MONETA PORCUPINE MINES INC.

Consolidated Financial Statements

For the year ended December 31, 2016

The accompanying consolidated financial statements have been prepared by management and are in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Other information contained in this document has also been prepared by management and is consistent with the data contained in the consolidated financial statements. A system of internal controls has been developed and is maintained by management to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable.

The Board of Directors approves the financial statements and ensures that management discharges its financial reporting responsibilities. The Board's review is accomplished principally through the audit committee, which is composed of non-executive directors. The audit committee meets periodically with management and the auditors to review financial reporting and control matters.

(signed) Ian C. Peres

Ian C. Peres, CPA, CA
President & CEO

(signed) Richard A Boulay

Richard A. Boulay
Chief Financial Officer

March 28, 2017
Toronto, Canada

Tel: 416 865 0200
Fax: 416 865 0887
www.bdo.ca

BDO Canada LLP
TD Bank Tower
66 Wellington Street West
Suite 3600, PO Box 131
Toronto ON M5K 1H1 Canada

Independent Auditor's Report

To the Shareholders of
Moneta Porcupine Mines Inc.

We have audited the accompanying consolidated financial statements of Moneta Porcupine Mines Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015 and the consolidated statements of changes in shareholders' equity, loss, comprehensive loss, and deficit and cash flows for the years ended December 31, 2016 and December 31, 2015, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Moneta Porcupine Mines Inc. as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years ended December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which discloses that the company will have to raise additional funds in order to continue its exploration and development efforts and there can be no assurance that it will be able to do so. These conditions indicate the existence of a material uncertainty that may cast significant doubt about Moneta Porcupine Mines Inc.'s ability to continue as a going concern.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 28, 2017

MONETA PORCUPINE MINES INC.

Consolidated Statements of Financial Position

As at December 31	Notes	2016	2015
		$	$
Current assets			
Cash and equivalents		**8,549,319**	1,076,167
Prepaid expenses		**17,351**	16,518
Receivables		**31,200**	10,713
Sales taxes recoverable		**124,799**	12,209
Interest receivable		**12,960**	1,582
Total current assets		**8,735,629**	1,117,189
Exploration and evaluation assets	**5**	**1,936,830**	1,898,791
Total assets		**10,672,459**	3,015,980
Current liabilities			
Accounts payable and accrued liabilities		**528,546**	108,786
Deferred premium on flow-through shares	**3, 6**	**1,635,462**	-
Total current liabilities		**2,164,008**	108,786
Going concern	**1**		
Contingent liabilities	**9**		
Shareholders' equity			
Capital stock	**6**	**50,503,184**	45,207,235
Contributed surplus		**7,414,520**	4,169,620
Deficit		**(49,409,253)**	(46,469,661)
Total shareholders' equity		**8,508,451**	2,907,194
Total liabilities and shareholders' equity		**10,672,459**	3,015,980

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

Approved on behalf of the Board of Directors:

(signed) Ian C. Peres ***(signed) Alex D. Henry***

Ian C. Peres, Director Alex D. Henry, Director

MONETA PORCUPINE MINES INC.

Consolidated Statements of Changes In Shareholders' Equity

	Notes	Capital Stock Shares	Capital Stock $	Contributed Surplus	Other Accumulated Comprehensive	Deficit	Shareholders' Equity
Balance as at December 31, 2015		**208,092,382**	**45,207,235**	**4,169,620**	**-**	**(46,469,661)**	**2,907,194**
Share issuance on private placement financing	**6**	**19,929,766**	**7,614,392**				**7,614,392**
Fair value of warrants issued on private placement	**6**		**(2,117,030)**	**2,117,030**			**-**
Deferred premium on flow through shares	**3, 6**		**(1,635,462)**				**(1,635,462)**
Share issuance costs - cash	**6**		**(457,419)**				**(457,419)**
Share issuance on exercise of stock options	**6, 8**	**5,925,000**	**551,250**				**551,250**
Fair value of stock options exercised	**6**		**307,398**	**(307,398)**			**-**
Share issuance on exercise of warrants	**6**	**5,000,000**	**900,000**				**900,000**
Fair value of warrants exercised	**6**		**132,820**	**(132,820)**			**-**
Share based compensation on vested options				**1,568,088**			**1,568,088**
Loss and comprehensive loss						**(2,939,592)**	**(2,939,592)**
Balance as at December 31, 2016		**238,947,148**	**50,503,184**	**7,414,520**	**-**	**(49,409,253)**	**8,508,451**
Balance as at December 31, 2014		193,642,382	44,192,549	3,605,764	-	(45,764,745)	2,033,568
Share issuance on private placement financing	6	14,450,000	1,335,000				1,335,000
Fair value of warrants issued on private placement	6		(296,586)	296,586			-
Share issuance costs - cash	6		(23,728)				(23,728)
Share based compensation on vested options				267,270			267,270
Loss and comprehensive loss						(704,916)	(704,916)
Balance as at December 31, 2015		208,092,382	45,207,235	4,169,620	-	(46,469,661)	2,907,194

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

MONETA PORCUPINE MINES INC.

Consolidated Statements of Loss, Comprehensive Loss and Deficit

For the years ended December 31,	Notes	2016 $	2015 $
Expenses			
Exploration and evaluation expenditures	**5**	**1,105,850**	204,533
Share based compensation	**6, 8**	**1,568,088**	267,270
Wages and benefits	**8**	**172,108**	168,641
General & administration		**151,077**	82,777
Legal & audit		**39,355**	39,261
		3,036,478	762,482
Other items			
Other income		**(61,032)**	(54,282)
Interest income		**(35,854)**	(3,284)
Loss and comprehensive loss		**2,939,592**	704,916
Deficit - beginning of year		**46,469,661**	45,764,745
Deficit - end of year		**49,409,253**	46,469,661
Loss per share (basic and diluted)		**$0.01**	$0.01
Weighted average outstanding shares		**215,829,158**	198,063,067

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

MONETA PORCUPINE MINES INC.

Consolidated Statements of Cash Flows

For the years ended December 31,	Notes	2016 $	2015 $
Operating activities			
Loss and comprehensive loss		**(2,939,592)**	(704,916)
Add: non-cash items			
Shared based compensation	**6**	**1,568,088**	267,270
Net change in non-cash working capital balances		**274,472**	(33,700)
Cash used in operating activities		**(1,097,032)**	(471,346)
Investing activities			
Evaluation and exploration assets	**5**	**(38,039)**	(46,045)
Cash used in investing activities		**(38,039)**	(46,045)
Financing activities			
Common shares issued on private placement, net of issue costs	**6**	**7,156,973**	1,311,272
Common shares issued on exercise of stock options	**6, 8**	**551,250**	-
Common shares issued on exercise of warrants	**6**	**900,000**	-
Cash provided from financing activities		**8,608,223**	1,311,272
Net increase (decrease) in cash and equivalents		**7,473,152**	793,881
Cash and equivalents, beginning of year		**1,076,167**	282,286
Cash and equivalents, end of year		**8,549,319**	1,076,167

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

1. Nature of operations and going concern

Nature of operations

Moneta Porcupine Mines Inc. ("Moneta" or the "Company") is a public company listed on the Toronto Stock Exchange (TSX: ME) (OTC: MPUCF) (XETRA: MOP) and incorporated under the laws of the Province of Ontario on October 14, 1910. Moneta is a mineral resource exploration and development company actively exploring for gold on its land package in the Timmins Camp in Timmins, Ontario (Canada). The Company's registered office is 65 Third Avenue, Timmins, Ontario, P4N 1C2. Moneta, a former gold producer, is currently an exploration stage company and has no properties in current production and no production revenues at the present time.

Going concern

These consolidated financial statements, including comparatives, have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from December 31, 2016. 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 consolidated 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. Basis of Preparation

Statement of Compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Company operates in one segment defined as the cash generating unit which is Canada. The consolidated financial statements were approved by the Board of Directors of the Company on March 28, 2017.

