

ANNOUNCEMENT TO BURSA MALAYSIA

PROPOSED ACQUISITION OF 300 ORDINARY SHARES IN ASIATIC COAL PTE LTD (“ASIATIC COAL”), REPRESENTING 30% OF ITS EQUITY INTEREST, FROM TAURUS CAPITAL INCORPORATED (“TAURUS CAPITAL”) FOR A CASH CONSIDERATION OF USD6.75 MILLION (OR APPROXIMATELY RM22.05 MILLION) (“PROPOSED ACQUISITION”)

1. INTRODUCTION

The Board of Directors (“**Board**”) of MSC is pleased to announce that the Company, jointly with its 42.7%-associated company, Australia Oriental Minerals NL (“**AOM**”), a company listed on the Australian Stock Exchange, (to be collectively referred to as “**Purchasers**”) have today entered into a share sale agreement with Taurus Capital for the proposed acquisition of 30% interest in Asiatic Coal by MSC and AOM respectively, totalling to 60% of the equity interest in Asiatic Coal (“**Total Sale Shares**”) (“**SSA**”).

Asiatic Coal through its 99.9%-owned subsidiary in Indonesia, namely PT Asiatic Coal Nusantara (“**AC Nusantara**”) has secured an exclusive right to mine and market for coal in an area of approximately 4,005 hectares located in the Central Kalimantan Province, Indonesia (“**Mining Concession Area**”). The agreed purchase consideration of USD6.75 million for a 30% interest is arrived at on a willing buyer willing seller basis based on the valuation of USD15 per tonne of coal resources of 1.5 million tonnes for the entire interest in Asiatic Coal.

In addition, the Company and AOM have also on even date entered into an option agreement for the proposed acquisition of additional ordinary shares in Asiatic Coal held by Taurus Capital, representing 60% of its equity interest (“**Option Shares**”), in the event of the discovery of measured and indicated coal resources determined in accordance with the Code for Reporting of Mineral Resources and Ore Reserves of the Australian Joint Ore Reserves Committee (“**JORC Code**”) (“**Qualifying Resources**”) exceeding a value of 1.5 million tonnes and up to a maximum of 10.0 million tonnes (“**Additional Resources**”) which will result in Asiatic Coal issuing such number of new ordinary shares to Taurus Capital equivalent to the valuation of the Additional Resources (“**Additional New Shares**”) (“**Option Agreement**”).

In conjunction with the execution of the SSA, the Company and AOM have on even date entered into a shareholders’ agreement with Taurus Capital and Asiatic Coal which will regulate the affairs of Asiatic Coal and the rights of MSC, AOM and Taurus Capital as shareholders of Asiatic Coal (“**Shareholders**”) (“**Shareholders’ Agreement**”).

(The SSA, the Option Agreement and the Shareholders’ Agreement are to be collectively referred to as “**Agreements**”)

Following the execution of the Agreements, the Board of MSC is also pleased to announce that the Company, jointly with AOM, have today acknowledged receipt of an offer from Taurus Capital via its letter dated 30 June 2008 (“**Offer Letter**”) of an irrevocable first right option to purchase controlling shares in Taurus Capital’s 99.9%-owned subsidiaries, namely PT Premium Coal Nusantara (“**PCN**”) and PT Kualiti Coal Nusantara (“**KCN**”) (“**Offer**”). The Offer is irrevocable and is provided for the benefit of MSC and AOM on an exclusive basis for a period of one (1) year from the date of the Offer, premised on the following :-

- (i) That PCN and KCN will enter into exclusive mining cooperation and management agreements with holders of two (2) coal exploration concessions encompassing a total area of approximately 8,710 hectares in Desa Ipu Kecamatan Lahei and Desa Pendreh Kecamatan Teweh Tengah, Central Kalimantan Province, Indonesia (“**Exploration Concessions**”);

