The following Management's Discussion and Analysis ("MD&A") of Monument Mining Limited ("Monument" or the "Company") as of February 28, 2013 should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and six months ended December 31, 2012 (Q2 of fiscal 2013) and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "GAAP" as issued by the International Accounting Standards board ("IASB")). Previously, the Company prepared its annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). This MD&A contains "forward-looking statements" and the non-GAAP performance measure "unit cash cost per ounce sold" that are subject to risk factors set out in a cautionary note contained herein. All figures are in United States dollars unless otherwise noted. References to "C$" or "CAD" are to Canadian dollars.

Additional information relating to the Company's activities may be found on the Company's website at www.monumentmining.com and at www.sedar.com.

### *1.1.1 Q2 Fiscal 2013 Highlights*

- Net profit from gold production of $10,220,746;
- Gold production in the quarter was 15,902 ounces, 35% higher than in the same quarter last fiscal year;
- 27.7% increase in gold recovery, 149% more ore processes at Selinsing compared to same quarter last fiscal year
- Commenced feasibility study on bio-oxidation mill plant expansion for the Selinsing gold treatment plant (Phase IV);
- Drilled 92 holes at Selinsing and Buffalo Reef, totaling 9,499 drill meters;
- Drilled 32 holes totaling 6,289 meters at the Mengapur Polymetallic Project in order to define the copper oxide and sulfide resources, as well as the enrichment zone;
- Continued clearing and pre-stripping activities at Buffalo Reef in preparation for the first open pit at the property; and
- Acquired remaining 30% interest in the Mengapur project with $16,000,000 cash on hand, bringing total ownership interest in the project to 100%.

### *1.1.2 Business Overview*

Monument Mining Limited (TSX-V:MMY, FSE:D7Q1) is an established Canadian gold producer with production cash costs among the lowest in the world. The Company's 100% owned primary gold properties are located in Pahang State, the Central Gold Belt of Western Malaysia. These properties include Selinsing Gold Project ("Selinsing"), an operating mine, and the Buffalo Reef Prospect ("Buffalo Reef") and Famehub properties ("Famehub"), both of which are 100% owned exploration properties. The Company also is the 100% owner of the Mengapur Polymetallic Project ("Mengapur"), which includes the Star Destiny property. Mengapur is also located in Pahang State.

Monument's primary business objective is to advance its mineral projects from exploration and development to production and to increase its gold and other mineral assets through acquisition of prospective land or gold and other mineral projects at an advanced development stage. The Company's longer-term goal is to be a sustainable dividend paying, mid-tier gold and metals producer.

Monument has an experienced management team with a demonstrated ability to quickly build profitable operations. The Company employs 260 people in Malaysia and is committed to the highest standards of environmental management, social responsibility, and health and safety for its employees and neighboring communities. Monument's Head Office is located in Vancouver, BC, Canada. It operates through its subsidiaries in Pahang State, Malaysia.

### *1.1.3 Results of Operations*

#### Second Quarter Overview

Gold production at Selinsing continued to generate healthy cash flow in the second quarter of fiscal 2013. At the same time, management continued to focus on delivering sustainable gold production through exploration to increase gold resources, investment to upgrade the Company's mining infrastructure, including upgrades to the gold processing plant in order to treat sulfide ore materials, and further advancement of the Mengapur Polymetalic Project, which will be a key contributor to increase Monument's future value.

During the second quarter of fiscal 2013, the Company announced that it has acquired the 30 percent of the Mengapur project that it did not already own. Monument acquired this additional interest by purchasing, through a Malaysian subsidiary, 30 percent of the shares of Monument Mengapur Sdn. Bhd. from Malaco Mining Sdn. Bhd. in consideration for US$16 million in cash on hand. As a result of this acquisition, Monument now holds, through its subsidiaries, 100% of the Mengapur Polymentallics Project.

Monument is undertaking a phased development plan to advance the Mengapur project, following the same successful approach Monument used to bring its Selinsing gold mine into low-cost production. The phased Mengapur development plan includes, among other things, further drilling, construction of an onsite laboratory, and construction of a new concentrate plant as well as a parallel processing plant with 5000 tonnes per day capacity. Combined with its planned overhaul of an existing onsite concentrate plant, Monument believes that there is potential at Mengapur to process up to 6000 tonnes per day of material to produce copper and precious metal concentrate. This is an interim production step to achieve early cash flow in parallel with completion of the preliminary economic assessment, including engineering and planning of the main roaster and treatment plant.

In addition to pursuing the significant development potential of Mengapur, Monument continues to produce gold, at low cash costs, at its Selinsing project. As a result of the Company's decision to invest in expanded processing capacity at Selinsing, Monument reported record second quarter production on January 11, 2013. Operating cash flow from Selinsing's production is being reinvested in the continued expansion of gold resources at its gold project portfolio, including continued drilling and exploration programs, land acquisitions, plant upgrades and gold mine development. The Company announced further encouraging drill results at Selinsing in November 2012, and expects that Selinsing's production will continue to fund the expansion of the project.

On December 17, 2012 Monument announced a best-efforts private placement financing through a syndicate of agents ("brokered private placement"). This financing is intended to help fund the Mengapur development plan that Monument believes will add significant value to the Company as it pursues its strategy of becoming a mid-tier gold and metals producer. On February 12, 2013, the Company announced the closing of the first tranche of the brokered private placement, totaling $15 million (30 million shares).

On February 21, 2013, subsequent to the second quarter, the Company announced that it has reached an agreement with GoldMet B.V. ("GoldMet") pursuant to which GoldMet confirmed that it will fully support Monument's management and the present Board of Directors at the upcoming Annual General Meeting of shareholders. With GoldMet's support, the Company intends to pursue other financing alternatives to satisfy its planned capital expenditure requirements to advance the phased development of the the Mengapur project. Pursuant to the agreement with GoldMet, Monument agreed to reduce the size of the brokered private placement such that the Company will raise no more than a further $26 million (52 million common shares). The Company has agreement from GoldMet that alternatives sources of finance including from Malaysia can be considered.

### Gold Production

The second quarter operation produced net profit before other income (loss) and before taxes attributable to shareholders of $10,268,093. This was a a 31% decrease compared to the same period of fiscal 2012, mainly due to lower gold sales, partially offset by higher gold price and lower general corporate expenditures. Earnings per share were $0.05 for the second quarter, which is lower than $0.08 in the same period of last fiscal year.

Gold recovery from the Selinsing gold processing plant for the second quarter ended December 31, 2012 was 17,289 ounces, a 27.7% increase compared to 13,544 ounces for the same period of fiscal 2012 due to increased through put through the new primary mill, partially offset by low grade mill feed for the quarter. Gold production, net of gold dorè in transit and refinery adjustment, was 15,902 ounces of gold, defined as good delivery gold bullion according to London Bullion Market Association ("LBMA"), compared to 11,736 ounces for the same period of fiscal 2012. Gross revenue of $19,639,609 was generated from sales of 11,353 ounces of gold at an average price of $1,730 per ounce in the second quarter of fiscal 2013 compared to $21,084,315 from sales of 12,765 ounces of gold at an average price of $1,652 per ounce in the corresponding quarter of fiscal 2012. The 4.7% increase in realized gold price continues to contribute to the profitability and strong cash flow generation which is supportive to the Company's projected business expansion.

Cash cost per ounce increased by 42% to $435/oz in the second quarter of fiscal 2013 from $307/oz in the same quarter of fiscal 2012 driven by rising mining and milling costs related to the depth of the open pit, increased hauling distances, more waste removal, lower grade ore mined, and timing difference driven through stockpiling ore. The mining contract was also renewed with an approximate 25% increase for the next two years. The Company put the primary ball mill into commercial production in August 2012 and started to feed a larger quantity of lower grade ore materials including sulphidic ore through the new 1,000,000 tonnes per annum mill capacity, in turn increasing overall milling costs. Sulphidic ore led to longer processing times and higher volumes of reagents used. This trend is expected to continue as the Company processes increasingly higher quantities of low grade mill feed including sulphidic ore.

