MSC

Malaysia Smelting Corporation Berhad

(43072-A)

ANNUAL REPORT 2011

BUILDING ON SUCCESS:

DEVELOPING RESOURCES FOR THE FUTURE

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DEVELOPING RESOURCES FOR THE FUTURE

The year 2012 is earmarked as the year for the MSC Group to focus, commit and dedicate itself towards resource building for its future growth. Building on a solid foundation of 125 years of success, MSC would endeavour to continue to consolidate and strengthen the vertical integration of the various facets of its business as well as expand horizontally into new geographic locations. MSC would strive to increase its tin reserves and resources through exploration and at the same time expand its mining, mineral processing, smelting and marketing divisions by consolidating its expertise, management capabilities, information sharing and international networking.

The mathematical symbol 'greater than' has been interlaced as integral part of the design of this year's Annual Report and it signifies the Company's aspirations to surpass its past achievements and to continuously better itself.

As the Chinese proverb goes, "when planning for a year, plant corn; when planning for a decade, plant trees; when planning for life, educate and train people". So the crux of our resource building would be to develop our people so that they would be well-equipped to continue the mantle of excellence that our predecessors have set.

VISION

To be a successful world-class organization in its integrated core businesses of mining, smelting, manufacturing and global marketing for tin and tin-based products delivering sustainable shareholder value through quality operations.

MISSION

Whether in the upstream or downstream sectors of the world tin industry, the name MSC will be synonymous with creativity, value, service and quality.

MSC Group will be a creative organization, caring about its employees and its customers.

- We will provide the highest levels of service to all the Group's suppliers and customers by participating and contributing solutions and values in all stages of the world tin supply chains - mining, smelting, refining, recycling, products transformation, engineering and marketing;
- We will respond quickly and sensitively to the changing needs of the Group's suppliers and customers;
- We aim to nurture an atmosphere of continuous self-development by emphasizing on training and development while adhering to the highest standard of integrity.

MSC Group's growth strategy is to leverage on its core competencies to focus on organic growth as well as on strategic acquisitions that will broaden the Group's core businesses and strengthen its global leadership position in both upstream and downstream sectors of the world tin industry.

CORE VALUES

- Intellectual honesty and integrity
- Adding value through innovation and continuous improvement
- Global perspective and competitiveness spirit
- Respect for the environment and the health and safety of its employees
- Creating sustainable shareholder value through quality operations

CONTENTS

Corporate Information

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS
- Mr Norman Ip Ka Cheung *(Chairman)*
- Mr Lim Sit Chen Lam Pak Ng

EXECUTIVE DIRECTOR
- Dato' Seri Dr Mohd Ajib Anuar

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
- En Razman Ariffin

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS
- Mr Yeo Eng Kwang
- Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong
- Mr Chew Kwee San
- Mr Mark Christopher Greaves

COMPANY SECRETARY
- Cik Sharifah Faridah Abdul Rasheed (LS0008899)

MANAGEMENT
- Dato' Seri Dr Mohd Ajib Anuar
  (Group CEO/Executive Director)
- Mr Chua Cheong Yong
  (Deputy Group Chief Executive Officer/Group Chief Operating Officer, Smelting)
- Mr Yap Fook Ping
  (Group Chief Financial Officer)
- En Ir Mohamed Yakub Ismail
  (Group Chief Operating Officer, Mining/Senior General Manager, Rahman Hydraulic Tin Sdn Bhd)
- En Mohd Najib Jaafar
  (Head, Restructuring and Turnaround Operations – Indonesia)
- En Madzlan Zam
  (Head, Geology & Exploration)
- En Kamardin Md Top
  (Country Head, Indonesia/President Director, PT Koba Tin)
- Mr Raveentiran Krishnan
  (Group General Manager, Smelting)
- Mr Yap Kean Pang
  (General Manager, Marketing & Trading)

REGISTERED, CORPORATE & MARKETING OFFICE

B-15-11, Block B, 15th Floor, Unit 11
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Tel: (603) 2166 9260-1
Fax: (603) 2166 6599
www.msmelt.com

BUTTERWORTH SMELTER

27 Jalan Pantai
12000 Butterworth
Penang, Malaysia
Tel: (604) 333 3500
Fax: (604) 331 7405/332 6499
Email: msc@msmelt.com

PT KOBA TIN OFFICE

Arthaloka Bld. 12th Floor
Jl. Jend. Sudirman No.2
Jakarta 10220, Indonesia
Tel: (62) (21) 251 1566
Fax: (62) (21) 251 1532
E-mail:kobatin@jkt.ptkoba.co.id
www.ptkoba.co.id

PT MSC INDONESIA OFFICE

Arthaloka Bld. 12th Floor
Jl. Jend. Sudirman No.2
Jakarta 10220, Indonesia
Tel: (62) (21) 5793 9120/1
Fax: (62) (21) 5793 9119

RAHMAN HYDRAULIC TIN SDN. BHD.

B-15-11, Block B, 15th Floor, Unit 11
Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur, Malaysia
Tel: (603) 2166 8057
Fax: (603) 2166 3057

SHARE REGISTRARS

- MALAYSIA
  Symphony Share Registrars Sdn. Bhd.
  Level 6, Symphony House
  Pusat Dagangan Dana 1
  Jalan PJU 1A/46,
  47301 Petaling Jaya,
  Selangor, Malaysia
  Tel: (603) 7841 8000
  Fax: (603) 7841 8151/8152

- SINGAPORE
  Tricor Barbinder Share Registrar Services
  80 Robinson Road
  #02-00, Singapore 068898
  Tel: (65) 6236 3333
  Fax: (65) 6236 4399

AUDITORS
- Ernst & Young

BANKERS
- CIMB Bank Berhad
- Citibank Berhad
- Hong Leong Bank Berhad
- HSBC Bank Malaysia Berhad
- Malayan Banking Berhad
- OCBC Bank (Malaysia) Berhad
- Standard Chartered Bank Malaysia Berhad
- The Bank of Nova Scotia Berhad

STOCK EXCHANGE LISTING
- Bursa Malaysia Securities Berhad
- Singapore Exchange Securities Trading Limited

Corporate Profile

Malaysia Smelting Corporation Bhd ("MSC") Group is currently one of the world's leading integrated producers of tin metal and tin based products and a global leader in custom tin smelting since 1887. In 2011, the Group produced approximately 46,599 tonnes of tin metal thus sustaining its global position as the second largest supplier of tin metal.

The Group's turnover in 2011 was RM3.1 billion. MSC is listed both on the Main Market of Bursa Malaysia since 15 December 1994 and the Main Board of Singapore Exchange (SGX-ST) since 27 January 2011, and is a 54.84% subsidiary of The Straits Trading Company Limited of Singapore.

The core business sectors of MSC are:
- International Smelting & Marketing
- Exploration, Mining & Mineral Processing

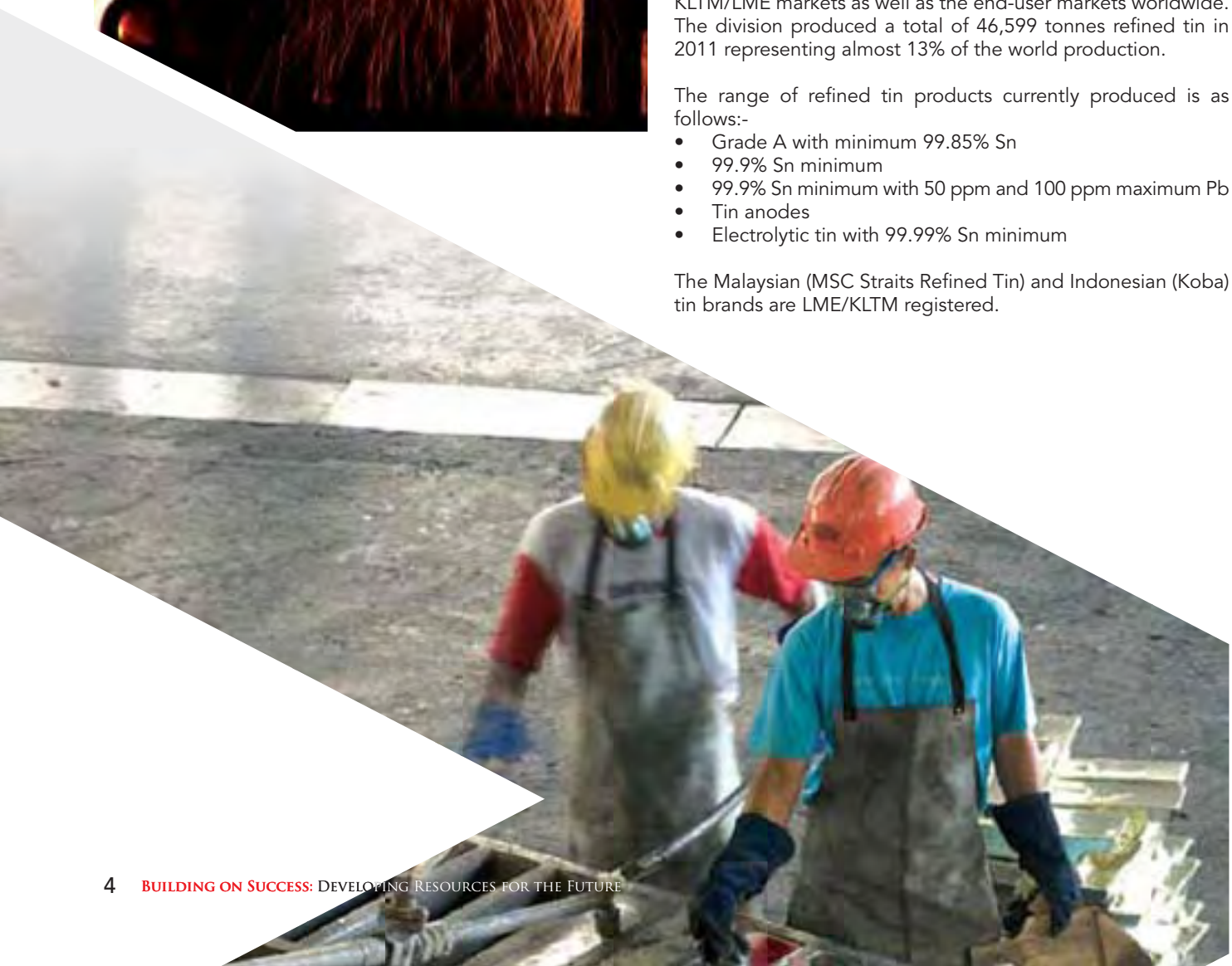
INTERNATIONAL SMELTING

The first smelting facility was established in Singapore in 1887 and the second facility was built in Butterworth in 1902. Both facilities ran concurrently for many years until the closure of the Singapore unit while the Butterworth unit was rebuilt and restarted in 1955 after it was heavily damaged during the Second World War. In 2002 the Company acquired PT Koba Tin in Indonesia and increased its reverberatory furnaces to four with an expanded smelting capacity of 25,000 tonnes per annum. Together with the Butterworth facility, the Division now has an overall smelting capacity of about 60,000 tonnes in two countries.

In the mid 90's the Group started a tin marketing and trading arm under the Smelting Division. The downstream unit provides the Group with hedging, pricing and marketing linkages to the KLTM/LME markets as well as the end-user markets worldwide. The division produced a total of 46,599 tonnes refined tin in 2011 representing almost 13% of the world production.

The range of refined tin products currently produced is as follows:-
- Grade A with minimum 99.85% Sn
- 99.9% Sn minimum
- 99.9% Sn minimum with 50 ppm and 100 ppm maximum Pb
- Tin anodes
- Electrolytic tin with 99.99% Sn minimum

The Malaysian (MSC Straits Refined Tin) and Indonesian (Koba) tin brands are LME/KLTM registered.



Corporate Profile *(cont'd)*

The Butterworth smelting facility uses the reverberatory furnace technology which is ideally suited for customs smelting. The smelting and refining operation has undergone significant technological, flow sheet and process changes and now has the capacity and capability of treating a wide variety of tin bearing materials.

Today the Butterworth facility takes in primary and secondary tin concentrates as well as crude tin metal from all over the world and is now the ***world's oldest and biggest custom tin smelter.***

The Butterworth customs smelting operation provides an efficient and reliable conversion outlet for tin concentrates production arising from today and future tin mining projects. It has good logistical infrastructure with its next door neighbour, the Penang International Container Terminal, providing excellent turnaround times for both import of tin bearing materials as well as export of refined tin to all corners of the world.

The Indonesian smelting unit currently smelts tin concentrates from its own mines' production and future utilization of its unused capacity will come both from the improvement in its own mines' production as well as from third parties under tolling arrangements.

The smelting units fully conform to environmental regulations in their respective locations with strict monitoring of effluent and atmospheric emission discharges. All intermediates and by-products generated are either recycled internally and/or sold as products to other recycling processors.

The quality of MSC's product is well recognized by the tin industry globally and the Group strives to maintain its leading position. As a testimony to our commitment for excellence, MSC was awarded the Product Excellence Award in the open category from the Ministry of Domestic Trade and Industry of Malaysia for the high purity 4-Nines tin exports in 1997. With regard to quality compliance, the smelting plant in Butterworth has attained ISO certification under ISO 9002 in 1994. This certification was subsequently upgraded to ISO 9001 – 2000 in 2001 and then further upgraded to ISO 9001 – 2008 in 2010.

MARKETING AND TRADING UNIT (M &T)

The Division's M&T provides the Group with access to the KLTM/LME terminal pricing markets as well as to end-user markets worldwide. M&T works with a panel of reputable LME brokerage houses and has both agency arrangements as well as direct sales to end-users.

M&T is well placed to provide tin buyers with quality tin from two smelter locations in two different countries and offer the flexibility of both LME and KLTM pricing arrangements. The LME registered Malaysian warehouses in Pasir Gudang and Port Klang together with the LME Singapore warehouses provide tin buyers and traders with excellent and fast access to these warehouses.

The M&T provides pricing/hedging support to both the Group's mining units as well as the Butterworth smelting unit's commercial requirements.

M&T also provides valuable market intelligence with its international network of suppliers, brokers and end users.

MINERAL EXPLORATION

MSC employs a range of exploration methods commensurate with the types of mineral deposits and site conditions. Initial reconnaissance is carried out using established geophysical and geochemical methods together with detailed mapping of the sites. Exploration methodology employed is in accordance with the Australasian Joint Ore Reserves Committee (JORC) Code which is the universally accepted standard for reporting of exploration results, mineral resources and ore reserves.

For alluvial and loose eluvial deposits, the well-proven Bangka drilling (mechanised or non-mechanised) method is extensively used onshore including water-logged and swampy areas. The equipment is highly versatile and may be hand-carried to remote sites for comprehensive drilling campaign.

