MONETA PORCUPINE MINES INC.

Interim Consolidated Financial Statements

For the three months ended March 31, 2012

Q1 2012

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

MONETA PORCUPINE MINES INC.
Interim Consolidated Statements of Financial Position
Unaudited

As at	Notes	(Unaudited) March 31, 2012 $	(Audited) December 31, 2011 $
Current assets			
Cash and equivalents		**4,166,205**	2,120,138
Prepaid expenses		**22,790**	16,743
Sales taxes recoverable		**233,626**	307,296
Interest receivable		**-**	21,704
Total current assets		**4,422,621**	2,465,881
Investments held for trading		**2,326**	1,861
Exploration and evaluation assets	**3**	**1,668,751**	1,650,268
		6,093,698	4,118,010
Current liabilities			
Accounts payable and accrued liabilities		**621,686**	384,196
Deferred premium on flow-through shares	**4**	**-**	1,600,000
Total current liabilities		**621,686**	1,984,196
Going Concern	**1**		
Contingent liabilities	**7**		
Shareholders' equity			
Capital stock	**4**	**38,167,076**	35,423,340
Contributed surplus		**3,098,758**	3,094,400
Deficit		**(35,793,822)**	(36,383,926)
Total shareholders' equity		**5,472,012**	2,133,814
		6,093,698	4,118,010

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

MONETA PORCUPINE MINES INC.

Interim Consolidated Statements of Changes In Shareholders' Equity

Unaudited

	Notes	Capital Stock Shares	Capital Stock $	Contributed Surplus	Other Acumulated Comprehensive	Deficit	Shareholders' Equity
Balance as at December 31, 2011		**157,752,419**	**35,423,340**	**3,094,400**	**-**	**(36,383,926)**	**2,133,814**
Share issuance on private placement financing	4	10,000,000	3,000,000				3,000,000
Deferred premium on flow through shares	4		-				-
Share issuance costs	4		(264,281)				(264,281)
Share issuance on exercise of warrants	9	20,000	7,000				7,000
Fair value of warrants exercised	9		1,017	(1,017)			-
Share based compensation on vested options				5,375			5,375
Net earnings (loss) and comprehensive earnings (loss)						590,104	590,104
Balance as at March 31, 2012		**167,772,419**	**38,167,076**	**3,098,758**	**-**	**(35,793,822)**	**5,472,012**

	Notes	Capital Stock Shares	Capital Stock $	Contributed Surplus	Other Acumulated Comprehensive	Deficit	Shareholders' Equity
Balance as at December 31, 2010		**142,255,882**	**29,445,522**	**2,308,461**	**-**	**(28,897,780)**	**2,856,203**
Private placement financing	4	14,285,714	6,600,000				6,600,000
Deferred premium on flow through shares	4		(1,600,000)				(1,600,000)
Share issuance costs	4		(215,074)				(215,074)
Exercise of stock options and reversal of contributed surplus	4	765,500	190,744	(73,574)			117,170
Shared based compensation on vested options				22,989			22,989
Net earnings (loss) and comprehensive earnings (loss)						(1,292,252)	(1,292,252)
Balance as at March 31, 2011		**157,307,096**	**34,421,192**	**2,257,876**	**-**	**(30,190,032)**	**6,489,036**

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

MONETA PORCUPINE MINES INC.

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

Unaudited

For the three months ended March 31,	Notes	2012 $	2011 $
Expenses			
Exploration and evaluation expenditures	3, 6	909,809	1,142,010
Share based compensation	4, 6	5,375	22,989
Management fees, wages and tax benefits	6	53,447	50,000
General & administration	6	43,993	36,911
Legal & audit		7,876	14,236
Unrealized loss (gain) on investments held for trading		(465)	931
Travel and promotion		7,437	30,251
Other income		(11,832)	(3,281)
Interest income		(5,744)	(1,795)
Loss before income taxes		1,009,896	1,292,252
Deferred taxes	5	(1,600,000)	-
Net loss (earnings) and comprehensive loss (earnings)		(590,104)	1,292,252
Deficit - beginning of period		36,383,926	28,897,780
Deficit - end of period		35,793,822	30,190,032
Loss (earnings) per share (basic and diluted)		($0.00)	$0.01
Weighted average outstanding shares		158,191,979	143,684,453

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

MONETA PORCUPINE MINES INC.

Interim Consolidated Statements of Cash Flows

Unaudited

For the three months ended March 31,	2012 $	2011 $
Operating activities		
Net (loss) earnings and comprehensive (loss) earnings	**590,104**	(1,292,252)
Add : non-cash items		
Unrealized loss (gain) on investments held for trading	**(465)**	931
Stock-based and other compensation	**5,375**	22,989
Net change in non-cash working capital balances	**(1,273,183)**	2,189,167
Cash provided from (used in) operating activities	**(678,169)**	920,835
Investing activities		
Evaluation and exploration assets	**(18,483)**	(16,385)
Cash provided from (used in) investing activities	**(18,483)**	(16,385)
Financing activities		
Issuance of common shares on exercise of stock options and warrants	**7,000**	117,170
Issuance of common shares, net of issue costs	**2,735,719**	4,784,926
Cash provided from (used in) financing activities	**2,742,719**	4,902,096
Net increase (decrease) in cash and equivalents	**2,046,067**	5,806,546
Cash and equivalents, beginning of period	**2,120,138**	1,389,019
Cash and equivalents, end of period	**4,166,205**	7,195,565
Interest paid during the period	**48**	3
Income taxes paid during the period	**-**	-

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, 2011. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As a result of these risks, there is significant doubt as to the appropriateness of the going concern assumption. There is no assurance that the Company's funding initiatives will continue to be successful and these financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statements of financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material. The Company will have to raise additional funds to advance it exploration and development efforts and, while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

2. Significant accounting policies

Basis of presentation and statement of compliance

These unaudited interim consolidated financial statements were prepared in accordance with IFRS, as issued by the International Accounting Standards Board and applicable to the preparation of interim consolidated financial statements, including International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34").

