Consolidated Financial Statements of

MONUMENT MINING LIMITED

Three Months Ended September 30, 2010

UNAUDITED INTERIM FINANCIAL STATEMENTS
(Expressed in United States dollars)

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Monument Mining Limited have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal controls designed to provide reasonable assurance that the assets are safeguarded, all transactions are authorized and duly recorded, and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the consolidated financial statements with management and the external auditors.

"Robert Baldock"	"Cathy Zhai"
Robert Baldock, President and Chief Executive Officer	Cathy Zhai, Chief Financial Officer

Vancouver, British Columbia
November 29, 2010

MONUMENT MINING LIMITED

Consolidated Balance Sheets

(Unaudited, expressed in U.S. dollars)

	September 30, 2010	June 30, 2010
Assets		
Current		
Cash and cash equivalents	$ 18,376,210	$ 3,709,468
Restricted cash (note 3)	183,153	173,731
Accounts receivable	2,437,016	1,836,782
Prepaid expenses and deposits	255,021	86,134
Inventory (note 4)	7,164,869	4,526,110
	28,416,269	10,332,225
Restricted inventory (notes 4 and 9(c))	64,102	-
Property, plant and equipment (note 6)	34,661,377	16,458,763
Mineral properties (note 7)	18,017,446	33,650,242
Deferred costs	-	224,022
	52,742,925	50,333,027
	$ 81,159,194	$ 60,665,252
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities (note 12)	$ 2,710,771	$ 3,610,943
Current portion of capital lease obligations (note 8)	14,776	13,829
	2,725,547	3,624,772
Capital lease obligations (note 8)	43,215	44,599
Deferred revenue (note 9)	2,660,831	-
Convertible notes (note 9)	4,197,089	-
Derivative liabilities (note 9)	6,183,153	-
Asset retirement obligation	2,602,444	2,410,655
Future income tax	695,906	672,633
	19,108,185	6,752,659
Shareholders' equity		
Share capital (note 10)	62,382,822	58,923,650
Contributed surplus (note 10(e))	9,696,585	7,625,229
Accumulated other comprehensive income (loss)	518,173	(1,379,420)
Deficit	(10,546,571)	(11,256,866)
	62,051,009	53,912,593
	$ 81,159,194	$ 60,665,252

(1) Commitments (note 13)

(2) Subsequent Events (note 16)

Approved on behalf of the Board:

"Robert Baldock" — Robert Baldock, Director

"George Brazier" — George Brazier, Director

See accompanying notes to consolidated financial statements.

MONUMENT MINING LIMITED

Consolidated Statements of Operations, Deficit and Accumulated Other Comprehensive Income (Loss)
(Unaudited, expressed in U.S. dollars)

	For the three months ended September 30, 2010	2009
Revenue		
Gold sales	$ 6,611,494	$ -
Cost of goods sold	1,090,945	-
	5,520,549	-
Depletion and amortization	61,988	-
Accretion of asset retirement obligation	20,694	-
Income from mining operations	5,437,867	-
Expenses		
Stock-based compensation (note 10(d))	418,502	399,978
General and administration (note 12)	306,020	207,827
Legal, accounting and audit	77,839	59,583
Shareholder communications	52,171	21,319
Travel	53,678	23,342
Regulatory compliance and filing	11,288	5,170
Amortization	2,547	4,170
	922,045	721,389
Income (loss) before other items	4,515,822	(721,389)
Other income (loss)		
Interest income	13,187	21,064
Foreign currency exchange gain (loss)	(306,405)	29,256
Change in fair value of forward contract	-	(14,067)
Accretion expense (note 9)	(84,288)	-
Loss on derivative liabilities (note 9)	(3,428,021)	-
	(3,805,527)	36,253
Net income (loss) for the period	710,295	(685,136)
Other comprehesive income		
Unrealized gain on translation to U.S. dollar reporting currency	1,897,593	4,329,095
Net income and comprehensive income for the period	$ 2,607,888	$ 3,643,959
Earnings (loss) per share, basic and diluted (note 11)	$ 0.00	$ (0.00)
Deficit, Beginning of the period	(11,256,866)	(8,485,648)
Net income (loss) for the period	710,295	(685,136)
Deficit, End of the period	$ (10,546,571)	$ (9,170,784)
Accumulated other comprehensive loss, Beginning of the period	(1,379,420)	(6,040,276)
Other comprehensive income for the period	1,897,593	4,329,095
Accumulated other comprehensive income (loss), End of the period	$ 518,173	$ (1,711,181)

See accompanying notes to consolidated financial statements.

