CONSOLIDATED FINANCIAL STATEMENTS OF

MONUMENT MINING LIMITED

(Expressed in thousands of United States dollars)

For the years ended June 30, 2013 and 2012

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Monument Mining Limited have been prepared by management in accordance with International Financial Reporting Standards (IFRS). The financial information contained in the Management Discussion and Analysis has been reviewed to ensure consistency with the consolidated 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 approved the consolidated financial statements.

The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal controls and review financial reporting issues. The consolidated financial statements have been audited by Grant Thornton LLP, the independent public accounting firm, in accordance with Canadian Auditing Standards.

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

Vancouver, British Columbia
September 30, 2013

Independent Auditor's Report

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To the Shareholders of
Monument Mining Limited

We have audited the accompanying consolidated financial statements of Monument Mining Limited, which comprise the consolidated statements of financial position as at June 30, 2013 and 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Monument Mining Limited as at June 30, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Vancouver, Canada
September 30, 2013

Chartered Accountants

TABLE OF CONTENTS

MONUMENT MINING LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

For the years ended June 30, 2013 and 2012

(in thousands of United States dollars, except per share amounts or otherwise stated)

	Notes	June 30, 2013	June 30, 2012
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 41,933	$ 19,400
Trade and other receivables	5	464	466
Prepaid expenses and deposits		1,100	659
Inventories	6	24,259	23,552
Gold forward purchase agreement	7	6,600	6,103
Total current assets		74,356	50,180
Non-current assets			
Restricted inventories	6	3,390	3,037
Property, plant and equipment	8	37,618	43,429
Exploration and evaluation	9	127,189	115,225
Deferred costs		-	78
Total non-current assets		168,197	161,769
Total assets		$ 242,553	$ 211,949
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	12	$ 11,975	$ 8,033
Escrow fund payable	9 (f)	-	11,000
Finance lease obligations		15	16
Derivative liabilities	15	-	4
Total current liabilities		11,990	19,053
Non-current liabilities			
Finance lease obligations		-	15
Convertible notes	13	-	5,915
Share repurchase obligation	13	951	-
Gold forward sale contract	14	2,593	2,593
Derivative liabilities	15	822	8,142
Asset retirement obligations	16	5,324	5,042
Deferred tax liabilities	17	1,279	682
Total non-current liabilities		10,969	22,389
Total liabilities		22,959	41,442
Equity			
Share capital	18	108,637	68,695
Capital reserves – warrants	19	2,612	2,612
Capital reserves – options	19	6,893	6,400
Retained earnings		101,452	68,614
Total equity attributable to shareholders		219,594	146,321
Non-controlling interests	20	-	24,186
Total equity		219,594	170,507
Total liabilities and equity		$ 242,553	$ 211,949
Subsequent events	30		

Approved on behalf of the Board:

“Robert Baldock” — Robert Baldock, Director

“Gerald Ruth” — Gerald Ruth, Director

MONUMENT MINING LIMITED

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended June 30, 2013 and 2012
(in thousands of United States dollars, except per share amounts or otherwise stated)

	Notes	June 30, 2013	June 30, 2012
Mining operations			
Revenue		$ 91,276	$ 61,709
Production costs	21	(33,778)	(15,211)
Income from mining operations		57,498	46,498
Corporate expenses	22	(9,206)	(5,946)
Income before other items		48,292	40,552
Other income (loss)			
Interest income		775	213
Accretion expense on convertible notes	13	(662)	(922)
Change in fair value of gold forward purchase agreement	7	497	1,169
Gain due to changes in fair value of derivative liabilities	15	522	17,757
Loss on retirement of convertible notes	13	(6,964)	-
Loss on fair value of share repurchase obligation	13	(279)	-
Legal settlement expense	23	(4,343)	-
Foreign currency exchange (loss) gain		(892)	821
Gain/(loss) on disposal of assets		257	(5)
Impairment loss	24	(3,838)	-
(Loss)/gain from other items		(14,927)	19,033
Income before income taxes		33,365	59,585
Income tax expense	17	(620)	(2)
Net income		$ 32,745	$ 59,583
Net income/(loss)			
- attributable to non-controlling interest	20	(93)	22
- attributable to common shareholders		32,838	59,561
Total comprehensive income		$ 32,745	$ 59,583
Comprehensive income			
- attributable to non-controlling interest	20	$ (93)	$ 22
- attributable to common shareholders		$ 32,838	$ 59,561
Earnings per share			
Basic	25	$ 0.14	$ 0.33
Diluted (2012 restated from $0.29)	25	$ 0.14	$ 0.27
Weighted average number of common shares			
- Basic	25	232,459,605	182,797,661
- Diluted	25	246,245,339	207,119,552

MONUMENT MINING LIMITED

CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY

For the years ended June 30, 2013 and 2012
(in thousands of United States dollars, except per share amounts or otherwise stated)

	Common shares	Capital reserve - warrants	Capital reserve - options	Retained earnings	Total	Non-controlling interest	Total equity
Balance, June 30, 2011	$ 63,484	$ 2,612	$ 5,867	$ 9,053	$ 81,016	$ -	$ 81,016
Common shares issued on acquisition of properties	843	-	-	-	843	-	843
Warrants exercised	4,161	-	-	-	4,161	-	4,161
Stock options exercised	207	-	(66)	-	141	-	141
Share-based compensation	-	-	599	-	599	-	599
Net income for the year	-	-	-	59,561	59,561	-	59,561
Acquisition during the period	-	-	-	-	-	24,186	24,186
Balance, June 30, 2012	**$ 68,695**	**$ 2,612**	**$ 6,400**	**$ 68,614**	**$ 146,321**	**$ 24,186**	**$ 170,507**
Private placements	19,864	-	-	-	19,864	-	19,864
Exercise of convertible units	7,951	-	-	-	7,951	-	7,951
Share repurchase obligation	(709)	-	-	-	(709)	-	(709)
Warrants exercised	11,928	-	-	-	11,928	-	11,928
Stock options exercised	908	-	(323)	-	585	-	585
Share-based compensation	-	-	816	-	816	-	816
Net income (loss) for the year	-	-	-	32,838	32,838	(93)	32,745
Non-controlling interest transactions during the year	-	-	-	-	-	(24,093)	(24,093)
Balance, June 30, 2013	**$ 108,637**	**$ 2,612**	**$ 6,893**	**$ 101,452**	**$ 219,594**	**$ -**	**$ 219,594**

MONUMENT MINING LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2013 and 2012
(in thousands of United States dollars, except per share amounts or otherwise stated)

	Notes	June 30, 2013	June 30, 2012
Operating activities			
Income for the year		$ 32,745	$ 59,583
Adjustments to reconcile profit to net cash provided from operating activities:			
Depreciation, depletion and amortization		10,617	3,916
(Gain)/loss on disposal of assets		(257)	5
Accretion expense on asset retirement obligations	16	97	105
Share-based compensation		487	561
Accretion expense on convertible notes	13	662	922
Change in fair value of gold forward purchase agreement	7	(497)	(1,169)
Gain due to changes in fair value of derivative liabilities	15	(522)	(17,757)
Loss on retirement of convertible notes	13	6,964	-
Loss on fair value of share repurchase obligation	13	279	-
Deferred income tax provision	17	618	-
Foreign exchange loss/(gain)		301	(567)
Impairment loss	24	3,838	-
Cash provided from operating activities before change in working capital items		55,332	45,599
Change in non-cash working capital items			
Trade and other receivables		2	1,458
Prepaid expenses and deposits		(441)	(166)
Inventories		(2,980)	(4,767)
Accounts payable and accrued liabilities		1,392	1,143
Restricted cash		1,449	-
Cash provided from operating activities		54,754	43,267
Financing activities			
Cash for issuance of shares	18 (b)	20,173	-
Proceeds from exercise of stock options and warrants	19	12,513	4,283
Early retirement of convertible notes	13	(6,454)	-
Buyout of gold inducement	15 (e)	(6,007)	-
Payment for gold forward purchase	7	-	(5,000)
Proceeds from gold forward contracts	7	-	1,572
Payment of finance lease obligations		(16)	(17)
Cash provided from financing activities		20,209	838
Investing activities			
Exploration on mineral properties, net of recoveries, exploration and evaluation properties		(49,008)	(57,750)
Expenditures on plant and equipment		(3,437)	(16,113)
Proceeds from disposal of plant and equipment		21	-
Reclamation of asset retirement obligations	16	(6)	(9)
Cash used in investing activities		(52,430)	(73,872)
Increase (decrease) in cash and cash equivalents		22,533	(29,767)
Cash and cash equivalents, beginning of the period		19,400	49,167
Cash and cash equivalents, end of the period	4	$ 41,933	$ 19,400
Cash and cash equivalents consist of:			
Cash		$ 40,346	$ 8,294
Funds held in escrow		-	11,000
Restricted cash		1,587	106
		$ 41,933	$ 19,400

Supplemental Cash Flow Information (Note 28)

1. Corporate Information and Nature of Operations

Monument Mining Limited ("Monument" or "the Company") is a natural resource company incorporated and domiciled under the Canada Business Corporations Act, engaged in the acquisition, exploration, development and operation of gold and Polymetallic mineral property interests. Its primary activities include open pit mining and operation of a gold treatment plant at the 100% owned Selinsing Gold Project ("Selinsing") and exploration and development on the 100% owned Buffalo Reef, Famehub, Star Destiny and Mengapur projects.

The head office, principal address and registered and records office of the Company are located at 688 West Hastings Street, Suite 910, Vancouver, British Columbia, Canada V6B 1P1. Its gold project operations, exploration and development activities are carried out in Malaysia through its wholly owned subsidiaries.

The consolidated financial statements of the Company for the financial year ended June 30, 2013 comprising the Company and its subsidiaries were authorized for issue in accordance with a resolution of the directors on September 24, 2013. These consolidated financial statements are presented in thousands of United States (US) dollars and all values are rounded to the nearest thousand dollar except per share amounts or where otherwise indicated. The Company is listed on the TSX Venture Exchange ("TSX-V: MMY").

2. Basis of Preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were prepared on a going concern basis under the historical cost method except for certain derivatives, which are measured at fair value.

A summary of significant accounting policies are presented in Note 3 and have been consistently applied in each of the periods presented. Significant accounting estimates, judgments and assumptions used or exercised by management in the preparation of these consolidated financial statements are presented in Note 3 (r).

3. Significant Accounting Policies

a) Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) from their respective date of acquisition. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at proportionate share of the acquiree's identifiable net assets.

(in thousands of United States dollars, except per share amounts or otherwise stated)

The consolidated financial statements include the financial statements of Monument and the subsidiaries. The subsidiaries and percentage of ownership are listed in the following table:

		Interests holding as at	
Entity	Location	June 30, 2013	June 30, 2012
Polar Potential Sdn. Bhd.	Malaysia	100%	100%
Able Return Sdn. Bhd.	Malaysia	100%	100%
Selinsing Gold Mine Manager Sdn. Bhd.	Malaysia	100%	100%
Damar Consolidated Exploration Sdn. Bhd.	Malaysia	100%	100%
Famehub Venture Sdn. Bhd.	Malaysia	100%	100%
Monument Mengapur Sdn. Bhd.	Malaysia	100%	70%
Cermat Aman Sdn. Bhd.	Malaysia	100%	70%
Star Destiny Sdn. Bhd.	Malaysia	100%	100%
Primary Mining Sdn. Bhd.	Malaysia	100%	-

b) Foreign currencies

The Company's consolidated financial statements are presented in US dollars which is also the functional currency of the parent company and all of its subsidiaries.