The policies applied in these financial statements are consistent with the policies disclosed in Note 2 to the audited annual consolidated financial statements for the year ended December 31, 2011. These financial statements were authorized for issue by the Board of Directors on May 10, 2012 and should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2011.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and the assets, liabilities, revenues and expenses of its wholly-owned subsidiaries: Wounded Bull Resources Inc. and 508825 Ontario Ltd. The subsidiaries are largely inactive with limited operations.

Presentation and functional currency

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

Foreign currency translation

The functional currency of the subsidiary Wounded Bull is the US dollar. Monetary assets and liabilities denominated in a foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings), except for differences arising on the translation of available for sale equity instruments that are recorded in other accumulated comprehensive income.

Financial instruments

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

Cash and equivalents

Cash and equivalents include money market instruments and short-term investments with maturities of 90 days or less held with Canadian financial institutions with a "AA" credit rating. Cash and equivalents are classified as held-for-trading and measured at fair value.

Investments

Investments held for trading are recorded at fair value with the difference between fair value and cost being recorded as unrealized gain or loss in value of investments on the statement of net loss (earnings) and comprehensive loss (earnings) and deficit. In the case of securities listed on stock exchanges, the fair value means the latest bid price. Investments available for sale are measured at fair value with changes in fair value reported in other comprehensive income until the financial asset is disposed of, or becomes impaired. Investments for which reliable quotations are not readily available are valued at their fair value using a valuation model and market inputs.

Accounts payable and accrued liabilities

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

Exploration and evaluation assets

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

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

Impairment of long-lived assets

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

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

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

Flow-through shares

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

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

Income taxes

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

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

The effect on deferred income tax assets and liabilities resulting from a change in enacted tax rates is included in income in the period in which the change is enacted or substantively enacted.

Revenue recognition

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

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net earnings (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. In periods where the Company reports a comprehensive loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive, and therefore, basic and diluted earnings (loss) per share are the same.

Recent accounting pronouncements

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

IFRS 9 Financial Instruments

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

IFRS 10 Consolidated Financial Statements

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

IFRS 11 Joint Arrangements

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

IFRS 12 Disclosures of Interests in Other Entities

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

IFRS 13 Fair Value Measurement

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

Significant judgements, estimates and assumptions

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

Share based compensation transactions

Stock options

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

The fair value of stock options, subject to a vesting schedule, is recognized using the accelerated method and is measured using Black Scholes and assumptions at the time of vesting. The applicable fair value of any stock options which are exercised are transferred from contributed surplus to capital stock. Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

Share-based payments to non-employees

Share-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the Company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the underlying equity instrument, measured at the date the Company obtains the goods or the counterparty renders the service. Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

Exploration and evaluation expenditures

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

Decommissioning and restoration provision

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

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

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

Warrants

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

Contingencies

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

3. Exploration and evaluation assets

	Three months ended March 31, 2012	Year ended December 31, 2011
	$	$
Acquisition costs		
Balance, beginning of year	**1,650,268**	1,650,268
Acquisition costs	**18,483**	-
Balance, end of year	**1,668,751**	1,650,268

	Acquisition costs		
	Opening January 1, 2012	**Additions**	**Closing March 31, 2012**
Golden Highway Project	1,630,162	9,593	**1,639,755**
North Tisdale	4,741	2,523	**7,264**
Kayorum	11,320	3,541	**14,861**
Nighthawk Lake	3,200	1,981	**5,181**
Denton Thorneloe	845	845	**1,690**
	1,650,268	18,483	**1,668,751**

There were no property disposals and no indications of impairment of exploration and evaluation assets during the three months ended March 31, 2012 and 2011. Exploration and evaluation expenditures for the three months ended March 31, 2012 of $909,809 (March 31, 2011 – $1,142,010) were charged to the Consolidated Statements of Net Loss (Earnings) and Comprehensive Loss (Earnings).

4. Capital stock

Authorized share capital

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

Capital stock transactions during the period

In March 2012, the Company completed a brokered private placement financing and issued 10,000,000 common shares at $0.30 per share for gross proceeds of $3,000,000. Share issue costs associated with this financing were $264,281.

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

Stock options

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

	Three months ended March 31, 2012		Year ended December 31, 2011	
	Weighted Average Exercise Price	**No. of Options**	Weighted Average Exercise Price	No. of Options
Outstanding, beginning of period	**$0.25**	**4,499,083**	$0.20	4,009,906
Transactions during the period:				
Granted [1]	-	-	0.26	1,700,000
Options exercised [2]	-	-	0.14	(1,210,823)
Outstanding, end of period	**$0.25**	**4,499,083**	$0.25	4,499,083
Exercisable, end of period	**$0.25**	**4,340,739**	$0.24	4,319,907

(1) During fiscal 2011, the Company granted 1,700,000 stock options to directors, officers, and consultants. The estimated fair value of these options, subject to immediate vesting or vesting over two years, and a three year term, was $320,648 using the Black Scholes model and was charged as share based compensation to the consolidated statements of net loss (earnings), comprehensive loss (earnings) and deficit and credited to contributed surplus in shareholders' equity. The weighted average grant date fair value amounted to $0.16 per option.

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

Warrants

	Exercise Price	**Expiry Date**	**Three months ended March 31, 2012 #**	Year ended December 31, 2011 #
Outstanding, beginning of period:				
	$0.45	June 2011	-	6,000,000
	$0.35	April 2012	**7,500,000**	7,500,000
			7,500,000	13,500,000
Exercised during the period [1]	$0.35	April 2012	**(20,000)**	-
Expired during the period [2]	$0.45	June 2011	-	(6,000,000)
			7,480,000	7,500,000
Outstanding, end of period:				
Warrants outstanding	$0.35	April 2012	**7,480,000**	7,500,000
			7,480,000	7,500,000

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

(2) In 2011, a total of 6,000,000 warrants with an expiry date of June, 2011 expired unexercised.

