

## **NOTES TO THE 1<sup>st</sup> INTERIM FINANCIAL REPORT – 31 MARCH 2008**

### **1. Basis of Preparation**

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standard (FRS) 134 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2007.

### **2 Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007 except for the adoption of the following FRSs, Amendment to FRS and Interpretations effective for the financial period beginning 1 January 2008:

Amendment to FRS 121	: The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
FRS 107	: Cash Flow Statements
FRS 111	: Construction Contracts
FRS 112	: Income Taxes
FRS 118	: Revenue
FRS 120	: Accounting for Government Grants and Disclosure of Government Assistance
FRS 134	: Interim Financial Reporting
FRS 137	: Provisions, Contingent Liabilities and Contingent Assets
IC Interpretation 1	: Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 2	: Members' Shares in Co-operative Entities and Similar Instruments
IC Interpretation 5	: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IC Interpretation 6	: Liabilities arising from participating in a Specific Market – Waste Electrical and Electronic Equipment
IC Interpretation 7	: Applying the Restatement Approach under FRS 129 <sup>2004</sup> – Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	: Scope of FRS 2

The adoption of the above FRSs, Amendment to FRS and Interpretations have no significant impact on the financial statements of the Group and the Company.

FRS 139 Financial Instruments: Recognition and Measurement has been deferred and has not been adopted by the Group.

3. **Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2007 was not qualified.

4. **Seasonal or Cyclical Factors**

There were no significant seasonal or cyclical factors affecting the business operations of the Group.

5. **Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cashflow because of their nature, size or incidence in the current quarter.

6. **Changes in Estimates**

There were no changes in estimates that have had a material effect in the current quarter.

7. **Issuance and Repayment of Debt and Equity Securities**

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter.

8. **Dividend Paid**

There was no dividend paid or declared in the current quarter.

9. **Segmental Reporting**

The Company and its principal subsidiaries operate principally within one industry. The segmental reporting by geographical locations for the current financial year-to-date was as follows :-

<b>Geographical Location</b>	<b>Total Assets Employed RM'000</b>	<b>Revenue RM'000</b>	<b>Pre-Tax Profit RM'000</b>
Malaysia	798,663	590,389	11,859
Indonesia	414,445	54,200	14,927
Others	62,323	-	(1,318)
	1,275,431	644,589	25,468
Consolidation adjustments related to intra group transactions	(323,156)	(71,991)	-
	952,275	572,598	25,468

10. **Property, Plant and Equipment**

The valuation of land and buildings have been brought forward without amendment from the previous audited annual financial statements for the year ended 31 December 2007.

11. **Events Subsequent to Balance Sheet Date**

There were no material events subsequent to balance sheet date up to 6 May 2008, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report except for the following:

- a. On 16 August 2007, the Company announced to Bursa Malaysia that it had on even date entered into a heads of agreement (“HOA”) with Metal Resources Capital Limited (“MERC”) in relation to the intentions of MSC and MERC to collaborate in the development of tin and other mineral resources in Indonesia. The cut-off date of the HOA was three months from the date of the Agreement but was extended with mutual consent. The HOA subsequently lapsed on 31 March 2008.
- b. On 29 January 2008, PT Koba Tin received a notice from the Head of local police in the District of Bangka Tengah that it was investigating allegations that two of PT Koba Tin’s appointed sub-contractors had been mining in a forest area within PT Koba Tin’s Contract of Work (“COW”) area where mining is prohibited and that PT Koba Tin had to stop receiving tin ore from all its sub-contractors as well as to cease production of tin ingots from its smelting operations. PT Koba Tin subsequently advised that its internal control measures and investigation has confirmed that all production from its appointed sub-contractors had been derived from mining activities carried out within its COW and outside the forest area. On 14 March 2008, the Head of local police granted approval for the smelting plant to resume operations. However, the sub-contractors’ small-scale production continued to be suspended.