Foreign currency transactions for the Company's subsidiaries are translated into the functional currency using the exchange rate at the dates of the transactions or the average rates prevailing the transaction periods. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

The Company's foreign operations are translated from their local currencies into US dollars on consolidation. Revenue, expenses, gains and losses are translated using an average exchange rate for the period. Monetary assets and liabilities are translated at the closing rate in effect at the end of the period. Non-monetary items that are measured at historical cost in a foreign currency are translated at the historical rates. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The exchange differences on translation of these foreign operations are recognized in profit or loss as foreign exchange gains or losses.

c) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, and the initial estimation of asset retirement obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The amortization begins when the asset is available for use. Maintenance costs are expensed as incurred.

Mineral properties in production are amortized on a unit-of-production ("UOP") basis over the economically recoverable reserves of the estimated life of mine. Gold processing plant is amortized on a UOP basis over the total tonnages of mill feed over the estimated life of mine. Amortization of various components of the gold processing plant and other capital assets are calculated on a straight-line basis over the assets' estimated useful lives over the following periods:

Buildings	10 years
Machinery, heavy equipment and components of plant	2 – 20 years
Administrative furniture and equipment	10 years
Computers	2-5 years
Vehicles (including vehicles under finance lease)	5 years

Amortization expenses from production property and plant are inventoried; amortization from equipment used for exploration is capitalized under associated exploration and evaluation mineral properties; amortization from administrative capital assets is charged against operations.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for property, plant and equipment items and any changes arising from the assessment are applied by the Company prospectively.

d) Mineral properties

Mineral property and development costs represent capitalized expenditures related to the acquisition, exploration and development of mineral properties and related equipment. Mineral property interest acquisition costs include the cash consideration, option payment under an earn-in arrangement, the fair value of common shares issued for mineral property interests and the fair value of warrants issued determined using the Black-Scholes option pricing model.

Exploration and evaluation expenditures

Once the legal right to explore has been acquired exploration and evaluation expenditure is charged to profit or loss as incurred unless management concludes that a future economic benefit is more likely than not to be realized.

Exploration and evaluation expenditure relates to the initial acquisition costs of mineral properties and costs incurred for investigation and evaluation of potential mineral reserves and resources, including trenching, exploratory drilling, sampling, mapping and other activities in searching for ore bodies under the properties, and to evaluate the technical and commercial viability of developing mineral properties identified through exploration. Exploration and evaluation expenditures, net of any recoveries, are recorded on a property-by-property basis and deferred until the property is placed into production, sold or abandoned or determined to be impaired. These capitalized expenditures are reclassified to Property, Plant and Equipment once commercial viability of the project is established and amortized on a UOP basis over the estimated useful life of the property based on proven and probable reserves. The carrying values of capitalized amounts are reviewed annually, or when indicators of impairment are present.

Mine development expenditures

A mineral property is under the development stage once the development of the property becomes commercially and technically viable as a result of establishing proven and probable reserves. The costs incurred to design and engineer an open pit, to build access roads, camps and other infrastructure for mining, and to remove overburden and other mine waste materials in order to access the ore body at open pit operations (“stripping costs”) prior to the commencement of mining operations are categorized as mine development expenditures. Development expenditures, net of proceeds from incidental sale of ore extracted during the development stage, are capitalized to the related property. The mine development expenditures are reclassified to Property, Plant and Equipment following commencement of commercial production, and are amortized on a UOP basis over the productive life of the mine based on proven and probable reserves and measured and indicated under circumstances.

Mine development costs incurred during production

During the production stage of a mine, the Company incurs some new infrastructure costs for future probable economic benefit, and stripping costs that provide access to sources of reserves that will be produced in future periods and would not otherwise have been accessible, which are capitalized to the cost of mineral property interests and amortized on a UOP basis over the reserves that directly benefit from the stripping activity.

e) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases are classified at their inception as either operating or finance lease based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognized as an expense in profit or loss on a straight-line basis over the lease term. Contingent rentals are recognized as an expense when they are incurred.

Finance Leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recorded in profit or loss.

f) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment whenever facts and circumstances suggest that the carrying amounts may not be recoverable. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash generating unit ("CGU") to which the asset belongs is determined. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs to sell and its value in use. An impairment loss exists if the asset's or CGU's carrying amount exceeds the recoverable amount and is recorded as an expense immediately.

Value in use is determined as the present value of the future cash flows expected to be derived from continuing use of an asset or CGU in its present form. These estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimates of future cash flows have not been adjusted. Fair value less costs to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. For mining assets, when a binding sale agreement is not readily available, fair value less costs to sell is estimated using a discounted cash flow approach. Estimated future cash flows are calculated using estimated future prices, mineral reserves and resources, operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate.

Indicators of impairment and impairment of exploration and evaluation assets are assessed on a project-by-project basis or as part of the existing operation they relate to.

Tangible assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or changes in circumstances indicate that the impairment has reversed. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount but not beyond the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior periods. A reversal of an impairment loss is recognized into profit immediately.

g) Asset retirement obligation (ARO)

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the corresponding assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The capitalized rehabilitation cost is depreciated on the same basis as the related asset of plant or mining property.

The Company's estimates are reviewed annually for changes in regulatory requirements, effects of inflation and changes in estimates. The discounted liability is increased for the passage of time and adjusted for changes to the current discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation. The periodic unwinding of the discount is recognized in profit or loss as a finance cost.

Additional disturbances or changes in rehabilitation cost will be recognized as additions or charges to the corresponding assets and asset retirement obligation when they occur.

h) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and on hand and short-term deposits with an original maturity of three months or less.

i) Inventory

Inventory includes supplies, stockpiled ore, work in progress and finished goods. Gold bullion and ore stockpiles are physically measured or estimated and valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling final product. Cost is determined by the weighted average method and comprises direct purchase costs and appropriate portion of fixed and variable overhead costs, including depreciation and amortization, incurred in converting materials into finished goods. Separately identifiable costs of conversion are specifically allocated.

Supplies inventory consists of consumables used in mining and processing operations and are valued at the lower of cost and net realizable value using the first-in-first-out method. Supplies used in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision.

Stockpiled ore represents ore that has been extracted from the mine that is ready for further processing. Stockpiled ore is measured by estimating the number of tonnes added and removed from the stockpile and is verified based on period surveys. Stockpiled ore is valued based on the current mining costs incurred up to the point of stockpiling the ore using the average cost method. Costs include mining, mine-site overhead and associated depreciation and depletion. Costs are removed from stockpiled ore and added to work in process inventory when stockpiled ore is crushed based on the average cost per tonne stockpiled.

Work in progress represents gold in the process of being converted to a salable product from crushed ore to gold dorè. Work in progress is recorded at average cost. Costs comprise mining and processing to produce gold dorè including costs of stockpiled ore crushed, crushing, leaching, smelting and associated depreciation and depletion. Costs are removed from work in process inventory as gold dorè is produced based on the average cost per contained recoverable ounce of gold.

Finished goods represent metal available for sale and are valued at the lower of average production cost and net realizable value. The cost of finished goods inventory includes the average cost of work in process inventories incurred prior to refining plus applicable refining costs.

Restricted inventory represents the gold bullion in escrowed metal account and is valued at the lower of average production cost and net realizable value.

j) Financial instruments

The Company's financial instruments are classified as loans and receivables (cash and cash equivalents and trade and other receivables), financial assets at fair value through profit or loss (FVTPL) (derivative financial instruments) other financial liabilities (trade and other payable, share repurchase obligation and convertible notes) and the financial liabilities at fair value through profit or loss (FVTPL) (gold forward contract and derivative financial instruments).

Fair value of financial instruments

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Derivative Instruments - Foreign currency share purchase warrants

The share purchase warrants with an exercise price in Canadian dollars, which is different to the Company's functional currency (US dollars), are considered derivative instruments. The Company re-measures the fair value of foreign currency denominated share purchase warrants at each reporting date using the Black-Scholes option pricing model over the remaining life of the warrants and translates it into US dollar using the exchange rates at the reporting date. Adjustments to the fair value of the foreign currency share purchase warrants as at the reporting date are recorded in profit or loss.

Derivative Instruments - Gold inducement

The gold inducement contractual arrangement (the "gold inducement") with third parties to sell a fixed amount of gold ounces at the fixed price in US dollar or Canadian dollars during the contractual period at the discretion of the third parties is classified as a derivative instrument. The gold inducement derivative instrument includes the gold price derivative component and a foreign exchange derivative component. During the vesting period of the gold inducement, the gold price derivative component is measured at fair value based on a valuation model, under which the fair value is calculated based on the aggregated future cash flow derived by the forward price of gold, the foreign currency forward exchange rate and discounted at a risk free rate of return. Subsequent to the vesting period, the inducement is measured at fair value based on the spot gold market price (London Fix PM) at each reporting date as well as the foreign exchange rate at the reporting period.

<u>Derivative Instruments – Hybrid instruments (Multiple conversion features)</u>

On initial recognition, the Company allocates the proceeds between the debt and non-debt components based on their fair value. Transaction costs are allocated between the various components on a pro-rata basis.

Subsequent to initial recognition, the Company classifies the debt component as other financial liabilities measured 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 profit or loss.

<u>Impairment of financial assets</u>

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that occurred since the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, the estimated recoverable amount of the financial asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount.

k) Taxes

<u>Current tax</u>
Current tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

<u>Deferred tax</u>
Deferred tax is recognized, using the balance sheet method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities or deferred tax assets that are probable of being realized are recognized for all taxable temporary differences, except:

- On initial recognition of goodwill;
- Where the deferred tax liability or asset arises from initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction affects neither the accounting nor taxable profit or loss; or
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is utilized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

The Company recognizes neither the deferred tax asset regarding the temporary differences on the rehabilitation liability, nor the corresponding deferred tax liability regarding the temporary difference on the rehabilitation asset.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

<u>Royalties and revenue based taxes</u>
Royalties and revenue based taxes are accounted for under IAS 12 when they have the characteristics of income tax. This is considered the case when they are imposed under government authority and the amount payable is based on taxable income – rather than based on quantity produced or as a percentage of revenue – after adjustment for temporary differences. Obligations arising from royalty arrangement that do not satisfy these criteria are recognized as current provision and included in production costs. The royalties payable by the Company are not considered meeting the criteria to be treated as part of income tax.

l) Share-based payments

The Company uses the fair value method for accounting for stock-based awards to employees (including directors). Under the fair value method, compensation expenses attributed to the direct award of stock options to employees are measured at the fair value at the grant date for each tranche using an option pricing model and are usually recognized over the vesting period of the award. When the stock options are exercised, the cash proceeds received and the applicable amounts previously recorded in capital reserve - options are credited to share capital.

m) Share capital

Common shares are classified as equity. Incremental cost directly attributable to the issuance of common shares is recognized as a deduction from equity.

