

**ANNOUNCEMENT TO BURSA MALAYSIA BERHAD:  
DEVELOPMENTS AT THE COMPANY'S 75% OWNED SUBSIDIARY,  
PT Koba TIN IN INDONESIA**

Further to the announcement made to Bursa Malaysia on January 24, 2007 regarding the investigation on its 75% subsidiary, PT Koba Tin, by the special task force of National police as part of the Indonesian government's efforts to regulate the country's tin mining industry, the Board of Directors of Malaysia Smelting Corporation Berhad wishes to advise that three of the executive directors (senior managers) of PT Koba Tin have been held by the police to assist in their ongoing investigation. The Management of PT Koba Tin will continue to cooperate with the authorities. The Board wishes to emphasize that the matter is still under investigation and no charges have been proffered against PT Koba Tin or its directors (senior managers) to date.

The investigation is the result of a report alleging PT Koba Tin's involvement in the collection of tin ore from small scale miners operating outside its Contract of Work (CoW) area. During the period of the investigation, PT Koba is allowed to continue mining and smelting tin concentrates produced from its own dredging and gravel pump operations but delivery and shipment of tin metal is still suspended. As a result, PT Koba Tin has declared force majeure to its tin customers. The Board expects the performance of the Group for the first quarter of 2007 to be affected by current developments. Necessary efforts are being undertaken for early resolution.

The Board reiterates that PT Koba Tin is a responsible corporate citizen, operating within the legal parameters of Indonesian laws including paying of taxes and royalty for the export of tin from its leases and undertaking the necessary environmental and rehabilitation works. PT Koba Tin collects tin concentrates from small scale miners operating within its CoW mining leases based on annual quantity approved by the authorities. Further, all materials procured from small scale miners are methodically documented to ensure that the origin of the ore is from within the CoW area.

The Company acquired 75% stake in PT Koba Tin in 2002. PT Koba Tin operates under a CoW issued by the Indonesian Central Government and covering a total mining acreage of about 41,000 ha. The CoW has enough reserves to last until its expiry date at the end of 2013.

This announcement is dated 12 February, 2007.

By order of the Board,  
Abdul Rahim Hussain  
Sharifah Faridah Abd. Rasheed  
Company Secretaries