

### 1.1 Date

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The following management discussion and analysis of Monument Mining Limited ("Monument" or the "Company") as of December 29, 2011 should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months ended September 30, 2011 and related notes thereto, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Board. Comparative information included in the September 30, 2011 interim condensed consolidated financial statements and in this MD&A has been restated in accordance with IFRS. Information prepared in accordance with Canadian general accepted accounting principles ("Canadian GAAP") has been noted. This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of and for the three months ended September 30, 2011, as well as our outlook.

#### NON-GAAP PERFORMANCE MEASURES

The Company has included the non-GAAP performance measure "unit cash cost per ounce sold". This non-GAAP performance measure does not have any standardized meaning prescribed by GAAP and, therefore, may not be comparable to similar measures presented by other companies. This measure is used by management to identify profitability trends and to assess cash generating capability from the sale of gold on a consolidated basis in each reporting period, expressed on a per unit basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance. Accordingly, unit cash cost per ounce sold is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared using IFRS. More specifically, management believes that these figures are a useful indicator to investors and management of a mine's performance as they provide: (i) a measure of the mine's cash margin per ounce, by comparison of the cash operating costs per ounce to the price of gold, (ii) the trend in costs as the mine matures and, (iii) an internal benchmark of performance to allow for comparison against other mines. Total cash cost includes mine site operating costs such as mining, processing, administration and royalties but is exclusive of amortization, depletion, reclamation, capital costs, exploration costs and corporate administration costs.

All amounts herein are expressed in United States dollars unless otherwise indicated. Additional information relating to the Company's activities may be found on the Company's website at [www.monumentmining.com](http://www.monumentmining.com) and at [www.sedar.com](http://www.sedar.com).

### 1.2 Overview

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Monument, a company listed on the TSX Venture Exchange ("TSX-V":MMY), the Frankfurt Stock Exchange ("FSE":D7Q1), is a resource company engaged in acquisition, exploration and development of gold mineral properties as well as gold production including extraction and processing ores. Its primary business objective is to advance its projects from exploration and development to production, and to increase its gold mineral assets through acquisition of prospective exploration land or gold projects at advanced development stage. The Company's Head Office is located in Vancouver, BC, Canada. It operates through its wholly-owned subsidiaries in Pahang State, Malaysia.

The Company's current 100% owned primary gold properties - Selinsing Gold Project ("Selinsing"), Buffalo Reef Prospect ("Buffalo Reef") and Famehub properties ("Famehub") - are located in the Central Gold Belt of Western Malaysia. While the gold production at Selinsing continues to generate healthy cash flow in the first quarter of fiscal 2012, Management seeks further growth of resources and expansion of production capacity through building up the portfolios of mineral properties in Malaysia and the gold plant expansion.

The Company's portfolios include the producing gold mine, the advanced exploration gold project and grass root gold prospective properties. During the first quarter, the Company acquired 49% of Mersing Gold Project through an earn-in agreement. Mersing Project has potential to host primary gold mineralization. The Company also commenced due diligence in August 2011 on the Mengapur Polymetallic Project located in Pahang State, Malaysia. A Project Oversight Committee ("POC") for Mengapur Project was established and led by Graham Dickson, a technical director of the Company. The POC is comprised of geologists, mining engineers, processing plant engineers, metallurgists, chemists, environmentalists and financial and marketing experts to assess the Mengapur Project.

The Company engaged Snowden Mining Industry Consultants ("Snowden") to prepare a NI 43-101 compliant technical report which was complete in November, 2011 and was filed under Sedar on December 2, 2011. A Definitive Acquisition Agreement was signed concurrently with completion of due diligence on November 23, 2011 to acquire 70% of interest in the Mengapur Project subject to regulatory and shareholders' approval and financing. The management believes this project might introduce significant economic prospects that can add potential value to the shareholders and diversify their investment risk.

The Mengapur Acquisition will be closed in conjunction with completion of the private placement of up to \$70,000,000. The private placement will create a new control person and is subject to the approval of TSX Venture Exchange and shareholders at the General and Special Meeting on December 30, 2011.

In order to expand the production capacity, the Company commenced the Phase III gold processing plant expansion at the Selinsing Gold mine from 400,000 tpa to 1,000,000 tpa targeting completion in May 2012. Concurrently it also has commenced the Stage II Tailing Storage Facility (the "TSF") construction. The stage II Tailings Storage Facility expansion is designed to accommodate 10 years discharge from the 1 million tonnes per annum ("tpa") gold treatment plant.

The Company commissioned two new drill rigs and recruited the additional drill crew. A total 1,318 metres were drilled on Selinsing and Buffalo Reef. The drill team was diverted to Mengapur Project confirmation drilling program in order to complete the due diligence.

**Financial and Operating Highlights**

## (1) Key gold production statistics

Selinsing Gold Mine	Fiscal 2010	Fiscal 2011	Q1 2012
<b>Operating results</b>			
Ore mined (tonnes)	662,330	740,909	124,736
Ore processed (tonnes)	272,120	351,999	86,343
Average ore head grade (g/t Au)	3.08	4.31	4.53
Process recovery rate	58.7%	92.9%	95.1%
Gold production (ounces)	13,793	44,438	11,846
Gold sold (ounces)	13,793	40,438	8,372
<b>Financial results</b>			
Gold sales (US\$'000) <sup>(a)</sup>	16,316	56,627	14,430
Per ounce data			
Cash cost per ounce	216	242	297
Average spot gold price, US\$/ounce	1,089	1,372	1,702
Average realized gold price, US\$/ounce	1,183	1,400	1,724

(a) Three month period ended September 30, 2010 includes an amount of gold sold before the commercial production commenced.

- (2) On July 19, 2011, the Company announced that it has commenced the Stage II Tailing Storage Facility (the "TSF") construction at the Selinsing Gold Mine in conjunction of the Phase III plant expansion for \$1.3 million. The design of the expanded TSF allows for the walls to be further raised another 16 metres to its final height to increase the storage capacity to 11.0 million tonnes, and it is designed to accommodate 10 years discharge from the 1 million tonnes per annum gold treatment plant.
- (3) On July 26, 2011, the first drill results from Selinsing twelve months drill program were announced and indicated that the high grade shoots extend below the existing pit and is still open at depth. The drilling program at Selinsing targets 22 drill holes comprising 1,000 metres RC drilling and 3,000 metres diamond drilling. The on-going program is continuing to assess the gold distribution at depth with the data to be used to construct the new resource estimate.
- (4) On September 26, 2011 the Company completed the acquisition of 49% of the Mersing Gold Project through its wholly-owned Malaysian subsidiary. The Mersing Gold Project is held through mining certificate #1221 for 256 hectares of prospective land, located approximately 30 kilometers north-west of Mersing Town, Johore State, Malaysia. During the first two-year earn-in period, the Company is obligated to complete \$2,000,000 in exploration on the Mersing Gold Project.
- (5) The Phase III gold plant expansion construction at the Selinsing Gold Mine is approximately 30% complete and is progressing as planned targeting completion by May 2012. All of the equipment for the Phase III expansion has been purchased. The ball mill area retaining wall, diesel tank foundation, and tower crane foundations have been completed. In addition, the Tailing Storage Facility evaporator has been installed and commissioned.
- (6) On November 23, 2011 the Company, through its wholly-owned subsidiary, MMSB in Malaysia, has entered into the Definitive Acquisition Agreement with Diamond Hard Mining Sdn. Bhd., its shareholders and its wholly-owned subsidiaries, CASB and Malaco, all incorporated in Malaysia, to acquire 70% of the Mengapur Polymetallic Project located in Pahang State, Malaysia. The acquisition remains subject to financing, shareholders' and regulatory approvals.

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- (7) The Company arranged equity financing to fund the Mengapur Project acquisition and development up to \$70,000,000. The closing of the private placement and the Mengapur acquisition is interdependent each other. The private placement will create a new control person and is subject to the shareholders' approval.
- (8) On December 2, 2011, the Company Sedar filed the Information Circular and notice of the Annual General and Special Shareholder's Meeting on which the above transactions will be tabled for shareholders' approval.

### ***1.2.1 Property Agreements***

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#### **Selinsing Gold Project**

On June 25, 2007, through its wholly-owned Malaysian subsidiary, Polar Potential Sdn. Bhd., the Company acquired 100% of the Selinsing Gold Property including two mining concessions from Wira Mas Trust (the "Vendor"), together with a 100% interest in Able Return Sdn. Bhd., the former Trustee of Wira Mas Trust, a Malaysian company holding Malaysian Pioneer status which among other benefits provides a 5-year tax break from Malaysian Federal and other taxes. The property is located in Pahang State, Malaysia. The total acquisition cost of \$30.3 million (CAD 29.2million) was comprised of \$3.6 million (CAD 3.5 million) cash, a promissory note of \$9.3million (CAD 9.0 million) fair valued at \$8.4 million (CAD 8.1 million), the issuance of 31,400,009 fully paid treasury shares at an ascribed value of \$0.47 (CAD 0.50) per share and 5,000,000 share purchase warrants.