Corporate Profile *(cont'd)*

For offshore alluvial deposits, sea-going drill barges are utilised. These have the capability to drill up to 80 metres depth at the rate of 40 metres to 50 metres per day. Drilling utilises the counter-flush system mounted on a derrick at mid-ship. The drill hole is cased to reduce contamination with the sample flushed out for processing and analysis on-board. Holes are usually not drilled to bedrock but only to fully intersect a specific tin-bearing gravel/sand layer. Usually several generations of drill holes are present at any one area and duplicate holes are drilled in critical locations to verify consistency and compatibility among the different sets of drill data. Drill holes are plotted and located by GPS and coordinates are recorded accordingly.

In both the above methods, samples collected are reduced to a high-grade cassiterite concentrate by hand panning with weight and volume measurements to determine 'whole-of-hole' and 'wash' grades. This methodology is used by PT Koba Tin and the procedure is well-established and accepted in the alluvial tin mining industry.

For primary hard rock deposits such as that at RHT, MSC utilises the combination of reverse circulation (RC) drilling and diamond drilling methods. RC drilling utilizes a large rotary drill and air compressor to collect rock samples quickly and efficiently. The high speed and low cost of RC drilling makes it an ideal method for obtaining mineral samples in the early phases of an exploration project. The holes are sampled successively from the top to the bottom following established procedures and representative samples are used for mineral analysis and assay. Diamond drilling is the ultimate method for exploration for collection of core samples to delineate ore-bodies at depths to determine their characteristics, composition and grades.

MINING AND MINERAL PROCESSING

The Group continues to pursue growth in the tin business with focussed upstream investments in Malaysia, Indonesia and the Democratic Republic of Congo (DR Congo). The projects are usually formed on joint venture basis with emphases on local participation and local value-added with support of the respective governments. Going forward there will be greater challenges posed on accessibility of economically mineable tin deposits located in remote locations and at greater depths. It is therefore crucial that the Group is able to apply the industry's best practices and technologies for exploration, mining and processing of the tin resources in order to deliver on long term sustainable performance. At the same time, emphasis is also placed on development of people resources for the core skills required in the respective countries in line with the Group's growth programme.

In Malaysia, the 100% MSC-owned Rahman Hydraulic Tin Sdn Bhd (RHT) is stepping up its exploration and mine development activities to increase its resources inventory and tin production. In the meantime, the Group is also pursuing new mining ventures in the various states, including re-visits of previous mining operations in Perak and Pahang.

The Group's Indonesian operations are primarily undertaken through its two subsidiaries - 75% owned PT Koba Tin and wholly owned PT MSC Indonesia. It also holds 18.54% equity in TMR Limited, company which owns PT Tenaga Anugerah and is engaged in offshore tin mining in Indonesia.

PT Koba Tin operates a large capacity bucket-line dredge and gravel-pump mining units in rich alluvial grounds within an area of 41,680 hectares under a Contract of Work agreement with the Government of Republic of Indonesia. PT Koba Tin has its own smelter with a production capacity of 25,000 tonnes of refined tin a year and produces the premium grade Koba brand (99.9% Sn) which is also widely consumed as a premier brand with superior quality. PT MSC Indonesia is the Group's vehicle for undertaking exploratory programmes to search for new onshore and offshore tin deposits in Indonesia. It has a gravel-pump mining operation in Bangka and is currently developing additional two units. PT Tenaga Anugerah has secured production sharing rights in offshore tin mining areas in Indonesia.

In 2011 MSC concluded a protocol agreement with the Democratic Republic of Congo government for an exclusive joint venture development of several mining concessions in the eastern province of Maniema. These would entail investments in new exploration programme and rehabilitation of infrastructure and related facilities. At the same time, the Company is also examining several other tin mining prospects in the neighbouring Katanga province with various potential partners.

Investment opportunities in various other countries will continue to be monitored and the Group may in future decides to invest in selective projects that meet its investment criteria. Main emphases will be on opportunities in regions where the country

risks could be effectively managed and that the mines could be developed and operated with relatively lower cost structure.

Hard rock open-pit mining in RHT involves drilling and blasting of the hard rock with proper benching system as per mine design and planning. Barren overburden is removed from the mine pit and tin-bearing ore hauled to processing plants using earthmoving equipment. For processing, the softer-weathered tin ore is fed directly to the palong whilst harder rocky material is first pulverised using crushers and grinding mills to liberate the tin. Further processing follows by gravity concentration using jigs and shaking tables to separate the tin. Various associated minerals such as ilmenite, monazite and zircon are further separated using magnetic and high-tension separators. The final tin concentrates contain between 60% and 70% tin which are ready to be sent for smelting.

For alluvial tin mines, operations generally do not involve drilling and blasting, while processing excludes crushing and grinding. Otherwise, the rest of the processing operations are generally the same involving the uses of palong, jigs and shaking tables for gravity separation. Sometime, further gravity separation using spirals are adopted to recover very fine tin. In general, the use of chemicals is avoided except when there is a need to remove impurities such as pyrites from the final tin concentrate.

The palong is a traditional and cost-effective method for first stage processing of large volume of alluvium, where tin is concentrated at the bottom while sand and other lighter materials overflow and are discarded at the end of the troughs. The palong is normally of wooden construction and built on an inclined (gradients of 1:12 to 1:16) foundation or on stilts. Its size could vary from small single lane palong with two or three troughs, to very large palong with up to 20 lanes, each with more than ten troughs. Larger palong can be up to 50 metres long and 30 metres wide.

For jigging operation, water is forced upwards through the jig beds by using diaphragms for gravity separation of the tin and other heavy material from lighter sandy material. The jigging is done in two or three stages for gradual tin concentration. Jigs typically handle tin ore with particle sizes in the range of 2.5 mm to 10 mm while finer particles are treated using shaking tables.

Shaking tables receive feed from the jigs for further tin concentration. These are equipped with longitudinal ridges or ripples to regulate the flow of tin-bearing slurry. The longitudinal movement of the shaking tables and the cross-flow of the water cause the particles to become stratified. This resulted in the heavier particles including tin to be carried to the short end of the table, while the lighter sandy materials are washed away. In order to realize final tin concentration, the tabling process is also performed in two to three stages.

FUTURE GROWTH

MSC prides itself as the only major tin producer with a consistent growth in output over the past 4 years against the backdrop of a very volatile economic landscape and fluctuating industry demand for tin. During the period from 2008 to 2011, the Group's refined tin output grew at a commendable compounded annual growth rate of 8.8%.

The Group's niche expertise in tin is continually being strengthened in all areas over the entire global tin supply chain covering geology, mining, mineral processing, smelting, marketing and resource management and financing.

In the areas of research and development, MSC, as a co-founder and board member of ITRI which is an international tin organization, continues to support ITRI's initiatives amongst other things to rigorously pursue research and development, particularly in areas where tin can be used to replace toxic substances contained in many of today's industrial applications. Tin has been generally regarded as "environmentally friendly" and its contribution to the environment through the replacement of toxic substances is immeasurable.

MSC will pursue its growth strategy on its core business in tin through strategic acquisitions and organic growth where its core expertise, skills and capabilities can add value and make a difference particularly in increasing operating efficiencies, innovating products and services and forging global commercial and marketing networks to ensure its continued leadership position in the industry.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty Third Annual General Meeting of members of Malaysia Smelting Corporation Berhad will be held at Bintang Meeting Rooms 1 & 2 (Level 4) of the JW Marriot Hotel Kuala Lumpur, 183 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Friday, 4 May 2012 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following as ordinary resolutions:

1. "THAT the audited Financial Statements for the year ended 31 December 2011 and the Report of the Directors and Auditors thereon be and are hereby received."

2. "THAT the final dividend of 18 sen per RM1.00 ordinary share less 25% tax, for the year ended 31 December 2011 be and is hereby approved and declared payable on 8 June 2012 to shareholders on the Register of Members at 4.00 p.m. on 23 May 2012."

3. "THAT Mr Chew Kwee San, who retires in accordance with Article 101 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

4. "THAT Dato' Seri Dr Mohd Ajib Anuar, who retires in accordance with Article 101 of the Company's Articles of Association, be and is hereby re-elected a Director of the Company."

5. "THAT the Directors' fees of RM465,000 in respect of the year ended 31 December 2011 be and is hereby approved payable to Directors in such proportion and manner as the Directors may determine."

6. "THAT Messrs Ernst & Young, who are eligible and have given their consent for reappointment be and are hereby reappointed the Company's Auditors for the period until the conclusion of the next Annual General Meeting and that the remuneration to be paid to them be fixed by the Board."

As SPECIAL BUSINESS :

7. "THAT, subject to the Companies Act 1965, the Articles of Association of the Company and the approvals from Bursa Malaysia Securities Berhad and/or Singapore Exchange Securities Trading Limited and other relevant governmental/ regulatory authorities, where such approval is necessary, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965 to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Board of Directors may, in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Board of Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and/ or Singapore Exchange Securities Trading Limited."

   Special Resolution :

8. "THAT the proposed Amendments to Articles of Association of the Company as contained in Circular to Shareholders of the Company dated 10 April 2012 ("Proposed Amendments to the Articles of Association of the Company") be and are hereby approved AND FURTHER THAT the Directors be and are hereby authorized to do all acts and things and take all steps as may be considered necessary to give full effect to the Proposed Amendments to Articles of Association of the Company.

9. To transact any other business of an Annual General Meeting.

Notice of Annual General Meeting *(cont'd)*

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS HEREBY GIVEN that a final dividend of 18 sen per RM1.00 ordinary share less 25% tax, if approved, will be paid on 8 June 2012 to depositors registered in the Record of Depositors of Bursa Malaysia Depository Sdn. Bhd. (Bursa Depository) and Central Depository Pte Ltd (CDP) of Singapore at the close of business on 23 May 2012. A depositor shall qualify for the entitlement only in respect of:

a) Shares transferred into the Depositors Securities Account before 4.00 p.m. on 23 May 2012 in respect of transfers; and

b) Shares bought on the Bursa Malaysia Securities Berhad and/or Singapore Exchange Securities Trading Limited on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad

BY ORDER OF THE BOARD
Sharifah Faridah Abdul Rasheed
Company Secretary
Kuala Lumpur
Date : 10 April 2012

Notes :

1. *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 26 April 2012 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this Thirty Third AGM of the Company.*

2. *A member entitled to attend, speak and vote at the meeting is entitled to appoint one (1) or more proxies to attend and vote in his stead. There is no restriction as to the qualification of a proxy and the provision of Section 149 (1)(b) of the Act shall not apply to the Company.*

3. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*

4. *A proxy form is enclosed and to be valid must reach the Registered Office of the Company at B-15-11, Block B, 15th Floor, Unit 11, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the meeting.*

5. *If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.*

Explanatory Note on Special Business (Resolution 7):

The proposed ordinary Resolution 7 above, if passed, is to give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting subject to the limitation that the aggregate number of shares to be issued do not exceed ten per cent (10%) of the issued share capital of the Company for the time being. This authority will expire at the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

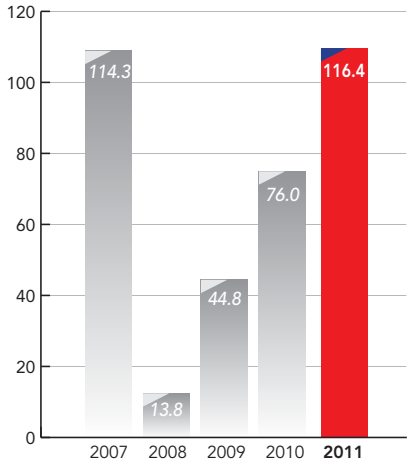
As at the date of this notice, no new shares in the Company were issued pursuant to the authority granted to the Directors at the Thirty Second Annual General Meeting of the Company held on 27 April 2011. The renewed mandate for the allotment of shares will provide flexibility to the Company for the allotment of shares for the purposes of funding future investment, working capital and/or acquisitions.

Group Financial Highlights

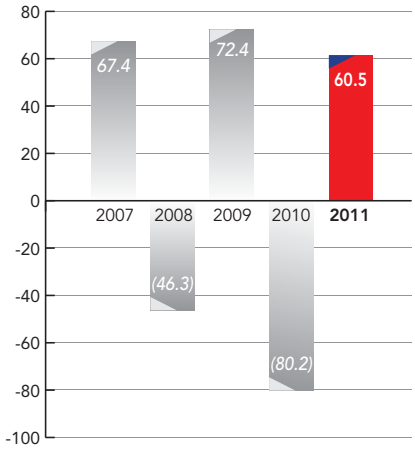
		Year ended 31 December				
		2007	2008	2009 *Restated	2010	2011
Revenue	(RM Mil)	1,913.1	2,276.4	1,851.7	2,738.8	**3,098.6**
Profit before exceptional losses/gains	(RM Mil)	114.3	13.8	44.8	76.0	**116.4**
Exceptional (losses)/gains, net	(RM Mil)	6.7	(42.0)	65.0	(154.5)	**(25.3)**
Profit/(Loss) before tax	(RM Mil)	121.0	(28.2)	109.8	(78.5)	**91.1**
Income tax expense	(RM Mil)	(42.8)	(18.6)	(41.2)	(21.8)	**(34.5)**
Profit/(Loss) attributable to the owners of the Company	(RM Mil)	67.4	(46.3)	72.4	(80.2)	**60.5**
Total assets	(RM Mil)	841.4	1,062.5	1,231.6	1,219.6	**1,271.9**
Net current assets	(RM Mil)	177.6	33.1	68.0	30.2	**119.4**
Equity attributable to the owners of the Company	(RM Mil)	350.1	296.5	367.8	264.8	**426.7**
Earnings/(Loss) per share	(sen)	90	(62)	97	(107)	**62**
Gross dividend declared/proposed per share	(sen)	28	8	3	3	**30**
Net assets per share attributable to the owners of the Company	(sen)	467	395	490	353	**427**
Pre-tax return/(loss) on average equity attributable to the owners of the Company	(%)	37	(9)	33	(25)	**26**

* Restated due to gain on bargain purchase amounting to RM65,004,000 arising from acquisition of a jointly controlled entity which has been retrospectively adjusted for the financial year ended 31 December 2009.

