

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

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

at 30 September 2009

	As at end of current quarter 30.09.2009 RM'000	As at preceding financial year end 31.12.2008 RM'000
<b>Note</b>		
<b>NON-CURRENT ASSETS</b>		
Property, Plant and equipment	112,785	106,921
Prepaid land lease payments	1,344	1,298
Base Inventory	3,000	3,000
Mining rights	2,456	4,621
Mining asset	38,821	-
Investment in associates	169,012	194,500
Other investments	47,376	47,261
Other assets	92,204	64,728
Deferred tax asset	21,283	18,073
	488,281	440,402
<b>CURRENT ASSETS</b>		
Inventories	252,959	260,823
Trade receivables	148,159	154,464
Other receivables	89,013	84,946
Tax recoverable	20,669	32,722
Amount due from related companies	1,586	2,916
Amount due from associates	-	13,699
Cash, bank balances and deposits	98,911	72,574
	611,297	622,144
<b>CURRENT LIABILITIES</b>		
Trade payables	30,836	17,905
Other payables	73,826	48,157
Provisions for liabilities	560	320
Amount due to an associate	500	550
Taxation	5,606	18,836
Borrowings (unsecured)	464,874	503,247
	576,202	589,015
<b>NET CURRENT ASSETS</b>		
	35,095	33,129
	523,376	473,531
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	75,000	75,000
Reserves	231,892	221,499
	306,892	296,499
<b>Minority interests</b>	43,351	44,033
<b>Total Equity</b>	350,243	340,532
<b>NON-CURRENT LIABILITIES</b>		
Provisions for liabilities	27,385	28,691
Deferred tax liabilities	2,090	2,033
Borrowing (unsecured)	143,658	102,275
	173,133	132,999
	523,376	473,531

The unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the audited Annual Financial Statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

for the period ended 30 September 2009

	Note	← 3 rd Quarter →		← Year Date →	
		3 months ended		9 months ended	
		30.09.2009	30.09.2008	30.09.2009	30.09.2008
		RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>		610,662	702,901	1,380,403	1,871,268
Profit from operations		17,326	29,065	30,798	69,898
Gross interest income		1,191	1,770	5,922	7,332
Gross interest expense		(4,467)	(7,782)	(18,315)	(16,211)
Share of profit/ (loss) of associates		2,633	(1,016)	(217)	(5,426)
<b>Profit before taxation</b>		16,683	22,037	18,188	55,593
Taxation	16	(7,068)	(7,792)	(10,758)	(21,235)
<b>Profit for the period</b>		9,615	14,245	7,430	34,358
Attributable to:					
Equity holders of the Company		8,773	12,268	10,171	30,603
Minority interests		842	1,977	(2,741)	3,755
		9,615	14,245	7,430	34,358
Basic earnings per share ( sen )	27	11.7	16.4	13.6	40.8
Proposed/Declared dividend per share ( sen )	28			-	8.0
Net assets per share attributable to ordinary holders of the Company ( RM )				4.09	3.95

The unaudited Condensed Consolidated Income Statement should be read in conjunction with the audited Annual Financial Statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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

Note	Attributable to equity holders of the Company						Minority Interests RM ' 000	Total Equity RM ' 000
	← Non - Distributable			→ Distributable				
	Share capital RM ' 000	Share premium RM ' 000	Revaluation reserve RM ' 000	Foreign exchange reserve RM ' 000	Retained earnings RM ' 000	Sub-total RM ' 000		
<b>At 1 January 2008</b>	75,000	1,706	11,415	(13,853)	275,859	350,127	45,416	395,543
Foreign exchange differences representing net loss not recognised in the income statement	-	-	-	1,373	-	1,373	1,578	2,951
Net income recognised directly in equity	-	-	-	1,373	-	1,373	1,578	2,951
Profit for the period	-	-	-	-	30,603	30,603	3,755	34,358
Total recognised income and expense for the period	-	-	-	1,373	30,603	31,976	5,333	37,309
Dividend	-	-	-	-	(13,050)	(13,050)	-	(13,050)
<b>At 30 September 2008</b>	<b>75,000</b>	<b>1,706</b>	<b>11,415</b>	<b>(12,480)</b>	<b>293,412</b>	<b>369,053</b>	<b>50,749</b>	<b>419,802</b>

