

BOARD OF DIRECTORS



Standing Left To Right:
En Razman Ariffin, Dato' Ismail bin Shahudin, Dato' Wira Syed Abdul Jabbar bin Syed Hassan,
Dato' Dr Mohd Ajib Anuar, Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii, Mr Norman Ip Ka Cheung

Sitting Left To Right:
Jeneral (B) Tun Ibrahim bin Datuk Ismail, Mr Choi Siew Hong

BOARD OF DIRECTORS

Non-Independent Non-Executive Directors

Jeneral (B) Tun Ibrahim bin Datuk Ismail (*Chairman*)
Mr Norman Ip Ka Cheung
Dato' Wira Syed Abdul Jabbar bin Syed Hassan
Dato' Ismail bin Shahudin

Executive Director

Dato' Dr Mohd Ajib Anuar

Senior Independent Non-Executive Director

Mr Choi Siew Hong

Independent Non-Executive Directors

Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii
En Razman Ariffin

AUDIT COMMITTEE

Mr Choi Siew Hong (*Chairman*)
Mr Norman Ip Ka Cheung
Tuan Hj Ahmad Kamal bin Abdullah Al-Yafii

NOMINATING COMMITTEE

Mr Choi Siew Hong (*Chairman*)
Dato' Wira Syed Abdul Jabbar bin Syed Hassan
En Razman Ariffin

REMUNERATION COMMITTEE

Mr Norman Ip Ka Cheung (*Chairman*)
Mr Choi Siew Hong
Dato' Dr Mohd Ajib Anuar

DIRECTORS' PROFILE

YBhg Jen (B) Tun Ibrahim bin Datuk Ismail

YBhg Jen (B) Tun Ibrahim bin Datuk Ismail is a Malaysian aged 83 years. He was appointed to the Board in April 1982 in the capacity of a Non-Independent Non-Executive Director and later in November 2001, was appointed Chairman of the Company and also chairs the Board Executive Committee.

A retired Chief of Malaysian Armed Forces, YBhg Jen (B) Tun Ibrahim has been active since his retirement in 1977 and has held several corporate and public appointments. Apart from MSC, YBhg. Jen (B) Tun Ibrahim bin Datuk Ismail also sits on the Board of Permodalan Nasional Berhad, WBL Corporation Limited and the The Straits Trading Company Limited (since 22 April 1978) – the latter two being listed on the Stock Exchange of Singapore. He also sits on the board of several private limited companies.

YBhg Jen (B) Tun Ibrahim serves as an Independent Non-Executive Director on the Board of The Straits Trading Company Limited, the ultimate holding company of Malaysia Smelting Corporation Berhad.

YBhg Jen(B) Tun Ibrahim does not have any family relationship with any other directors of the Company and neither has he been convicted of any offence.



YBhg Dato' Dr Mohd Ajib Anuar

YBhg Dato' Dr Mohd Ajib Anuar is a Malaysian aged 56 years. He was first appointed to the Board as a Non-Independent Non-Executive Director in July 1986 and became the Chief Executive Officer and Executive Director of the Company in June 1994.

YBhg Dato' Dr Mohd Ajib Anuar holds the professional qualification of the Association of Chartered Certified Accountants, United Kingdom. He has more than three decades of experience and expertise in the global tin industry. Currently, he serves as the Chairman of The Kuala Lumpur Tin Market, the President of Tin Technology Limited, UK (the research and development body of the world's tin industry), the President of the Malaysian Chamber of Mines and the Chairman of the Malaysian Tin industry (Research and Development) Board.

Prior to his appointment as the CEO of the Company, YBhg Dato' Dr Mohd Ajib Anuar had spent 23 years in Malaysia Mining Corporation Berhad Group of Companies (now known as MMC Corporation Berhad Group of Companies), serving in various senior positions including as the General Manager of the Finance Division, Director of Business Development and Managing Director of MMC's International Marketing Division. He had also served as the Deputy Chairman of The Kuala Lumpur Commodity Exchange (1988 to 1993) as well as Chairman of the Malaysian Futures Clearing Corporation (1990 to 1993).

