three month period ended March 31, 2013

The following table summarizes the outstanding stock options:

	For the three months ended March 31, 2013		For the year ended December 31, 2012	
	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price	No. of Options
Outstanding, beginning of period	\$0.24	6,734,083	\$0.25	4,499,083
Transactions during the period:				
Granted <sup>(1)</sup>	-	-	0.24	2,635,000
Options exercised <sup>(2)</sup>	0.23	(170,000)	-	-
Expired <sup>(3)</sup>	-	-	0.29	(400,000)
Outstanding, end of period	\$0.24	6,564,083	\$0.24	6,734,083
Exercisable, end of period	\$0.24	6,152,809	\$0.24	5,654,911

<sup>(1)</sup> 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.

<sup>(2)</sup> During the period, directors, officers and consultants exercised 170,000 stock options at an average exercise price of \$0.23 for total gross proceeds of \$39,100. The fair value of \$24,836 related to the exercised stock options and previously charged to contributed surplus was transferred to share capital.

<sup>(3)</sup> 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

	Exercise Price	Expiry Date	For the three months ended March 31, 2013	For the year ended December 31, 2012
			#	#
Outstanding, beginning of period:				
Broker compensation options	\$0.30	March 2014	700,000	-
Broker compensation options	\$0.28	June 2014	1,079,998	-
Purchase warrants	\$0.35	April 2012	-	7,500,000
			1,779,998	7,500,000
Issued during the period:				
Broker compensation options <sup>(1)</sup>	\$0.30	March 2014	-	700,000
Broker compensation options <sup>(1)</sup>	\$0.28	June 2014	-	1,079,998
			-	1,779,998
Exercised during the period:				
Purchase warrants <sup>(2)</sup>	\$0.35	April 2012	-	(20,000)
Expired during the period:				
Purchase warrants <sup>(3)</sup>	\$0.35	April 2012	-	(7,480,000)
			-	(7,480,000)
			1,779,998	1,779,998
Outstanding, end of period:				
Broker compensation options	\$0.30	March 2014	700,000	700,000
Broker compensation options	\$0.28	June 2014	1,079,998	1,079,998
			1,779,998	1,779,998



## MONETA PORCUPINE MINES INC.

Notes to the Interim Consolidated Financial Statements  
For the three month period ended March 31, 2013

- (1) 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. 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.
- (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 period ended March 31, 2013 and the year ended December 31, 2012, has been reconciled as follows:

Notes	For the three months ended March 31, 2013 \$	For the year ended December 31, 2012 \$
Income tax recovery at statutory rates	270,150	999,709
Increase (decrease) related to:		
Exploration and evaluation expenditures	(225,974)	(797,426)
Stock-based compensation	(5,448)	(58,383)
Unrealized (gain) loss on investments held for trading	121	(121)
Other	18,136	72,672
	56,984	216,452
Valuation allowance	(56,984)	(216,452)
Add: Deferred premium on flow through shares <sup>(1)</sup>	(1,385,287)	(1,600,000)
Deferred taxes (recovery)	(1,385,287)	(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:

	For the three months ended March 31, 2013 \$	For the year ended December 31, 2012 \$
Deferred tax assets:		
Net operating loss carry forwards	1,251,000	1,251,000
Resource deductions	2,687,000	2,667,000
Other	263,000	282,000
	4,201,000	4,200,000
Less: Valuation allowance	(2,690,000)	(2,675,200)
	1,511,000	1,524,800
Deferred tax liabilities:		
Resource deductions	(1,511,000)	(1,524,800)
	-	-



## MONETA PORCUPINE MINES INC.

Notes to the Interim Consolidated Financial Statements  
For the three month period ended March 31, 2013

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 (2012 - \$3,765,000) available for deduction against future taxable income, the balances of which will expire as follows:

	For the three months ended March 31, 2013	For the year ended December 31, 2012
	\$	\$
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	671,000
2032	985,000	985,000
	<b>4,810,000</b>	<b>4,810,000</b>