During the year ended June 30, 2011, the Company acquired exploration rights for consideration of \$102,921, covering prospective land that lies adjacent to the Selinsing operating open pit, which allows the exploration programs to be scheduled accordingly.

#### **Damar Consolidated Exploration Sdn. Bhd.**

Concurrently with the acquisition of the Selinsing Gold Project, the Company acquired 100% of the shares of Damar Consolidated Exploration Sdn. Bhd. ("Damar"), a company incorporated in Malaysia, from Avocet Mining PLC ("Avocet"), the parent company of Damar located in London, United Kingdom; thereby acquiring the Buffalo Reef property, which is contiguous and continuous with the Selinsing Gold Project for approximately 4.2 kilometers along the regional gold trend. A total of \$1.81 million (CAD 1.75 million) cash, 15,000,000 fully paid treasury shares at \$0.47 (CAD 0.50) per share and 7,500,000 share purchase warrants were paid as consideration to acquire 100% of the Damar shares and an Avocet promissory note payable of \$1.78million (CAD 1.72 million).

The Company acquired exploration rights for consideration of \$35,090, covering prospective land that lies adjacent to the Buffalo Reef, which allows the exploration programs to be scheduled accordingly.

#### **Acquisition of Famehub Properties**

On August 13, 2010, the "Agreement of Purchase and Sale of Shares" (the "Famehub Acquisition Agreement") was signed, according to which the Company would acquire the land package held by Famehub Ventures Sdn. Bhd. ("Famehub") through its wholly-owned subsidiary, Damar Consolidated Exploration Sdn Bhd, by purchasing 100% of the issued and outstanding Famehub shares (the "Famehub acquisition"). Total consideration of \$4,884,634 (CAD 5,000,000) for the Famehub acquisition consists of \$1,477,734 (CAD 1,500,000) in cash and 14 million fully paid and non-assessable common shares of the Company valued at \$3,406,900 (CAD 3,500,000).

The Famehub acquisition closed on September 13, 2010, upon receipt of the TSX-V's acceptance and an independent technical report from Snowden Consulting Group (Australia) (Sedar filed November 22, 2010).

#### **Acquisition of a 70% of interests in the Mengapur Polymetallic Project**

On May 31, 2011, the Company, through its wholly-owned subsidiary Monument Mengapur Sdn Bhd ("MMSB", formerly "Orifer Asia Sdn. Bhd.") in Malaysia, has entered into a binding Memorandum of Understanding (the "MOU") with Malaco and Malaco's wholly-owned subsidiary CASB, both incorporated in Malaysia, to acquire 70% of the Mengapur Polymetallic Project located in Pahang State, Malaysia.

On December 2, 2011, upon completion of due diligence, the Definitive Acquisition Agreement was signed among the Company, its wholly-owned subsidiary MMSB and Diamond Hard Mining Sdn. Bhd., its shareholders and its wholly-owned subsidiaries CASB and Malaco, to acquire 70% of the Mengapur Polymetallic Project, subject to financing, shareholders' and regulatory approvals.

Under terms of the Definitive Acquisition Agreement, MMSB will pay US\$60,000,000 in cash and issue 300 MMSB shares (representing a 30% interest in MMSB) to Malaco in exchange for a 100% interest in CASB, the company that holds 100% of the Mengapur Project, except for certain magnetite materials contained in the overburden oxide soils. Of the total consideration, US\$10,000,000 is to purchase iron ore materials contained within the skarn which were originally going to remain with the Malaco Group under the terms of the MOU.

A non-refundable deposit of US\$500,000 was paid to Malaco upon signing of the Definitive Acquisition Agreement, and US\$4,500,000 was set up as Escrow Fund in securing the Mengapur Project. Upon closing of the acquisition, total US\$5,000,000 shall be applied against the purchase price. In the event that the acquisition does not close by January 31, 2012, US\$4,500,000 shall become a loan to Malaco.

The Mengapur Project is located in Central Malaysia in the State of Pahang, approximately 130 kilometers from Monument's wholly-owned Selinsing Gold Mine near Sri Jaya, 12 kilometers from a highway and 75 kilometers from the Malaysian port of Kuantan. The Mengapur polymetallic deposit was first discovered in 1979 with anomalous stream sediment samples and later drilled by Malaysia Mining Corporation Berhad from 1983 to 1988. Historical economic and resource estimates on the Mengapur Project were completed and published as a "Definitive Feasibility Study" (the "Historical Study") in October 1990 by Normet Engineering Pty Ltd with James Askew Associates completing the ore reserve and resource estimates, both of Perth Western Australia. At least three current land positions totaling approximately 1,000 hectares cover the 1990 historical reserve area described in the Historical Study. The Company has entered the Definitive Agreement to acquire, among other things, the rights to Mining Certificate number PL 1/2006 or Lot 10210 (Hulu Lepar Subdistrict, Kuantan District, Pahang State), which provides rights to the land that covers approximately 185.10 hectares (457.5 acres) and a majority of the historical 1990 reserve.

The Historical Study contains 10 volumes of comprehensive supporting documents which resulted from a 10 year, 58,000 meter diamond drilling program costing approximately \$40 million. The exploration program was carried out by the Malaysian Mining Corporation ("MMC"), a Malaysian government-owned corporation. The resource and reserve estimates reported in the Study are historic and are considered to provide an indication of the potential of the project based on historic assumptions used to modify the resource to a reserve, therefore should not be considered as Mineral Resources and Mineral Reserves as defined in the CIM guidelines.

The Historical Study proposed construction of a process facility, roaster and supporting infrastructure and other supplemental processing facilities (together the "Plant Facilities"). According to the Study, the Plant Facilities were expected to provide capacity for the treatment of 2,500,000 tons per year for a mine life of 23 years. Other activities including further acquisitions and area exploration could further increase this mine life as the resource was found to be open in all directions. In addition, the Plant Facilities could also produce other by-products such as 600,000 tons of sulfuric acid per year or downstream products as indicated by the Study such as fertilizer for the Malaysian and other palm oil industry participants in neighboring South East Asian countries. However, any economic data from the historic feasibility study must be considered out of date and is not intended to suggest any current economic viability.

During due diligence, the Company engaged Snowden to prepare a NI 43-101 compliant technical report, which was completed by Walter Dzick, B.Sc., MBA, P. Geo., MAusIMM, and Rod Carlson, B.Sc., M.Sc., MAIG, of Snowden Mining Industry Consultants ("Snowden") in November 2011 and Sedar filed as "Monument Mining Limited: Mengapur Project, Pahang State, Malaysia, Project No. V1165" on December 2, 2011 (refer to [www.sedar.com](http://www.sedar.com)). The Technical Report represents a compilation of historic information and data that has been provided to Snowden by the Company and all economic assessments and resource statements included in the Report are considered historic in nature and there is no certainty that any economic assessments will be realized.

As part of Historical Study, the authors of the Historical Study helped determine a Cu-S-Au-Ag sulphide reserve (Table 1, below) on Zone A, and a Cu-S-Au-Ag sulphide and oxide resource (Table 2, below) on Zones A, B, and C. The resource and reserve estimate reports are considered relevant because they provide an indication of the mineral potential of the project. The historical resource and reserve estimates reported in the Historical Study use categories other than those set out in NI 43-101 and therefore should not be considered as Mineral Resources and Mineral Reserves as defined in the CIM 2005 guidelines. These reserves and resources do not meet the requirements of the 2005 CIM Guidelines and should only be considered to be historical in nature. The Historical Study does not clearly state if this reserve is included in the resource estimate.

Table 1. Mengapur Project Historical Sulphide Reserve estimate as of October 1990 using a 0.336% Equivalent Cu cutoff grade.

		Tonnes (Million t)	EQV Cu (%)	S (%)	Cu (%)	Au (g/t)	Ag (g/t)
Sulphide	Proven	26.467	0.803	9.20	0.31	0.25	2.46
	Probable	38.324	0.691	8.23	0.24	0.19	2.68
<b>TOTAL</b>		<b>64.800</b>	<b>0.737</b>	<b>8.63</b>	<b>0.27</b>	<b>0.21</b>	<b>2.59</b>

Notes: Equivalent Cu is based on the following assumptions: Recoveries for Cu, Ag, Au and S of 76.6%, 47%, 48%, and 82%, respectively; and commodity prices in US\$/kg equal to 1.37 Cu, 4,107 Au; 65 Ag; and 0.09 S and a combined mining and processing cost of US\$4.45/tonne. The historical reserve is based on the A Zone using the SP6 Design pit is described in the Historical Study. The disclosure of historical reserves is not meant to imply that there is any current economic viability. This would require completion of at least a preliminary feasibility study.

Table 2. Mengapur Project Historical Resource estimate as of October 1990 using a 0.336% Equivalent Cu cutoff grade.

