NOTES TO THE 1st INTERIM FINANCIAL REPORT – 31 MARCH 2011

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 2010. 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 2010.

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 2010 except for the adoption of the following new FRSs and Interpretations, and amendments to certain FRSs and Interpretations:

Effective for financial periods beginning on or after 1 March 2010
Amendments to FRS 132: Classification of Right Issues

Effective for financial periods beginning on or after 1 July 2010
FRS 1 First-time Adoption of Financial Reporting Standards
FRS 3 Business Combinations (Revised)
Amendments to FRS 2 Share-based Payment
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 127 Consolidated and Separate Financial Statements
Amendments to FRS 138 Intangible Assets
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives
IC Interpretation 12 Service Concession Arrangements
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17 Distributions of Non-cash Assets to Owners
Effective for financial periods beginning on or after 30 August 2010
Amendment to IC Interpretation 15

Effective for financial periods beginning on or after 31 December 2010
Technical Release 3 Guidance on Disclosures of Transition to IFRSs

Effective for financial periods beginning on or after 1 January 2011
Additional Exemption for First-time Adopters (Amendments to FRS 1)
Amendments to FRS 1 [Improvements to FRSs (2010)]
Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)

Amendments to FRS 3 [Improvements to FRSs (2010)]
Amendments to FRS 7: Improving Disclosures about Financial Instruments
Amendments to FRS 7 [Improvements to FRSs (2010)]
Amendments to FRS 101 [Improvements to FRSs (2010)]
Amendments to FRS 121 [Improvements to FRSs (2010)]
Amendments to FRS 128 [Improvements to FRSs (2010)]
Amendments to FRS 131 [Improvements to FRSs (2010)]
Amendments to FRS 132 [Improvements to FRSs (2010)]
Amendments to FRS 134 [Improvements to FRSs (2010)]
Amendments to FRS 139 [Improvements to FRSs (2010)]
Amendments to IC Interpretation 13 [Improvements to FRSs (2010)]
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
IC Interpretation 4 Determining whether an Arrangement contains a Lease
IC Interpretation 18 Transfers of Assets from Customers

Except for the changes in accounting policies arising from the adoption of the revised FRS 3, the amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3, the amendments to FRS 127 are described below.

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests.

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

The auditors' report on the financial statements for the year ended 31 December 2010 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 period.

The unusual items for previous financial period were in respect of impairment provisions for investment in BCD Resources NL and Guilin Hinwei Tin Co Ltd. amounting to RM41 million and RM7 million respectively.

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 quarter other than issuance of 25 million new MSC shares as described below:

- On 26 January 2011, a total of 25,000,000 new ordinary shares of the Company (MSC) have been allotted and issued. This resulted in the increase of the enlarged issued and paid-up share capital of MSC to RM100,000,000 comprising 100,000,000 MSC shares of RM1.00 each in conjunction with the secondary listing of the Company's shares in Singapore Exchange Securities Trading Limited (SGX-ST). On 27 January 2011, the Secondary Listing has been completed following the listing of and quotation for the entire enlarged issued and paid-up share capital of MSC of RM100,000,000 comprising 100,000,000 MSC shares of RM1.00 each on the Main Board of SGX-ST.

8. Dividend Paid

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

9. Segmental Reporting

The Company and its principal subsidiaries operate principally within the tin industry. The Group operates mainly in two geographical areas namely, Malaysia and Indonesia. 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	Indonesia	Others	(Eliminations) / Adjustments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Sales to external customers	736,144	1,729	-	-	737,873
Inter-segment sales	-	150,011	-	(150,011)	-
Total revenue	**736,144**	**151,740**	**-**	**(150,011)**	**737,873**
Results					
Profit/(Loss) from operations	31,245	23,478	(197)	(5,465)	49,061
Finance costs	(5,036)	(1,492)	-	746	(5,782)
Share of profit/(loss) of associates and jointly controlled entity	646	-	1,898	-	2,544
Profit/(Loss) before unusual items	**26,855**	**21,986**	**1,701**	**(4,719)**	**45,823**
Unusual items	-	-	-	-	-
Profit/(Loss) before tax	**26,855**	**21,986**	**1,701**	**(4,719)**	**45,823**
Income tax expense	(6,697)	(7,704)	-	1,180	(13,221)
Profit/(Loss), net of tax	**20,158**	**14,282**	**1,701**	**(3,539)**	**32,602**