YBhg Dato' Dr Mohd Ajib Anuar does not have any family relationship with any other directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offence.





Mr Choi Siew Hong

Mr Choi Siew Hong is a Malaysian aged 84 years. He was first appointed to the Board of the Company in April 1989 and was appointed Chairman of the Audit Committee in August 1994, Chairman of the Nominating Committee in February 2002 and a Senior Independent Non-Executive Director in January 2003.

Mr Choi has enjoyed an illustrious career in the banking industry. Equipped with a First Class Honours Degree in Economics from the University of Malaya, he served Bank Negara as Secretary and Adviser from December 1958 to January 1966 and then as Deputy Governor to October 1972. He was an Executive Director of the World Bank representing Malaysia and other countries in the South East Asia Voting Group from November 1972 to October 1975. He assumed a senior executive position and later that of General Manager in the Malaysia Division of Oversea Chinese Banking Corporation Limited from 1976 to July 1986. He was a director of the The Pacific Bank Berhad (now known as PacificMas Berhad) from 1976 and became Chairman of the Bank from 1988 to 1994. Prior to his reappointment as Chairman of Pacific Bank in October 1997, he was the Chairman of OCBC Bank (Malaysia) Berhad.

Currently, Mr Choi Siew Hong is the Chairman of PacificMas Berhad, Chairman and Executive Director of United Malacca Berhad, Chairman of Pacific Insurance Berhad, Pacific Mutual Fund Berhad and Malaysian Trustees Berhad. He also sits on the boards of several private companies.

Mr Choi Siew Hong does not have any family relationship with any other directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offence.



Mr Norman Ip Ka Cheung

Mr Norman Ip Ka Cheung is a British subject aged 53 years. He was appointed to the Board as a Non-Independent Non- Executive Director in 1993. Currently, he is the Chairman of the Remuneration Committee, as well as a member of the Audit Committee. He is a Chartered Accountant and a Fellow of the Institute of Chartered Accountants In England and Wales.

Mr Norman Ip is presently the President and Chief Executive Officer of The Straits Trading Company Limited in Singapore which is the ultimate holding company of Malaysia Smelting Corporation Berhad. Prior to joining The Straits Trading Group in 1983, he was a supervisor with Ernst & Whinney (now known as Ernst & Young) specializing in audits of conglomerates.

He also sits on the Board of Australia Oriental Minerals NL as well as several private limited companies in Malaysia and Singapore.

Mr Norman Ip does not have any family relationship with any other directors of the Company and neither has he been convicted of any offence.

YBhg Dato' Wira Syed Abdul Jabbar bin Syed Hassan

YBhg Dato' Wira Syed Abdul Jabbar bin Syed Hassan is a Malaysian aged 66 years. He was first appointed as a Non-Independent Non-Executive Director of the Company in February 2002. In March 2002, he was appointed as the President Commissioner of Board of Commissioners of MSC's subsidiary in Indonesia, PT Koba Tin.

YBhg Dato' Wira Syed Abdul Jabbar holds a Bachelor of Economics degree from the University of Western Australia and Masters of Science degree in Marketing from University of Newcastle-Upon-Tyne, United Kingdom.

YBhg Dato' Wira Syed Abdul Jabbar had held various prominent positions such as the Chief Executive Officer of the Kuala Lumpur Commodity Exchange (1980 to 1996), Executive Chairman of Malaysia Monetary Exchange (1996 to 1998) and Executive Chairman of Commodity and Monetary Exchange of Malaysia (1998 to 2000).

Currently he serves as the Non-Independent Non-Executive Chairman of MMC Corporation Berhad, Non-Independent Non-Executive Chairman of Integrated Rubber Corporation Berhad, Chairman of MARDEC Berhad, Independent Non-Executive Director of Star Publications Berhad as well as sit on the Board of KAF Discounts Berhad.

