



MONETA PORCUPINE MINES INC.

Management Discussion and Analysis

For the year ended December 31, 2015

This Management Discussion and Analysis ("**MD&A**") provides a discussion and analysis of the financial condition and results of operations of Moneta Porcupine Mines Inc. ("**Moneta**" or the "**Company**") to enable a reader to assess material changes in the financial condition and results of operations of the Company as at and for the year ended December 31, 2015. This MD&A should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2015. All amounts included in this MD&A are in Canadian Dollars.

The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The Company operates in one segment, defined as the cash generating unit, which is Canada. This MD&A has an effective date of March 29, 2016, the date this MD&A was reviewed by the Audit Committee and approved by the Board of Directors.

Additional information related to the Company is available in Moneta's Annual Information Form dated March 29, 2016 for the year ended December 31, 2015 ("AIF"). The AIF and other continuous disclosure documents, including the Company's press releases and quarterly reports are available through its filings with the securities regulatory authorities in Canada at www.sedar.com and the Company's website at www.monetaporcupine.com.

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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

Market conditions for gold have improved in Q1 2016 and the Company's share price has outperformed the GDX exchange traded fund and tripled since December 2014. Merger and acquisition activity within the junior gold sector is strong with most of the Company's peer group in Ontario being acquired in the last twenty four months. This is particularly the case in the Timmins Camp where many of Moneta's peers have been acquired including Brigus Gold, Lake Shore Gold, St Andrew Goldfields, Northern Gold, and Temex Resources.

Moneta remains one of the last remaining gold assets of scale in Ontario with a land position of 200km² in the world class Timmins mining camp. With a NI 43-101 resource of 4.3 million ounces gold, a strong working capital position adequate for up to two years, an industry low annual burn rate (see **FINANCIAL REVIEW** section below), and a large share position by Management and Directors of the Company aligned with shareholders' interest, the Company is well positioned to raise additional funds in the near term for drilling or for acquisition of strategic assets. Moneta may also be an acquisition target if the intrinsic value is fair to Moneta shareholders and the acquirer is able to contribute meaningful funding to advance the Golden Highway project.

The Company has seen multiple corporate approaches in the last twenty four months but has not identified a partner willing to offer a reasonable intrinsic valuation for the assets and/or able to bring adequate funding to significantly advance the Golden Highway project. 'Asset-accumulator' or 'consolidator' companies strategically acquire undervalued assets with the primary intention of re-selling the assets to a third party only when the sentiment in the gold sector improves. The Board does not see the benefit to shareholders of pooling Moneta's geo-politically safe assets in the world class Timmins Camp with the multi-jurisdictional assets and associated risk contained within the asset-accumulator companies.

The drill-ready targets on our Golden Highway project are highly prospective. In 2014, the Discovery Zone (2.02g/t Au over 114.5m at 87m depth) was the first drilling success of a series of drill-ready targets within the 8+ km long volcanic package of the Destor Porcupine Fault Zone. Treasury funds were inadequate at the time to fund additional work on the Discovery Zone and the Company elected to suspend drilling despite the zone being open with untested potential. Moneta believes that any similar, new gold zone discoveries along the 8+ km long volcanic package adjacent to the NI 43-101 gold has the potential to significantly improve the Golden Highway project economics.

CORPORATE OVERVIEW

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

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

Moneta has interests in 962 claim units each approximately 16 hectares in area (total area approximately 15,700 hectares) in the form of mining patents, leases and staked claims. The vast majority of the Company's landholdings are not subject to any royalty or encumbrances other than minor royalties to third party prospectors on a limited number of claims primarily outside the Golden Highway project.

Moneta holds a 100% interest in 5 core gold projects strategically located on or along the Destor Porcupine Fault Zone ("**Destor**"), one of the key mineralized structures in the Abitibi Greenstone belt in Ontario, with world class infrastructure including access roads, water, electricity, and mills. Most gold mineralization in the region is associated

with the Destor, including significant resources and producing mines now operated by Porcupine Gold Mines (Goldcorp) and several others such as Lake Shore Gold, Primero Mining (formerly Brigus Gold), and St Andrew Goldfields. The Golden Highway Camp has experienced rapid advancement of large bulk tonnage gold resources by Moneta and others, reflecting the strong regional gold potential.