MONUMENT MINING LIMITED

Consolidated Statements of Cash Flows

(Unaudited, expressed in U.S. dollars)

	For the three months ended September 30, 2010	2009
Operating Activities		
Net income (loss) for the period	$ 710,295	$ (685,137)
Items not involving cash		
Unrealized foreign exchange gain from asset retirement accretion	96,897	(86,533)
Unrealized foreign exchange loss	128,561	99,032
Stock-based compensation	418,502	399,978
Changes in fair value of forward contract	-	9,208
Accretion expense	84,288	-
Loss on derivative liabilities	3,428,021	-
Amortization	2,545	4,170
	4,869,109	(259,282)
Change in non-cash working capital items		
Accounts receivable	(2,382,635)	11,232
Prepaid expenses and deposits	(164,234)	(867)
Inventory	(1,498,907)	-
Accounts payable and accrued liabilities	(81,350)	(160,510)
	(4,127,126)	(150,145)
Cash provided by (used in) operating activities	741,983	(409,427)
Financing Activities		
Proceeds from exercise of stock options	30,391	-
Cost of share issuance for debt settlement	-	(1,066)
Proceeds from convertible notes	7,696,000	-
Proceeds from forward gold sale	4,810,000	-
Transaction costs on convertible notes and forward gold sale	(1,276,757)	-
Payment of capital lease obligation	(2,434)	-
Cash provided by (used in) financing activities	11,257,200	(1,066)
Investing Activities		
Expenditures on mineral properties, net of recoveries	3,769,264	(336,039)
Expenditures on property, plant and equipment, net of recoveries	(1,244,399)	(1,654,894)
Cash provided by (used in) investing activities	2,524,865	(1,990,933)
Foreign exchange effect on U.S. currency reporting translation	280,677	394,272
Foreign exchange effect on cash	(128,561)	(99,032)
Increase in cash and cash equivalents	14,676,164	(2,106,186)
Cash and cash equivalents, beginning of the period	3,883,199	5,318,274
Cash and cash equivalents, end of the period	$ 18,559,363	$ 3,212,089
Cash and cash equivalents consist of:		
Cash	$ 8,806,338	$ 1,286,583
Cash equivalents	9,569,872	1,818,445
Restricted cash	183,153	107,061
	$ 18,559,363	$ 3,212,089

Supplemental Cash Flow Information (note 14)

See accompanying notes to consolidated financial statements.

1. Organization and Nature of Operations

Monument Mining Limited (the "Company") is a natural resource company engaged in the acquisition, exploration, development and operation of gold mineral property interests. Its primary activities include open pit mining and operation of a 1,200 tpd ("tonnes of ore per day") gold treatment plant at the 100% owned Selinsing Gold Project ("Selinsing") and exploration on the 100% owned Damar Buffalo Reef and Famehub prospects (note 7). The Company's head office is located in Vancouver, BC, Canada. Its gold project operations, exploration and development activities are carried out in Malaysia through its wholly owned integrated subsidiaries.

Effective September 1, 2010, the Company achieved commercial production at the Selinsing Gold Mine, and subsequently closed the acquisition of the Famehub properties and initiated new exploration programs on all its Malaysian mineral properties.

Upon the attainment of commercial production, the Company started to record proceeds from the sale of gold as revenues and associated expenses as cost of goods sold against operations instead of charging them against mineral properties and construction in progress. Further, given the Company achieved commercial production, the Company reclassified construction in progress costs to their respective property, plant and equipment classes, reclassified accumulated exploration and development costs on the Selinsing Gold Property from mineral properties to property, plant and equipment and started to amortize the corresponding amounts in accordance with the Company's amortization policy.

2. Significant Accounting Policies

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") with the Canadian dollar as the functional currency.

Basis of presentation

The unaudited interim consolidated financial statements include the accounts of the Company and its wholly-owned integrated Malaysian subsidiaries: Polar Potential Sdn. Bhd., Able Return Sdn. Bhd., Selinsing Gold Mine Manager Sdn. Bhd., Damar Consolidated Exploration Sdn. Bhd. and Famehub Venture Sdn. Bhd ("Famehub"). All material intercompany balances and transactions have been eliminated on consolidation. The results of operations for the three-month period ended September 30, 2010 are not necessarily indicative of the results for the full year.

These unaudited interim consolidated financial statements do not include all disclosures required for annual financial statements, and should be read in conjunction with the notes to the Company's audited annual consolidated financial statements for the year ended June 30, 2010. The accounting policies followed by the Company are set out in notes 2 and 3 to the consolidated financial statements for the year ended June 30, 2010 and they have been consistently followed in the preparation of these interim financial statements, except for the following changes:

Change in Reporting Currency

Effective July 1, 2010, the Company changed its reporting currency from the Canadian dollar ("CAD") to the U.S. dollar ("USD"). The change in reporting currency increases transparency of the financial results of the Company and provides better visibility for the stakeholders as the Company has commenced its commercial gold production.

Prior to July 1, 2010, the Company reported its annual and quarterly consolidated balance sheets and the related consolidated statements of operations, deficit, and accumulated comprehensive income (loss) and statements of cash flows in CAD. In making the change in reporting currency, the Company followed the recommendations of the Emerging Issues Committee ("EIC") of the Canadian Institute of Chartered Accountants ("CICA"), set out in EIC-130 — "Translation Method when the Reporting Currency Differs from the Measurement Currency or there is a Change in the Reporting Currency" ("EIC-130").

In accordance with EIC-130, the financial statements for all the periods presented have been translated to USD, using the current rate method. Under this method, the statements of operations, deficit and accumulated other comprehensive income (loss) and statements of cash flows for each period, as well as, transactions impacting shareholder's equity have been translated using the exchange rates prevailing on the transaction dates. Assets and liabilities have been translated using the exchange rate prevailing at the date of the consolidated balance sheets.