5. Income taxes

The Company's effective tax rate, which differs from the combined federal and provincial statutory income tax rates for the three months ended March 31, 2012 and the year ended December 31, 2011, has been reconciled as follows:

	Notes	March 31, 2012 $	December 31, 2011 $
Income tax recovery at statutory rates		**252,474**	1,673,741
Increase (decrease) related to:			
Exploration and evaluation expenditures		**(227,452)**	(1,426,331)
Stock-based compensation		**(1,344)**	(89,781)
Deferred premium on flow through shares	4	**(1,600,000)**	-
Unrealized (gain) loss on investments held for trading		**116**	(2,606)
Other		**7,339**	32,881
		(1,568,866)	187,904
Valuation allowance		**(31,134)**	(187,904)
Deferred taxes (recovery)		**(1,600,000)**	-

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

	March 31, 2012 $	December 31, 2011 $
Deferred tax assets:		
Net operating loss carry forwards	**941,000**	941,000
Resource deductions	**5,552,700**	5,341,700
Other	**185,000**	130,000
	6,678,700	6,412,700
Less: Valuation allowance	**(3,089,000)**	(2,823,000)
	3,589,700	3,589,700
Deferred tax liabilities:		
Resource deductions	**(3,589,700)**	(3,589,700)
	-	-

The Company has recorded a valuation allowance as the Company does not consider it more likely than not that the deferred tax assets will be realized in the foreseeable future. The Company has non-capital losses of $3,765,000 (2011 - $3,765,000) available for deduction against future taxable income, the balances of which will expire as follows:

	March 31, 2012 $	December 31, 2011 $
2014	**325,000**	325,000
2015	**241,000**	241,000
2026	**307,000**	307,000
2027	**317,000**	317,000
2028	**652,000**	652,000
2029	**618,000**	618,000
2030	**694,000**	694,000
2031	**611,000**	611,000
	3,765,000	3,765,000

The potential tax benefit of the above losses has not been recognized in these consolidated financial statements. The Company has approximately $11,821 (2011 – $11,821) in capital losses available to apply against future capital gains.

6. Related party transactions

The Company paid remuneration of $50,000 (2011 - $50,000) to a company controlled by an officer and director for the three month period ended March 31, 2012. The remuneration was for management services provided to the Company under an ongoing contract.

The Company paid consulting fees of $26,951 (2011 - $24,230) to a related individual for the three month period ended March 31, 2012. The fees were for management consulting services provided to the Company.

Directors' fees of $8,500 (2011 – $10,000) are payable for the three month period ended March 31, 2012.

There were no stock options issued during the period. There were no loans to Directors or Officers during the period (2011: $Nil). All related party transactions were completed in the normal course of business at the exchange amounts.

7. Contingent liabilities

Order to file closure plan on Moneta Mine

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

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

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

Civil lawsuits

Two parties which owned the surface rights and occupied buildings on the site of the former Moneta Mine, filed suit in 2005 against the Company, its directors and other third parties claiming damages related to the mine subsidence. One of these parties also brought a claim for compensation under the Ontario Mining Act which was dismissed by the Mining Commissioner in March 2008. The Company believes the claims have no merit and intends to defend such claims vigorously. Accordingly, no provision has been made in these financial statements for these claims.

8. Capital Management

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

The Company's capital structure reflects a company focused on mineral exploration and financing both internal and external growth opportunities. The exploration for and development of mineral deposits involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

The Company manages capital in proportion to risk and manages the exploration and evaluation assets and capital structure based on economic conditions and prevailing gold commodity pricing and trends. The Company relies on equity financings to maintain adequate liquidity to support its ongoing exploration and development activities and ongoing working capital commitments.

9. Financial instruments and risk management

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

Fair value

The carrying values for primary financial instruments, including cash and equivalents, sales taxes recoverable, interest receivable, and accounts payable and accrued liabilities approximate fair values due to their short-term maturities. The Company's exposure to potential loss from financial instruments relates primarily to its cash and equivalents held with Canadian financial institutions.

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

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

Credit risk

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

The Company's exposure to credit risk is concentrated in three specific areas: the credit risk on operating balances including sales taxes recoverable, interest receivable on short term deposits, and cash and equivalents held with Canadian financial institutions. The maximum exposure to credit risk is equal to the carrying values of these financial assets.

The aggregate gross credit risk exposure at March 31, 2012 was $4,399,831 (December 31, 2011 - $2,449,138), and was comprised of $233,626 (December 31, 2011 - $307,296) in harmonized sales taxes recoverable, $NIL (December 31, 2011 - $21,704) in interest receivable, and $4,166,205 (December 31, 2011 - $2,120,138) in cash and equivalents held with Canadian financial institutions with a "AA" credit rating.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign currency exchange rates, commodity prices, interest rates and liquidity. A discussion of the Company's primary market risk exposures, and how those exposures are currently managed, follows:

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's financial assets and liabilities and operating costs are principally denominated in Canadian dollars. The Company has historically had insignificant operations in United States ("US") dollars. The Company has no US dollar hedging program due to its minimal exposure to financial gain or loss as a result of foreign exchange movements against the Canadian dollar.

Commodity price risk

Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside of the Company's control. The current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity management is to ensure that there will be sufficient cash to meet all financial commitments and working capital obligations as they become due. To manage cash flow requirements, the Company maintains principally all its assets in cash and equivalents.

Sensitivity analysis

The Company believes that the movements in investments held for trading that are reasonably possible over the next twelve-month period will not have a significant impact on the Company. The Company believes that its cash position and short term investments provide adequate liquidity to meet all of the Company's near-term obligations.

10. Subsequent event

In April 2012, a total of 7,480,000 warrants with an expiry date of April 18, 2012 expired unexercised.

MONETA PORCUPINE MINES INC.

Management Discussion and Analysis

For three month period ended March 31, 2012

Q1 2012

This Management's Discussion and Analysis ("**MD&A**") provides a discussion and analysis of the financial condition and results of operations of Moneta Porcupine Mines Inc. ("**Moneta**" or the "**Company**") to enable a reader to assess material changes in the financial condition and results of operations of the Company as at and for the three months ended March 31, 2012 and 2011. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto for the three months ended March 31, 2012 and 2011. All amounts included in this MD&A are in Canadian Dollars. The MD&A is prepared with an effective date of May 10, 2012.

Other continuous disclosure documents, including the Company's press releases and interim quarterly reports, are available through its filings with the securities regulatory authorities in Canada at www.sedar.com and are also available on the Company's website www.monetaporcupine.com.