- (ii) That the total indicative pricing for the purchase of controlling shares in PCN and KCN shall be based on USD15.0 per tonne of coal resource as may be determined under the Exploration Concessions based on approved feasibility studies and due diligence with all other terms thereof to be similar to the Proposed Acquisition, including a maximum cap of 10.0 million tonnes per Exploration Concession; and
- (iii) That MSC, AOM and Taurus Capital will negotiate to enter into definitive agreements within one (1) month of the Offer, in order to formalise the transactions in accordance with corporate and regulatory approvals to be obtained by MSC and AOM respectively.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Background Information On The Proposed Acquisition

The Proposed Acquisition entails the acquisition of 300 ordinary shares in Asiatic Coal ("**Sale Shares**"), representing 30% of its equity interest, by MSC for a cash consideration of USD6.75 million (or approximately RM22.05 million based on the exchange rate of USD1.000=RM3.2665 as at 30 June 2008).

The Proposed Acquisition is subject to the terms and conditions of the SSA.

2.2 Background Information On Asiatic Coal

Asiatic Coal was incorporated in Singapore on 28 April 2008 under Chapter 50 of the Companies Act of Singapore. As at 30 June 2008, the issued share capital of Asiatic Coal is SGD1,000 comprising 1,000 ordinary shares, all of which have been issued and are fully paid-up.

Asiatic Coal is principally involved in investment holding and is currently dormant. It only has one (1) subsidiary, AC Nusantara which has yet to commence operations.

AC Nusantara had on 25 June 2008 entered into a Mining Cooperation And Management Agreement with PT Permata Mulya Agung ("**PT Permata**") ("**Mining Agreement**") who has been granted with several mining concessions, including a coal exploitation mining concession for a period of twenty (20) years expiring in 2026 ("**Mining Concessions**"). Pursuant to the Mining Agreement, AC Nusantara has been appointed as the sole and exclusive contractor with respect to the Mining Concessions and other future concession rights at the Mining Concession Area ("**All Mining Concessions**") for the entire life of All Mining Concessions or when the coal deposits at the Mining Concession Area are exhausted, whichever is the later, whereby the said appointment is irrevocable until the expiration of All Mining Concessions or when the coal deposits at the Mining Concession Area are exhausted, whichever is the later.

The coal deposits are located at Desa Pendreh Kecamatan Teweh Tengah Regency of Barito Utara, Central Kalimantan Province, Indonesia, an area well known for Indonesia coal basins and within the known region of anthracite and high bituminous coal in Kalimantan.

Asiatic Coal is currently undertaking exploratory and confirmatory drilling in an area of approximately 200 hectares within the Mining Concession Area, with drilling encountering coal seam intersections of anthracite and high bituminous coal that has high calorific value in the range of 7,500 to 8,300 kcal per kilogram, low ash averaging 6%, high carbon content averaging 80.6% and low average moisture at 8.5%. Based on preliminary results, production is expected to commence in the fourth (4th) quarter of 2008.

A drilling program with an estimated budget of USD500,000 is planned for the next six (6) months to delineate a coal resource in accordance with the JORC Code standard. The exploration target for the drilling programme is 7.5 million tonnes to 10.0 million tonnes. In the event of the discovery of the Additional Resources, the valuation of Asiatic Coal will be increased by an amount equivalent to USD15.0 per tonne for each additional tonne of resources of coal uncovered. Asiatic Coal will thereafter issue the Additional New Shares to Taurus Capital, subject to the approval of its shareholders based on a valuation of a minimum of USD22,500 for each ordinary share in Asiatic Coal. Based on the terms of the Option Agreement, MSC has an option to acquire additional ordinary shares in Asiatic Coal held by Taurus Capital after the issuance of the Additional New Shares in proportion to its shareholding in Asiatic Coal upon completion of the SSA.

2.3 Background Information On Taurus Capital

Taurus Capital was incorporated in Labuan on 29 December 2004 under the Offshore Companies Act, 1990. As at 30 June 2008, the authorised share capital of Taurus Capital is USD10,000 comprising 10,000 ordinary shares of USD1.00 each, of which 2 ordinary shares of USD1.00 each have been issued and are fully paid-up.

Taurus Capital is principally involved in investment holding.

Taurus Capital also has beneficial interest in all the shares of PT Permata.