### Exploration

Drilling activity continued in the second quarter, consistent with the fiscal 2013 exploration programs at Selinsing and Buffalo Reef. The initial fiscal 2013 planned drill programs consist of 138 diamond drill holes totalling 19,180 meters, and 127 RC drill holes totalling 6,830 meters, which focus on finding additional oxide and sulfide ores adjacent to the existing pit development areas, extending known mineralization north and south of the Selinsing open pit along strike, as well as testing the down dip mineralization extensions within and adjacent to the resource pit shells. During the second quarter ended December 31, 2012, 92 drill holes totaling 9,499 drill meters were completed consisting of 55 diamond drill holes for 7,136 meters and 37 RC holes for 2,363meters. In November 2012, before the end of the second quarter, additional drill results obtained from the extended 2010 Selinsing drill programs were announced and filed at www.sedar.com.

Drilling programs at Mengapur during the three months ended December 31, 2012 included a total of 6,289 m in 32 drill holes from both the Mengapur Mine (Lot 10210) and the Star Destiny prospective land area. The drill programs are designed to better define the historical copper and sulfur oxide and sulfide resources and reserves as well as the enrichment zone, upgrade the historical resources and reserves to current NI 43-101 compliant standards, and conduct a preliminary economic assessment NI 43-101 Technical Report by November 2013 using current economical parameters, mining and processing costs, and metal prices. Early in the quarter drilling was focused on the Star Destiny prospective land area where a total of 3,425m in 16 drill holes were completed. Once approval for the renewal of the operating mining scheme ("OMS") was granted on Lot 10210, drilling commenced in mid-November 2012 where 2,865m in 11 drill holes was completed as of December 31, 2012. The renewal of the OMS was approved subsequent to the quarter end which allowed the finalization of the comprehensive drilling plan and mining plan on Lot 10210.

### Second Quarter Highlights

(1) Key gold production statistics

| Selinsing Gold Mine | Fiscal 2010 | Fiscal 2011 | Fiscal 2012 | Q1 Fiscal 2013 | Q2 Fiscal 2013 |
|---|---|---|---|---|---|
| **Operating results** | | | | | |
| Ore mined (tonnes) | 662,330 | 740,909 | 501,881 | 101,654 | 184,197 |
| Ore processed (tonnes) | 272,120 | 351,999 | 364,680 | 224,643 | 209,626 |
| Average ore head grade (g/t Au) | 3.08 | 4.31 | 4.24 | 1.98 | 2.88 |
| Process recovery rate | 58.7% | 92.9% | 93.7% | 85.6% | 89.1% |
| Gold recovery (ounces) | 15,818 | 45,313 | 46,491 | 12,240 | 17,289 |
| Gold production (ounces) | 13,793 | 44,438 | 44,585 | 10,906 | 15,902 |
| Gold sold (ounces) | 13,793 | 40,438 | 36,938 | 12,552 | 11,353 |

| Selinsing Gold Mine | Fiscal 2010 | Fiscal 2011 | Fiscal 2012 | Q1 Fiscal 2013 | Q2 Fiscal 2013 |
|---|---|---|---|---|---|
| **Financial results** | | | | | |
| Gold sales (US$'000)[(a)] | $16,316 | $56,627 | $61,709 | $20,805 | $19,640 |
| *Per ounce data* | | | | | |
| Cash cost per ounce | 216 | 242 | 306 | 333 | 435 |
| Average London spot gold price, US$/ounce | 1,089 | 1,372 | 1,673 | 1,652 | 1,723 |
| Average realized gold price, US$/ounce | 1,183 | 1,400 | 1,671 | 1,658 | 1,730 |

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

(2) On October 9, 2012, the Company announced that the iron ore dispute and all its issues related to the Mengapur Project had been resolved by entering into a harmonization Agreement among Phoenix lake Sdn Bhd, ZCM Minerals Sdn Bhd, and Monument's subsidiaries including Monument Mengapur Sdn Bhd and Cerman Aman Sdn Bhd. All related litigation was subsequently dropped. This eliminates a significant source of uncertainty from the Mengapur Project.

(3) The annual Operating Mining Schedule for the Mengapur Project was renewed subsequent to the first quarter effective retroactively from May 2012.

(4) On October 17, 2012, the Company announced that the board has approved a non-brokered private placement to Tulum Corporation of up to 52,000,000 shares at a price of $0.45 per share for net proceeds of up to $23,400,000 to the Company. There are no warrants issued or finder's fees paid in connection with the private placement. On November 4, 2012, the Company announced that it has engaged Mackie Research Capital Corporation as exclusive Financial Advisor to evaluate various strategic and financial alternatives to meet the Company's growth objectives.

(5) On November 14, 2012, The Company announced that it received a Court Order from the Supreme Court of British Columbia to extend time for holding Annual General Meeting from December 31, 2012 to March 31, 2013. The date and details of the meeting will be announced in due course. Subsequent to the second quarter, it has set forth the AGM date as at March 28, 2013.

(6) On November 21, 2012, the Company announced additional drill assay results from its ongoing drilling program at the producing Selinsing open pit gold mine in Pahang, Malaysia. These drill results demonstrate that gold mineralization at the Selinsing Deposit continues at depth along an east-dipping structural zone.

(7) On December 17, 2012, the Company announced that it has engaged a syndicate of agents, led by Mackie Research Capital Corporation ("**MRCC**"), including Salman Partners Inc. and other agents, to complete a private placement financing of up to 160,000,000 common shares of the Company at a price of CAD$0.50 per Common Share, for aggregate gross proceeds of up to CAD$80,000,000 (the "Brokered Private Placement"). On February 12, 2013, subsequent to the six month period ended December 31, 2012, the first trench of the Brokered Private Placement was closed by issuance of 30 million of common shares of the Company.

(8) On December 18, 2012, the Company announced its plan for development work to be carried out at Mengapur during Phases I and II of the project through its 70% owned subsidiary Monument Mengapur Sdn. Bhd. ("MMSB").

(9) On January 17, 2013, subsequent to the second quarter, the Company announced that it has become a 100% owner of the Mengapur Project through purchasing the remaining 30% of the Mengapur Project from the previous Vendor. The Company also announced that it has decided not to pursue the proposed $23.4 million private placement with Tulum.

(10) On February 21, 2013, the Company announced that it has reached an agreement with GoldMet B.V. ("GoldMet") pursuant to which GoldMet confirms that it no longer has concerns as previously expressed and agreed to fully support Monument's management and the present Board of Directors at the upcoming Annual General Meeting of shareholders.

(11) On February 27, 2013, the Company announced that its board of directors has approved a Shareholder Rights Plan, an Advance Notice By-Law, and a dividend policy.

## *1.2 Project Update [Suggest re-ordering: Selinsing-Mengapur-Buffalo-Famehub-Mersing]*

### Selinsing Gold Project

Resources

The Selinsing Gold Project ("Selinsing Project") is located at Bukit Selinsing near Sungai Koyan, approximately 65 km north of Raub and 40 km west of Kuala Lipis on the lineament known as the Raub Bentong Suture, at approximately 040˚15'00"N latitude, 101˚047'10"E longitude. The resources of the Selinsing Gold Project as of August 2006 are comprised of an indicated mineral resource of 3,630,000 tonnes at 1.76 gpt, using a cutoff of 0.75 gpt for contained ounces of 205,000 ounces of gold. (Snowden, 2006). It is a near surface open-pittable resource that metallurgical test work and subsequent mill production records confirm recovery between 92% and 95%.