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 \$95,000 (Q1 2012 - \$50,000) to an officer and director for the three month period ended March 31, 2013 for services provided to the Company under an ongoing employment contract. The Company reported a salary of \$12,000 (Q1 2012 - NIL) to an officer and director for the three month period ended March 31, 2013, of which \$3,000 is payable at the end of the period, for services provided to the Company. The Company reported a salary of \$43,750 (Q1 2012 - NIL) to an officer for the three month period ended March 31, 2013 for services provided to the Company under an ongoing employment contract. The Company paid consulting fees of \$101,800 (Q1 2012 - \$121,300) to a related individual for the three month period ended March 31, 2013 for management consulting services provided to the Company. Directors' fees of \$8,500 (Q1 2012 - \$37,371) were expensed during the three month period ended March 31, 2013, with \$8,500 payable at the end of the period. During the period, no stock options (Q1 2012: 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 (Q1 2012: \$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 period (Q1 2012: \$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



## MONETA PORCUPINE MINES INC.

Notes to the Interim Consolidated Financial Statements  
For the three month period ended March 31, 2013

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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 three month period ended March 31, 2013.

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.





## MONETA PORCUPINE MINES INC.

Notes to the Interim Consolidated Financial Statements  
For the three month period ended March 31, 2013

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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 March 31, 2013 was \$8,045,956 (December 31, 2012 - \$9,248,006), and was comprised of \$208,230 (December 31, 2012 - \$165,914) in harmonized sales taxes recoverable, \$20,020 (December 31, 2012 - \$ NIL) in short term interest receivable, and \$7,817,706 (December 31, 2012 - \$9,082,092) 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 three month period ended March 31, 2013



**MONETA PORCUPINE MINES INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the three month period ended March 31, 2013

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 three month period ended March 31, 2013. This MD&A should be read in conjunction with the annual consolidated financial statements and notes thereto for the year ended December 31, 2012. All amounts included in this MD&A are in Canadian Dollars.

The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”). This MD&A has an effective date of May 14, 2013, the date this MD&A was reviewed by the Audit Committee and approved by the Board of Directors.

Additional information related to the Company is available in Moneta’s Revised Annual Information Form dated April 25, 2013 for the year ended December 31, 2012 (“**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](http://www.sedar.com) and are also available on the Company’s website [www.monetaporcupine.com](http://www.monetaporcupine.com).

The MD&A is presented in the following sections:

Page 1	Forward-Looking/Safe Harbour Statement and Fair Disclosure Statement
Page 2	Outlook, Corporate Overview
Page 3	Results of Operations
Page 9	Financial Review Consolidated Operating Results, Consolidated Financial Position, Liquidity and Capital Resources
Page 12	Off-Balance Arrangements, Transactions with Related Parties
Page 13	Disclosure Controls and Procedures, Internal Controls over Financial Reporting, Critical Accounting Estimates
Page 15	Changes in Accounting Policies, Recent Accounting Pronouncements
Page 16	Financial Instruments and Other Instruments
Page 18	Commitments, Outstanding Share Data

**FORWARD-LOOKING/SAFE HARBOUR STATEMENT AND FAIR DISCLOSURE STATEMENT**

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



that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

### OUTLOOK

The Company plans to complete up to 50,000 metres of drilling in 2013 on its 100% owned *Golden Highway Project*. The 2013 objectives include step out drilling adjacent to and immediately below the planned open pits, and in-fill drilling to improve the *National Instrument 43-101 Standards of Disclosure for Mineral Projects* (“**NI 43-101**”) category of ounces from drill-*Inferred* to drill-*Measured and Indicated (M&I)*.

The Company will release drill results over the course of the year and is planning an updated NI 43-101 resource estimate on its *Golden Highway Project* in Q4 2013.

The robust nature of the November 2012 NI 43-101 *Preliminary Economic Assessment and Resource Estimate* on the *Golden Highway Project* has provided the framework for additional drilling within and adjacent to the current resources to both increase gold resources and advance the category of the resources towards M&I. 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.