YBhg Dato' Wira Syed Abdul Jabbar bin Syed Hassan does not have any family relationship with any other directors of the Company and neither has he been convicted of any offence.



YBhg Dato' Ismail bin Shahudin

Dato' Ismail Shahudin is a Malaysian aged 55 years. He was first appointed to the Board on 27 September 2002 as a Non-Independent Non-Executive Director of the Company.

The holder of a Bachelor of Economics (Hons) degree from University of Malaya, majoring in Business Administration, Dato' Ismail Shahudin began his career with Esso Malaysia Berhad in 1974. During his five years at Esso Malaysia, YBhg Dato' Ismail Shahudin was attached to its Finance Division. He then moved on to join Citibank Malaysia as an Accounts Manager in 1984, and was later sent to Citibank New York as part of the team for Asia Pacific Division. Upon his return to Malaysia, he was appointed to the position of Vice President & Group Head of Public Sector and Financial Institutions in Citibank Malaysia. In 1992, he joined Maybank as its General Manager for Corporate Banking Division, rising to the rank of an Executive Director in 1997. He relinquished his position at Maybank in August 2002 to assume his current position as Group Chief Executive of MMC Corporation Berhad (MMC).

YBhg Dato' Ismail is the Chairman of Bank Muamalat Malaysia Berhad and also sits on the boards of Malakoff Berhad, IJM Corporation Berhad, Kramat Tin Dredging Berhad and Tronoh Consolidated Malaysia Berhad.

YBhg Dato' Ismail does not have any family relationship with any other directors of the Company and neither has he been convicted of any offence.





Tuan Haji Ahmad Kamal bin Abdullah Al-Yafii

Tuan Haji Ahmad Kamal bin Abdullah Al-Yafii is a Malaysian aged 68 years. He was first appointed to the Board on 27 November 2002 as an Independent Non-Executive Director. He is also a member of the Audit Committee.

Tuan Haji Ahmad Kamal is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. For many years he was Malaysia's representative to Asean Federation of Accountants and had also served as a council member of the Malaysian Institute of Certified Public Accountants from 1970 to 2002. He is also an Adjunct Professor at Universiti Utara Malaysia.

He began his career in 1957 at Rubber Estates Agencies & Cumberbatch. Between 1966 to 1967, he was the Chief Accountant of Federal Agricultural Marketing Authority. From 1968 to 1970, he served as the Financial Controller of Malayawata Steel Berhad. Thereafter, he became a partner at Hanafiah Raslan & Mohamed (which merged with Arthur Anderson in 1990) and was attached to its various branches and at its Head Office until his retirement in 1999.

Tuan Haji Ahmad Kamal also sits on the boards of several listed companies including Chase Perdana Berhad, Malaysian Airports Holdings Berhad and Sitt Tatt Berhad. In addition, he also sits on the board of several non-listed companies and private companies.

Tuan Haji Ahmad Kamal does not have any family relationship with any other directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offence.



En Razman Ariffin

En Razman Ariffin is a Malaysian aged 58 years. He was appointed to the Board of the Company on 15 February 2006 as an Independent Non-Executive Director. He was appointed as a member of the Nominating Committee on 16 March 2006.

En Razman Ariffin graduated from the Imperial College of Science and Technology at the University of London, England with a first class honours degree in mining engineering. He has attended management courses at Banff School of Advanced Management in Canada and IMEDE Lausanne in Switzerland. He is a Member of the Institution of Mining & Metallurgy, United Kingdom (MIMM) and Institute of Mineral Engineering, Malaysia (MIME). His involvement in the mining, metallurgical and energy industries spans over 30 years. Beginning his career at Osborne & Chappel Sdn. Bhd. in 1972, En Razman served as Production Engineer, Planning Engineer and Dredge Engineer before moving on to Sarawak Shell Berhad in 1976 as a Wellsite Petroleum Engineer. From 1977 to 1984, he was attached to the Malaysia Mining Corporation Group of Companies (now known as MMC Corporation Berhad group of companies) serving in various capacities over the years including as Technical & Planning Manager, Executive Assistant to the Chief Executive Officer, Chief of International Investments as well as Mine Manager of Berjantai Tin Dredging Berhad. He was the General Manager of Malaysia Smelting Corporation Berhad from 1985 to 1989 and the Chief Executive Officer of the Company from 1989. He left the Company in 1994 to become Senior Consultant at Turnaround Managers Inc, a private consultancy firm specializing in the restructuring and repositioning of companies in Malaysia and internationally. Between 2001 to 2003, he served as the Managing Director of Crest Petroleum Berhad. Currently, he is an independent strategic and corporate consultant.