Share purchase warrants that are issued for goods and services are initially accounted for under IFRS 2 as equity instruments (their initial fair value would be recognized as share issuance costs). Subsequent to their issuance, share purchase warrants issued for goods and services are considered as equity for their entire life. The fair value of such share purchase warrants is not re-measured unless there is a change to the terms of the warrants which cause an increase in value. When these share purchase warrants are exercised, the cash proceeds received and the applicable amounts of share purchase warrants are credited to share capital.

n) Earnings/(loss) per share

Earnings/(loss) per share are calculated based on the weighted average number of common shares issued and outstanding during the year. Diluted earnings/(loss) per common share are calculated using the treasury stock method for outstanding stock options, warrants and convertible notes. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted earnings per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and similar instruments that are "in the money" would be used to repurchase common shares of the Company at the average market price during the year. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

The incremental common shares issuable upon the exercise of stock options and warrants are excluded from the computation if their effect is anti-dilutive.

o) Revenue recognition

The Company's operations produce gold in dorè form, which is refined to pure gold bullion as final product prior to sale primarily in the London spot market or under gold sale contracts. Revenue from the sale of metals is recognized in the financial statements when the following conditions have been satisfied:

- the significant risks and rewards of ownership have been transferred;
- neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Insignificant amount of revenue generated from by-product such as silver is credited to the cost of goods sold when its percentage of revenue is less than 5% of total revenue.

p) Gold forward sales transactions

The gold forward sale contracts are held for the purpose of delivery of gold in accordance with the Company's expected sale requirements. The consideration received is deferred until such time as gold is delivered and revenue recognition conditions are satisfied.

q) Segmented reporting

In identifying its operating segments, management generally follows the Company's activities. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The activities are undertaken by the mine operating segment and the exploration & evaluation segment and are supported by the corporate segment, each segment is managed separately. The operating results of the segments are reviewed regularly by the Company's Chief Executive Officer (who is considered the chief operating decision maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

r) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS as issued by the IASB requires management to make estimates and judgments that affect the amount reported in the financial statements. 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, and subject to measurement uncertainty. The effect on the financial statements of changes in such estimates in future reporting period could be significant.

Significant estimates and areas where judgment is applied that have significant effect on the amount recognized in the financial statements are described below. Changes in these estimates and judgments may materially affect the financial position or financial results reported in future periods.

Estimates

Purchase price allocation and valuation of deferred consideration assets

Measuring asset acquisition transactions requires each identifiable asset and liability to be measured at its acquisition-date relative fair value. The determination of the acquisition-date relative fair values often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of mineral properties, plant and equipment acquired generally require a high degree of judgment, and include estimates of mineral reserves acquired, future metal prices and discount rates. Changes in any of the assumptions or estimates used in determining the relative fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and non-controlling interests in the purchase price allocation.

Ore Reserves and Mineral Resource estimates

Proven and probable reserves are the economically mineable parts of the Company's measured and indicated mineral resources demonstrated by at least a preliminary feasibility study. The Company estimates its proven and probable reserves, measured, indicated and inferred mineral resources based on information compiled by appropriately qualified persons. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the proven and probable reserves or measured, indicated and inferred mineral resources estimates may impact the carrying value of property, plant and equipment, reclamation and remediation obligations, recognition of deferred tax amounts and depreciation and amortization.

Depreciation and amortization and determining useful lives

Mineral properties in production are amortized on a unit-of-production basis over the economically recoverable reserves. Mobile and other equipment is depreciated, net of residual value, on a straight-line basis, over the useful life of the equipment but does not exceed the related estimated life of the mine based on proven and probable reserves. The calculation of the UOP rate, and therefore the annual depreciation and amortization expense could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in gold price used in the estimation of mineral reserves. Significant judgment is involved in the determination of useful life and residual values for the computation of depreciation and amortization and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

Impairment of non-current assets

The Company assesses each asset or CGU each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and operating performance. These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. Management has assessed its CGUs as being an individual mine site, which is the lowest level for which cash inflows are largely independent of those of other assets/CGUs.

Inventory valuation

Expenditures incurred including depreciation and amortization of assets used in mining and processing activities are deferred and accumulated as the cost of ore in stockpiles, work in process, metal in circuit and finished metal inventories. These deferred amounts are carried at the lower of average cost or net realizable value (“NRV”). Write-downs of ore in stockpiles, in-process and finished metal inventories resulting from NRV impairments are reported as a component of current period costs. The primary factors that influence the need to record write-downs include prevailing and long-term metal prices and prevailing costs for production inputs such as labour, fuel and energy, materials and supplies, as well as realized ore grades and actual production levels. The allocation of costs to ore in stockpiles, ore on leach tanks and in-process inventories and the determination of NRV involve the use of estimates. There is a high degree of judgment in estimating future costs, future production levels, proven and probable reserves estimates, gold and silver prices, and the ultimate estimated recovery for ore on leach tanks. There can be no assurance that actual results will not differ significantly from estimates used in the determination of the carrying value of inventories.

Provision for reclamation and remediation obligations

The Company assesses its provision for asset retirement obligations on an annual basis or when new material information becomes available. Accounting for reclamation and remediation obligations requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation.

Deferred taxes

The Company recognizes the deferred tax asset to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods.

Derivative assets and liabilities

Management is required to determine assumptions used in financial fair value models to estimate derivatives liabilities raised from share purchase warrants, foreign currency forward exchange contracts, gold forward contracts and gold inducement where contractually applicable. The assumptions may be adjusted at each reporting period and the actual value of the derivative liability may differ from the amount currently provided.

Share-based payments

Share-based payments are determined using the Black-Scholes option pricing model based on estimated fair values of all share-based awards at the date of grant and is expensed to profit or loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment to determine whether it is likely that future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. The determination of a compliant resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred).

Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

Judgments

Determination of commencement of commercial production

The Company assesses the stage of each mine under construction to determine when the mine is substantially complete and ready for its intended use. The Company considers various relevant criteria to assess when the commercial production phase is considered to commence. Some of the criteria used will include, but are not limited to, the following:

- Level of capital expenditure incurred compared to the original construction costs estimates;
- Completion of a reasonable period of testing of the mine plant and equipment;
- Ability to produce gold produce in saleable form;
- Ability to sustain ongoing production.

Own use contracts

Certain commodity purchase and sale contracts will meet the definition of a derivative and their values will vary in accordance with the value of the underlying commodity. A commodity contract within the scope of IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) that is also a derivative is accounted for at fair value through profit and loss (FVTPL). Contracts, such as the gold forward sale agreement (Note 14), that are capable of being net cash settled because the contract terms permit net cash settlement; or when the non-financial item is readily convertible into cash are outside the scope of IAS 39 if they were entered into and continue to be held for the purpose of the receipt or delivery of the non-financial item in accordance with the entity's expected purchase, sale or usage requirements and are not written option contracts. Contracts that are exempt from IAS 39 on these grounds are commonly referred to as "own use contracts" and are accounted for as executory contracts.

s) Recent accounting pronouncements

Effective for annual periods beginning on or after January 1, 2013

IFRS 10 - Consolidated Financial Statements ("IFRS 10")

IFRS 10 supersedes IAS 27 "Consolidated and Separate Financial Statements" (IAS 27) and SIC 12 "Consolidation – Special Purpose Entities". IFRS 10 changes the definition of control and provides guidance on which entities are consolidated in an entity's consolidated financial statements. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company does not expect these new standards to have any significant impact on which of the Company's investees are considered subsidiaries and thus does not expect any significant change in the scope of consolidation.

IFRS 11 – Joint Arrangements ("IFRS 11")

IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" (IAS 31) and SIC 13 "Jointly Controlled Entities – Non-Monetary-Contributions by Venturers". IFRS 11 requires a venture to classify its interest in joint arrangement as either a joint operation or a joint venture. For a joint operation, the joint operator will recognize its portion of the assets, liabilities, revenues and expenses. For a joint venture, the joint venture will account for its interest in the venture's net assets using the equity method of accounting. The choice to proportionally consolidate joint ventures is eliminated. The Company currently does not have any arrangements that fall under the scope of this standard.

(in thousands of United States dollars, except per share amounts or otherwise stated)

IFRS 12 – Disclosure of Interests in Other Entities ("IFRS 12")

IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interests in other entities including subsidiaries, joint arrangements, associates and structured entities. This standard outlines the disclosure requirements that address the nature of, and risks associated with an entity's interests in other entities. The Company is evaluating any potential impact of this standard.

IFRS 13 – Fair Value Measurement ("IFRS 13")

IFRS 13 defines the framework for measuring fair value and sets out the disclosure requirements about fair value measurements. IFRS 13 is the single standard to be used across all IFRS standards where fair value measurements are required or permitted. The Company does not expect any significant impact on its consolidated financial statements.

IAS 19 – Employee Benefits ("IAS 19")

IAS 19 has been amended to include elimination of the option to defer, or recognize in full in earnings, actuarial gains and losses and instead mandates the immediate recognition of all actuarial gains and losses in other comprehensive income and requires use of the same discount rate for both the defined benefit obligation and expected asset return when calculating interest cost. Other changes include modification of the accounting for termination benefits and classification of other employee benefits. The Company is evaluating any potential impact of this standard.

IFRIC 20 – Stripping Costs in Production Phase of a Surface Mine ("IFRIC 20")

IFRIC 20 applies to waste removal costs that are incurred in surface mining activities during the production phase of the mine. It recognizes the costs from waste removal activities or stripping activities which provide improved access to ore as stripping activity asset, a non-current asset, when certain criteria are met. Depreciation should be over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The Company is evaluating the potential impact of this standard.

<u>Effective for annual periods beginning on or after January 1, 2015</u>

IFRS 9 – Financial Instruments ("IFRS 9")

IFRS 9 will replace IAS 39 "Financial Instruments: Recognition and Measurement" (IAS 39). IFRS 9 requires that all financial assets be classified as measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified at fair value through profit and loss, financial guarantees and certain other exceptions. In response to delays to the completion of the remaining phases of the project, on December 16, 2011, the IASB issued amendments to IFRS 9 which deferred the mandatory effective date of IFRS 9 from January 1, 2013 to annual periods beginning on or after January 1, 2015. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9. The Company is evaluating any potential impact of this standard.

4. Cash and Cash Equivalents

	June 30, 2013	June 30, 2012
Cash and cash equivalents	$ 40,346	$ 8,294
Restricted cash	1,587	106
Funds held in escrow	-	11,000
Total cash and cash equivalents	$ 41,933	$ 19,400

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The Company has restricted cash of $1.59 million ($0.11 million – 2012), of which $0.14 million represents issued letters of credit for payment guarantees for equipment and $1.45 million for payments collected on behalf of Malaco Mine Corporation, the owner of the Oxide Iron Ore materials on the top soil at the Mengapur Project (Note 9 (f)).

(in thousands of United States dollars, except per share amounts or otherwise stated)

5. Trade and Other Receivables

	June 30, 2013	June 30, 2012
Trade receivable	$ 152	$ 263
Interest receivable	8	83
Goods and services tax/harmonized sales tax receivable	29	119
Other receivable	275	1
Total trade and other receivables	$ 464	$ 466

Trade receivables are non-interest bearing.