The MD&A is presented in the following sections:

FORWARD-LOOKING/SAFE HARBOUR STATEMENT AND FAIR DISCLOSURE STATEMENT

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

OUTLOOK

The objective of the 2012 exploration program in the *Golden Highway Project* is to expand near surface mineralization adjacent to the 3.1 million ounce gold resources (NI 43-101 – all categories) contained in the Southwest Zone, Windjammer South, and the 55 Zone. Emphasis is on high priority target areas including the 'Gap Zone' between the Southwest Zone and Windjammer South, which is believed to have potential linkage to the modeled resources and pit shells, and Windjammer Central, in conjunction with Windjammer North, collectively believed to have potential linkage to Windjammer South. Several highly prospective and newly identified structural targets located in close proximity to existing gold zones and in under-explored areas of the *Golden Highway Project*, remain top priority.

CORPORATE OVERVIEW

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

Moneta is a "reporting issuer" in the Canadian provinces of Ontario, Alberta and Quebec. The Company's common shares trade on the Toronto Stock Exchange ("**TSX**") under the symbol ME, on the United States OTC market under the symbol MPUCF, and the Berlin Stock Exchange, the Xetra, and Frankfurt Stock Exchange under the symbol MOP.

Moneta holds a 100% interest in 5 core gold projects strategically located on or along the Destor Porcupine Fault Zone ("Destor"), one of the key structural features in the Abitibi Greenstone belt in Ontario, with world class infrastructure including access roads, water, electricity, and mills. Most historic production in the region is associated with the Destor, including significant producing mines now operated by Porcupine Gold Mines (Goldcorp) and several others such as Lake Shore Gold, Brigus Gold, and St Andrew Goldfields. The Golden Highway Camp area has experienced rapid advancement of large bulk tonnage gold resources by Moneta and others, confirming the strong regional gold potential.

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

Moneta's land position for gold exploration is one of the best, and fourth largest, in the world class Timmins Camp – after three gold producers – including a commanding position in the emerging Golden Highway Camp with a robust **3.1 million ounce gold resource (NI 43-101 - all categories)** in three main zones (Southwest Zone, Windjammer South, 55 Zone).

The *Porcupine Camp* and *Golden Highway Camp* (here collectively referred to as "**Timmins Camp**") is one of the most prolific gold-producing areas in the world with over 72 million ounces of gold produced primarily from some 26 mines, each of which generated more than 100,000 ounces.

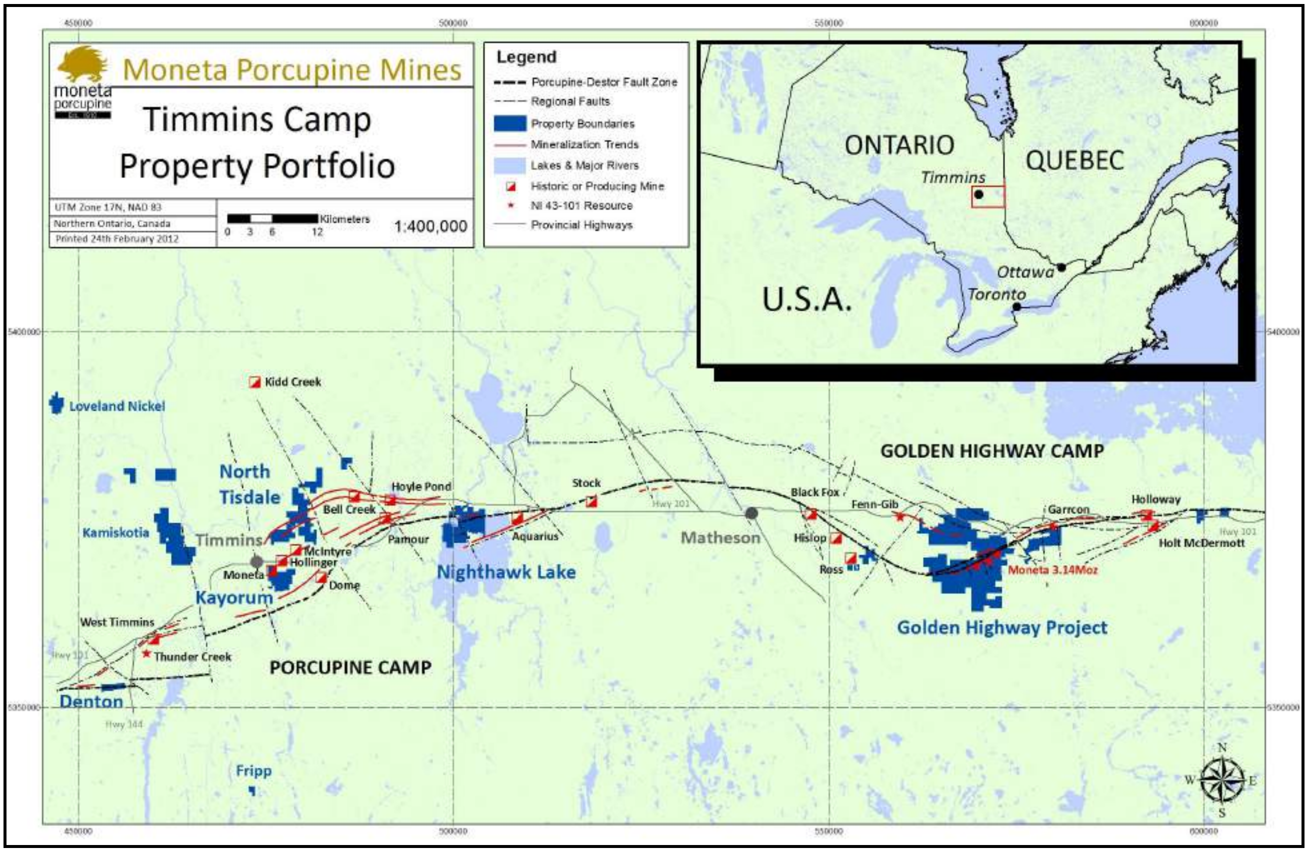

Figure I: Moneta's Key Gold Exploration Properties

The Company is leveraged to gold exploration, with limited overhead and fixed costs and one of the highest ratios of dollars to drilling of any junior explorer. It is operated by a strong technical and management team which maintains a low-cost Timmins-based exploration operation with its own field office, rolling stock and equipment, and proprietary drill core logging and storage facility (core shack).