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

Note	Attributable to equity holders of the Company						Minority Interests RM ' 000	Total Equity RM ' 000
	← Non - Distributable →			Distributable				
	Share capital RM ' 000	Share premium RM ' 000	Revaluation reserve RM ' 000	Foreign exchange reserve RM ' 000	Retained earnings RM ' 000	Sub-total RM ' 000		
<b>At 1 January 2009</b>	75,000	1,706	15,105	(7,344)	212,032	296,499	44,033	340,532
Acquisition of subsidiaries							1,860	1,860
Foreign exchange differences representing net gain not recognised in the income statement	-	-		222	-	222	199	421
Net income recognised directly in equity	-	-	-	222	-	222	2,059	2,281
Profit/ (loss) for the period	-	-	-	-	10,171	10,171	(2,741)	7,430
Total recognised income and expense for the period	-	-	-	222	10,171	10,393	(682)	9,711
Dividend	-	-	-	-	-	-	-	-
<b>At 30 September 2009</b>	<b>75,000</b>	<b>1,706</b>	<b>15,105</b>	<b>(7,122)</b>	<b>222,203</b>	<b>306,892</b>	<b>43,351</b>	<b>350,243</b>

The unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited Annual Financial Statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

for the period ended 30 September 2009

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash from/ (used) in operations</b>	83,909	(2,160)
Interest paid	(20,017)	(13,074)
Income tax paid	(15,153)	(25,632)
Severance benefits paid	(4,242)	(110)
<b>Net cash from/ (used) in operating activities</b>	<u>44,497</u>	<u>(40,976)</u>
<b>Investing Activities</b>		
Acquisition of subsidiaries	1,891	-
Purchase of property, plant and equipment	(1,542)	(18,607)
Payment for prepaid lease payments	(112)	-
Payment for investment in associates	(768)	(155,228)
Payment for an insurance scheme	-	(2,956)
Payment for mining rights	-	(181)
Payment of deferred mine development and exploration expenditure	(26,815)	(43,960)
Proceeds from disposal of property, plant and equipment	235	25
Net dividend received from an associate	21	35
Interest received	5,945	7,299
<b>Net cash used in investing activities</b>	<u>(21,144)</u>	<u>(213,573)</u>
<b>Financing Activities</b>		
Borrowing of short term trade financing	8,409	167,723
Borrowing of term loans	8,683	115,350
Repayment of term loans	(14,109)	(7,624)
Dividend paid	-	(13,050)
<b>Net cash from financing activities</b>	<u>2,983</u>	<u>262,399</u>
<b>Net Change in Cash &amp; Cash Equivalents</b>	26,336	7,850
<b>Cash &amp; Cash Equivalents at 1 January</b>	72,575	51,930
<b>Cash &amp; Cash Equivalents at 30 September</b>	<u>98,911</u>	<u>59,780</u>

The unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited Annual Financial Statements for the year ended 31 December 2008 and the accompanying explanatory notes attached to the interim financial statements.

## **NOTES TO THE 3<sup>rd</sup> INTERIM FINANCIAL REPORT – 30 SEPTEMBER 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/(Loss) RM'000</b>
Malaysia	894,212	1,435,015	34,520
Indonesia	439,836	257,920	(17,495)
Others	91,700	-	1,163
	1,425,748	1,692,935	18,188
Consolidated adjustments related to intra group transactions	(326,170)	(312,532)	-
	1,099,578	1,380,403	18,188

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 29 October 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**

Save as disclosed below, there was no change in the composition of the Group for the 3<sup>rd</sup> Quarter 2009 including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations:-

- a. The Company had subscribed for a total of 1,367,728,522 new ordinary shares amounting to approximately RM16.12 million in a renounceable rights issue in an associate, Australia Oriental Minerals NL (AOM), so as to enable AOM to repay its outstanding loan of AUD5.0 million and related interest to the Company. Following the completion of AOM rights issue on 25 August 2009, the Company's direct shareholding in AOM increased from 42.7% to 76.91% and AOM became a subsidiary of the Company. AOM is listed on the Australian Securities Exchange.
- b. Asiatic Coal Private Limited (ACPL), a 30% owned associate of AOM, of which the Company also has a 30% direct interest, became a subsidiary of the Company following the completion of rights issue in AOM as disclosed in (a) above. The Company's effective shareholding in ACPL is 53.07%.

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

Since the Company's last announcement on 12 August 2009 relating to the 2<sup>nd</sup> Quarter 2009 Interim Financial Report, there was no new development on the outstanding contingent liabilities and contingent assets as at 29 October 2009, 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 2009 was as follows :



<b>30.09.2009</b>	
<b>RM'000</b>	
Approved but not contracted	-
Contracted but not provided for	805
	805

15 **Related Party Transactions**

The following are significant related party transactions :

	<b>9 months ended 30.09.2009 RM'000</b>
Management fee paid/ payable to related companies	5,286
Sales of products to an associate	23,785

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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>9 months ended</b>
	<b>30.09.2009</b>
	<b>RM'000</b>
Current taxation	
Malaysian income tax	(9,581)
Foreign tax	-
Deferred tax	3,255
Underprovided in prior year	(4,432)
	<b>Total</b>
	<b>(10,758)</b>

The overall effective tax rate for the current period was higher than the statutory tax rate in Malaysia mainly due to tax underprovided by a subsidiary in prior year and losses of 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 3<sup>rd</sup> quarter 2009.

