

MITHRIL BERHAD
(Company No.: 577765-U)

EXPLANATORY NOTES AS PER MASB 26 – INTERIM FINANCIAL REPORTING

M1. Basis of Preparation – FRS 134

The interim financial statement is unaudited and has been prepared in compliance with Financial Reporting Standard 134 (FRS 134), Interim Financial Reporting (previously known as Malaysian Accounting Standards Board Standard 26 (MASB 26)), and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2005.

The accounting policies and method of computation adopted by the Group in this interim financial statements are consistent with those adopted in the audited financial statements of the Group for the financial year ended 30 June 2005.

M2. Preceding Year's Audit Report - MASB 26, Paragraph 16 (b)

The auditors' report on the financial statements of the Company for the financial year ended 30 June 2005 was not subject to any qualification and did not include any adverse comment made under subsection (3) of Section 174 of the Companies Act, 1965.

M3. Seasonal or Cyclical Factors - MASB 26, Paragraph 16 (c)

The Group's business operations via its subsidiary, Mithril Saferay Sdn Bhd (formerly known as Saferay (M) Sdn Bhd ("Saferay")) which is involved in the manufacturing and selling of architectural mouldings made of polyurethane, has sales trend which is lower in the second half of the financial year (January to June) and higher in the first half of the financial year (July to December).

M4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence - MASB 26, Paragraph 16 (d)

There were no items affecting the assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size, or incidence for the quarter ended 31 March 2006.

M5. Changes in Estimates - MASB 26, Paragraph 16 (e)

There were no material changes in estimates of amounts that have a material effect in the current interim period.

M6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities - MASB 26, Paragraph 16 (f)

On 20 February 2006, the balance of 856 Redeemable Convertible Unsecured Loan Stocks ("RCULS") of RM1.00 each has been redeemed and the RCULS Trust Deed has been retired.

During this quarter, 910,500 Irredeemable Convertible Unsecured Loan Stocks ("ICULS") of RM1.00 each were converted to 910,500 ordinary shares of Mithril of RM1.00 each.

M7. Dividend Payout - MASB 26, Paragraph 16 (g)

No dividends have been paid since the beginning of the current financial year.

M8. Segmental Reporting - MASB 26, Paragraph 16 (h)

	Cumulative		Cumulative	
	Revenue	Profit/(loss) from operations	Revenue	Profit/(loss) from operations
	RM '000	RM '000	RM '000	RM '000
	31.03.06	31.03.06	31.03.05	31.03.05
Manufacturing	50,777	2,216	33,857	(3,024)
Investment properties	6,045	3,372	5,100	3,591
Others	45	(31)	-	(5)
	56,867	5,557	38,957	562
Inter-segment elimination	(3,380)		(2,326)	-
	53,487	5,557	36,631	562

M9. Valuations of Property, Plant and Equipment - MASB 26, Paragraph 16 (i)

For the quarter ended 31 March 2006, there were no valuations done for the property, plant and equipment for the Group. The valuations of property, plant and equipment have been brought forward without amendment from the previous audited financial statements.

M10. Material Events Subsequent to the end of the Interim Period - MASB 26, Paragraph 16 (j)

On 7 April 2006, 10,000 Irredeemable Convertible Unsecured Loan Stocks ("ICULS") of RM1.00 each were converted to 10,000 ordinary shares of Mithril of RM1.00 each.

M11. Changes in Composition of the Group - MASB 26, Paragraph 16 (k)

There were no changes in the composition of the Group for the quarter ended 31 March 2006.

M12. Contingent Liabilities - MASB 26, Paragraph 16 (l)

The contingent liabilities at Group level for the quarter ended 31 March 2006 are as follows:

	As at 3 rd Quarter ended 31.03.06 RM'000	As at period ended 31.03.05 RM'000
Corporate guarantee given to banks for facilities granted to a subsidiary company	10,500	7,120

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EXPLANATORY NOTES AS PER BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

K1. Review of Performance of the Company and Principal Subsidiaries

The Group achieved a turnover of RM14.599 million for the quarter ended 31 March 2006 as compared to RM10.799 million in the corresponding financial quarter last year. The increase of the Group's turnover as compared to the corresponding financial quarter that was attributed to increase in turnover reported by the subsidiary Mithril Saferay Sdn Bhd manufacturing and selling polyurethane architectural mouldings and the initial contribution from Mithril FRP Industries Sdn Bhd, a wholly owned subsidiary that is involved in fibre reinforced plastic fabrications.

The Group recorded a loss before taxation for the current quarter ended 31 March 2006 of RM1.304 million as compared to a loss before taxation of RM1.610 million for the same period last year. The improvement is due to the higher contribution from the manufacturing operation.