RESULTS OF OPERATIONS

Golden Highway Project

Moneta's primary gold exploration and resource development focus is the Golden Highway Project which contains a largely contiguous land package of 692 claim units or approximately 10,600 hectares, and is centered in Michaud Township, 100 km east of Timmins, Ontario along Highway 101, a major all-season route.

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

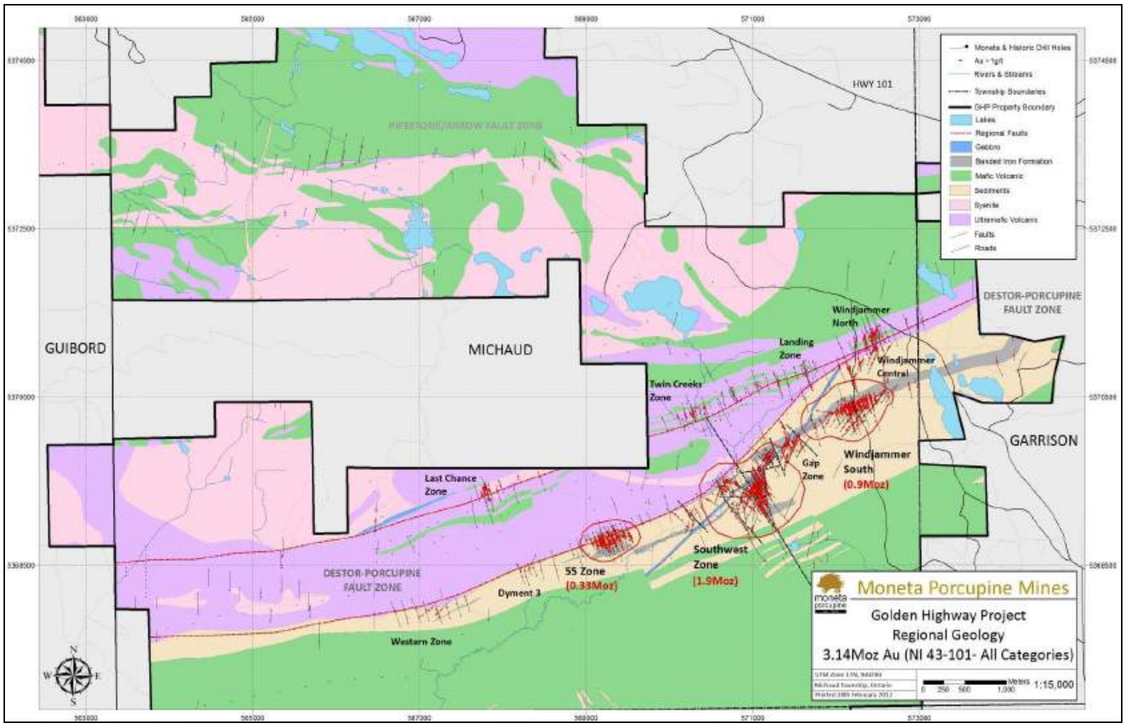

Figure II – Moneta's Golden Highway Project: Geology and Main Gold Zone Locations

A new NI 43-101 resource estimate was released December 1st 2011 by press release for three of Moneta's ten Golden Highway Project gold zones (*Southwest Zone, Windjammer South, and 55 Zone).* These zones contain combined near-surface NI 43-101 resources of 3,140,000 ounces Au, as calculated by P&E Mining Consultants Inc. ("P&E"), of 1,071,000 indicated (33.5 Mt @ 0.99 g/t) and 2,069,000 (47.8 Mt @ 1.35 g/t) inferred ounces of gold. This is detailed below and broken down as both "in-pit" and "out-of-pit" resources:

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

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

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

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

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

2012 EXPLORATION ACTIVITY

Golden Highway Camp

Exploration in Q1 2012 has been focused on the Golden Highway Project with 6,540 metres of diamond drilling completed and summarized as follows:

- Drilling continued in the Gap and Windjammer South areas, as well as Windjammer Central, building on the 2011 drill program results with a focus on near-surface bulk tonnage gold mineralization;
- Drilling continued to systematically test along strike the Gap Area between Southwest Zone and Windjammer South resource domains to establish a potential new resource and pit linkage;
- Drilling continued on Windjammer Central now defined as a preliminary 750m long X 350m deep x 150m wide zone of mineralization similar in style to that of Windjammer South;
- Drilling continued to assess the potential for Windjammer South resource and pit expansion initially to the north and with remaining potential to the east-southeast.

Porcupine Camp

In Q1 2012, the Company also completed the interpretation of the recently undertaken Titan 24 geophysical survey on its North Tisdale project The Titan 24 survey (Induced Polarization (IP) and Magneto-telluric (MT)) consisted of two parallel profiles crossing the volcanic stratigraphy of the "New Mine Trend" and has identified two large anomalies related to significant structures.

No exploration work was undertaken on the remaining Moneta properties.

Golden Highway Project 2012 Drill Program

Gap Area

The Gap Area, located east of the *Southwest Zone East Block* towards *Windjammer South,* is not included in the 3.1 Moz (NI 43-101 – all categories) gold resources (press release December 1, 2011). The area has confirmed potential to host significant gold mineralization (MSW11-283 returned 1.04 g/t over 117.1 m including 5.15 g/t over 14.3m). The Gap Area mineralization currently covers over 450m of strike along the south iron formation contact and immediate hanging wall sediments, and along a north-westerly trending and steep southwesterly dipping cross structure and associated vein system.

The Q1 2012 drill program targeted the main corridor and the NW structure both north and south of the iron formation with six drill holes completed to develop internal modeling of mineralization domains. Drilling was highly successful with significant gold values recently reported along the iron formation towards Windjammer South (MSW12-301, MSW12-304, MSW12-306) and within the zone (MSW12-295A). Gold mineralization was also confirmed along the NW structure immediately north of the main iron formation (MSW12-300, MSW12-303).

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

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

The 2011/2012 drilling has expanded and confirmed the continuity of the Gap Area mineralization to support the potential linkage of the Gap and Windjammer South mineralized domains. Additional drilling is underway to increase drill hole density and further expand the mineralization domain and linkage to Windjammer South.