Basis of Measurement

These consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair value, as set out in the accounting policies in note 3.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3. Significant accounting policies

The principal accounting policies are set out below:

a) Basis of presentation and consolidation

The consolidated financial statements incorporate the financial statements of the Company and its wholly-owned subsidiaries: Wounded Bull Resources Inc. and 508825 Ontario Ltd. The subsidiaries are inactive with limited operations. The financial statements of subsidiaries are prepared for the same reporting years as the Company, using consistent accounting policies. All intercompany balances and transactions have been eliminated upon consolidation. The Company's presentation currency and functional currency is the Canadian Dollar.

b) 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 the 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 subsidiary, Wounded Bull Resources Inc., at the rate of exchange in effect at the reporting date. Income and expenses are translated at the rate of exchange prevailing at the date of the transaction. All resulting exchange differences are recognized in other comprehensive income and accumulated in a cumulative translation reserve under shareholders' equity.

c) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes party to a contractual agreement and are initially measured at fair value and classified as loans and receivables, financial instruments at fair value through profit or loss (“FVTPL”), or available for sale financial assets and other liabilities (“AFS”), as appropriate. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it and separates it from the host contract if the host contract is not measured at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as FVTPL, with changes in fair value at each year end recorded in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management.

Loans and receivables

Royalty income receivable, sales taxes recoverable, interest receivable, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of Comprehensive Loss (Earnings) when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Available for sale financial assets

AFS assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL. AFS financial assets are measured at fair value upon initial recognition and at each year end, with unrealized gains or losses being recognized as a separate component of equity in Other Comprehensive Loss (Earnings) until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss, previously reported in equity, is included in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings).

Financial liabilities

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 Statement of Loss (Earnings) and Comprehensive Loss (Earnings) for the year. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest rate method. The Company’s accounts payable and accrued liabilities, deferred premium on flow-through shares are classified as other financial liabilities.

Derivative instruments

Derivative instruments, including embedded derivatives, are recorded at fair value on initial recognition and at each subsequent reporting year. Any gains or losses arising from changes in fair value on derivatives are recorded in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings).

Impairment of financial assets
Financial assets, other than those recorded at FVTPL, are assessed for indicators of impairment at each year end. A financial asset is considered impaired when there is objective evidence that the estimated future cash flows of the investments have been adversely impacted as a result of one or more events that occurred after the initial recognition. If an AFS asset is impaired, the change in fair value is transferred to the Statement of Loss (Earnings) and Comprehensive Loss (Earnings) in the year, including cumulative gains or losses previously recognized in other comprehensive income or loss. Reversals of impairment in respect of equity instruments classified as AFS are not recognized in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings) but included in other comprehensive income.

All financial instruments measured at fair value subsequent to initial recognition are categorized into one of three hierarchy levels based on the transparency of the inputs used to measure the fair values of assets and liabilities, as follows:

Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets;
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the comparable asset or liability, either directly or indirectly;
Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

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 year are recognized immediately in the Statement of Loss (Earnings) and Comprehensive Loss (Earnings) for the year.

d) Cash and equivalents
Cash and equivalents include cash in bank and highly liquid investments which are cashable with an original term to maturity of 365 days or less.

e) 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 to be capitalized as Property, Plant and Equipment. Exploration and evaluation assets are not depreciated until the properties are in commercial production.

f) 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 year 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 Statement 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 Statement 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.

g) Income taxes

Income taxes are recognized in Loss (Earnings), except where they relate to items recognized in other comprehensive income or directly in capital stock, in which case the related taxes are recognized in Comprehensive Loss (Earnings) or Capital Stock. Deferred income taxes are calculated using the balance sheet liability method for unused tax losses, unused tax credits and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates enacted or substantively enacted at the Statement of Financial Position date. The effect on deferred income tax assets and liabilities resulting from a change in enacted tax rates is included in income in the year in which the change is enacted or substantively enacted.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

h) Share capital

Common shares issued by the Company are classified as capital stock. Incremental costs directly attributable to the issue of new common shares, such as share issue costs, are recognized under capital stock as a deduction from the share proceeds.

i) Flow-through shares

Under Canadian income tax legislation, the Company may issue flow through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A temporary non-cash deferred flow through premium 'liability' is recognized on the Statement of Financial Position. The liability is reversed upon renunciation of such qualifying expenditures to the flow through investors and reported as a reduction in deferred tax expense on the Statement of Loss (Earnings) and Comprehensive Loss (Earnings).

j) Share based payments

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 yield, 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 these share based payments is recognized as a charge to the Statement of Loss (Earnings) and Comprehensive Loss (Earnings) with a corresponding credit to shareholders' equity on the Statement 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 year. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the year.

Purchase warrants and broker compensation options

Purchase warrants are classified as capital stock 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 capital stock 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.

k) Other income recognition

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

l) 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 year 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 Statement of Loss (Earnings) and Comprehensive Loss (Earnings) and the Statement of Changes in Shareholders' Equity.

m) Loss (earnings) per share

Basic loss (earnings) per share is computed by dividing net loss (earnings) available to common shareholders by the weighted average number of outstanding common shares for the year. In computing diluted loss (earnings) per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting years. In years where a net loss is reported, all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive.

n) 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 Statement of Loss (Earnings) and Comprehensive Loss (Earnings).

Contingent liabilities are not recognized in the financial statements unless estimable and probable and are disclosed in notes to the financial statements unless their occurrence is remote. By their nature, contingent liabilities 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.

Recent accounting standards

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). The mandatory effective date of IFRS 9 is for annual years beginning on or after January 1, 2018.

4. Key sources of estimation uncertainty and judgement

In the application of the Company's accounting policies described in note 3, management is required 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 year.

Estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and other factors considered relevant, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following are the areas involving estimates made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements.

a) Share based payments

Management measures the fair value of granted stock options using the Black-Scholes option valuation model. The fair value of stock options using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

b) 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 property, 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.

c) Impairment of long-lived assets

The carrying amounts of exploration and evaluation assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on a property by property basis. The assessment requires the use of estimates and assumptions such as, but not limited to, long-term commodity prices, future capital requirements, resource estimates, and exploration potential. It is possible that the actual fair value could be significantly different from those assumptions, and changes in these assumptions will affect the recoverable amount of the exploration and evaluation assets.

d) 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 year in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation, and re-vegetation of affected areas.

The estimated fair value of a liability, and corresponding increase in the related property, is reported in the year in which it is incurred and when a reasonable estimate of fair value can be made. The fair value is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation transaction and, in the absence of observable market transactions, is determined as the present value of expected cash flows. The Company subsequently allocates the cost to expense using a systematic and rational method over its useful life, and records the accretion of the liability as a charge to the Statement 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.

e) Contingent liabilities

Contingent liabilities are not recognized in the financial statements unless estimable and probable and are disclosed in notes to the financial statements unless their occurrence is remote. By their nature, contingent liabilities 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.

5. Exploration and evaluation assets

Acquisition costs	Year ended December 31, 2016 $	Year ended December 31, 2015 $
Balance, beginning of year	1,898,791	1,852,746
Acquisition costs	38,039	46,045
Balance, end of year	1,936,830	1,898,791

Acquisition costs	January 1, 2016 $	Additions $	December 31, 2016 $
Golden Highway Project	1,676,329	7,565	1,683,894
North Tisdale	56,634	16,555	73,189
Kayorum	83,997	3,160	87,157
Nighthawk Lake	7,992	2,143	10,135
Denton Thorneloe and other	73,839	8,616	82,455
	1,898,791	38,039	1,936,830

Acquisition costs	January 1, 2015	Additions	December 31, 2015
Golden Highway Project	1,667,576	8,753	1,676,329
North Tisdale	40,973	15,661	56,634
Kayorum	67,652	16,345	83,997
Nighthawk Lake	7,765	227	7,992
Denton Thorneloe and other	68,780	5,059	73,839
	1,852,746	46,045	1,898,791

There were no property disposals and no indications of impairment of exploration and evaluation assets during the year ended December 31, 2016 and 2015. Capitalized acquisition costs were $1,936,830 at December 31, 2016 (December 31, 2015: $1,898,791). Exploration and evaluation expenditures for the year ended December 31, 2016 of $1,105,850 (2015: $204,533) were charged to the Statement of Loss and Comprehensive Loss.