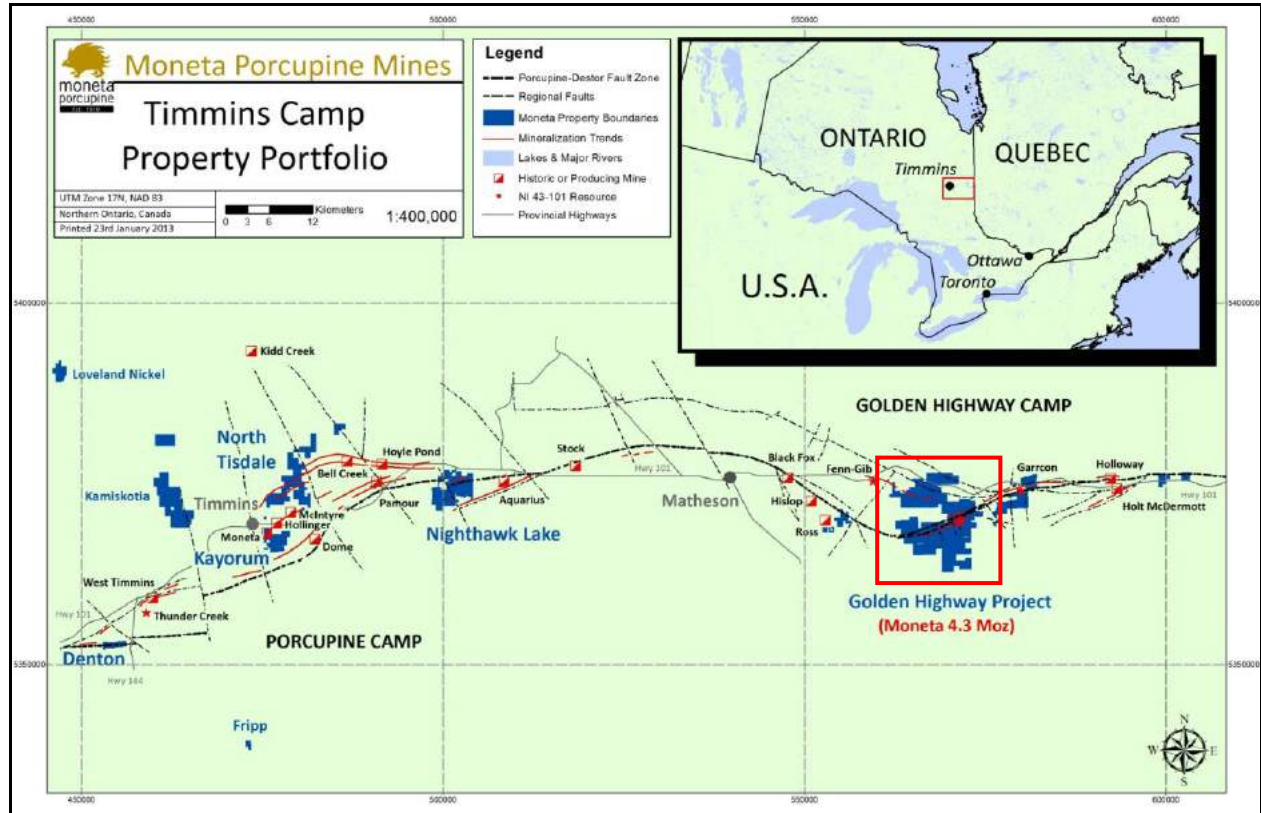
Moneta holds a 100% interest in 5 core gold projects strategically located on or along the Destor Porcupine Fault Zone (“Destor”), one of the key structural features in the Abitibi Greenstone belt in Ontario, with world class infrastructure including access roads, water, electricity, and mills. Most 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 25, 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).