Windjammer

Drilling on Windjammer in the 1980s by Noranda (58 holes) defined two separate gold zones, Windjammer South and Windjammer North. Since the Windjammer Property acquisition, Moneta has continued drilling both zones and identified Windjammer Central as a third zone located between them.

Windjammer North

Windjammer North is located up to one kilometre north-northeast of Windjammer South on the northern boundary of the Destor and has been defined by 21 drill holes over 400 metres along strike with intersections including 6.37 g/t over 5.9m core length. Mineralization occurs in altered ultramafic to mafic volcanics or altered mafic volcanics in high strain zones.

Moneta undertook preliminary modeling in 2009 and completed a three hole (1,388 m) drill program to assess the historical Noranda work. Extensive alteration with gold mineralization was intersected, all similar to the historical data in drill holes MWJ09-26/27/28. In Q1 2012, MWJ12-69 tested for strike extension of the historical mineralization 200 metres to the west and intersected 0.73 g/t over 16.0 m in tectonized and altered ultramafic volcanics.

Windjammer Central

Windjammer Central is defined as the area covering the approximately 500 metre wide sedimentary unit located between Windjammer North and the iron formation of Windjammer South. Past drilling on Windjammer North and completion of the Moneta 2009 profile (MWJ09-25, 29, and 30) has confirmed that gold mineralization is hosted over wide intervals in the sediments along the volcanic contact with significant potential for near surface bulk gold mineralization. The gold mineralization is similar to that in Windjammer South and is in the footwall to the steeply northerly dipping volcanics of the Destor and Windjammer North.

2012 objectives in this area are to advance near surface mineralization. Results to date, from 2011 and 2012, confirm the gold mineralization potential of Windjammer Central along the volcanic/sedimentary contact over a 750 metre strike length and extending up to 150 metres southerly into the footwall and locally to a depth of 350 metres.

Previously reported drill highlights included MWJ11-51 (0.97 g/t over 22 m or 0.72 g/t over 57 m), MWJ11-53 (1.02 g/t over 73 m or 0.76 g/t over 140 m), MWJ11-55 (0.94 g/t over 54 m including 1.42 g/t over 26 m), and MWJ11-57 (1.06 g/t over 22.0 m or 0.72 g/t over 55 m). Q1 2012 follow-up drilling in the same area with MWJ12-60, MWJ12-61, MWJ12-65 and MWJ12-69 was focused on establishing strike and depth continuity of the gold mineralization along the volcanic sedimentary contact. MWJ12-69 also tested for volcanic hosted mineralization.

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

Final results for MWJ12-66 and MWJ12-68 drilled to the east along strike are pending with drilling continuing in Q2 2012 to better define a potential bulk resource in Windjammer Central that may encompass Windjammer North.

Windjammer South

Q1 2012 drilling focused on the Windjammer South potential "in-pit" resource expansion which overlaps with testing the southern portion of the Windjammer Central sediments. MWJ12-62 and MWJ12-63 were drilled on wide 200m spacing along the north contact of main Windjammer South iron formation while MWJ12-64 stepped 200m west.

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

55 Zone

Three holes were completed in Q1 of 2012 targeting the eastern extension of the zone as a follow-up to the NI 43-101 resource estimate. Two holes M55-12-37 and 39 were completed on a 100m stepout profile, the third hole, M55-12-38 is an additional 100m stepout. Best gold mineralization was intersected in hole M55-12-37 with 1.05g/t over 14.0m including 2.24g/t over 5.0m associated with a felsic dyke, a common feature in the central part of the zone. The other two holes intersected patchy and weak alteration with no significant gold values.

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

PORCUPINE CAMP

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

Porcupine Gold Exploration Program 2012

North Tisdale Project

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

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

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

Kayorum Project / Moneta Mine

The Moneta Mine is located in the NW portion of the Kayorum property and mined the continuation of Hollinger Mine veining across the property boundary. The mine was developed in 1938 with production ceasing in 1943. Total production was 149,250 oz gold from 314,829 tons at an average grade of 0.47 oz/t. Mine infrastructure included a shaft to 1492 feet and 6 levels of development and mining.

In late 2010 Moneta initiated a geological, mining, and structural review compiled into a 3D model, in order to assess the brownfields potential of the former mine and its immediate area. Geotechnical work including geophysics and diamond drilling as well progressive rehabilitation of identified hazards (capping a fill raise and small historical shaft) was completed in 2011 to facilitate a closure plan for the Ministry of Northern Development Mines and Forestry.

The immediately adjacent Hollinger Mine pit project has been approved with development underway 2012. The project envisions a multiphase 200-250 metre multiple phase deep open pit based on a 2010 resource of 3.47Mozs and 782,000 oz in reserves. Exploration drill programs have also identified several underground mining opportunities by ramp and existing underground infrastructure for both the Hollinger (Millerton) and McIntyre (Central Porphyry Zone) mines.

Porcupine Base Metal Exploration Program 2012

Moneta hold a 100% interest in base metal projects consist of a combination of 138 staked, 56 leased, and 1 patented claim units in Loveland, Godfrey, Jamieson, and Fripp Townships. These properties were returned by Amador Gold elected to return the claims unencumbered to Moneta in Q4 2011 after defaulting on a 2008 purchase agreement. The Company is continuing to evaluate options, including the option or sale to interested parties or sole risk exploration. There has been no active exploration work during the quarter.

FINANCIAL REVIEW

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

This section discusses significant changes in the Unaudited Interim Consolidated Statements of Financial Position, the Statements of Changes in Shareholders' Equity, the Statements of Net Loss (Earnings) Comprehensive Loss (Earnings) and Deficit, and the Statements of Cash Flows for the three months ended March 31, 2012 and 2011.

SUMMARY OF QUARTERLY RESULTS

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

($ except per share data)	2012	2011				2010 (restated under IFRS)		
Highlights	**Mar**	**Dec**	**Sep**	June	Mar	Dec	Sep	Jun
Revenue	-	-	-	-	-	-	-	-
Net loss (earnings) and comprehensive loss (earnings)	**(590,104)**	1,429,293	1,232,403	1,916,199	1,292,252	3,022,746	1,232,403	(215,972)
Net loss per share	**($0.00)**	0.01	0.01	0.01	0.01	0.01	0.01	0.01

SIGNIFICANT EVENTS DURING THE FIRST QUARTER 2012

Exploration and evaluation expenditures, previously capitalized under Canadian GAAP, are now expensed under IFRS. A total of $909,809 was incurred during Q1 2012 (YTD 2012: $909,809) as compared to $1,142,010 in Q1 2011 (YTD 2011: $1,142,010). Drilling was primarily focused on the Company's Golden Highway Project, as explained above under RESULTS OF OPERATIONS.