Production

The Phase III gold plant expansion was placed into commercial production during the first quarter of fiscal 2013 bringing production capacity from 400,000 tonnes per annum ("tpa") to approximately 1,000,000 tpa. The upgraded plant processed total of 209,626 tonnes and 434,269 tonnes of low grade ore during the three and six months period ended December 31, 2012 (Q2, 2012 – 84,182 and 170,525) with gold recovery of 17,289 oz and 29,529 oz for the three and six months period ( 2012 – 13,544 and 25,503). The production and financial results are set forth in the following table:

| | Year ended June 30, | | | Three months ended | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | Sep 30, 2012 | Dec 31, 2012 |
| **Mining** | | | | | |
| Ore mined (tonnes) | 662,330 | 740,909 | 501,881 | 101,654 | 184,197 |
| Waste removed (tonnes) | 2,326,502 | 2,707,598 | 2,770,491 | 441,950 | 640,848 |
| Stripping ratio | 3.51 | 3.65 | 5.52 | 4.35 | 3.48 |
| Ore stockpiled (tonnes) | 387,545 | 773,432 | 920,633 | 801,871 | 786,550 |
| **Processing** | | | | | |
| Crushed ore (tonnes) | 274,786 | 355,021 | 354,682 | 220,416 | 199,518 |
| Ore processed (tonnes) | 272,120 | 351,999 | 364,680 | 224,643 | 209,626 |
| Average mill feed grade (g/t) | 3.08 | 4.31 | 4.24 | 1.98 | 2.88 |
| Processing recovery rate | 58.7% | 92.9% | 93.7% | 85.6% | 89.1% |
| Gold recovery (oz) | 15,818 | 45,313 | 46,491 | 12,240 | 17,289 |
| Gold produced (oz) | 13,793 | 44,438 | 44,585 | 10,906 | 15,902 |
| Gold sold (oz) | 13,793 | 40,438 | 36,938 | 12,552 | 11,353 |
| Revenue (in 000's) | 16,316 | 56,627 | 61,709 | 20,805 | 19,640 |
| Cash cost (US$/oz) (1) – | | | | | |
| Mining | 64 | 53 | 54 | 85 | 110 |
| Processing | 90 | 120 | 140 | 178 | 197 |
| Royalties | 62 | 69 | 107 | 72 | 120 |
| Operations, net of silver recovery | - | - | 5 | (2) | 8 |
| Total cash cost (US$/oz) | 216 | 242 | 306 | 333 | 435 |

(1) Total cash cost includes production costs such as mining, processing, tailing facility maintenance and camp administration, royalties, and operating costs such as storage, temporary mine production closure, community development cost and property fees, net of by-product credits. Cash cost excludes amortization, depletion, accretion expenses, capital costs, exploration costs and corporate administration costs.

## Exploration

During the second quarter of fiscal 2013 a total of 6,367m in 53 drill holes were completed at Selinsing at cost of $463,958. These drill holes were completed in the main development pits and targeted additional oxide and sulfide mineralization within and adjacent to the current resource design pits, and below the current design pit elevation (<400 m RL). A total of 2,219m of RC drilling in 34 RC drill holes and 4,148m of diamond drilling in 19 drill holes were completed in the second quarter.

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

These recent drill hole assay results indicate that gold mineralization extends below the existing design pit and continues at depth. The on-going programs will continue to test the gold distribution at depth and along strike. The new drill hole data will be used to construct an updated resource estimate to be completed in the near future. The announced Selinsing "Deeps" mineralized drill hole results (located below the current design pit) are similar in grade and true thickness to those obtained from historic drilling campaigns conducted before the 2007 acquisition.

## Environment, Safety and Health

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

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

During three month period ended December 31, 2012, monthly ambient air and noise sampling was conducted as well as environmental sampling for water quality in local streams at Selinsing Gold Mine; results were all satisfactory. Routine safety inspections were carried out and awareness training was conducted for selected topics. Standard operating procedure for electrical lock out tag out was well implemented.

(in United States dollars, except where noted)

Legal Proceeding

During the second quarter ended December 31, 2012, a statement of claim was filed by Selinsing Mining Sdn Bhd ("SMSB"), the previous owner of the Selinsing Project, against Monument and two of its Malaysian subsidiaries in the High Court of Malaya in Shah Alam, Selangor, Malaysia. The claim alleges that SMSB is entitled to a share of production/profit from Selinsing Gold Mine Manager Sdn. Bhd. ("SGMM") based on SMSB's purported 5% participating interest in SGMM.

According to Monument legal counsel, the Claim against Monument and its subsidiaries is entirely without merit. The opportunistic nature of this claim is demonstrated by the fact that it was not filed sooner, and has only been made now, after several years of success in low-cost production under Monument's leadership. Monument will vigorously dispute this claim, and will update shareholders on developments in this regard.

**Buffalo Reef Prospect**

Resources

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

The Buffalo Reef deposit had only a JORC Code compliant historical estimated resource upon acquisition in 2007. In fiscal 2011, Snowden Pty Ltd Australia was engaged to update the historical mineral resources at Buffalo Reef, to convert the historical inferred resources to the measured and indicated categories, and to update the JORC Code compliant gold resources to NI 43-101 standards. The Snowden NI 43-101 report was completed and filed under SEDAR on May 26, 2011. As of December 2010 at a cutoff grade of 0.5 g/t Au, the Buffalo Reef Indicated Mineral Resource is 2.30 million tonnes grading 2.24 g/t Au for a total of 165,500 ounces of Au and the Inferred Mineral Resource is 1.36 million tonnes grading 1.31 g/t Au for a total of 57,300 ounces of Au.

The Buffalo Reef Mineral Resource as of December 2010, and reported at a 0.5 g/t Au cut-off grade (Snowden, 2011):

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

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

The NI 43-101 report contains preliminary metallurgical test work results. Historic test work conducted by Avocet Mining PLC, the previous owner of Buffalo Reef, indicated that the oxide zone showed reasonable metallurgical recovery rates for gold by direct cyanidation. However, the sulfide mineralization at Buffalo Reef was classified as refractory to direct cyanidation procedures. This prompted the Company to commence test work programs in 2010 and preliminary metallurgical studies completed by Monument in 2011 have shown promising results using roasting or bioleaching pre-treatment processes. These test work programs are ongoing and the Company is encouraged with results to date. Oxide ore can be treated using the existing Selinsing processing plant.

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

The NI 43-101 technical report dated May 2011 was prepared by independent qualified persons Jean-Pierre Graindorge, BSc from Snowden Mining Industry Consultants Pty Limited and Frank Wright, P. Eng., a Consulting Metallurgist. Information in this report relates to in-situ Mineral Resource estimates using CIM Standards on Mineral Resources and Reserves Definitions and Guidelines. The May 2011 estimate was carried out under the supervision of Mr. Michael Andrew who is a full time employee of Snowden Mining Industry Consultants Pty Ltd. Mr. Andrew is a member of the Australian Institute of Mining and Metallurgy (MAusIMM), and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Qualified Person as defined by the Code. Mr. Andrew consents to the inclusion in this section of MD&A of the matters based on his information in the form and context in which it appears.

Exploration

The Buffalo Reef exploration program announced in September 2010 includes 33 drill holes comprising 2,500m of RC drilling and 3,200m of diamond drilling budgeted at $0.8 million. It was aimed to convert the inferred resources to measured and indicated resources under NI 43-101 standards. Metallurgical and recovery test work was also carried out on the Buffalo Reef mineralization as part of this development program.

For the three months ended December 31, 2012 as part of an additional exploration program, 36 diamond drill holes totaling 2,988m and 3 RC drill holes totaling 144m were completed at Buffalo Reef for a total cost of $247,581. These drill holes targeted converting inferred resources to indicated and also tested areas on the margins of the existing design pits, additional near-surface oxide opportunities, and gap zones with little pre-existing drilling information. Core logging and sample processing and assay analysis are in progress on these recently completed drill holes.

The Company has also paid and obtained agreements from settlers for exploration rights. The exploration rights are subject to ultimate consent from the Federal Land Development Authority ("FELDA"). This consent is presently being updated by FELDA and is expected to be received by the Company shortly. This is expected to enable the Company to explore within the FELDA areas in the future.

Mine Development

Permits to mine over several mining leases at Buffalo Reef were extended during the first quarter for duration of two years commencing May 2012. The permits cover the Buffalo Reef ore body, tailing storage facilities and the waste dump for Selinsing and Buffalo Reef operations. The site clearance and pre-stripping were undertaken for preparation of first open pit at the Buffalo Reef. During the six months ended December 31, 2012 mine development incurred costs of $517,650 including site clearing and waste removal in preparation for mining activities. Mining activities commenced in November 2012 with ore expected to be processed by February/March 2013.

### Famehub Properties

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

In the 2012 fiscal year, field work was carried out at Famehub's Satak Serau (Panau) and Tekai prospects. A total of 1,082 trench samples, 9,255 soils samples, 163 stream samples and 148 grab/float samples were collected from the Panau and Tekai prospects. The Panau prospect has been identified as having the best potential for hosting near-surface oxide resources. An initial 10 drill hole exploration program totaling 1,450m and additional trenching and sampling has been planned at Panau to be conducted in the near future. No field activities were conducted during the second quarter of fiscal 2013.