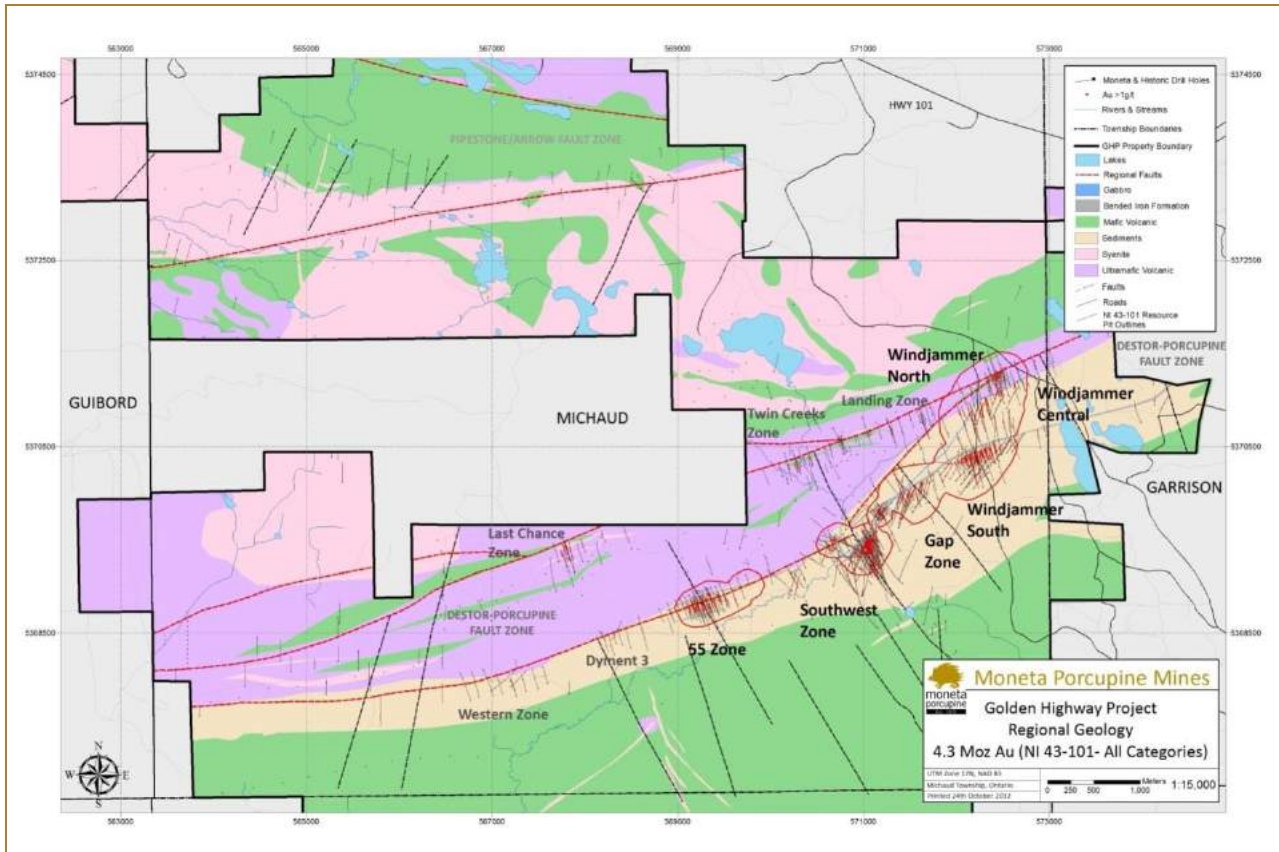
**Figure I: Moneta's Key Gold Exploration Properties**

## RESULTS OF OPERATIONS

### Golden Highway Project

Moneta's primary gold exploration and resource development focus is the *Golden Highway Project* 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 largely contiguous land package of 692 claim units or approximately 10,600 hectares that contain a significant gold resource.

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**

### Q1 2013 EXPLORATION ACTIVITY

#### Golden Highway Project

Exploration in Q1 2013 remained focused on the *Golden Highway Project* with a systematic drill program designed to expand and better define the “in- and out-of-pit” October 2012 NI 43-101 Resource Estimate, including underground resource expansion areas. Sampling has also been significantly expanded to cover all core drilled within the modelled pits and adjacent resource areas.

In Q1 2013, a total of 6,331 metres of diamond drilling was completed with 14 new drill holes (5,268m) and 2 drill hole extensions (1,063m). The annual “spring break-up” and shut down began April 21<sup>st</sup>.

New drilling has focused on near-surface bulk tonnage gold mineralization primarily in the *Gap Zone* (see Figure II). One new hole was completed in the *Southwest Zone* and two were west of *Windjammer Central*. Drill holes extensions tested the *Southwest Zone* Central and East Blocks for deeper mineralization and system expansion.



### **Southwest Zone**

One new drill hole (MGH13-10) and two drill hole extensions were completed during Q1 2013 within the *Southwest Zone*. The extensions of drill holes MSW11-285 and MM97-216 began targeting deeper and potential up-dip projections of strong mineralization found at depth along both Central and East Block iron-formation contacts.

Highlights of the *Southwest Zone* Q1 2013 drilling results follow;

- Drill hole MGH13-010 tested near surface gold mineralization. Results include well-mineralized vein zones with **3.62 g/t over 4.0m** and **3.39 g/t over 4.0m**, **0.82 over 40.0m** with **1.34 g/t over 7.0m**, and **2.19 g/t over 38.0** including **8.01 g/t over 1.0m** and **30.93 g/t over 1.0m**.
- Drill hole extension MSW11-285 was drilled from 1,023.0 metres and terminated at 1,366.0 metres in unaltered greywacke intersecting two multi-metre vein/alteration zones. Results are pending.
- Drill hole extension MM97-216X began at 626.0 metres and was continued to depth from the *Southwest Zone* Central Block to terminate in the iron formation between the *Southwest Zone* East Block and *Gap Zone* at 1,346.0 metres. Results at vertical elevations ranging from 700-1,000 metres below surface confirm the continuity in gold mineralization both laterally along strike and to depth below the current conceptual open pits. Local high grade areas occurred both along the southern contact area between iron formation and sediments and extending into the sedimentary hanging wall. Results include **3.80 g/t over 3.05m**, **1.13 g/t over 35.59m** including stronger mineralization of **1.83g/t over 13.64m** with 5.15 g/t over 1.0m, **0.98 g/t over 20.0m**, **7.18 g/t over 1.6m**, and **1.93 g/t over 3.0m**.