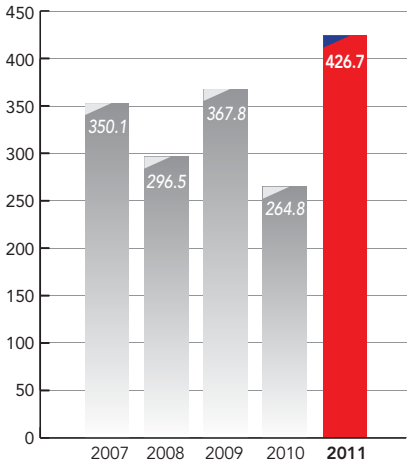
Group Financial Highlights *(cont'd)*



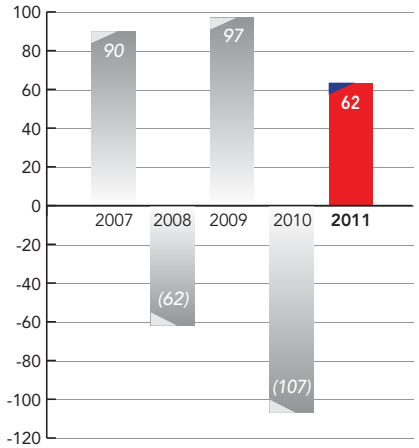
Profit before exceptional losses/gains (RM Mil)



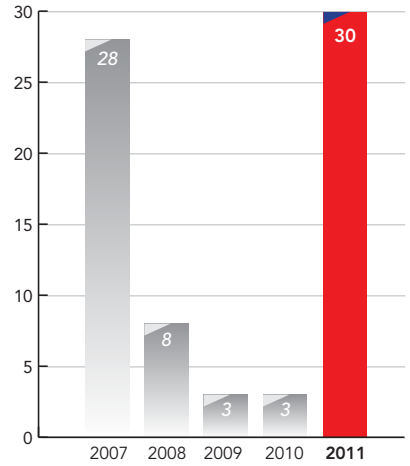
Profit/(Loss) attributable to the owners of the Company (RM Mil)



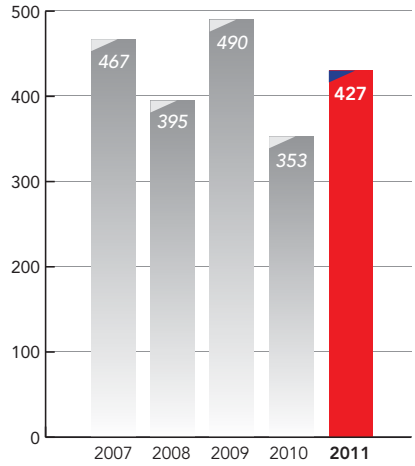
Equity attributable to the owners of the Company (RM Mil)



Earnings/(Loss) per share (sen)



Gross dividend declared/proposed per share (sen)



Net assets per share attributable to the owners of the Company (sen)

Board of Directors

From left to right:

- **Mr Norman Ip Ka Cheung** (Chairman) - *Independent Non-Executive Director*
- **Dato' Seri Dr Mohd Ajib Anuar** - *Executive Director*
- **Mr Mark Christopher Greaves** - *Non-Independent Non-Executive Director*
- **En Razman Ariffin** - *Senior Independent Non-Executive Director*

From left to right:
- **Mr Lim Sit Chen Lam Pak Ng** - *Independent Non-Executive Director*
- **Mr Chew Kwee San** - *Non-Independent Non-Executive Director*
- **Madam Ong Lee Keang, Maureen @ Mrs Maureen Leong** - *Non-Independent Non-Executive Director*
- **Mr Yeo Eng Kwang** - *Non-Independent Non-Executive Director*

Directors' Profile

MR NORMAN IP KA CHEUNG

Mr Norman Ip Ka Cheung is a British subject aged 59 years. He was first appointed to the Board in 1993 in the capacity of a Non-Independent Non-Executive Director and assumed the role of Chairman of the Company in April 2007. He became an Independent Non-Executive Director of the Company as of 1 January 2012. He also chairs the Remuneration Committee and is a member of the Nominating Committee.

Mr Ip graduated with a B Sc (Econs) from the London School of Economics and Political Science. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Certified Public Accountants of Singapore.

Mr Ip retired from the post of President & Group CEO and Executive Director of The Straits Trading Company Limited ("STC") in Singapore, the immediate holding company of Malaysia Smelting Corporation Berhad on 31 October 2009 and served as an Advisor to STC until 31 December 2011. 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 is also the Chairman of UE E&C Limited and WBL Corporation Limited, and a director of United Engineers Limited, Great Eastern Holdings Limited and AIMS AMP Capital Industrial REIT Management Limited – all companies listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). In addition, he is also a member of the Board of the Building and Construction Authority of Singapore.

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

YBHG DATO' SERI DR MOHD AJIB ANUAR

YBhg Dato' Seri Dr Mohd Ajib Anuar is a Malaysian aged 62 years. He was first appointed to the Board as a Non-Independent Non-Executive Director in July 1986 and has been the Chief Executive Officer and Executive Director of the Company since June 1994.

He has more than forty years of experience and expertise in the global tin and mineral resources industry. Currently, he serves as the Chairman of the Kuala Lumpur Tin Market, the President of the Malaysian Chamber of Mines and the Chairman of the Malaysian Tin Industry (Research and Development) Board as well as a Director of ITRI and ITRI Innovation Ltd, UK (the research and development body of the world's tin industry). He is also a member of the Tin Committee of the London Metal Exchange.

Prior to his appointment as the CEO of the Company, YBhg Dato' Seri Dr Mohd Ajib Anuar 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 Department, Director of Business Development and Managing Director of MMC's International Marketing Division. He had also served as the President of ITRI Ltd, UK (2002 to 2006), 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' Seri Dr Mohd Ajib Anuar holds the professional qualification of the Association of Chartered Certified Accountants, United Kingdom.

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

Directors' Profile *(cont'd)*

EN RAZMAN ARIFFIN

En Razman Ariffin is a Malaysian aged 64 years. He was appointed to the Board of the Company in February 2006 as an Independent Non-Executive Director. He was re-designated as the Senior Independent Director of the Company and the Chairman of the Audit Committee in June 2010. He is also member of the Nominating Committee and the Remuneration Committee.

En Razman Ariffin graduated from the Imperial College of Science and Technology at the University of London, England with First Class Honours in Mining Engineering.

His involvement in the mining, metallurgical and energy industries spans forty years. Beginning his career at Osborne & Chappel Sdn. Bhd. in 1972, En Razman moved on to work for Sarawak Shell Berhad. He was then attached to the MMC Corporation Berhad Group Of Companies serving in various capacities over the years. He was the General Manager of Malaysia Smelting Corporation Berhad from 1985 to 1989 and the Chief Executive Officer and Executive Director of the Company from 1989. He left the Company in 1994 to become Senior Consultant at Turnaround Managers Inc. He has also served as Managing Director of Trenergy (M) Berhad and Crest Petroleum Berhad, both companies listed on Bursa Malaysia. He is a past Chairman of the Malaysian Section of the Institute of Materials, Minerals and Mining, and had also served on the Council of the Institute of Mineral Engineering, Malaysia.

En Razman is also a director of The Straits Trading Company Limited of Singapore, which is the immediate holding company of Malaysia Smelting Corporation Berhad, as well as the Chairman of the Board of Commissioners of PT Koba Tin of Indonesia.

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

MR YEO ENG KWANG

Mr Yeo is a Singaporean aged 38 years. He was appointed to the Board as a Non-Independent Non-Executive Director on 2 September 2008.

Mr Yeo graduated from the Nanyang Technological University of Singapore with a Bachelor of Business degree specializing in Financial Analysis.

Mr Yeo currently serves as the Senior Portfolio Manager of Tecity Group of Companies, which is a major shareholder of The Straits Trading Company Limited. He oversees the management of the listed equities portfolio within Tecity, and covers resources sector for the Group. Prior to joining the Tecity Group in 1999, Mr Yeo was with DBS Bank's corporate banking department.

Mr Yeo does not have any family relationship with any other director or major shareholder of the Company and neither has he been convicted of any offence.

Directors' Profile *(cont'd)*

MADAM ONG LEE KEANG, MAUREEN @ MRS MAUREEN LEONG

Mrs Maureen Leong is a Singaporean aged 57 years. She was appointed to the Board as a Non-Independent Non-Executive Director on 14 December 2009. She was appointed to the Audit Committee of the Board on 10 August 2010.

Holder of a Bachelor of Accountancy degree with First Class Honours from the University of Singapore, Mrs Leong is a Fellow of both the Institute of Certified Public Accountants of Singapore and CPA Australia.

Mrs Maureen Leong is currently the Group Chief Financial Officer ("CFO") and Company Secretary of The Straits Trading Company Limited ("STC") which is listed on the main board of Singapore Exchange Securities Trading Limited ("SGX-ST") and the immediate holding company of Malaysia Smelting Corporation Berhad. She has overall responsibility for the financial functions, including treasury, tax, insurance, risk management and capital management of STC and its group of companies.

Mrs Maureen Leong has more than 30 years of experience in corporate planning and finance, project financing, mergers and acquisitions, treasury, tax, financial management and risk management functions in various industries. She started her career with DBS Bank Ltd, before moving on to Deloitte & Touche. Prior to joining STC in September 2009, Mrs Leong was with Sembcorp Industries Ltd, where her last appointment was Executive Vice President of Group Mergers and Acquisitions, Group Performance Management and Corporate Planning of the Sembcorp Group of companies. She was appointed Director, Group Finance of Sembcorp Marine Ltd between 2007 and 2008, and Group CFO of Sembcorp Logistics Ltd from 2004 to 2006, after having served as Group CFO of Sembcorp Utilities Pte Ltd. Both Sembcorp Industries Ltd and Sembcorp Marine Ltd are listed on the main board of SGX-ST.

Mrs Maureen Leong does not have any family relationship with any other director or major shareholder of the Company and she has not been convicted of any offence.

MR CHEW KWEE SAN

Mr Chew Kwee San is a Singaporean aged 43 years. He was appointed to the Board as a Non-Independent Non-Executive Director on 1 March 2010. Currently he is also the Chairman of Nominating Committee.

He graduated with LLB (Hons) from the University of Nottingham and was called to the Bar of England and Wales in 1994 and then admitted as an Advocate and Solicitor of the Supreme Court in Singapore in 1995.

Mr Chew is currently an Executive Director of the Tecity Group of companies which is a privately-held investment group founded by the late banker and philanthropist, Tan Sri Dr Tan Chin Tuan. The Group manages an active global investment portfolio. The Tecity Group of companies has substantial shareholdings in The Straits Trading Company Limited. As an Executive Director, Mr Chew heads the treasury and sits on the investment committee that oversees its investment operations. He is also the Honorary Secretary and Council Member of the Tan Chin Tuan Foundation in Singapore and Council Member of the Tan Sri Tan Foundation in Malaysia. In addition he is a Director of the Young Men's Christian Association of Singapore.

He is a director and a member of the Audit Committee of FJ Benjamin Holdings Limited, a public listed company on the Singapore Exchange Securities Trading Limited ("SGX-ST"). He is also a director of Raffles Investment Limited, a public company in Singapore.

Mr Chew Kwee San is the brother of Ms Chew Gek Khim, the Executive Chairman of The Straits Trading Company Limited ("STC") and his mother is Dr Tan Kheng Lian, a substantial shareholder of STC. STC owns 54.84% of the equity of the Company. Mr Chew has never been convicted of any offence.

Directors' Profile *(cont'd)*

MR LIM SIT CHEN LAM PAK NG

Mr Lim Sit Chen Lam Pak Ng is a Canadian aged 64 years. He was appointed to the Board as an Independent Non-Executive Director on 1 March 2010 and currently is a member of the Audit Committee.

Mr Lam holds an MBA degree at the Graduate School of Business of Columbia University, New York, N.Y., USA. Mr Lam is the founding partner of Stewardship Consulting, a strategy consulting firm working with senior executives in the area of corporate strategy, corporate and industry restructuring, financial strategy, corporate finance and risk management, with offices in Singapore and Paris, France.

Born in Mauritius, Mr Lam serves as the Chairman of the Board of Investment, Mauritius, the Government Agency responsible to market Mauritius to foreign investors, make policy recommendations to Government and implement these in order to transform Mauritius into a regional business centre. He works with investment promotion agencies of certain African countries to assist in improving their business climate and attract foreign direct investments.

Mr Lam is also a member of the Presidential Investors' Advisory Council of Burkina Faso in West Africa, Chairman of Axyss Leasing Co. Ltd in Mauritius, and a director on the Board of AfrAsia Bank Ltd of Mauritius. Prior to Stewardship Consulting, Mr Lam was in investment banking where he accumulated 18 years of experience in the areas of financial strategy, money management, and treasury and risk management. He has worked in the major financial centers: Singapore, New York, Tokyo and London advising multinationals, government agencies, fund management companies.

Mr Lam does not have any family relationship with any other director or major shareholder of the Company and neither has he been convicted of any offence.

MR MARK CHRISTOPHER GREAVES

Mr Mark Christopher Greaves is a British national aged 55 years. He was first appointed to the Board of the Company in November 2010.

Mr Greaves began his career with investment bank N M Rothschild & Sons Limited ("Rothschild") and spent 25 years with the group. He was based in London, Singapore and Hong Kong from 1977 to late 1992 when he relocated permanently to the Singapore office as the Head of Corporate Finance for South-East Asia and became its Managing Director. During this time, he sat on the Board of all the Group's principal affiliates in Asia, including Bumiputra Merchant Bankers Berhad in Malaysia where he was a director from 1996 to 2001, and helped to establish the Group's operations in China and Indonesia. He was a Council Member of the Singapore Investment Banking Association from 1994 to 2002 and was instrumental in steering Rothschild's M&A advisory business into the top-ranked position in the Singapore market. At the end of 2002, Mr Greaves left Rothschild and set up Anglo FarEast Group Consulting Pte Ltd, a Singapore based consultancy specializing in assignments involving Asia and Europe. In 2004, Mr Greaves assumed the role of the Chief Executive Officer of Hanson Capital Limited (renamed Hanson Capital Investments Limited) and later the Deputy Chairman of Hanson Family Holdings Limited, a role which he held until early 2012. Mr Greaves was also a non-executive director and subsequently Chairman of London-listed Sinosoft Technology Plc from 2004 to 2010, an Independent Non-Executive Director and thereafter a corporate governance consultant to the Board of Hong Kong-listed Gome Electrical Appliances Holding Limited. Mr Greaves now acts as an advisor to the Chairman of The Straits Trading Company Limited and is a non-executive director of WBL Corporation Limited, a Singapore-incorporated conglomerate listed on the SGX-ST.

Mr Greaves graduated with a Bachelor of Arts degree in Economics from the University of Cambridge in 1977.

Mr Greaves does not have any family relationship with any other director and/or major shareholders of the Company or any conflict of interest with the Company. He has never been convicted of any offence

Statement by the Chairman

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Malaysia Smelting Corporation Berhad (MSC or the Company), its subsidiaries, associated companies and jointly controlled entity (the Group) for the year ended 31 December 2011.

FINANCIAL RESULTS

Amid extreme volatility and growing uncertainty in the global commodities and financial markets the Group achieved a 13.1% growth in its turnover to a record high of RM3.1billion. Profits before exceptional losses rose 53.2% to RM116.4 million for the year ended 31 December 2011 compared to RM76 million in 2010. The Group remained one of the top tin smelters in the world despite increasing competition.

The Group's financial position improved during the year. Net cash flows generated from operating activities improved from RM56.2 million to RM208.8 million. The strong cash flows enabled the Group to reduce its bank borrowings by RM137.6 million and consequently improved its gearing level to 1.2 from 2.3.