On September 13, 2010, through its wholly-owned subsidiary Damar, the exploration arm of Monument's Malaysian group of companies, the Company acquired the Famehub Property by purchasing 100% of the issued and outstanding shares of Famehub Venture Sdn. Bhd. ("Famehub"), a company incorporated in Malaysia. Famehub has rights to approximately 32,000 acres of prospective exploration land to the north of Buffalo Reef along the trend and east of the Selinsing gold mine. Famehub also owns a package of technical information and exploration database in respect to the subject property. The Company has reviewed the exploration programs at all of these properties, targeting the consolidation of its Selinsing and Buffalo Reef properties together with the Famehub Property around the newly constructed producing Selinsing gold mine in order to extend the life of the mine.

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

### Mersing Gold Project

The Mersing Gold Project is held through mining certificate #1221 ("MC 1221") for 256 hectares of prospective land, located approximately 30 kilometers north-west of Mersing Town in Jahore State, Malaysia. The original Malaysian Geological Survey identified a widespread geochemical anomaly that follows the north-west regional structural trend running for more than 30 kilometers, commencing near the beach at Kampung Sri Pantai running inland toward the Mersing Gold Project. The presence of widespread quartz veining within the highly deformed metasediments, sulphide mineralization and free gold showing in the vein material, and the evidence of substantial alluvial mining and processing activities indicate that the Mersing Gold Project has potential to host primary gold mineralization. To date, the area has not been systematically explored for its primary gold potential and no production details are available. The Company has been reviewing Mersing's regulatory status in order to initiate an exploration program.

In September 26, 2011 the Company entered into an Earn-In Agreement with a Malaysian company, Emas Kehidupan Sdn. Bhd. ("EK") and its 30% joint venture partners, under which the Company has a right to earn or acquire up to a 100% interest in the "Mersing Gold Project" (previously known as the "Gunung Arong Gold Prospect"). Monument acquired 49% of the Mersing Project immediately by paying $500,000 cash and issuing 1,500,000 fully paid Monument shares to the vendors in exchange for 70% of the shares in EK, which in turn holds a 70% interest in the Mersing Gold Project, conditional upon completion of a $2,000,000 exploration program on the Mersing Gold Project within two-years.

The Company has the right to earn a further 21% interest in the Mersing Gold Project by making either, at the option of the vendors, a further $1,500,000 cash payment to the vendors or by issuing 2,500,000 fully paid Monument shares to the vendors in order to acquire the remaining 30% of the issued EK shares bringing Monument's interest in the Mersing Gold Project to 70%, conditional upon completion of a further $2,000,000 exploration program on the Mersing Project within two years. Further, Upon acquiring 100% of the shares of EK and reaching a 70% ownership level in the Mersing Gold Project, the Company has the right, for a period of 180 days after the completion of its second earning exploration obligations and the completion of an initial or pre-feasibility study on the project, to buy out the remaining 30% interest in the project thereby achieving 100% ownership in the Mersing Gold Project.

During the second quarter ended December 31, 2012, the Company issued an inquiry letter to the Vendor to further confirm the status of the title transfer.

### Mengapur Polymetallic Project

The Mengapur Polymetallic Project is located in Central Malaysia in the State of Pahang, approximately 130 kilometers from Monument's wholly-owned Selinsing Gold Mine near Sri Jaya, 12 kilometers from a highway and 75 kilometers from the Malaysian port of Kuantan. The Mengapur polymetallic deposit contains a historic Cu-S-Au-Ag oxide and sulfide resource from a previous drilling campaign conducted in the 1980's as previously reported in Snowden (January, 2012) consisting of 224 million tonnes averaging 0.597 pct Cu eqv (6.54% S, 0.25% Cu, 0.16 g/t Au, and 8.86 g/t Ag) at a cutoff grade of 0.336% Cu eqv. from Zones A, B, and C. An additional historic sulfide reserve from Zone A consists of 64.8 million tonnes averaging 0.737 pct Cu eqv. (8.63% S, 0.27 pct Cu, 0.21 g/t Au, and 2.59 g/t Ag) at the same 0.336pct Cu eqv cutoff grade (Snowden, 2012). Drilling is currently being conducted by Monument Mengapur to verify these historic resources and reserves and to bring them to a currently accepted NI 43-101 resource and reserves.

The Mengapur Project includes the mineralized bodies over both mining license (lot #10120) owned by Cermat Aman Sdn Bhd and prospective license owned by Star Destiny Sdn Bhd covering prospective land totaling 750 Hectares in Pahang State, Malaysia, adjacent to the south of the Mengapur Polymetalic Project. The prospecting exploration permit of SDSB expired on September 23, 2012. The Company submitted an application of renewal in November 2011 to the State authority; it has also submitted two applications for mining licenses in 2009 and 2010 over sections of the same area. Another application for mining lease over the prospecting land was also submitted in August 2012. The Company has yet to receive an official notification from the State authority in response to its applications.

After closing of the Mengapur acquisition in fiscal 2012, the 40-person camp at Mengapur has been increased to support a larger Monument staff. The on-site facilities are being upgraded and a new core storage and logging facility was recently constructed near the existing site Administration Office. The Company has approved a $400,000 budget for carrying out research and investigation work on rock phosphate resources through an Australian company as a part of its strategic plan for development of future downstream products on the Mengapur Project.

The proposed fiscal 2013 drill program at the Star Destiny prospective land includes approximately 11,060m to help confirm the resources at the B Resource Zone. The proposed fiscal 2013 drill program at Lot 10210 includes approximately 20,255m in 86 drill holes to help define the A Resource Zone and was started in mid-November 2012. Drilling for this program is prioritizing those drill holes that will help define the highest valued sulfide ores for early mining which will be the focus of the upcoming NI 43-101 Technical Report.

During the six month ended December 31, 2012, the Operating Mining Scheme ("OMS") was approved retroactively from May 2012 over the mining lease. The Company moved to place drill programs at the Lot 10120, a total of 6,289m in 32 drill holes (25 diamond drill holes totaling 5,790m with 7 RC precollars totaling 499 m) were completed at the Mengapur Polymetallic Project at a cost of $1,193,563.

(in United States dollars, except where noted)

During the second quarter, a total of 3,425m in 16 drill holes were completed at the Star Destiny prospective land area whereas 2,865m in 11 drill holes were completed at Lot 10210.

Also during the second quarter, additional specific gravity samples from Zone B were collected and characterized to help with the updated resource evaluation. This information will be used to better quantify the bulk densities of the different mineralization types planned for the future mining operations envisioned at the site.

ZCM Mining Sdn Bhd ("ZCM") and Phoenix Lake Sdn Bhd ("PLSB") are currently mining for iron ore (magnetite) in oxide materials on the Mengapur mine site at an approximate rate of 12,000 tonnes per day. The recent "harmonization" agreement between PLSB/ZCM and MMSB, the exclusive operator of the lot 10210, has formed a base to allow ZCM to mine near-surface oxide ores and allow Monument to protect itsmineral assets and continue developing access to the A Zone sulfide and transitional resources.