6. Inventories

	June 30, 2013	June 30, 2012
Mine operating supplies	$ 2,792	$ 1,612
Stockpiled ore	15,477	17,171
Material discharged from gravity plant for CIL process	1,309	1,893
Work in progress	3,513	1,894
Finished goods	1,168	982
	$ 24,259	$ 23,552
Restricted finished goods (a)	3,390	3,037
Total inventory	$ 27,649	$ 26,589

The cost of inventory expensed during the year ended June 30, 2013 was $28.96 million (2012 - $10.97 million).

(a) During the year ended June 30, 2013, 7,453 ounces of gold were released from the metal accounts as security (Note 13), leaving 5,000 ounces of gold in balance as restricted inventory as at June 30, 2013 to secure the Gold Forward Sale contract (Note 14).

7. Gold Forward Purchase Agreement

	June 30, 2013	June 30, 2012
Current assets		
Gold forward purchase agreement	$ 6,600	$ 6,103
Total current assets	$ 6,600	$ 6,103
Change in fair value		
Gold forward purchase agreement	$ 497	$ 1,169
Total change in fair value	$ 497	$ 1,169

On January 12, 2012, the Company entered into an "Agreement for Sale of Gold" (the "Second Gold Forward Purchase Agreement") with Queenstake Resources USA Ltd (the "Seller") whereby $5.00 million was paid in advance to purchase 3,665 troy ounces of gold to be delivered on the settlement date of June 12, 2012, or alternatively receive (at the Company's option) an amount of $6 million. The Seller is a subsidiary of Veris Gold Corporation ("Veris"), which is a related party to the Company. On June 15, 2012, the Company signed an "Extension for Sale of Gold" with the Seller to extend the settlement date from June 12, 2012 to October 31, 2012 with monthly penalty interest at the rate of 2.25%.

The settlement date of the Second Gold Forward Purchase Agreement was further extended to June 30, 2013, and the gold to be delivered on the settlement date was increased from 3,665 troy ounces to 3,839 troy ounces of gold, or alternatively receiving an amount of $6.60 million in cash at the Company's discretion. On June 30, 2013, the Company signed the third extension with the Seller to receive the amount of $6.60 million in cash from the Seller by September 30, 2013. The accumulated penalty balance totaled $0.27 million as of June 30, 2013. The Company classified the gold forward purchase agreement as a derivative financial instrument and re-measured the undelivered gold balance at fair value in the amount of $6.60 million ($6.10 million - 2012), which is based on the greater of the settlement cash amount of $6.60 million and the gold forward market price $1,192/oz ($1,665/oz - 2012) as at June 30, 2013. The changes between the paid amount and the fair value are recorded in profit or loss.

(in thousands of United States dollars, except per share amounts or otherwise stated)

8. Property, Plant and Equipment

	Mineral Properties	Buildings	Property, Plant & Machinery	Construction in Progress	Other*	Total
Cost						
As at June 30, 2011	$ 22,079	$ 1,043	$ 17,940	$ 1,371	$ 2,014	$ 44,447
Acquisition (Note 9 (f))	-	-	4,972	-	28	5,000
Addition	2,888	53	1,856	7,346	297	12,440
Disposal	-	-	(9)	-	(5)	(14)
As at June 30, 2012	$ 24,967	$ 1,096	$ 24,759	$ 8,717	$ 2,334	$ 61,873
Transfer	279	-	8,438	(8,717)	-	-
Addition	100	325	207	2,364	807	3,803
Disposal	-	-	(525)	-	-	(525)
Reclassification from mineral properties	2,633	-	-	-	-	2,633
Impairment on long-lived assets (Note 24)	-	-	(2,450)	-	-	(2,450)
As at June 30, 2013	$ 27,979	$ 1,421	$ 30,429	$ 2,364	$ 3,141	$ 65,334
Accumulated depreciation						
As at June 30, 2011	($7,054)	($44)	($1,919)	$ -	($418)	($9,435)
Charge for the period	(6,371)	(111)	(2,247)	-	(284)	(9,013)
Disposal	-	-	4	-	-	4
As at June 30, 2012	($13,425)	($155)	($4,162)	$ -	($702)	($18,444)
Charge for the period	(5,337)	(144)	(3,564)	-	(295)	(9,340)
Disposal	-	-	68	-	-	68
As at June 30, 2013	($18,762)	($299)	($7,658)	$ -	($997)	($27,716)
Net book value						
As at June 30, 2012	$ 11,542	$ 941	$ 20,597	$ 8,717	$ 1,632	$ 43,429
As at June 30, 2013	$ 9,217	$ 1,122	$ 22,771	$ 2,364	$ 2,144	$ 37,618

*Other includes vehicles, computers and software, furniture and office equipment, leasehold improvement.

During the year ended June 30, 2013, the Company undertook a review of Ore Reserves and Mineral Resources which form the basis for depreciation of mine property, plant and equipment utilising the UOP method. The review resulted in a change in an accounting estimate in relation to the economically recoverable reserves and the total tonnages of mill feed over the estimated life of mine. The effect of this change in accounting estimate was a reduction in depreciation of $7.80 million, of which $2.67 million impacted the income statement during the year ended June 30, 2013. This change represents the extended useful life of mineral properties and plant and equipment.

(in thousands of United States dollars, except per share amounts or otherwise stated)

9. Exploration and Evaluation

	Selinsing Gold Property	Buffalo Reef	Famehub	Mersing Gold Project	Star Destiny	Mengapur Project	Total
	(Note 9(a))	(Note 9(b))	(Note 9(c))	(Note 9(d))	(Note 9 (e))	(Note 9 (f))	
Balance, June 30, 2011	**$ 1,246**	**$ 13,847**	**$ 4,975**	**$ -**	**$ -**	**$ -**	**$ 20,068**
Acquisition of mineral properties	5	-	-	2,421	3,682	81,198	87,306
Assay and analysis	68	57	17	-	62	183	387
Drilling	1,190	539	-	-	1,827	389	3,945
Geological	278	410	12	-	574	265	1,539
Site activities	607	359	59	-	409	255	1,689
Metallurgical	9	100	-	-	20	54	183
Property fees	-	86	-	-	-	-	86
Stock-based compensation	-	-	-	-	11	11	22
Balance, June 30, 2012	**$ 3,403**	**$ 15,398**	**$ 5,063**	**$ 2,421**	**$ 6,585**	**$ 82,355**	**$ 115,225**
Acquisition of mineral properties	44	(35)	-	5	-	477	491
Assay and analysis	265	144	-	-	580	92	1,081
Drilling	1,943	897	-	-	2,035	3,982	8,857
Geological	444	379	-	-	702	494	2,019
Metallurgical	175	134	-	-	149	127	585
Site activities	581	628	-	-	607	878	2,694
Mine development	-	518	-	-	-	-	518
Asset retirement obligations	-	764	-	-	-	-	764
Property fees	-	2	-	-	-	-	2
Stock-based compensation	-	-	-	-	12	-	12
Reclassification to property, plant and equipment	-	(2,633)	-	-	-	-	(2,633)
Impairment on long-lived assets	-	-	-	(2,426)	-	-	(2,426)
Balance, June 30, 2013	**$ 6,855**	**$ 16,196**	**$ 5,063**	**$ -**	**$ 10,670**	**$ 88,405**	**$ 127,189**

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 administrative delays common in Malaysia, 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

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

a) Selinsing Gold Property

This property is located in Pahang State, Malaysia. The Company acquired a 100% interest in the Selinsing Gold Property in 2007 and since then has developed a producing mine including the first open pit and a gold treatment plant with an initial capacity of 400,000 tonnes per annum. Commercial production commenced in September 1, 2010. During fiscal 2013, the Phase III gold plant upgrade was completed at a total cost of $8.72 million and placed into production bring up the total mill capacity to 1,000,000 tonnes per annum.

<u>FELDA Land</u>

The Company extended its Selinsing property by acquiring exclusive irrevocable exploration licenses over 896 acres of FELDA Land through a subsidiary Able Return Sdn Bhd. The FELDA land is located east and south adjacent to Selinsing and Buffalo Reef, gazetted as a group settlement area covering 3,920 acres of land. It is owned by the Federal Land Development Authority ("FELDA") of Malaysia. The tenements of the FELDA land are owned by local individuals called "Settlers". On April 2, 2013, the Company obtained consent from FELDA allowing exploration to commence at the acquired FELDA land.

In fiscal 2011, the Company had spent $0.14 million on the FELDA land acquisition, which includes $0.04 million reclassified from Buffalo Reef.

Exploration expenditures incurred during fiscal 2013 totaled $0.09 million, including assay and analysis - $0.01 million, drilling - $0.02 million, geological - $0.02 million and site activities - $0.04 million.

b) Buffalo Reef Prospect

On June 25, 2007, the Company acquired 100% of the common shares of Damar Consolidated Exploration Sdn. Bhd., a company 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. Mine development costs were incurred during the last six months of 2012 as a result of site clearing and waste removal activities in preparation for mining activities. The Company commenced commercial ore production at the southern area of the Buffalo Reef project in January 2013, and an amount of $2.63 million was reclassified to Property, Plant and Equipment.

c) Famehub Acquisition

On August 13, 2010, the parties entered into a formal "Agreement of Purchase and Sale of Shares" with Famehub Venture Sdn. Bhd. ("Famehub"), a company incorporated in Malaysia to purchase a land package consisting of approximately 32,000 acres of prospective exploration land as well as the associated data base. This land is located to the east of the Selinsing Gold Project and the Buffalo Reef exploration property. The transaction was closed on September 13, 2010 through the Company's wholly owned subsidiary, Damar Consolidated Exploration Sdn. Bhd, by acquiring 100% of the issued and outstanding shares of Famehub for cash of US$1.43 million (CAD$1.45 million) and the issuance of 14,000,000 fully paid shares of the Company.

d) Mersing Gold Project Acquisition

On September 26, 2011 the Company entered into an Earn-In Agreement with a Malaysian company, Emas Kehidupan Sdn. Bhd. ("EK") and acquired 49% of the Mersing Project. The acquisition was conditional upon completion of a $2.00 million exploration program on the Mersing Gold Project within two-years. The Mersing Gold Project was held through mining certificate #1221 ("MC 1221") and included 256 hectares of prospective land, located approximately 30 kilometers north-west of Mersing Town in Jahore State, Malaysia.

On March 18, 2013, the Company announced that due to the uncertainties regarding the registration and renewal of the mining certificate for the 256 hectares of prospective land that comprise the Mersing Project, it has decided to abandon its interest in the Mersing Project and will not be completing any exploration activities on the project or pursue an earn-in of an interest in the project.

