

(Tempatan 43072 - A )  
**MALAYSIA SMELTING CORPORATION BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2012

	As at 30.06.2012 Unaudited RM'000	As at 31.12.2011 Unaudited RM'000 (restated)	As at 01.01.2011 Unaudited RM'000 (restated)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	89,561	92,378	94,523
Prepaid land lease payments	1,224	1,254	1,174
Base inventory	3,000	3,000	3,000
Intangible assets	6,092	1,721	1,547
Investment in associates and jointly controlled entity	168,341	174,181	148,539
Investment securities	26,432	17,736	34,367
Other non-current assets	86,978	99,172	84,531
Other receivables	4,650	4,523	2,607
Deferred tax assets	19,279	17,950	11,083
	<u>405,557</u>	<u>411,915</u>	<u>381,371</u>
<b>Current assets</b>			
Inventories	254,863	303,122	404,320
Trade and other receivables	253,831	309,030	258,768
Other current assets	3,998	4,570	7,144
Tax recoverable	17,114	7,525	22,162
Derivative financial instruments	-	-	1,162
Cash, bank balances and deposits	216,058	235,697	119,244
	<u>745,864</u>	<u>859,944</u>	<u>812,800</u>
Assets of disposal group classified as held for sale	-	-	25,476
	<u>745,864</u>	<u>859,944</u>	<u>838,276</u>
<b>Total assets</b>	<u>1,151,421</u>	<u>1,271,859</u>	<u>1,219,647</u>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Provisions	18,124	15,119	6,088
Borrowings	498,995	525,383	618,648
Trade and other payables	191,176	178,976	146,175
Current tax payable	1,888	20,600	25,870
Derivative financial instruments	1,220	419	1
	<u>711,403</u>	<u>740,497</u>	<u>796,782</u>
Liabilities directly associated with disposal group classified as held for sale	-	-	11,309
	<u>711,403</u>	<u>740,497</u>	<u>808,091</u>
<b>Net current assets</b>	<u>34,461</u>	<u>119,447</u>	<u>30,185</u>
<b>Non-current liabilities</b>			
Provisions	40,010	39,742	30,324
Deferred tax liabilities	652	645	297
Borrowings	15,983	38,070	82,392
Derivative financial instruments	634	865	1,375
	<u>57,279</u>	<u>79,322</u>	<u>114,388</u>
<b>Total liabilities</b>	<u>768,682</u>	<u>819,819</u>	<u>922,479</u>
<b>Net assets</b>	<u>382,739</u>	<u>452,040</u>	<u>297,168</u>
<b>Equity attributable to owners of the Company</b>			
Share capital	100,000	100,000	75,000
Share premium	76,372	76,372	1,706
Other reserves	33,837	29,140	19,478
Retained earnings	159,502	213,541	164,180
Reserve of disposal group classified as held for sale	-	-	(3,256)
	<u>369,711</u>	<u>419,053</u>	<u>257,108</u>
<b>Non-controlling interests</b>	13,028	32,987	40,060
<b>Total Equity</b>	<u>382,739</u>	<u>452,040</u>	<u>297,168</u>
<b>Total equity and liabilities</b>	<u>1,151,421</u>	<u>1,271,859</u>	<u>1,219,647</u>

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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**MALAYSIA SMELTING CORPORATION BERHAD**  
(Incorporated in Malaysia )

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

For the period ended 30 June 2012

	Note	← 2 nd Quarter → 3 months ended		← Year Date → 6 months ended	
		30.06.2012 RM'000	30.06.2011 RM'000	30.06.2012 RM'000	30.06.2011 RM'000
<b>Revenue</b>		543,783	852,627	1,315,687	1,590,500
(Loss)/Profit from operations		(71,845)	38,289	(62,886)	85,726
Gross interest income		2,793	3,500	6,854	5,092
Gross interest expense		(4,396)	(6,305)	(8,990)	(12,055)
Share of results of associates and jointly controlled entity		(1,532)	17,864	(1,258)	20,408
(Loss)/Profit before unusual items	<b>5</b>	(74,980)	53,348	(66,280)	99,171
Unusual items	<b>6</b>	(2,073)	-	(2,073)	-
<b>(Loss)/Profit before tax</b>		(77,053)	53,348	(68,353)	99,171
Income tax expense	<b>17</b>	18,122	(15,904)	8,062	(29,125)
<b>(Loss)/Profit net of tax</b>		(58,931)	37,444	(60,291)	70,046
<b>Attributable to:</b>					
Owners of the Company		(46,212)	36,301	(40,539)	64,577
Non-controlling interests		(12,719)	1,143	(19,752)	5,469
		(58,931)	37,444	(60,291)	70,046
Basic (loss)/earnings per share ( sen )	<b>25</b>	(46.2)	36.3	(40.5)	66.9
Proposed/Declared dividend per share ( sen )	<b>27</b>	-	12.0	-	12.0
Net assets per share attributable to owners of the Company ( RM )				As at end of current quarter	As at preceding financial year end (restated)
				3.70	4.19

These condensed consolidated income statement should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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**MALAYSIA SMELTING CORPORATION BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the period ended 30 June 2012

Note	2 nd Quarter 3 months ended		Year to Date 6 months ended	
	30.06.2012 RM'000	30.06.2011 RM'000	30.06.2012 RM'000	30.06.2011 RM'000
(Loss)/Profit net of tax	(58,931)	37,444	(60,291)	70,046
Other comprehensive income:				
Foreign currency translation	7,253	355	552	(4,465)
Net fair value changes in available-for-sale investment securities	2,928	(11)	3,947	-
Net fair value changes on cash flow hedges	38	3,379	(9)	2,859
Other comprehensive income for the period, net of tax	10,219	3,723	4,490	(1,606)
Total comprehensive income for the period	(48,712)	41,167	(55,801)	68,440
Total comprehensive income attributable to:				
Owners of the Company	(36,938)	40,011	(35,842)	63,857
Non-controlling interests	(11,774)	1,156	(19,959)	4,583
	(48,712)	41,167	(55,801)	68,440