6. Capital stock

Authorized share capital

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

Capital stock transactions

On September 7, 2016, the Company completed a structured (charity) flow-through and hard dollar brokered private placement financing for aggregate gross proceeds of $7,614,392. The Company issued 2,714,431 hard dollar units ("Units") at a price of $0.30 per Unit for gross proceeds of $814,329. Each Unit consisted of one common share (a "Common Share") and one Common Share purchase warrant (a "Warrant"). The Company concurrently issued 17,215,335 flow-through units (the "FT Units") comprised of 15,190,000 FT Units plus 2,025,335 FT Units to satisfy the exercise of an over-allotment option by the Underwriters, at a price of $0.395 per FT Unit, for gross proceeds of $6,800,063. Each FT Unit consisted of one Common Share, issued on a flow through basis, and one Common Share purchase warrant. Each Warrant is exercisable into one Common Share at a price of $0.42 for twenty-four months following closing. Issue costs were $457,419 and included cash commissions of $286,673 paid to the Underwriters, and Underwriter and Company legal fees, TSX listing fees and expenses of $170,746. The Common Shares issued on a flow through basis were reported as a $6,800,063 increase in capital stock, offset by a $1,635,462 increase in non-cash deferred premium on flow-through shares 'liability', reflecting the premium in proceeds received on the charity flow-through portion of the financing over the hard dollar share price issuance of $0.30 per share. This non-cash deferred premium on flow-through shares 'liability' will be transferred from the statement of financial position to a deferred tax credit on the consolidated statements of loss (earnings), comprehensive loss (earnings) and deficit when the flow through expenditures are renounced, in the normal course, in Q1 2017.

On November 10, 2015, the Company announced the closing of a non-brokered private placement for total gross proceeds of $1,100,000. A total of 10,000,000 units were issued at a price of $0.11 per unit comprised of one common share and one half of one purchase warrant exercisable at $0.18 per full purchase warrant for a term of twelve months. There were no finder's fees or commissions paid on the placement. Issue costs, related to standard TSX listing fees and legal fees, were $17,783.

On May 6, 2015, the Company announced the closing of a non-brokered private placement for total gross proceeds of $235,000. A total of 3,200,000 units were issued at a price of $0.05 per unit comprised of one common share and one purchase warrant exercisable at $0.07 for thirty six months for gross proceeds of $160,000, and 1,250,000 flow-through units were issued at a price of $0.06 per unit comprised of one common share issued on a flow-through basis and one purchase warrant exercisable at $0.08 for thirty six months for gross proceeds of $75,000. Insiders of the Company subscribed for 2,000,000 Units and 1,250,000 Flow-Through Units or 75% of the Placement. There were no finders' fees or commissions paid. Issue costs, related to standard TSX listing fees, were $5,945.

Stock options

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

The following table summarizes the outstanding stock options:

Year ended December 31,	2016		2015	
	Average Exercise Price	**# Options**	Average Exercise Price	# Options
Outstanding, beginning of year	**$0.10**	**7,170,000**	$0.13	6,555,000
Transactions during the year:				
Granted (1)	**0.25**	**9,875,000**	0.12	3,425,000
Options exercised (1)	**0.09**	**(5,925,000)**	-	-
Expired (2)	**-**	**-**	0.21	(2,810,000)
Outstanding, end of year	**$0.23**	**11,120,000**	$0.10	7,170,000
Weighted average remaining contractual life (years)	**4.65**		4.06	
Exercisable, end of year	**$0.23**	**10,686,664**	$0.10	7,103,332

(1) During 2016, a total of 5,925,000 stock options were exercised by directors, officers and employees at an average exercise price of $0.09. The Company granted 9,875,000 stock options to directors, officers and employees at an average exercise price of $0.25. The estimated fair value of 9,475,000 stock options, with a five year term and immediate vesting period, was $1,566,226 using the Black Scholes valuation model and was charged to share based compensation. The estimated fair value of 400,000 stock options, with a five year term and two year vesting period, was $61,316 using the Black Scholes valuation model, and is to be recognized quarterly using the accelerated method and charged to share based compensation. The weighted average grant date fair value of $0.16 per stock option. The underlying assumptions used in the estimation of fair value are, as follows: risk free rate: 1.0%, remaining life: 5 years, expected volatility: 81%-82%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

During 2015, the Company granted 3,425,000 stock options to directors, officers, or employees at an average exercise price of $0.12. The estimated fair value of these options of $264,942, a weighted average fair value at grant date of $0.08 per option, using the Black Scholes valuation model and a five year term with immediate vesting, was charged as share based compensation. The underlying assumptions used in the estimation of fair value are, as follows: risk free rate: 1.0%, remaining life: 5 years, expected volatility: 81%, expected dividend yield: 0.00%, and forfeiture rate: 0.00%.

(2) During 2015, a total of 2,810,000 stock options at an average exercise price of $0.21 expired unexercised.

Warrants

For the years ended December 31,	**Exercise Price**	**Expiry Date**	**2016 #**	2015 #
Outstanding, beginning of year:				
Purchase Warrants	$0.07	May 2018	**3,200,000**	-
Purchase Warrants	$0.08	May 2018	**1,250,000**	-
Purchase Warrants	$0.18	Nov 2016	**5,000,000**	-
			9,450,000	-
Issued during the year:				
Purchase Warrants (1)	$0.42	Sep 2018	**19,929,766**	-
Purchase Warrants (2)	$0.07	May 2018	**-**	3,200,000
Purchase Warrants (2)	$0.08	May 2018	**-**	1,250,000
Purchase Warrants (3)	$0.18	Nov 2016	**-**	5,000,000
			19,929,766	9,450,000
Exercised during the year:				
Purchase Warrants (3)	$0.18	Nov 2016	**(5,000,000)**	-
			24,379,766	9,450,000
Outstanding, end of year:				
Purchase Warrants	$0.07	May 2018	**3,200,000**	3,200,000
Purchase Warrants	$0.08	May 2018	**1,250,000**	1,250,000
Purchase Warrants	$0.18	Nov 2016	**-**	5,000,000
Purchase Warrants	$0.42	Nov 2018	**19,929,766**	-
			24,379,766	9,450,000

(1) In September 2016, 19,929,766 purchase warrants, exercisable at $0.42 and expiring twenty four months following closing, were issued on a private placement for $7,614,392. The estimated fair value of the warrants using the Black Scholes model was $2,117,030, a weighted average fair value of $0.106 per warrant, and was charged as reduction in share capital and credited to contributed surplus. The underlying assumptions used in the estimation of fair value are, as follows: Risk free rate 1.00%, Expected life 2.0 years, Expected volatility 83%, Expected dividend yield 0.00%.

(2) In May 2015, 3,200,000 purchase warrants, exercisable at $0.07 and expiring thirty six months following closing, were issued on a private placement for $160,000, which formed part of a larger financing of $235,000. The estimated fair value of the warrants using the Black Scholes model was $119,755, a weighted average fair value of $0.037 per warrant, and was charged as reduction in share capital and credited to contributed surplus. The underlying assumptions used in the estimation of fair value are, as follows: Risk free rate 1.00%, Expected life 3.0 years, Expected volatility 83%, Expected dividend yield 0.00%.