K2. Material Change in Profit/(Loss) Before Taxation For Quarter Reported On As Compared With The Immediate Preceding Quarter.

The Group's loss before taxation for the current quarter ended 31 March 2006 was RM1.304 million as compared to a loss before taxation of RM0.645 million in the immediate preceding quarter ended 31 December 2005. The current quarter loss as compared to the preceding quarter was due to the increase in prices of petroleum-based raw materials for Mithril Saferay Sdn Bhd.

Turnover for the current quarter as at 31 March 2006 is RM14.599 million as compared to RM19.576 million as reported in the preceding quarter ended 31 December 2005. The decrease in the turnover during the current quarter is mainly due to the inherent cyclical factors that demand and shipment for architectural mouldings made of polyurethane are lower during the month of January to March due to winter months of the northern hemisphere.

A fire broke out on the tunnel kiln of Tajo Berhad had also contributed to the decrease in sales as brick operations have been suspended and this had been announced in the last quarter.

K3. Prospects for 2006

Barring unforeseen circumstances, the Directors anticipated a slight improvement in the performance of the Group for the coming quarter due to seasonal increase in demand of polyurethane products and on-going cost-saving measures.

K4. Variance on Profit Forecast and Shortfall in Profit Guarantee

This note is not applicable.

K5. Taxation

Taxation charge comprises:

	Current Quarter	Financial year-to-date
	31.03.06	31.03.06
	RM '000	RM '000
Current Taxation	(118)	596
Under/(Over) provision of Taxation	-	-
Deferred Taxation	336	514
	218	1,110

Deferred taxation is in relation to the debt instruments (ICULS, RCULS and RCSLS) issued by Mithril.

K6. Profit / (Loss) on Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments and/or properties for the quarter ended 31 March 2006 and financial year-to-date.

K7. Quoted Securities

There was no purchase or sale of quoted securities for the quarter ended 31 March 2006 and financial year-to-date.

K8. (a) Status of Corporate Proposals

There were no corporate proposals that were announced but not completed within 7 days from the date of issue of this quarterly report.

b) Status of Utilisation of Proceeds Raised

This note is not applicable.

K9. Group Borrowings and Debt Securities

Group borrowings and debt securities for the financial quarter ended 31 March 2006 are as follows:

<u>Borrowings</u>	Secured RM '000	Unsecured RM '000	Total RM '000
<u>Short Term Borrowings</u>			
Bank Overdraft	-	2,445	2,445
Trade Facilities	-	7,011	7,011
Hire Purchase	-	1,386	1,386
Term Loan	-	7,606	7,606
	-	18,448	18,448
<u>Long Term Borrowings</u>			
Hire Purchase	-	15,680	15,680
Term Loan	-	-	-
	-	15,680	15,680
	-	34,128	34,128
<u>Debt Securities</u>			
ICCPS	-	1,303	1,303
RCULS	-	-	-
ICULS	-	12,503	12,503
RCSLS	45,301	-	45,301
	45,301	13,806	59,107

The RCSLS is secured by the following:

- Deed of Assignment and Security Deed of Assignment on 29 subsidiary parcels of commercial/ office space together with 195 units of basement car park bays within

an 11-storey office building with 3 basement car parks known as Menara MAA located in Kota Kinabalu and;

- b) Security Deed of Assignment on all the subsidiary parcels of commercial/ office space situated within 8 levels forming part of 12-level office building with an open air car park known as Menara MAA located in Kuching.

K10. Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risk as at the date of the issue of this quarterly report.

K11. Changes in Material Litigation

There is no impending material litigation on Mithril Group as at the financial quarter ended 31 March 2006.

K12. Dividend

The Directors do not recommend any dividend for the financial period ended 31 March 2006.

K13. Earnings Per Share

a) Basic Earnings per share

The basic earnings per ordinary share has been calculated by dividing the Group's net loss for the quarter of (RM1,522,099) (2005 : net loss of (RM1,641,674)) by the weighted average number of ordinary shares of the Company in issue during the current quarter of 108,694,135 (2005 : 83,176,989) shares.

The basic earnings per ordinary share for the cumulative quarter has been calculated by dividing the Group's net loss for the 9 months to date of (RM1,462,156) (2005 : net loss of (RM6,301,166)) by the weighted average number of ordinary shares of the Company in issue during the 9 months of 108,694,135 (2005 : 83,176,989) shares.

b) Fully diluted earnings per share

The outstanding arrangements that give rise to potential ordinary shares are anti-dilutive.

By Order of the Board,

Lily Yin Kam May
Yeo Took Keat
Company Secretaries

KUALA LUMPUR
DATED :