2. Significant Accounting Policies (continued)

Change in Reporting Currency (continued)
All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income in the amount of $1,897,593 (2009 - $4,329,095). All comparative financial information has been restated to reflect the Company's results as if they had been historically reported in USD.

Business combinations
In January 2009, the CICA issued Section 1582, "Business Combinations" ("HB 1582"), Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace former Section 1581," Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of business activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements. The Company early adopted these sections as of July 1, 2010 with no significant impact on the consolidated financial statements (see note 7(c)).

Hybrid Instruments
On initial recognition, the Company allocates the proceeds on hybrid instruments between the debt and equity components by first allocating the proceeds to the debt components using the relative fair value method with any residual value being allocated to the equity components. Transaction costs are allocated between the various components on the relative fair value basis.

Subsequent to initial recognition, the Company records debt classified as other financial liabilities at amortized cost using the effective interest method such that upon maturity, the debt balance recorded will equal the maturity value of the remaining outstanding debt. The corresponding transaction costs are recorded against the debt and are amortized over the term to maturity. The increase in the debt balance and amortization of related financing costs are reflected as interest and accretion expense in the consolidated statement of operations, deficit and accumulated other comprehensive income (loss).

The derivatives are adjusted to fair value at each reporting period with the corresponding gain or loss reported in the consolidated statement of operations. The corresponding transaction costs are expensed against operations during the period the transaction closed.

The value of any equity component remains unchanged in future periods except upon the exercise of warrants when the value is reclassified to share capital. The corresponding transaction costs are recorded against the equity component.

Future accounting changes

International Financial Reporting Standards ("IFRS")
In February 2008, the Accounting Standards Board announced that 2011 is the changeover date for publicly-listed companies to apply IFRS. The changeover is effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The effective date will require the restatement of comparative amounts reported by the Company for the year ending June 30, 2011. The Company has commenced the process to transition from current Canadian GAAP to IFRS. The transition process consists of diagnostic phase; impact analysis, evaluation and design phase; and implementation and review phase.

3. Restricted Cash

	September 30, 2010	June 30, 2010
Bank Guarantee for customs clearance (a)	$ 16,274	$ 15,334
Letter of Credit and payment guarantee for equipment (b)	166,879	158,397
	$ 183,153	$ 173,731

For the three months ended September 30, 2010 and 2009 (in U.S. dollars)

3. Restricted Cash (continued)

As at September 30, 2010:

a. The Company has lodged cash in the amount of $16,274 (June 30, 2010 - $15,334) to meet customs clearance requirements. The cash is backed by a bank facility with a limit of $324,192 (RM1,000,000).

b. The Company has entered into agreements restricting cash of $166,879 (June 30, 2010 - $158,397) for payment on agitators and power supply equipment.

4. Inventory

	September 30, 2010	June 30, 2010
Mine operating supplies	$ 619,905	$ 402,986
Stockpiled ore	5,845,229	3,892,296
Work in progress	699,735	230,828
Finished goods	64,102	-
	$ 7,228,971	$ 4,526,110
Less: restricted finished goods (note 9)	64,102	-
	$ 7,164,869	$ 4,526,110

5. Financial Instruments – Fair Value

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable (excluding refundable taxes), accounts payable and accrued liabilities, convertible notes, conversion feature and FX Components (note 9).

The Company has classified its cash and cash equivalents and restricted cash as held-for-trading. Accounts receivable (excluding refundable taxes) are classified as loans and receivables. Accounts payable and accrued liabilities and convertible notes are classified as other financial liabilities. Conversion feature and FX Components are classified as derivative liabilities.

The carrying amounts of cash and cash equivalents, restricted cash, accounts receivable (excluding refundable taxes) and accounts payable and accrued liabilities are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments.

The following table sets forth the Company's financial liabilities measured at fair value by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Convertible notes	$ -	$ -	$ 4,197,089	$ 4,197,089
Conversion feature	$ -	$ -	$ 5,830,800	$ 5,830,800
FX Components	$ -	$ 352,353	$ -	$ 352,353
	$ -	$ 352,353	$10,027,889	$10,380,242

For the three months ended September 30, 2010 and 2009 (in U.S. dollars)

6. Property, Plant and Equipment

	Cost	Accumulated amortization	Net book value, September 30, 2010	Cost	Accumulated amortization	Net book value, June 30, 2010
Selinsing Gold Property (note7(a))	$ 19,241,906	$ 891,879	$ 18,350,027	$ -	$ -	$ -
Buildings	785,766	24,726	761,040	695,460	20,102	675,358
Furniture and equipment	868,094	83,362	784,732	390,492	59,942	330,550
Computer	322,746	75,510	247,236	254,501	63,972	190,529
Vehicle	195,662	91,816	103,846	189,119	79,289	109,830
Heavy equipment	1,242,305	-	1,242,305	1,200,759	-	1,200,759
Plant	13,573,117	407,281	13,165,836	-	-	-
Construction in progress	-	-	-	14,140,851	201,558	13,939,293
Deposit for construction	6,355	-	6,355	12,444	-	12,444
	$ 36,235,951	$ 1,574,574	$ 34,661,377	$ 16,883,626	$ 424,863	$ 16,458,763

Upon the attainment of commercial production, the Company reclassified construction in progress costs to their respective classes of property, plant and equipment and reclassified the Selinsing Gold Property from mineral properties to property, plant and equipment. Further, the Company started to amortize the corresponding assets in accordance with its amortization policy. The Selinsing Gold Property and Plant are amortized on the unit-of-production basis over the expected life of the mine.

