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Monument makes it happen in Malaysia

JUNIOR REAPS REWARDS FOR BUILDING MINE DURING THE DOWNTURN

SITE VISIT

KUALA LIPIS, MALAYSIA — True believers will persevere in the face of adversity. When the believers are mine builders, the recession of 2008-09 was the picture of adversity — the investment capital that provides necessary funding for developing mines all but disappeared.

Monument Mining (MMY-V) felt that adversity as much as anyone. The Vancouver-based junior had raised \$28 million through equity financing and arranged a \$10-million credit line to build a 1,200-tonne-per-day gold mine in Malaysia. But when the company went to tap into its debt, the lenders disappeared. It was December 2008.

Suddenly, a year's worth of engineering, design, permitting, and contracting evaporated. Without the additional \$10 million, Monument did not have enough money to build its gold mine.

But Monument's president and CEO Robert Baldock is not one to give up. This is, after all, the man who was also busy turning around a bankrupt **Yukon Nevada Gold** (YNG-V) in record time. So Baldock sat down with his mine manager, Kevin Wright, and others from his management team and they considered their options.



BY GWEN
PRESTON

Nine months later, Monument Mining had built half of the mine and poured its first gold doré bar. Over the next nine

months the company used cash flow from the first half of the mine to build and commission the other half of the operation and, in October, Monument officially opened the fully operational Selinsing gold mine. Monument is now able to produce a gold ounce for less than US\$300, leaving it with more than enough revenue to double the throughput at Selinsing while still exploring its highly prospective land package.



An aerial view of Monument Mining's mill at the Selinsing gold mine in Pahang state, Malaysia.

MONUMENT MINING

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So, when gold is selling for US\$1,300 per oz. and you're in the business of building gold mines, it would seem perseverance really does pay.

Building Selinsing

Selinsing is in western Malaysia's Central gold belt, an area that also hosts two other operating gold mines. A local company operated a small mine at Selinsing for a few years in the 1990s, producing 2,000 to 5,000 oz. gold annually, but the mine went broke.

The owner of one of the other mines in the area, **Avocet Mining** (AVM-L), was interested in Selinsing but the owner was not interested in selling to Avocet. Unable to buy the mine, Avocet instead bought a package of land to the north, known as Buffalo Reef, and embarked on a drill program.

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BY GWEN PRESTON

Monument's exploration manager Kalai Vani Govindasamy Naidu (second from left) with the exploration team at the Selinsing gold mine opening in Malaysia.

Then Baldock learned about this gold mine for sale in Malaysia. After visiting the site, Baldock went to Vancouver, raised \$10 million and inked a deal for Selinsing. The deal, signed in mid-2007, valued the property at \$29 million, which Monument paid through \$3.5 million cash, a promissory note of \$9 million fair valued at \$8.2 million, the issuance of 31.4 million treasury shares valued at 50¢ apiece, and 5 million warrants.

Baldock also convinced Avocet to sell its Buffalo Reef property to Monument. The Avocet deal, which cost the company another \$1.75 million in cash, 15 million treasury shares, and 7.5 million warrants, gave Monument a land package that stretches for 12 km along the regional gold trend.

Within a year, Monument had proven up a resource: 3.6 million indicated tonnes grading 1.76 grams gold per tonne and 7.7 million inferred tonnes averaging 1.34 grams gold. It is a small resource, but the company was not concerned. Bal-

dock wanted to build a mine and 535,000 oz. of contained gold was enough to get started. The rest of the exploration could wait until there was cash flow from a mine to fund it.

So in 2008 Monument got ready to build its mine. In May the company embarked on raising the necessary capital, arranging the \$28-million private placement and the \$10-million credit facility. In August the company hired Wright as mine manager and in October, after receiving construction permits, the board resolved to build a mine at Selinsing.

But then the adversity hit: the bank withdrew its offer of a \$10-million credit facility.

"Right through to December 2008 we thought we were on track," says Baldock. "We were all dressed up with all this work done and then, bam, we had no one to dance with."