Significant *Southwest Zone* higher grade potential to depth and along strike remains to be drill tested.

### **Gap Zone**

The *Gap Zone* is located between the *Southwest Zone* (East Block) and *Windjammer South*. All are hosted in sediments that form the immediate hanging wall of the south iron formation contact. The *Gap Zone* is defined over 450 metres of iron formation strike as well as along a north-westerly trending and steep southwesterly dipping cross structure with an associated vein system.

Recent drilling tested the eastern extension of the *Gap Zone* along the iron formation towards *Windjammer South*. 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. Testing for mineralization at greater depth was the extension of MSW12-291A which in addition to four previous intercepts, intersected four more zones between 600 and 900 metres below surface including 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.

Highlights of the *Gap Zone* Q1 2013 drilling results, in the shallow hanging (south) wall of the iron formation, follow;

- Drill hole MGH13-005 returned multiple and significant intervals including **1.39g/t over 8m**, **1.94g/t over 18.44m**, **0.70g/t over 12.43m**, and **1.75g/t over 19.2m**.



**MONETA PORCUPINE MINES INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the three month period ended March 31, 2013

- MGH13-004 returned several alteration zones including **1.27g/t over 41.0m** including **3.44 g/t over 10.0m** and 0.59 g/t over 9.0m, **0.64g/t over 18.61m** and.
- Results from hole MGH13-003 include shallow **1.28g/t over 8.0m** followed by **0.69g/t over 7.0m** and **0.60g/t over 6.0m**.
- MGH13-002 intersected a broad alteration zone with **0.51 g/t over 51.0m** including 4.08 g/t over 1.0m, 0.71 g/t over 5.0m, and **0.79 g/t over 13.0m**.
- MGH13-001 intersected alteration zones with **0.71 g/t over 4.27m**, **0.98 g/t over 4.16m**, and **0.51 g/t over 9.64m**.
- MGH13-006 results include **0.80g/t over 58.0m** including 7.77g/t over 1.0m, **0.71g/t over 9.85m**, and **1.34 g/t over 8.0m**.
- MGH13-007 returned **1.91g/t over 1.05m**.
- MGH13-008 results include a vein alteration zone returning **1.35 g/t over 10.55m** including 3.60 g/t over 1.4m, **0.89 g/t over 24.4m** including 1.41 g/t over 9.6m, **0.96 g/t over 16.0m**, **0.96 g/t over 7.6m** within 0.71 g/t over 16.0m, 0.58 g/t over 16.0m within a broader alteration zone of **0.50 g/t over 37.0m**, and 0.80 g/t over 11.0m.
- MGH13-009 intersected several narrow vein zones up to **2.52 g/t over 2.0m** followed by a broader alteration/vein zone returning **1.39 g/t over 20.0m**.
- Results from drill holes MGH13-011 and onwards are pending.

The current drilling has expanded and established the continuity of the *Gap Zone* mineralization, highlighting its expansion potential to depth within and below the conceptual open pits, and along structures cutting the iron formation. The occurrence of multiple alteration gold zones with both high and low grade components demonstrates the potential for bulk and higher grade zones in this target area, similar to those discovered at depth in the *Southwest Zone*.

#### **Windjammer Central**

*Windjammer Central* is hosted in the 500 metre wide sedimentary sequence located between *Windjammer North* and the iron formation of *Windjammer South*. Gold mineralization similar to the adjacent *Windjammer South* gold resource has been intersected over wide intervals in the sediments along 750 metres of strike of the volcanic contact. The *Windjammer Central* area continues to be drill tested near surface moving westerly both along the volcanic/sedimentary contact and within the sediments. In Q1 2013, two drill holes (MGH13-012 and 013) were completed and intersected alteration zones – final results are pending.