En Razman Ariffin does not have any family relationship with any other directors and/or major shareholders of the Company or any conflict of interest with the Company. Neither has he been convicted of any offence.

STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER



On behalf of the Board of Directors, we are pleased to present the Annual Report and Financial Statements of Malaysia Smelting Corporation Berhad, its subsidiaries and associated companies (the Group) for the year ended 31 December 2005.

RESULTS

The Group managed to achieve satisfactory performance with a pre-tax profit of RM85.9 million against the backdrop of a weak tin market in 2005 which saw average tin prices fall by over 13% and production costs adversely affected by the significant increase in fuel prices.

An overall increase in the Group's production during 2005 mitigated the adverse impact on the fall in tin prices. The Group's turnover fell by 9.1% to RM1.7 billion compared to the previous year's record level of RM1.8 billion and profit after tax decreased from RM81.5 million to RM63.1 million. Net earnings attributable to shareholders fell by 8.5% to RM55.9 million from RM61.1 million in 2004. The earnings per share was 74.6 sen (2004: 81.4 sen). Shareholders' funds had increased to RM284.1 million by the end of 2005 (2004: RM248.4).

DIVIDENDS

On 15 February 2006, the Board declared a second interim dividend of 10 sen per share tax exempt and 5 sen per share less 28% tax (2004: 25 sen per share less 28% tax). A total of RM10.2 million nett (2004: RM13.5 million) will be paid on 28 March 2006.

This, in addition to a first interim dividend of 15 sen per share (2004: 15 sen) less 28% tax paid on 28 September 2005, amounting to RM8.1 million, would bring the total dividend declared and paid for the year 2005 to 30 sen per share, totalling RM18.3 million (2004: RM21.60 million).

The Board does not intend to recommend a final dividend for the year 2005.



STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

OPERATIONS

MSC's smelting operations at Butterworth, Malaysia benefited from the increase in the intake of tin bearing feed materials as a result of higher tin prices in 2004. Despite the 9% reduction in production at the Company's subsidiary in Indonesia, PT Koba Tin, the overall Group's production of 58,251 tonnes tin metal in 2005 was 1.7% higher than the previous year which again placed the Group at the top position in the world supply of tin metal and tin-based products in 2005.

MSC's Malaysian operations performed well in the face of challenging and very competitive market conditions. Results of the smelting and commercial operations were significantly better than those of the previous year. PT Koba Tin as anticipated, recorded a substantial reduction in its earnings as results were highly sensitive to fluctuation in tin prices and escalating fuel costs. Aggressive cost-cutting measures and production optimization programmes had to be undertaken in the final quarter of 2005 to mitigate the negative effects of these two significant adverse factors. A decision was made to close down temporarily three gravel pump mining operations with effect from November 2005 and a resizing programme was initiated.

In Australia, Australia Oriental Minerals NL (AOM) successfully completed a A\$2.07 million recapitalisation programme in July 2005 and the company's securities were readmitted to the Official Quotation of the Australia Stock Exchange on 27 July, 2005. Following the completion of the recapitalization, MSC's equity interest in the company currently stands at 40%. AOM holds tin exploration licences over large areas in previous major tin producing districts of Tingha, Emmaville and Kiawarra in New South Wales. The company originally targeted for tin resources in the deep lead mineralization. However, after the first phase of drilling at Tingha, the results indicated that the tin resources in the area is not likely to be of sufficient volume and grade that could be economically viable to mine. A decision has been made to defer any further exploration pending the completion of a more detailed study of the historical records of the remaining potential areas. Aside from tin exploration, AOM is also exploring for gold and base metals on its exploration tenements in Queensland under "farm-in" agreements with joint venture partners who provide exploration funds in return for an agreed earned equity interest.

