NOTES TO THE 3rd INTERIM FINANCIAL REPORT – 30 SEPTEMBER 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 year-to-date.

The unusual items for previous financial period were:

	3rd Qtr ended 30.09.2010 RM'000	**Year to date ended 30.09.2010 RM'000**
1. Impairment provision /(write-back)for investment in BCD Resources NL	(11,289)	29,711
2. Impairment provision for investment in Guilin Hinwei Tin Co. Ltd	-	7,000
3. Impairment provision for investment in Asian Mineral Resources Limited	45,104	45,104
4. Impairment provision for mining asset	34,631	34,631
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 other than issuance of 25 million new ordinary shares of the Company (MSC) as described below:

- On 26 January 2011, a total of 25,000,000 new ordinary shares of MSC were 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 ordinary 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 was 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 ordinary shares of RM1.00 each on the Main Board of SGX-ST.

8. **Dividend Paid**

The amount of dividend paid or declared during the current financial year-to-date were as follows:

	Net Amount Jan/ Sept 2011 RM'000	Net Dividend Per Share Jan/Sept 2011 Sen
2010 Final		
3 sen less 25% tax per share paid on 12.05.2011	2,250	2.25
2011 Interim		
12 sen less 25% tax per share paid on 28.09.2011	9,000	9.00
Total	11,250	11.25

9. Segmental Reporting

The Company and its principal subsidiaries operate principally within the tin industry in two business segments, namely tin smelting and tin mining.

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

	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations) / Adjustments RM'000	Total RM'000
Revenue					
Sales to external customers	2,490,279	7,262	2	-	2,497,543
Inter-segment sales	-	535,953	1,350	(537,303)	-
Total revenue	**2,490,279**	**543,215**	**1,352**	**(537,303)**	**2,497,543**
Results					
Profit/(Loss) from operations	66,622	80,347	(2,112)	932	145,789
Finance costs	(10,092)	(4,781)	(3,160)	-	(18,033)
Share of profit/(loss) of associates and jointly controlled entity	(601)	-	23,921	-	23,320
Profit before tax	**55,929**	**75,566**	**18,649**	**932**	**151,076**
Income tax expense	(10,997)	(27,435)	(228)	(233)	(38,893)
Profit, net of tax	**44,932**	**48,131**	**18,421**	**699**	**112,183**

	Tin Smelting RM'000	Tin Mining RM'000	Others RM'000	(Eliminations) / Adjustments RM'000	Total RM'000
Assets					
Segment assets	599,010	546,480	29,436	(2,712)	1,172,214
Investment in associates and jointly controlled entity	3,840	-	165,915	-	169,755
Total assets	**602,850**	**546,480**	**195,351**	**(2,712)**	**1,341,969**
Liabilities					
Segment liabilities	**592,768**	**242,891**	**984**	**(449)**	**836,194**

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. **Subsequent Events**

There was no material event subsequent to end of the current quarter up to 28 October 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 during the current financial year-to-date 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%.

- On 22 June 2011, the Company disposed of its entire 76.91% interest in Australia Oriental Minerals NL (AOM), a company listed on Australian Securities Exchange, comprising a total of 1,677,545,461 ordinary shares at A$0.0016 per share. With this disposal, AOM ceased to be a subsidiary of the Company and Asiatic Coal Pte Ltd, an indirect subsidiary, also ceased to be a subsidiary following the dilution of its effective interest from 53.07% to 30.0%.

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 28 October 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 30 September 2011 was as follows:

	30.09.2011 RM'000
Approved but not contracted for	956
Contracted but not provided for	14,703
	15,659

15. **Related Party Transactions**

The following are significant related party transactions :

	9 months ended 30.09.2011 RM'000
Sales of products to an associate	40,013

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:

	9 months ended 30.09.2011 RM'000
Current taxation	
Malaysian income tax	29,255
Foreign tax	21,519
Deferred tax	(10,056)
Over provision in prior years	(1,825)
Total	38,893

The overall effective tax rate for the current period was higher than the statutory tax rate in Malaysia mainly due to higher tax rate in an overseas subsidiary and 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 companies in 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 tax audits and examination.

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

There was no sale of unquoted investment and/or property for the 3rd quarter 2011.

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

There was no purchase or sale of quoted securities in the 3rd quarter 2011.

19. **Status of Corporate Proposal**

There was no corporate proposal announced but not completed as at 28 October 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. 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, for a net consideration of USD1,053,334.15. ACPL, through its Indonesian subsidiary, has exclusive rights over a coal mining concession at Muara Teweh in Central Kalimantan, Indonesia. The disposal of ACPL is expected to complete during the 4th quarter 2011.

   The Company's 30% interest in ACPL is reclassified as a disposal group held for sale.

c. On 27 January 2011, the secondary listing of the Company was 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 Singapore Exchange Securities Trading Limited (SGX-ST).