### *1.3 Selected Financial Information*

| BALANCE SHEET | December 31, 2012 | June 30, 2012 | June 30, 2011 |
|---|---|---|---|
| Current assets | $ 68,931,039 | $ 50,179,801 | $68,326,751 |
| Other assets | 166,255,438 | 161,769,174 | 56,415,756 |
| Total assets | 235,186,477 | 211,948,975 | 124,742,507 |
| | | | |
| Current liabilities | 20,039,016 | 19,052,930 | 4,919,497 |
| Other liabilities | 24,698,549 | 22,388,089 | 38,807,319 |
| Non-controlling interests | 588,576 | 24,186,279 | - |
| Equity attributable to parent | 189,860,336 | 146,321,677 | 81,015,691 |
| Total liabilities and shareholders' equity | 235,186,477 | 211,948,975 | 124,742,507 |
| | | | |
| Working capital excluding derivative liabilities | $ 48,892,023 | $ 31,130,680 | $63,407,254 |

(in United States dollars, except where noted)

### *1.4 Operating highlights*

| | Fiscal 2011 | | Fiscal 2012 | | | | Fiscal 2013 | |
|---|---|---|---|---|---|---|---|---|
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| | $ | $ | $ | $ | $ | $ | $ | $ |
| Revenues | 15,031,105 | 16,617,861 | 14,430,298 | 21,084,315 | 12,393,951 | 13,800,700 | 20,805,397 | 19,639,609 |
| Gold Produced (Ounces) | 11,904 | 12,136 | 11,846 | 11,736 | 10,676 | 10,327 | 10,906 | 15,902 |
| Gold Sold (Ounces) | 10,704 | 10,936 | 8,372 | 12,765 | 7,301 | 8,500 | 12,552 | 11,353 |
| Average Realized Gold price (per ounce) | 1,404 | 1,520 | 1,724 | 1,652 | 1,698 | 1,624 | 1,658 | 1,730 |
| Average London Spot Gold price (per ounce) | 1,386 | 1,506 | 1,702 | 1,688 | 1,691 | 1,609 | 1,652 | 1,723 |
| Cash cost (per ounce) | 238 | 262 | 297 | 307 | 303 | 316 | 333 | 435 |
| Net Earnings Attributable to Common Shareholders | 17,916,723 | 10,380,198 | 11,176,073 | 26,708,718 | 8,116,449 | 13,560,064 | 10,833,682 | 12,457,194 |
| | | | | | | | | |
| Net Earnings before other income Attributable to Common Shareholders | 10,296,084 | 10,537,186 | 9,925,103 | 14,779,551 | 8,430,279 | 7,395,364 | 13,228,091 | 10,268,093 |
| Earnings Per Share before other income: | | | | | | | | |
| - Basic | 0.06 | 0.06 | 0.06 | 0.08 | 0.04 | 0.04 | 0.06 | 0.05 |
| - Diluted | 0.05 | 0.05 | 0.05 | 0.07 | 0.04 | 0.04 | 0.06 | 0.05 |
| Net Earnings after other income and tax Attributable to Common Shareholders | 17,916,723 | 10,380,198 | 11,176,073 | 26,708,718 | 8,116,449 | 13,560,064 | 10,833,682 | 12,457,194 |
| Earnings Per Share: | | | | | | | | |
| - Basic | 0.10 | 0.06 | 0.06 | 0.15 | 0.04 | 0.08 | 0.05 | 0.06 |
| - Diluted | 0.09 | 0.05 | 0.05 | 0.13 | 0.04 | 0.07 | 0.05 | 0.05 |

**Summary**

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

For the three month period ended December 31, 2012, the net income attributable to shareholders was $12,457,194, or $0.06 per share (basic) compared to $26,708,718, or $0.15 per share (basic) in the corresponding quarter for fiscal 2012. The decrease in earnings per share in the second quarter of fiscal 2013 was mainly due to lower other income (loss) which attributed $0.01 to earnings per share as compared to $0.07 per share in the second quarter of fiscal 2012. For the six month period ended December 31, 2012, the net income attributable to shareholders was $23,290,876, or $0.11 per share (basic) compared to $37,884,791, or $0.21 per share (basic) in the corresponding period for fiscal 2012. The decrease in earnings per share in fiscal 2013 is mainly due to other income (loss) which attributed $0.00 to earnings per share as compared to $0.07 per share in the corresponding period of fiscal 2012. The decrease in other income was caused by derivative losses resulted in change of fair value of derivative liabilities at the end of the reporting period calculated based on selected financial models and assumptions associated to related commodity price or share price at the market as required by IFRS, the applicable accounting standards. Derivative liabilities are identified by the management as having the most significant impact on the other income amounts recognized in the financial statements and are evaluated at each reporting period given the inherent uncertainty in these instruments.

(in United States dollars, except where noted)

The net income before other income (loss) and before taxes attributable to shareholders was $10,268,093, or $0.05 per share for the second quarter of fiscal 2013; and $14,779,551, or $0.08 per share for the corresponding quarter of fiscal 2012.

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

Sales

Gold sales generated $19,639,609 from 11,353 ounces sold during the second quarter of fiscal 2013 compared to $21,084,315 from 12,765 ounces sold in the corresponding quarter of fiscal 2012. The decrease in revenue was mainly due to the decrease in ounces sold for the current quarter compared to the same quarter of fiscal 2012, offset by the increase in an average realized gold price to $1,730 per ounce in Q2 2013 from $1,652 per ounce in Q2 2012. The average London spot price for Q2 2013 was $1,723 ($1,688 – Q2 2012). For the six months ending December 31, 2012, revenue from gold sales was $40,445,006 compared to $35,514,613 for the same period in fiscal 2012. The increase in revenue was due to the increase in ounces sold (23,905 ounces vs. 21,137 ounces) and higher average realized gold price ($1,692 per ounce vs. $1,680 per ounce) year over year.

The cash cost per ounce of gold sold in the second quarter of 2013 was $435, compared to $307 per ounce in the corresponding period in fiscal 2012. For the six months of fiscal 2013, cash cost per ounce of gold sold was $381, compared to $302 per ounce in the corresponding period in fiscal 2012. The cash cost is broken up as follows:

| | Year ended | Three months ended | | | | | |
|---|---|---|---|---|---|---|---|
| | June 30, 2011 | Sep 30, 2011 | Dec 31, 2011 | Mar 31, 2012 | June 30, 2012 | Sep 30, 2012 | Dec, 31 2012 |
| Cash cost (US$/oz) [1] – | | | | | | | |
| Mining | 53 | 54 | 51 | 52 | 61 | 85 | 110 |
| Processing | 120 | 152 | 131 | 130 | 149 | 178 | 197 |
| Royalties | 69 | 86 | 120 | 123 | 97 | 72 | 120 |
| Operations, net of silver recovery | - | 5 | 5 | (2) | 9 | (2) | 8 |
| Total cash cost (US$/oz) | 242 | 297 | 307 | 303 | 316 | 333 | 435 |

[1] Total cash cost includes production costs such as mining, processing, tailing facility maintenance and camp administration, royalties, and operating costs such as storage, temporary mine production closure, community development costs and property fees, net of by-product credits. Cash cost excludes amortization, depletion, accretion expenses, capital costs, exploration costs and corporate administration costs.

| | Three months ended December 31, 2011 | Three months ended December 31, 2012 | Six months ended December 31, 2011 | Six months ended December 31, 2012 |
|---|---|---|---|---|
| **Mining** | | | | |
| Ore mined (tonnes) | 128,557 | 184,197 | 253,293 | 285,851 |
| Waste removed (tonnes) | 686,995 | 640,848 | 1,406,075 | 1,082,798 |
| Stripping ratio | 5.34 | 3.48 | 5.55 | 3.79 |
| Ore stockpiled (tonnes) | 859,011 | 786,550 | 1,672,186 | 1,588,421 |

Mining costs per ounce for Q2 2013 was $110, up from $51 per ounce in Q2 2012. This increase was owing to the renewal of the mining contract, effective July 2012 with an approximate 25% rate increase reflecting market adjustments, as well as timing differences driven through the stockpiling of Dore' which led to an increase in the unit cost per ounce sold. Processing costs per ounce for Q2 2013 were $197, up from $131 per ounce in Q2 2012 mainly as a result of the following factors:

- The new primary ball mill was placed in use which significantly increased mill through put, however the sulphide ore yields an average low mill feed grade 2.88g/t (Q2, 2012 – 5.25 g/t);
- Processing of sulphidic ore leading to longer processing times and higher volumes of reagents used;
- Due to the increased mill throughput of partially refractory sulphidic ore, gold recovery rates have declined to 89.1% from 95.3% in Q2, 2012.

For the six months ending December 31, 2012, mining cost per ounce was $97, up from $52 for the same period in 2011 mainly due to higher mining contract costs starting July 2012, higher hauling costs in Q1 2013 as a result of reclaiming approximately 200,000 tonnes of low grade ore, and a stockpiling of Dore' in Q2 2013 due to timing of sales. Processing cost per ounce for the first six months of fiscal 2013 was $187, up from $139 per ounce in fiscal 2012. The increase was mainly due to the following factors:

- The new primary ball mill was placed in use in Q1 2013 which significantly increased mill through put with an average low mill feed grade 2.41g/t (2012 – 4.89 g/t);
- Processing of sulphidic ore leading to longer processing times and higher volumes of reagents used;
- Due to the increased volume of sulphidic ore, gold recovery rates have declined to 85.6% from 95.2% in 2012; and
- Increased crushing plant downtime in Q1 2013 resulting from several scheduled shutdowns leading to decreased production (500 hours up from 405 hours in Q1 2012). This was primarily from the final commissioning of the Phase III expansion.