#### **Updated NI 43-101 Mineral Resource Estimate (2012)**

An updated NI 43-101 Mineral Resource Estimate was completed on the *Golden Highway* in 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.

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.

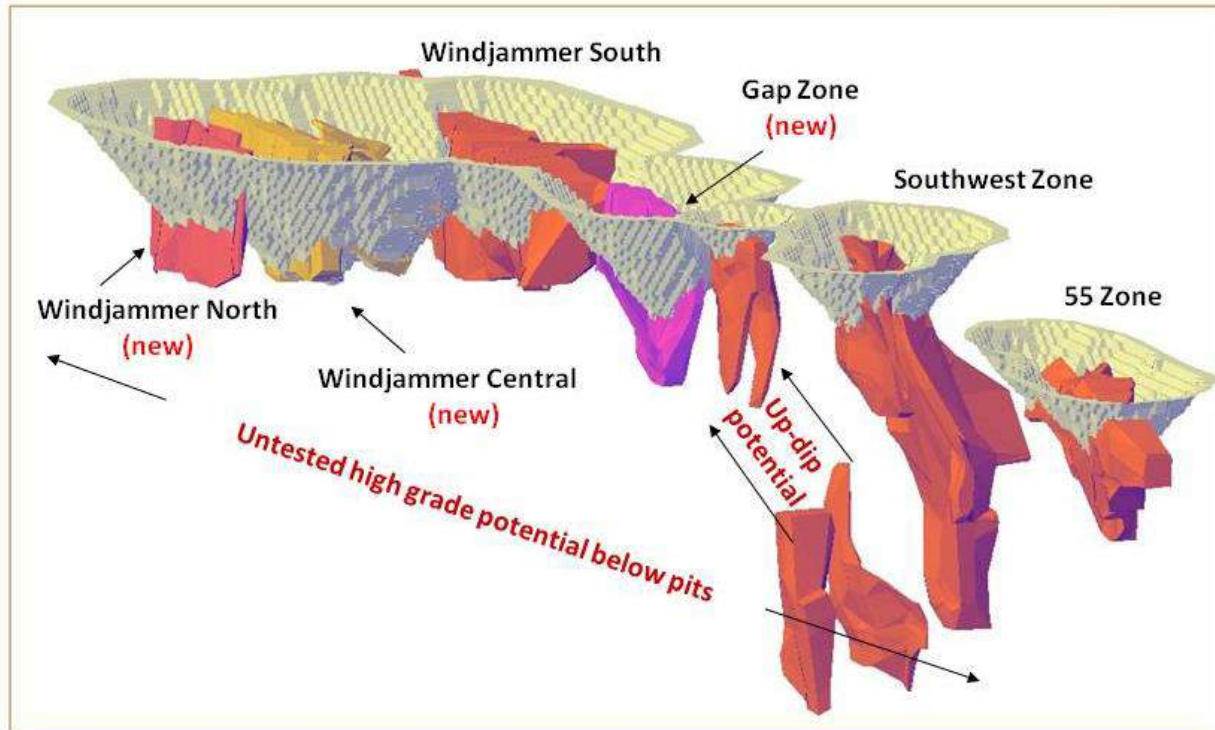


Figure III - Golden Highway Project: Schematic Resource Domains & Pit Shells looking East

**Preliminary Economic Assessment (2012)**

A Preliminary Economic Assessment (“PEA”) was completed on the *Golden Highway* in 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;



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- Average diluted mill head grade of 1.11 g/t gold;
- Average annual production of 288,000 gold ounces;
- 12 year mine life; and
- 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; and
- 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%.

The reader is cautioned that the 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.

#### **Exploration Permit Granted**

Changes under the Ontario Mining Act effective April 1, 2013 made "Plans and Permits" for continuing exploration work on non-patented mining rights (staked claims and mining leases) mandatory and conditional on consultation with impacted First Nations.

The *Golden Highway Project* may be within what the Wahgoshig First Nations ("**Wahgoshig**") considers its traditional territory. Moneta initiated discussions with the Wahgoshig in 2012 and continues to work towards an exploration agreement.

On April 12, 2013, Moneta was granted a 3 year exploration permit for the *Golden Highway Project* by the Ministry of Northern Development and Mining. The permit was granted under the new Ontario Mining Act following submission by Moneta of the permit application in Q1 2013.

#### **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.

There has been no Q1 2013 field activity on the Porcupine Camp properties.

#### **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.



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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.