At the Rahman Hydraulic Tin mine in Klian Intan, Perak, first phase drilling programme undertaken in the first half of 2005 identified sufficient tin reserves which could support mining operations of at least five years at current level of production. The next phase of drilling will only be undertaken after further mine development works which require excavation and removal of significant volume of overburden waste materials. The pre-stripping of waste materials is necessary to provide access to tin-bearing ore bodies and to ensure optimum and safe mine planning and production. Due to these significant development works, part of which were capitalized and as a result of lower tin prices, the mine incurred an overall loss during the year. The company expects the mine to achieve profitable operations in 2006.





DEVELOPMENT AND EXPLORATION

The Group's exploration programme in Indonesia was focused on undertaking infill drilling to upgrade the tin resources to measured and indicated categories in joint venture areas under the exploration and production sharing agreement with P T Mitra Stania Prima and on reconnaissance drilling in potential tin mineralization areas under joint cooperation agreement with three other Indonesian based companies. The results of the infill drilling indicated a total measured and indicated reserves of 11,100 tonnes of tin which could support medium-scale mining operations. Reconnaissance drilling in other prospective areas had to be suspended temporarily in the second half of 2005 due to delays in securing certain approvals from the local authorities.

STATEMENT BY THE CHAIRMAN & THE GROUP CHIEF EXECUTIVE OFFICER (CONT'D)

OUTLOOK

The current consolidation of the tin industry as a result of over-supply of tin to the market in 2005 and the consequent fall in tin prices and production cut-back globally is expected to strengthen the fundamentals of supply and demand balance in 2006. The Group needs to strengthen further its strategic position in order to benefit from the shift in market fundamentals amidst a continuing challenging operating environment due to escalating fuel and other operating costs and competitive market for feed materials. Unless tin prices improve significantly from the current levels, it may be difficult to sustain the earnings level achieved in 2005. Nevertheless, the Group's performance for the current year is expected to be satisfactory.

CORPORATE GOVERNANCE

The Board is committed to high standards of corporate governance to safeguard the interests of shareholders and stakeholders. The statement on corporate governance included in this Annual Report describes how the Company applies the principles of corporate governance in compliance with the Principles and Best Practices set out in the Malaysian Code on Corporate Governance.

INTERNAL CONTROL

The Board has overall responsibility for the Group's internal control and risk management systems and for reviewing their effectiveness. These procedures, aimed to safeguard assets, ensure proper accounting records are maintained, so that the financial information, pertaining to the business and for publication, are transparent and reliable. The risk management procedures are designed to manage key vulnerabilities. However, they cannot eliminate all the commercial risks and guarantee there will be no shortfall in achieving the business objectives.

Risk in today's world moreover is multifaceted. We are pleased to report that the Group has instituted an on-going process for identifying, evaluating and managing the significant risks endemic to our industry. The Statement on Internal Control in this Annual Report, reports on the process now in place and regularly reviewed by the Board and Board Committees.



OTHER MATTERS

Subsequent to the unconditional take-over offer by Straits Trading Amalgamated Resources Sdn Bhd, a wholly-owned subsidiary of The Straits Trading Company Limited (STC) in April 2005, the STC Group had increased its equity interest in the Company to 63.3%. The public shareholding spread of the Company is currently below the 25% level as stipulated by the Listing Requirements of Bursa Malaysia and trading in the Company's shares was suspended on 31 May 2005. The substantial shareholders have advised the Company that they are still in discussion to explore various alternatives to address the shortfall in the Company's public shareholding spread. In the meantime, the Company has appealed to Bursa Malaysia for an extension of up to 31 December 2006 to enable the substantial shareholders to re-evaluate the viability of various alternatives to maintain the listing of MSC. If no feasible outcome emerges, MSC might be delisted.