The management of PT Koba Tin is currently working with the relevant authorities at the District, Provincial and Central Government levels to resolve the above allegations against the two of PT Koba Tin’s appointed sub-contractors. The Board is hopeful that this issue would be resolved as soon as possible so that PT Koba Tin could resume its small scale mining operations.

- c. On 17 April 2008, the Company announced that it has entered into a Framework Agreement with Philco Resources Limited, LG International Corp and Korea Resources Corporation pertaining to the Company’s proposed investment for a 30% interest in the Rapu Rapu Copper, Gold, Zinc and Silver Project in Philippines, at an estimated cost of approximately USD18.9 million.

- d. On 22 April 2008, the shareholders of the Company at the Extraordinary General Meeting of the Company approved the Subscription for 6,799,999 Common Shares of Asian Mineral Resources Limited arising from the exercise of the 6,799,999 Warrants at an exercise price of C\$2.10 per Warrant for a total cash consideration of approximately RM45.77 million (C\$14.3 million). The Subscription was completed on 7 May 2008.

## 12. **Changes in the Composition of the Group**

Save as disclosed in Note 18, there was no change in the composition of the Group for the current quarter including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

## 13. **Changes in Contingent Liabilities and Contingent Assets**

At 6 May 2008, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, there were no material changes in contingent liabilities or contingent assets since 31 December 2007.

## 14. **Capital Commitments**

The amount of capital commitments at 31 March 2008 was as follows :

	<b>31.03.2008</b> <b>RM'000</b>
Approved but not contracted	19,817
Contracted but not provided for	3,012
	<b>22,829</b>

## 15. **Related Party Transactions**

The following are significant related party transactions :

	<b>3 months</b> <b>ended</b> <b>31.03.2008</b> <b>RM'000</b>
Management fee paid/ payable to a related company	1,355
Sales of products to an associate	8,857

The above transactions have been entered in the normal course of business and have been established on terms and conditions that are not materially different from those

obtainable in transactions with unrelated parties.

#### 16. **Taxation**

Taxation comprises the following :

	<b>3 months ended 31.03.2008 RM'000</b>
Current taxation	
Malaysian income tax	3,120
Foreign tax	4,075
Deferred tax	764
<b>Total</b>	<b>7,959</b>

The overall effective tax rate for the current year was higher than the statutory tax rate in Malaysia mainly due to certain expenses not being tax deductible and losses incurred by certain foreign subsidiaries not being available for tax relief against the Group profit.

#### 17. **Profit on Sale of Unquoted Investment and/or Property**

There was no profit on sale of unquoted investment and/or property for the current quarter.

#### 18. **Purchase and Sale of Quoted Securities**

Save as disclosed below, there was no purchase or sale of quoted securities in the current quarter.

- a. On 3rd March 2008, the Company had subscribed for a total of 70,000,000 new common shares in Beaconsfield Gold NL (BCD), representing approximately 18.9% of the enlarged issued and paid-up share capital of BCD, for a total cash consideration of approximately RM57.0 million. BCD is listed on the Australian Securities Exchange.

19. **Status of Corporate Proposal**

There was no corporate proposal announced but not completed as at 6 May 2008, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report, except for the following:-

- a. On 29 October 2007, the Company announced that it had entered into a Joint Venture Contract with Guangxi Guilin Jinwei Realty Co Ltd and Vertex Metals Incorporation to establish a new joint venture company named Guilin Hinwei Tin Co. Ltd, for smelting and refining of tin, and the production and sale of tin and tin-based products in the People's Republic of China.
- b. On 17 April 2008, the Company announced that it had entered into a Framework Agreement with Philco Resources Limited, LG International Corp and Korea Resources Corporation pertaining to the Company's proposed investment for a 30% interest in the Rapu Rapu Copper, Gold, Zinc and Silver Project in Philippines, at an estimated cost of approximately USD18.9 million.