In March 2012, the Company completed a brokered private placement financing and issued 10,000,000 common shares at $0.30 per share for gross proceeds of $3,000,000. Share issue costs associated with this financing were $264,281.

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

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

CONSOLIDATED OPERATING RESULTS

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

Moneta reported net earnings and comprehensive earnings of $590,104 for the three month period ended March 31, 2012 as compared to a net loss and comprehensive loss of $1,292,252 for the three month period ended March 31, 2011.

Exploration and evaluation expenditures were $909,809 in 2012 as compared to $1,142,010 in 2011, representing a marginal decline in year over year exploration expenditures. Stock-based compensation charges related to options vested during 2012 was $5,375 as compared to $22,989 in 2011. Management fees, wages and tax benefits were $53,447 in 2012 as compared to $50,000 in 2011. General & administration expenses were $43,993 in 2012, a marginal increase from $36,911 in 2011. Legal and audit expenses were $7,876 in 2012 as compared to $14,236 in 2011. The unrealized gain on investments held for trading, resulting from market value fluctuations, was $465 in 2012 as compared to a unrealized loss of $931 in 2011. Travel and promotion expenses were $7,437 in 2012 as compared to

$30,251 in 2011 representing a significant decline in investor relations efforts given current poor market conditions. Other income was $11,832 in 2012 as compared to $3,281 in 2011 and primarily relates to royalty income from a perlite operation. Interest income was $5,744 in 2012 as compared to $1,795 in 2011. The increase relates to interest earned on higher cash and equivalent balances in 2012 as compared to 2011. Deferred tax recovery in 2012 was $1,600,000 as compared to $NIL in 2011 and relates to the transfer of the non-cash 'deferred premium on flow through shares' liability of $1,600,000 on the statement of financial position as a credit to deferred tax recovery on the consolidated statements of net loss (earnings), comprehensive loss (earnings) and deficit on the renunciation, in the normal course, of $5,600,000 in expenditures on flow-through common shares issued in March 2011.

CONSOLIDATED FINANCIAL POSITION

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

Consolidated assets

Consolidated assets were $6,093,698 at March 31, 2012 as compared to $4,118,010, as at December 31, 2011. Cash and equivalents was $4,166,205 at March 31, 2012 as compared to $2,120,138 at December 31, 2011.

Exploration and evaluation assets were $1,668,751 at March 31, 2012 as compared to $1,650,268, at December 31, 2011, resulting in the capitalization of project acquisition costs and expensing of historically capitalized (deferred) exploration expenditures.

Consolidated liabilities

Consolidated liabilities, excluding the 'deferred premium on flow through shares' liability of $NIL (2011 - $1,600,000), were $621,686 at March 31, 2012 as compared to $384,196 at December 31, 2011.

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

Shareholders' equity

Shareholders' equity was $5,472,012 at March 31, 2012 as compared to $2,133,814 at December 31, 2011. The increase is primarily due to the $3,000,000 financing completed in March 2012, and the net earnings and comprehensive earnings of $590,104 for the three month period ended March 31, 2012.

LIQUIDITY AND CAPITAL RESOURCES

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

The consolidated working capital ratio at March 31, 2012, excluding the non-cash 'deferred premium on flow-through shares' liability, was 7.1 : 1 as compared to 6.4 : 1 at December 31, 2011.

In March 2012, the Company completed a brokered private placement financing and issued 10,000,000 common shares at $0.30 per share for gross proceeds of $3,000,000.

The Company is well-funded at March 31, 2012 with $4,166,205 (December 31, 2011 - $2,120,138) in cash and equivalents, $233,626 (December 31, 2011 - $307,296) in sales taxes recoverable, and $NIL (December 31, 2010 - $21,704) in short term interest receivable.

Current liabilities at March 31, 2012 include accounts payable and accrued liabilities of $621,686 (December 31, 2011 - $384,196) primarily related to unpaid exploration and evaluation expenditures incurred during the quarter and payable in the normal course.

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

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

The Company's capital structure reflects a company focused on mineral exploration and financing both internal and external growth opportunities. The exploration for and development of mineral deposits involves significant risk which even a combination of careful evaluation, experience and knowledge may not adequately mitigate.

The Company manages capital in proportion to risk and manages the mineral properties and capital structure based on economic conditions and prevailing gold commodity pricing and trends. The Company relies on equity financings to maintain adequate liquidity to support its ongoing exploration and development activities and ongoing working capital commitments.

Moneta has not earned significant revenues to date. As a result, the most meaningful information concerning the Company's financial position relates to its liquidity and solvency position. The Company raises funds for its operations primarily through the issuance of common shares.

The Company has sufficient working capital to meet its current obligations and currently planned operating costs and expenditures on its mineral properties. The Company intends to strategically advance its *Golden Highway Project* by way of additional exploration programs. Moneta intends to seek additional capital resources required from equity financings including flow-through. Although the Company has been successful in the past in raising funds, there can be no assurance that any funding required by the Company in the future will be available to it and, if such funding is available, that it will be offered on reasonable terms. In the event the Company is unsuccessful at raising such funds, it may not be able to continue as a going concern. Moneta has no material commitments or contractual obligations with respect to the development of any mineral properties beyond those that would be considered as part of normal business.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company paid remuneration of $50,000 (2011 - $50,000) to a company controlled by an officer and director for the three month period ended March 31, 2012. The remuneration was for management services provided to the Company under an ongoing contract.

The Company paid consulting fees of $26,951 (2011 - $24,230) to a related individual for the three month period ended March 31, 2012. The fees were for management consulting services provided to the Company.

Directors' fees of $8,500 (2011 – $10,000) are payable for the three month period ended March 31, 2012.