ACKNOWLEDGEMENT

On behalf of the members of the Board, we would like to thank Dato' Siew Nim Chee for his contributions and wish him a very happy retirement. We welcome the appointment of Encik Razman Ariffin to the Board in February 2006. The Group will benefit from Encik Razman's wealth of experience in the mining industry. We would also like to take this opportunity to thank the shareholders for their continued support and loyalty. The management and the staff are to be congratulated on their commitment, dedication and perseverance towards ensuring the success of the Group. Our heartfelt gratitude also goes to our customers, suppliers, bankers, business associates, all our stakeholders and the various relevant authorities for the cooperation and continued support. Finally, we would like to record our appreciation to our colleagues on the Board for their invaluable contribution throughout the year.



Jen. (B) Tun Ibrahim bin Datuk Ismail
Chairman



Dato' Dr Mohd Ajib Anuar
Group CEO/Executive Director

16 March 2006



After the exceptional performance of tin and most other base metals in 2004, where the Chinese factor was the predominant driving force, the tin industry underwent a correctional period in 2005. The over bought position was followed by de-stocking by tin consumers in the early part of 2005 and, driven by higher tin prices, additional production, particularly from the small scale miners in Indonesia and Africa, flooded the market turning a supply deficit into surplus. Tin prices were battered as a result, although towards the later part of 2005 the correction appeared to be waning, with higher fuel prices, weak tin prices and the monsoonal rains in Indonesia all combining to check the excessive production from the small scale miners there.

After the earlier hype of a commodities super-cycle theory, it does appear that what the tin industry is currently witnessing is the basic economics of classical supply, demand and price interacting in extended cyclical peak. However, in tin, recent consumption numbers strongly suggest that the industry and its prices have been and will be very much demand driven as there are inherent positive signs of increasing demand in the major sectors of tin consumption, especially in the electronic sector.

TIN PRICES

The average London Metal Exchange (LME) 3 month price of tin in 2005 was US\$7,337, registering a decline of US\$1,010 or 12.1% from previous year. Tin prices were relatively stable for the first half 2005 but when it became apparent that the growth rate in 2004 would not be repeated and consumers were de-stocking, together with clear signs of a significant increase in production from the Indonesian small scale miners, tin prices started to decline during mid-2005. LME tin prices (monthly average) reached a low of US\$6,151 in November before closing the year higher at US\$6,656. The revival in prices continued in the early months of 2006, partly driven by investment fund buying.

At the Kuala Lumpur Tin Market (KLTM), tin prices also moved in tandem with LME, recording an average of US\$7,355 (RM27.80 per kg) which is US\$1,138 (RM4.30 per kg) lower than the previous year. Turnover remained relatively unchanged at 19,427 tonnes transacted.



GLOBAL DEMAND/SUPPLY BALANCE IN REFINED TIN #

	2003	2004	2005 (e)
World Refined Production	276.1	315.3	342.6
DLA Sales	9.9	9.2	8.2
World Refined Consumption	296.4	327.3	337.2
Market Balance	- 10.4	- 2.8	+ 13.6