Moneta's land position for gold exploration is one of the best and largest in the world class Timmins Camp including a commanding position in the emerging Golden Highway Camp, with a significant **4.3 million ounce gold resource** (NI 43-101 - all categories, October 2012).

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

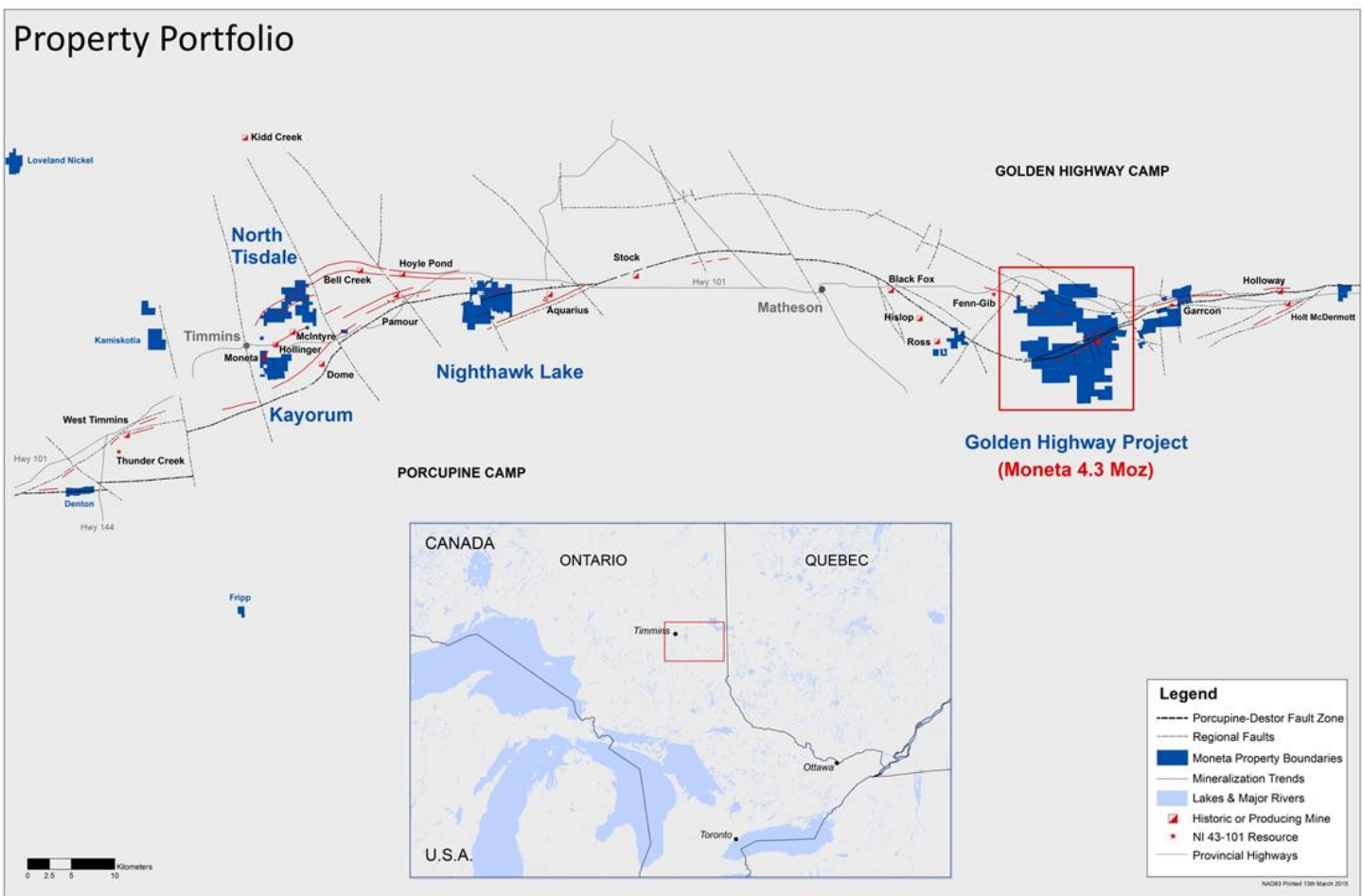


Figure I: Moneta's Key Gold Exploration Properties

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

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

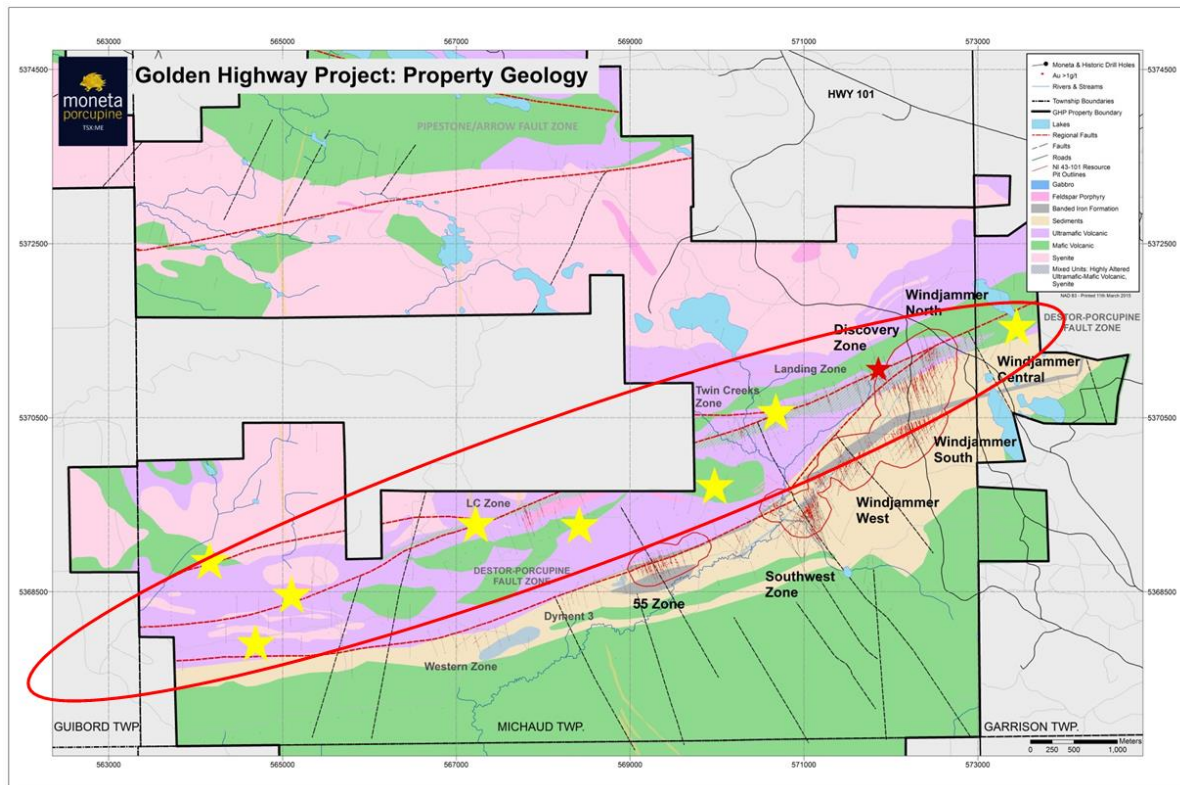
OVERALL PERFORMANCE

Golden Highway Project

There was no drilling on the Golden Highway project during the year in order to preserve cash during the protracted gold sector downturn.

Focus during 2015 instead continued with the review of historic drill core, stored at the Company's drill core farm, to interpret and identify similarities to the known styles of mineralization contained within and outside the NI 43-101 resource areas. Work in 2015 was also completed on interpretation of the high resolution airborne magnetics available for the Golden Highway. In addition to internal interpretation, the Company outsourced the mag interpretation to independent expert consultants. The consultants first ran multiple layers of interpretation to identify mag anomalies without having access to the extensive drilling on the property. The drilling database was then layered on top of the mag anomalies to provide a higher level of confidence on where the many undrilled anomalies could yield high grade gold.

The historical core review and mag target generation have supported the internal three-dimensional (3D) modeling efforts. Striking similarities have been identified and confirm that the same gold mineralized structures exist along the Golden Highway's 8+ km long volcanic package, contained within the Destor Porcupine Fault Zone (see red ellipse below).