(in thousands of United States dollars, except per share amounts or otherwise stated)

The continuity schedule of the Mersing Gold Project is as follows:

	June 30, 2013	June 30, 2012
Balance, beginning of the period	$2,421	$ -
Acquisition of mineral properties	5	2,421
Net liabilities of EK group abandoned	(471)	-
Elimination of non-controlling interests (Note 20)	(589)	-
Impairment loss on Mersing project (Note 24)	(1,387)	-
Foreign exchange gain	21	-
Balance, end of the period	$ -	$2,421

e) Star Destiny Sdn Bhd acquisition

On November 21, 2011, the Company acquired a 100% interest in Star Destiny Sdn. Bhd. (“Star Destiny”) through its wholly owned Malaysian subsidiary, Monument Mengapur Sdn. Bhd. for cash consideration of $3.14 million (Malaysian Ringgit 10 million). Star Destiny holds an exploration permit covering a 750 hectare property in Pahang State, Malaysia, adjacent to the Mengapur Polymetallic Project.

f) Mengapur project acquisition

On February 16, 2012, the Company acquired a 100% interest in Cermat Aman Sdn. Bhd. ("CASB"), a Malaysian company holding 100% of the Mengapur Project, through the Company’s wholly owned Malaysian subsidiary Monument Mengapur Sdn. Bhd. ("MMSB"). The consideration consisted of a cash payment of $60.00 million and 300 shares of MMSB. As a result, the Company acquired a 70% indirect interest in the Mengapur Polymetallic Project located in Pahang State, Malaysia.

Of the aggregate $60.00 million cash consideration, $5.00 million was allocated to plant and equipment installed at the Mengapur site and $11.00 million was placed into an escrow fund held by the Company as per the acquisition agreement in order to settle any potential claims from the vendors’ creditors against the Mengapur Project and/or the Company. During fiscal 2013, the Company released $11.00 million from funds held in escrow to the vendor of Mengapur project.

In December 2012, the Company acquired the remaining 30% interest in the Mengapur Project by purchasing 300 shares of MMSB from Malaco Mining Sdn Bhd, the original vendor of the Mengapur Project. The consideration was a cash payment of $16.00 million. As a result, the Company now holds a 100% interest in the Mengapur Polymetallic Project located in Pahang State, Malaysia. In February 2013, the Company paid an amount of $7.46 million (CAD$7.65 million) as a transaction cost for the acquisition of the remaining 30% interest in the Mengapur Project. In total, $23.50 million was paid to acquire the remaining 30% interest in the Mengapur Project and reflected through the Company’s non-controlling interests account (Note 20).

Cash	$ 16,000
Transaction costs	7,504
Purchase consideration	$ 23,504

10. Capital Management

The Company manages its capital to ensure that it will be able to continue to meet its financial and operational strategies and obligations, while maximizing the return to shareholders through the optimization of equity financing. Management continuously monitors its capital position and periodically reports to the Board of Directors.

The Company is sensitive to changes in commodity prices and foreign exchange. The Company’s policy is to not hedge gold sales. The Company’s capital management policy has not changed in the 2013 fiscal year.

The Company’s objectives when managing capital are to:

- Ensure the Company has sufficient cash available to support the mining, exploration, and other areas of the business in any gold price environment;
- Ensure the Company has the capital and capacity to support a long-term growth strategy; and
- Minimize counterparty credit risk.

(in thousands of United States dollars, except per share amounts or otherwise stated)

Monument has the ability to adjust its capital structure by issuing new equity, issuing new debt, and by selling or acquiring assets. The Company can also control how much capital is returned to shareholders through dividends and share buybacks.

The Company is not subject to any externally imposed capital restrictions.

The capital of the Company consists of items included in equity and debt, net of cash and cash equivalents.

	June 30, 2013	June 30, 2012
Total equity attributable to shareholders	$ 219,594	$ 146,321
Total borrowings	-	5,930
	219,594	152,251
Less: cash and cash equivalents	(41,933)	(19,400)
Total capital	$ 177,661	$ 132,851

11. Financial Instruments and Financial Risk

The Company's financial instruments are classified as loans and receivables (cash and cash equivalents and trade and other receivables), financial assets at fair value through profit or loss (FVTPL) (derivative financial instruments) other financial liabilities (trade and other payables, share repurchase obligation and convertible notes) and the financial liabilities at fair value through profit or loss (FVTPL) (gold forward contract and derivative financial instruments).

a) Fair value measurement

The carrying amounts of cash and cash equivalents, restricted cash, trade and other receivables and other financial liabilities – accounts payable and accrued liabilities are considered reasonable approximations of their fair values due to the short-term nature of these instruments.

As at June 30, 2013, the fair values of the Company's financial assets and liabilities measured on a recurring basis include the following:

	Category and Valuation Level	June 30, 2013	June 30, 2012
Financial instrument – assets			
Gold forward purchase agreement	Derivative instruments at FVTPL – Level 2	$ 6,600	$ 6,103
Financial instrument – liabilities			
Derivative liabilities – gold inducement	Derivative instruments at FVTPL – Level 2	$ -	$ 4,590
Derivative warrant liabilities	Derivative instruments at FVTPL – Level 2	$ 822	$ 3,552
Derivative liabilities – convertible unit liability	Derivative instruments at FVTPL – Level 2	$ -	$ 2,944

The Company's financial instruments are exposed to 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.

Foreign 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.

(in thousands of United States dollars, except per share amounts or otherwise stated)

As at June 30, 2013 and June 30, 2012, the Company is exposed to foreign currency risk through the following assets and liabilities denominated in Malaysian ringgit (RM) and Canadian dollar (CAD):

(in 000's, US dollar equivalent)	June 30, 2013		June 30, 2012	
	RM	CAD	RM	CAD
Financial instrument – assets				
Cash and cash equivalents	2,283	7,300	1,153	6,851
Restricted cash	1,587	-	106	-
Trade and other receivable	9	131	2	370
Financial instruments – liabilities				
Accounts payable and accrued liabilities	(9,165)	(3,143)	(5,988)	(2,084)
Share repurchase obligation	-	(951)	-	-
Convertible notes	-	-	-	(5,915)
Gold Inducement	-	-		(4,590)
Derivative warrant liabilities	-	(822)	-	(3,552)

The Company has not hedged any of its foreign currency risks. The derivative components associated to foreign currency fluctuation are fair valued at each reporting date and gains or losses are recorded in profit or loss.

Based on the above net exposures as at June 30, 2013 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 $0.26 million (June 30, 2012 – $0.22 million) in the Company's net income, depreciation or appreciation of the CAD against US dollar would result in an decrease/increase of approximately $0.13 million (June 30, 2012 – increase/decrease $0.43 million) in net income.

<u>Price risk</u>

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. As at June 30, 2013 and assuming that all other variables remain constant, a 5% increase/decrease in the market price of the Company's shares would result in unrealized fair value loss/income of approximately $0.14 million (June 30, 2012 - $0.07 million) in the Company's net income.

<u>Commodity price risk</u>

The Company values the contract inducement derivative liabilities (Note 15 (e)) at fair value, which is based, in part, on the gold forward market price discounted to the reporting date during the vesting period and at gold market spot price at the reporting date after the inducement option has been vested. The Company values the gold forward purchase agreement at the gold forward purchase price for undelivered gold ounces. As at June 30, 2013 and assuming that all other variables remain constant, a 5% increase/decrease in the gold market price would result in unrealized fair value loss/income of approximately $nil (June 30, 2012 - $0.38 million) in the Company's net income.

<u>Interest rate risk</u>

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Generally, the Company's interest income will be reduced during sustained periods of lower interest rates as higher yielding cash equivalents and short-term investments mature and the proceeds are reinvested at lower interest rates. The converse situation will have a positive impact on interest income.

To limit interest rate risk, the Company uses a restrictive investment policy. The fair value of the investments of financial instruments included in cash and cash equivalents is relatively unaffected by changes in short-term interest rates. The investments are generally held to maturity and changes in short-term interest rates do not have a material effect on the Company's operations.

(in thousands of United States dollars, except per share amounts or otherwise stated)

Credit risk

The Company's credit risk on the trade 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 (Note 4). The amount of $16.56 million (June 30, 2012 – $1.57 million) is held with a Malaysian financial institution and $25.38 million (June 30, 2012 – $17.83 million) is held with a Canadian financial institution.

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 table below summarizes the maturity profile of the Company's non-derivative and derivative financial liabilities as at June 30, 2013.

	Current Within 1 year	Non-current 1 to 3 years
Non derivative liabilities		
Accounts payable and accrued liabilities	11,975	-
Finance lease obligations	15	-
Share repurchase obligation	-	951
Total	**$ 11,990**	**$ 951**
Derivative liabilities		
Warrants	822	-
Total	**$ 822**	**$ -**

The table below summarizes the maturity profile of the Company's non-derivative and derivative financial liabilities as at June 30, 2012.

	Current Within 1 year	Non-current 1 to 3 years
Non derivative liabilities		
Accounts payable and accrued liabilities	8,033	11,000
Finance lease obligations	16	15
Convertible notes	-	5,915
Total	**$ 8,049**	**$ 16,930**
Derivative liabilities		
Gold Inducement	-	4,590
Warrants	3,809	3,552
Total	**$ 3,809**	**$ 8,142**

12. Accounts Payable and Accrued Liabilities

	June 30, 2013	June 30, 2012
Trade payable	$ 7,404	$ 6,141
Salaries and benefits payable	2,689	1,751
Other payable	1,882	141
Total trade and other payables	$ 11,975	$ 8,033

(in thousands of United States dollars, except per share amounts or otherwise stated)

13. Convertible Notes

The continuity schedule of the convertible notes is as follows:

	June 30, 2013	June 30, 2012
Balance, beginning of the period	$ 5,915	$ 5,290
Accretion expense	662	922
Foreign exchange loss (gain)	70	(297)
Loss on retirement of convertible notes	6,964	-
Changes in fair value of convertible units to warrants	794	-
Exercise of convertible units for issuance of common shares (Note 18 (b))	(7,951)	-
Premium payment for retirement of convertible notes	(6,454)	-
Balance, end of the period	$ -	$ 5,915

On August 11, 2010, the Company closed a financing for issuance of 20,000,000 units under convertible notes for $7.65 million (CAD$8.00 million) (the "Notes").

The Notes had a term of five years and one day from the date of issuance and are to be repaid by the Company at the end of the term in cash in the amount of $10.10 million (CAD$9.73 million), representing 121.67% of the principal amount (the "Repayment Amount"). Any early repayments or conversions of the Notes would 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 $0.38 (CAD$0.40) 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 $0.48 (CAD$0.50) per share, expiring five years from the date of issuance of the Notes. The conversion feature of the convertible notes meets the definition of a derivative liability given that it is subject to an adjustment down to $0.35 (CAD$0.365) per unit should the Company issue common shares for cash proceeds in an amount below $0.38 (CAD$0.40) per share during the term of the Notes. Upon conversion, the Company was 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 at the conversion date.

In addition, the Company granted to the Noteholders the option to purchase an aggregate of 5,714 ounces of gold at a price of $1,000 US dollars or CAD equivalent per ounce and 2,857 ounces of gold at a price of $1,250 US dollars or CAD$1,250 per ounce at the discretion of the Noteholders at any time during the term of the Notes commencing 18 months after closing (the "Gold Inducement") (Note 7 (f)). The Gold Inducement could be exercised in US dollars or CAD at the discretion of the holder.

In connection with the issuance of the Notes, the Company also entered into gold purchase option agreements with each of the Noteholders (the "Option Agreements") whereby the Noteholders had the option to acquire gold from the Company up to an amount equal to the balance of the Notes outstanding at the greater of: (i) $1,000 per ounce; and (ii) the gold price in US 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 Company's obligations under the Notes and the Gold Forward Sale contract (Note 14) were secured by designated gold metal accounts. In connection with such security, the Company is required to deposit an aggregate of 400 ounces of gold per month, up to a maximum of 13,000 ounces of gold, 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.