20. **Group Borrowings and Debts Securities**

Group borrowings as at 31 March 2008 comprise the following :

	<b>31.03.2008</b>
	<b>RM'000</b>
<b>a) Short Term Borrowings (unsecured)</b>	
Foreign currency trade finance	369,698
Bankers' acceptance	60,857
	<b>430,555</b>
Current portion of term loan	3,000
	<b>433,555</b>
	<b>31.03.2008</b>
	<b>RM'000</b>
<b>b) Long Term Borrowing (unsecured)</b>	
Term Loan	9,000
<b>Amount denominated in foreign currency</b>	<b>'000</b>
Foreign currency trade finance (US dollar)	115,332

Foreign currency trade finance is utilized for working capital requirements involving purchases and sales of tin concentrates and tin metal denominated in US dollar.

Short term borrowings bear interest at rates ranging from 2.70% to 6.18% (2007 : 3.70% to 7.80%) per annum. The term loan is repayable by 8 semi-annual instalments of RM1,500,000 each commencing 1 May 2008 with interest rate at 1.00% above 3 month cost of fund.

## 21. **Financial Instrument with Off Balance Sheet**

As at 6 May 2008, the Group had the following outstanding financial instruments:

Forward foreign currency hedging contracts in respect of the Group's sales and purchases of tin :-

<b>Currency</b>	<b>Contract Amount Million</b>	<b>Equiv. Amount RM'000</b>	
US Dollar	28.3	89,924	Different maturity dates up to December 2008
Indonesian Rupiah	121,440	42,220	Different maturity dates up to March 2010

## 22. **Material Litigation**

Since the Company's last announcement on 15 February 2008 relating to the 4<sup>th</sup> Quarter 2007 Interim Financial Report, there was no new development on the outstanding material litigation as at 6 May 2008, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

## 23. **Material Change in the Quarterly Results as Compared with the Preceding Quarter**

Group pre-tax profit for the 1<sup>st</sup> quarter 2008 was RM25.47 million compared with RM77.83 million recorded in the preceding quarter.

The lower profit was mainly due to the suspension of the sub-contractors' small scale production which had adversely affected the smelting operations at PT Koba Tin in the first quarter of 2008 as stated in Note 11(a).

24. **Review of Performance of the Company and its Principal Subsidiaries**

Group pre-tax profit for the period ended 31 March 2008 increased by 151.9 % to RM25.47 million from RM10.11 million for the corresponding period of the previous year mainly due to higher tin prices and contributions from its subsidiary, PT Koba Tin. London Metal Exchange 3-month tin price at 31 March 2008 was US\$20,575 per tonne vis-à-vis US\$13,700 per tonne on 31 March 2007.

No item, transaction or event of a material and unusual nature has arisen which would affect substantially the results of the operations of the Group from the end of the first quarter of 2008 to the date of this announcement.

25. **Current Year Prospects**

In the light of the current high tin prices and barring any unforeseen circumstances, the Group should perform better in the current year subject to an early resolution to the on-going investigation on the allegation that two of PT Koba Tin's appointed sub-contractors had been mining in a forest area within PT Koba Tin's COW area where mining is prohibited.

26. **Variance of Actual Profit from Forecast Profit (Final Quarter Only)**

Not applicable.

27. **Basic Earnings Per Share**

	<b>3 months ended 31.03.2008</b>
Net profit attributable to equity holders of the parent (RM)	15,308,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	20.4



28 **Dividend Payable**

A final dividend of 10 sen per ordinary share tax exempt and 10 sen per ordinary share less 26% tax (2006: 12 sen less 27% tax per share) amounting to RM13.05 million (2006: RM6.57 million) was approved by the members at the Annual General Meeting of the Company on 22 April, 2008. It will be paid on 28 May 2008 to members registered on the Company's register at the close of business at 5.00 p.m. 12 May 2008.

By Order of the Board  
Sharifah Faridah Abd Rasheed  
Secretary

Kuala Lumpur  
12 May 2008