In May 2015, 1,250,000 purchase warrants, exercisable at $0.08 and expiring in thirty six months, were issued on the closing of a flow-through private placement for $75,000, which formed part of a larger financing of $235,000. The estimated fair value of the warrants using the Black Scholes model was $44,011, a weighted average fair value of $0.035 per warrant, and was charged as reduction in share capital and credited to contributed surplus. The underlying assumptions used in the estimation of fair value are, as follows: Risk free rate 1.00%, Expected life 3.0 years, Expected volatility 83%, Expected dividend yield 0.00%.

(3) In November 2015, 5,000,000 purchase warrants, exercisable at $0.18 and expiring in twelve months, were issued on the closing of a private placement for $1,100,000. The estimated fair value of the warrants using the Black Scholes model was $132,820, a weighted average fair value of $0.027 per warrant, and was charged as reduction in share capital and credited to contributed surplus. The underlying assumptions used in the estimation of fair value are, as follows: Risk free rate 1.00%, Expected life 1.0 year, Expected volatility 99.6%, Expected dividend yield 0.00%. In November 2016, the 5,000,000 purchase warrants were exercised for gross proceeds of $900,000. The initial fair value of $132,820, previously charged to contributed surplus, was transferred to capital stock.

7. Income taxes

The Company’s effective tax rate, which differs from the combined federal and provincial statutory income tax rates for the year ended December 31, 2016 (26.5%) and 2015 (26.5%), has been reconciled as follows:

Years ended December 31,	**2016**	2015
	$	$
Income tax recovery at statutory rates	**778,992**	186,803
Increase (decrease) related to:		
Flow-through expense renunciation	**(273,351)**	(19,875)
Shared based compensation	**(415,543)**	(70,827)
Non-capital losses expired	**-**	(63,865)
Other	**49,426**	6,279
	139,524	38,515
Valuation allowance	**(139,524)**	(38,515)
Deferred taxes (recovery)	**-**	-

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

As at December 31,	**2016**	2015
	$	$
Deferred tax assets:		
Net operating loss carry forwards	**1,903,000**	1,580,000
Net capital loss carry forwards	**527,000**	527,000
Resource deductions	**3,450,000**	3,325,000
Other	**166,000**	99,000
	6,046,000	5,531,000
Less: Valuation allowance	**(6,046,000)**	(5,531,000)
	-	-

The Company has recorded a valuation allowance as the Company does not consider it more likely than not that the deferred tax assets will be realized in the foreseeable future. The Company has non-capital losses of $7,183,000 (2015: $5,963,000 – the non-capital loss balances were revised for 2030 – 2033 following a flow-through audit by the Canada Revenue Agency covering fiscal years 2010 – 2013) available for deduction against future taxable income, the balances of which will expire as follows:

Years ended December 31,	2016	2015
Year of expiry	$	$
2026	**307,000**	307,000
2027	**317,000**	317,000
2028	**652,000**	652,000
2029	**618,000**	618,000
2030	**745,000**	694,000
2031	**940,000**	671,000
2032	**1,289,000**	943,000
2033	**759,000**	732,000
2034	**576,000**	576,000
2035	**453,000**	453,000
2036	**527,000**	-
	7,183,000	5,963,000

The potential tax benefit of the above losses has not been recognized in these financial statements. The Company has $3,974,113 (2015: $3,974,113) in capital losses available to apply against future capital gains.

8. Related party transactions

The Company reported a salary of $NIL (2015: $NIL) to an officer and director for the year ended December 31, 2016, for CFO services provided to the Company. The Company paid a salary of $166,667 (2015: $162,500) to an officer and director for the year ended December 31, 2016 for CEO and other services provided to the Company under an ongoing employment agreement. The same officer and director invested $75,000 in the May 6, 2015 private placement and voluntarily reduced his annual compensation by 25% effective April 1, 2015 until September 1, 2016. Director fees of $NIL (2015: $NIL) were expensed during the year ended December 31, 2016. One independent director invested $30,000 in the September 2016 private placement. Two independent directors invested a total of $100,000 in the May 6, 2015 private placement. During 2016, directors exercised 5,925,000 (2015: NIL) stock options an average cost of $0.09. During 2016, 9,475,000 (2015: 3,050,000) stock options were granted to directors at an exercise price of $0.25 (2015: $0.12), subject to a five year term. A Black Scholes fair value of $1,566,691 (2015: $235,934) was charged to share based compensation. All related party transactions were completed in the normal course of business. There were no loans to directors or officers during the year (2015: $NIL).

9. 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 in 2011, the Company undertook necessary steps and submitted a mine closure plan. The Company received written approval from the Ministry of Northern Development and Mines on March 17, 2015 that the Closure Plan for the historic Moneta Mine was accepted as filed. There are no significant financial or other obligations on the part of the Company going forward.

Civil lawsuits

Two parties that own 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. 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.

10. Capital management

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the year ended December 31, 2016. As at December 31, 2016, the Company has a net working capital balance of $8,221,263 (December 31, 2015: $1,008,403). This excludes the deferred premium on flow-through shares non-cash liability expected to reverse in Q1 2017.

Cash and equivalents include cash in bank and short term investments in redeemable guaranteed investment certificates of $8,403,503 (December 31, 2015 - $981,973) with interest rate ranging between 0.50% and 0.95% (December 31, 2015: 0.50% - 1.05%) and maturing within a twelve month timeframe.

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.

11. 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 financial position 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, receivables, sales taxes recoverable, interest receivable, and accounts payable and accrued liabilities approximate fair values due to their short-term maturities. The Company's exposure to potential loss from financial instruments relates primarily to its cash and equivalents held with Canadian financial institutions. There have been no major or significant changes that have had an impact on the overall risk assessment of the Company during the year. The objectives and strategy for the exploration and evaluation asset portfolio remains unchanged.

The Company's exploration and development activities expose it to the following financial risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's exposure to credit risk is concentrated in four specific areas: the credit risk on operating balances including sales taxes recoverable, royalty income and other receivables, 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. No provision against these credit risk areas has been recognized in these financial statements.

The aggregate gross credit risk exposure at December 31, 2016 was $8,718,278 (December 31, 2015: $1,100,671), and was comprised of $8,549,319 (December 31, 2015: $1,076,167) in cash and equivalents held with Canadian financial institutions with an “AA-” credit rating, $31,200 (December 31, 2015: $10,713) in Receivables, $124,799 (December 31, 2015: $12,209) in sales taxes recoverable, and $12,960 (December 31, 2015: $1,582) in interest receivable.

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.

MONETA PORCUPINE MINES INC.

Management Discussion and Analysis

For the year ended December 31, 2016

This Management Discussion and Analysis ("**MD&A**") provides a discussion and analysis of the financial condition and results of operations of Moneta Porcupine Mines Inc. ("**Moneta**" or the "**Company**") to enable a reader to assess material changes in the financial condition and results of operations of the Company as at and for the year ended December 31, 2016. This MD&A should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2016. All amounts included in this MD&A are in Canadian Dollars.

The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The Company operates in one segment, defined as the cash generating unit, which is Canada. This MD&A has an effective date of March 28, 2017, 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 Annual Information Form dated March 28, 2017 for the year ended December 31, 2016 ("**AIF**"). The AIF and other continuous disclosure documents, including the Company's press releases and quarterly reports are available through its filings with the securities regulatory authorities in Canada at www.sedar.com and the Company's website at www.monetaporcupine.com.

The MD&A is presented in the following sections:

FORWARD-LOOKING/SAFE HARBOUR STATEMENT AND FAIR DISCLOSURE STATEMENT

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

OUTLOOK

The Company successfully completed a private placement financing of $7.6 million during Q3 2016 and announced, in Q4 2016, a 40,000 metre drill program over 2016/2017 on the wholly owned Golden Highway Project.

The Golden Highway Project captures 12kms of the Destor Porcupine Fault Zone Corridor, one of the most prolific Archean gold-bearing structures in the world. The project currently hosts a NI 43-101 resource of 4.3 million ounces gold (all categories), spanning only 4km of the corridor and found primarily within sedimentary host rocks. Resource growth potential along the remaining 8km of largely untested volcanic rocks is exceptional, as limited historic drilling has already confirmed shallow high grade gold mineralization.