Construction in progress was reallocated to plant of $12.4 million, furniture and equipment of $0.4 million and Selinsing Gold Property of $1.2 million for roads, tailings storage and detoxification pond. An amount of $0.6 million for asset retirement obligations was allocated to the plant from Selinsing Gold Property.

For the three months ended September 30, 2010 and 2009 (in U.S. dollars)

7. Mineral Properties

	Selinsing Gold Property (Development)	Buffalo Reef (Exploration)	Famehub (Exploration)	Total
June 30, 2010	$ 21,073,300	$ 12,576,942	$ -	$ 33,650,242
Reclassification to property, plant and equipment	(21,073,300)	-	-	(21,073,300)
	-	12,576,942	-	12,576,942
Acquisition costs	-	-	4,900,714	4,900,714
Assay and analysis	-	(1,563)	-	(1,563)
Drilling	-	38,091	-	38,091
Geological	-	52,128	-	52,128
Site activities	-	9,271	-	9,271
	-	97,927	4,900,714	17,477,656
Cumulative other comprehensive income	-	441,863	-	441,863
September 30, 2010	$ -	$ 13,116,732	$ 4,900,714	$ 18,017,446

Title to mineral properties

Although the Company has taken steps to verify the title to its mineral properties, 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, titles to its properties are in good standing.

Realization of assets

The investment in and expenditures on mineral properties 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, the attainment of successful production from the properties or from the proceeds of their disposal.

Mineral exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

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.

7. Mineral Development Properties (continued)

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 or former properties that may result in material liability to the Company.

a. Selinsing Gold Property

The property is located in Pahang State, Malaysia. The Company acquired a 100% interest in the Selinsing Gold Property in 2007 and since has developed a producing mine by building a 400,000 tonnes per annum capacity gold treatment plant consisting of a gravity circuit and a Carbon In Leach (CIL) circuit designed to operate simultaneously. As at September 1, 2010, the Company completed the commissioning of the gold treatment plant and commenced commercial production. Accordingly, the accumulated cost was transferred from mineral properties to property, plant and equipment (note 6) and the Company began amortizing the carrying value on the unit-of-production basis.

b. Buffalo Reef Prospect

On June 25, 2007, the Company acquired 100% of the common shares of Damar Consolidated Exploration Sdn. Bhd., a wholly-owned subsidiary of Avocet Mining PLC ("Avocet"), incorporated under the laws of Malaysia, thereby effectively acquiring 100% of the Buffalo Reef Tenement property interests, which lie continuously and contiguously along the gold trend upon which the Selinsing Gold Property is located.

The Company was obligated to fund a $400,000 exploration program on the Buffalo Reef Tenement over two years. Avocet is entitled to receive US$12 per ounce of gold discovered on a notional 49% of the ounces discovered as a result of the $400,000 two-year post closing exploration program. In fiscal 2009, Avocet terminated the Company's exploration payment obligation for consideration of $1.

During the three months ended September 30, 2010, a twelve month exploration program recommenced at the Buffalo Reef Prospect.

c. Famehub Acquisition

On January 14, 2008, the Company signed a Letter of Intent ("LOI") with Famehub Venture Sdn Bhd. ("Famehub"), a company incorporated in Malaysia. Pursuant to the LOI, Famehub agreed to sell and the Company agreed to purchase a land package of approximately 32,000 acres of prospective exploration land and associated data base. This land is located to the east of Selinsing's Gold Project and Buffalo Reef exploration property.

On August 13, 2010, the parties entered into a formal "Agreement of Purchase and Sale of Shares" under which the Company agreed to purchase the above described assets, through its wholly owned subsidiary Damar Consolidated Exploration Sdn Bhd, by acquiring 100% of the issued and outstanding Famehub shares for cash of CAD$1,500,000 (US$1,457,700), of which a CAD$50,000 (US$48,590) deposit was paid in 2009, and the issuance of 14,000,000 fully paid shares of the Company (the "Famehub Acquisition"). Although the Company acquired 100% of the issued and outstanding common shares of Famehub, the Famehub Acquisition does not meet the definition of a business under HB 1582; accordingly, the Famehub Acquisition was accounted for as an asset acquisition.

The transaction closed on September 13, 2010, and accordingly, the Company issued 14,000,000 common shares and paid CAD$1,450,000 (US$1,409,110) during the three-month period ended September 30, 2010.