The Company pays Royalties to the Malaysian Government based upon 5% of the market value of gold produced. For Q2 2013, royalties paid per ounce was $120, same as Q2 2012. The average market price for Q2 2013 was $1,723 per oz, which is a 2% increase from Q2, 2012 of $1,688 per oz. This increase was not substantial enough to affect the royalty cost per ounce quarter over quarter. For the six months ending December 31, 2012, royalties paid per ounce was $95 compared to $106 for the same period in fiscal 2012. The decrease in royalty paid per ounce year over year was mainly due to the average gold spot price of $1,652 applied in calculating royalty payment in the first three months of fiscal 2013 being lower than the average sale price of $1,724 applied in calculating the royalty payment in the same period of fiscal 2012.

Non-cash costs

Non cash production expenses included depreciation and amortization of $2,676,681 for the quarter (Q2, 2012 - $1,203,262), $4,898,926 for the six months (2012 - $2,009,323) and accretion of asset retirement obligations in the amount of $22,873 for the quarter (Q2, 2012 - Gain of $257,484), $44,908 for the six months (2012 - $56,535)The increase in non-cash production expenses is due to the higher capitalized costs as a result of the phase III expansion and the higher tonnage of ore processed (209,626 tonnes – Q2 2013, 84,182 tonnes – Q2 ,2012; 434,269 tonnes – 2013, 170,525 tonnes - 2012).

### Corporate general and administrative

Corporate expenses of $1,775,765 for the three month period ended December (Q2, 2012 – $1,435,876) and $2,981,330 for the six month period ended December 31, 2012 (2012 – $2,342,777) comprised of salaries, office and administration, legal and accounting, shareholder communications, conference and travel, regulatory compliance, project investigations, stock-based compensation, amortization and exploration expenses.

In addition to stock-based compensation expenses of $137,679 for the three months and $262,045 for the six months ended December 31, 2012 (Q2, 2012- $112,391, 2012 - $318,661) Regulatory compliance of $2,807 for the three months and $17,624 for the six months ended December 31, 2012 (Q2, 2012 - $15,204, 2012 – $17,300) and amortization of $29,322 for the three months and $57,640 for the six months ended December 31, 2012 (Q2, 2012 - $77,971, 2012 – $148,301), the Company incurred other corporate expenses of $1,605,957 for the three months and $2,644,021 for the six months ended December 31, 2012 (Q2, 2012- $1,230,310, 2012 - $1,858,515), which represents an increase of 30% for the three month period and an increase of 42% increase for the six month period ended December 31, 2012 in comparison to the corresponding periods for fiscal 2012.

General and administrative expenses increased by 118% to $856,595 from $391,374 for the three months ended December 31, 2012, and include salary expenses of $689,597 (Q2, 2012 - $301,260) and office rent and utilities and general office expenses $166,998 (Q2, 2012 - $90,114). General and administrative expenses increased by 83% to $1,433,471 from $784,552 for the six months ended December 31, 2012, and include salary expenses of $1,174,352 (2012 - $588,764) and office rent and utilities and general office expenses $259,119 (2012 - $195,788). The salaries and administrative expenses increased from prior year due to staff increase to accommodate the growth of the Company.

Legal, consulting and audit expenses increased by 13% to $472,430 from $418,397 for the three months ended December 31, 2012 and 41% to $729,436 from $517,158 for the six month period ended December 31, 2012 and the corresponding period. The increase in both periods is mainly due to legal fees incurred in negotiating a Harmonization Agreement among Phoenix Lake Sdn. Bhd. ("PLSB'), ZCM Minerals Sdn. Bhd. ("ZCM"), Monument Mengapur Sdn. Bhd. ("MMSB") and its subsidiary Cermat Aman Sdn. Bhd. ("CASB") (collectively the "Parties"). A press release discussing the Harmonization Agreement was issued on October 9, 2012.

Shareholder communications and travel expenses decreased by 34% to $276,932 from $420,539 for the three months ended December 31, 2012 and decreased by 13% to $481,114 from $553,250 for the six months ended December 31, 2012 and the corresponding period. This movement primarily reflects a deferral of Shareholder communication costs related to the deferral of the Annual General Meeting as published in a press release dated November 14, 2012.

For the three month period ended December 31, 2012 the Company incurred $137,753 (Q2, 2012 - $127,021) in stock-based compensation expenses net of forfeitures, of which $137,679 (Q2, 2012 - $112,391) was charged to operations, $74 (Q2, 2012 - $14,630) was charged to inventory, exploration, mine development and construction of the plant. For the six month period ended December 31, 2012 the Company incurred $274,361 (2012 - $335,587) in stock-based compensation expenses net of forfeitures, of which $262,045 (2012 - $318,661) was charged to operations, $12,316 (2012 - $16,926) was charged to inventory, exploration, mine development and construction of the plant. The decrease was mainly due to the passage of time amortizing existing stock options and a reduction of new stock options being granted.

### Other income (loss)

The Company recognized a gain/loss in the income statement on the change of fair value of share purchase warrants with an exercise price in CAD, which is different than the Company's functional currency (US dollar). The Company re-measures the fair value of the foreign currency denominated share purchase warrants at each reporting date using the Black-Scholes model and translates it into US dollars using the exchange rates at the reporting date. A gain of $1,015,430 (Q2, 2012 - gain of $12,169,300) was recorded for the three month period ended December 31, 2012 and a gain of $165,476 (2012 – gain of $14,383,519) was recorded for the six month period ended December 31, 2012 due to the change in fair value of foreign currency share purchase warrants, which was mainly driven by fluctuating share price of the Company.

The Company recognized the inducement issued in conjunction with convertible notes as a derivative financial instrument comprised of two components. The first component is a foreign exchange derivative and the second component consists of a written option contract for a non-financial instrument that is readily convertible to cash (gold). The inducement has been recorded as derivative liabilities– gold inducement in the statement of financial position. Changes in the fair value of these derivative liabilities – gold inducement are recorded as a component of other income (loss). During the three month period ended December 31, 2012, the change in fair value of derivative liabilities – gold inducement resulting in a gain of $959,952 (Q2, 2012 – loss of $429,325) and during the six month period ended December 31, 2012 the Company recognized a loss of $387,376 (2012 – loss of $1,291,665), as explained under note 13 in the financial statements.

The Company recognized a gain in income statement on change of fair value of gold forward purchase contract of $44,024 for the three months ended December 31, 2012 (Q2, 2012 - $nil) and a gain of $460,050 for the six month period ended December 31, 2012 (2012 gain - $66,508). This gain is the result of remeasuring the undelivered gold balance at fair value, based on the gold forward market price as at the reporting date, as explained in note 5 in the financial statements.

On August 11, 2010, the Company closed a $13 million (CAD 13 million) financing consisting of $8 million (CAD 8 million) in convertible notes and $5 million (CAD 5 million) from a forward gold sale. During the three months period ended December 31, 2012, an amount of $269,755 (Q2, 2012 – $221,209) and during the six month period ended December 31, 2012 $527,602 (2012 – $442,660) of interest accretion on the convertible notes was charged to income statement.

For the three month period ended December 31, 2012, amortization decreased by $48,649 to $29,322 from $77,971 in the same comparative period in the prior year. Also, for the six month period ended December 31, 2012, amortization decreased by $90,661 to $57,640 from $148,301 in the same comparative period in the prior year. The decrease was mainly due to the reclassification of amortization on site buildings, equipment and warehouse to operations.

The Company earned interest income of $209,453 for the three months and $670,598 for the six months ended December 31, 2012 (Q2, 2012- $55,692, 2012 – 91,870) generated from the penalty interest on the gold forward purchase contract was $138,038 for three months and $544,860 for the six months ended December 31, 2012 (Q1, 2012 & 2012 - $0) and bank interest on the cash and cash equivalents balance for the three month period ended December 31, 2012, $71,679 and $117,665 for the six month period ended December 31, 2012 (Q2, 2012 - $55,692, 2012 - $91,870).