		Tonnes (Million t)	EQV Cu (%)	S (%)	Cu (%)	Au (g/t)	Ag (g/t)
Oxide	Measured	4.866	0.419	0	0.47	0.05	27.82
	Indicated	16.406	0.557	0	0.64	0.12	26.45
Subtotal		21.272	0.525	0	0.60	0.10	26.70
Sulfide	Measured	63.438	0.661	7.622	0.25	0.18	3.30
	Indicated	139,699	0.579	7.040	0.19	0.13	3.85
Subtotal		203.137	0.605	7.222	0.21	0.15	3.68
<b>TOTAL</b>		<b>224.409</b>	<b>0.597</b>	<b>6.54</b>	<b>0.25</b>	<b>0.16</b>	<b>8.86</b>

Notes: The same recoveries and commodity prices stated for the reserves in Table 1 were used for the resources. The resources include Zones A, B, and C.

Copper and iron production occurred at Mengapur after the completion of the Historical Study and was compiled as part of Monument's 2011 due diligence work and included in the Snowden NI 43-101 report for disclosure purposes. A 500,000 tpa used flotation plant was constructed at the site from 2005 to 2007. Total copper production from sulphide skarn rock from October 2008 to June 2009 includes 250 tonnes of copper ore grading 8% to 18% copper whereas total iron production from skarn rock from June 2010 to July 2011 totals:

- 26,693 tonnes of iron ore to produce 3,168 tonnes iron (magnetite) fines averaging 63% iron with high contained sulphur content (3% to 4% S); and
- An additional 24,966 tonnes iron ore lumps averaging 42% iron by crushing plant.

The iron and copper processed from the copper processing plant at site was mined from mainly one open pit area located in the southwestern corner of the claims currently held by CASB.

Total iron production from oxidized materials from October 2010 to October 2011 totals 2,556,479 tonnes and was mined mostly from two open pits on the property currently held by CASB. This oxidized material was transported off the property held by CASB and processed at facilities owned by another operator.

The operations plan in the Historical Study recommended using a 8,500 tdp Cu processing plant operation. Under this plan, the pyrrhotite concentrate was going to be roasted to produce 590,000 tpa of sulfuric acid which would be converted to 203,000 tpa of P2O5 in the form of phosphoric acid. This is based on a mining rate of 753,424 tonnes per day (2.75 million tonnes per year) to produce some 30,500 tonnes of Cu concentrate and about 620,000 tonnes of pyrrhotite concentrate per year over the proposed 23 year mine life.

The historic data compiled in the Technical Report indicates the need for more preliminary test work to be completed before the project is ready to move forward. The resource and reserve areas identified in Historical Study must be drilled using CIM 2005 standards.

The recommended work plan described in the Technical Report includes acquiring the land rights to conduct exploration and mine development studies. A first work phase is recommended consisting of due diligence work completed mostly from from August 25 to November 25, 2011 at an approximate cost of CAN\$788,473. A second work phase includes a 1.6 year drill hole program at an approximate cost of CAN\$13,442,222 using three diamond drill rigs and one RC rig to complete a total of 65,980 m of resource conversion and infill drilling (at a 40 m average drill hole spacing for planning purposes). The total work program costs \$14,230,695 and assumes that the diamond drill production is 30 m per 24-hour work shift. The second phase of work should only be performed if the first due diligence phase is successful.

Included in this 1.6 year drilling program is access road and drill pad construction, metallurgy testing on the sulphide and oxide ores consisting of flotation testing, grind testwork for sulphide ores, and leach tests (bottle roll and columns) for oxide ores; geologic and mine design modelling; geologist's time; assays for Au, Cu, Ag, and Leco S along with multi-element ICP; quality-assurance and quality control assay program; and contract topographic survey work (air and ground).

#### Earn-In a 49% of interests of Mersing Gold Project

The Mersing Gold Project is held through mining certificate #1221 ("MC 1221") for 256 hectares of prospective land, located approximately 30 kilometers north-west of Mersing Town in Johore State, Malaysia. The original Malaysian Geological Survey identified a widespread geochemical anomaly that follows the north-west regional structural trend running for more than 30 kilometers, commencing near the beach at Kampung Sri Pantai running inland toward the Mersing Gold Project. The presence of widespread quartz

veining within the highly deformed metasediments, sulphide mineralization and free gold showing in the vein material, and the evidence of substantial alluvial mining and processing activities indicate that the Mersing Gold Project has potential to host primary gold mineralization. To date, the area has not been systematically explored for its primary gold potential and no production details are available.

In September 2011 the Company signed an Earn-In Agreement with a Malaysian company, Emas Kehidupan Sdn. Bhd. ("EK") and its 30% joint venture partners, under which Monument has the right to earn or acquire up to a 100% interest in the "Mersing Gold Project" (previously known as the "Gunung Arong Gold Prospect"). Pursuant to the terms of Earn-in Agreement, Monument shall acquire 49% of the Mersing Project by paying \$500,000 cash and issuing 1,500,000 fully paid Monument shares to the vendors in exchange for 70% of the shares in EK, which in turn holds a 70% interest in the Mersing Gold Project, conditional upon completion of a \$2,000,000 exploration program on the Mersing Gold Project within two-years. The Company has the right to earn a further 21% interest in the Mersing Gold Project by making either, at the option of the vendors, a further \$1,500,000 cash payment to the vendors or by issuing 2,500,000 fully paid Monument shares to the vendors in order to acquire the remaining 30% of the issued EK shares bringing Monument's interest in the Mersing Gold Project to 70%, conditional upon completion of a further \$2,000,000 exploration program on the Mersing Project within two years.

Upon acquiring 100% of the shares of EK and reaching a 70% ownership level in the Mersing Gold Project, the Company has the right, for a period of 180 days after the completion of its second earning exploration obligations and the completion of an initial or pre-feasibility study on the project, to buy out the remaining 30% interest in the project thereby achieving 100% ownership in the Mersing Gold Project.

The transaction was adopted by TSX Venture Exchange and was closed on September 26, 2011. Monument has become the sole operator and manager of the Mersing Gold Project.

The Company is now in planning of an exploration program on the Mersing Gold Project as a part of its gold project pipeline development in Malaysia. Exploration at the Mersing Gold Project will provide an opportunity to understand the geological nature of gold mineralization within the Mersing district and, if successful, will create an opportunity for further discovery along the structural trend as defined by the Mineral and Geosciences Department of Johore State.

### 1.2.2 Projects Update

#### **Selinsing Gold Project**

##### Resources

The Selinsing Gold Project ("Selinsing Project") is located at Bukit Selinsing near Sungai Koyan, approximately 65 km north of Raub and 40 km west of Kuala Lipis on the lineament known as the Raub Bentong Suture, at approximately 04015'00"N latitude, 101047'10"E longitude. The resources of the Selinsing Gold Project are comprised of an indicated mineral resource of 3,630,000 tonnes at 1.76 gpt, using a cutoff of 0.75 gpt for contained ounces of 205,000 ounces of gold, and an inferred mineral resource of 7,690,000 tonnes at a grade of 1.34 gpt for contained ounces of 330,000 ounces of gold at a similar cutoff grade. It is a near surface open pitable resource that metallurgical test work indicates and subsequent mill production records confirm recovery between 92% and 95%.

##### Mine Development

Selinsing mine development commenced in October 2008 and was completed in the first quarter of fiscal 2011, including the mine site and camp development, the 1,200 tonnes per day ("tpd") gold treatment plant construction and the tailing storage facility development with capacity to store a 16 month tailing discharge from the processing plant.

##### *Phase III Expansion*

Phase III expansion of the gold plant estimated at \$8.1 million is aimed to increase capacity of the gold treatment processing plant from 400,000 tpa to 1,000,000 tpa through installation of an additional crusher, a primary ball mill, three leach tanks, and other improvement to the gold room, detoxification circuit, tailing pipelines and pumping system. As at the date of this discussion, the Phase III gold plant expansion construction at the Selinsing Gold Mine is approximately 30% complete and is progressing as planned targeting completion by May 2012.

Engineering design of all areas of the Phase III plant expansion project continued throughout the quarter. Structural and civil engineering consultants were engaged as required to approve the design drawings. Vendors were contacted to provide details of foundation and structural support requirements. Civil construction for the ball mill retaining wall commenced with the base slab poured; preparations for the tower crane foundations were initiated.

Total costs incurred to September 30, 2011 were \$449,789 and a total of \$1,434,343 was paid in advance to suppliers to initiate the contract work. All of the equipment for the Phase III expansion has been purchased. The ball mill area retaining wall, diesel tank foundation, and tower crane foundations have been completed. In addition the Tailing Storage Facility ("TSF") evaporator has been installed and commissioned.