For the three months ended September 30, 2010 and 2009 (in U.S. dollars)

7. Mineral Properties (continued)

c. Famehub Acquisition (continued)

The aggregated purchase price for the Famehub Acquisition was $4,904,629, paid as follows:

Cash	$ 1,457,700
Common shares	3,406,900
Transaction costs	40,029
	$ 4,904,629

The preliminary fair value of the Famehub assets acquired and liabilities assumed were as follows:

Cash	$ 1,793
Property, plant and equipment	45,996
Mineral properties	4,900,714
Accounts payable and accrued liabilities	(39,275)
Cumulative other comprehensive income	(4,599)
	$ 4,904,629

8. Capital lease obligations

	September 30, 2010	June 30, 2010
2011	$ 14,732	$ 16,779
2012	17,678	16,779
2013	17,678	16,779
2014	15,706	14,908
Total minimum lease payments	65,794	65,245
Amount representing interest	(7,803)	(6,817)
Obligation under capital leases	57,991	58,428
Less: current portion	(14,776)	(13,829)
	$ 43,215	$ 44,599

9. Convertible Notes and Forward Gold Sale

a. Convertible notes

On August 11, 2010, the Company closed a financing for CAD$8,000,000 ($7,774,400) from the issuance of convertible notes (the "Notes"). Net proceeds amounted to $6,859,404 after subtracting transaction costs totaling $914,996, of which $777,440 was for commission and $164,556 was for legal and regulatory fees.

9. Convertible Notes and Forward Gold Sale (continued)

a. Convertible notes (continued)

The Notes have a term of five years and one day from the date of the issuance and are to be repaid by the Company at the end of the term in cash in the amount of CAD$9,733,600 ($9,459,112), at 121.67% of the principal amount (the "Repayment Amount"). Any early repayments or conversions of the Notes will result in a pro-rata adjustment of the Repayment Amount. The holders of the Notes (the "Noteholders") may, at any time, convert the Notes into units at a price of CAD$0.40 ($0.39) per unit (the "Conversion Feature") with each unit comprising one common share of the Company and one common share purchase warrant (the "Units"). Each share purchase warrant is exercisable at CAD$0.50 ($0.49) per share, expiring five years from the date of issuance of the Notes. The conversion price of the Units meet the definition of a derivative liability given they are subject to an adjustment down to CAD$0.365 ($0.355) per unit should the Company issue common shares for cash proceeds in an amount below CAD$0.40 ($0.39) per share during the term of the Notes. Upon conversion, the Company is required to make a cash payment on the converted amount to the holder equal to the difference between the principal converted and the Repayment Amount on the balance to the conversion date.

In addition, as an inducement to enter into the subscription agreement for the Notes, the Company granted to the Noteholders the option to purchase an aggregate of 5,714 ounces of gold at a price of $1,000 USD or CAD per ounce and 2,857 ounces of gold at a price of $1,250 USD or CAD per ounce at any time during the term of the Notes commencing 18 months after closing. Given the inducement can be exercised in USD or CAD at the discretion of the holder, the inducement contains a foreign exchange embedded derivative (the "FX Component"). The inducement itself is in accordance with the Company's expected purchase, sale and usage requirements.

In connection with the issuance of the Notes, the Company entered into gold purchase option agreements with each of the Noteholders (the "Option Agreements") whereby the Noteholder has the option to acquire gold from the Company up to an amount equal to the balance of the Note outstanding at the price greater of: (i) $1,000 per ounce; and (ii) the gold price in U.S. dollars as set by the London PM Fix and converted to Canadian dollars at the noon rate of exchange published by the Bank of Canada on the maturity date of the Notes, less a 5% discount. The gold purchase option is in accordance with the Company's expected purchase, sale and usage requirements.

Upon initial recognition, the Company allocated the proceeds and transaction costs between the components using the relative fair value method as follows:

Allocation	Proceeds	Transaction costs
Convertible notes	$ 4,691,332	$ 552,139
Conversion Feature	2,688,565	316,427
FX Component	394,503	46,430
Total	$ 7,774,400	$ 914,996

Subsequent to initial recognition, the Notes are carried at amortized cost using the effective interest method based on a five year plus one day period at discount rate of 17%; the Conversion Feature is adjusted to fair value estimated using the Black Scholes option pricing model, and the FX Component is adjusted to fair value using indicative foreign exchange forward contract spot rate.

As at September 30, 2010, the Company estimated the fair value of the Conversion feature using the following assumptions:

Risk free rate	2.01%
Dividend rate	nil
Expected life (years)	4.88
Volatility	91.6%

For the three months ended September 30, 2010 and 2009 (in U.S. dollars)

9. Convertible Notes and Forward Gold Sale (continued)

As of September 30, 2010 the continuity schedule of the Convertible Notes and associated derivative liabilities was set as follows:

	Aug. 11, 2010	Accretion Expense	Loss on conversion feature	Gain on FX Component	Accumulated Other Comprehensiv e Income	Sep. 30, 2010
Note	$ 4,139,193	$ 57,312	$ -	$ -	$ 584	$ 4,197,089
Derivative liability - Conversion Feature	2,688,565	-	3,110,547	-	31,688	5,830,800
Derivative liability - FX Component	394,503	-	-	(41,724)	(426)	352,353
Total	$ 7,222,261	$ 56,350	$ 3,110,547	$ (41,724)	$ 32, 808	$10,380,242

b. Forward Gold Sale

On August 13, 2010, the Company closed a forward sale agreement resulting in the advance of CAD$5,000,000 ($4,859,000) to the Company. Net proceeds amounted to $4,315,429 after subtracting transaction costs in the amount of $543,571, of which $486,900 was for commission and $56,671 for legal and regulatory fees. The advance will be settled for 5,000 ounces of gold subject to adjustment for fluctuations in the CAD/USD foreign exchange rate (the "Forward Sale"). The Forward Sale has a term of five years plus one day. Warrants for the purchase of 5,000,000 common shares with the same terms as described in connection with the Units above were issued to the lender on closing. The warrants must be either exercised or otherwise expire on a pro-rata basis within 30 days of the delivery of gold by the Company.