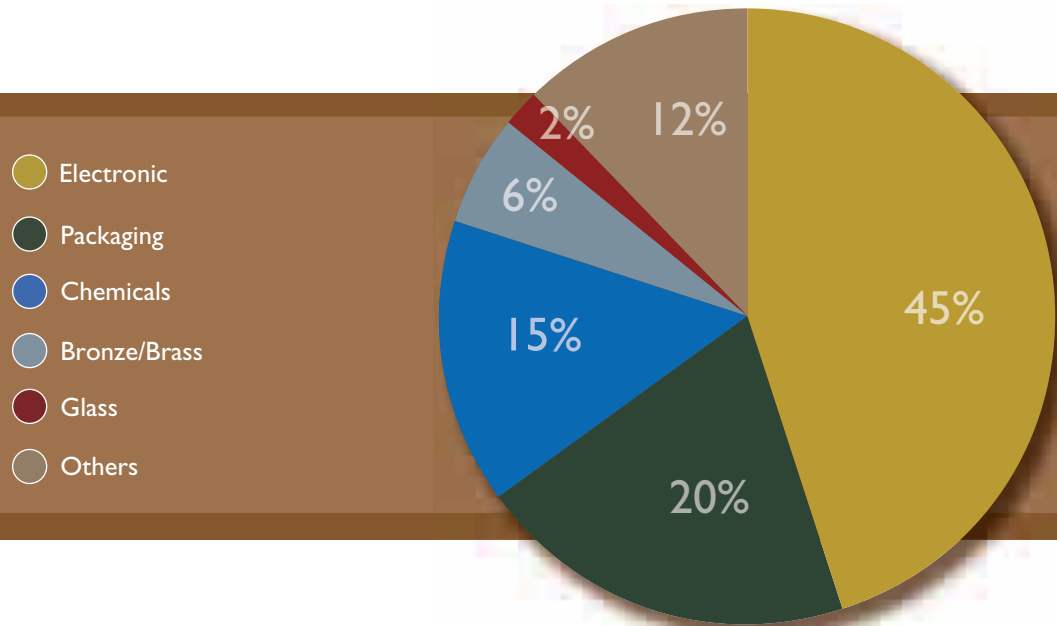
CRU Monitor (Feb 2006)

The higher than expected demand growth in 2004 created a supply deficit despite higher production but the events of 2004 were created by the Chinese Factor and most base metals including tin were "over-bought" in that year. As a result, de-stocking and slowdown of tin consumer purchases occurred in 2005 but it is the substantial increase in supply, predominantly from the small scale operations in Indonesia, that turned a supply deficit in 2004 into a surplus during the year under review.

Tin consumption in 2005 increased by only 3% compared to around 9% the previous year. However, demand growth in tin is still relatively healthy. The switch from tin-lead to lead free solder in the electronic sector is still ongoing and with the forthcoming implementation of the WEEE Directive governing stipulated levels of certain toxic elements in waste electronic/electrical products in Europe in mid-2006, the rate of change is expected to pick up. The tin in solder market is now twice the size of tinfoil and research done by CRU for ITRI in 2004 showed that tin in solder is now 45% of the total tin consumption. Tin in various chemical applications accounted for 15% and is expected to grow strongly over the years as the move to replace toxic elements with tin in many industrial chemical applications is steadily gathering momentum. Tin plate lost some ground to aluminum in the European market but overall tin in tinfoil has managed to maintain its foothold in the food packaging industry. Supply will, invariably, fluctuate according to tin prices but recent developments in the industry strongly suggest that the tin industry will be very much driven in the short to medium term by demand growth.



WORLD TIN CONSUMPTION BY INDUSTRY 2004



Tin consumption has grown significantly in China and, although figures from China are still unreliable it appears that China consumed more than 100,000 tonnes of tin in 2005 ; that is nearly 1/3 of the world total! China's traditional large export surplus of refined tin has now almost disappeared. Taking into account trade in tin concentrates and semis, the country is now a net importer. At some stage the demand growth in China will slow down from the extremely rapid rates witnessed in the last few years, but it is generally accepted that the continued expansion of the Chinese economy will have a major positive impact on global demand for tin and wide range of other commodities for decades to come.

On the tin supply side, the year has been marked by a significant increase of production from the small scale miners in Indonesia and Africa, the natural response in supply to higher tin prices. Production from small scale mines can come and go within a short time frame and, unlike all the other metals, the majority of the world mine production of tin is derived from small scale mining operations as depicted in the chart on the following page.