#### *TSF Expansion*

The Company also committed \$1.3 million to expand the TSF. The construction involves raising the existing dam height 12 metres to give an estimated total tailings storage capacity of 4.6 million tonnes. Construction is expected to be completed in December 2011. The increased capacity will support 10 years of tailings discharge from the expanded processing capacity resulting from the Phase III gold processing plant expansion targeting the completion. The design of the expanded TSF allows for the walls to be further raised another 16 metres to its final height which will further increase the storage capacity to 11.0 million tonnes. The total cost to date was \$1.2 million.

#### Production

Subsequent to the first year commercial operation produced 44,438 ounces of gold, 11% higher than projected mainly due to higher feed grade and recovery of the ore materials compared to the budget in fiscal 2011, mining and processing operating results for the three-month period ended September 30, 2011 and September 30, 2010 are provided as follows:

	Year ended, June 30, 2010	Year ended, June 30, 2011	Three month ended September30, 2010	Three month ended September30, 2011
<b>Mining</b>				
Ore mined (tonnes)	662,330	740,909	203,150	124,736
Waste removed (tonnes)	2,326,502	2,707,598	615,937	719,080
Stripping ratio	3.51	3.65	3.03	5.76
Ore stockpiled (tonnes)	387,545	773,432	499,589	813,175
<b>Process</b>				
Crushed ore (tonnes)	274,786	355,021	91,106	84,993
Ore processed (tonnes)	272,120	351,999	89,834	86,343
Average mill feed grade (g/t)	3.08	4.31	4.08	4.53
Processing recovery rate	58.7%	92.9%	90.0%	95.1%
Gold produced (oz)	13,793	44,438	9,050	11,846
Gold sold (oz)	13,793	40,438	8,650	8,372
Revenue (in 000's)	16,316	56,627	10,863	14,430
Cash cost (US\$/oz) <sup>(1)</sup> –				
Mining	64	53	49	54
Processing	90	120	89	152
Royalties	62	69	61	86
Operations, net of silver recovery	-	-	-	5
Total cash cost (US\$/oz)	216	242	199	297

- (1) Total cash cost includes production costs such as mining, processing, tailing facility maintenance and camp administration, royalties, and operating costs such as storage, temporary mine production closure, community development cost and property fees, net of by-product credits. Cash cost excludes amortization, depletion, accretion expenses, capital costs, exploration costs and corporate administration costs. The Company pays 5% of gross revenue as a royalty to the Malaysian government.

#### Exploration

A twelve month exploration program was initiated on September 22, 2010 for Selinsing including 22 drill holes comprising 1,000m RC drilling and 3,000m diamond drilling budgeted at \$0.6 million (CAD 0.6 million). The drill program is aimed to increase the reserves by converting the inferred gold resources below the present Selinsing open pit outline.

As of the end of September 30, 2011, a total of 3,717 metres in 18 drill holes were drilled at Selinsing for total cost in amount of \$658,518. The 20 metres spaced drill holes are up to 250 metres deep and are designed to intercept the mineralized structure 220 metres below surface at 280 metres Reduced Level ("RL"). This is below the existing planned pit depth.

A total of 1,535 samples were sent to SGS (Malaysia) Sdn. Bhd., an accredited laboratory which complies with requirements of ISO/IEC 1725:2005, for preparation and analysis. The sampling is of half NQ and half HQ diamond drill core with maximum sample intervals of 1.5 metres. Quality assurance and quality control ("QAQC") is maintained through the submission of certified reference materials and blanks. Coarse split duplicates are collected and analyzed, but assays are pending. Sample recoveries are good to excellent.

The significant results (>1 g/t Au) obtained from the first six holes drilled are outlined in the news release announced on July 26, 2011 subsequent to the year end (refer to [www.sedar.com](http://www.sedar.com)). The information in this news release as it relates to the Selinsing exploration drilling results was compiled by Monument; and reviewed by Mr. Roderick Carlson, an independent qualified person as defined under National Instrument 43-101. Mr. Carlson is a Member of the Australasian Institute of Geoscientists and a full-time employee of Snowden Mining Industry Consultants, who has sufficient experience relevant to the style of mineralization and type of deposit under consideration.

The results indicate that high grade shoots extend below the existing pit and is still open at depth. The on-going programs will continue to assess the gold distribution at depth with the data to be used to construct the new resource estimate. Current results are in line with the data from the Selinsing "Deeps" (below the current pit limit) obtained from historic drilling campaigns conducted before the 2007 acquisition.

#### Environment, Safety and Health

The Company's commitment to comply with Malaysia's environmental laws follows three main government authorities:

- The Department of Minerals and Geosciences (JMG) with environmental jurisdiction inside the Company's project tenements;
- The Department of the Environment (DOE), whose jurisdiction lies outside the Company's tenements regarding air and water quality discharge; and,
- The Department of Safety and Health (DOSH), primarily concerned with the storage and handling of hazardous chemicals.

In the first quarter 2011 routine safety inspections were conducted at all areas on the mine site and regular checks were made on fire extinguishers, first aid kits and safety showers. A landslide emergency drill was successfully completed in the Mining area with the co-operation and assistance from the relevant Government agencies.

Rainfall for the quarter at the Selinsing main office was 652 mm or 110 mm more than the 10 year average of 542 mm for this period.

SBA consultants were engaged to expedite the amendment of the Operational Mining Scheme, the supplemental Environmental Impact Assessment study and the permit for increased storage capacity of diesel on site. SGMM worked closely with SBA in expediting the preparation of the technical reports and submissions to the relevant authorities.

#### **Buffalo Reef Prospect**

##### Resources

Through Damar, the Company holds a 100% interest in the Buffalo Reef Prospect consisting of two contiguous tenements approximately 2,050 acres in size in Pahang State of Malaysia that extends the total contiguous and continuous land position northward from and including the Selinsing Gold Mine Project for approximately 4.2 kilometres along the gold trend.

The Buffalo Reef deposit had only historical estimated resources upon acquisition in 2007. In fiscal 2011, Snowden Pty Ltd Australia was engaged to update the mineral resources at Buffalo Reef to convert the inferred resources into the measured and indicated category, and to update the JORC Code compliant gold resources to NI 43-101 standards. During the prior year, the NI 43-101 report was completed and filed under SEDAR. The NI43-101 report estimates the resources based on the RC drilling through 2008 to November 2010 totalling 11,880 meters from 165 holes. At a block cut-off grade of 0.5 g/t Au, the currently defined Buffalo Reef Indicated Mineral Resource is 2.30 million tonnes grading 2.24 g/t Au for a total of 165,500 ounces of Au. At the same Au block cut-off grade, the currently defined Inferred Mineral Resource is 1.36 million tonnes grading 1.31 g/t Au for a total of 57,300 ounces of Au.

The Mineral Resource is summarized in the table 1.1 Buffalo Reef Mineral Resources report, as at May 2011, reported above a 0.5 g/t Au cut-off grade:

Classification	Oxidation State	Zone	Tonnes Kt	Au g/t	Au Oz
Indicated	Oxide	South	272	2.35	20,500
		Central	32	1.62	1,700
		North	159	1.57	8,000
	Sulphide	South	1,298	2.66	111,300
		Central	246	1.36	10,700
		North	291	1.42	13,300
Total (Indicated)			2,298	2.24	165,500
Inferred	Oxide	South	125	1.23	4,900
		Central	52	1.44	2,400
		North	26	2.79	2,400
	Sulphide	South	411	1.36	17,900
		Central	548	1.07	18,800
		North	201	1.69	10,900
Total (Inferred)			1,363	1.31	57,300

An historic estimate undertaken in accordance with the JORC code reported the Buffalo Reef property contains a Indicated Resource of 1,944,000 tonnes grading 2.49 gpt Au and an Inferred Resource of 568,000 tonnes grading 1.62 gpt Au in oxide + transitional and sulphide materials, using a 0.5 gpt Au cut-off. A NI-43-101 Summary Report on the Buffalo Reef Project written by Orequest Consultants and filed on SEDAR on June 19, 2007 confirms the merits of the Buffalo Reef Project. Comparing to the historical estimates, the NI43-101 report represents 6.36% increase in gold content for Indicated Resource and 93.58% increase for Inferred Resource. The increase in the Inferred Resource is mostly located across the boundary into the Felda Block 7 where no drilling work has been carried out as yet. The Company has since reached agreement with the owners to be able to access and carry out further exploration.

Snowden considers that this resource estimate is appropriate for use in a Scoping Study or a Pre-Feasibility Study or a preliminary Assessment.

At the same time, the NI43-101 report contains preliminary metallurgical test work results. Historic test work conducted by Avocet Mining PLC, the previous owner of Buffalo Reef, indicated that the oxide zone showed reasonable metallurgical recovery rates for gold by direct cyanidation. However, the sulphide mineralization at Buffalo Reef was classified as refractory to direct cyanidation procedures. This prompted the Company to commence test work programs in 2010 and preliminary metallurgical studies completed by Monument in 2011 have shown promising results using roasting or bioleaching to pre-treat material from Buffalo Reef. These test work programs are ongoing and the Company is encouraged with results to date; and oxide ore is expected to be treated with the existing Selinsing processing plant.