The continuity schedule of the restricted gold metal accounts is as follows:

	Designated gold (in ounces)
Balance, June 30, 2011	4,000
Deposited	4,800
Balance, June 30, 2012	8,800
Deposited	3,653
Unrestricted on retirement of Notes	(7,453)
Balance, June 30, 2013	5,000

On February 15, 2013, the Notes were fully converted to 20,000,000 common shares and 20,000,000 common share purchase warrants under an early retirement arrangement at CAD$0.40 per unit for a premium payment of $6.45 million (CAD$6.50

(in thousands of United States dollars, except per share amounts or otherwise stated)

million) to the Noteholders. This resulted in a loss on retirement of Notes of $6.96 million. The Company also bought back the gold inducement options totaling 8,571 ounces from the Noteholders for $6.01 million (CAD$6.01 million) (Note 15).

Included in the early retirement agreement is a put option which provides the rights to the Noteholders that cause the Company to repurchase common shares converted from the Notes when the share price below is CAD$0.40. These rights will expire on August 12, 2015. In light of an alleged fundamental breach of the early retirement agreement by one of the former note holders who held 17,500,000 converted Monument shares, management has obtained legal advice that it has a supportable position that the Company does not have a liability related to this repurchase clause. As a result of the share repurchase obligation on the remaining 2,500,000 converted shares, the Company has recognized a liability of $0.95 million and a reduction to share capital of $0.99 million with the difference being foreign exchange through earnings. The fair value of the put option has been recognized as a loss of $0.28 million offset against the share repurchase obligation balance in share capital.

14. Gold Forward Sale contract

In conjunction with the issuance of convertible notes (Note 13), the Company entered into a gold forward sale contract resulting in the advance of $4.78 million (CAD$5.00 million) to the Company on August 11, 2010. Net proceeds amounted to $4.25 million after subtracting transaction costs in the amount of $0.54 million, of which $0.48 million was for commission and $0.06 million 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 "Gold Forward Sale"). The Gold Forward Sale has a term of five years plus one day.

In addition, 5,000,000 common share purchase warrants were issued to the Lender on closing of the Gold Forward Sale. Each share purchase warrant is exercisable at CAD$0.50 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.

Upon initial recognition, the Company first allocated the proceeds to the liability component based on the estimated fair value with the residual value being allocated to the deferred revenue. Transaction costs were allocated to the various components pro-rata as follows:

Allocation	Proceeds	Transaction costs	Net proceeds
Deferred revenue	$ 2,919	$ 326	$ 2,593
Warrants	1,865	210	1,655
Total	$ 4,784	$ 536	$ 4,248

15. Derivative Liabilities

	June 30, 2013	June 30, 2012
Current Liabilities		
Derivative warrant liability – private placement (a)	$ -	$ 4
Total current liabilities	$ -	$ 4
Non-current Liabilities		
Derivative unit liability - convertible notes (b)	$ -	$ 2,944
Derivative warrant liability - gold forward sale contract (c)	164	608
Derivative warrant liability - convertible units (d)	658	-
Derivative liability – gold inducement (e)	-	4,590
Total non-current liabilities	$ 822	$ 8,142

(in thousands of United States dollars, except per share amounts or otherwise stated)

	June 30, 2013	June 30, 2012
Changes in fair value of derivative financial instruments		
Gain due to change in fair value of derivative warrant liability – private placement (a)	$ 4	$ 11,269
Derivative unit liability - convertible notes (b)	164	5,143
Change in fair value of derivative warrant liability - gold forward sale contract (c)	444	1,298
Derivative warrant liability - convertible units (d)	1,328	-
(Loss) gain due to change in fair value of derivative liability – gold inducement (e)	(1,418)	47
Total gain due to changes in fair value of derivative financial instruments	$ 522	$ 17,757

a) <u>Derivative warrant liability - private placement</u>

The Company closed a $26.35 million (CAD$28.05 million) private placement on July 21, 2008 by issuing of 70,120,000 units at a price of $0.38 (CAD$0.40) per unit, which is comprised of one common share of the Company and one common share purchase warrant. Each of these warrants entitles the holder to purchase one additional common share of the Company for a price of CAD$0.50 until July 21, 2011.

On February 3, 2011, the TSX Venture Exchange consented for the Company to extend the term of 68,055,000 common share purchase warrants for another 12 months, from an expiry date of July 21, 2011 to an expiry date of July 21, 2012. The Company's functional currency is in US dollars, therefore Canadian dollar denominated common share purchase warrants were considered derivative instruments and were measured at fair value on the date of modification and subsequently at each reporting date, with subsequent changes in fair value recognized in profit or loss. As at February 3, 2011, the fair value of the extended warrants in the amount of $17.10 million was estimated using the Black-Scholes option pricing model.

On July 12, 2012, 24,112,500 share purchase warrants were exercised at a price of CAD$0.50 per share, resulting in cash proceeds of $11.93 million (CAD$12.06 million). The remaining 43,212,500 share purchase warrants expired on July 21, 2012.

A summary of the changes in the Company's share purchase warrants for the years ended June 30, 2013 and 2012 is set out below:

	June 30, 2013		June 30, 2012	
	Number of Warrants	Fair value Assigned	Number of Warrants	Fair value Assigned
Balance, beginning of the year	67,325,000	$ 4	67,440,000	$ 11,292
Exercised during the period	(24,112,500)	(1)	(115,000)	(19)
Expired during the period	(43,212,500)	(3)	-	-
Fair value re-measured during the year	-	-	-	(11,269)
Balance, end of the year	-	$ -	67,325,000	$ 4
Exercise price		Expired		CAD$0.50
Expiry date		Expired		July 21, 2012
Fair value assumptions:				
Risk free rate		Expired		0.97%
Expected dividends		Expired		Nil
Expected life (years)		Expired		0.06
Volatility		Expired		39.47%

(in thousands of United States dollars, except per share amounts or otherwise stated)

b) Derivative unit liability – convertible note

A summary of the changes in derivative unit liability in conjunction with Convertible Notes (Note 13) for the years ended June 30, 2013 and 2012 is set out below:

	June 30, 2013		June 30, 2012	
	Number of Units	Fair value assigned	Number of Units	Fair value assigned
Balance, beginning of the year	20,000,000	$ 2,944	20,000,000	$ 8,087
Fair value re-measured during the year	-	(164)	-	(5,143)
Exercise of convertible units	(20,000,000)	(2,780)		
Balance – end of the year	-	$ -	20,000,000	$ 2,944
Conversion date				Feb 15, 2013
Exercise price				CAD$0.40
Expiry date				Aug 11, 2015
Fair value assumptions:				
Risk free rate		1.47%		1.25%
Expected dividends		Nil		Nil
Expected life (years)		2.48		3.12
Volatility		45.23%		56.37%

c) Derivative warrant liability – Gold Forward Sale contract

A summary of the changes in derivative warrant liability in conjunction with Gold Forward Sale contract (Note 14) for the years ended June 30, 2013 and 2012 is set out below:

	June 30, 2013		June 30, 2012	
	Number of Warrants	Fair value assigned	Number of Warrants	Fair value assigned
Balance, beginning of the year	5,000,000	$ 608	5,000,000	$ 1,906
Fair value re-measured during the year	-	(444)	-	(1,298)
Balance, end of the year	5,000,000	$ 164	5,000,000	$ 608
Exercise price		CAD$0.50		CAD$0.50
Expiry date		Aug 11, 2015		Aug 11, 2015
Fair value assumptions:				
Risk free rate		1.25%		1.25%
Expected dividends		Nil		nil
Expected life (years)		2.12		3.12
Volatility		44.22%		56.37%

(in thousands of United States dollars, except per share amounts or otherwise stated)

d) Derivative warrant liability – Convertible units

A summary of the changes in derivative warrant liability in conjunction with Convertible units for the years ended June 30, 2013 and 2012 is set out below:

	June 30, 2013		June 30, 2012	
	Number of Units	Fair value assigned	Number of Units	Fair value assigned
Balance, beginning of the year	-	$ -	-	$ -
Issued from exercise of convertible units	20,000,000	1,986	-	-
Fair value re-measured during the year	-	(1,328)	-	-
Balance – end of the year	20,000,000	$ 658	-	$ -
Exercise price		CAD$0.50		
Expiry date		Aug 11, 2015		
Fair value assumptions:				
Risk free rate		1.25%		-
Expected dividends		Nil		-
Expected life (years)		2.12		-
Volatility		44.22%		-

e) Derivative liabilities – Gold Inducement

The Company re-measured the fair value of the gold inducement at each reporting date. The gain or loss due to change in fair value and the loss on buyout of Gold Inducement on February 15, 2013 are recognized in profit or loss.

Derivative liabilities – Gold Inducement	June 30, 2013	June 30, 2012
Balance, beginning of the year	$ 4,589	$ 4,637
Change in fair value of Gold Inducement	1,418	(47)
Cash buyout of Gold Inducement	(6,007)	-
Balance, end of the year	$ -	$ 4,590
Fair value assumptions:	February 15, 2013	
Forward gold price, $/oz.	n/a	n/a
Spot gold price, $/oz.	$ 1,612	$ 1,599
Forward CAD/$ foreign exchange rate	n/a	n/a
Spot CAD/$ foreign exchange rate	1.0070	1.0191
Risk free rate	n/a	n/a

16. Asset Retirement Obligations

The Company's asset retirement obligations consist of reclamation and closure costs for mine development and exploration activities. Although the ultimate amount of reclamation costs to be incurred cannot be predicted with certainty, the total undiscounted cash flows required to settle the Company's obligations is estimated to be $6.87 million (June 30, 2012 - $5.66 million) and is expected to be settled over the next ten years. This amount has been discounted using a pre-tax rate of 2.50% as at June 30, 2013 (June 30, 2012 – 1.72%). Significant reclamation and closure activities include land rehabilitation, decommissioning of tailing storage facilities, mined waste dump, road bridges, buildings and mine facilities. The following is an analysis of the asset retirement obligations:

	June 30, 2013	June 30, 2012
Balance, beginning of the year	$ 5,042	$ 4,250
Additions	1,214	193
Accretion expense	97	105
Reclamation performed	(6)	(9)
Reassessment of liabilities	(1,007)	705
Foreign exchange	(16)	(202)
Balance, end of the year	$ 5,324	$ 5,042

(in thousands of United States dollars, except per share amounts or otherwise stated)

The reduction of the asset retirement obligations of $1.01 million as a result of a reassessment of the liability (June 30, 2012 – $0.71 million increase) was caused by the change in discount rate from 1.72% as at June 30, 2012 to 2.50% as at June 30, 2013, and changes in the amount and the timing of the underlying cash flows expected to settle the obligations.

The additions of $1.21 million during the year ended June 30, 2013 relate to the Buffalo Reef property ($0.75 million) which has arisen due to the commencement of disturbance activity and Selinsing Gold mine ($0.46 million) due to the creation of an additional waste dump during the period. The additions in the amount of $0.19 million during the year ended June 30, 2012 are a result of the revised estimated cash outflows due to additional land disturbance and dismantle activities caused by the Phase III plant and tailing storage facility construction work. The changes in the estimated cash outflows and the change in the discount rate are capitalized and added to the costs of the corresponding assets in accordance with Company's accounting policy.