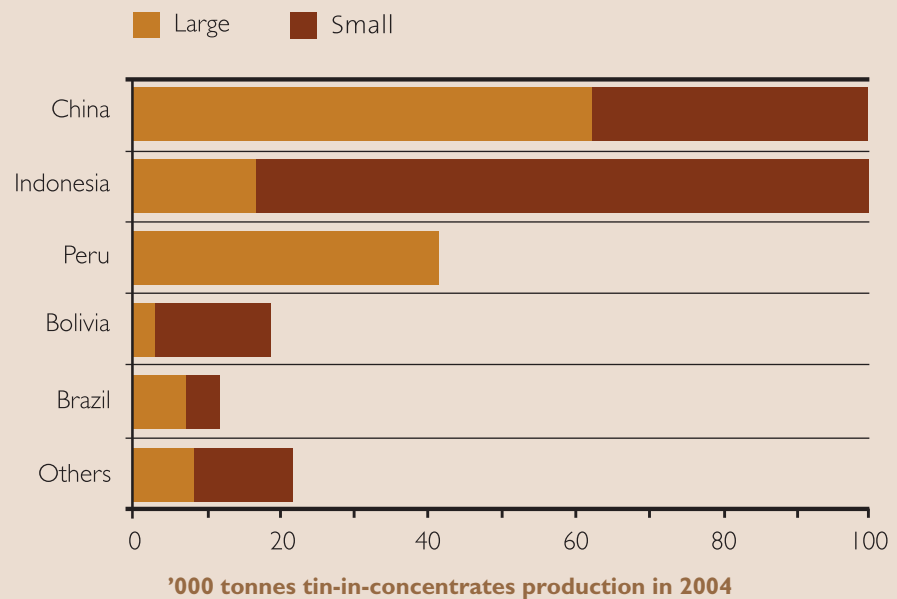


The threat to this supply scenario is that small scale production is very susceptible to social, political, operational, environmental and weather issues in the country in which the small producer operates. The issue of sustainability will invariably become an important and critical issue to the tin industry as it moves forward, one in which the industry is currently addressing through the efforts of ITRI Ltd as part of its overall program to improve the fundamentals of the industry.

Leading Tin Companies, 2005			
(Annual production, tonnes refined tin)			
	2004	2005	% change
Yunnan Tin (China)	36,321	42,720	17.6%
PT Timah (Indonesia)	34,764	40,100	15.3%
Minsur (Peru)	40,222	38,180	-5.1%
Malaysia Smelting Corp (Malaysia)	33,914	36,870	8.7%
Thaisarco (Thailand)	20,651	31,539	52.7%
PT Koba Tin (Indonesia)	23,530	21,380	-9.1%
Yunnan Chengfeng (China)	13,257	12,616	-4.8%
CM Colquiri (Bolivia)	11,330	11,826	4.4%
Liuzhou China Tin (China)	11,834	11,373	-3.9%
Gejui Zi-Li (China)	11,858	10,384	-12.4%

Data: Companies, National Bureau of Statistics (China)

SMALL SCALE MINES' PRODUCTION ACCOUNTED FOR MORE THAN HALF THE WORLD MINES' PRODUCTION IN 2004 / 5





The small scale miners are depleting the shallow tin alluvials in Indonesia at an alarming rate while current poor infrastructure and socio-political problems in Africa are hampering potential investors from investing and developing the rich deposits there. Once considered a significant long term supply source, the US Defence Logistics Agency (DLA) tin stock will be totally depleted within a few years. Current spending in new tin exploration is insignificant and the few current big tin mines like Minsur in Peru has a finite resource that will be depleted in the next decade. Given the above developments on the supply side, the industry should be concerned with the issue of tin sustainability in the long term. The issues of global tin reserves/ resources availability and the correlation between tin prices and supply have been researched in the past. However, in the recent extensive study (Being Green – Tin Statistics) conducted by CRU on behalf of ITRI Ltd. which, in part, explored the issue of supply sustainability concluded that *“given moderately favourable market conditions in the future, there is no reason why the life of tin reserves cannot be extended indefinitely.”*