TIN MINING AND SMELTING OPERATIONS

The operating and financial results among the Group's business units were, however, mixed. The international tin smelting business and the tin mining operations in Malaysia achieved a commendable performance with better production, sales and profits on the back of improved operating efficiencies and higher tin prices. However, the Group's operations in Indonesia were adversely affected by lower sales and production in the fourth quarter of 2011 as a result of the unexpected development over the shipment of tin metals when the Indonesian Tin Association imposed an export moratorium on tin shipment from Bangka Island, effective 1 October 2011. Further, lower tin prices and higher unit cost of production compounded by the low volume of production in the fourth quarter had resulted in significant operating losses to PT Koba Tin. Although PT Koba Tin has submitted an application to renew its Contract of Work (CoW) for a further extension of 10 years to 2023, on ground of prudence, PT Koba Tin decided to make an additional provision for mine closure and reclamation/rehabilitation costs and other impairments. These had further increased PT Koba Tin's losses.

During the year, significant resources were mobilised throughout the supply chains to achieve sustainability and growth in the volume of tin concentrates and tin bearing materials for smelting at the Group's smelting plant in Butterworth. The Group's initiatives included pursuing constructive engagements globally with all stakeholders in the supply chains, especially in dealing with conflict minerals issues to ensure transparency and accountability in its international minerals sourcing. Upgrading of smelting and refining facilities were also undertaken to improve efficiency and increase production capacity. An additional production unit was also successfully installed at the Group's tin mine in Perak, Malaysia. The results of all these efforts enabled the Group to increase its overall metal production in 2011 by 2.7% to 46,599 metric tonnes, thus maintaining our position as the second largest supplier of tin metal globally.

The Group continues to pursue opportunities to expand its tin resources in Malaysia and Indonesia and has identified several prospective tin mineralised areas for exploration and developments. Discussions are ongoing with a view of progressing with possible acquisitions. The Group is also evaluating several tin prospects in the Democratic Republic of Congo (DRC). DRC has been a significant source of tin concentrates for the Group's international tin smelting business.

DIVESTMENT OF NON-TIN INVESTMENTS

Several divestments were made during the year in respect of the Group's non-tin assets. The Group will continue to pursue with the divestment of the remainng two non-tin assets at acceptable prices. At the end of 2011 the Group's remaining non-tin investments included a 30% interest in the unlisted KM Resources Inc which owns a profitable polymetallic mine

Statement by the Chairman *(cont'd)*

(producing copper, gold, zinc and silver in concentrates) in the Philippines and a 15.42% interest in a Canadian listed nickel development company, Asian Mineral Resources Limited.

DIVIDENDS

The Directors recommend the payment of a final dividend of 18 sen per ordinary share less 25% tax (2010 : 3 sen per RM1.00 ordinary share less 25% tax), amounting to RM13.5 million. Subject to the approval of the members at the forthcoming Annual General Meeting of the Company on 4 May 2012, this will be paid on 8 June 2012 to members registered on the Company's registers at the close of business at 4.00 pm on 23 May 2012. Together with an interim dividend of 12 sen per share paid in September 2011, the total dividend paid and proposed for the financial year 2011 would amount to RM22.5 million.

PROSPECTS

Although the coming year will continue to be challenging due to weaker demand for commodities arising from the prevailing global economic uncertainties including the eurozone sovereign debts concerns, the long term outlook of the tin industry remains positive. Given the Group's continued efforts to improve operating efficiencies, increased rationalisation efforts at its Indonesian operations and subject to the renewal of PT Koba Tin's CoW in Indonesia we are well-positioned to deliver profitable growth and sustained value for our shareholders.

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 Practises set out in the Malaysian Code on Corporate Governance.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the Group's internal control and risk management systems and for reviewing their effectiveness. These procedures are aimed at safeguarding assets and 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 ongoing 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 is regularly reviewed by the Board and Board Committees.

ACKNOWLEDGEMENT

The Board would like to extend a special note of thanks to Mr Lim Sit Chen Lam Pak Ng who joined the Board on 1 March 2010 and has chosen to retire at this coming AGM. Further, on behalf of the Board, I would like to express our thanks to our fellow directors for their wise counsel and significant contribution throughout the year. I would also like to take this opportunity to thank the shareholders for their continued support and loyalty, as well as to the management team and to all our employees for their unwavering 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 their cooperation and continued support.

NORMAN IP
Chairman

26 March 2012

Group Chief Executive Officer/Executive Director's Report

"Our aim is to be a premier international tin mining and smelting company, by becoming the partner of choice in the global tin industry."

OUR VISION AND STRATEGY

We are a global leader in the production of tin metal and tin based products and have a long and successful history of conducting our business in a safe, efficient and socially responsible manner for the benefit of our shareholders. We will continue to build on the foundation of our successful integrated tin mining and smelting business with a global network of capabilities and an articulated vision to earn superior returns to our shareholders.

Our aim is to be a premier international tin mining and smelting company, by becoming the partner of choice in the global tin industry. We will achieve this by continuing to focus on developing and operating an efficient business model, embed sustainability and safety in everything we do, and attract and retain the best talent.

Our niche expertise in tin is continually being strengthened in all areas over the entire supply chain covering geology, mining, mineral processing, smelting, marketing, financing as well as resource and sustainable management.

We are actively pursuing investments in mine and smelter expansions to grow our production profile, improve efficiencies, and generate increased cash flows and profits.

We are also continuing to pursue opportunities to increase our tin reserves by identifying and undertaking exploration for new tin resources as well as strategic acquisitions of quality exploration and mining assets. We are mindful of undertaking any high risk grass-root greenfield exploration. Our focus will be on advanced exploration and development assets, quality income generating operations as well as prudent management in our pursuit for growth.

OUR PERFORMANCE

Staying Focused to Deliver Value

Following three quarters of significant improvement in operational and financial performance, the Group, along with the entire global tin industry, encountered turbulent headwinds in the final quarter of 2011. Global economic fundamentals and sentiments deteriorated, demand contracted and prices plunged downwards impacting adversely on sales, profits and cash flows. Nevertheless, overall, we performed well in 2011 with higher production, better earnings and stronger balance sheet.

We remain confident that the Group's strong foundation and perseverance stay intact. The mining industry exacts nothing less than tremendous grit, resilience and instinct to succeed. At a time enveloped with unprecedented economic uncertainty, it is only natural we adopt the same attitude to ensure our continued survival. With perseverance, we will prevail these turbulent times.

Group Chief Executive Officer/Executive Director's Report *(cont'd)*

2011 performance improved, despite increased global economic uncertainty

Production and Sales	2011	2010
Tin metal production (tonnes)		
MSC International Custom Smelter, Butterworth	**40,267**	38,737
Rahman Hydraulic Tin (tin-in-concentrates)	**2,010**	1,769
PT Koba Tin	**6,332**	6,644
Average tin price (USD per tonne)	**26,113**	20,447
Sales	**RM 3.1 billion**	RM 2.7 billion

During 2011 we managed to sustain our growth trend in refined tin metal production and maintained our position as the second largest supplier of tin metal globally. Boosted by higher average price, our Group's sales for 2011 was another record high.

FINANCIAL REVIEW

Financial Highlights	2011 (RM million unless otherwise stated)	2010 (RM million unless otherwise stated)
Profit before exceptional losses	**116**	76
Profit/(Loss) before tax	**91**	(78)
Profit /(Loss) after tax	**57**	(100)
Profit/(Loss) after tax attributable to the owners of MSC	**61**	(80)
Cash and cash equivalents	**236**	119
Equity attributable to the owners of MSC	**427**	265
Debt : Equity Ratio	**(1.2:1)**	(2.3:1)
Earnings/(Loss) per share	**61.6 sen**	(107.0 sen)
Gross Dividend paid and proposed per share	**30.0 sen**	3.0 sen
Net assets per share	**RM4.27**	RM3.53
Pre-tax return/(Loss) on average shareholders' equity	**26%**	(25%)

Group Chief Executive Officer/Executive Director's Report *(cont'd)*

Profit before exceptional losses increased by 53.2% in 2011 compared to 2010 due to higher average realized tin price and higher sales revenue. Significantly, we returned to the black registering a net profit after tax (attributable to our shareholders' equity) of RM61 million from a net loss of RM80 million last year. Our earnings per share and net asset value per share increased to 61.6 sen and RM4.27 respectively.

Exceptional losses totalling RM25.3 million in 2011 mainly comprised provision for impairment in the value of the Company's investments in a tin mining company in Indonesia, a tin smelting associate in China and a nickel development project in Vietnam through a Toronto listed company, Asian Mineral Resources Limited, which is currently being considered for sale. The total provision is a non-cash item and thus, does not negatively affect the Company's liquidity position.

Our Group's cash position has improved significantly. The secondary listing in Singapore in January 2011 raised net proceeds of RM99.66 million from the issuance of 25 million new shares. Cash generated from operating activities amounted to RM208.8 million in 2011 compared with RM56.2 million in 2010. As a result a substantial reduction in bank borrowings was achieved with repayment of debt totalling RM137.6 million in 2011. The overall gearing position (total debt:equity ratio) improved significantly to 1.2 from 2.3 in 2010. Exploration and mine development expenditure paid during 2011 amounted to RM42.3 million.

Dividends (paid and proposed) for the year 2011 totalling 30 sen per share or RM22.5 million represent a distribution of 37.2% from the year's net earnings.

TIN MARKET OVERVIEW

Increased uncertainty in the global economy and extreme price volatility in the tin market, particularly in the second half of 2011, contrasted with the strong signs of tin supply/demand fundamentals seen in late 2010 and into the first half of 2011. The run-up in tin prices reaching an all-time peak level of over USD33,000 per tonne in April coincided with a move into oversupply of tin particularly from small scale mining in Indonesia. Responding to the weakening supply/demand fundamentals in the second half of 2011 and as financial markets developed into uncertainty over issues of sovereign debt and deteriorating growth prospects, tin and all other base metal prices plunged downwards. Tin prices briefly fell below USD18,000 per tonne in September.

The fall in tin prices led to the majority of independent private tin smelters in Indonesia, through their Indonesian Tin Association imposing a moratorium on tin exports which took effect from October 2011. The voluntary 'ban' on exports, which was meant to continue until the end of the year, hampered efforts by PT Koba Tin and some other private smelters to continue making shipments of their tin metal in the final quarter of 2011 and adversely affected their cash flows, production and profitability.

While there remain a number of uncertainties in the immediate term, not least in the developed economies, our medium to long term view of tin demand growth remains very positive, underpinned by electronic demand driven by growth and urbanization in emerging economies. Technological innovations are also ongoing in the chemical, energy and environmental related sectors that will lead to increased tin consumption.

On the supply side, we expect major shifts and structural changes to occur during the current decade. These include rapid depletion of more accessible and lower cost alluvial deposits resulting in the decline of small scale artisanal mining in Indonesia; increase in the cost of production of artisanal mining in Central African countries following full implementation of due diligence and transparency systems for responsible sourcing over the supply chain; emerging new sources of supply from high cost and metallurgically complex tin deposits and tailings;

and significant investments required to bring new sources of supply to production.

In summary, our long term view is that the economic fundamentals of the tin industry remain favourable from both the supply and demand sides.

INTERNATIONAL SMELTING BUSINESS

The Group's international smelting and marketing business delivered another year of outstanding performance. Operating results benefited from an increase in the refining capacity of our Butterworth custom smelter, expansion in our international marketing and commercial networks, and enhanced operating efficiencies.

	2011	2010
Production of tin metal (tonnes)	**40,267**	38,737
Profit before tax (RM million)	**68.30**	36.33

In 2011 we continued to receive the benefit of our supply chain transformation and optimization efforts to unlock value from our existing assets and core smelting business. The supply chain transformation initiative focused on developing and implementing responsible sourcing of tin concentrates and tin bearing materials for our international tin smelting business. The programme ensures transparency and traceability along the supply chain particularly in the Central African countries which provide an important source of tin concentrates for our Butterworth smelter. The Government export ban in the Democratic Republic of Congo (DRC) during the 1st quarter of 2011 due to potential conflict minerals issues and the regulatory requirements for export thereafter hampered any significant export of Central African tin concentrates during the first half of 2011.

We actively participated in constructive engagement with all stakeholders of the global tin industry including the ITRI, United Nations, the OECD, ICGLR (international Conference on Great Lakes Region), the US Government, EICC (Electronic Industry CItizenship Coalition), other equally important consumer groups, suppliers, various NGOs, and the various tin concentrates producing countries particularly the DRC, Rwanda and their surrounding countries within the Great Lakes Region of Africa. We have also adopted the internationally accepted iTSCi (International Tin Supply Chain Initiative) scheme which has been created and spearheaded by ITRI in which MSC is a founder member. The successful implementation of the iTSCi scheme and the due diligence process in Katanga Province, DRC and Rwanda during the second quarter of 2011 enabled responsible sourcing of tin concentrates to the Butterworth smelter from these areas. The iTSCi scheme is expected to be progressively implemented in other tin producing regions of DRC, namely the Provinces of Maniema, North and South Kivu in 2012.

The asset optimization initiative focused on delivering value from operational improvement. Under this agenda the Butterworth smelter underwent a major upgrading and comprehensive maintenance programme. Major improvement works were undertaken in the gas handling and cooling system, rotary furnaces, various overhead crane systems and refining facilities. The substantial progress made in 2011 has led to an increase in refining capacity as well as an overall improvement in the smelting and refining efficiencies.

"... our long term view is that the economic fundamentals of the tin industry remain favourable from both the supply and demand sides."

"... RHT has effectively replaced the mined out resources and still the estimated remaining tin resources have increased by more than two-fold compared with the previous estimates."

TIN MINING

Rahman Hydraulic Tin. Sdn. Bhd (RHT or the Mine), Perak, Malaysia

RHT which operates Malaysia's largest open pit elluvial (semi hard rock) tin mine in the State of Perak continued to focus on pit optimization and mine design, upgrading and expansion of ore processing plant and drilling programme to increase its tin resources. The most significant development is the successful construction of a new processing plant, a 6-lane Palong, which adds about 20% to production. The overall results have been commendable with production, earnings and cash flows exceeding expectation.

	2011	2010
Production of tin-in-concentrates (Tonnes)	**2,010**	1,769
Profit before tax (RM million)	**59.01**	28.23

Tin Resource

The drilling programmes and resource evaluations undertaken in 2010 and 2011 have also been highly successful. The resource estimates are based on a combination of Reverse Circulation drill holes (98 holes) and Diamond drill holes (49 holes), blast hole sampling, trenching and channel sampling and past production records using standards in compliance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). The results have indicated that since the last published tin resource statement as of 15th March 2010 disclosed in the 2010 Annual Report, RHT has effectively replaced the mined out resources and still the estimated remaining tin resources have increased by more than two-fold compared with the previous estimates.