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the period ended 30 June 2012

	Attributable to owners of the Company										Distributable
	←					→					
		Equity attributable to owners of the Company total	Share capital	Share premium	Revaluation reserve	Foreign currency translation reserve	AFS reserve	Hedging Reserve	Reserve of disposal group classified as held for sale	Retained earnings	Non-controlling interests
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2012 (as previously stated)		462,297	100,000	76,372	18,678	(17,516)	-	(89)	-	249,301	35,551
Adjustment for MFRS 1	2	(10,257)	-	-	-	28,067	-	-	-	(35,760)	(2,564)
At 1 January 2012 (as restated)		452,040	100,000	76,372	18,678	10,551	-	(89)	-	213,541	32,987
Total comprehensive income		(55,801)	-	-	-	759	3,947	(9)	-	(40,539)	(19,959)
Dividend on ordinary shares	9	(13,500)	-	-	-	-	-	-	-	(13,500)	-
At 30 June 2012		382,739	100,000	76,372	18,678	11,310	3,947	(98)	-	159,502	13,028

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

For the period ended 30 June 2011

	Attributable to owners of the Company										
	←					→					
Note	Total equity RM'000	Equity attributable to owners of the Company total RM'000	Share capital RM'000	Share premium RM'000	Revaluation reserve RM'000	Foreign currency translation reserve RM'000	Available for-sale ("AFS") reserve RM'000	Hedging reserve RM'000	Reserve of disposal group classified as held for sale RM'000	Retained earnings RM'000	Non-controlling interests RM'000
At 1 January 2011 (as previously stated)	307,425	264,801	75,000	1,706	18,766	(28,067)	-	712	(3,256)	199,940	42,624
Adjustment for MFRS 1	(10,257)	(7,693)	-	-	-	28,067	-	-	-	(35,760)	(2,564)
At 1 January 2011 (as restated)	297,168	257,108	75,000	1,706	18,766	-	-	712	(3,256)	164,180	40,060
Total comprehensive income	68,440	63,857	-	-	-	(3,572)	-	2,859	(7)	64,577	4,583
Issue of ordinary shares	104,187	104,187	25,000	79,187	-	-	-	-	-	-	-
Share issuance expense	(4,260)	(4,260)	-	(4,260)	-	-	-	-	-	-	-
Disposal of disposal group classified as held for sale	(795)	3,263	-	-	-	-	-	-	3,263	-	(4,058)
Dividend on ordinary shares	(2,250)	(2,250)	-	-	-	-	-	-	-	(2,250)	-
At 30 June 2011	462,490	421,905	100,000	76,633	18,766	(3,572)	-	3,571	-	226,507	40,585

These condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the period ended 30 June 2012

	Note	2012 RM'000	2011 RM'000
<b>Operating activities</b>			
Operating cash flows before changes in working capital		(35,368)	134,878
Decrease/(Increase) in inventories		46,657	(21,650)
Decrease/(Increase) in receivables		58,692	(94,221)
Increase in amount due from associates and jointly controlled entity		(2,604)	(3,972)
Increase in payables		9,029	2,404
Decrease in amount due to holding company		(30)	-
Increase in amount due to jointly controlled entity		7,528	-
<b>Cash generated from operations</b>		<u>83,904</u>	<u>17,439</u>
Income tax paid		(25,124)	(4,286)
Interest paid		(8,323)	(12,048)
Severance benefits paid		(1,250)	(9,097)
<b>Net cash generated from/(used in) operating activities</b>		<u>49,207</u>	<u>(7,992)</u>
<b>Investing activities</b>			
Interest received		6,834	3,370
Payment for deferred mine development and deferred exploration and evaluation expenditure		(1,487)	(16,529)
Payment for mining rights		(4,500)	-
Proceeds from disposal of property, plant and equipment		1,043	110
Proceeds from disposal of disposal group classified as held for sale		-	8,283
Purchase of corporate club membership		-	(350)
Purchase of property, plant and equipment		(5,191)	(5,013)
Purchase of shares in an associate		(1,274)	-
<b>Net cash used in investing activities</b>		<u>(4,575)</u>	<u>(10,129)</u>
<b>Financing activities</b>			
Dividends paid on ordinary shares		(13,500)	(2,250)
(Repayment)/Drawdown of short term trade financing and other borrowings		(37,434)	51,715
Proceeds from issuance of ordinary shares, net		-	99,927
Repayment of term loans		(16,459)	(13,670)
<b>Net cash (used in)/generated from financing activities</b>		<u>(67,393)</u>	<u>135,722</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(22,761)</u>	<u>117,601</u>
Effect of changes in foreign exchange rates		29	(111)
<b>Cash and cash equivalents as at 1 January</b>		<u>235,697</u>	<u>119,769</u>
<b>Cash and cash equivalents as at 30 June</b>		<u>212,965</u>	<u>237,259</u>

Cash and cash equivalents comprise the following at 30 June 2012:

	2012 RM'000
Cash and short term deposits	153,758
Amounts reserved for the development of new mines	62,300
Bank overdrafts	(3,093)
<b>Cash and cash equivalents</b>	<u>212,965</u>

Included in cash and cash equivalents of the Group, is an amount of RM62,300,000 (2011: RM62,300,000) reserved for the development of new mines through the selective acquisitions of suitable mining concessions or leases, as well as mining projects and assets primarily in Malaysia, Indonesia and other countries.

These condensed consolidated statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.