2.4 Basis Of Determining The Purchase Consideration

The purchase consideration for the Proposed Acquisition was arrived at on a willing-buyer willing-seller basis based on the valuation of USD15.0 per tonne of coal resource of 1.5 million tonnes for the entire issued and paid-up share capital of Asiatic Coal and after taking into consideration, amongst others, the following :-

- (i) the current market price of anthracite coal which is in the range of approximately USD180.0 to USD260.0 per tonne with typical specifications in the region similar to that of the coal samples for the Mining Concession Area; and
- (ii) the estimated costs and expenses to be incurred by AC Nusantara for the mining and production of marketable coal.

2.5 Liabilities To Be Assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by MSC pursuant to the Proposed Acquisition.

2.6 Source Of Funding

The Company will utilise its internal funds to wholly finance the Proposed Acquisition.

The Company estimates that the Asiatic Coal group of companies ("**Asiatic Group**") will require approximately USD6.2 million to commence its coal mining operations which will be financed via contribution from the Shareholders in proportion to their shareholding in Asiatic Coal upon completion of the SSA. Accordingly, the Company's expected contribution based on its proposed shareholding in Asiatic Coal will be approximately USD1.86 million (or approximately RM6.08 million based on the exchange rate of USD1.000=RM3.2665 as at 30 June 2008).

3. SALIENT TERMS OF THE AGREEMENTS

3.1 SSA

The salient terms of the SSA are as follows :-

- (a) Taurus Capital agrees to sell and the Purchasers (to be collectively referred to as "**Parties**"), relying on the representations, warranties and undertakings as contained in the SSA, agree to purchase the Total Sale Shares (in the proportion specified in **Table 1** of the Appendix of this Announcement) free from any claim, charge, mortgage, security, lien, right of pre-emption, right of first refusal or security interest of any kind ("**Encumbrances**") and together with all rights and advantages attaching to them as at the completion of the sale and purchase of the Sale Shares pursuant to the terms of the SSA ("**Completion**") (including, without limitation, the right to receive all dividends or distributions declared, made or paid on or after Completion).
- (b) The consideration for the purchase of the Total Sale Shares shall be the aggregate sum of USD13.5 million (or approximately RM44.10 million based on an exchange rate of USD1.0000 = RM3.2665 as at 30 June 2008), which shall be apportioned among the Purchasers as set out in **Table 1** of the Appendix of this Announcement and paid to Taurus Capital in due proportion on Completion in accordance with the completion terms as set out in the SSA.

3.2 OPTION AGREEMENT

The salient terms of the Option Agreement are as follows :-

- (a) Taurus Capital irrevocably grants to the Purchasers an option ("**Call Option**") to require Taurus Capital to sell to the Purchasers, free from all Encumbrances and together with all rights and advantages attaching to them as at the completion of the sale and purchase of the Option Shares ("**Option Completion**"), all (and not some only) of the Option Shares held by Taurus Capital, in proportion to the shareholding percentage of the ordinary shares held in Asiatic Coal by each of the Purchasers subsequent to the completion of the SSA ("**Shareholding Percentage**"), and on the terms and subject to the conditions of the Option Agreement.
- (b) The consideration for the exercise of the Call Option shall constitute the sum of USD15.0 for each tonne of Additional Resource, which aggregate amount shall be based on the amount of Additional Resource determined by an independent consultant pursuant to the terms of the Option Agreement, multiplied by USD15.0 per tonne ("**Call Option Price**").
- (c) The exercise of the Call Option by the Purchasers is conditional upon (and accordingly beneficial ownership in the Option Shares will not pass until) :-
 - (i) if required by a law applying to the Purchaser in its place of incorporation, the passing at a general meeting of that Purchaser of a resolution to approve the acquisition of the Option Shares on the terms of the Option Agreement; and
 - (ii) the licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals necessary for or in respect of the proposed acquisition of the Option Shares by the Purchasers have been obtained from appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies, including the Securities Commission of Malaysia

("SC"), Bursa Malaysia Securities Berhad and Bank Negara Malaysia on terms satisfactory to the Purchasers and such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals remaining in full force and effect.