Resource Class	Contained tin (tonnes) 2011/2012 (As at 29 March 2012)	Contained tin (tonnes) 2010 (As at 15 March 2010)
Measured	**6,721**	4,786
Indicated	**7,468**	6,081
Inferred	**26,903**	8,612
Total	**41,092**	19,479

Continuing exploration and drilling will be needed to progressively upgrade the resources to measured category and replace mined out resources. Based on the present rate of annual production the current estimated resources could prolong RHT's mine life beyond 15 years.

The Mine will continue to undertake pit optimization and design and will accelerate the removal of overburden by cutting-back the walls of the open-pit to gain access to the ore body that is dipping down as mining progresses and at the same time create a large enough pit floor to establish

Group Chief Executive Officer/Executive Director's Report *(cont'd)*

several faces for continuous availability of ore. All these earth removing works require significant development expenditure for long term production sustainability and growth. At the same time the Mine will need additional investments in processing plant upgrading, waste removal and tailings storage/retention facilities, environmental management and other infrastructure upgrading. In 2011, RHT submitted an application and proposal to the State Government of Perak for renewal and extension of its mining leases over a total area of approximately 601 hectares up to the year 2030 pursuant to the State of Perak Minerals Enactment 2003. In our proposal to the State, RHT outlined the social and economic benefits of the extended mine life to the State, community and other stakeholders under the principles and objectives of sustainable development.

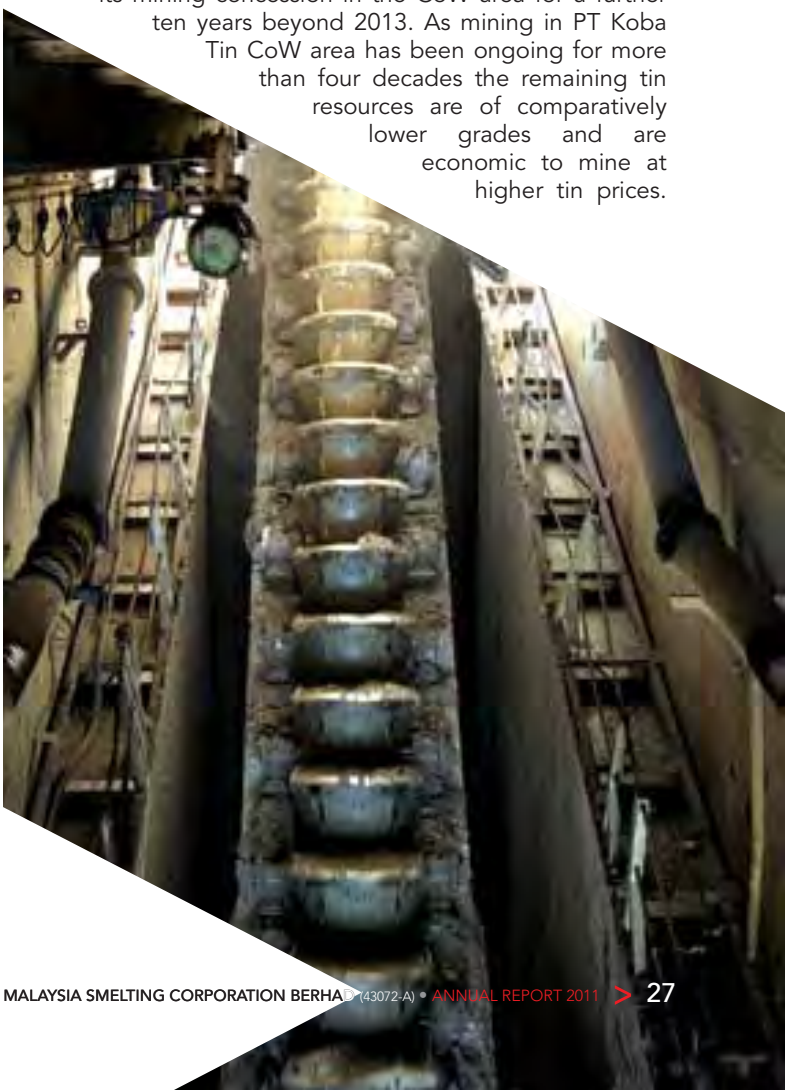
In line with the prevailing provisions of the State's Minerals Enactment, RHT also agreed to pay royalty to the State Government at a higher rate of 5% on sales of tin-in-concentrates from the current rate of 2.5% payable under the existing terms of the current mining leases which were originally issued under the old Enactment which had subsequently been replaced by the 2003 Enactment. With this agreement to pay a higher royalty effective from March 2012, we are pleased that as announced to Bursa Malaysia and Singapore Exchange on 26 March 2012, the State Government of Perak has approved the renewal of current mining leases for a longer period up to 28 September 2030 pursuant to the 2003 Enactment. The State has also granted to RHT additional two mining leases over a total area of approximately 100 hectares adjacent to the existing leases which are being used for mine tailings facilities and storage of overburden waste materials. Thus, the now long-lived RHT mine with significant tin resources will be in a solid position to pursue its long term plans for growth and sustainability.

PT Koba Tin, Indonesia

PT Koba Tin has a Contract of Work (CoW) with the Government of Indonesia giving it the exclusive rights for exploration, mining and smelting of tin within an area of 41,680 hectares in the province of Bangka Belitung Island. The CoW commenced in 1973 for a period of thirty years and it was renewed for another ten years up to March 2013. The company has submitted an application and proposal for a further extension of ten years to 2023.

MSC acquired a 75% equity interest in PT Koba Tin in 2002. The remaining 25% equity is held by PT Timah, a government-controlled listed company which is also the largest tin producer in Indonesia. PT Koba Tin has its own smelter with a production capacity of approximately 25,000 tonnes per year. Over a period of ten years since MSC's acquisition, PT Koba Tin has mined and produced tin metal totalling approximately 145,000 tonnes.

PT Koba Tin has an ongoing exploration and drilling programme aimed at replenishing the tin resources that are being depleted from mining operations. At at 30 June 2011 its estimated remaining resources totalled approximately 34,000 tonnes contained tin. PT Koba Tin believes that its ongoing exploration and drilling activities would lead to the discovery of additional resources that would justify the extension of its mining concession in the CoW area for a further ten years beyond 2013. As mining in PT Koba Tin CoW area has been ongoing for more than four decades the remaining tin resources are of comparatively lower grades and are economic to mine at higher tin prices.



Group Chief Executive Officer/Executive Director's Report *(cont'd)*

The tin deposits are also at deeper levels requiring significant volume of overburden waste removal. As PT Koba Tin practices sustainable management on community development, safety and environmental rehabilitation the remaining short life of the mine means significantly higher provisions and costs for these obligations.

The surge in tin prices in the final quarter of 2010 and into the first eight months of 2011 to above USD25,000 level prompted PT Koba Tin to enter, develop and mine lower grade areas as part of its mine optimization programme. At tin prices above USD30,000 level, selective mining enabled PT Koba Tin to mine, using out-sourced contractors, lower grade deposits at an average cost of around USD26,000 per tonne and still earned sufficient margin. The practice of employing contractors saves PT Koba Tin from having to incur significant capital and development expenditure and cash flows. However the rapid plunge downwards in tin prices from September 2011 onwards, reaching a low of USD18,000 exposed the contractors and PT Koba Tin to significant losses and negative cash flows. Contractors slowed down their mine developments and operations resulting in a further fall in production. The adverse situation was aggravated by the moratorium on tin export imposed by the Indonesian Tin Association. PT Koba Tin immediately undertook the necessary rationalization of operations and costs. However, the impact of these aggressive rationalization activities could only be expected to be seen after about six months as revision in mine planning, interim financing and implementation require some realistic lead time.

As a result of the foregoing adverse developments PT Koba Tin incurred an overall loss in 2011 despite being able to maintain its production at approximately the same level as in the previous year.

	2011	2010
Production of tin metal (tonnes)	**6,332**	6,644
Profit / (loss) before tax (USD million)	**(5.47)**	8.08

Going forward, in addition to its ongoing rationalization programme, it is crucial that PT Koba Tin initiates steps to increase its production volume to a level where it could reduce its average cost of production to below USD20,000 per tonne. A number of strategic options are being considered. These include reviving its small scale production with the approval of relevant Indonesian Authorities and expansion of tin smelting volume under tolling arrangements with third parties.

In March 2012, MSC announced a strategic alliance agreement with an Indonesian party that would enable the latter to subscribe up to 23% equity interest in MSC's 100% subsidiary, Bemban Corporation Ltd (Bemban) which currently holds 75% interest in PT Koba Tin giving the Indonesian party an effective interest of 17.25 % interest in PT Koba Tin. Apart from facilitating greater local Indonesian participation in PT Koba Tin the proposed strategic alliance is expected

"PT Koba Tin believes that its ongoing exploration and drilling activities would lead to the discovery of additional resources that would justify the extension of its mining concession in the CoW area for a further ten years beyond 2013."

to strengthen the platform for securing PT Koba Tin CoW extension for another 10 years up to March 2023 as well as to expand the tin mining business of the restructured entity in Indonesia. Upon renewal of PT Koba Tin's CoW, the Indonesian partner will be able to increase its interest further from 23% to 50% with an effective interest of 37.5% in PT Koba Tin subject to certain conditions precedent. Upon completion of the whole transaction, MSC's effective interest in PT Koba Tin will be reduced to 37.5% through the subsequently reduced 50% interest in Bemban. We expect the whole transaction to be completed by March 2013.

Other subsidiaries in Indonesia

MSC has three other 100% subsidiaries in Indonesia, PT SRM, PT MSC Indonesia and PT Bangka Resources, and a 18.54% interest in PT Tenaga Anugerah which are undertaking exploration and development of tin resources in Indonesia through strategic cooperation agreements with local partners. We are in the midst of rationalizing and consolidating these entities with a view to position them in a stronger restructured business vehicle with greater Indonesian participation. Together with the proposed restructuring of shareholdings in PT Koba Tin shareholding, it is hoped that going forward MSC's Indonesian business would be in a stronger footing to achieve sustainable earnings and growth. We hope to implement these changes and restructuring within the next two years.

NON-TIN INVESTMENTS

At the end of 2011 the Company's remaining non-tin investments comprised a 15.4% interest in a Canadian listed nickel development company, Asian Mineral Resources Limited (AMR) and a 30% interest in an unlisted KM Resources Inc (KMR) which owns a profitable polymetallic mine (producing copper, gold, zinc and silver in concentrates) in the Philippines.

AMR urgently needs significant funding to complete its nickel development project in Vietnam. As announced recently AMR had entered into a Share Subscription Agreement with Pala Investments Holdings Limited, a multi-strategy investment company to raise CDN$4.3 million. Concurrently MSC had entered into a Voting and Support Agreement with Pala to support the proposed share subscription transaction and also executed a Right of First Refusal Agreement granting Pala a right of first refusal over MSC shareholding in AMR. Upon completion of the proposed capital raising, MSC's interest in AMR will be diluted to 11.4%. It is hoped that the proposed capital raising will enhance AMR shareholder value. MSC will continue to evaluate its exit options from AMR to maximize its value.

KMR Group has continued to perform very well in 2011 and contributed significantly to MSC's earnings. In 2011, 946,386 tonnes of ore were processed to produce 32,585 tonnes of copper concentrates and 30,080 tonnes of zinc concentrates containing 7,146 tonnes of payable copper, 14,596 tonnes of zinc, 29,337 oz of gold and 479,869 oz of silver. With better production and on the back of generally higher prices for copper, gold, zinc and silver, KMR Group reported commendable financial results. Sales increased to USD143.29 million from USD81.92 million in 2010 and profit after tax increased by 269% to USD47.69 million in 2011 from USD17.72 million in 2010.

The mine's remaining ore reserves can support the current rate of production till mid 2014. Feasibility studies are being undertaken to reprocess the mine tailings which contain gold as well as to mine gold resource at the adjacent site which could sustain at least another year of mining operations. Exploration is also being intensified with the objective of finding more resources to extend the life of mine. Following an airborne electro-magnetic survey and geological mapping, several prospective targets and promising new anomalies have been delineated for follow-up ground investigations and diamond drilling. With the expected increase in the valuation of KMR, MSC is seeking to enhance shareholder value by ensuring it can sell its investment in KMR at prices reflecting this potential increase in value.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Our approach to Corporate Social Responsibility (CSR) includes viewing all business activities in terms of their impact on our employees, society and environment; considering future generations in our use of natural resources; integrating social responsibility into our management system and partnering closely with government and all segments of society. Our long history of 125 years has been due to our successful strict adherence to CSR and sustainability principles.

During 2011 we contributed RM52.76 million in the form government taxes and royalties, RM9.87 million in environmental management and rehabilitation and RM4.56 million in CSR programme.

OUTLOOK

We believe the long-term outlook is strong. We have a management team and workforce committed to achieving MSC's potential and maximizing value for our shareholders and other stakeholders. Our Board of Directors has been very supportive of our vision and strategy. Notwithstanding the continuing global economic uncertainty, we believe that our long-term strategy remains sound. We are well positioned to grow our business. We expect the year ahead to be more challenging as well as rewarding.

Sincerely,

Dato' Seri Dr Mohd Ajib Anuar
Group CEO/Executive Director

26 March 2012

ORE RESOURCES AND RESERVES

The Statement of Ore Resources and Reserves presented in this Report has been produced in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 (the JORC Code). The ore resources tabulated are held within existing leases and fully permitted mining tenements. Our ore resources may include areas where some additional approvals remain outstanding, but where, based on the technical investigations we carry out as part of our planning process, and our knowledge and experience of the approvals process, we expect that such approvals will be obtained as part of the normal course of business and within the time frame required by the current production schedule. In the case of PT Koba Tin, mineable reserves will be subject to the renewal of its current mining concession under a Contract of Work (CoW) with the Indonesian Government which will expire on 31 March 2013. An application has been submitted for its further extension of 10 years to 2023.

RAHMAN HYDRAULIC TIN SDN BHD

The ore type is semi hard rock with cassiterite concentrated in quartz veins situated en-echelon between two dominant North-South orientated faults. Mining operations are undertaken in an open-pit and involve drilling and blasting, excavating, loading and hauling using drill-rigs, excavators, bulldozers and off-highway trucks. The ore-bearing material is hauled to the stockpiles at five ore processing plants, whilst the overburden waste is hauled and dumped at designated waste dumps.

The resource estimates are based on the results of 98 reverse circulation drill holes and 30 fully cored diamond drill holes with a combined total of 15,327 drill-metres, blast hole sampling, trenching and channel sampling and past production records. Block models have been prepared using Micromine software.

The ore resources are made up of:

(a) The JORC compliant resources mainly from ore bodies located at the present mine pit updated up to 29 March 2012 with the mined out resources excluded.

(b) Newly identified areas of resources in the new exploration areas, "ore in waste" as well as depth and lateral extension of existing ore bodies. Continuing exploration will be needed to progressively upgrade the resources to the measured category and replace mined out resources.

RHT's current mining leases have recently been renewed up to the year 2030.