Giving the advanced state of exploration at the Buffalo Reef deposit, future activities will focus on infill drilling to increase the level of confidence in the geological interpretation and resource estimation. To facilitate this, Monument is securing additional land for further resources definition drilling. Additionally, diamond core drilling will be required to provide material for bulk density measurement and metallurgical test work, along with geotechnical data.

The NI43-101 technical report dated May 2011 is prepared by independent qualified persons Jean-Pierre Graindorge, BSc from Snowden Mining Industry Consultants Pty Limited and Frank Wright, P. Eng. Information in this report that relates to in-situ Mineral Resource estimates is reported under the CIM Standards on Mineral Resources and Reserves Definitions and Guidelines. The May 2011 estimate was carried out under the supervision of Mr. Michael Andrew who is a full time employee of Snowden Mining Industry Consultants Pty Ltd. Mr. Andrew is a member of the Australian Institute of Mining and Metallurgy (MAusIMM), and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Qualified Person as defined by the Code. Mr. Andrew consents to the inclusion in this section of MD&A of the matters based on his information in the form and context in which it appears.

During the first quarter, Pahang State Government via the State Land and Mine Department approved the renewal application of MC 1/107. The mining lease was extended for an additional 10 years; tenement fees were paid by Damar to the State Government of Pahang for issuance of the new lease certificate.

**Exploration**

The exploration continues with the twelve months drilling program announced in September 2010 which includes 33 drill holes comprising 2,500m of RC drilling and 3,200m of diamond drilling, budgeted at \$0.8 million. The drill program is an extension of the previous 11,871m of shallow RC drilling programs completed in 2008. It is aimed to convert the inferred resources to measured and indicated resources under NI 43-101 standards. Metallurgical and recovery test work has also been carried out on the Buffalo Reef ore as part of the ongoing development program.

The program has moved slower than expected due to shortage of experienced drillers and condition of the drill rigs. During the first quarter, two additional drill rigs were brought to the site and were fully commissioned. A new exploration office was built to accommodate the newly recruited exploration personnel and core storing and handling facilities were constructed. Upgrading of the workshop to support the ongoing exploration activities continued into the 2012 fiscal year.

During the first quarter, the drill team was diverted to carry confirmation drilling for the Mengapur Project to accommodate the due diligence process.

**Famehub Properties**

The Famehub area is located in Pahang State of Malaysia approximately 15km northwest of the town of Kuala Lipis and 2km north of the Selinsing Gold mine.

On September 13, 2010, through its wholly-owned subsidiary Damar, the exploration arm of Monument's Malaysian group of companies, the Company acquired the Famehub Property by purchasing 100% of the issued and outstanding shares of Famehub Venture Sdn. Bhd. ("Famehub"), a company incorporated in Malaysia. Famehub has rights to approximately 32,000 acres of prospective exploration land to the north of Buffalo Reef along the trend and east of the Selinsing gold mine. Famehub also owns a package of technical information and exploration database in respect to the subject property. The full purchase price for the Famehub acquisition is \$1.5 million in cash and 14 million common shares of the Company. The Company has started preparation to for its exploration programs, targeting the consolidation of its Selinsing and Buffalo Reef properties together with the Famehub Property around the newly constructed producing Selinsing gold mine in order to extend the life of the mine through increased resources situated nearby.

The Famehub area is in an early stage of exploration. It consists of nine separate exploration prospects. Extensive stream sediment and soil sampling campaigns have been completed by the previous owners with minimal drilling conducted to date. The results of the geochemical sampling included in the database obtained by the Company indicate anomalous gold grades are present in the Famehub properties. Follow up exploration work is required to define the extent of any potential gold mineralization (refer to "Preliminary Assessment of Exploration Tenements, Malaysia, NI 43-101 Technical Report", August 2010, prepared by Snowden Group Australia and filed on [www.sedar.com](http://www.sedar.com)).

Data obtained from the acquisition allows the Company to quickly focus on prospective drill targets and assess the potential of the newly acquired ground through targeted exploration. The initial 12 month program includes trenching and 61 drill holes comprising of 7,440m of RC drilling and 1,500m of diamond drilling and is budgeted at \$1.6million (CAD 1.6 million). The program is aimed to generate targets for future drilling.

In the first quarter fiscal 2012, field works have been carried out at the Panau, Serau and Tekai prospects. A total of 957 trench samples, 154 soils samples, 4 stream sample and 60 rock chips were collected from these areas which are located between 8-15 km north east from Selinsing and Buffalo Reef deposit.

**1.3 Selected Financial Information (IFRS)**

BALANCE SHEET	September 30, 2011	June 30, 2011	July1, 2010
Current assets	\$ 78,563,969	\$68,326,751	\$10,599,467
Other assets	60,743,514	56,415,756	56,568,191
Total assets	139,307,483	124,742,507	67,167,658
Current liabilities	3,592,469	4,919,497	3,637,939
Other liabilities	32,219,416	34,170,796	4,257,461
Non-controlling interests	592,374	-	-
Equity attributable to parent	102,903,224	85,652,214	59,272,258
Total liabilities and shareholders' equity	139,307,483	124,742,507	67,167,658
Working capital	\$ 74,971,500	\$63,407,254	\$6,961,528

**1.4 Operating highlights**

	Three months ended September 30,		Change	
	2011	2010		%
Revenue - gold sales	\$ 14,430,298	\$ 6,611,494	7,818,804	118%
Cost of gold sold (all cash cost)	2,480,340	1,074,841	1,405,499	131%
	11,949,958	5,536,653	6,413,305	116%
Depletion, amortization and accretion	1,117,954	106,363	1,011,591	951%
Income from mining operations	10,832,004	5,430,290	5,401,714	99%
Other operating expenses	906,901	922,045	(15,144)	(2%)
Income before other items	9,925,103	4,508,245	5,416,858	120%
Other income (loss)	2,113,310	(3,389,982)	5,503,292	(162%)
Net income for the period	12,038,413	1,118,263	10,920,150	977%
Earnings (loss) per share (EPS), basic	\$ 0.07	\$ 0.01	\$0.06	-
Weighted average number of common shares	178,836,156	158,865,028		
Fully diluted earnings (loss) per share	\$ 0.06	\$ 0.01	\$0.05	-
Fully diluted number of common shares	198,675,009	161,065,195		

**Summary**

The operating results of the Company reflect its income from operations, on-going corporate business development, administrative costs and other income or expenses such as interest, accretion expense, fair value gains or losses on derivative liabilities and foreign exchange gains or losses.

For the three months ended September 30, 2011, the gold production from the Selinsing Gold Project generated an income of \$9,925,103 net of operating and corporate expenses, or \$0.05 per share, which was increased by a change in fair value on derivative liabilities of \$2,214,219 estimated using Black-Scholes financial model, change in fair value on a gold forward contract of \$66,508, interest income of \$36,178, foreign exchange gain of \$17,856; an offset by the accretion expense of \$221,451; all of which resulted in a net income of \$12,038,413, or \$0.07 per share, compared to the net income of \$1,118,263, or \$0.01 per share, reported for the corresponding quarter in fiscal 2011.

**Sales, Cost of Goods Sold and Gross Margin from Mining Operations**

Revenue from the sale of metals is recognized in the financial statements when the following conditions are met: persuasive evidence of an arrangement exists; title and risk passes to buyer, the price is fixed or determinable; and collectability is reasonably assured. Incidental revenues from the sale of silver by-products are classified within cost of sales.

For the three months ended September 30, 2011, the Company had recognized gold sales of \$14,430,298, produced 11,846 ounces of gold and sold 8,372 ounces of gold at an average realized price of \$1,724 per ounce. In prior comparative period, gold sales for July 2010 and August 2010 of \$4,247,500 from 3,500 ounces sold and related production costs were capitalized against the Selinsing Gold Property and construction of the gold treatment plant. As at September 1, 2010, the Company completed the commissioning of the gold treatment plant and commenced full commercial production. Reported gold sales for the month of September 2010 were \$6,611,494 from 5,150 ounces sold.

For the three months ended September 30, 2011, cash cost of goods sold included mining operating results amounted to \$2,480,340 or \$297/oz (three months ended September 30, 2010: \$1,717,574, \$199/oz), comprised primarily of \$451,936, or \$54/oz for mining (2010 - \$422,399, \$49/oz accordingly); \$1,270,120, or \$152/oz for processing (2010 - \$767,055, \$89/oz accordingly); \$716,338 or \$86/oz for royalties (2010 - \$529,938, \$61/oz accordingly); and \$57,094 for operations, or \$7/oz (2010 - \$13,165, \$2 oz accordingly), offset by silver by-product sales of \$15,148, or \$2/oz (2010 - \$14,983, \$2/oz accordingly). The increase in processing costs was mainly due to increasing the operation of the Carbon in Leach circuit to design capacity; the higher realized gold sales price during three months ended September 30, 2011 triggered an increase in royalties per ounce in comparison to the prior period. Cash costs of goods sold for July 2010 and August 2010 were capitalized against the Selinsing Gold Property and construction of the gold treatment plant. Reported cost of gold sold for the month of September 2010 was \$1,074,841.

