NOTES TO THE 3rd INTERIM FINANCIAL REPORT – 30 SEPTEMBER 2010

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 2009. 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 2009.

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 2009 except for the adoption of the following new FRSs and Interpretations, and amendments to certain FRSs and Interpretations for financial period beginning 1 July 2009 and 1 January 2010:

Effective for financial periods beginning on or after 1 July 2009
FRS 8: Operating Segments

Effective for financial periods beginning on or after 1 January 2010
FRS 4: Insurance Contracts
FRS 7: Financial Instruments: Disclosures
FRS 101: Presentation of Financial Statements (revised)
FRS 123: Borrowing Costs
FRS 139: Financial Instruments: Recognition and Measurement
Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidation and Separate Financial Statements: Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 2: Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 132: Financial Instruments: Presentation
Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC Interpretation 9: Reassessment of Embedded Derivatives
Amendments to FRSs: 'Improvements to FRSs (2009)'
IC Interpretation 9: Reassessment of Embedded Derivatives
IC Interpretation 10: Interim Financial Reporting and Impairment
IC Interpretation 11 FRS 2: Group and Treasury Share Transactions
IC Interpretation 13 : Customer Loyalty Programmes

IC Interpretation 14 FRS 119: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
TR I – 3: Presentation of Financial Statements of Islamic Financial Institutions

Unless otherwise described below, the adoption of the above pronouncements are expected to have no significant impact to the financial statements of the Group upon their initial application:

FRS 8: Operating Segment

FRS 8 replaces FRS 114_{2004}: Segment Reporting and requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. As a result, the Group's external segmental reporting will be based on the internal reporting to the "chief operating decision maker", who makes decisions on the allocation of resources and assesses the performance of the reportable segments. As this is a disclosure standard, there will be no impact on the financial position or results of the Group.

FRS 101: Presentation of Financial Statements (revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity will now include only details of transactions with owners. All non-owner changes in equity are presented as a single line labelled as total comprehensive income. The Standard also introduces the statement of comprehensive income: presenting all items of income and expense recognised in the income statement, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the reclassification of items in the financial statements. This revised FRS does not have any impact on the financial position and results of the Group.

FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures

FRS 7: Financial Instruments: Disclosures is a new Standard that requires new disclosures in relation to financial instruments. The Standard is considered to result in increased disclosures, both quantitative and qualitative of the Group's exposure to risks, enhanced disclosure regarding components of the Group's financial position and performance, and possible changes to the way of presenting certain items in the financial statements.

In accordance with the respective transitional provisions, the Group is exempted from disclosing the possible impact to the financial statements upon the initial application.

Amendments to FRSs 'Improvements to FRSs (2009)'

(i) FRS 117 Leases: Clarifies on the classification of leases of land and buildings. For those land element held under operating leases that are required to be reclassified as finance leases, the Group shall recognise a corresponding asset and liability in the financial statements which will be applied retrospectively upon initial application. However, in accordance with the transitional provision, the Group is permitted to reassess lease classification on the basis of the facts and circumstances existing on the date it adopts the amendments; and recognise the asset and liability related to a land lease newly classified as a finance lease at their fair values on that date; any difference between those fair values is recognised in retained earnings.

(ii) FRS 132 Financial Instruments: Disclosures and Presentation will be renamed as Financial Instruments: Presentation upon the adoption of FRS 7 Financial Instruments: Disclosures. The amendments provide a limited scope exception for puttable instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. An instrument that meets the definition of a financial liability is classified as an equity instrument only if it fulfills a number of specific features and conditions as stipulated in the Standard.

Improving Disclosure about Financial Instruments (Amendments to FRS 7)

The Improving Disclosures about Financial Instruments reinforces existing principles for disclosures about liquidity risk. Also, the Amendments require enhanced disclosures about fair value measurements in which a three-level fair value hierarchy is introduced. An entity is required to classify fair value measurements using this hierarchy which aims to reflect the inputs used in making the measurement. These Amendments do not have any impact on the financial position and results of the group and of the Company.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2009 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 cash flow because of their nature, size or incidence for the current financial year to date except for following:

		3rd Qtr ended 30.09.2010 RM'000	Year to date ended 30.09.2010 RM'000	Remarks
1.	Impairment provision /(write-back)for investment in BCD Resources NL	(11,289)	29,711	Determined on the fair value as at balance sheet date. The carrying amount has been classified as non-current asset held for sale
2.	Impairment provision for investment in Guilin Hinwei Tin Co. Ltd (Hinwei)	-	7,000	The impairment relates to the investment made by the Company in Hinwei.
3.	Impairment provision for investment in Asian Mineral Resources Limited	45,104	45,104	Based on valuation by a professional firm.
4.	Impairment provision for coal mining asset	34,631	34,631	Based on indicative offer price.
5.	Impairment provision for goodwill arising from acquisition of subsidiaries	5,188	5,188	
	Net	73,634	121,634	

6. **Changes in Estimates**

There were no changes in estimates that have had a material effect for the current financial year to date.