Securing the Future *(cont'd)*

Ore Resource Summary as at 29 March 2012

RESOURCE CLASS	VOLUME ('000 m^3)	GRADE (KgSn/m3)	Contained Tin (Sn) (Tonnes)
Measured	2,416	2.78	6,721
Indicated	2,759	2.71	7,468
Inferred	16,240	1.66	26,903
TOTAL RESOURCES	**21,415**	**1.92**	**41,092**

Footnote:

RHT grades are Ore Volume grades, whereas PT Koba Tin grades are Total Volume grades (ore + waste). It is not appropriate to apply a 'Whole-Of-Hole' grade calculation to the RHT resource as these resources are primary, hard rock mineralization, which occurs in the form of veinlets, with various orientations from the top levels extending to depths. Waste materials also occur in between the veinlets. This differs from the alluvial PT Koba Tin resources and reserves, where a 'Whole-Of-Hole' grades can be calculated, as all the orebodies are horizontally emplaced and the ore : waste zones are clearly defined.

PT KOBA TIN

PT Koba Tin undertakes alluvial mining operations in the island of Bangka, Indonesia. It mines the alluvial deposit using a large capacity bucket line dredge and several gravel pumps in combination with palong (sluices boxes) units. The mining units are served by large fleets of earthmoving equipments for overburden removal and for transfer of tin-bearing materials to the processing plants.

Exploration activities are ongoing for discovery of new resources especially at locations previously excluded from the current production schedule including lower grade areas and deeper ground as well as in areas designated as "production forests". The discovery of additional resources would justify the extension of its CoW for a further 10 years to 2023.

Ore Reserves and Resources summary as at 30 June 2011

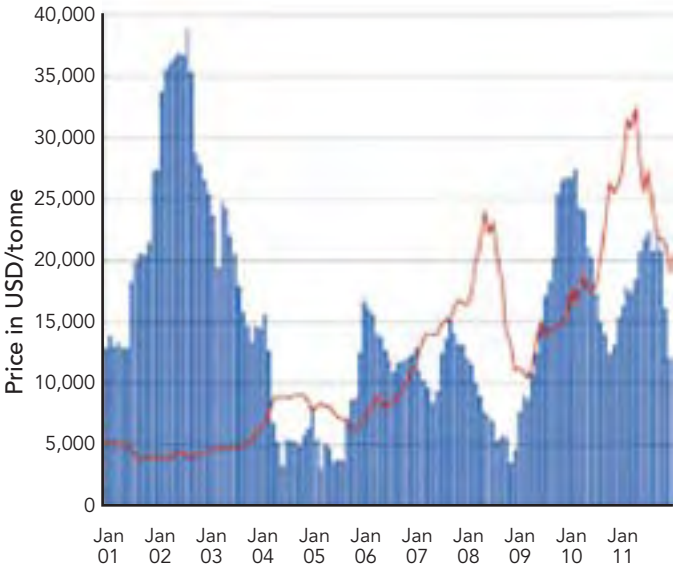
Category		Volume, '000 m^3	Whole-of-Hole Grade, Kg Sn/m^3	Contained Tin (Sn) tonnes
Reserves	- Proven	2,473	0.29	725
	- Probable	49,474	0.29	14,495
Total Reserves		**51,947**	**0.29**	**15,220**
Resources	- Measured	13,604	0.32	4,393
	- Indicated	36,943	0.15	5,488
	- Inferred	45,617	0.20	9,054
Total Resources		**96,164**	**0.20**	**18,935**
Total Reserves and Resources		**148,111**	**0.23**	**34,155**

Tin Market Review 2011-2012

RECENT MARKET DEVELOPMENTS

While the London Metal Exchange (LME) cash settlement price in 2011 was USD26,025/tonne, the price range above and below this average during the course of the year was considerable. Prices peaked at over USD33,000/tonne in April 2011 and briefly fell below USD18,000/tonne in September 2011. This volatility continues the pattern of recent years. In line with many other commodity and financial markets, tin prices have had a roller-coaster ride, particularly in the last three years. In the global financial crisis which accelerated with the failure of Lehman Brothers in September 2008, LME prices were driven down to lows of some USD10,000/tonne in December 2008 - January 2009. However, by the middle of 2009 demand was recovering and surplus stocks were being mopped up by China. Loose monetary policies employed by major governments to keep the world economy away from a threatened 1930s-style depression resulted in billions of dollars flowing into risky assets like metals, resulting in a much more rapid rise in prices in 2010 than anyone had predicted.

LME stocks and prices, 2001-2011



Tin Market Review 2011-2012 *(cont'd)*

World Production and Consumption Of Refined Tin ('000 tonnes)	2008	2009	2010	2011	Forecast 2012
Production					
China	137.5	140.6	155.0	160.0	164.0
Indonesia*	67.0	64.5	57.1	55.4	54.0
Malaysia	31.6	36.4	38.7	40.3	40.0
Thailand	21.7	19.3	23.5	23.9	21.0
Bolivia	12.7	15.0	15.0	14.3	15.0
Brazil	10.8	10.4	6.5	7.4	10.0
Peru	38.0	33.9	36.1	30.2	29.5
Belgium	9.2	8.7	9.9	10.0	12.0
Russia	1.4	1.0	1.0	0.9	1.0
Others	7.8	6.1	7.0	7.1	7.5
Total World	**337.7**	**335.9**	**349.8**	**349.4**	**354.0**
Consumption					
China	134.0	132.4	149.1	153.8	158.4
Japan	30.4	27.2	31.5	29.7	27.0
Other Asia	64.6	60.2	65.4	63.0	66.0
USA	30.0	26.4	28.8	28.5	30.0
Other Americas	18.7	16.8	21.4	19.9	20.5
Europe	67.6	55.8	62.3	62.0	61.0
Others	3.4	2.9	3.6	3.4	3.5
Total World	**348.7**	**321.7**	**362.1**	**360.3**	**366.4**

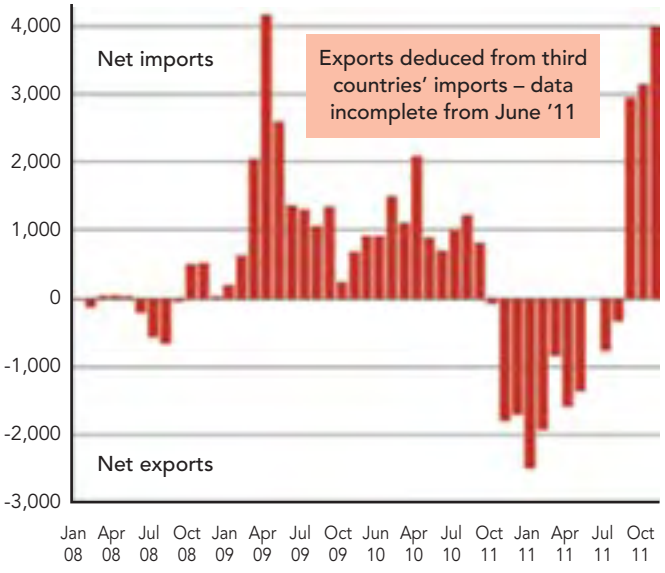
In the case of tin the inflow of speculative money coincided with a tightening of the physical market, as world tin use grew by some 13% and LME stocks fell to a low of just over 12,000 tonnes in October 2010. By this point LME prices had recovered to over USD25,000/tonne and there was a consensus view in the markets that prices of most metals (and especially copper and tin) would continue to rise through 2011 and possibly for several years more. In this bull market, tin was the top performer, with prices rising faster than all the other LME metals

Although there were set-backs along the way, the broad upward trend in metals prices continued until April 2011, when tin prices reached an all-time peak in nominal terms. However this final run-up in prices coincided with a move into oversupply. Because the LME price was at times at a premium to the Chinese domestic market between September 2010 and early May 2011, China exported large quantities of tin. Chinese net exports of some 12,000 tonnes more than accounted for the rise in LME stocks of some 10,000 tonnes in this period. In addition supply from small-scale Indonesian miners was rising strongly, while global solder shipments were falling.

From May 2011 to the end of the year all base metals prices plunged downwards on several occasions, as financial markets have come close to panic over issues of sovereign debt and deteriorating economic growth prospects. Just as tin rose faster than average in 2010, so it dropped most sharply in 2011. This partly reflects the relative illiquidity of the market,

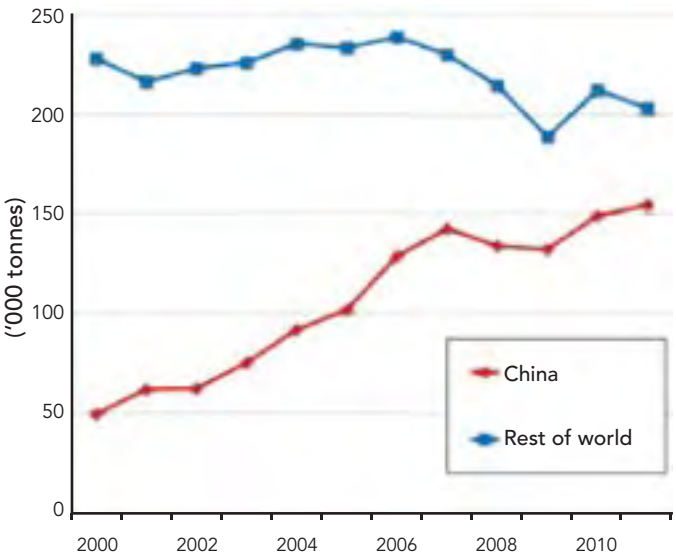
China a net importer again

Calculated trade balance in refined tin, tonnes

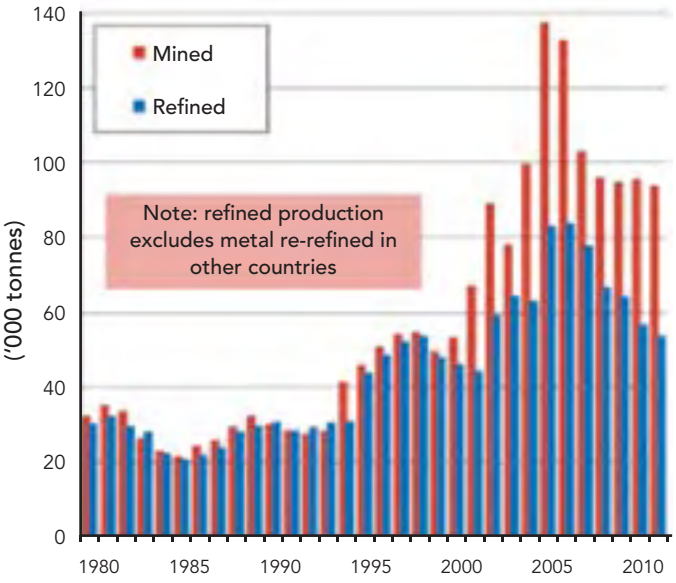


Tin Market Review 2011-2012 *(cont'd)*

Tin use in China stronger



Indonesia production has fallen



but also changed (more bearish) perceptions about the supply/demand position.

In the final months of 2011 tin supply tightened again, but market sentiment in all the base metals markets remained bearish. The fall in LME prices from August 2011 was greater than the decline in prices in China, so China has recently switched from net exporter to net importer again, resulting in a tightening of the physical market and another big draw-down in LME stocks. Another significant feature of the market in the final quarter was the voluntary "ban" on exports by Indonesian producers which came into force at the start of October 2011 and was meant to continue until the end of the year. However the halt in exports was undermined by continued large shipments to contract customers by PT Timah and the pressing needs of private smelters to obtain cash to finance ore purchases. The export halt broke down completely at the end of November 2011. Despite this, the trend in tin prices sharply reversed in January 2012 as investor confidence revived and all metals prices rose strongly. Tin was again the fastest moving, recovering to over USD25,000/tonne.

THE TIN SUPPLY/DEMAND OUTLOOK

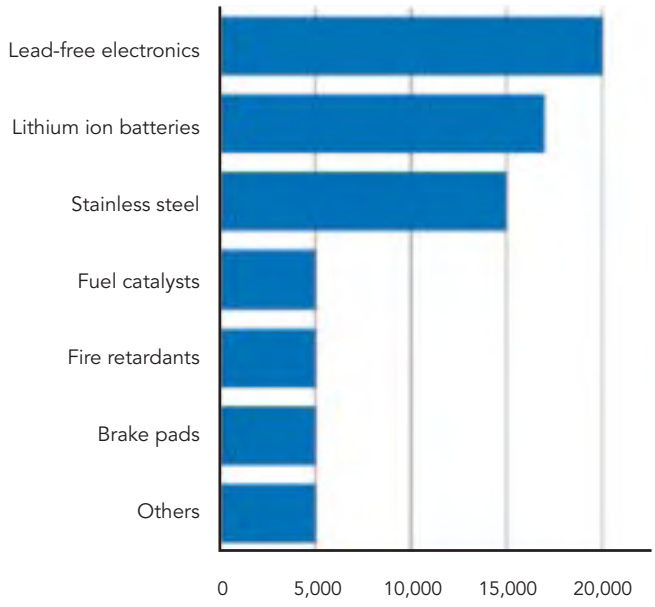
ITRI estimates that world usage of refined tin exceeded production by a margin of about 11,000 tonnes in 2011. There was also a supply deficit in 2010 and – assuming there is not a global "double-dip" recession – further shortfalls are expected in 2012 and probably 2013 too. The two critical drivers of the market balance are the boom in Asian electronics production and flat or declining production in most major producing countries.

World Supply/Demand Balances in Refined Tin ('000 tonnes)	2008	2009	2010	2011	Forecast 2012
World					
World Refined Production	337.7	336.0	349.8	349.4	354.0
DLA Sales	7.7	3.7	0.0	0.0	0.0
World Refined Consumption	348.7	321.7	362.1	360.3	366.4
Global Market Balance	**-3.3**	**18.0**	**-12.3**	**-10.8**	**-12.4**
Reported stocks					
LME	7.8	26.8	16.4	12.1	5.0
Producers	12.2	7.7	8.1	6.0	6.0
Consumer/others	12.5	11.6	11.3	10.0	9.0
Total	**32.5**	**46.1**	**35.8**	**28.1**	**20.0**
World Stock Ratio					
(weeks consumption)	*4.8*	*7.5*	*5.1*	*4.1*	*3.0*

Tin Market Review 2011-2012 *(cont'd)*

Tin technology opportunities

Potential use tpa (medium term)



After a small temporary set-back in 2008-2009, tin usage in China has bounced back to a new record level of some 154,000 tonnes in 2011, accounting for 43% of world consumption. China's growth is mainly related to booming production of consumer electronics products, which has continued to advance at double-digit growth rates. Production of mobile phones and personal computers rose by some 20% and 30% respectively in 2011, with China accounting for around a half of global shipments. China's tin consumption has also been boosted by a rapid expansion of tinplate production capacity, which had risen from 1.4 million tonnes per year in 2000 to 6.8 million tonnes per year in 2010 and will reach 8 million tonnes per year by 2013.