17. Income Tax

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	June 30, 2013	June 30, 2012
Income tax expense computed at statutory rates	$ (8,127)	$ (14,896)
Lower effective rate attributable to Malaysian income	13,097	12,697
Non-deductible expenses	(6,484)	(2,459)
Change in timing differences	2,465	882
Unutilized tax losses	(1,736)	(708)
Non-taxable income	193	4,484
Non-business income	(2)	(2)
Increase in deferred tax liability due to statutory rate increase	(26)	-
Income tax expense	$ (620)	$ (2)
Income tax expense consists of the following:		
Current income tax provision	$ (2)	$ (2)
Deferred income tax provision	(618)	-
Income tax expense	$ (620)	$ (2)

Deferred tax assets and liabilities have been calculated using the following enacted corporate income tax rates: Canada at 26% (2012 – 25%) and Malaysia at 25% (2012 – 25%). Significant components of recognized deferred tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	June 30, 2013	June 30, 2012
Deferred tax liabilities		
Mineral property interests	$ (1,305)	$ (964)
Property, plant & equipment	(779)	(257)
Gold forward purchase agreement	-	(150)
Convertible notes	-	(484))
	(2,084)	(1,854)
Deferred tax assets		
Mineral property interests	640	472
Property, plant and equipment	165	70
Share issuance cost carry forwards	-	143
Financing cost carry forwards	-	139
Loss carry forwards	-	348
	805	1,172
Net deferred tax liabilities	$ (1,279)	$ (682)

(in thousands of United States dollars, except per share amounts or otherwise stated)

Unrecognized deferred tax assets are as follows:

	June 30, 2013	June 30, 2012
Unrecognized deferred tax assets		
Loss carry forwards	$ 7,309	$ 3,803
Other deductible temporary differences	1,320	927
	$ 8,629	$ 4,730

Deferred tax assets and liabilities, which are probable to be utilized, are offset if they relate to the same taxable entity and the same taxation authority. No deferred tax liabilities have been recognized on temporary differences when the timing of their reversal can be controlled. Other deductible temporary differences primarily comprise of cumulative eligible capital expenditures that are tax deductible according to relevant tax law in Malaysia. No deferred tax asset has been recognized because the amount of future taxable profit that will be available to realize such assets is unpredictable and not probable.

At June 30, 2013, the Company has loss carryforwards for Malaysian tax purposes of approximately $1.44 million (2012 - $1.77 million) (Malaysian ringgit 4.55 million (2012 – 5.61 million), that may be applied against future income for Malaysian tax purposes. These losses do not expire.

At June 30, 2013, the Company has non-capital loss carryforwards for tax purposes that are available to reduce future taxable income in Canada of $26.49 million (2012 - $14.84 million). The losses expire as follows:

	Total
2014	18
2025	48
2026	172
2027	1,129
2028	819
2029	2,385
2030	2,048
2031	3,803
2032	3,991
2033	12,075
	$ 26,488

The future benefit of deferred tax assets has not been recorded in these consolidated financial statements to the extent that the Company estimates that these assets, more likely than not, will not be realized.

18. Share Capital

a) Authorized

Unlimited common shares without par value.

(in thousands of United States dollars, except per share amounts or otherwise stated)

b) Common shares

Issued and outstanding:

	Number of shares	Value assigned
Balance, June 30, 2011	174,246,861	$ 63,484
Issued shares on acquisition of mineral properties (Note 9 (d))	1,500,000	843
Issued for exercised warrants	8,240,003	4,161
Issued for exercised stock options	558,666	207
Balance, June 30, 2012	184,545,530	$ 68,695
Issued for private placements	44,500,000	19,864
Issued for exercise of convertible units (Note 13)	20,000,000	7,951
Share repurchase obligation (Note 13)	-	(709)
Issued for exercised warrants	24,112,500	11,928
Issued for exercised stock options	1,900,000	908
Balance, June 30, 2013	275,058,030	$ 108,637

On February 12 and March 6 of 2013, the Company closed brokered private placements in two tranches by issuing 44,500,000 common shares for gross proceeds of $21.99 million (CAD$22.25 million) at CAD$0.50 per common share, or net proceeds of $19.86 million (CAD$20.12 million): Tranche #1 - 30,000,000 shares for gross proceeds of $14.96 million (CAD$15.00 million) or net proceeds of $13.51 million (CAD$13.55 million); tranches #2 – 14,500,000 shares for total gross proceeds of $7.03 million (CAD$7.25 million), or net of $6.36 million (CAD$6.57 million). The common shares are subject to a four month holding period ending June 12, 2013 and July 6, 2013.

Cost of the private placement totaled $2.12 million, including cash commissions of $1.63 million (CAD1.63 million) paid to Mackie Research Capital Corporation as lead agent and sole book-runner and Salman Partners Inc. (together the “Agents”), 3,115,000 Agents Options exercisable for a period of 24 months after closing at CAD$0.50 per common share fair valued at $0.31 million (note 19 (c)), legal fee of $0.13 million and regulatory fee of $0.05 million paid to TSX Venture Exchange.

All shares issued from the private placement were subject to four months plus one day escrow period, of which 30 million were released from the escrow as of June 30, 2013.

The proceeds from the brokered private placement will be used for development of the Mengapur project and for general working capital.

19. Capital Reserves

	June 30, 2013	June 30, 2012
Warrants (a)	$ 2,612	$ 2,612
Options (b)(c)	6,893	6,400
Total capital reserves	$ 9,505	$ 9,012

a) Share purchase warrants

Due to the Company’s functional currency being the US dollar, the issued and outstanding warrants that have an exercise price denominated in Canadian dollars are derivative instruments. The warrants have been recognized as a liability in the statement of financial position with changes in fair value recorded in profit or loss.

b) Stock options

A 10% Rolling Stock Option Plan (the “2012 Plan”) was approved at the Annual General and Special Meeting held on December 30, 2012 to replace the Fixed Stock Option Plan (the “2011 Plan”) with other terms intact. A total of 28,941,000 common shares were reserved under the 2011 Plan. The 2012 Plan was not made effective during fiscal 2012 until February 17, 2013 since the number of shares of the Company reserved under the 2012 Plan did not exceed the number of stock options granted under the 2011 Plan. The 2012 Plan was approved and ratified at the March 28th AGM and was approved by the TSX Venture Exchange thereafter. A total of 27,505,803 common shares were reserved under the 2012 Plan.

(in thousands of United States dollars, except per share amounts or otherwise stated)

Stock option activity is as follows:

	Number of common shares under option plan	Weighted average exercise price	Total
Balance, June 30, 2011	24,799,167	CAD$0.40	$5,867
Granted	1,550,000	CAD$0.46	636
Exercised	(558,666)	CAD$0.25	(66)
Forfeited	(115,000)	CAD$0.64	(37)
Balance, June 30, 2012	25,675,501	CAD$0.41	$6,400
Granted	1,500,000	CAD$0.455	827
Exercised	(1,900,000)	CAD$0.31	(323)
Forfeited/expired	(4,100,000)	CAD$0.46	(11)
Balance, June 30, 2013	21,175,501	CAD$0.41	$6,893

During the year ended June 30, 2013, 1,500,000 options were granted to directors and employees.

The general terms of stock options granted under the amended plan include a maximum exercise period of five years and a vesting period of two years with half of the grant vesting on the first anniversary of the grant and half vesting on the second anniversary of the grant. The exercise prices of all stock options granted during the period were equal to the closing market prices at the grant date.

The following table summarizes the stock options outstanding at June 30, 2013:

	Options outstanding			Options exercisable	
Exercise price	Number of common shares	Expiry date	Weighted average life (years)	Number of common shares	Weighted average exercise price
CAD$0.40	12,300,000	Aug 15, 2013	0.13	12,300,000	CAD$0.40
CAD$0.25	915,501	Dec 05, 2013	0.43	915,501	CAD$0.25
CAD$0.40	230,000	Dec 05, 2013	0.43	230,000	CAD$0.40
CAD$0.50	400,000	Dec 05, 2013	0.43	400,000	CAD$0.50
CAD$0.25	300,000	Feb 09, 2014	0.61	300,000	CAD$0.25
CAD$0.30	500,000	Jun 10, 2015	1.95	500,000	CAD$0.30
CAD$0.42	3,000,000	Sep 29, 2015	2.25	3,000,000	CAD$0.42
CAD$0.60	600,000	Nov 30, 2015	2.42	600,000	CAD$0.60
CAD$0.68	20,000	Jan 27, 2016	2.58	20,000	CAD$0.68
CAD$0.62	150,000	Jul 28, 2016	3.08	75,000	CAD$0.62
CAD$0.61	150,000	Aug 29, 2016	3.17	75,000	CAD$0.61
CAD$0.42	1,000,000	Jan 11, 2017	3.54	500,000	CAD$0.42
CAD$0.45	180,000	Mar 7, 2017	3.69	90,000	CAD$0.45
CAD$0.455	930,000	Sep 17, 2017	4.22	-	-
CAD$0.455	500,000	Oct 9, 2017	4.28	-	-
Total	21,175,501		1.08	19,005,501	CAD$0.40

(in thousands of United States dollars, except per share amounts or otherwise stated)

The following table summarizes the stock options outstanding at June 30, 2012:

	Options outstanding			Options exercisable	
Exercise price	Number of common shares	Expiry date	Weighted average life (years)	Number of common shares	Weighted average exercise price
CAD$0.50	2,900,000	Jul 05, 2012	0.01	2,900,000	CAD$0.50
CAD$0.40	13,160,000	Aug 15, 2013	1.12	13,160,000	CAD$0.40
CAD$0.25	915,501	Dec 05, 2013	1.43	915,501	CAD$0.25
CAD$0.40	230,000	Dec 05, 2013	1.43	230,000	CAD$0.40
CAD$0.50	400,000	Dec 05, 2013	1.43	400,000	CAD$0.50
CAD$0.25	300,000	Feb 09, 2014	1.61	300,000	CAD$0.25
CAD$0.30	500,000	Jul 29, 2012	0.08	500,000	CAD$0.30
CAD$0.30	1,600,000	Jun 08, 2013	0.94	1,300,000	CAD$0.30
CAD$0.30	500,000	Jun 10, 2015	2.94	500,000	CAD$0.30
CAD$0.42	3,000,000	Sep 29, 2015	3.24	2,000,000	CAD$0.42
CAD$0.60	600,000	Nov 30, 2015	3.41	300,000	CAD$0.60
CAD$0.68	20,000	Jan 27, 2016	3.57	10,000	CAD$0.68
CAD$0.62	150,000	Jul 28, 2016	4.07	-	-
CAD$0.61	150,000	Aug 29, 2016	4.16	-	-
CAD$0.42	1,070,000	Jan 11, 2017	4.52	-	-
CAD$0.45	180,000	Mar 7, 2017	4.67	-	-
Total	25,675,501		1.53	22,515,501	CAD$0.40

c) Agent options

The company issued 3,115,000 Agents Options in connection with the 2013 brokered private placement (Note 18(b)). The fair value of these Agent Options of $0.31 million was recognized and debited to share issuance costs during the period.