The now drill-ready targets on the Golden Highway project are highly prospective. In 2014, the Discovery Zone (2.02g/t Au over 114.5m at 87m depth) was the first, and highly successful drilling success of a series of drill-ready targets in the 8+ km long volcanic package. A drill program consisting of approximately 15 holes in the Discovery Zone returned impressive grade over significant widths, along strike and to depth, and confirmed that the zone remains open with untested potential for expansion. Additional drilling was planned but not completed given the treasury position of the Company at the time.

Additional funding will allow the Company to advance the Discovery Zone and drill several highly prospective drill-ready volcanic targets on the Golden Highway. Continued success in the volcanics has the potential to dramatically add to the adjacent NI 43-101: 4.3 million ounce gold resource and overall *Golden Highway* project economics.

Updated PEA and NI 43-101 Resource Estimate

In-house modeling to update the internal resource continued during the year in preparation for a possible update to the Preliminary Economic Assessment (PEA) and NI 43-101 Resource Estimate on *Golden Highway*, when investor sentiment improves for the gold sector.

The Company is currently evaluating the potential of a standalone underground mining scenario of the identified high grade gold within and below the proposed open pit, as reported in the latest Golden Highway Preliminary Economic Analysis (PEA) and NI 43-101 resource estimate (2012). This standalone underground scenario would utilize a ramp system and selectively mine the higher grade blocks. Preliminary modeling suggests significantly lower upfront and ongoing capital expenditures (capex), with a robust Net Present Value (NPV) and Internal Rate of Return (IRR), and with a reduced surface footprint and environmental impact.

There has been 50,000 metres of primarily in-fill drilling since the (2012) NI 43-101 resource estimate which is expected to materially improve the category of ounces in the next resource update, irrespective of the mining approach. The standalone underground mining scenario provides a potential alternative, and does not preclude or invalidate the 2012 PEA and NI 43-101 resource estimate which proposed a combined open pit and underground mine development.

Readers are cautioned that the standalone underground mining scenario is not supported by a PEA and this differs from the existing 2012 PEA which assumed a joint open pit and underground mining approach.

PORCUPINE CAMP

Moneta continues to maintain a large land holding in *Porcupine Gold Camp* which includes the gold properties North Tisdale, Nighthawk Lake, Kayorum, and Denton-Thorneloe. Additional properties with strategic value are historical base metal projects and include Loveland Nickel, Kamiskotia, and Fripp and Kelly Lake in Quebec. Only the core mining lands consisting primarily of mining leases within these base metal projects, are being kept in good standing and require minimal annual assessment (Loveland).

Moneta Mine – Tailings Site

The Company is required to re-contour the few tailings mounds around hydro poles which remain within the tailings site. Hydro One, as surface rights holder, had planned to complete this effort in 2015. The cost to the Company is expected to be insignificant. There was no activity during the year.

FINANCIAL REVIEW

The consolidated financial statements, including comparatives, have been prepared using International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future. The Company is subject to risks and challenges similar to companies in a comparable stage of exploration and development. As a result of these

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

This section discusses significant changes in the Consolidated Statements of Financial Position, Statements of Changes in Shareholders' Equity, Statements of Loss (Earnings) Comprehensive Loss (Earnings) and Deficit, and Statements of Cash Flows for the year ended December 31, 2015.

SELECTED ANNUAL INFORMATION

Highlights December 31, (\$ except per share data)	2015	2014	2013
Revenue	-	-	-
Loss (earnings) and comprehensive loss (earnings)	(704,916)	(2,545,609)	(4,590,174)
Earnings (loss) per share	(\$0.01)	(\$0.01)	(\$0.02)
Total Assets	3,015,980	2,185,999	5,376,653
Total Long-term liabilities	Nil	Nil	Nil

SUMMARY OF QUARTERLY RESULTS

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

Highlights (\$ except per share data)	2015				2014			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Revenue	-	-	-	-	-	-	-	-
Loss (earnings) and comprehensive loss (earnings)	396,189	97,332	106,512	104,883	363,120	193,451	840,174	1,148,864
Loss (earnings) per share	\$0.01	\$0.00	\$0.00	\$0.00	\$0.01	\$0.01	\$0.01	\$0.01

SIGNIFICANT EVENTS DURING Q4 2015

On November 10, 2015, the Company announced the closing of a private placement for total gross proceeds of \$1,100,000. A total of 10,000,000 units were issued at a price of \$0.11 per unit comprised of one common share and one half of one purchase warrant exercisable at \$0.18 per full purchase warrant for a term of twelve months. The cumulative estimated fair value of the warrants using the Black Scholes model was \$132,820 and was charged as reduction in share capital and credited to contributed surplus. There were no finder's fees or commissions paid.