- (d) The Option Agreement shall be terminated in the event that completion of the SSA is not effected by the date which is three (3) months from the date of the SSA (or such other later date as may be agreed in writing between the Parties) and no Party shall have any claim against any other under it, provided that such termination shall not prejudice the rights of Taurus Capital or the Purchasers which have accrued or arisen prior to such termination.

3.3 SHAREHOLDERS' AGREEMENT

The salient terms of the Shareholders' Agreement are as follows :-

- (a) The Shareholders agree that at all times during the continuance of the Shareholders' Agreement the business of Asiatic Coal shall comprise the holding of shares in AC Nusantara, and through AC Nusantara, the carrying out of the Mining Agreement, under which it has the exclusive and irrevocable right to carry on coal mining activities within the areas covered by mining authorisations held by PT Permata, and subject to the other terms and conditions of the Shareholders' Agreement, such other businesses as may from time to time be agreed on by the Board of Asiatic Coal ("**Business**"). Each of the Parties undertakes to use all reasonable endeavours to promote the interests of Asiatic Coal and AC Nusantara in connection with the Business.
- (b) Save and except for an issue of shares pursuant to an Initial Public Offering and the issuance of the Additional New Shares pursuant to the Option Agreement, each of the Shareholders shall exercise its voting rights for the time being in Asiatic Coal and take such steps as for the time being lie within its power to procure that the issue of any new shares from time to time created in the capital of Asiatic Coal shall before issuance be offered for subscription in the first instance to such persons as at the date of the offer are registered as members of Asiatic Coal in proportion as nearly as practicable to their respective Shareholding Percentages.
- (c) As soon as practicable after the date of the Shareholders' Agreement, the Shareholders shall consider whether Asiatic Coal should seek a listing of its issued shares on a recognised stock exchange ("**Listing**"). No application for listing of Asiatic Coal may be made without the unanimous approval of the Shareholders. If the Shareholders agree that Asiatic Coal shall seek a Listing, they shall co-operate fully with each other and Asiatic Coal and their respective financial and other advisers to achieve a Listing in accordance with the rules and regulations of the recognised stock exchange to which the application for Listing is made and other applicable laws.
- (d) A call option ("**Default Call Option**") may be exercised by each of the Non-Defaulting Shareholders (as defined in the Shareholders' Agreement) by serving a notice in the form set out in the Shareholders' Agreement ("**Default Call Option Notice**") on the Defaulting Shareholder (as defined in the Shareholders' Agreement) within a period of sixty (60) days from the date of the Appointed Valuer's certificate referred to in the Shareholders' Agreement ("**Appointed Valuer's Certificate**").

The Defaulting Shareholder shall, upon receiving a Default Call Option Notice from the Non-Defaulting Shareholders, sell to the Non-Defaulting Shareholders free from all liens, charges and other encumbrances and with all rights and advantages attaching thereto, the Defaulting Shareholder's ordinary shares in Asiatic Coal. However, in case competition arises as between two or more Non-

Defaulting Shareholders who have served valid Default Call Option Notices on the Defaulting Shareholder within the said sixty (60)-day period, the Defaulting Shareholder's ordinary shares in Asiatic Coal shall be pro-rated among such Non-Defaulting Shareholders according to their Shareholding Percentages.

A put option ("**Default Put Option**") may be exercised by each of the Non-Defaulting Shareholders by serving a notice in the form set out in of the Shareholders' Agreement ("**Default Put Option Notice**") on the Defaulting Shareholder within a period of sixty (60) days from the date of the Appointed Valuer's Certificate.

The Defaulting Shareholder shall, upon receiving a Default Put Option Notice from the Non-Defaulting Shareholders, purchase from the Non-Defaulting Shareholders free from all liens, charges and other encumbrances and with all rights and advantages attaching thereto, the Non-Defaulting Shareholders' Shares.