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 financial year to date .

8. **Dividend Paid**

The amount of dividend paid or declared during the financial period ended 30 September 2010 were as follows:

	Net Amount Jan/ Sept 2010 RM'000	Net Dividend Per Share Jan/Sept 2010 Sen
2009 Final 3 sen less 25% tax per share paid on 12.05.2010	1,687	2.25

9. **Segmental Reporting**

The Company and its principal subsidiaries operate principally within the tin industry. The Group operates mainly in three geographical areas namely, Malaysia, Indonesia and Australia. Geographical segment revenue and assets are based on geographical location of the Group's assets.

The segmental reporting by geographical locations for the current financial year-to-date was as follows:

	Malaysia RM'000	Indonesia RM'000	Australia RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Revenue						
Sales to external customers	1,984,486	9,785	-	-	-	1,994,271
Inter-segment sales	-	293,467	-	-	(293,467)	-
Total revenue	**1,984,486**	**303,252**	**-**	**-**	**(293,467)**	**1,994,271**
Results						
Segment results	77,657	(30)	(954)	(1,582)	(415)	74,676
Finance costs	(13,150)	(4,958)	-	-	2,082	(16,026)
Share of profit/(loss) of associates	2,569	(4,000)	(3,860)	14,195	-	8,904
Profit/(Loss) before unusual items	**67,076**	**(8,988)**	**(4,814)**	**12,613**	**1,667**	**67,554**
Unusual items	(657)	(39,162)	(29,711)	(52,104)	-	(121,634)
Profit/(Loss) before tax	**66,419**	**(48,150)**	**(34,525)**	**(39,491)**	**1,667**	**(54,080)**
Income tax expense	(17,567)	(331)	-	-	(417)	(18,315)
Net profit/(loss) for the period	**48,852**	**(48,481)**	**(34,525)**	**(39,491)**	**1,250**	**(72,395)**

	Malaysia RM'000	Indonesia RM'000	Australia RM'000	Others RM'000	(Eliminations)/ Adjustments RM'000	Total RM'000
Assets						
Segment assets	645,309	405,352	7,561	85	(659)	1,057,648
Investment in associates	20,056	(4,000)	-	159,143	-	175,199
Total assets	**665,365**	**401,352**	**7,561**	**159,228**	**(659)**	**1,232,847**
Liabilities						
Segment liabilities	**690,825**	**212,825**	**1,380**	**1,551**	**-**	**906,581**

10. **Property, Plant and Equipment**

The valuation of land and buildings has been brought forward without amendment from the previous audited annual financial statements for the year ended December 2009.

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

There were no material events subsequent to balance sheet date up to 29 October 2010, the latest practical date which is not earlier than 7 days from the date of issue of this quarterly report, except as disclosed in Note 19(d).

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

There was no change in the composition of the Group for the 3rd quarter 2010 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations, except for the following:

a. On 11 August 2010, the Company acquired the entire interest in Straits Resource Management Private Limited (SRM) from its parent company, The Straits Trading Company Limited for a total consideration of SGD332,591. The entire interest comprises the issued and paid-up capital of SRM and its wholly-owned subsidiary PT SRM Indonesia, and the assignment of outstanding shareholders' advances amounting to SGD332,590 as at 31 July 2010. SRM was incorporated in Singapore.

b. As disclosed in Note 19(d), the Company sold 45,000,000 shares in BCD in the 3rd Quarter of 2010. The Company's shareholdings in BCD was diluted from 21.3% to 10.67% after the disposal.