	Malaysia RM'000	Indonesia RM'000	Others RM'000	(Eliminations) / Adjustments RM'000	Total RM'000
Assets					
Segment assets	830,078	423,210	7,103	(5,768)	1,254,623
Investment in associates and jointly controlled entity	20,953	-	127,780	-	148,733
Total assets	**851,031**	**423,210**	**134,883**	**(5,768)**	**1,403,356**
Liabilities					
Segment liabilities	**740,870**	**238,983**	**(11,122)**	**-**	**968,731**

10. Property, Plant and Equipment

The same valuation of land and buildings has been brought forward from the previous audited annual financial statements for the year ended 31 December 2010.

11. Events Subsequent to Balance Sheet Date

There was no material event subsequent to balance sheet date up to 2 May 2011, 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 2011 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations, except for the following:

- On 7 January 2011, the Company did not exercise its warrants in Asian Mineral Resources Limited ("AMR") resulting in its shareholding in AMR being diluted from 18.22% to 15.42%.

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

Since the last annual reporting date, there was no new development on the outstanding contingent liabilities or contingent assets as at 2 May 2011, 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 31 March 2011 was as follows:

	31.03.2011 RM'000
Approved but not contracted for	13,646
Contracted but not provided for	1,661
	15,307

15. **Related Party Transactions**

The following are significant related party transactions :

	3 months ended 31.03.2011 RM'000
Sales of products to an associate	17,903

The above transactions were entered in the normal course of business and were established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

16. Taxation

Taxation comprises the following :

	3 months ended 31.03.2011 RM'000
Current taxation	
Malaysian income tax	7,452
Foreign tax	7,704
Deferred tax	(1,935)
Total	13,221

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.

Certain subsidiaries of the Group are subjected to ongoing income tax audits and examination by the income tax authorities. The income tax expense for the current period does not include any potential tax adjustments which may arise upon the outcome of such examinations.

17. Sale of Unquoted Investment and/or Property

There was no sale of unquoted investment and/or property for the 1st quarter 2011.

18. Purchase and Sale of Quoted Securities

There was no purchase or sale of quoted securities in the 1st quarter 2011.

19. Status of Corporate Proposal

There was no corporate proposal announced but not completed as at 2 May 2011, 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 had made an impairment provision of

RM8.8 million in year 2010.

b. The Share Sale Agreement entered by the Company 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 has lapsed. Oberthur did not complete the transaction on the expiry date, 31 March 2011.

c. On 3 September 2009, the Company announced that it plans to divest 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 17 March 2011, the Company announced that it had entered into a Share Sale Agreement for the disposal of its 30% shareholding in Asiatic Coal Pte Limited ("ACPL") with Taurus Capital Limited ("Purchaser") which holds 40% shareholding in ACPL. The Company's 76.91% subsidiary, Australia Oriental Minerals NL ("AOM") has also executed the agreement to dispose of its 30% shareholding in ACPL. ACPL, through its Indonesian subsidiary, has exclusive rights over a coal mining concession at Muara Teweh in Central Kalimantan, Indonesia. The total net consideration of USD2,106,668.30 would amount to approximately USD1,053,334.15 each to the Company and AOM. The disposal of ACPL is expected to complete by 30 June 2011.

   The Company reclassified its 76.91% interest in Australia Oriental Minerals NL and 53.04% effective interest in Asiatic Coal Pte Ltd as a disposal group held for sale.

d. On 27 January 2011, the Secondary Listing has been completed following the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company of RM100,000,000 comprising 100,000,000 ordinary shares of RM1.00 each on the Main Board of SGX-ST.