The gold sale under the Forward Sale is in accordance with the Company's expected purchase, sale and usage requirements and accordingly has been recorded as deferred revenue. Given the volume of gold due on maturity may vary due to fluctuations in the CAD/USD foreign exchange rate, the Forward Sale contains a foreign exchange embedded derivative (the "FX Component). The warrants meet the definition of equity given they entitle the holder to a residual interest in the Company.

Upon initial recognition, the Company first allocated the proceeds to the liability components based on their estimated fair values with any residual value being allocated to the equity component. Transaction costs were allocated to the various components based on their relative fair values as follows:

Allocation	Proceeds	Transaction costs
Deferred revenue	$ 2,965,307	$ 331,726
Derivative liability	-	-
Warrants	1,893,693	$ 211, 845
Total	$ 4,859,000	$543,571

Subsequent to initial recognition, the deferred revenues is carried at amortized cost using the effective interest method based on a five years plus one day period at discount rate of 12% and the FX Component is valued using indicative foreign exchange forward contract spot rate.

As of September 30, 2010 the continuity schedule of the deferred revenue and associated derivative liabilities was set as follows:

	Aug. 11, 2010	Accretion Expense	Accumulated Other Comprehensive Income	Sep. 30, 2010
Deferred revenue	$2,633,581	$26,975	$ 275	$2,660,831
Derivative liability – FX Component	-	-	$ -	-
Total	$2,633,581	$27,250	$ 275	$2,660,831

For the three months ended September 30, 2010 and 2009 (in U.S. dollars)

9. Convertible Notes and Forward Gold Sale (continued)

c. Security Pledge

The Company's obligations under the Convertible Notes and Forward Sale are secured by designated gold metal accounts. In connection with such security, the Company is required to deposit an aggregate of 397 ounces of gold per month from the end of the first month following the earlier of (i) commencement of commercial production of the gold treatment plant of the Company's Malaysian subsidiary for its gold production operation in Malaysia; and (ii) the date that is three months from the closing, up to a maximum 13,000 ounces of gold. As of September 30, 2010, a total 400 ounces of gold was transferred to restricted metal accounts and was included in restricted inventory (note 4).

10. Share Capital

a. Authorized
Unlimited common shares without par value

b. Issued and outstanding

Common shares	Shares	Amount
Balance, June 30, 2009	155,640,028	$58,801,934
Shares issued for debt settlement (note 10(b)(i))	475,000	122,788
Share issuance costs for debt settlement (note 10(b)(i))	-	(1,072)
Balance, June 30, 2010	156,115,028	$58,923,650
Shares issued for Famehub acquisition (note 10(b)(ii))	14,000,000	3,406,900
Share issued from the exercise of stock options	125,000	52,272
Balance, September 30, 2010	170,240,028	$62,382,822

(i) On September 25, 2009, the Company issued 475,000 common shares valued at $0.26 per share to settle a debt owing to Avocet in the amount of $122,788. The Company incurred transaction costs in the amount of $1,072 for filling fees related to the transaction.

(ii) On September 13, 2010, the Company issued 14,000,000 common shares valued at $0.24 per share for a total value of $3,406,900 to acquire the Famehub Properties (note 7(c)). The shares are subject to a four months hold period.

c. Warrants

The continuity of share purchase warrants is as follows:

Expiry date	21-Jul-11	12-Aug-11	11-Aug-15	
Exercise price	$0.49	$0.49	$0.49	
Balance, June 30, 2010	70,120,000	8,125,003	-	78,245,003
Issued (note 9(b))	-	-	5,000,000	5,000,000
Balance, September 30, 2010	70,120,000	8,125,003	5,000,000	83,245,003

On August 11, 2010, the Company issued 5,000,000 common share purchase warrants in conjunction with the Gold Forward Sale (note 9(b)). Each share purchase warrant is exercisable at $0.49 per share, expiring five years from the date of issuance of the Notes.

The warrants must be either exercised or otherwise expire on a pro-rata basis within 30 days of the delivery of gold by the Company.