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

Since the Company's last announcement of the 2nd Quarter 2010 Interim Financial Report on 10 August 2010, there was no new development on the outstanding contingent liabilities or contingent assets as at 29 October 2010, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

14. **Capital Commitments**

The amount of capital commitments at 30 September 2010 was as follows:

	30.09.2010 RM'000
Approved but not contracted	3,998
Contracted but not provided for	2,749
	6,747

15 Related Party Transactions

The following are significant related party transactions :

	9 months ended 30.09.2010 RM'000
Management fee paid/ payable to related companies	402
Sales of products to an associate	37,311

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 :

	9 months ended 30.09.2010 RM'000
Current taxation	
Malaysian income tax	19,560
Foreign tax	6,938
Deferred tax	(7,900)
Overprovided in prior year	(283)
Total	18,315

The overall effective tax rate for the current period was higher than the statutory tax rate in Malaysia mainly due to certain non-tax deductible expenses as well as losses incurred by certain subsidiaries which cannot be set off against taxable profits made by other companies within the Group.

17. Sale of Unquoted Investment and/or Property

There was no sale of unquoted investment and/or property for the 3rd quarter 2010.

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

There was no purchase or sale of quoted securities in the 3rd quarter 2010, except:

- The Company sold 45,000,000 ordinary share in BCD on 26 July 2010, as disclosed in Note 19(d) .

19. **Status of Corporate Proposal**

There was no corporate proposal announced but not completed as at 29 October 2010, 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 (GGJR) 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. GGJR has difficulties in fulfilling certain obligations within the specific time frame and the Group has made an impairment provision of RM7.0 million.

b. 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. On 17 September 2010, Bursa Malaysia has further granted extension of time up to 22 March 2011 for the Company to comply with the public shareholding spread requirement pursuant to paragraph 8.15(1) of Bursa Malaysia Listing Requirements. As at 30 September 2010, a total of 23.34% shares of the Company are held by a total of 1,692 public shareholders.

c. On 23 July 2009, The Company entered into a Share Sale Agreement with Oberthur Investment Limited (Oberthur) and Robert Priantono Bonosusatya for the proposed disposal of up to 30% equity interest in Bemban Corporation Limited (BCL) for a cash consideration of USD9.0 million. BCL, a wholly-owned subsidiary of the Company, is principally an investment holding company and is the legal and beneficial owner of the entire issued and paid-up share capital of Kajuara Mining Corporation Pty Ltd which in turn has a sole investment, being 75% equity interest in PT Koba Tin in Indonesia. Oberthur is principally an investment holding company owned by an Indonesian based group which involved in tin, minerals and resource development. Oberthur has until the first quarter of 2011 to complete the transaction.

d. On 3 September 2009, the Company announced that it plans to divest its shareholdings in BCD Resources NL (BCD), a company listed on the Australian Securities Exchange and its 30% stake in the Rapu-Rapu Polymetallic Project in Philippines in line with its intention to focus its effort 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.

   On 22 July 2010, the Company announced that it had entered into a share Purchase and Call Option Deed with Bendigo Mining Limited (Bendigo) relating to the sale of 45,000,000 ordinary shares in BCD and the grant of a call option over a further 39,000,000 BCD shares to Bendigo in conjunction with a merger between Bendigo and BCD. The balance of 6,000,000 BCD shares may be divested by the Company in due course. The sale of the 45,000,000 ordinary shares in BCD was completed on 26 July 2010.

   On 14 October 2010, the Company announced that BCD had advised that the merger with Bendigo would not proceed. The Company has received legal advice that notwithstanding the occurrence of the above event, the Share Purchase and Call Option Deed – which is essentially an agreement between the Company and Bendigo – is in full force and effect. However, given the occurrence of the above events, it seems highly unlikely that Bendigo will elect to exercise the Call option in accordance with its terms and conditions. In the event that Call Option is not exercised, the carrying value of the Company's investment in BCD could be reduced by approximately RM12 million based on BCD share price of AUD0.05 per share on 29 October 2010.

e. On 15 September 2010, the Company (MSC) announced that the Board has appointed CIMB Investment Bank Berhad (CIMB) and CIMB Bank Berhad Singapore Branch (CIMB Singapore Branch) to advise the Board on a proposal for a secondary listing of ordinary shares of RM1.00 each in MSC on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

   On 15 October 2010, on behalf of the Board of Directors of MSC, CIMB announced that MSC proposes to undertake the following:

   (i) Proposed issuance of between 12.50 million to 25.00 million new ordinary shares of RM1.00 each in MSC and made available to the retail investors in Singapore and/or institutional and selected investors ("Proposed Public Issue"); and

   (ii) Proposed secondary listing of the entire enlarged issued and paid-up share capital of MSC on the Main Board of the SGX-ST in conjunction with the Proposed Public Issue.