Agent option activity is as follows:

	Number of common shares per agent option	Weighted average exercise price
Balance, June 30, 2012	-	-
Granted	3,115,000	CAD$0.50
Balance, June 30, 2013	3,115,000	CAD$0.50

The following table summarizes the agent options outstanding at June 30, 2013:

	Agent options outstanding			Agent options exercisable	
Exercise Price	Number of common shares	Expiry date	Weighted average life (years)	Number of common shares	Weighted average exercise price
CAD$0.50	2,100,000	12-Feb-15	1.62	2,100,000	CAD$0.50
CAD$0.50	1,015,000	6-Mar-15	1.68	1,015,000	CAD$0.50
Total	3,115,000		1.64	3,115,000	CAD$0.50

(in thousands of United States dollars, except per share amounts or otherwise stated)

Using the Black-Scholes option pricing model the weighted average assumptions noted below were used to estimate fair value of all Agents Options recognized during the year ended June 30, 2013 as follows:

	June 30, 2013
Risk-free interest rate	0.97 - 1.13%
Expected life	2 years
Expected volatility	50 - 51%
Expected dividends	Nil

20. Non-controlling Interests

Balance, June 30, 2011	$ -
Acquisition of Mersing Gold Project	592
Acquisition of Mengapur Project	23,571
Loss attributable to Mersing Gold Project	(3)
Gain attributable to Mengapur Project	26
Balance, June 30, 2012	24,186
Loss attributable to Mengapur Project	(93)
Acquisition of Mengapur Project (Note 9 (f))	(23,504)
Impairment on Mersing Gold Project	(589)
Balance, June 30, 2013	$ -

21. Production Costs

	June 30, 2013	June 30, 2012
Accretion of asset retirement obligation	$ 97	$ 105
Depreciation and amortization	10,495	3,802
	10,592	3,907
Mining	6,497	2,008
Processing	11,968	5,160
Royalties	4,522	3,970
Operations, net of silver recovery	199	166
Total production costs	$ 33,778	$ 15,211

22. Corporate Expenses

	June 30, 2013	June 30, 2012
Office and general expenses	$ 755	$ 394
Rent & utilities	190	135
Salaries & wages	4,373	2,498
Share-based compensation	487	561
Legal, consulting and audit	2,122	1,078
Shareholders communication	371	461
Travel	596	500
Regulatory compliance and filing	69	59
Project investigation	121	146
Amortization	122	114
Total corporate expenses	$ 9,206	$ 5,946

(in thousands of United States dollars, except per share amounts or otherwise stated)

23. Settlement Payment

	June 30, 2013	June 30, 2012
Settlement payment	$ 11,972	$ -
Allocated to Mengapur Project	(7,629)	-
Net settlement payment	$ 4,343	$ -

In February 2013, the Company settled an outstanding legal disagreement with Tulum Corporation ("Tulum") and its sole-shareholder, Mr. Francois Marland. Tulum and Mr. Marland had claimed damages against the Company in connection with various matters, including the Company's cancellation of the proposed private placements to Tulum, which the Company had originally announced in 2011 and 2012. Under the terms of the settlement agreement, the Company made two cash dispersals to Tulum of CAD$6.00 million each by March 1, 2013. In turn, Mr. Marland agreed to invest CAD$6.00 million for the purchase of 12 million shares in the Company's brokered private placement, fully support the Company's management and the present Board of Directors for a period of 12 months from the date of the agreement and to release the Company and its directors and officers from any claims related to these matters. A total of $11.97 million was paid for legal settlement during the year ended June 30, 2013, of which $7.63 million was allocated to the Mengapur property as settlement cost for acquiring 30% of the Mengapur Project.

24. Impairment Loss

The Company assessed the impairment on assets as at the period end and determined the following impairment loss for the years ended June 30, 2013 and 2012.

	June 30, 2013	June 30, 2012
Mersing project (Note 9 (d))	$ 1,387	$ -
Spare ball mill (a)	2,450	-
Impairment loss on long-lived assets	$ 3,837	$ -
Impairment loss on investment in subsidiary	1	-
Total impairment loss	$ 3,838	$ -

a) The Company has assessed plant and equipment during the period and has determined the spare ball mill is subject to an impairment loss due to under utilization.

25. Earnings Per Share

The calculation of basic and diluted earnings per share for the relevant periods is based on the following:

	June 30, 2013	June 30, 2012
Net income for the period attributable to common shareholders	$ 32,838	$ 59,561
Basic weighted average number of common shares outstanding	232,459,605	182,797,661
Effect of dilutive securities:		
Warrants	-	-
Options	1,182,995	4,321,891
Convertible notes warrants	-	-
Convertible notes shares	12,602,739	20,000,000
Diluted weighted average number of common share outstanding	246,245,339	207,119,552
Basic earnings per share	$ 0.14	$ 0.33
Diluted earnings per share (2012 restated from $0.29)	$ 0.14	$ 0.27

All warrants and options are potentially dilutive in the years ended June 30, 2013 and 2012, but excluded from the calculation of diluted earnings per share are those for which the average market prices below the exercise price.

(in thousands of United States dollars, except per share amounts or otherwise stated)

26. Related Party Transactions

a) Entities with directors in common

The transactions which have been entered into with related parties during the years ended June 30, 2013 and 2012 as well as balances with related parties as at June 30, 2013 and 2012:

	June 30, 2013	June 30, 2012
Veris Gold Corp. (formerly Yukon Nevada Gold Corp.), a company with directors in common		
Reimbursement of expenses from related party	$ -	$ 444
Reimbursement of expenses to related party	587	595
Queenstake Resources USA, Ltd, a company with directors in common – Gold forward purchase		
Penalty income (Note 7)	$ 545	$ 81

The sales to and purchases from related parties represent the compensation for management, travel and administrative services and are priced on a cost basis.

Closing balances as of	June 30, 2013	June 30, 2012
Veris Gold Corp. (formerly Yukon Nevada Gold Corp.)		
Receivable balance	$ -	$ 164
Payable amount	(375)	(120)
Queenstake Resources USA, Ltd – Gold forward purchase		
Penalty receivable balance (Note 7)	273	81
Gold forward purchase (Note 7)	$ 6,600	$ 6,103

b) Key management personnel

Key management includes directors – executive and non-executive. The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel:

	June 30, 2013	June 30, 2012
Salaries and directors' fees	$ 3,043	$ 2,124
Share-based payments	285	455
Total key management compensation	$ 3,328	$ 2,579

c) Transaction with a Director

For the year ended June 30, 2013, a director of the Company earned $0.04 million (2012 - $0.07 million) for general consulting services to the Company, of which $0.003 million was outstanding and included in accounts payable at June 30, 2013 (2012 - $nil).

27. Commitments and Contingencies

	2014	2015	2016	2017	2018	Total
Operating leases	$ 98	$ 3	$ -	$ -	$ -	$ 101
Purchase commitments	4,623	-	-	-	-	4,623
Mineral property fees	7	7	7	7	7	35
Total commitments and contingencies	$ 4,728	$ 10	$ 7	$ 7	$ 7	$ 4,759

Operating leases are for premises and vehicle leases. Purchase commitments are primarily for mining operations.

(in thousands of United States dollars, except per share amounts or otherwise stated)

28. Supplemental Cash Flow Information

	June 30, 2013	June 30, 2012
Interest received	$ 577	$ 136
Income taxes paid	(3)	(2)
Non-cash working capital, financing and investing activities:		
Share-based compensation charged to mineral property interests	20	36
Deferred financing costs included in accounts payable	-	7
Amortization charged to mineral properties	517	114
Amortization inherent in inventory	10,115	11,864
Expenditures on mineral properties included in accounts payable	3,179	1,304
Plant and equipment costs included in accounts payable	559	883
Accounts payable related to Mersing project	-	449
Fair value of exercise of stock options and warrants	323	66
Shares issued for Mersing acquisition	-	843

29. Segment Disclosures

The Company operates primarily in the gold mining industry and its major product is gold. Its activities include gold production, acquisition, exploration and development of gold and Polymetallic properties. The Company's mining operations are in Malaysia.

The Company's reportable operating segments reflect the Company's individual mining interests and are reported in a manner consistent with the internal reporting used by the Company's management to assess the Company's performance.

Non-mining, corporate and other operations are reported in "Corporate".

a) Operating segments

June 30, 2013	Mine operations	Exploration and evaluation	Corporate	Total
Current assets	$ 37,183	$ 4,571	$ 32,602	$ 74,356
Property, plant and equipment	29,713	7,871	34	37,618
Exploration and evaluation	-	127,189	-	127,189
Total assets	70,286	139,630	32,637	242,553
Total liabilities	10,644	3,857	8,458	22,959
Revenue	$ 91,276	$ -	$ -	$ 91,276
Depreciation and amortization	(10,495)	-	(122)	(10,617)
Profit/(loss) from operations	55,762	(1,630)	(21,387)	32,745

June 30, 2012	Mine operations	Exploration and evaluation	Corporate	Total
Current assets	$ 24,810	$ 920	$ 24,450	$ 50,180
Property, plant and equipment	37,003	6,371	55	43,429
Exploration and evaluation	-	115,225	-	115,225
Total assets	64,850	122,515	24,584	211,949
Total liabilities	9,993	12,068	19,381	41,442
Revenue	$ 61,709	$ -	$ -	$ 61,709
Depreciation and amortization	(3,884)	-	(32)	(3,916)
Profit/(loss) from operations	51,031	(245)	8,797	59,583

(in thousands of United States dollars, except per share amounts or otherwise stated)

b) Geographic segments

The Company's reportable segments operate within two geographic segments – Malaysia and Canada.

June 30, 2013	Malaysia	Canada	Total
Current assets	$ 41,754	$ 32,602	$ 74,356
Property, plant and equipment	37,584	34	37,618
Exploration and evaluation	127,189	-	127,189
Total assets	209,916	32,637	242,553
Total liabilities	14,501	8,458	22,959
Revenue	$ 91,276	$ -	$ 91,276

June 30, 2012	Malaysia	Canada	Total
Current assets	$ 25,730	$ 24,450	50,180
Property, plant and equipment	43,374	55	43,429
Exploration and evaluation	115,225	-	115,225
Total assets	187,365	24,584	211,949
Total liabilities	22,061	19,381	41,442
Revenue	$ 61,709	$ -	$ 61,709

30. Subsequent Events

Share purchase options granted

On September 11, 2013, the Company announced the grant of 19,465,501 incentive stock options to its directors, officers, employees and consultants exercisable at $0.33 per share for periods ranging from five to ten years, with vesting periods ranging from zero to two years.

Of the stock options granted, a total of 13,865,501 have been granted under the existing 10% Rolling Stock Option Plan. The remaining 5,600,000 stock options are granted under a Proposed 15% Fixed Stock Option Plan (the "Proposed Fixed Plan"). Both the 5,600,000 new stock options and the Proposed Fixed Plan are subject to shareholder and TSX Venture Exchange approval.

Gold forward purchase agreement

On September 30, 2013, Veris paid $0.45 million of the outstanding loan and accrued interest amounts, and agreed to register security before October 15, 2013, for the net unpaid amount. The security to be provided is a first priority claim against Veris' Ketza River property located in Yukon, Canada. Veris has further undertaken to pay all remaining balances on or before December 31, 2013.