It was back to the drawing board, literally. The team realized they had enough money to build half of the mine, so they

re-engineered the processing facility such that it could be built in two stages. The first portion included the crusher and gravity concentration circuit, which recovers roughly 60% of the gold contained in Selinsing ore. With those components up and running, Monument was able to pour its first gold doré bar in October 2009 and had the gravity circuit fully commissioned by the beginning of 2010.

Over the next year Monument poured and sold gold, generating \$16 million and enabling the company to build the other half of the operation. The carbon-in-leach (CIL) circuit was ready for commissioning by July. Combined, the two phases of development at Selinsing cost \$17.4 million.

Against all odds, Monument had managed to bring its mine into production just a few months behind schedule. The operation is now churning through its nameplate capacity of 900 tonnes of ore daily, to produce 40,000 oz. gold annu-

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ally. In September, its first month of official commercial production, the Selinsing mine produced 4,183 oz. gold at an average cash cost of US\$212 per oz. The 5,150 oz. gold sold in that month brought in revenues of US\$6.6 million and net income of US\$4.5 million.

The current mine plan estimates a strip ratio of 3.25-to-1 for the first five years of operation, which covers the first pit. But that pit could grow considerably, as the shell was designed based on a gold price of US\$750 per oz. Increasing the price to US\$1,000 per oz., decreases the cutoff grade from 0.8 gram gold to 0.4 gram gold, adding another 1.5 million tonnes to the pit's reserves.

To maximize cash flow during payback, Monument is actually stockpiling all of the material carrying gold grades between 0.4 and 0.8 gram gold. This low-grade stockpile will then be available for processing in later years, when the operation has paid for itself. This system means the mill head grade now averages 3.5 grams gold and will continue at that level until at least 2013.

The company now has US\$25.7 million available in working capital. Some of that money will go towards expanding the mine: Monument wants to double production to 80,000 oz. gold annually as quickly as possible, which will require adding a second ball mill and doubling the capacity of the CIL tanks. Much of the design work for the expansion of the processing facility is already complete and the company has bought the additional ball mill. In addition, since the operation uses contract mining, to increase ore production, Monument just has to tell the contractor to use bigger trucks.

Baldock says Monument is also on the lookout for acquisitions. He says the company will likely remain focused on Southeast Asia, seeking out opportunities similar to Selinsing.

And the company's working capital

will also go towards catching up on exploration. The only downside of Monument's rush to production at Selinsing is that the exploration program is behind schedule. But the company is now working to correct that oversight, recently kicking off a US\$3.3-million drill program.

Selinsing's potential

The Selinsing deposit occurs along the north-striking Raub-Bentong Suture, a major tectonic feature that runs through peninsular Malaysia. The other two gold mines along the same trend, known as Raub and Terseng, each boast resources of more than 2 million oz. gold.

The Suture is a 10- to 20-km wide zone of mixed metasedimentary rocks and mafic to ultramafic igneous rocks that separate the continental sedimentary rocks in the west from the fore-arc sedimentary rocks in the east. The mixed rocks within the shear zone have undergone low-grade metamorphism in an event that also brought gold.

Selinsing lies on the eastern flank of the Suture, within a sequence of phyllitic sandstone and siltstone. Gold is hosted in a series of quartz veins and veinlet stockworks.

The style of mineralization at Selinsing, which includes bonanza-grade segments and abundant silicification and brecciation, suggests a high level of geologic activity along the Raug-Bentong Suture. As such, Monument is excited to explore its 12-km long land package, searching for larger, intrusive-related targets.

Monument now has three drills turning, with three main goals.

The first focus at Selinsing is to increase the open-pit reserves. The current mine plan calls for the pit to stretch along 300 metres north-south and extend to 400 metres. An inferred resource lies below that depth, so to include that mineralization in the mine plan, Monument

is drilling 22 holes aimed at upgrading the inferred resource.