For the three months ended September 30, 2010 and 2009 (in U.S. dollars)

10. Share Capital (continued)

d. Stock options

At the Annual General Shareholders' Meeting of the Company held on November 9, 2010, the 2010 Stock Option Plan was approved (the "2010 Plan") and replaced the 2009 Stock Option Plan. The 2010 Plan increased the maximum number of the Company's shares reserved for issuance pursuant to option granted under the plan to 28,941,000 from 22,126,000 with other terms intact. According to the 2010 Plan, the Company grants stock purchase options to its directors, officers, employees and consultants. The number of shares reserved for issuance under the 2010 Plan shall not exceed 17% of the total number of issued and outstanding shares on a non-diluted basis. The total number of stock options granted during the year together with previously granted stock options shall not exceed, on a non-diluted basis, 6% for any one Optionee; 15% for Insiders as a group, 2% for any one Consultant; 2% for all Eligible Persons who undertake Investor Relations Activities. Under the 2010 Plan, 25,476,000 stock options were outstanding as at September 30, 2010.

Stock option activity is as follows:

	Number of common shares under option	Weighted average exercise price
Balance, June 30, 2009	19,676,000	$ 0.39
Granted	2,930,000	$ 0.29
Forfeited	(5,000)	$ 0.24
Balance, June 30, 2010	22,601,000	$ 0.38
Granted	3,000,000	$ 0.39
Exercised	(125,000)	$ 0.24
Balance, September 30, 2010	25,476,000	$ 0.38

During the three months ended September 30, 2010, 3,000,000 options were granted to employees and a director (2010 – 2,930,000 options were granted to employees, consultants and a director).

The following table summarizes the stock options outstanding at September 30, 2010:

	Options outstanding			Options exercisable	
Exercise Price	Number of common shares	Expiry date	Weighted average life (years)	Weighted average number exercisable	Weighted average exercise price
$ 0.49	3,300,000	Jul 05, 2012	1.76	3,300,000	$ 0.49
$ 0.56	70,000	Feb 18, 2011	0.39	70,000	$ 0.56
$ 0.39	13,390,000	Aug 15, 2013	2.88	13,390,000	$ 0.39
$ 0.49	400,000	Dec 05, 2013	3.18	400,000	$ 0.49
$ 0.39	230,000	Dec 05, 2013	3.18	230,000	$ 0.39
$ 0.24	1,731,000	Dec 05, 2013	3.18	1,454,167	$ 0.24
$ 0.24	425,000	Feb 09, 2014	3.36	275,000	$ 0.24
$ 0.29	800,000	Jul 29, 2012	1.83	800,000	$ 0.29
$ 0.38	30,000	Dec 17, 2014	4.22	-	-
$ 0.29	1,600,000	Jun 08, 2013	2.69	-	-
$ 0.29	500,000	Jun 10, 2015	4.70	-	-
$ 0.39	3,000,000	Sep 29, 2015	5.00	1,000,000	$ 0.39
Total	25,476,000		3.03	20,919,167	$ 0.39

For the three months ended September 30, 2010 and 2009 (in U.S. dollars)

10. Share Capital (continued)

d. Stock options (continued)

The following table summarizes the stock options outstanding at June 30, 2010:

	Options outstanding			Options exercisable	
Exercise Price	Number of common shares	Expiry date	Weighted average life (years)	Weighted average number exercisable	Weighted average exercise price
$ 0.47	3,300,000	Jul 05, 2012	2.02	3,300,000	$ 0.47
$ 0.54	70,000	Feb 18, 2011	0.64	70,000	$ 0.54
$ 0.38	13,390,000	Aug 15, 2013	3.14	8,229,451	$ 0.38
$ 0.47	400,000	Dec 05, 2013	3.44	400,000	$ 0.47
$ 0.38	230,000	Dec 05, 2013	3.44	115,000	$ 0.38
$ 0.23	1,731,000	Dec 05, 2013	3.44	1,681,000	$ 0.23
$ 0.23	550,000	Feb 09, 2014	3.62	275,000	$ 0.23
$ 0.28	800,000	Jul 29, 2012	2.08	800,000	$ 0.28
$ 0.37	30,000	Dec 17, 2014	4.47	-	-
$ 0.28	1,600,000	Jun 08, 2013	2.94	-	-
$ 0.28	500,000	Jun 10, 2015	4.95	-	-
Total	22,601,000		3.00	14,870,451	$ 0.38

The exercise prices of all stock options granted during the period were equal to the closing market prices at the grant date. The options outstanding have various vesting dates that range from 0 to 3 years.

Using the Black-Scholes option pricing model with the assumptions noted below, the estimated fair value of all options recognized during the three months ended September 30, 2010 and 2009 have been reflected in the financial statements as follows:

	For the three months ended September 30, 2010	2009
Mineral properties	$ 8,384	$ 41,910
Property, plant and equipment	10,637	17,010
Operations	418,502	399,978
Total compensation cost recognized in the period, credited to contributed surplus	$ 437,522	$ 458,898

The weighted average assumptions used to estimate the fair value of options were:

	For the three months ended September 30, 2010	2009
Risk-free interest rate	2.01%	1.94%
Expected life	5 years	3 years
Expected volatility	92%	117%
Expected dividends	nil	nil

The weighted average fair value of options granted during the three months ended September 30, 2010 is $0.28 (2009 – $0.24).