SIGNIFICANT EVENTS DURING 2015

Exploration and evaluation expenditures, previously capitalized under Canadian GAAP, are now expensed under IFRS. A total of \$204,533 in exploration and evaluation expenditures was incurred for the year ended December 31, 2015, reflecting a shift by the Company to preserve cash in a depressed gold market, as compared to \$2,076,416 for the year ended December 31, 2014. Exploration was focused on the *Golden Highway Project* as explained above under **RESULTS OF OPERATIONS**.

On May 6, 2015, the Company announced the closing of a private placement for total gross proceeds of \$235,000. A total of 3,200,000 units were issued at a price of \$0.05 per unit comprised of one common share and one purchase warrant exercisable at \$0.07 for thirty six months for gross proceeds of \$160,000, and 1,250,000 flow-through units were issued at a price of \$0.06 per unit comprised of one common share issued on a flow-through basis and one purchase warrant exercisable at \$0.08 for thirty six months for gross proceeds of \$75,000. Insiders of the Company subscribed for 2,000,000 units and 1,250,000 flow-through units or 75% of the placement. The cumulative estimated fair value of the warrants using the Black Scholes model was \$163,766 and was charged as reduction in share capital and credited to contributed surplus. There were no finder's fees or commissions paid.

CONSOLIDATED OPERATING RESULTS

This section should be read in conjunction with the Consolidated Statements of Loss (Earnings), Comprehensive Loss (Earnings) and Deficit for the year ended December 31, 2015 and 2014 and the corresponding notes thereto. All references to years "2015" or "2014" relate to the year ended December 31 of those years unless stated otherwise.

Moneta has not generated any material operating revenues as it is in the exploration and development stage and, therefore, operating losses are anticipated to continue in the future.

Moneta reported a loss and comprehensive loss of \$704,916 for the year ended December 31, 2015 as compared to \$2,545,609 in 2014. The annual cash burn rate, excluding non-cash share based compensation of \$267,270 (2014: \$119,490) and discretionary exploration and evaluation expenditures of \$204,553 (2014: \$2,076,416), was \$233,113 for the year ended December 31, 2015 as compared to \$349,703 in 2014 reflecting cost control measures in a difficult market.

Exploration and evaluation expenditures of \$204,533 in 2015 on required assessment exploration work on the Nighthawk Lake and North Tisdale projects, as compared to \$2,076,416 in 2014 primarily spent on the Golden Highway project. Further details are presented in the following table:

For the year ended December 31,	2015		2014	
	\$		\$	
<i>Golden Highway Project</i>				
Drilling	-	0%	1,289,201	60%
Lab assay costs	235	0%	201,650	10%
Wages, benefits and contract labour	191,709	94%	576,837	26%
Other	12,589	6%	8,728	4%
Exploration and evaluation expenditures	204,533		2,076,416	

Share based compensation charges, related to options vested during the year, were \$267,270 in 2015 as compared to \$119,490 in 2014. Wages and benefits were \$191,709 in 2015 as compared to \$208,769 in 2014. General & administration expenses were \$82,777 in 2015 as compared to \$114,496 in 2014, with the decrease due to cost containment measures. Legal and audit expenses were \$39,261 in 2015, significantly down from \$80,784 in 2014.

Other income was \$54,282 in 2015 as compared to \$39,504 in 2014, representing royalty income from a perlite operation. The unrealized loss on investments held for trading was \$NIL in 2015 as compared to \$465 in 2014. Interest income was \$3,284 in 2015 as compared to \$15,307 in 2014, representing interest earned on lower cash balances year over year.

CONSOLIDATED FINANCIAL POSITION

This section should be read in conjunction with the Consolidated Statements of Financial Position and Statements of Changes in Shareholders' Equity as at December 31, 2015 and 2014 and the corresponding notes thereto.