The Company recorded a foreign exchange gain of $229,997 and a loss of $597,694 (Q2, 2012 gain - $355,422, 2012 gain – 373,278) for the three and six month periods ended December 31, 2012 driven by fluctuations in the US dollar and the Malaysian Ringgit influenced by an increased amount of supplier payments and cash balances.

### *1.5 Liquidity and Financial Condition*

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

The Company's cash and cash equivalent, including the restricted cash balance, but excluding funds in escrow, as at December 31, 2012 was $23,678,389 decreased by $40,400,957 from $64,079,346 as at December 31, 2011.

- For the three and six month period ended December 31, 2012, cash in the amount of $18,180,064 and $27,117,648 was generated from operations (Q2, 2012- $13,555,412, 2012 – $23,550,150);
- For the three and six month period ended December 31, 2012, $4,091 and 6,978 of cash was used and $433,270 and $12,513,479 of cash was provided from financing activities (Q2, 2012 & 2012– $3,429 & $9,682 being used and $5,800 & $5,719,459 being generated); and
- For the three and six month period ended December 31, 2012, $20,411,876 and $24,345,331 of cash was spent on investing activities for development costs, acquisition of property, plant and equipment acquisitions and construction (Q2, 2012 - $9,135,698, 2012 – $13,819,702).

For the three month period ended December 31, 2012, changes in non-cash working capital items amounted to a cash inflow of $4,737,674 compared to the outflow of $3,045,871 for the corresponding period in the prior year. The cash inflow for the current period consisted of accounts receivable of $4,353,752 and payable and accrued liabilities of $2,794,253, offset by prepaid expenses and deposits of $302,820 and inventory $2,107,511. The outflow for the same period ended December 31, 2011 was due to accounts receivables of $4,952,717, prepaid expenses of $84,965 and inventory of $231,749; offset by cash inflow in accounts payable and accrued liabilities of $2,223,560. The increase in non-cash working capital items was primarily due to the decrease of accounts receivable from gold sales.

For the six month period ended December 31, 2012, changes in non-cash working capital items amounted to a cash outflow of $1,976,539 compared to the outflow of $4,179,004 for the corresponding period in the prior year. The cash outflow for the current period consisted of accounts receivable of $38,916, prepaid expenses of $533,569 and Inventory of $2,680,049; offset by accounts payable accrued liabilities of $1,275,995. The outflow for the same period ended December 31, 2011 was due to accounts receivable of $3,209,371, prepaid expenses of $7,604 and Inventory of $1,573,396; offset by accounts payable accrued liabilities of $611,367. The increase in non-cash working capital items was primarily due to the decrease of accounts receivable from gold sales.

For the three month period ended December 31, 2012, the Company had a cash inflow of $429,179 (Q2, 2012 - $2,371) from financing activities. The cash inflow of $433,270 (Q2, 2012 – $5,800) was for the exercise of stock options and warrants offset by the outflow from payment of finance lease obligations of $4,091 (Q2, 2012 - $3,429).

For the six month period ended December 31, 2012 cash inflow was $12,513,479 from exercise of stock options and warrants offset by payment of finance lease obligations, $6,978. For the six month period ended December 31, 2011 cash inflow was $4,147,461 from exercise of stock options, warrants and $1,571,998 from the proceeds from gold forward contracts. This was offset by the cash outflow from payment of finance lease obligations $9,682.

Investing activities had a cash outflow of $20,411,876 for the three month period ended December 31, 2012 (Q2, 2012 – $9,135,698)of which $16,000,000 was related to the acquisition of the remaining 30% of the Mengapur polymetalic project in December 2012, $665,361 (Q2, 2012 – $1,529,498) was used for phase III plant expansion ($434,786) and other equipment purchase ($230,575).

Investing activities had a cash outflow of $24,345,331 for the six month period ended December 31, 2012 (Q2, 2012 – $13,819,702) of which $16,000,000 was related to the acquisition of the 30% additional interest in the Mengapur polymetalic project in December 2012, $1,209,253 (Q2, 2012 – $4,664,336) related to construction and other capital expenditure. During the six month period ended December 31, 2012, $834,542 (2012 – $3,501,048) was used for the Phase III plant expansion, nil (2012 – $1,163,288) was used for the construction of the new tailings storage facility, and $374,711 (2012 – nil) was used for other capital expenditure.

During the three months ended December 31, 2012 mineral properties exploration, development and acquisition costs, including the deferred business development costs were $19,746,515 (Q2, 2012 – $4,694,973). This was represented by Exploration & Evaluation costs and deferred business development costs, including drilling, assays, geological studies & site activities.

During the six months ended December 31, 2012 mineral properties exploration, development and acquisition costs, including the deferred business development costs were $23,130,043 (2012 – $6,438,570). This was represented by the acquisition activities of $4,784 for stamp duty on the acquired shares for the Mersing project (2012 – $538,913 for Mersing project acquisition). Exploration & Evaluation costs and deferred business development costs, including drilling, assays, geological studies & site activities of $7,125,259 (2012 – $5,896,657).

As at December 31, 2012, the Company had a positive working capital, after excluding derivative liabilities, of $48,892,023 compared to $80,909,172 as at December 31, 2011. The decrease of $32,017,149 was mainly the result of cash spent on the acquisition of the Mengapur project, the development of Star Destiny, and the plant expansion at Selinsing Gold Mine; offset by cash from warrants and options exercise.

### *1.6 Capital Resources*

The Company's capital resources as at December 31, 2012 included cash and cash equivalents. The Company's primary sources of funding are equity financing through the issuance of stock, debt financing and cash flow generated from the sale of gold. The Company exercises its best effort to seek and utilize its capital resources in an efficient manner in order to meet its business commitments including exploration and mineral property development, acquisitions, capital asset upgrades and working capital.

During six months ended December 31, 2012, $12,513,479 was received through exercise of stock purchase warrants and stock options of the Company. GoldMet B.V., a Netherland based company ("GoldMet"), has purchased 24,112,500 transferrable stock purchase warrants of Monument privately and exercised them at CAD$0.50 per share before the expiry date of July 21, 2012. The remaining balance of 43,212,500 stock purchase warrants expired on July 21, 2012.

December 17, 2012, the Company announced that it has engaged a syndicate of agents, led by Mackie Research Capital Corporation ("MRCC") and including Salman Partners Inc. and other agents, to complete a best-efforts private placement financing (the "Offering") of up to 160,000,000 common shares of the Company at a price of $0.50 per Common Share, for aggregate gross proceeds of up to $80,000,000.

(in United States dollars, except where noted)

The Company has granted the Agents an option (the "Over-Allotment Option") to increase the size of the Offering by up to an additional 15% in the number of Common Shares. The Over-Allotment Option shall be exercisable by the Agents by giving written notice thereof, or a part thereof, to the Company at any time up to 48 hours prior to the closing of the Offering. The Agents shall be under no obligation whatsoever to exercise the Over-Allotment Option, in whole or in part.

The Company intends to use the net proceeds from the Offering for the initial development of the Mengapur Polymetallic Project, and for general corporate purposes.

On February 12, 2013, the Company announced that it has closed the first tranche of the Offering. Closing of subsequent tranches of the Offering will be subject to certain conditions, including the final approval of each tranche by the TSX Venture Exchange. In connection with the closing of the first tranche of the Offering, the Company issued 30,000,000 Common Shares at an issue price of $0.50 per common share, for gross proceeds of $15,000,000.

On February 21, 2012, the Company has reached an agreement with its major shareholder, under which Monument agreed to reduce the size of the brokered private placement announced on December 17, 2012 such that the Company will raise no more than a further $26 million (52 million common shares).

Subsequent to the six month ended December 31, 2012, on February 15, 2013 the Company issued 20,000,000 Common Shares at an issue price of CAD$0.40 per common share and 20,000,000 common share purchase warrant exercisable at price of CAD$0.50 per common share to the convertible note holders (the "Note Holders") under an early retirement of convertible notes arrangement with premium payment of CAD$6,499,314. The Company also bought the inducement gold options totaling 8,571 ounces from the Note Holders for CAD$6,049,698. The issuance of 20,000,000 common share purchase warrants brought the total outstanding warrants of the Company to 25,000,000.