**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 interim consolidated financial statements, including comparatives, have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. 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 its exploration and development efforts and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

This section discusses significant changes in the Interim 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 three month period ended March 31, 2013.

**SUMMARY OF QUARTERLY RESULTS**

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

Highlights (\$ except per share data)	2013	2012				2011		
	Mar 31	Dec 31	Sep 30	June 30	Mar 31	Dec 31	Sep 30	June 30
Revenue	-	-	-	-	-	-	-	-
Loss (earnings) and comprehensive loss (earnings)	(346,249)	941,549	740,307	1,153,284	(590,104)	1,103,684	1,665,512	1,916,199
Earnings (loss) per share	(\$0.00)	\$0.01	\$0.01	(\$0.01)	(\$0.00)	0.01	0.01	0.01



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**SIGNIFICANT EVENTS DURING Q1 2013**

Exploration and evaluation expenditures, previously capitalized under Canadian GAAP, are now expensed under IFRS. A total of \$869,132 was incurred during Q1 2013 (Q1 2012: \$909,809). Drilling was focused on the Company's *Golden Highway Project*, as explained above under **RESULTS OF OPERATIONS**.

**CONSOLIDATED OPERATING RESULTS**

This section should be read in conjunction with the Interim Consolidated Statements of Loss (Earnings) Comprehensive Loss (Earnings) and Deficit for the three month periods ended March 31, 2013 and 2012 and the corresponding notes thereto. All references to years "2013" or "2012" relate to the three month periods ended March 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 earnings and comprehensive earnings of \$346,249 in Q1 2013 or \$0.00 per share as compared to \$590,104 in Q1 2012 or \$0.00 per share.

Exploration and evaluation expenditures were \$869,132 in Q1 2013 as compared to \$909,809 in Q1 2012, representing a minor decline in year over year exploration expenditures. Share based compensation charges related to options vested during the period were \$20,953 in Q1 2013 as compared to \$5,375 in Q1 2012. Management fees, wages and tax benefits were \$98,372 in Q1 2013 as compared to \$53,447 in Q1 2012. The increase primarily relates to the payment of unpaid 2011 incentive compensation. General & administration expenses were \$62,679 in Q1 2013 up from \$43,993 in Q1 2012 and primarily due to office expenses and computer software upgrades for the Timmins office. Legal and audit expenses were \$7,500 in Q1 2013 as compared to \$7,876 in Q1 2012. The unrealized gain on investments held for trading, resulting from market value fluctuations, was \$465 in Q1 2013, as compared to an unrealized gain of \$465 in Q1 2012. Travel and promotion expenses were \$12,467 in Q1 2013, as compared to \$7,437 in Q1 2012, representing increased travel to site by the expanded senior management team.

Other income was \$9,303 in Q1 2013, as compared to \$11,832 in Q1 2012 representing period over period change in minor royalty income from a perlite operation. Interest income was \$22,297 in Q1 2013, as compared to \$5,744 in Q1 2012 representing interest earned on cash balances period over period.

Deferred tax recovery in 2013 was \$1,385,287 as compared to \$1,600,000 in 2012 representing the flow through renunciation completed in the normal course, in March 2013 and March 2012, respectively. The amounts were booked to recognize the premium received on the charity flow through share issuances. The temporary non-cash 'deferred premium on flow through shares' liability on the statement of financial position was reversed to the 'deferred tax recovery' on the consolidated statements of loss (earnings), comprehensive loss (earnings).

**CONSOLIDATED FINANCIAL POSITION**

This section should be read in conjunction with the Interim Consolidated Statements of Financial Position and Statements of Changes in Shareholders' Equity as at March 31, 2013 and 2012 and the corresponding notes thereto.

**Consolidated assets**

Consolidated assets were \$9,784,609 at March 31, 2013 as compared to \$10,950,833, as at December 31, 2012. Cash and equivalents were \$7,817,706 at March 31, 2013 as compared to \$9,082,092 at December 31, 2012.



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Exploration and evaluation assets were \$1,712,014 at March 31, 2013 as compared to \$1,683,430, at December 31, 2012, representing 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 \$NIL (2012 - \$1,385,287), were \$423,425 at March 31, 2013 as compared to \$610,664 at December 31, 2012.

In December 2012, as part of a larger financing, the Company completed a structured charity flow-through financing for \$5,387,227. The Company reported a \$4,001,990 increase in capital stock, reflecting the Company's stock price at the time, 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 over the stock price.