Depletion, Amortization and Accretion

Other production expenses included depletion and amortization of \$806,061 and \$63,229 and accretion of asset retirement obligations in amount of \$314,019 and \$43,134 for the three months ended September 30, 2011 and September 30, 2010, respectively. Depletion began in September 2010, in conjunction with the commencement of commercial production. The insignificant amount of gain on disposal of scrap material of \$2,126 for the three months ended September 30, 2010 was also included in other production costs.

Other operating costs

For the three months ended September 30, 2011, other operating costs of \$906,901 (three months ended September 30, 2010 - \$921,546) comprised of salaries, office and administration, legal and accounting, shareholder communications, conference and travel, regulatory compliance, project investigations and stock-based compensation. The total level of other operating costs for the three months ended September 30, 2011 is consistent to the same comparative period. Excluding stock-based compensation expenses of \$206,270 (2010 - \$418,502), amortization of \$70,330 (2010 - \$2,547), the Company incurred corporate expenses of \$630,301 (2010 - \$500,497), which represents an increase of 26% for the three months ended September 2011 in comparison to the previous period.

During the first quarter ended September 30, 2011, the general and administration expenses increased by 28% to \$393,178 from \$305,996 in the same period of the prior year, and include salary expenses of \$287,505 (2010 - \$199,664) and office rent, general office expenses \$105,673 (2010 - \$106,332). The salaries and administrative expenses increased compared to the same period of the prior year due to increased compensation and bonuses.

For the three months ended September 30, 2011, shareholder communications, conference and travel expenses totaled \$132,711 increased by \$26,892 from \$105,819 in the same period of fiscal 2010, reflecting increased activities in investor relations, conferences and travel for corporate development. The regulatory and filing expense was \$2,096 in the quarter ended September 30, 2011, compared to \$11,244 in the same period of fiscal 2010. Legal, accounting and audit expenses were \$98,761 in the quarter ended September 30, 2011 compared to \$77,438 in the same period of fiscal 2010, which is a 28% increase due increase in audit and audit review services.

For the three months ended September 30, 2011, \$208,567 (2010 - \$437,522) in stock-based compensation expenses was credited to contributed surplus, of which \$206,270 (2010 - \$418,502) was charged to operations, \$2,297 (2010 - Nil) was charged to inventory cost. There were no charge to exploration, mine development and construction of the plant during three months ended September 30, 2011 as the assets have been depleted since the start of commercial production. During three months ended September 30, 2010 the stock based compensation in amount of \$19,021 was capitalized to properties, plant and equipment.

For the three months ended September 30, 2011, amortization increased by \$67,783 to \$70,330 from \$2,547 in the same comparative period. The increase was mainly due to amortization on site buildings which were previously included under cost of sales.

Other income (loss)

The Company earned \$36,178 (2010 - \$13,180) interest income generated from the cash and cash equivalents balance for the quarter ended September 30, 2011. The Company recorded a foreign exchange gain of \$17,856 (2010 - foreign exchange loss of \$194,441) for three months ended September 30, 2011.

On August 11, 2010, the Company closed a \$13 million (CAD 13 million) financing consisting of \$8 million (CAD 8 million) in convertible notes and \$5 million (CAD 5 million) from a forward gold sale. As of September 30, 2011, an amount of \$221,451 of interest accretion on the convertible notes (2010 - \$57,312) was charged to income statement.

Company recognized a gain/loss in income statement on change of fair value of share purchase warrants with an exercise price in CAD, which is different to the Company's functional currency (US dollar) in accordance with IFRS. The Company re-measures the fair value of foreign currency share purchase warrants at each reporting date using the Black-Scholes model over the remaining life of the warrants and translates it into US dollar using the exchange rates at the reporting date. The gain in amount of \$2,214,219 was recorded for three months ended September 30, 2011 (2010 - loss of \$3,151,416) due to the change in fair value of foreign currency share purchase warrants.

On January 28, 2011, Monument entered into an "Agreement for Sale of Gold" (the "Gold Forward Contract") with Queenstake Resources USA, Ltd. a wholly-owned subsidiary of Yukon Nevada Gold Corp. to pay \$5,000,800 in advance to purchase 4,465 ounces of gold with a settlement date of June 30, 2011. As at June 30, 2011, the 4,465 ounces from the Gold Forward Contract were received and the Company realized a gain of \$1,602,306 on settlement, of the 4,465 ounces received, 3,465 were sold for proceeds of \$5,365,575. As at September 30, 2011, the remaining 1,000 ounces of gold bullion were sold with a realized gain of \$66,508.

**1.5 Summary of Quarterly Results**

The following is selected quarterly financial information about the Company, for its most recent eight quarters:

	Dec. 31, <sup>(a)</sup> 2009	Mar.31, <sup>(a)</sup> 2010	Jun. 30, <sup>(a)</sup> 2010	Sep. 30, 2010	Dec. 31, 2010	Mar. 31, 2011	Jun. 30, 2011	Sep. 30, 2011
<b>From Continued Operations</b>	\$	\$	\$	\$	\$	\$	\$	\$
Net income (loss)	(693,135)	(1,036,069)	(638,475)	1,118,263	4,594,353	18,621,089	12,694,590	12,038,413
Basic EPS	(0.00)	(0.01)	(0.00)	0.01	0.03	0.11	0.09	0.07
Diluted EPS	(0.00)	(0.01)	(0.00)	0.01	0.02	0.09	0.08	0.06

(a) 2010 quarterly information has not been restated to conform to IFRS and is presented with Canadian GAAP.

The operations produced positive income in fiscal 2011 since commercial production began in September 2010.

**1.6 Liquidity and Financial Condition**

The Company's principal cash requirements are working capital used for business development, general administration, property maintenance and development, construction of the gold treatment plant expansion, production operations at Selinsing and exploration at Selinsing, Buffalo Reef, Famehub and Mersing.

The Company's cash and cash equivalent, including restricted cash balance as at September 30, 2011 was \$60,184,666 increased by \$41,625,303 from \$18,559,363 as at September 30, 2010. For three months ended September 30, 2011, cash in amount of \$10,564,567 was generated from operations (2010 - \$3,367,696); \$5,707,406 of cash was provided from financing activities (2010 - \$11,367,726); and \$4,443,504 of cash was spent on investing activities for acquisition of property, plant and equipment acquisitions and construction (2010 - \$96,472, net of recoveries on gold sales before the commencement of commercial production).

For three months ended September 30, 2011, changes in non-cash working capital items amounted to a cash outflow of \$1,373,633 compared to the outflow of \$1,655,341 in the same period of fiscal 2010. The cash inflow for the current period consisted of decrease in accounts receivable of \$1,743,346, prepaid expenses and deposits of \$77,361; offset by cash outflow on inventory \$1,341,647, deferred costs of \$236,502, payable and accrued liabilities of \$1,612,193. The outflow for the same period ended September 30, 2010 was due to increase in accounts receivable of \$16,707, prepaid expenses and deposits of \$117,846, inventory of \$1,463,032, and decrease of \$57,756 in accounts payable and accrued liabilities. The increase in non-cash working capital items was primarily due to the investment in inventory at Selinsing Gold Project, reflecting the purchase of mine operation supplies, mining expenditures to stockpile ore and milling process expenditures to extract gold from ores.

For three months ended September 30, 2011, the Company generated \$5,707,406 (2010 - \$11,367,726) from financing activities. The cash was generated from proceeds received from stock option and share purchase warrants exercised of \$4,141,661 (2010 - \$30,391), proceeds of \$1,571,998 on sale of gold received from a forward sale contract (2010 - \$0). The finance cost in amount of \$1,295,403 was paid during three months ended September 30, 2010 and the capital lease payments were in amount of \$6,253 (2010 - \$662).

Construction and other capital expenditure comprised of \$2,699,907 as at September 30, 2011, which included \$1,971,709 of costs and deposits for construction on the Phase III plant expansion and \$728,198 for tailing storage facility expansion. Mineral properties development and acquisition costs of \$1,743,597 were incurred and capitalized during the first quarter ended September 30, 2011 (first quarter ended September 30, 2010 - \$4,883,444, which was offset by net profits from gold sales of \$3,604,767 charged to mineral properties during July and August, 2010 for a net of 1,278,677).

As at September 30, 2011, the Company had a positive working capital of \$74,971,500 compared to \$25,753,114 as at September 30, 2010, the increase of \$49,218,386 was a direct result of commencement of gold sales. Accounts payable increased to \$3,577,368 at September 30, 2011 from \$2,710,771 at September 30, 2010 primarily attributed to timing difference.