The next target at Selinsing is Buffalo Reef, the chunk of land north of the mine that Monument bought from Avocet. The area is already home to an historic resource, and with a bit of drilling Monument wants to prove up and then expand the historic numbers. The company is working through a 33-hole program at Buffalo Reef.

And north of Buffalo Reef is the Famehub land package, which Monument acquired just recently. The acquisition added 129.5 sq km to the Selinsing project, extending Monument's reach farther north and east. The east component is important, as the phyllite body hosting gold at Selinsing dips to the east and remains completely open in that direction. Previous owners spent A\$40 million at Famehub, completing geophysics, stream sampling, soil sampling, and some drilling, so Monument was able to identify drill targets quickly. The company plans to drill 61 holes there over the next 12 months.

"We have lots of work to do here — we could be drilling for a decade or more," says Baldock. "But now we have the cash flow to do it. We have more than \$22 million in the bank and we're making another \$4 million or so each month, so we can be talking about buying another drill and expanding the mill."

Working in Malaysia

Malaysia is a country of 28 million governed by a parliamentary democracy. There is a king, but the monarch's powers in Malaysia are similar to those held by the Queen of England. And interestingly the position rotates, every four years, among the royal families of Malaysia's nine Malay states.

The country was ruled by the British, starting in the late 1700s and lasting until its recent independence in 1957. Since its

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independence Malaysia has had one of the best economic records in Asia, with gross domestic product growing at an average rate of 6.5% for 50 years. The economy has traditionally been fueled by natural resources: Kuala Lumpur was founded on tin mining, which has since ceased, but petroleum, palm oil, and rubber remain important exports. In the last 30 years the economy has diversified significantly, with manufacturing, shipping, banking, and tourism taking up key roles.

The defining characteristic of Malaysian people is their diversity. Waves of immigration over the last 500 years brought people from all over Asia and parts of Africa, and the country now prides itself on being the melting pot of Asia. Islam is the largest religion, and the official religion of the country, but Christianity, Buddhism, Hinduism, and traditional Chinese religions are all represented.

And mining is part of Malaysia's past, present and future. The past included tin, copper, and silver; presently the country produces many mineral products, including gold, bauxite, iron ore and coal. The mineral industry employed 43,000 Malaysians in 2007 and the government, aware that the Bre-X Minerals scandal of the late 1990s hin-

dered mineral exploration in Southeast Asia for years, is supportive of mining ventures.

A good example of that support is Selinsing's tax holiday: the mine's current profitability is being helped along by the fact that Monument is exempt from paying taxes to the Malaysian government for five years. Once the holiday expires, income tax will jump up to 28%, a fairly normal rate. The mine also has to pay a 5% net smelter return royalty.

Monument directly employs 155 people at Selinsing; the mining contractor adds another 35 people to the site. Three-quarters of the employees at Selinsing live within 20 minutes drive, which is a significant plus in a country where many move far from their home towns to find work. The mine's exploration manager, Kalai Vani Govindasamy Naidu, is a good example: she spent many years working in Australian mines before a job at Selinsing allowed her to come back to her home country and to a mine just five hours from her family.

"We hired lots of people who had left their home area to look for work, so now they can return home to live near their families," says Wright. The company also offers scholarships to young people pursuing careers in mining and tries to

purchase from local suppliers..

As for what it is like to build a mine in Malaysia, Baldock says he's been happy with the procedure. In particular, he says the government was flexible and worked with the company to keep things moving forward when the financing evaporated and plans had to change.

Construction permits in Malaysia are reasonably easy to get, but they do not authorize the builder to operate the structure in question. For example, based on its plans Monument was granted a permit to build its Selinsing mill, but it was not allowed to run the mill until inspectors granted the company an operating permit.

"The process certainly made some people who weren't used to it being done that way, including myself, a bit nervous because of course there's the big question: what if we build it and they don't like it?" says Wright. "But we designed everything to international standards, so we were confident it would work out."

Since achieving production in September, Monument has seen its share price climb from the 30¢ range to above 60¢, closing recently at 68¢. The company has 171 million shares outstanding, 302 million fully diluted.