There were no stock options issued during the period. There were no loans to Directors or Officers during the three period (2011: $Nil). All related party transactions were completed in the normal course of business at the exchange amounts.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer ("**CEO**") and interim Chief Financial Officer ("**CFO**") of the Company are responsible for establishing and maintaining the Company's disclosure controls and procedures ("**DC&P**") and for designing internal controls over financial reporting ("**ICFR**"). The objective is to ensure that all transactions are properly authorized, identified and entered into the accounting system on a timely basis to minimize: risk of inaccuracy; failure to fairly reflect transactions; failure to fairly record transactions necessary to present financial statements in accordance with IFRS; unauthorized receipts and expenditures; and the inability to provide assurance that unauthorized acquisitions or dispositions of assets can be detected. The Company's system of internal controls provides for separation of the duties of receiving, approving, coding and handling invoices and of entering transactions into the accounts, and includes a requirement of two signatures for all payments made by cheque or wire funds.

The CEO and CFO evaluated the effectiveness of the Company's DC&P and ICFR as required by National Instrument 52-109 issued by the Canadian Securities Administrators. As at March 31, 2012, the CEO and the CFO evaluated the design and operation of the Company's DC&P as well as the design and operating effectiveness of the Company's ICFR. Based on that evaluation, the CEO and CFO concluded that the Company's DC&P and ICFR were effective as at March 31, 2012. The CEO and CFO also concluded that no material weaknesses existed in the design of the ICFR.

CRITICAL ACCOUNTING ESTIMATES

Moneta's significant accounting policies are summarized in notes 2 to the unaudited interim consolidated financial statements for the three month period ended March 31, 2012.

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

Exploration and evaluation expenditures

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

Decommissioning and restoration provision

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

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

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

Share-based compensation transactions

Stock options

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

The fair value of stock options, subject to a vesting schedule, is recognized using the accelerated method and is measured using Black Scholes and assumptions at the time of vesting. The applicable fair value of any stock options which are exercised are transferred from contributed surplus to capital stock. Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

Share-based payments to non-employees

Share-based payments granted to non-employees are measured at the fair value of the goods or services received. In the event the Company cannot reasonably estimate the fair value of goods or services received, the transaction is recorded at the estimated value of the underlying equity instrument, measured at the date the Company obtains the goods or the counterparty renders the service. Management is required to estimate forfeitures, and revise its estimates of the number of stock options expected to vest each period. The impact of any revisions to management's estimate on forfeitures, if any, is recognized during the period.

Flow-through shares

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

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

Warrants

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

Income taxes

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

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

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

Contingencies

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

CHANGES IN ACCOUNTING POLICIES

The unaudited interim consolidated financial statements for the three month period ended March 31, 2012 were prepared in accordance with IFRS, as issued by the International Accounting Standards Board and applicable to the preparation of interim consolidated financial statements, including International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). The policies applied in the financial statements for the three month period ended March 31, 2012 are consistent with the policies disclosed in Note 2 to the audited annual consolidated financial statements for the year ended December 31, 2011.

Recent Accounting Pronouncements

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

IFRS 9 Financial Instruments

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

IFRS 10 Consolidated Financial Statements

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

IFRS 11 Joint Arrangements

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

IFRS 12 Disclosures of Interests in Other Entities

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

IFRS 13 Fair Value Measurement

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

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

Fair value

The carrying values for primary financial instruments, including cash and equivalents, sales taxes recoverable, Interest receivable, and accounts payable and accrued liabilities approximate fair values due to their short-term maturities. The Company's exposure to potential loss from financial instruments relates primarily to its cash and equivalents held with Canadian financial institutions.

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

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

Credit risk

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

The Company's exposure to credit risk is concentrated in three specific areas: the credit risk on operating balances including sales taxes recoverable, interest receivable on short term deposits, and cash and equivalents held with Canadian financial institutions. The maximum exposure to credit risk is equal to the carrying values of these financial assets.

The aggregate gross credit risk exposure at March 31, 2012 was $4,399,831 (December 31, 2011 - $2,449,138), and was comprised of $233,626 (December 31, 2011 - $307,296) in harmonized sales taxes recoverable, $NIL (December 31, 2011 - $21,704) in interest receivable, and $4,166,205 (December 31, 2011 - $2,120,138) in cash and equivalents held with Canadian financial institutions with a "AA" credit rating.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as foreign currency exchange rates, commodity prices, interest rates and liquidity. A discussion of the Company's primary market risk exposures, and how those exposures are currently managed, follows:

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's financial assets and liabilities and operating costs are principally denominated in Canadian dollars. The Company has historically had insignificant operations in United States ("US") dollars. The Company has no US dollar hedging program due to its minimal exposure to financial gain or loss as a result of foreign exchange movements against the Canadian dollar.

Commodity price risk

Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside of the Company's control. The current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The purpose of liquidity management is to ensure that there will be sufficient cash to meet all financial commitments and working capital obligations as they become due. To manage cash flow requirements, the Company maintains principally all its assets in cash and equivalents.

Sensitivity Analysis

The Company believes that the movements in investments held for trading that are reasonably possible over the next twelve-month period will not have a significant impact on the Company. The Company believes that its cash position and short term investments provide adequate liquidity to meet all of the Company's near-term obligations.

CONTINGENT LIABILITIES

Order to file closure plan on Moneta Mine

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

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

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

Civil lawsuits

Two parties which owned the surface rights and occupied buildings on the site of the former Moneta Mine, filed suit in 2005 against the Company, its directors and other third parties claiming damages related to the mine subsidence. One of these parties also brought a claim for compensation under the Ontario Mining Act which was dismissed by the Mining Commissioner in March 2008. The Company believes the claims have no merit and intends to defend such claims vigorously. Accordingly, no provision has been made in these financial statements for these claims.

OUTSTANDING SHARE DATA

As of March 31, 2012, the Company has a total of 167,772,419 (December 31, 2011 - 157,752,419) common shares outstanding, 4,499,083 (December 31, 2011 – 4,499,083) stock options outstanding with an average exercise price of $0.25 (December 31, 2011 - $0.25) per share, and 7,480,000 (December 31, 2011 – 7,500,000) warrants. Additional details are available in note 4 to the unaudited interim consolidated financial statements for the three months ended March 31, 2012.