During the quarter ended September 30, 2011, shareholders' equity increased by \$17,153,975 primarily due to net income generated from operations of \$12,038,413, shares issued for Mersing project acquisition at a value of \$843,292, shares issued for the exercise of stock options and warrants for proceeds of \$4,160,738, an increase of \$208,567 in contributed surplus due to stock-based compensation. The Company exercises its best effort to seek and utilize its capital resources in an efficient manner in order to meet its business commitments including exploration and mineral property development, acquisitions, capital assets upgrades, etc.

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**1.7 Capital Resources**

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The Company's capital resources as at September 30, 2011 included cash and cash equivalents. The Company's primary sources of funding are through equity financing through the issuance of stock, debt financing and cash flow generated from the sale of gold. The Company exercises its best effort to seek and utilize its capital resources in an efficient manner in order to meet its business commitments including exploration and mineral property development, acquisitions, capital asset upgrades and working capital.

During the first quarter of fiscal 2012, pursuant to the terms of the Earn-In Agreement, Monument has initiated a two-year earn-in period of the Mersing Gold Project by paying \$500,000 cash and issuing 1,500,000 fully paid Monument shares to the vendors in exchange for 70% of the shares in EK in turn earned in 49 interest in the Mersing Gold Project. During the first two-year earn-in period, the Company is obligated to complete \$2,000,000 in exploration on the Mersing Gold Project.

At September 30, 2011 the Company had purchase commitments in amount of \$5,578,000 included in purchase commitments are consumables, spare parts for production, exploration, the Phase III plant construction, tailings expansion and property fees. The Company's ability to continue its mine development activities, exploration activities and production activities, and to continue as a going concern, will depend on its ability to obtain suitable financing and to generate cash flow from gold production. The Company has generated positive cash flow from operations in its first full quarter of commercial production. Management believes it is able to obtain adequate working capital to continue the on-going operations through its Selinsing mine operation and other financing vehicles. However, the positive cash flow generated from the plant cannot be seen as an indication for future profitability. The profitability of the Company is affected by various factors, including the amount of gold produced and sold, the market price of gold, operating costs, interest rates, environmental costs, labour risk and political risk. The Company seeks to manage risks associated with its business; however, many of the factors affecting these risks are beyond the Company's control.

Financing may be required from time to time to meet its business development program. Whether the Company is able to generate adequate cash to meet its capital requirements is affected by a number of external economic factors beyond the Company's control.

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**1.8 Off Balance Sheet Arrangements**

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None.

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**1.9 Transactions with Related Parties**

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Refer to note 14 of the condensed consolidated financial statements as at September 30, 2011.

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**1.10 Proposed Transactions**

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None.

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**1.11 Critical Accounting Estimates**

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Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions that affect the amounts reported. Significant estimates and areas where judgment is applied include fair values used to establish: mineral reserve quantities, the valuation of deferred consideration assets, property plant and equipment lives, tax provisions, deferred tax balances and timing of their reversals, share purchase warrant liabilities and equity instruments. Actual results could differ from the Company's estimates.

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**1.12 Changes in Accounting Policies including Initial Adoption**

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**First Time Adoption of International Financial Reporting Standards**

Refer to note 2 of the Unaudited Condensed Interim Consolidated Financial Statements.

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IFRS accounting policies

Refer to note 3 of the Unaudited Condensed Interim Consolidated Financial Statements.

Reconciliations from Canadian GAAP to IFRS

Refer to note 21 of the Unaudited Condensed Interim Consolidated Financial Statements.

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1.13 Financial Instruments – Risk Exposure and Other instruments

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The Company's financial instruments are classified as financial assets held for trading (cash and cash equivalents, restricted cash), loans and receivables (accounts receivable), financial liabilities held for trading (accounts payable, accrued liabilities) and the financial liabilities at fair value through profit or loss forward contracts, foreign currency share purchase warrants).

The Company's financial instruments are exposed to certain financial risks, including market risk, credit risk, and liquidity risk.

**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. Market risk is comprised of three types of risk: foreign currency risk, price risk and interest rate risk.

Currency risk

The Company is exposed to foreign currency risk to the extent financial instruments held by the Company are not denominated in US dollars.

The convertible notes, forward gold sale contract and foreign currency share purchase warrants contain a number of derivative components that would cause exposure to foreign currency risk. The Company has not hedged any of its currency risks. The derivative components associated to foreign currency fluctuation are fair valued at each period and gains or losses are recorded to its income (refer to note 9 and note 10 of the interim condensed financial statements for the quarter ended September 30, 2011).

Based on the net exposures of the financial instruments as at September 30, 2011 and assuming that all other variables remain constant, a 5% depreciation or appreciation of the RM against the US dollar would result in an increase/decrease of approximately \$95,800 in the Company's net income, depreciation or appreciation of the CAD against US dollar would result in an increase/decrease of approximately \$738,000 in the net income.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk or foreign currency risk.

The Company values the warrant derivative liabilities at fair value using the Black-Scholes option pricing model and record gains and losses to other income. Based on the net exposures as at September 30, 2011 and assuming that all other variables remain constant, a 5% increase/decrease in share market price would result in unrealized fair value loss/income of approximately \$1,107,000 in the Company's net income.

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 is subject to interest rate risk with respect to its cash equivalents and convertible notes.

The Company's cash equivalents bear interest at rates of 1.20% to 1.38% as at September 30, 2011 and mature on February 27, 2012.

However, this risk is limited because of the short-term maturity of these instruments. The Company's interest rate sensitivity analysis suggests they are not exposed to significant interest rate risk.

**Credit risk**

Credit risk is the risk of a loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

The Company's credit risk is attributable to its liquid financial assets. The Company established an investment policy to avoid any investments other than government t-bills, term deposits guaranteed by major Canadian financial institutions, or term deposits at major Malaysian banks which are guaranteed by the Malaysian government.

The Company's credit risk on the trade accounts receivable is negligible and the balances were collected subsequent to end of reporting period.

The Company is exposed to concentration of credit risk with respect to cash and cash equivalents: as at September 30, 2011 the amount of \$320,000 is held with a single Malaysian financial institution; the amount of \$59,557,000 is held with various Canadian financial institutions.

#### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through budgeting and forecasting cash flows to ensure it has sufficient cash to meet its short-term requirements for operations, business development and other contractual obligations. The Company's cash and cash equivalents are highly liquid and immediately available on demand for the Company's use.

The Company's convertible notes are due to be settled in August 2015.

#### **1.15 Outstanding Share Data**

The following details the share capital structure as at December 29, 2011, the date of this MD&A. These figures may be subject to minor accounting adjustments prior to presentation in future consolidated financial statements.

Exercise Price,	Number of common shares	Expiry date
Common shares	184,001,864	
Common shares stock options		
CAD 0.50	2,900,000	Jul 05, 2012
CAD 0.30	500,000	Jul 29, 2012
CAD0.30	1,600,000	Jun 08, 2013
CAD 0.40	13,160,000	Aug 15, 2013
CAD 0.25	1,459,167	Dec 05, 2013
CAD 0.40	230,000	Dec 05, 2013
CAD 0.50	400,000	Dec 05, 2013
CAD 0.25	300,000	Feb 09, 2014
CAD0.30	500,000	Jun 10, 2015
CAD0.42	3,000,000	Sep 29, 2015
CAD0.60	600,000	Nov 30, 2015
CAD0.68	120,000	Jan 27, 2016
CAD0.62	150,000	Jul 28, 2016
<b>Total</b>	<b>24,919,167</b>	
Share purchase warrants		
CAD 0.50	67,325,000	Jul 21, 2012
CAD 0.50	5,000,000	Aug 11, 2015
<b>Total</b>	<b>72,325,000</b>	

#### **1.14 Risks and Uncertainties**

Monument Mining Limited is an exploration, development and gold production company which looks for gold resources. The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation,

experience and knowledge may not eliminate. While the discovery of a mineral deposit may result in substantial rewards, few properties which are explored are ultimately developed into production. Major expenses may be required after initial acquisition investment to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in the discovery of mineral resources or a profitable commercial mining operation, and, on an industry statistical basis, it is unlikely that an economic operation will be developed.

Whether a mineral deposit, if ever discovered, will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure together impact on mine ability and recoverability, as well as metal prices which are highly cyclical and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

The Company has commenced gold production at its Selinsing gold mine and is currently generating a positive cash flow. The profitability of the production is depending on various factors, however, and may not be controllable by the Company.

Some major risks associated with the business are, but are not limited to, the following:

***Title to mineral property interests***

Although the Company has taken steps to verify the title to its mineral property interests, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defect. To the best of the Company's knowledge, title to its properties is in good standing.

***Realization of assets***

Mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, obtaining of permits, satisfaction of governmental requirements and possible aboriginal claims, attainment of successful production from the properties or from the proceeds of their disposal.