The Company's ability to continue its mine development activities, exploration activities and production activities, and to continue as a going concern, will depend on its ability to obtain suitable financing and to generate cash flow from gold production. The Company has generated positive cash flows from operations since commencement of commercial production. Management believes it is able to obtain adequate working capital to continue the on-going operations through its Selinsing mine operation and other financing vehicles. However, the positive cash flow generated from the plant cannot be seen as an indication of future profitability. The profitability of the Company is affected by various factors, including the amount of gold produced and sold, the market price of gold, operating costs, interest rates, environmental costs, labour risk and political risk. The Company seeks to manage risks associated with its business; however, many of the factors affecting these risks are beyond the Company's control.

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

Commitment and Contingencies

| | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|
| Operating leases | 105,969 | 61,906 | 2,878 | - | - | 170,753 |
| Purchase commitments | 6,303,380 | - | - | - | - | 6,303,380 |
| Financing commitments | - | - | 13,066,300 | - | - | 13,066,300 |
| Mineral property fees | 7,041 | 7,041 | 7,041 | 7,041 | 7,041 | 35,205 |
| Total | 6,416,390 | 68,947 | 13,076,219 | 7,041 | 7,041 | 19,575,638 |

Operating leases are for premises and vehicle lease. Purchase commitments are primarily for mining operations. The Company also has Financing commitments through its Convertible note and Gold forward sale instruments. The Convertible note is discussed in note 11 and the Gold forward sale contract is discussed in note 12 in the financial statements.

Upon closing of the Mengapur acquisition, the Company withheld $11 million out of $60 million total cash consideration according to the Supplementary Definitive Agreement as the Escrow Fund in order to settle any potential claims from the Vendor's creditors against Mengapur Project and the Company. In January 2013, the Company paid $1 million from Escrow Fund to the Vendor, brining Escrow Fund balance down to $10 million.

### 1.7 Off Balance Sheet Arrangements

None.

### 1.8 Transactions with Related Parties

Refer to note 20 of the condensed consolidated financial statements as at December 31, 2012.

### 1.9 Proposed Transactions

None.

### 1.10 Subsequent Events

On February 22, 2013, subsequent to six month ended December 31, 2012, the Company announced that it has reached a Settlement Agreement with Tulum Corporation ("Tulum") and its sole-shareholder, Mr. Francois Marland. Under the terms of the settlement agreement, Monument has agreed to make two cash dispersals to Tulum of CAD$6 million each by March 1, 2013. In turn, Mr. Marland has agreed to invest CAD$6 million for the purchase of 12 million shares in the Company's brokered private placement. Tulum and Mr. Marland have also agreed to fully support Monument's management and the present Board of Directors for a period of 12 months from the date of the agreement and to release Monument and its directors and officers from any claims related to these matters. The Company made the first payment of CAD$6 million February 20, 2013.

### 1.11 Critical Accounting Estimates

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

### 1.12 Financial Instruments – Risk Exposure and Other instruments

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

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

***Market risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risk: foreign currency risk, price risk and interest rate risk.

<u>Foreign Currency risk</u>

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

The convertible notes, gold forward inducement and foreign currency share purchase warrants contain a number of derivative components that would cause exposure to foreign currency risk. The Company has not hedged any of its currency risks. The derivative components associated to foreign currency fluctuation are fair valued at each period and gains or losses are recorded to its income (refer to note 13 and 14 of the condensed financial statements for the six month period ended December 31, 2012).

Based on the above net exposures as at December 31, 2012 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 of approximately $109,107 (June 30, 2012 – increase $220,048) in the Company's net income, depreciation or appreciation of the CAD against US dollar would result in a decrease of approximately $91,814 (June 30, 2012 – increase $428,810) in net income.

<u>Commodity price risk</u>

The Company values the contract inducement derivative liabilities (Note 13) 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 December 31, 2012 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 $464,201 (June 30, 2012 - $377,517) in the Company's net income.

*Other price risk*

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

The Company values the warrant derivative liabilities at fair value using the Black-Scholes option pricing model and record gains and losses to other income. As at December 31, 2012 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 $263,441 (June 30, 2012 - $68,948) in the Company's net income.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate 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.

***Credit risk***

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

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

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

The Company is exposed to concentration of credit risk with respect to cash and cash equivalents in the amount of $4,102,205 (June 30, 2012 – $1,566,982) is held with a Malaysian financial institution. The amount of $30,576,183 (June 30, 2012 – $17,832,589) 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 Company's convertible notes are due to be settled in August 2015.

(in United States dollars, except where noted)

### 1.13 Outstanding Share Data

The following details the share capital structure as at February 28, 2013, the date of this MD&A.

| | Exercise Price, | Number of common shares | Expiry date |
|---|---|---|---|
| Common shares | | 260,558,030 | |
| Common shares stock options | | | |
| | CAD 0.40 | 12,300,000 | Aug 15, 2013 |
| | CAD 0.25 | 915,501 | Dec 05, 2013 |
| | CAD 0.40 | 230,000 | Dec 05, 2013 |
| | CAD 0.50 | 400,000 | Dec 05, 2013 |
| | CAD 0.25 | 300,000 | Feb 09, 2014 |
| | CAD 0.30 | 300,000 | Jun 08, 2013 |
| | CAD 0.30 | 500,000 | Jun 10, 2015 |
| | CAD 0.42 | 3,000,000 | Sep 29, 2015 |
| | CAD 0.60 | 600,000 | Nov 30, 2015 |
| | CAD 0.68 | 20,000 | Jan 27, 2016 |
| | CAD 0.62 | 150,000 | Jul 28, 2016 |
| | CAD 0.61 | 150,000 | Aug 29, 2016 |
| | CAD 0.42 | 1,000,000 | Jan 11, 2017 |
| | CAD 0.45 | 180,000 | Mar 7, 2017 |
| | CAD 0.455 | 1,000,000 | Sep 17, 2017 |
| | CAD 0.455 | 500,000 | Oct 9, 2017 |
| | CAD 0.50 | 2,100,000 | Feb 12, 2015 |
| Total | | 23,645,501 | |
| Share purchase warrants | | | |
| | CAD 0.50 | 25,000,000 | Aug 11, 2015 |
| Total | | 25,000,000 | |

### 1.14 Risks and Uncertainties

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

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

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

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

***Title to mineral property interests***

Although the Company has taken steps to verify the title to its mineral property interests, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defect. To the best of the Company's knowledge, title to its properties is in good standing except that a prospecting exploration permit previously held by Star Destiny Sdn. Bhd. expired on September 23, 2012 and the application for renewal was submitted to the authority in compliance with the Malaysian Mining Enactment 2001 and applications for several mining leases over the prospecting permit were also registered.

***Realization of assets***

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

***Reserves and resource estimates***

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

***Profitability from Production***

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

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

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

***Environmental***

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

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

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

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

***Foreign Operations***

The Company's properties are located in Malaysia, South-East Asia. Malaysia had a history of tin mines and currently has some gold mine operations at the central gold belt in Pahang State. In 2010, the increase in revenue from gold mine operations has brought mining to the government's attention. The Company has historically received strong support from the local, state and federal governments for its gold mine development and operation. However, the political risk is considered external and not at the control of the Company.

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

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

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

## *1.15 Disclosure Controls and Internal Controls over Financial Reporting*

***Disclosure Controls and Procedures***

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

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

***Internal Control over Financial Reporting***

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

The Company's management, including the CEO and CFO, has evaluated the effectiveness of the internal controls over financial reporting. Based on this evaluation, management has concluded that internal controls over financial reporting were designed effectively as of December 31, 2012.

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

*Inventory control:*

The Company's Inventory system is operated manually, therefore, it is exposed to risk of human errors and is not considered efficient. Inventory software was purchased but the development has not been completed. The Company has engaged a consulting firm to design an inventory system and the work is in progress.

*Gold Security:*

In March 2012, the Company broke up a gold stealing syndicate at Selinsing. The Company has called in the Malaysian Police for an immediate investigation and engaged Gold Security Group ("GSG") from Perth, Australia to assist local policy investigation, conduct security audit in identifying weakness of control over security and assist to design a standard gold security procedure in order to strengthen security measures at the gold mine.

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

**NON-GAAP PERFORMANCE MEASURES**

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

**Caution on Forward Looking Statements**

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

***Other information***

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