

## **NOTES TO THE 1<sup>ST</sup> INTERIM FINANCIAL REPORT – 31 MARCH 2009**

### **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 2008. 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 2008.

### **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 2008.

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

The auditors' report on the financial statements for the year ended 31 December 2008 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 at the end of 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	833,929	366,605	5,664
Indonesia	481,982	60,651	(15,436)
Others	62,327	-	616
	1,378,238	427,256	(9,156)
Consolidation adjustments related to intra group transactions	(294,962)	(75,607)	-
	1,083,276	351,649	(9,156)

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 December 2008.

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

There were no material events subsequent to balance sheet date up to 5 May 2009, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report.

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

There was no change in the composition of the Group for the 1st quarter 2009 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 5 May 2009, 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 2008.

14. **Capital Commitments**

The amount of capital commitments at 31 March 2009 was as follows :

	<b>31.03.2009</b> <b>RM'000</b>
Approved but not contracted	-
Contracted but not provided for	448
	<b>448</b>

15 **Related Party Transactions**

The following are significant related party transactions :

	<b>3 months ended</b> <b>31.03.2009</b> <b>RM'000</b>
Management fee paid/ payable to related companies	1,827
Sales of products to an associate	4,835

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</b> <b>31.03.2009</b> <b>RM'000</b>
Current taxation	
Malaysian income tax	(1,980)
Foreign tax	(964)
Deferred tax	3,508
<b>Total</b>	<b>564</b>

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

17. **Sale of Unquoted Investment and/or Property**

There was no sale of unquoted investment and/or property for the 1<sup>st</sup> quarter 2009.

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

There was no purchase or sale of quoted securities in the 1<sup>st</sup> quarter 2009.

19. **Status of Corporate Proposal**

There was no corporate proposal announced but not completed as at 5 May 2009, 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 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. The transaction is expected to be completed by 30 June 2009.
- 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. The transaction is expected to be completed by 30 September 2009.
- c. On 8 August 2008, the Company ("MSC") made the following announcements :-
  - i. Proposed bonus issue of 75,000,000 new ordinary shares of RM1.00 each in MSC ("bonus shares") to be credited as fully paid-up on the basis of one (1) bonus share for every one (1) existing ordinary share of RM1.00 each in MSC ("MSC share") held by the entitled shareholders on an entitlement date to be determined and announced later; and
  - ii. Proposed renounceable rights issue of 225,000,000 new ordinary shares of RM1.00 each in MSC ("rights shares") on the basis of three (3) rights shares for every two (2) MSC shares held after the proposed bonus issue;

The Group is currently focusing on cost rationalization and reduction as well as working on various alternatives to reduce its overall gearing including possible divestments of some of the Group's non-tin assets. Non-critical exploration and development projects also have either been suspended or deferred whilst loss-making operating units have been closed down. Hence the Company has decided to defer the submission of the application to the authorities for the proposed bonus and rights issue for the time being.

- d. On 23 September 2008, the Company announced that its public shareholding spread of 22.67% is not in compliance with the requirement as stipulated in paragraph 8.15(1) of Bursa Malaysia Listing Requirements, pursuant to a substantial shareholder notice received from Siong Lim Private Limited on 18 September 2008. Bursa Malaysia has granted a further extension of time of six (6) months from 23 March 2009 to 22 September 2009 for the Company to comply with the public shareholding spread requirement pursuant to paragraph 8.15(1) of Bursa Malaysia Listing Requirements.
- e. On 23 February 2009, the Company together with its 40% partner, Tenaga Anugerah Sdn Bhd, entered into a number of agreements to facilitate the restructuring of its 60% subsidiary, PT Tenaga Anugerah (PT TA). With the signing of these Agreements, the ultimate shareholding structure of PT TA held via Diversified Minerals Private Limited, a company incorporated in Singapore will be as follows:

MSC	: 40%
Tenaga Anugerah Sdn. Bhd	: 30%
PT Sarana Marindo	: 30%.

The transaction is expected to be completed by 30 June 2009.