On 18 October 2010, the Company announced that CIMB Singapore Branch had on 15 October 2010 submitted, on behalf of MSC, a listing application to the SGX-ST to seek its approval for the Proposed Secondary Listing.

On 26 October 2010 and 29 October 2010, CIMB announced that they have submitted, on behalf of MSC, the application to the Securities Commission and Ministry of International Trade and Industry respectively to seek approval for the Proposed Secondary Listing on SGX-ST.

20. **Group Borrowings and Debts Securities**

Group borrowings as at 30 September 2010 comprise the following :

	30.09.2010 RM'000
a) Short Term Borrowings (unsecured)	
Revolving credit	40,125
Foreign currency trade finance	31,308
Bankers' acceptances	510,577
	582,010
Current portion of long term borrowings	28,849
	610,859

	30.09.2010 RM'000
b) Long Term Borrowings (unsecured)	
Term loans	52,534
Revolving credit	38,581
	91,115

Amount denominated in foreign currency	**'000**
Foreign currency trade finance (US dollar)	10,144
Revolving credits (US dollar)	25,500
Term loans (US dollar)	24,910

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 1.06% to 4.15% (2009: 1.10% to 4.97%) per annum for the Company and 1.06% to 4.15% (2009: 1.10% to 14.35%) per annum for the Group.

The long term borrowings bear interest at rates of between 0.85% to 1.25% above banks' cost of funds and are repayable by quarterly and semi-annual installments.

21. **Derivative Financial Instruments**

As at 30 September 2010, the Group had the following outstanding derivative financial instruments:-

Derivatives	Contract/ Notional Value RM'000	Fair Value RM'000	Fair Value Gain/(Loss) - Net of Tax RM'000
i) Interest Rate Swap on loan - 1 to more than 3 years	58,468	56,613	(1,391)
ii) Foreign Currency Forward Contracts - Less than 1 year	85,975	84,613	1,022
iii) Tin Forward Sale Contracts - Less than 1 year	57,238	84,451	(19,818)
iv) Free warrant on listed share of an associate - Less than 1 year	-	42	42

The Group adopted the accounting policy on derivative financial instruments in compliance with FRS 139 – Financial Instruments: Recognition and Measurement on 1 January 2010. With the adoption of FRS 139, financial derivatives are recognised accordingly in the financial statements and there is no off-balance sheet financial instruments.

The interest rate swap contract, foreign currency forward contracts and tin forward sale contracts are all entered for hedging purpose.

During the period, the Group has recognised a fair value loss net of tax of RM1.57 million in its income statement.

22. **Material Litigation**

Since 31 December 2009, there was no new development on the outstanding material litigations at 29 October 2010, 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 recorded a higher RM23.41 million pre-tax profit before unusual items in the 3rd quarter 2010 compared with RM16.39 million in the preceding quarter. This was mainly contributed by the better performance of its tin operations and higher net contributions from its investment in KM Resources Inc.

During the quarter, the Group undertook a valuation of its investment in KM Resources Inc which resulted in a surplus of RM65 million. This surplus was recognized as prior year's retained earnings. In line with the Group's ongoing review of its non-tin assets, the Group made further impairment provisions totalling RM73.63 million as disclosed under Note 5.

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

The Group revenue increased by 44.5% to RM1.99 billion for the 9 months period ended 30 September 2010 from RM1.38 billion for the corresponding period of the previous year. This was contributed by higher business volume and higher tin prices.

The Group recorded a higher RM67.55 million pre-tax profit before unusual items, a three-fold increase for the 9-month period ended 30 September 2010 compared with RM18.19 million for the corresponding period. This was mainly contributed by a better performance of its tin operations particularly in Malaysia and higher net contributions from its investment in KM Resources Inc.

25. **Current Year Prospects**

In the light of high metal prices and stronger results from KM Resources Inc, barring any unforeseen circumstances, the Board expects the Group's operating performance for the current year to be satisfactory.

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

Not applicable.

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

	9 months ended 30.09.2010
Net loss attributable to equity holders of the Company (RM)	(58,200,000)
Number of ordinary shares in issue	75,000,000
Net loss per share (sen)	(77.60)

28 **Dividend Payable**

No dividend is declared for the quarter ended 30 September 2010.

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
4 November 2010