Considerable gold production from the Timmins Camp area has been from quartz vein systems associated with ultramafic and mafic volcanics both north and south of the Destor Porcupine Fault Zone, particularly when in proximity to porphyry intrusives. Prior drilling has confirmed similar settings across the Golden Highway Project, several of which are to be systematically drill tested in 2017.

The primary objective of the 2017 drill program is to identify new gold mineralization and exploration of previous gold discoveries associated with the Destor Porcupine Fault Zone corridor and proximal to the current NI 43-101 resource. The Company expects to update its 2012 NI 43-101 resource estimate by the end of this year. The resource update will include both the results from the 2017 drill program as well as from the 50,000 metre infill drill program that was completed in 2013/2014. The primary objective of the 2013/2014 program was to upgrade a significant portion of the Inferred ounces to the Measured and Indicated category.

CORPORATE OVERVIEW

Moneta Porcupine Mines Inc. ("**Moneta**" or the "**Company**") is a mineral 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 has interests in 1,046 claim units each approximately 16 hectares in area (total area approximately 16,800 hectares) in the form of mining patents, leases and staked claims. The vast majority of the Company's landholdings are not subject to any royalty or encumbrances other than minor royalties to third parties on a limited number of claims primarily outside the Golden Highway Project.

Moneta holds a 100% interest in 5 core gold projects strategically located on or along the Destor Porcupine Fault Zone corridor ("**Destor**"), one of the key mineralized structures 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 Tahoe Resources (formerly Lake Shore Gold), Primero Mining (formerly Brigus Gold), Osisko Mining (formerly Northern Gold), and Kirkland Lake Gold (formerly St Andrew Goldfields). The Golden Highway Camp has experienced rapid advancement of large bulk tonnage gold resources by Moneta and others, reflecting the strong regional gold potential.

Moneta's land position for gold exploration is one of the best and largest in the world class Timmins Camp 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 2012).

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 to date, including that from some 26 mines, each of which generated more than 100,000 ounces.

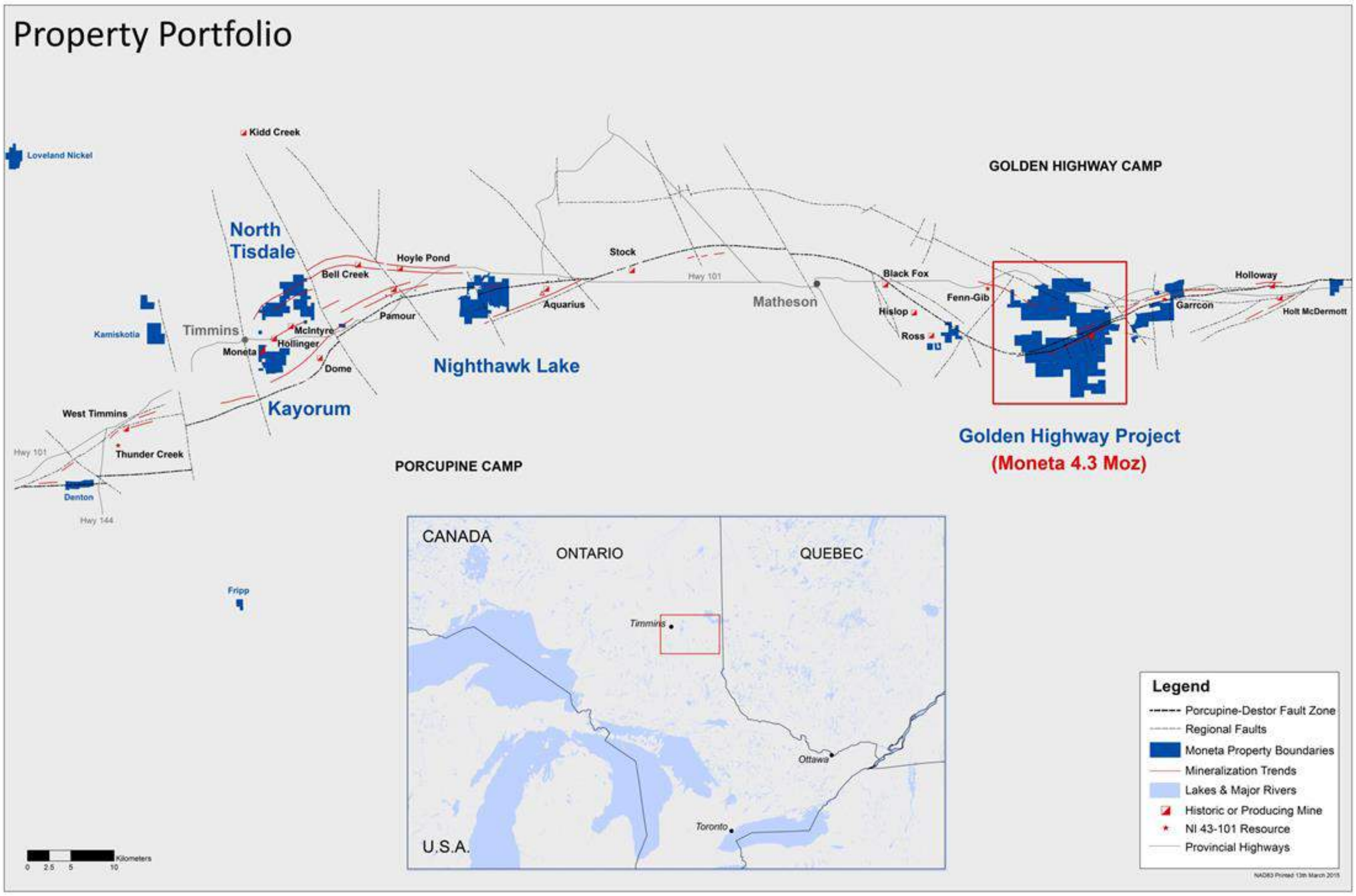


Figure I: Moneta's Key Gold Exploration Properties

Moneta's primary gold exploration and resource development focus is the *Golden Highway* centered in Michaud Township 100 km east of Timmins, Ontario along Highway 101, a major all-season route. Moneta has a largely contiguous land package of 689 claim units or approximately 11,000 hectares that contain a significant NI 43-101 4.3 million ounce (all categories) gold resource.