The status of utilisation of proceeds from the public issue of 25,000,000 new ordinary shares of the Company as at 30 September 2011 was:

Purpose	**Proposed utilisation RM mil**	**Actual utilisation RM mil**	**Expected timeframe for utilisation**
Expansion of mining and smelting operations	19.69	11.88	One (1) year (by Feb 2012)
Development of new mines through selective acquisitions of suitable mining concessions or leases, mining projects and assets in Malaysia, Indonesia and other countries	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 public issue and secondary listing	8.86	8.64	One (1) year (by Feb 2012)
Total	104.19	33.86	

In the prospectus dated 21 January 2011 issued in conjunction with the secondary listing of the Company on the Singapore Exchange Securities Trading Limited, it was stated that the MSC Group intends to pursue its growth strategy in its tin business through the selective acquisition of suitable mining concessions or leases, as well as mining projects in Malaysia, Indonesia and other countries. The Group will continue to monitor investment opportunities in other countries and it may in future decide to invest in selective projects in such countries that meet its investment criteria.

Development activities in this direction are currently on-going.

Investments in mining projects require long term commitments due to high capital outlay and long lead time before earnings and positive cash flows could be generated. Equity funding is normally the preferred avenue for raising long term funds for such capital investments. From time to time, the Group will consider various funding options to further strengthen its capital base to fund any significant cash requirements for the Group's long term growth and expansion in its tin business.

20 Group Borrowings and Debts Securities

Group borrowings as at 30 September 2011 comprise the following :

	30.09.2011 RM'000
a) Short Term Borrowings (unsecured)	
Revolving credit	28,670
Foreign currency trade finance	78,715
Bankers' acceptances	382,819
	490,204
Current portion of long term borrowings	47,290
	537,494

	30.09.2011 RM'000
b) Long Term Borrowings (unsecured)	
Term loans	22,808
Revolving credit	23,892
	46,700

Amount denominated in foreign currency	**'000**
Foreign currency trade finance (US dollar)	24,711
Revolving credits (US dollar)	21,500
Term loans (US dollar)	16,535

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 0.95% to 4.11% (2010: 1.06% to 4.15%) per annum for the Company and 0.95% to 4.11% (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 30 September 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 contract - 1 to 3 years	44,294	43,140	(865)
ii) Foreign Currency Forward Contracts - Less than 1 year	186,771	195,685	(6,685)
iii) Tin Forward Sales Contracts - Less than 1 year	11,154	7,323	2,873

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

During the current financial year-to-date, the Group has recognised a fair value loss net of tax of RM0.557 million in its income statement.

22. **Material Litigation**

Since 31 December 2010, there was no new development on the outstanding material litigations as at 28 October 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 RM51.91 million before unusual items in 3rd quarter 2011 which was close to the RM53.35 million recorded in the preceding quarter.

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

Group revenue increased by 26.0% to RM907.04 million for the 3rd quarter of 2011 from RM719.96 million for the corresponding quarter of the previous year. For the current financial year-to-date, Group revenue increased by 25.2% to RM2,497.54 million from RM1,994.27 million for the corresponding period of the previous year. The increase in revenue was mainly due to higher tin production and higher average tin prices.

The Group recorded a 121.7% increase in its pre-tax profit to RM51.91 million before unusual items for the 3rd quarter of 2011, from RM23.41 million achieved in the corresponding quarter of the previous year. This was contributed by higher profits by its tin mining and smelting operations in Malaysia and Indonesia mainly due to improved operating performance as well as higher average tin prices. For the 9 months of the current financial period, Group pre-tax profit before unusual items was RM151.08 million, a 123.7% increase from RM67.55 million for the corresponding period of the previous year, due to the same reasons stated above. The Group's investment in its 30% jointly controlled entity in the Philippines, KM Resources Inc also reported a better result than the corresponding period of the previous year.

25. Current Year Prospects

Moving forward the operating environment is expected to be difficult and challenging due to weaker demand for commodities arising from the prevailing global economic slowdown and the on-going uncertainty in the global financial market following the sovereign-debt crisis in the Euro zone. Nonetheless, the Board expects the overall performance of the Group to remain profitable in the fourth quarter of the year 2011.

26. Basic Earnings/ (Loss) Per Share

	9 months ended 30.09.2011
Profit attributable to equity holders of the Company (RM'000)	106,389
Weighted average number of ordinary shares in issue ('000)	97,711
Basic earnings per share (sen)	108.9

27. Realised and Unrealised Profits/Losses

	Current Quarter Ended 30.09.2011 RM'0000	Preceding Quarter Ended 30.06.2011 RM'0000
Total retained profits/(accumulated losses) of the Company and its subsidiaries:		
- Realised	278,381	257,256
- Unrealised	21,969	17,631
	300,350	274,887
Total share of retained profits/(accumulated losses) from associated companies:		
- Realised	(7,451)	(7,067)
- Unrealised	(246)	246
Total share of retained profits/(accumulated losses) from jointly controlled entity:		
- Realised	36,568	32,780
- Unrealised	(128)	(128)
	329,093	300,718
Add: Consolidation adjustments	(34,014)	(38,451)
Retained profits as per financial statements	295,079	262,267

28. Dividend Payable

No dividend is declared for the quarter ended 30 September 2011.

29. The public offering and listing of the Company's shares on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST) was sponsored by CIMB Bank Berhad, Singapore Branch (the "Issue Manager"). The Issue Manager assumes no responsibility for the contents of this announcement.

By Order of the Board
Sharifah Faridah Abd Rasheed
Secretary

Kuala Lumpur
4 November 2011