Consolidated assets

Consolidated assets were \$3,015,980 at December 31, 2015 as compared to \$2,185,999 as at December 31, 2014. Cash and equivalents were \$1,076,167 at December 31, 2015 as compared to \$282,286 at December 31, 2014, with the increase due to private placement financings during the year offset by the annual burn rate and required exploration and evaluation expenditures. Interest receivable on short term investments was \$1,582 at December 31, 2015 as compared to \$2,749 as at December 31, 2014.

Exploration and evaluation assets were \$1,898,791 at December 31, 2015 as compared to \$1,852,746, at December 31, 2014, representing the capitalization of project acquisition costs. Exploration expenditures are now expensed under IFRS to the Statement of Loss (Earnings) and Comprehensive Loss (Earnings).

Consolidated liabilities

Consolidated liabilities were \$108,786 at December 31, 2015 as compared to \$152,431 at December 31, 2014.

Shareholders' equity

Shareholders' equity was \$2,907,194 at December 31, 2015 as compared to \$2,033,568 at December 31, 2014. The increase is due to \$1,335,000 in private placement financings completed during the year, offset by the net loss and comprehensive loss for the year of \$704,916. The cumulative estimated fair value of the warrants issued on the two private placement financings during the year of \$296,586 was charged as a reduction in share capital and credited to contributed surplus.

LIQUIDITY AND CAPITAL RESOURCES

This section should be read in conjunction with the Consolidated Statements of Financial Position as at December 31, 2015 and 2014 and the corresponding notes thereto.

The consolidated working capital ratio at December 31, 2015, was 10.3 : 1 as compared to 2.2 : 1 at December 31, 2014. At December 31, 2015, the Company held cash and equivalents of \$1,076,167 (2014: \$282,286), royalty income receivable of \$10,713 (2014: \$NIL), sales taxes recoverable of \$12,209 (2014: \$30,288), and short term interest receivable of \$1,582 (2014: \$2,749).

Current liabilities at December 31, 2015 include accounts payable and accrued liabilities of \$108,786 (2014: \$152,431) primarily related to burn rate expenses incurred during the quarter and payable in the normal course.

The Company manages capital, based on its cash and equivalents and ongoing working capital, with an objective of safeguarding the Company's ability to continue as a going concern, maximizing the funds invested into exploration and development activities, exploring and developing gold resources, and considering additional financings which minimize shareholder dilution. There were no changes in the Company's approach to capital management during the year ended December 31, 2015.

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

The Company reported a salary of \$NIL (2014: \$NIL) to an officer and director for the year ended December 31, 2015, for CFO services provided to the Company. The Company paid a salary of \$162,500 (2014: \$200,000) to an officer and director for the year ended December 31, 2015 for CEO and other services provided to the Company under an ongoing employment agreement. The same officer and director invested \$75,000 in the May 6, 2015 private placement and voluntarily reduced his annual compensation by 25% effective April 1, 2015 until market conditions improve.

Directors' fees of \$NIL (2014: \$NIL) were expensed during the year ended December 31, 2015 as directors agreed to waive cash fees until market conditions improve. Two independent directors invested a total of \$100,000 in the May 6, 2015 private placement.

A total of 3,050,000 stock options were issued during the year to directors at an exercise price of \$0.12, subject to a five year term. A Black Scholes fair value of \$235,934 was charged to (non-cash) share based compensation.

All related party transactions were completed in the normal course of business. There were no loans to Directors or Officers during the year (2014: \$NIL).

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company are responsible for establishing and maintaining the Company's disclosure controls and procedures ("DC&P") and for designing internal controls over financial reporting ("ICFR"). The objective is to ensure that all transactions are properly authorized, identified and entered into the accounting system on a timely basis to minimize: risk of inaccuracy; failure to fairly reflect transactions; failure to fairly record transactions necessary to present financial statements in accordance with IFRS; unauthorized

receipts and expenditures; and the inability to provide assurance that unauthorized acquisitions or dispositions of assets can be detected. The Company's system of internal controls provides for separation of the duties of receiving, approving, coding and handling invoices and of entering transactions into the accounts, and includes a requirement of two signatures for all payments made by cheque or wire funds.