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

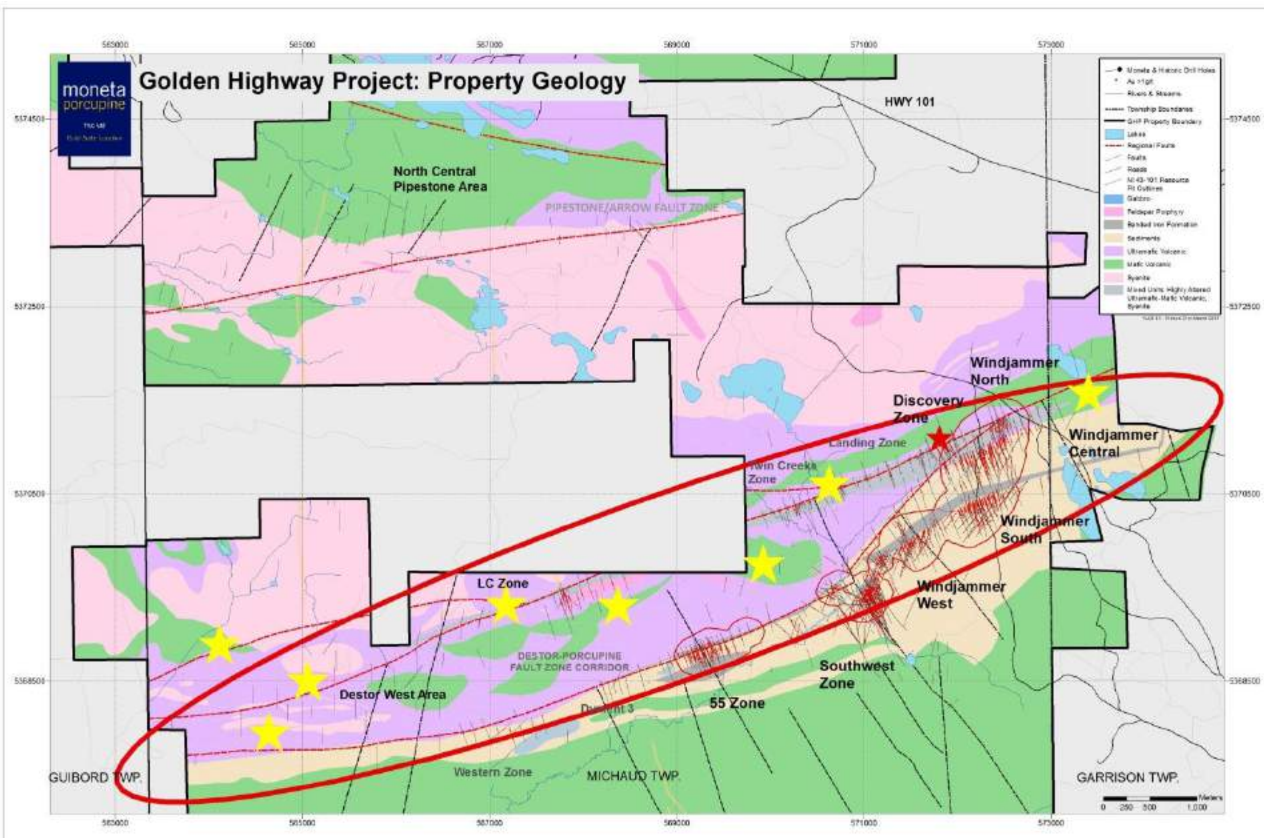
OVERALL PERFORMANCE

Golden Highway Project

Drilling began on the Golden Highway project in late Q4 2016 with two drills on site to test several high grade target areas within the Destor volcanics. The Company completed 10 drill holes totalling 4,604 metres with an additional 2 in progress by year end and added a third drill in mid-January with all three drills now contracted to the end of 2017.

The drill target areas were defined by leveraging the Company's extensive drilling database and interpreting and correlating airborne magnetic and induced polarization anomalies with known geology and gold mineralization. Additionally, much effort was put into resampling and analyses of drill core to better understand and prioritize exploration target areas on the Golden Highway Project along its 12km of Destor Porcupine Fault Zone corridor. The historical core review and geophysical target generation have supported internal three-dimensional (3D) modeling and interpretation.

Favourable geologic settings were identified and indicate that similar gold mineralizing structures exist, along the 8+ km volcanic package of the Destor Porcupine Fault Zone corridor (see red ellipse below).



Destor West target area

The Destor West target area, covering the large (approx. 13 square km) southwest portion of the Golden Highway Project, is interpreted to contain multiple splays and structures cross-cutting the Destor corridor as it turns from a southwesterly to a west orientation, followed by a northwesterly trend west of the property boundary. The potential for gold mineralization associated with these splays and structures is considered high and drill testing of these features began in Q4 2016 and continues in 2017.

A high priority Destor West target, delineated by an AMT (audio magneto-telluric) geophysical survey, was drill tested to depth in 2016, with drill holes MGH16-004, 006 and 010 (total 1,667m). Hole MGH16-004 intersected weakly altered and locally brecciated ultramafic metavolcanics with feldspar porphyries and syenite, both hosting scattered quartz carbonated stringers and veinlets with locally elevated pyrite content and anomalous gold values such as 2.84g/t over 1.50m. Hole MGH16-006 intersected a similar sequence that locally contained up to 20% quartz stringer veining and elevated pyrite levels. Results included 5.83g/t over 1.15m within 2.50g/t over 4.50m. MGH16-010 intersected stronger alteration returning 1.43g/t over 1.62m. A highly prospective geological setting was encountered and further modeling and interpretation is underway for follow up drilling.

Drill hole	From (m)	To (m)	Vertical depth (m)	Width [1] (m)	Au [2] (g/t)	Location	Comments
MGH16-004	465.75	467.25	440	1.50	2.84	1450m west of LC Zone	Ultramafic Intrusive
MGH16-006	499.50	504.00	475	4.50	2.50	1750m west of LC Zone	Feldspar Porphyry
incl.	501.35	502.50		1.15	5.83		
	534.88	538.45		3.57	1.65		Quartz Feldspar Porphyry

[1] Drilled widths are currently reported
[2] Metallic checks completed on all assays > 20.0 g/t

LC Zone target area
The LC Zone is located within the greater Destor West area where past drilling intersected significant grade over width from quartz stringers and veining in altered syenite.

MGH16-001-003, 005A, and 007 to 009 (2,937m), including 2 lost holes due to blocky ground (001 and 005), stepped out 700 to 1,400 metres southwesterly along the Destor strike and to depth from the LC Zone intersecting similar syenite, feldspar and quartz feldspar porphyry, often locally with 5-10% disseminated pyrite. All holes intersected mineralization, including wide auriferous alteration and quartz stringer intercepts.

Drill hole	From (m)	To (m)	Vertical depth (m)	Width [1] (m)	Au [2] (g/t)	Location	Comments
MGH16-001	105.50	118.65	79	13.15	0.76	Destor West	Syenite
	114.25	118.65		4.40	1.34		
MGH16-002	238.83	256.33	183	17.50	1.24	Destor West	Felsic Intrusive/Syenite
incl.	238.83	247.00		8.17	1.44		
and	250.00	256.33		6.33	1.33		
MGH16-003	249.20	256.61	195	7.41	1.08	Destor West	Syenite
	263.25	275.70		12.45	1.02		Feldspar Porphyry
incl.	268.20	272.70		4.50	1.62		
MGH16-005A	182.27	183.63	135	1.36	1.55	Destor West	Quartz Vein
MGH16-008	320.85	322.47	228	1.62	0.77	Destor West	Feldspar Porphyry

[1] Drilled widths are currently reported
[2] Metallic checks completed on all assays > 20.0 g/t

Golden Highway Resource

The latest NI 43-101 resource estimate was authored in Q4 2012 and excludes the 50,000 metres of primarily in-fill and stepout drilling in 2013 and 2014, including the new Discovery Zone (2.02g/t over 114.5m). The Company expects to update the NI 43-101 resource estimate in 2017 and the 50,000 metre drill program completed in 2013/2014 is expected to significantly improve the category of ounces to Measured and Indicated from Inferred.

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 (Ni), Kamiskotia (Cu/Zn), and Fripp (Cu). Only the core mining lands consisting primarily of mining leases within these base metal projects, are being kept in good standing and thus require minimal annual assessment expenditures (Loveland).

The Company dropped the thirteen Kelly Lake project claims (Ni-Cu-PGM deposit) located in Quebec, Canada in 2017. The Company is negotiating the settlement of a 1% net smelter royalty held by a Quebec prospector.

Nighthawk Lake

Directly west of Timmins and along the Destor Porcupine Fault Zone near the Aquarius deposit, is the Nighthawk Lake Project which contains the Collins gold zone. Initially discovered by Moneta in 1996, the zone has seen intermittent drilling by Moneta with the objective of delineating gold resources that may be amenable to bulk open pit mining.

In Q3 2016, the Company undertook limited diamond drilling to generate assessment expenditures in order to maintain certain staked claims on the Nighthawk Lake project. Drill hole MNHL16-01 was terminated at 39 metres due to excessive deviation. Drill hole MNHL16-01A, totalling 339 metres, was completed to test a newly modeled interpretation on mineralization controls within the Collins Zone. MNHL16-01A intersected variably altered ultramafic volcanics including talc-chlorite schist and grey green carbonate, with sections of green carbonate and sericitic alteration often associated with gold mineralization. Variably altered intermediate to mafic and feldspar dykes occurred throughout and were generally associated with higher concentration of sulphides and gold values within the immediate alteration zone.