- (e) The Shareholders' Agreement shall take effect from the date of the Shareholders' Agreement and continue thereafter without limit in point of time but, upon the transfer by any Shareholder of the entirety of its shares in the capital of Asiatic Coal in accordance with Clause 7 of the Shareholders' Agreement, it shall be released from all its obligations set out in the Shareholders' Agreement (other than under Clauses 17 and 18) but, if at that time there are two (2) or more Shareholders bound by the provisions of the Shareholders' Agreement, the Shareholders' Agreement shall continue in full force and effect as between Asiatic Coal and the continuing Shareholders.

For the avoidance of doubt, in the event that there is only one (1) Shareholder, the Shareholders' Agreement shall automatically terminate.

The termination of the Shareholders' Agreement from any cause shall not release any Party from any liability which at the time of termination has already accrued, or which thereafter may accrue.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Board of MSC believes that the Proposed Acquisition provides a good opportunity for MSC to capitalise on the rising market demand for coal, particularly in the Asia Pacific region, as well as the strong growth potential that this venture could offer which will enable the MSC group of companies ("**MSC Group**" or "**Group**") to enhance its financial performance.

The Proposed Acquisition will enable MSC to broaden its resource business and at the same time, allow MSC to lend its expertise and years of experience in tin exploration and mining to the proposed coal project. The Proposed Acquisition will also act as an impetus for the future growth of the Group, besides its tin mining business, on the back of rising market demand and price for coal, especially in respect of anthracite and high bituminous coal which are used by steel and base metals smelting industries as well as power generating plants. MSC is expected to benefit substantially from this proposed investment.

The Board of MSC expects that the Proposed Acquisition will provide a significant entry into low cost coal production strategically located in an extensive coal-producing region of Indonesia known for its high quality anthracite and bituminous coal. This will bode well for the MSC Group and further entrench MSC's position as a leading resource-based player within the resource industry and enable MSC to further enhance shareholders' value.

5. RISK FACTORS AND PROSPECTS

5.1 Risk Factors

(a) Business Risks In The Coal Mining Industry

The Proposed Acquisition will expand the business activities of the MSC Group to include coal mining which is expected to alter the existing risk profile of the MSC Group. The performance of the Asiatic Coal Group is subject to business risks which are inherent to the coal mining industry, including but not limited to, general economic outlook in the region they operate in, namely Indonesia, competition within the industry, the price of coal, abnormal stoppages in coal production due to factors such as war, political or civil unrest and industrial obligations, poor weather conditions and changes in local or international regulations pertaining to coal, all of which may affect demand and supply conditions. There can be no assurance that any change to these factors will not have a material and/or adverse effect on the operations and financial performance of the Asiatic Coal Group and consequently, the MSC Group.

(b) Operational Risks

The Asiatic Coal Group will be subject to certain operational risks including delays or problems encountered during mining work as well as cost overruns. Production and operations can also be affected by factors including but not limited to, permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties and unusual or unexpected geological formations. Any significant delay or problems may have a material and/or adverse effect on the operations and financial performance of the Asiatic Coal Group.

In addressing these risks, the Asiatic Coal Group will engage experienced contractors and reliable suppliers so as to minimise operational disruptions.

The mine is also strategically located, resulting in a short hauling distance of approximately 3 to 4 kilometres only from the mine to the river.

Limitations to barging activities which is usually undertaken about eight (8) to nine (9) months only during the year due to dry season is also mitigated by plans to create an intermediate stockpile to minimise supply shortage for sales purposes.

(c) Policies On Foreign Investment And Repatriation Of Profits

Pursuant to the Proposed Acquisition, MSC will be subject to the policies on foreign investment and repatriation of profits under the Singapore and Indonesian Laws. Generally, there are no restrictions in policies on foreign investment and repatriation of profits from these countries. However, there can be no assurance that any changes to these laws in the future will not have a material and/or adverse effect on the MSC Group.

(d) Licensing And Regulations

To-date, PT Permata has obtained several licences and permits, including, the Mining Concessions. PT Permata may also be required to procure and/or renew several other licences and/or permits from time to time in conducting its business.

However, there can be no assurance that PT Permata will be granted all the necessary licences and/or permits for its current and future activities in

respect of the Mining Concession Area and/or that the licences and/or permits will be renewed or extended upon expiry by the relevant authorities.