Outside China the consumption picture is not so healthy, with usage falling again in 2011 after the 2010 recovery. This disappointing performance is partly due to the weakness of the European and US economies and also the disruptions to electronics and other industry supply chains caused by natural disasters in Japan and elsewhere. Another general factor adversely affecting tin usage is continuing substitution and economisation in major applications like solders, tinplate and tin chemicals. The biggest negative factor is miniaturisation in electronics, in combination with changes in circuit board assembly technologies. However over coming years these negative factors should be more than offset by the growth of new applications, which are described in the "New Opportunities for Tin" section. Based on its current assessment of the economic outlook and technology changes, ITRI forecasts that world demand should grow by about 2% in 2012.

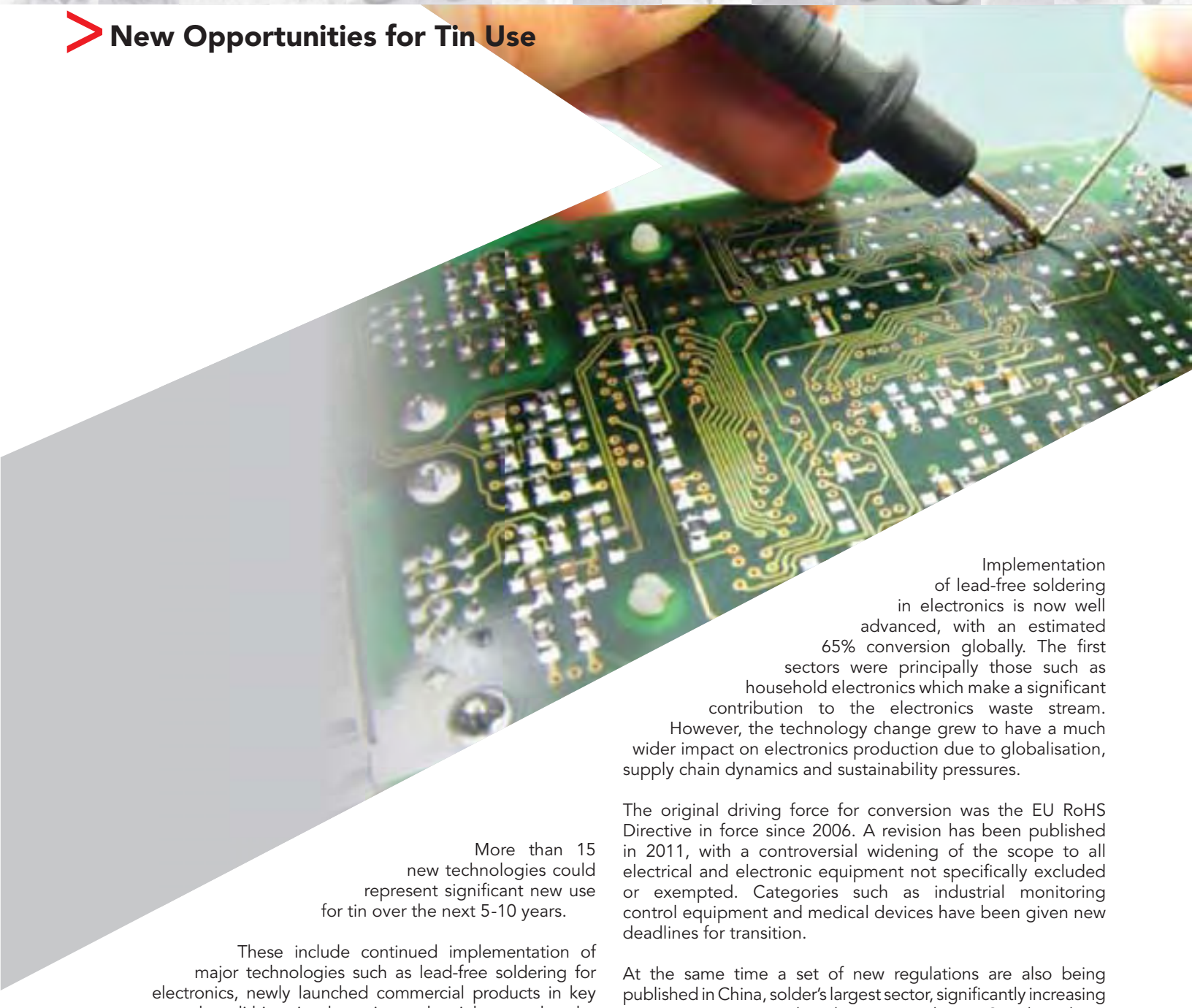
Very little growth in world production is likely in 2012. Although the decline in production by small-scale mines in Indonesian was temporarily arrested by high prices in 2010-2011, falling ore grades and rising production costs will continue to eliminate marginal operations there. Meanwhile plans to add to larger-scale offshore dredging capacity have been delayed. Elsewhere in the world there may be a modest revival in production in Brazil, increased secondary production in Belgium and perhaps a revival in Central African supply. However no significant new mines are likely to start up anywhere in the world for at least two or three years. Very few mine projects have reached bankable feasibility stage and the small companies developing these still face major hurdles in obtaining financing them through to production start-up. This range of supply constraints will continue to underpin tin prices for some years to come.

Leading Tin Companies (Production, tonnes refined tin)

Company	2007	2008	2009	2010	2011	% change
Yunnan Tin (China)	61,129	58,371	55,898	59,180	56,174	-5.1%
Malaysia Smelting Corp	**25,471**	**31,630**	**36,407**	**38,737**	**40,267**	**3.9%**
PT Koba Tin (Indonesia)	**7,724**	**7,109**	**7,455**	**6,644**	**6,332**	**-4.7%**
Total MSC Group	**33,195**	**38,739**	**43,862**	**45,381**	**46,599**	**2.7%**
PT Timah (Indonesia)	58,325	49,029	45,086	40,413	38,147	-5.6%
Minsur (Peru)	35,940	37,960	33,920	36,052	30,205	-16.2%
Thaisarco (Thailand)	19,826	21,731	19,300	23,505	23,864	1.5%
Yunnan Chengfeng (China)	17,064	13,500	14,947	14,155	15,430	9.0%
Guangxi China Tin (China)	13,193	12,037	10,500	14,300	15,375	7.5%
EM Vinto (Bolivia)	9,448	9,544	11,805	11,520	10,965	-4.8%
Metallo Chimique (Belgium)	8,372	9,228	8,690	9,945	10,007	0.6%
Gejiu Zi-Li (China)	8,234	7,000	5,600	9,000	8,600	-4.4%

Data: ITRI.

New Opportunities for Tin Use



More than 15 new technologies could represent significant new use for tin over the next 5-10 years.

These include continued implementation of major technologies such as lead-free soldering for electronics, newly launched commercial products in key sectors such as lithium ion batteries and stainless steel and a whole range of new technologies still in the development stage.

They are balanced by other technology threats, notably miniaturisation of electronics. However the overall picture looks very positive for tin over the medium term.

LEAD-FREE ELECTRONICS

Introduction of lead-free solders over the last decade is something of a revolution in the electronics industry, changing the basic glue that holds together equipment key to modern quality of life, communications, transport and security. Lead-free solders contain more than 95% tin and today around half of all tin is used in solder.

Implementation of lead-free soldering in electronics is now well advanced, with an estimated 65% conversion globally. The first sectors were principally those such as household electronics which make a significant contribution to the electronics waste stream. However, the technology change grew to have a much wider impact on electronics production due to globalisation, supply chain dynamics and sustainability pressures.

The original driving force for conversion was the EU RoHS Directive in force since 2006. A revision has been published in 2011, with a controversial widening of the scope to all electrical and electronic equipment not specifically excluded or exempted. Categories such as industrial monitoring control equipment and medical devices have been given new deadlines for transition.

At the same time a set of new regulations are also being published in China, solder's largest sector, significantly increasing pressure on its national market. New 'India RoHS' policies have also been announced, to come into force in May 2012.

Military and aerospace markets are specifically excluded from the RoHS Directive but in fact pressure to convert in the marketplace is still growing strongly. As lead-free components become the majority offering, the costs, inventory pressures and obsolescence risks associated with continued sourcing of leaded components become greater. Added to this is the trend towards more outsourcing of electronics assembly, leading to commercial pressures from contractors who need to reduce dual-streaming of lead-free and leaded production. Major US military and aerospace consortia, including NASA, have been actively assessing lead-free technologies during the year, with significant US government funding, although there is still an obvious reluctance to implement any changes.

New Opportunities for Tin Use *(cont'd)*

A key concern of these sectors is related to reliability of lead-free solders and some new technologies are being developed that may help. These include additions of particles into the solders to make composite or nanocomposite products that are very significantly stronger. It will take some time yet for research to develop these into viable commercial products.

The automotive sector is also converting to lead-free technology 'faster than expected' even though they also are excluded from the RoHS Directive scope.

Completion of the lead-free solder transition in China and the rest of the world could represent an additional consumption of more than 20,000 tonnes pe annum tin.

LITHIUM ION BATTERIES

Tin can make lithium ion batteries last more than three times longer. This can help meet a huge demand for better batteries in mobile phones, cameras, iPads and other mobile devices. A new market for tin, this looks set to grow fast, especially if lithium ion batteries are used in hybrid cars.

Lithium ion batteries are considered to be the most promising energy storage technology for mobile electronics, electric vehicles and renewable energy systems (e.g. wind and solar power).

Opportunities for tin have primarily arisen in the anode material, and commercial batteries from Sony and 3M already contain tin. Mitsubishi Materials plans to commercialise a newly developed tin alloy anode in 2012, and expects to capture at least 35% market share within 5 years.

Replacement of graphite as the anode material in all current batteries by a tin-based composite material could generate a new tin usage of some 17,000 tonnes per annum. Potential tin consumption would be much higher if there was widespread usage of lithium ion batteries in electric vehicles.

Research in the field is in progress across the world, with teams working on several different routes to optimising the tin technology. This can be achieved if the tin can be stabilised within the carbon structure to prevent it from expanding and contracting during battery use. One example of such research at Cambridge University, UK has deposited the tin inside carbon nanotubes.

Tin also has potential in the cathode and electrolyte parts of the battery, although research is at an early stage and significant additional tin consumption is unlikely in the short term.

STAINLESS STEEL

Tin is set to create a whole new generation of stainless steel. Nippon Steel has launched a new more sustainable stainless steel grade that uses no nickel and less chromium. Tests show it is also more corrosion resistant and more formable.

In January 2011 Nippon Steel, Japan announced an entirely new generation of stainless steel - NSSC FW series - based on tin. Sumikin Stainless Steel, Japan's largest stainless steel producer is a partner in the development. The products were awarded a 2010 Nikkei Superior Products and Services Award.

The technology uses a very small amount of tin to replace all of the nickel and some of the chromium in two grades FW1 and FW2 (0.11% tin and 0.13% tin respectively). It is claimed to have a corrosion resistance equal to existing products and a better formability. A reduction in nickel and chromium is a desirable objective in the industry for reasons of cost fluctuation and sustainability.

Nippon Steel has stated that the new grades were "most likely to be ranked with the two major grades representing half the market" for stainless steel. Given that the 2010 total world market for stainless steel was 30.5 million tonnes, such an equation would represent around 17,000 tonnes pe annum new tin.

New Opportunities for Tin Use *(cont'd)*

This new technology needs to be fully assessed before clear conclusions can be drawn about timescales and probabilities that might lie behind such projections.

Japan's share of the stainless steel market is small compared to major producer China, for example. There are also other competitive technologies for nickel-free stainless steel. Nevertheless this has to be seen as a positive opportunity for tin, likely to have a significant impact of future markets.

FUEL CATALYSTS

Tin can save up to 10% of fuel consumption in vehicles, ships and generators. Invented in Russia in World War II fuel catalysts are just a simple tin alloy put inside a fuel tank or fuel line. Research is underway around the world to find out how this remarkable product actually works.

At least 10 manufacturers currently operate globally and sales have mainly been in the automotive and marine sectors. However, widespread scepticism of the claims made for the technology has severely hampered market penetration.

Tin industry organisation ITRI is actively working in this field, both with regard to substantiating performance benefits and finding the mechanism of action of the catalyst on the fuel.

Although current tin usage is only a few tens of tonnes per annum, a successful outcome to global research and further improvement of catalytic efficiency could realistically lead to annual tin consumption in the 5,000-10,000 tonne range.

FIRE RETARDANTS

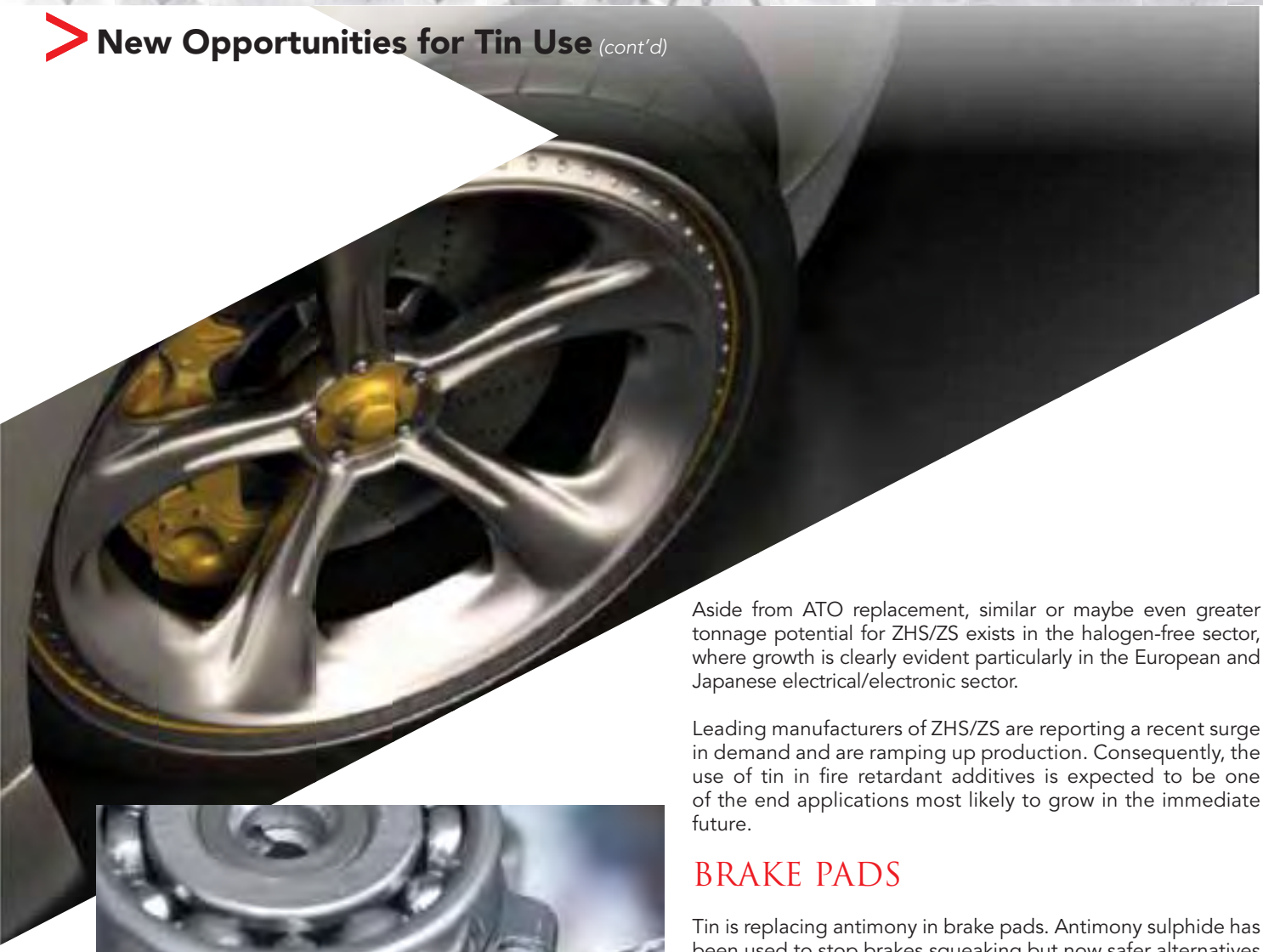
Tin is replacing antimony fire retardants used in most plastics. Stopping fire and smoke saves lives and tin has been shown to work well. Until now antimony trioxide has been widely used but more sustainable alternatives are needed and zinc stannate use is growing fast.