Highlights of significant intervals of gold mineralization include 2.20 g/t over 5.16m associated with an altered feldspar dyke, 3.83 g/t over 6.40m adjacent to a narrow mafic dyke, and 1.84 g/t over 29.80m in green carbonate and sericite altered ultramafic volcanics containing quartz carbonate stringers and pyrite, as tabled below.

Drill hole	From (m)	To (m)	Vertical depth (m)	Width [1] (m)	Au [2] (g/t)
MNHL16-01A	**91.77**	**96.93**	**75**	**5.16**	**2.20**
incl.	94.60	96.93		**2.33**	**3.84**
	127.50	**133.90**	**100**	**6.40**	**3.83**
incl.	127.50	129.00		**1.50**	**9.12**
incl.	132.44	133.90		**1.46**	**7.14**
	187.20	**217.00**	**150**	**29.80**	**1.84**
incl.	194.10	200.60		**6.50**	**3.69**
incl.	209.50	215.50		**6.00**	**2.42**

(1) Drilled widths are currently reported
(2) Metallic checks completed on all assays > 20.0 g/t

Modelling and interpretation was updated to identify orientations for future drilling. No additional drilling is planned at this time.

North Tisdale

The North Tisdale project is located directly north of the City of Timmins core along the "New Mine Trend" that hosts current and past producers such as Hoyle Pond and Owl Creek. In Q3 2016, the Company undertook limited diamond drilling to generate assessment expenditures to order to maintain, certain staked claims on the North Tisdale property. Drill hole MNT16-01, totalling 397 metres, was completed to evaluate an untested Titan IP (induced polarization) and MT (magneto-telluric) anomaly. MNT16-01 collared in ultramafic volcanics, often talc or carbonate altered containing multiple fault zones at shallow depth before intersecting extensive intercalated mafic volcanic interflow tuffs believed to be part of the Tisdale Assemblage. Locally, the mafic tuffs where strongly graphitic with pyrite and gold mineralization of 0.29g/t over 1.50m, and 0.49 g/t over 2.30m. No follow up drilling is planned at this time.

Sample Protocol

The Company follows industry standard sampling (half sawn core samples with long term storage) and assaying procedures using accredited assay laboratories (SGS, Activation) with certified standards and blanks inserted into the sample stream. Duplicates are also run for additional QA/QC purposes. R. Skeries P.Geo, a qualified person for the purposes of NI 43-101, has reviewed and approved the technical content.

FINANCIAL REVIEW

The 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 the Company's 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 Consolidated Statements of Financial Position, Statements of Changes in Shareholders' Equity, Statements of Loss (Earnings) Comprehensive Loss (Earnings) and Deficit, and Statements of Cash Flows for the year ended December 31, 2016.

SELECTED ANNUAL INFORMATION

Highlights **December 31,** **($ except per share data)**	**2016**	2015	2014
Revenue	**-**	-	-
Loss (earnings) and comprehensive loss (earnings)	**2,939,592**	704,916	2,545,609
Loss (earnings) per share	**$0.01**	$0.01	$0.01
Total Assets	**10,672,459**	3,015,980	2,185,999
Total Long-term liabilities	**Nil**	Nil	Nil

SUMMARY OF QUARTERLY RESULTS

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

Highlights	2016				2015			
($ except per share data)	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	-	-	-	-	-	-	-	-
Loss (earnings) and comprehensive loss (earnings)	2,388,490	323,487	135,199	92,416	396,189	97,332	106,512	104,883
Loss (earnings) per share	$0.01	$0.00	$0.00	$0.00	$0.01	$0.00	$0.00	$0.00

SIGNIFICANT EVENTS DURING 2016

On September 7, 2016, the Company completed a structured (charity) flow-through and hard dollar brokered private placement for aggregate gross proceeds of $7,614,392. In Q4 2016, the Company announced a 40,000 metre drill program through December 31, 2017 on its Golden Highway project. Drilling commenced later than expected in Q4 2016 due to a lack of drill availability. Effective January 2017, three drills are contracted to the end of 2017.

Assessment drilling was completed during Q3 2016 on the Nighthawk Lake and North Tisdale projects to maintain certain staked claims in good standing, with significant assay results from Nighthawk Lake as reported above under OVERALL PERFORMANCE.

CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with the Consolidated Statements of Loss (Earnings), Comprehensive Loss (Earnings) and Deficit for the year ended December 31, 2016 and the corresponding notes thereto. All references to "2016" or "2015" relate to the year ended December 31 of those years unless stated otherwise. Moneta has not generated any material operating revenues as it is in the exploration and development stage and, therefore, operating losses are anticipated to continue in the future.

Moneta reported a loss and comprehensive loss of $2,939,592 in 2016 as compared to $704,916 in 2015.

Exploration and evaluation expenditures were $1,105,850 in 2016 and relate to required assessment work on the Company's Nighthawk Lake and North Tisdale projects and the restart of exploration on the Golden Highway project, as compared to $204,533 in 2015. Further details are presented in the following table:

For the years ended December 31	2016		2015	
	$		$	
Drilling and Geophysics	690,425	62%	-	0%
Lab assay costs	39,808	4%	235	0%
Wages, benefits and contract labour	208,947	19%	191,709	94%
Other	166,670	15%	12,589	6%
Exploration and evaluation expenditures	1,105,850		204,533	

Share based compensation charges, related to options vested during the year, were $1,568,088 in 2016 as compared to $267,270 in 2015. Wages and benefits were unchanged at $172,108 in 2016 as compared to $168,641 in 2015. General & administration expenses were $151,077 in 2016 as compared to $82,777 in 2015 due to additional costs incurred in preparation for the 2016/2017 40,000 metre drill program. Legal and audit expenses were $39,355 in 2016 unchanged from $39,261 in 2015.

Other income was $61,032 in 2016 as compared to $54,282 in 2015 representing royalty income from a perlite operation. Interest income was $35,854 in 2016 as compared to $3,284 in 2015, representing interest earned on higher cash balances year over year.

CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the Consolidated Statements of Financial Position and Statements of Changes in Shareholders' Equity as at December 31, 2016 and the corresponding notes thereto.

Consolidated assets

Consolidated assets were $10,672,459 at December 31, 2016 as compared to $3,015,980 as at December 31, 2015. Cash and equivalents were $8,549,319 at December 31, 2016 as compared to $1,076,167 at December 31, 2015, with the increase due to the September 2016 private placement financing. Receivables, primarily comprised of royalty income receivable, were $31,200 at December 31, 2016 as compared to $10,713 as at December 31, 2015. Interest receivable on short term investments was $12,960 at December 31, 2016 as compared to $1,582 as at December 31, 2015.

Exploration and evaluation assets were $1,936,830 at December 31, 2016 as compared to $1,898,791, at December 31, 2015, representing the capitalization of project acquisition costs. Exploration expenditures are expensed under IFRS to the Statement of Loss and Comprehensive Loss.

Consolidated liabilities

Consolidated liabilities were $528,546 at December 31, 2016 as compared to $108,786 at December 31, 2015.

On September 7, 2016, as part of the completed structured (charity) flow-through and hard dollar brokered private placement financing for aggregate gross proceeds of $7,614,392, the Company issued 17,215,335 common shares on a flow-through basis ("FT shares") at $0.395 for gross proceeds of $6,800,063. The FT shares were reported as a $6,800,063 increase in capital stock, offset by a $1,635,462 increase in non-cash deferred premium on flow-through shares 'liability', reflecting the premium in proceeds received on the charity flow-through portion of the financing over the hard dollar share price issuance of $0.30 per share. This non-cash deferred premium on flow-through shares 'liability' will be transferred from the statement of financial position to a deferred tax credit on the consolidated statements of loss (earnings), comprehensive loss (earnings) and deficit when the flow through expenditures are renounced, in the normal course, in Q1 2017.