(e) Currency Risk

The Asiatic Coal Group will be exposed to fluctuations of the Singapore Dollar and primarily, the Indonesian Rupiah against other major currencies including the USD since its sales will be denominated in USD whilst the costs of its operations will be denominated in Singapore Dollar and Indonesian Rupiah, depending on country of operation.

There can be no assurance that future foreign exchange fluctuations will not have a material and/or adverse effect on the financial performance of the Asiatic Coal Group. Notwithstanding this, steps will be taken to have a vigilant treasury management of cash surplus by maximising the utilisation of foreign currency accounts and only converting the amounts required for operational and capital expenditure when necessary.

(f) Political And Economic Considerations

Like any other business entities, changes in political and economic conditions in the countries in which the Asiatic Coal Group operates could materially and/or adversely affect the financial and business prospects of the Asiatic Coal Group. These political and economic uncertainties include but not limited to, changes in political leadership, expropriation, nationalisation, social unrest, changes in interest rates and methods of taxation.

5.2 Future Prospects Of The Asiatic Coal Group And Enlarged MSC Group

The Board of MSC believes that the Proposed Acquisition is the right move for the Group in order to expand its existing core resource businesses. By diversifying into coal mining, the MSC Group will benefit from the rising market demand and prices for coal. This will further strengthen the Group's position as a leading resource-based player in the region and contribute positively to the future financial performance of the MSC Group.

The Proposed Acquisition will also create a new engine of growth for the Group by generating potentially good returns to the shareholders in the long-run.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Share Capital

The Proposed Acquisition will not have any effect on the issued and paid-up share capital of MSC since it will be satisfied entirely in cash.

6.2 Net Assets And Gearing

The Proposed Acquisition will not have any immediate and material effect on the net assets and gearing of the MSC Group since it will be satisfied entirely in cash.

6.3 Earnings

The Proposed Acquisition will not have any material effect on the earnings of the MSC Group for the financial year ending 31 December 2008 since the Asiatic Coal Group will only commence production in the fourth (4th) quarter of 2008.

Barring unforeseen circumstances, it is expected that the Proposed Acquisition will contribute positively to the future earnings of the MSC Group.

6.4 Substantial Shareholders' Shareholding

The Proposed Acquisition will not have any effect on the shareholdings of the substantial shareholders in MSC since it will be satisfied entirely in cash.

7. CONDITIONS TO THE PROPOSED ACQUISITION

The Proposed Acquisition is not conditional upon any approval.

8. DEPARTURE FROM THE GUIDELINES ON THE OFFERING OF EQUITY AND EQUITY-LINKED SECURITIES OF THE SC ("SC GUIDELINES")

To the best of the knowledge of the Board of MSC, the Proposed Acquisition does not depart from the SC Guidelines. In any event, the Proposed Acquisition does not require the approval of the SC.

9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the directors and major shareholders of the Company as well as persons connected with them have any interest, direct and/or indirect, in the Proposed Acquisition.

10. DIRECTORS' STATEMENT

Having considered the rationale for the Proposed Acquisition and after due deliberation, the Board of MSC is of the opinion that the Proposed Acquisition is in the best and long-term interest of the Company and its shareholders.

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring unforeseen circumstances, the Board of MSC expects the Proposed Acquisition to be completed in the third (3rd) quarter of 2008.

12. APPLICATION TO THE RELEVANT AUTHORITIES

The Proposed Acquisition is not subject to any regulatory approval.

13. DOCUMENTS AVAILABLE FOR INSPECTION

The Agreements and the Offer Letter will be made available for inspection at the registered office of MSC at B-15-11, Block B, 15th Floor, Unit 11, Megan Avenue II, 12 Jalan Yap Kwan Seng, 50450 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this Announcement.

This Announcement is dated 1 July 2008.

Table 1

Name of Purchaser	Shares Purchased (units)	Percentage of Shareholding in Asiatic Coal (%)	Consideration (USD million)
MSC	300	30.0	6.75
AOM	300	30.0	6.75