Tin-based fire retardants, primarily zinc hydroxystannate (ZHS) and zinc stannate (ZS), have been commercially available since the early 1990s. Originally developed as non-toxic replacements for antimony trioxide (ATO), global sales have grown slowly but steadily over the past 15 years or so.

However, widespread usage has been hampered mainly because of the high cost compared with ATO. Substitution of ATO by safer alternatives has become a priority issue for many end users because of its classification as a Category 3 carcinogen and a skin irritant, and the search for viable replacements has intensified recently because of the all-time high antimony price.

Global ATO consumption is estimated at over 90,000 tonnes per annum and it is widely expected that alternative fire retardants, including ZHS/ZS, could replace at least 10-20% of this market in the next 3-5 years.

New Opportunities for Tin Use *(cont'd)*



Aside from ATO replacement, similar or maybe even greater tonnage potential for ZHS/ZS exists in the halogen-free sector, where growth is clearly evident particularly in the European and Japanese electrical/electronic sector.

Leading manufacturers of ZHS/ZS are reporting a recent surge in demand and are ramping up production. Consequently, the use of tin in fire retardant additives is expected to be one of the end applications most likely to grow in the immediate future.

BRAKE PADS

Tin is replacing antimony in brake pads. Antimony sulphide has been used to stop brakes squeaking but now safer alternatives are needed. Tin can be used in a cheaper and more sustainable technology where tin and sulphur react together inside the pad when the car brakes.

Brake pads are complex mixtures with proprietary blends of substances designed to achieve maximum braking performance without degradation, squealing and other problems. Antimony trisulphide is extensively used as a solid lubricant in friction materials such as brake pads, although health and safety concerns for industry workers, combined with environmental issues relating to highway pollution, have driven the demand for safer, non-toxic products.

A proprietary tin sulphide product has been on the market for some time, although its high cost compared to the antimony product has somewhat restricted its use. Nonetheless, it has been suggested that significant quantities of tin are already in use in the EU.

More recently, a novel tin technology has been launched based on a simple combination of tin and iron sulphide that reacts under braking friction to produce tin sulphide inside the pad. The product offers outstanding performance at a price that is closer to that of antimony trisulphide. Industry trials are in progress in Europe and Japan.

New Opportunities for Tin Use *(cont'd)*

LEAD-FREE BEARINGS

Tin is replacing lead in bearings used in cars. Lead-bronze white metal bearings have been used for decades in cars and other applications but lead is being phased out in this market.

Up to 12% tin is now being used in new lead-free bearings launched by major European automotive suppliers Federal Mogul, Miba and ECKA.

SOLAR CELLS

Tin is ahead in the race for the next generation of cheaper solar cell materials. Today solar cells use expensive and rare elements such as gallium and more 'earth-abundant' materials are needed. Kesterite, containing 30% tin, was the first to cross the 10% efficiency barrier in an IBM research laboratory.

Solar cell technology (often referred to as 'photovoltaics') is advancing rapidly and is recognised as being the leading alternative energy source. Conventional bulk silicon modules are being superseded by thin film photovoltaic assemblies and this new technology is expected to dominate the solar cell market in the years ahead.

Tin oxide already has a modest use in transparent conducting oxide top layers (used extensively in current technologies). These are mainly indium – tin oxide (ITO) conductive films, but gradual replacement of ITO by more sustainable fluorine doped tin oxide could increase consumption.

Potential replacement materials for cadmium telluride (CdTe) and copper – indium – gallium – selenide (CIGS) in the light absorbing layer itself could include the 30% tin containing material, kesterite (copper – zinc – tin sulphide) if the 10% efficiency measured by IBM can be increased further.

ANIMAL HEALTHCARE

Tin and zinc work well together to heal wounds and kill bacteria. A new range of animal healthcare products is being launched in the US, including pet and agricultural treatments. The biggest new use may be in footbaths for treating hoof rot in dairy cattle.

A US-based company, Visions Marketing, is launching a range of animal healthcare formulations for preventing and treating skin diseases in bovine, equine, canine and other animal sectors. These formulations, comprising aqueous preparations of tin(II) fluoride and zinc sulphate, are patented and being marketed in the US under the 'Accelerator' trade name.

Future developments, including human healthcare products, are already under consideration.

TOOTHPASTE

Tin is a key ingredient in 'the world's best toothpaste'. After years of research Oral-B launched ProExpert toothpaste, choosing tin to provide unique added benefits. Most toothpastes use normal fluoride but stannous fluoride also kills bacteria and fills microscopic holes in teeth.

One of the longest established pharmaceutical uses of tin compounds is that of tin(II) fluoride and, to a lesser extent, tin(II) pyrophosphate, in toothpastes, dentifrices, topical solutions and mouthwashes. The US Food & Drug Administration (FDA) has approved tin(II) compounds in toothpastes at levels up to 0.4%, and the American Dental Association has approved topical treatments containing up to 8% tin(II) fluoride.

The generic sector of oral healthcare has been highlighted as a likely growth area for tin chemicals in the medium term. In the late year or so there has been significant new patent activity by the major players in this market – Procter & Gamble, Unilever Colgate, Palmolive and Gaba International – all involving tin(II) salts in dental formulations.

Organizations like MSC Group exist within networks of stakeholders and face the potentially conflicting demands of these stakeholders. For MSC Group, our stakeholders include our employees, shareholders, our customers, suppliers, the local communities, government authorities and our financiers. To balance the diverse needs and to achieve the successful implementation of business sustainability, the Group is mindful that we need to build bridges with our stakeholders in the pursuit of common goals and a 'win–win' outcome for the organization and our stakeholders.

We recognise that our business has strong and direct social, environment and economical impact in the locations where we operate. Therefore we have made business sustainability an integral part of our operations and strategy. As the organization evolves over time, we have progressively incorporated environmental and social concerns in our business plans to make them relevant to prevailing needs and also in line with the best practices of corporate governance.

HUMAN RESOURCES

Human resource management remains a key priority for the group to gain competitive edge in the mining industry. We value contributions of our employees and recognize that our success depends on the capabilities and dedication of our people in delivering results. Therefore, we strive to provide a workplace where employees feel inspired and confident to achieve their professional goals and at the same time offer development and training opportunities to assist them in attaining their full potentials.

As part of an ongoing commitment to the development of human resources, MSC Group has allocated resources for the education and training of its employees and arranged for its employee to attend external and internal training in various disciplines on a regular basis. The staff training programme is formulated and designed according to their job requirements and responsibilities, to ensure that the employees receive appropriate training to carry out their assigned roles. In addition, the company also sends its employees for cross border training and exposure to our operations abroad for skills development.

To attract young talents as part of our succession plan, we work closely with local universities and colleges to position MSC group as the employer of choice for young graduates who wish to develop a career in the mining industry. Our subsidiary PT Koba Tin also provides practical training at the mine to undergraduates who are pursuing tertiary education in related fields, such as exploration, mining, mineral processing for them to acquire the relevant working experience.



LOCAL COMMUNITY

MSC Group is committed to contributing to the wellbeing of our local communities where we operate. We are actively involved in a broad range of programmes such as donations to charitable organizations and schools, provision of vocational training for community members, sponsoring of cultural and sports activities to meet the specific needs of the communities. Besides these social initiatives, MSC is also working in partnership with NGOs and with the government in various community development projects which include the building of infrastructure, religious and recreational facilities.

In Penang, the group has for many years been involved in the promotion of a healthy and active lifestyle for its staff and the local community. One of the most fruitful activities which have produced results is the promotion of squash among the juniors in the local community by providing free Squash Courts and coaching facilities to all who have an interest in this game. Through MSC Tin Club Penang, a management club was formed for the purpose of promoting sports and recreational activities, many junior squash players have been sent to numerous local as well as national tournaments under its sponsorship and incentive scheme. MSC intends to continue with its promotion of sporting activities among its staff members and the local community, not only in Squash alone but in other sports as well.

In Indonesia, our community programmes are directed at building harmonious relationships with stakeholders and to create conditions that are conducive to the growth of the company. Specifically, PT Koba Tin has undertaken the following community development programmes during the year:

- Education assistance to primary and secondary schools in the two regencies (Bangka Tengah and Bangka Selatan) – sports equipment, football field, teaching aids including laboratory apparatus,
- Development of cottage industry skills - handicraft from bamboo and rattan,
- Continuing with award of scholarships to deserving students at the high school and tertiary education levels
- Assistance in upgrading of teaching skills among school teachers
- Providing basic facilities for cattle rearing and fish aquaculture
- Infrastucture development - improvements to access roads and bridges including widening of pavements (previously these are mine roads) for access to the villages and towns,
- Financial assistance for construction of public building including community halls and mosques in various villages – Padang Mulia, Koba and Simpang Perlang.
- Site preparation and earthworks for construction of new marketplace for Koba
- Assistance with improvements of the local government hospital facilities

To monitor the impact of our programmes to the communities, regular meetings were held with senior representatives of each community to discuss progress and implementation of the programmes; and to address any issues, concerns or complaints that may arise.

SAFETY AND HEALTH

MSC Group places great importance on the safety and health of our workforce. We instill a culture of continuous improvement in our health and safety policies through active management, monitoring and compliance with all safety and regulatory standards. As part of our effort to increase awareness of safety and environmental practices at the workplace, regular trainings were provided to staff as well as subcontract employees.

At PT Koba, besides complying with Indonesian safety laws and regulations, the operational activities also conform to the requirements of OHSAS:18001. Some of the occupational safety and health programmes undertaken by PT Koba during the year were:

- talks, campaigns, inspections and meetings on safety and health;
- competency assessment for operational supervisory of employees and contractors;
- training on fire fighting and maintenance of fire-fighting equipment;
- investigation on mine accidents, property damages and fire incidents so as to avoid recurrence of similar accidents in the future;
- training for operators of heavy machineries;
- participation in safety and health programmes conducted by the Ministry of Energy and Mineral Resources;
- replacement of faulty personal protective equipment;
- installation of safety banners and signages at various potential hazardous areas;
- measuring and monitoring of noise, lightings and climate at work place; and
- joint safety inspections with mine inspectors from ESDM and local mines inspectors from the Province and Regencies of Bangka Tengah and Bangka Selatan.

For the year under review, PT Koba was recognized for its superior safety performance and received the Bronze award for Mine Safety from the Directorate General of Mineral and Coal (ESDM) of Indonesia.

Corporate Social Responsibility *(cont'd)*

ENVIRONMENT

Fully cognizant that our operations must be carried out in a responsible manner to preserve the environment, we strive to comply with the highest environmental standards within the communities impacted by our presence. Some of the ongoing environmental initiatives are preservation of water resources by conservation, recycling and minimising pollution, reduction of harmful emissions and waste, and developing new means of waste disposal.

At RHT, recycling of water is being continued for all the process water that is discharged from the tin processing plants by pumping back from the tailings ponds. Water lost to evaporation from the tailings ponds is replenished by pumping-in from a nearby stream and excess water during rain is stored in reservoirs within the tailings areas. With the closed loop system, there is no discharge of mine effluent from the tailings areas into the surroundings, except during the occasional heavy and sudden downpour. Any seepage or surface run-off water from RHT's mining leases is treated with calcium hydroxide (hydrated lime) before it flows out into the local streams and river systems.

In Indonesia, PT Koba ensures it operational activities comply fully with government rules and regulations with respect to environmental management as well as the requirements of the ISO 14001:2004. In addition, the company also participates in the annual Pollution Control, Evaluation, and Rating (PROPER) programme conducted by the Ministry of Environment for which it was awarded the Blue rating that signifies compliance with national regulatory standards for pollution control. PT Koba Tin also received the Silver award from Directorate General of Mineral and Coal of Indonesia (ESDM) in recognition for its excellence in the area of Mining Environmental Management

Reclamation of biodiversity in areas impacted by mining operations and maintenance of existing biodiversity in our concession areas are also among our top priorities. In July 2011, RHT initiated an experimental mine rehabilitation project in collaboration with the Forest Research Institute, Malaysia (FRIM), the only institution in Malaysia that is recognized by the government agencies as the authority for

reforestation projects, including rehabilitation. The experimental rehabilitation work was started at selected sites at RHT in August 2011, together with the establishment of a nursery. A tailings site and one area of about two hectares at the top west of the open-pit were selected for the initial stage of the experimental rehabilitation project.

On 27 October 2011, a collaborative rehabilitation project between FRIM and RHT was jointly launched by FRIM Director General, Dato' Dr. Abd Latif Mohmod, and RHT's Senior General Manager, Ir. Mohamed Yakub Ismail. To commemorate the event, seedlings of two local tree species, the Meranti Temak (Shorea hypochra) and Sungkai (Peronema canescens) were planted at the experimental tailings rehabilitation site. The close collaboration and strategic alliance between FRIM and RHT would be invaluable towards the successful rehabilitation of the RHT mine upon eventual closure.

Similarly at PT Koba Tin, a total of 1,182 hectares of land disturbed by mining activities have been levelled and 718 hectares re-vegetated or reclaimed. A total of 250,757 trees were used in the company's re-vegetation activities for the year. Re-vegetation of former mining ponds is crucial to impede erosion and help to accelerate the recovery of water pH. We are also collaborating with Toyota Tsusho (M) Sdn Bhd in planting Jatropha trees at ex-mining land to produce bio-diesel as the source of renewable energy.