The CEO and CFO evaluated the design and operating effectiveness of the Company's DC&P and ICFR as required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* issued by the Canadian Securities Administrators. Based on that evaluation, it was concluded that as of December 31, 2015, the Company's DC&P and ICFR were effective in providing reasonable assurance that material information regarding this report, and the interim consolidated financial statements and other disclosures, was made known to them on a timely basis and reported as required, and that the financial statements present fairly, in all material aspects, the financial condition, results of operations and cash flows of the Company as of December 31, 2015. The CEO and CFO also concluded that no material weaknesses existed in the design of the ICFR as at December 31, 2015.

CRITICAL ACCOUNTING ESTIMATES

Moneta's significant accounting policies are summarized in note 3 to the consolidated financial statements for the year ended December 31, 2015. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Significant areas requiring the use of management estimates include, but are not limited to, the determination of carrying value of exploration and evaluation assets, the valuation of share-based compensation transactions, the valuation of purchase warrants issued on financings, deferred income tax assets and liabilities, and accrued liabilities and contingencies. Estimates and assumptions are regularly evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ from these estimates.

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

Share based payments

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

Exploration and evaluation expenditures

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

Impairment of long-lived assets

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

those assumptions, and changes in these assumptions will affect the recoverable amount of the exploration and evaluation assets.

Decommissioning and restoration provision

The Company records the fair value of estimated costs of legal and constructive obligations required to restore operating locations in the 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 Statement of Loss (Earnings), Comprehensive Loss (Earnings).

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

Contingent Liabilities

Contingent liabilities are not recognized in the financial statements unless estimable and probable and are disclosed in notes to the financial statements unless their occurrence is remote. By their nature, contingent liabilities will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

CHANGES IN ACCOUNTING POLICIES

The Consolidated Financial Statements for the year ended December 31, 2015 were prepared in accordance with IFRS, as issued by the International Accounting Standards Board. There were changes in accounting policies during the year.

Recent Accounting Pronouncements

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

IFRS 9 Financial Instruments

IFRS 9, Financial Instruments was issued by the IASB and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). The mandatory effective date of IFRS 9 is for annual years beginning on or after January 1, 2018.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

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

exploration and development strategy, diversifying risk, mitigation through preventive controls, and transferring risk to third parties.

Fair value

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

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

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

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

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

Credit risk

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

The aggregate gross credit risk exposure at December 31, 2015 was \$1,100,671 (2014 - \$315,323), and was comprised of \$1,076,167 (2014 - \$282,286) in cash and equivalents held with Canadian financial institutions with an "AA-" credit rating, \$10,713 (2014: \$NIL) in royalty income receivable, \$12,209 (2014 - \$30,288) in sales taxes recoverable, and \$1,582 (2014 - \$2,749) in interest receivable.

Market risk

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

Currency risk

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

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

Commodity price risk

Commodity prices, and in particular gold spot prices, fluctuate and are affected by factors outside of the Company's control. This risk is not applicable as the Company is not currently in commercial gold production. The current and expected future spot prices have a significant impact on the market sentiment for investment in mineral exploration companies and may impact the Company's ability to raise equity financing for its ongoing working capital requirements.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk is minimal as there are no outstanding loans or interest-bearing debts. The Company has not entered into any interest rate swaps or other active interest rate management programs at this time.

Liquidity risk

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

The Company believes that its cash position and short term investments provide adequate liquidity to meet all of the Company's near-term obligations.

CONTINGENT LIABILITIES

Order to file closure plan on Moneta Mine

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

Civil lawsuits

Two parties that own the surface rights and occupied buildings on the site of the former Moneta Mine, filed suit in 2005 against the Company, directors of the Company at that time, and other third parties claiming damages related to the mine subsidence. 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 consolidated financial statements for these claims.

OUTSTANDING SHARE DATA

As at December 31, 2015, the Company had a total of 208,092,382 (2014: 193,642,382) common shares outstanding, 7,170,000 (2014: 6,555,000) stock options outstanding at an average exercise price of \$0.10 (2014: \$0.13) per share, and 9,450,000 (2014: NIL) warrants outstanding at an average exercise price of \$0.15. Additional details are available in note 4 to the Consolidated Financial Statements for the year ended December 31, 2015.