For the three months ended September 30, 2010 and 2009 (in U.S. dollars)

10. Share Capital (continued)

d. Stock options (continued)

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

e. Contributed surplus:

	Amount
Balance, June 30, 2009	$ 6,220,243
Stock-based compensation	1,404,986
Balance, June 30, 2010	7,625,229
Stock options exercised	(21,881)
Stock-based compensation	437,522
Warrants due to financing (notes 9(b) and 10(c))	1,655,715
Balance, September 30, 2010	$9,696,585

11. Earnings (loss) Per Share

	September 30, 2010	September 30, 2009
Net income (loss) for the year	$710,295	($685,136)
Weighted average number of common shares outstanding	158,865,028	156,003,110
Effect of dilutive securities:		
Warrants (note 10(c))	-	-
Options (note 10(d))	2,200,167	-
	161,065,195	156,003,110
Basic and diluted income (loss) per share	$0.00	($0.00)

All the warrants (note 10(c)) and options (note 10(d)) are potentially dilutive in the period ended September 30, 2010, but excluded from the calculation of diluted earnings per share are those for which the average market prices exceeds the exercise price. For the period ended September 30, 2009, warrants (note 10(c)) and options (note 10(d)), which are potentially dilutive, are excluded from the calculation of diluted loss per share as their impact would be anti-dilutive.

12. Related Party Transactions

Related party	September 30, 2010	September 30, 2009
George Brazier, director	14,430	14,010

George Brazier, a director of the Company, provides general consulting services to the Company. For the three months ended September 30, 2010, he earned $14,430 (2009 - $14,010) for such services, of which $4,589 (June 30, 2010 - $4,931) was outstanding and included in accounts payable at September 30, 2010.

For the three months ended September 30, 2010 and 2009 (in U.S. dollars)

13. Commitments

	2011	2012	2013	2014	2015	Total
Operating leases	$31,170	$40,772	$29,601	$19,986	$2,853	$124,382
Mineral property fees	42,367	43,939	6,980	6,980	6,980	107,246
Purchase commitments	13,258	-	-	-	-	13,258
Consulting agreements	82,834	-	-	-	-	82,834
	$169,629	$84,711	$36,581	$26,966	$9,833	$327,720

14. Supplemental Cash Flow Information

	September 30, 2010	September 30, 2009
Supplemental information		
Non cash financing and investing activities		
Stock based compensation charged to Selinsing Gold Property	$ 17,266	$ 41,910
Stock based compensation charged to property, plant and equipment	$ 1,755	$ 17,010
Deferred financing costs included in accounts payable	$ 178	$ -
Amortization charged to Selinsing Gold Property	$ 99,348	$ 18,086
Amortization charged to property, plant and equipment	$ -	$ (22,255)
Amortization charged to inventory	$ 1,021,672	$ -
Expenditures on Selinsing Gold Property included in accounts payable	$ 1,846,622	$ 401,095
Gold sales charged to Selinsing Gold Property and included in accounts receivable at June 30, 2010	$ 1,807,681	$ -
Property, plant and equipment costs included in accounts payable	$ 289,250	$ 1,151,701
ARO accreted to mineral properties	$ 8,384	$ 27,064
ARO accreted to property, plant and equipment	$ 2,006	$ 5,003
Shares issued pursuant to acquisition of equipment	$ -	$ (122,171)
Fair value of exercise of stock options	$ 21,881	$ -
Shares issued for Famehub acquisition	$ 3,406,900	$ -
Fair value of warrants issued in connection with the gold forward sale	$ 1,874,596	$ -
Fair value of derivative liabilities	$ 3,051,977	$ -

15. Segment Disclosures

The Company’s one reportable operating segment is the exploration, development and operations of mineral property interests. The Company’s reportable segment earns its revenues from the sale of gold. The Company’s only reportable segment operates within two geographic segments as follows:

	September 30, 2010	June 30, 2010
Malaysia		
Property, plant and equipment	$34,629,947	$16,436,157
Mineral properties	$18,017,446	$33,650,242
Total assets	$70,994,211	$58,653,632
Canada		
Property, plant and equipment	$31,430	$22,606
Total assets	$10,164,984	$2,011,620

For the three months ended September 30, 2010 and 2009 (in U.S. dollars)

15. Segment Disclosures (continued)

	Three months ended September 30, 2010	Three months ended September 30, 2009
Malaysia		
Revenues	$ 6,611,494	$ nil
Cost of goods sold	$ 1,090,945	$ nil
Depletion and amortization	$ 61,988	$ nil
Accretion of asset retirement obligation	$ 20,694	$ nil
Net income	$ 5,347,867	$ nil
Canada		
Revenues	$ nil	$ nil
Cost of goods sold	$ nil	$ nil
Depletion and amortization	$ 2,547	$ 4,170
Accretion of asset retirement obligation	$ nil	$ nil
Net loss	$ 4,727,572	$ 685,136

16. Subsequent Events

Subsequent to September 30, 2010, the Company issued 1,211,833 fully paid and non-assessable common shares upon exercise of the 671,833 stock options and 540,000 warrants. As a result, total issued and outstanding share capital increased to 171,451,861. Total outstanding stock options and warrants were 24,804,167 and 82,705,003, respectively. Cash proceeds received by the Company for the exercises were $194,451 from stock options and $267,933 from warrants.