The status of utilisation of proceeds from the public issue of 25,000,000 new ordinary shares of the Company at 31 March 2011:

Purpose	Proposed utilisation RM mil	Actual utilisation RM mil	Expected timeframe for utilisation
Expansion of mining and smelting operations	19.69	6.74	One (1) year (by Feb 2012)
Development of new mines through selective acquisitions of suitable mining concession or leases, mining projects and assets in Malaysia and Indonesia	62.3	-	Three (3) years (by Feb 2014)
General working capital	13.34	13.34	One (1) year (by Feb 2012)
Estimated expenses in relation to the Proposals	8.86	8.57	One (1) year (by Feb 2012)
Total	104.19	28.65	

20 **Group Borrowings and Debts Securities**

Group borrowings as at 31 March 2011 comprise the following :

	31.03.2011 RM'000
a) Short Term Borrowings (unsecured)	
Revolving credit	27,252
Foreign currency trade finance	68,300
Bankers' acceptances	521,004
	616,556
Current portion of long term borrowings	44,271
	660,827

	31.03.2011 RM'000
b) Long Term Borrowings (unsecured)	
Term loans	35,684
Revolving credit	30,280
	65,964

Amount denominated in foreign currency	**'000**
Foreign currency trade finance (US dollar)	22,556
Revolving credits (US dollar)	24,000
Term loans (US dollar)	20,910

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 1.01% to 3.84% (2010: 1.06% to 4.15%) per annum for the Company and 1.01% to 3.84% (2010: 1.06% to 4.15%) per annum for the Group.

The long term borrowings bear interest at rates of between 0.85% to 1.00% above banks' cost of funds and are repayable by quarterly and semi-annual installments.

21. Derivative Financial Instruments

As at 31 March 2011, 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	53,153	52,010	(857)
ii) Foreign Currency Forward Contracts - Less than 1 year	91,185	90,560	468
iii) Tin Forward Sales Contract - Less than 1 year	14,105	14,330	(169)

The interest rate swap contract and foreign currency forward contracts are all entered for hedging purposes.

During the first quarter of 2011, the Group has recognised a fair value gain net of tax of RM0.125 million in its income statement.

22. Material Litigation

Since 31 December 2010, there was no new development on the outstanding material litigations at 2 May 2011, 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 pre-tax profit of RM45.82 million before unusual items in 1st quarter 2011 compared with RM8.46 million recorded in the preceding quarter. This was contributed by higher operating profits by its tin mining and smelting operations in Malaysia and Indonesia mainly due to higher tin prices.

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

Group revenue increased by 13.31% to RM737.87 million for the 1st quarter of 2011 from RM651.18 million for the corresponding quarter of the previous year. This was mainly due to higher tin prices.

The Group recorded a pre-tax profit of RM45.82 million before unusual items for the period ended 31 March 2011, a 65.1% increase from RM27.75 million for the corresponding quarter of the previous year. This was contributed by higher operating profits by its tin mining and smelting operations in Malaysia and Indonesia mainly due to higher tin prices.

25. Current Year Prospects

In the light of the current high tin prices, barring any unforeseen circumstances, the Board expects the Group's overall performance for the year 2011 to be better than that of last year.

26. Basic Earnings/ (Loss) Per Share

	1 st Quarter 3 months ended 31.03.2011
Profit attributable to equity holders of the Company (RM'000)	28,276
Weighted average number of ordinary shares in issue ('000)	93,056
Basic earnings per share (sen)	30.4

27. Realised and Unrealised Profits/Losses

	Current Quarter Ended 31.03.2011 RM'0000	Preceding Quarter Ended 31.12.2010 RM'0000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- Realised	126,915	92,800
- Unrealised	10,335	10,720
	137,250	103,520
Total share of retained profits/(accumulated losses) from associated companies:		
- Realised	(7,028)	(6,944)
- Unrealised	134	(23)
Total share of retained profits/(accumulated losses) from jointly controlled entity:		
- Realised	14,990	12,519
- Unrealised	(128)	(128)
	145,218	108,944
Add: Consolidation adjustments	82,999	90,996
Retained profits as per financial statements	228,217	199,940

28. **Dividend Payable**

A final dividend of 3 sen per ordinary share less 25% tax (2009: 3 sen less 25% tax per share) amounting to RM2.250 million for year ended 31 December 2010 has been approved by the members at the Annual General Meeting of the Company held on 27 April 2011. It will be paid on 12 May 2011 to members registered in the Record of Depositors at the close of business at 5.00 p.m., 28 April 2011.

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
9 May 2011