***Reserves and resource estimates***

There is a degree of uncertainty attributable to the calculation of reserves and resources and the corresponding grades. Reserve and resource estimates are dependent partially on statistical information drawn from drilling, sampling and other data. Reserve and resource figures set forth by the Company are estimates, and there is no certainty that the mineral deposits would yield the production of metals indicated by reserve and resource estimates. Declines in the market price for metals may adversely affect the economics of a deposit and may require the Company to reduce its estimates.

***Profitability from Production***

The profitability of mining companies depends, in part, on the actual costs of developing and operating mines, which may differ significantly from estimates determined at the time a relevant mining project was approved or ongoing projection. The development of mining projects may also be subject to unexpected problems and delays that could increase the cost of development and the ultimate operating cost of the relevant project. Monument's decision to acquire, develop a mineral property and operate production is based on estimates made as to the expected or anticipated project economic returns. These estimates are based on assumptions regarding:

- future gold prices;
- anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;
- anticipated recovery rates of gold extracted from the ore;
- anticipated material and spares cost associated to production, and
- anticipated capital expenditure and cash operating costs.

Actual cash operating costs, production and economic returns may differ significantly from those anticipated by such estimates.

***Environmental***

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the

restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current properties.

***Additional funding for building project pipelines***

The Company continues seeking new acquisition targets so as to increase its resource base. Additional capital may be required from time to time to fund such acquisitions and development in order to fulfill its business strategy. The additional capital may come from public market, debt financing and cash flow generated from current production, where largely influenced by integrated world and regional economy which are out of the Company's control. The management has successfully mitigated those risks in the past through exercise of due care, experiences and knowledge; however, those factors do not guarantee such risks will be successfully mitigated into the future.

***Foreign Operations***

The Company's properties are located in Malaysia, South-East Asia. Malaysia had a history of tin mines and currently has some gold mine operations at the central gold belt in Pahang State. In 2010, the increase in revenue from gold mine operations has brought mining to the government's attention. The Company has been received strong support from the local, state and federal government.

The Company's mineral exploration and mining activities may be affected in varying degrees by certain risks associated with foreign ownership including inflation, political instability, political conditions and government regulations. Any changes in regulations or shifts in political conditions are beyond the Company's control and may adversely affect the Company's business. Operations may be affected by government regulations with respect to restrictions on foreign exchange and repatriation, price controls, export controls, restriction of earnings distribution, taxation laws, expropriation of property, environmental legislation, water use, mine safety and renegotiation or nullification of existing concessions, licenses, permits, and contracts.

The regulations the Company shall comply with include, but are not limited to, the Mineral Enactment Act 2001, Mineral Development Act 2004, Environmental Quality Regulations 1978, The Planning Guideline for Environmental Noise Limit and Controls, Factories and Machinery Act 1967 and Occupational Safety and Health Act 1994.

Failure to strictly comply with applicable laws, regulations and local practices relating to mineral rights applications and tenure could result in loss, reduction or expropriation of entitlements, or closure of operations. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

***1.17 Disclosure Controls and Internal Controls over Financial Reporting******Disclosure Controls and Procedures***

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") on a timely basis so that appropriate decisions can be made regarding public disclosure.

An evaluation of the effectiveness of the design and operation of disclosure controls and procedures was conducted as of June 30, 2011, by and under the supervision of the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that the disclosure controls and procedures, as defined in Canada by Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that (i) information required to be disclosed in reports that are filed or submitted under Canadian securities legislation and the Exchange Act is recorded, processed, summarized and reported within the time periods specified in those rules and forms; and (ii) material information relating to the Company is accumulated and communicated to the Company's management, including the CEO and CFO, or persons performing similar functions.

***Internal Control over Financial Reporting***

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP. Management is responsible for establishing and maintaining adequate internal controls over financial reporting for the Company.

The Company's management, including the CEO and CFO, has evaluated the effectiveness of the internal controls over financial reporting. Based on this evaluation, management has concluded that internal controls over financial reporting were designed effectively as of September 30, 2011.

As a result of this review, it was determined that there were no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting except the following weakness

Inventory control:

The Company's inventory system is operated manually, therefore, is exposed to risk of human errors and is not considered as efficient. Inventory software was purchased but the development has not been completed. The Company has engaged a consulting firm to design an inventory system subsequent to the quarter ended September 30, 2011, targeting completion in March 2012.

While the Company's CEO and CFO believe that the Company's internal controls over financial reporting provide a reasonable level of assurance that they are effective, they do not believe that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

**Caution on Forward Looking Statements**

*All statements, other than statements of historical fact, contained or incorporated by reference in this Management's Discussion and Analysis, but not limited to, any information as to the future financial or operating performance of Monument, constitute "forward-looking information" or "forward-looking statements" within the meaning of certain securities laws, including the provisions of the Securities Act (Ontario) and are based on expectations, estimates and projections as of the date of this Management's Discussion and Analysis. Forward-looking statements include, without limitation, possible events, statements with respect to possible events, estimates of construction, commissioning and production of the gold treatment plant at Selinsing Gold Mine Project; exploration results and budgets, mineral reserve and resource estimates; capital expenditures; strategic plans; proposed financing transactions, the timing and amount of estimated future production, costs of production, success of exploration, development and mining activities, permitting timelines, estimates of fair value of financial instruments, currency fluctuations, requirements for additional capital, government regulation and permitting of mining operations and development projects, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. The words "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "guidance", "targets", "models", "intends", "anticipates", or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "should", "might", or "will be taken", "occur" or "be achieved" and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by Monument as of the date of such statements, are inherently subject to significant business, political, economic and competitive uncertainties and contingencies. The estimates and assumptions of Monument contained or incorporated by reference in this Management's Discussion and Analysis, which may prove to be incorrect, include, but are not limited to, the various assumptions set forth herein, or as otherwise expressly incorporated herein by reference as well as: (1) there being no significant disruptions affecting operations, whether due to labour disruptions, supply disruptions, power disruptions, damage to equipment or otherwise; (2) permitting, development, operations, expansion and acquisitions at Malaysia (including, without limitation, land acquisitions for and permitting and construction of new tailings facilities) being consistent with our current expectations; (3) development of the Phase III plant expansion on a basis consistent with Monument's current expectations; (4) the viability, permitting and exploration of Mengapur project being consistent with Monument's current expectations; (5) political developments in Malaysian jurisdiction in which the Company operates being consistent with its current expectations; (6) the exchange rate between the Canadian dollar, Malaysian ringgit, Australian dollar and the U.S. dollar being approximately consistent with current levels; (7) certain price assumptions for gold; (8) prices for natural gas, fuel oil, electricity and other key supplies being approximately consistent with current levels; (9) production and cost of sales forecasts for Selinsing operations meeting expectations; (10) the accuracy of current mineral reserve and mineral resource estimates for the Company and any entity in which it now or hereafter directly or indirectly holds an interest; (11) labour and materials costs increasing on a basis consistent with Monument's current expectations. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: fluctuations in the currency markets; fluctuations in the spot and forward price of gold or certain other commodities (such as diesel fuel and electricity); changes in interest rates that could impact the mark-to-market value of outstanding derivative instruments; risks arising from holding derivative instruments (such as credit risk, market liquidity risk and mark-to-market risk); changes in national and local government legislation, taxation, controls, regulations and political or economic developments in Canada, Malaysia or other countries in which the Company conducts business or may carry on business in the future; business opportunities that may be presented to, or pursued by, the Company; the Company's ability to successfully integrate acquisitions; operating or technical difficulties in connection with mining or development activities; employee relations; the speculative nature of gold exploration and development, including the risks of obtaining necessary licenses and permits; diminishing quantities or grades of reserves; adverse changes in our credit rating; and contests over title to properties, particularly title to undeveloped properties. In addition, there are risks and hazards associated with the business of gold exploration, development and*

mining, including environmental hazards, industrial accidents, unusual or unexpected formations, pressures, cave-ins, flooding and gold bullion losses (and the risk of inadequate insurance, or the inability to obtain insurance, to cover these risks). Many of these uncertainties and contingencies can affect, and could cause, Monument's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, Monument. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Forward-looking statements are provided for the purpose of providing information about management's expectations and plans relating to the future. All of the forward-looking statements made in this Management's Discussion and Analysis are qualified by these cautionary statements and those made in our other filings with the securities regulators of Canada including, but not limited to, the cautionary statements made in the "Risk Factors" section. These factors are not intended to represent a complete list of the factors that could affect Monument. Monument disclaims any intention or obligation to update or revise any forward-looking statements or to explain any material difference between subsequent actual events and such forward-looking statements, except to the extent required by applicable law.

**Other information**

Where we say "we", "us", "our", the "Company", or "Monument" in this Management's Discussion and Analysis, we mean Monument Mining Limited and/or one or more or all of its subsidiaries, as may be applicable. The technical information about the Company's material mineral properties contained in this Management's Discussion and Analysis has been prepared under the supervision of Snowden Mining Industry Consultants company who is a "qualified person" within the meaning of National Instrument 43-101.