Shareholders' equity

Shareholders' equity was $8,508,451 at December 31, 2016 as compared to $2,907,194 at December 31, 2015. The increase is due to the September 2016 private placement financing of $7,614,392 offset by the non-cash deferred premium on flow through of $1,635,462 and share issuance costs of $457,419, the exercise of stock options of $551,250, the exercise of purchase warrants of $900,000, the share based compensation on option grants during the year of $1,568,088, all offset by the loss and comprehensive loss for the year ended December 31, 2016 of $2,939,592.

On September 7, 2016, the Company completed a charity flow-through and hard dollar brokered private placement financing for aggregate gross proceeds of $7,614,392. The Company issued 2,714,431 hard dollar units ("Units") at a price of $0.30 per Unit for gross proceeds of $814,329. Each Unit consisted of one common share (a "Common Share") and one Common Share purchase warrant (a "Warrant"). The Company concurrently issued 17,215,335 flow-through units (the "FT Units") comprised of 15,190,000 FT Units plus 2,025,335 FT Units to satisfy an over-allotment option exercised by the Underwriters, at a price of $0.395 per FT Unit, for gross proceeds of $6,800,063. Each FT Unit consisted of one Common Share issued on a flow through basis, and one Common Share purchase warrant. Each Warrant is exercisable into one Common Share at a price of $0.42 for twenty-four months following closing. Issue costs were

$457,419 and included cash commissions of $286,673 paid to the Underwriters, and Underwriter and Company legal fees, TSX listing fees and expenses of $170,746.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with the Consolidated Statements of Financial Position as at December 31, 2016 and the corresponding notes thereto.

The consolidated working capital ratio at December 31, 2016, was 17 : 1 as compared to 10 : 1 at December 31, 2015. At December 31, 2016, the Company held cash and equivalents of $8,549,319 (December 31, 2015: $1,076,167), receivables of $31,200 (December 31, 2015: $10,713), sales taxes recoverable of $124,799 (December 31, 2015: $12,209), and short term interest receivable of $12,960 (December 31, 2015: $1,582).

Current liabilities at December 31, 2016 include accounts payable and accrued liabilities of $528,546 (December 31, 2015: $108,786) and relate to expenses incurred during the quarter and payable in the normal course and standard accounting accruals.

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the year ended December 31, 2016.

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 its 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, when required, from equity financings, including flow-through, as market conditions permit. 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 reported a salary of $NIL (2015: $NIL) to an officer and director for the year ended December 31, 2016, for CFO services provided to the Company. The Company paid a salary of $166,667 (2015: $162,500) to an officer and director for the year ended December 31, 2016 for CEO and other services provided to the Company under an ongoing employment agreement. The same officer and director invested $75,000 in the May 6, 2015 private placement and voluntarily reduced his annual compensation by 25% effective April 1, 2015 until September 1, 2016. Director fees of $NIL (2015: $NIL) were expensed during the year ended December 31, 2016. One independent director invested $30,000 in the September 2016 private placement. Two independent directors invested a total of $100,000 in the May 6, 2015 private placement. During 2016, directors exercised 5,925,000 (2015: NIL) stock options an average cost of $0.09. During 2016, 9,475,000 (2015: 3,050,000) stock options were granted to directors at an exercise price of $0.25 (2015: $0.12), subject to a five year term. A Black Scholes fair value of $1,566,691 (2015: $235,934) was charged to share based compensation. All related party transactions were completed in the normal course of business. There were no loans to directors or officers during the year (2015: $NIL).

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") of the Company are responsible for establishing and maintaining the Company's disclosure controls and procedures ("**DC&P**") and 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 design and operating 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. Based on that evaluation, the CEO and CFO have concluded that as of December 31, 2016, the Company's DC&P and ICFR were effective.

CRITICAL ACCOUNTING ESTIMATES

Moneta's significant accounting policies are summarized in note 3 to the consolidated financial statements for the year ended December 31, 2016. 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 year. 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 may differ from these estimates.

The following are the areas involving estimates made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognized in the consolidated financial statements.

Share based payments

Management measures the fair value of granted stock options using the Black-Scholes option valuation model. The fair value of stock options using valuation models is only an estimate of their potential value and requires the use of estimates and assumptions.

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 property, 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.

Impairment of long-lived assets

The carrying amounts of exploration and evaluation assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on a property by property basis. The assessment requires the use of estimates and assumptions such as, but not limited to, long-term commodity prices, future capital requirements, resource estimates, and exploration potential. It is possible that the actual fair value could be significantly different from those assumptions, and changes in these assumptions will affect the recoverable amount of the exploration and evaluation assets.

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 year in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation, and re-vegetation of affected areas.

The estimated fair value of a liability, and corresponding increase in the related property, is reported in the year in which it is incurred and when a reasonable estimate of fair value can be made. The fair value is the amount at which that liability could be settled in a current transaction between willing parties, that is, other than in a forced or liquidation transaction and, in the absence of observable market transactions, is determined as the present value of expected cash flows. The Company subsequently allocates the cost to expense using a systematic and rational method over its useful life, and records the accretion of the liability as a charge to the Statement 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.

Contingent Liabilities

Contingent liabilities are not recognized in the financial statements unless estimable and probable and are disclosed in notes to the financial statements unless their occurrence is remote. By their nature, contingent liabilities 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 Consolidated Financial Statements for the year ended December 31, 2016 were prepared in accordance with IFRS, as issued by the International Accounting Standards Board. There were no changes in accounting policies during the year.

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). The mandatory effective date of IFRS 9 is for annual years beginning on or after January 1, 2018.

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.

All financial instruments measured at fair value are categorized into one of three hierarchy levels based on the transparency of the inputs used to measure the fair values of assets and liabilities, as follows:

Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets;
Level 2 - inputs other than quoted prices included in Level 1 that are observable for the comparable asset or liability, either directly or indirectly;
Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

There have been no major or significant changes that have had an impact on the overall risk assessment of the Company during the year. The objectives and strategy for the exploration and evaluation asset portfolio remains unchanged.

The Company's exploration and development activities expose it to the following financial risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's exposure to credit risk is concentrated in three specific areas: the credit risk on operating balances including sales taxes recoverable, royalty income and other receivables, interest receivable on short term deposits, and cash and equivalents held with Canadian financial institutions. The maximum exposure to credit risk is equal to the carrying values of these financial assets.

The aggregate gross credit risk exposure at December 31, 2016 was $8,718,278 (December 31, 2015: $1,100,671), and was comprised of $8,549,319 (December 31, 2015: $1,076,167) in cash and equivalents held with Canadian financial institutions with an “AA-” credit rating, $31,200 (December 31, 2015: $10,713) in Receivables, $124,799 (December 31, 2015: $12,209) in sales taxes recoverable, and $12,960 (December 31, 2015: $1,582) in interest receivable.

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.

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 in 2011, the Company undertook necessary steps and submitted a mine closure plan. The Company received written approval from the Ministry of Northern Development and Mines on March 17, 2015 that the Closure Plan for the historic Moneta Mine was accepted as filed. There are no significant financial or other obligations on the part of the Company going forward.

Civil lawsuits

Two parties that own 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. The Company believes the claims have no merit and intends to defend such claims vigorously. Accordingly, no provision has been made in these consolidated financial statements for these claims.

OUTSTANDING SHARE DATA

As at December 31, 2016, the Company had a total of 238,947,148 (December 31, 2015: 208,092,382) common shares outstanding, 11,120,000 (December 31, 2015: 7,170,000) stock options outstanding at an average exercise price of $0.23 per share (December 31, 2015: $0.10), and 24,379,766 (December 31, 2015: 9,450,000) warrants outstanding at an average exercise price of $0.41. Additional details are available in note 6 to the annual consolidated financial statements for the year ended December 31, 2016.