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

There was no purchase or sale of quoted securities in the 3<sup>rd</sup> quarter 2009 except as mentioned in Note 12.

19. **Status of Corporate Proposal**

There was no corporate proposal announced but not completed as at 29 October 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 (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. The completion of the transaction is contingent upon the completion of certain obligations by GGJR.
- 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 fully completed by 31 December 2009.
- c. 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 further granted extension of time up to 22 March 2010 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 2009, a total of 23.13% shares of the Company are held by a total of 1,747 public shareholders.
- d. 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 proposed 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 31 December 2009.

- e. 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. Oberthur is principally an investment holding company owned by an Indonesian based group involved in tin, minerals and resource development. The transaction is expected to be completed by the first quarter of 2011.
- f. On 3 September 2009, in line with the Company's 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", the Company announced that it plans to divest its 22.48% shareholdings in Beaconsfield Gold NL, a company listed on Australian Securities Exchange and its 30% stake in the Rapu-Rapu Polymetallic Project in Philippines. The divestment process is still on-going.

## 20. Group Borrowings and Debts Securities

Group borrowings as at 30 September 2009 comprise the following :

	<b>30.09.2009</b>
	<b>RM'000</b>
<b>a) Short Term Borrowings (unsecured)</b>	
Foreign currency trade finance	149,820
Revolving credits	19,778
Bankers' acceptances	258,208
	<b>427,806</b>
Current portion of long term borrowings	37,068
	<b>464,874</b>

	<b>30.09.2009</b>
	<b>RM'000</b>
<b>b) Long Term Borrowings (unsecured)</b>	
Term loans	81,028
Revolving credit	62,630
	<b>143,658</b>

<b>Amount denominated in foreign currency</b>	<b>'000</b>
Foreign currency trade finance (US dollar)	43,058
Revolving credits (US dollar)	23,685
Term loans (US dollar)	31,785

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 1.10% to 4.97% per annum for the Company and 1.10% to 14.35% per annum for the Group (2008: Company and Group : 2.71% to 6.25% per annum).

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 instalments.

## 21. Off Balance Sheet Financial Instrument

As at 29 October 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 :-

<b>Currency</b>	<b>Contract Amount Million</b>	<b>Equiv. Amount RM'000</b>	
US Dollar	15.8	54,044	Different maturity dates up to March 2010
Indonesian Rupiah	74,690	26,838	Different maturity dates up to November 2010

## 22. Material Litigation

Since the Company's last announcement on 12 August 2009 relating to the 2<sup>nd</sup> Quarter 2009 Interim Financial Report, there was no new development on the outstanding material litigations at 29 October 2009, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report except for:-

- Statement of claim for RM45 million filed against the Company for an alleged breach of the Subscription Agreement relating to Rahman Hydraulic Tin Sdn Bhd, has been withdrawn by the Plaintiff.

**23. Material Change in the Quarterly Results as Compared with the Preceding Quarter**

The Group recorded a pre-tax profit of RM16.68 million in the 3<sup>rd</sup> Quarter of 2009 compared with a pre-tax profit of RM10.66 million recorded in the preceding quarter.

The better performance in 3<sup>rd</sup> Quarter 2009 was mainly contributed by better results in Indonesian operations arising from higher production aided further by the higher tin prices and improved performance from associates.

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

Group pre-tax profit for 3<sup>rd</sup> Quarter 2009 of RM16.68 million was 24.3% lower than the pre-tax profit of RM22.04 million for the corresponding quarter of the previous year mainly due to lower tin prices compared with that of 2008.

Group pre-tax profit for the 9-month period ended 30 September 2009 of RM18.19 million was lower than the pre-tax profit of RM55.59 million for the corresponding period of the previous year mainly due to losses incurred in the Indonesian operations in the first half of this year arising from lower tin prices. The Indonesian operations achieved a positive turnaround in results in the third quarter of 2009. The Malaysian operations continued to achieve satisfactory performance in the 9-month period ended 30 September 2009 in spite of the difficult market conditions.

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 3<sup>rd</sup> Quarter 2009 to the date of this announcement.

**25. Current Year Prospects**

In the light of improvement in tin prices and barring any unforeseen circumstances, the Board expects the Group's 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**

<b>9 months ended</b>	
<b>30.09.2009</b>	
Net profit attributable to equity holders of the Company (RM)	10,171,000
Number of ordinary shares in issue	75,000,000
Basic earnings per share (sen)	13.6

28. **Dividend Payable**

The Board of Directors has decided not to declare any interim dividend (2008: 8 sen less 26% tax per share) for the 3<sup>rd</sup> Quarter ended 30 September 2009.

By Order of the Board  
Sharifah Faridah Abd Rasheed  
Secretary

Kuala Lumpur  
4 November 2009