In March 2013, the Company renounced, in the normal course, \$5,387,227 (March 2012 - \$5,600,000) of flow through expenditures to flow-through subscribers. As a result, the non-cash 'deferred premium on flow-through shares' liability of \$1,385,287 (2012 - \$1,600,000) was reversed from the statement of financial position to a deferred tax recovery credit on the consolidated statements of loss (earnings) and comprehensive loss (earnings).

**Shareholders' equity**

Shareholders' equity was \$9,361,184 at March 31, 2013 as compared to \$8,954,882 at December 31, 2012. The increase is primarily due to the earnings and comprehensive earnings of \$346,249 for the three month period ended March 31, 2013.

**LIQUIDITY AND CAPITAL RESOURCES**

This section should be read in conjunction with the Interim Consolidated Statements of Financial Position as at March 31, 2013 and 2012 and the corresponding notes thereto.

The consolidated working capital ratio at March 31, 2013, was 19 : 1 as compared to 15 : 1 at December 31, 2012, excluding the temporary non-cash 'deferred premium on flow-through shares' liability.

The Company held \$7,817,706 in cash and equivalents at March 31, 2013 (December 31, 2012 - \$9,082,092), \$208,230 (December 31, 2012 - \$165,914) in sales taxes recoverable, and \$20,020 (December 31, 2012 - \$ NIL) in short term interest receivable.

Current liabilities at March 31, 2013 include accounts payable and accrued liabilities of \$423,425 (December 31, 2012 - \$610,664) 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 three month period ended March 31, 2013.

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.



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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 \$95,000 (Q1 2012 - \$50,000) to an officer and director for the three month period ended March 31, 2013 for services provided to the Company under an ongoing employment contract. The Company reported a salary of \$12,000 (Q1 2012 - NIL) to an officer and director for the three month period ended March 31, 2013, of which \$3,000 is payable at the end of the period, for services provided to the Company. The Company reported a salary of \$43,750 (Q1 2012 - NIL) to an officer for the three month period ended March 31, 2013 for services provided to the Company under an ongoing employment contract. The Company paid consulting fees of \$101,800 (Q1 2012 - \$121,300) to a related individual for the three month period ended March 31, 2013 for management consulting services provided to the Company. Directors' fees of \$8,500 (Q1 2012 - \$37,371) were expensed during the three month period ended March 31, 2013, with \$8,500 payable at the end of the period. During the period, no stock options (Q1 2012: 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 (Q1 2012: \$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 period (Q1 2012: \$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 interim Chief Financial Officer (“**CFO**”) of the Company are responsible for establishing and maintaining the Company’s disclosure controls and procedures (“**DC&P**”) and for designing 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; and the inability to provide assurance that unauthorized acquisitions or dispositions of assets can be detected. The Company’s system of internal controls provides for separation of the duties of receiving, approving, coding and handling invoices and of entering transactions into the accounts, and includes a requirement of two signatures for all payments made by cheque 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. As at March 31, 2013, the CEO and the CFO evaluated the design and operation of the Company’s DC&P as well as the design and operating effectiveness of the Company’s ICFR. Based on that evaluation, the CEO and CFO concluded that the Company’s DC&P and ICFR were effective as at March 31, 2013. The CEO and CFO also concluded that no material weaknesses existed in the design of the ICFR.

### **CRITICAL ACCOUNTING ESTIMATES**

Moneta’s significant accounting policies are summarized in note 2 to the interim consolidated financial statements for the three month period ended March 31, 2013. 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 interim consolidated financial statements for the three month periods ended March 31, 2013 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 March 31, 2013 was \$8,045,956 (December 31, 2012 - \$9,248,006), and was comprised of \$208,230 (December 31, 2012 - \$165,914) in harmonized sales taxes recoverable, \$20,020 (December 31, 2012 - \$ NIL) in short term interest receivable, and \$7,817,706 (December 31, 2012 - \$9,082,092) 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.



**MONETA PORCUPINE MINES INC.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the three month period ended March 31, 2013

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*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.

**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.

**OUTSTANDING SHARE DATA**

As of March 31, 2013, the Company has a total of 193,642,382 (December 31, 2012 – 193,472,382) common shares outstanding and 6,564,083 (December 31, 2012 – 6,734,083) stock options outstanding with an average exercise price of \$0.24 (December 31, 2012 - \$0.24) per share. Additional details are available in note 4 to the Interim Consolidated Financial Statements for the three month periods ended March 31, 2013 and 2012.