## 20. Group Borrowings and Debts Securities

Group borrowings as at 31 March 2009 comprise the following :

	<b>31.03.2009</b>
	<b>RM'000</b>
<b>a) Short Term Borrowings (unsecured)</b>	
Foreign currency trade finance	176,723
Revolving credits	103,294
Bankers' acceptances	163,295
Export credit refinancing	39,902
	<b>483,214</b>
Current portion of term loans	23,444
	<b>506,658</b>

	<b>31.03.2009</b>
	<b>RM'000</b>
<b>b) Long Term Borrowing (unsecured)</b>	
Term loans	102,590

<b>Amount denominated in foreign currency</b>	<b>'000</b>
Foreign currency trade finance (US dollar)	48,624
Revolving credit (US dollar)	22,918
Term loans (US dollar)	32,201

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 1.60% to 4.97% per annum for the Company and 1.60% to 14.35% per annum for the Group (2008: Company and Group : 2.70% to 6.18% per annum).

The term loans bear interest at rates of between 0.85% to 1% above banks' cost of funds and are repayable by quarterly and semi-annual instalments.

## 21. Off Balance Sheet Financial Instrument

As at 5 May 2009, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report, the Group had the following outstanding forward foreign currency hedging contracts in respect of the Group's sales and purchases of tin :-

Currency	Contract Amount Million	Equiv. Amount RM'000	
US Dollar	10.5	37,850	Different maturity dates up to July 2009
Indonesian Rupiah	51,009	17,932	Different maturity dates up to March 2010

22. **Material Litigation**

Since the Company's last announcement on 23 February 2009 relating to the 4<sup>th</sup> Quarter 2008 Interim Financial Report, there was no new development on the outstanding material litigations at 5 May 2009, 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**

The Group incurred a pre-tax loss of RM9.16 million in the 1<sup>st</sup> quarter of 2009 compared with a pre-tax loss of RM83.75 million recorded in the preceding quarter.

The higher loss in the 4<sup>th</sup> quarter of 2008 was mainly due to impairment charge and write-offs of some of the Group's mining assets and expenditure incurred on exploration and development projects and significant foreign exchange loss on the Group's US Dollar borrowings.

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

Group pre-tax loss for 1<sup>st</sup> Quarter 2009 of RM9.16 million compared with Group pre-tax profit of RM25.47 million for the corresponding period of the previous year was mainly due to losses incurred by the Indonesian operations and foreign exchange translation loss on the Group's US Dollar borrowings. The tin operations particularly at PT Koba Tin were adversely affected by the sharp fall in tin prices and lower production volume from small scale mining operations. The Group has also recorded exchange losses on its US Dollar borrowings due to further strengthening of the US Dollar vis-a-vis the Malaysian Ringgit.

The Malaysian operations comprising the Butterworth smelting business and Rahman Hydraulic Tin Mine remained profitable in the 1<sup>st</sup> quarter 2009 in spite of the difficult market conditions.

The Group's 22.48% listed gold associate in Australia, Beaconsfield Gold NL achieved a successful turnaround with positive contribution in the 1<sup>st</sup> quarter of 2009.

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 1<sup>st</sup> Quarter 2009 to the date of this announcement.

25. **Current Year Prospects**

Whilst the Group is optimistic on the long term prospects of the metals and commodities market, the short and medium term market environments remain highly uncertain. As mentioned in Note 19(c), the Group is currently focusing on cost rationalization and reduction as well as working on various alternatives to reduce its overall gearing including possible divestments of some of the Group's non-tin assets. Non-critical exploration and development projects also have either been suspended or deferred whilst loss-making operating units have been closed down.

Barring unforeseen circumstances, the Group expects to see a positive turnaround in the Group's overall results from the second quarter of 2009.

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

Not applicable.

27. **Basic Earnings/ (Loss) Per Share**

	<b>3 months ended 31.03.2009</b>
Net loss attributable to equity holders of the Company (RM)	(5,590,000)
Number of ordinary shares in issue	75,000,000
Net loss per share (sen)	(7.5)



28 **Dividend Payable**

No interim dividend has been declared for the financial period ended 31 March 2009.

By Order of the Board  
Sharifah Faridah Abd Rasheed  
Secretary

Kuala Lumpur  
11 May 2009