

**PADAENG INDUSTRY PUBLIC COMPANY LIMITED**

**CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS**

**31 DECEMBER 2009**

**Padaeng Industry Public Company Limited**  
**Balance Sheets**  
**As at 31 December 2009 and 2008**

	Notes	Consolidated		Company	
		2009 Baht	2008 Baht	2009 Baht	2008 Baht
<b>ASSETS</b>					
<u>Current Assets</u>					
Cash and cash equivalents	6	630,121,596	1,043,293,804	437,464,391	800,779,192
Trade accounts receivables-net	7	318,813,177	338,718,624	317,117,099	338,197,287
Short-term loans	26 (iv)	-	2,449,000	-	-
Inventories-net	8	2,707,478,925	1,548,438,171	2,707,478,925	1,548,438,171
Value added tax receivables		149,074,154	97,571,271	148,702,550	91,707,320
Other receivables-related parties-net		3,989,549	-	11,643,592	3,307,445
Other current assets	9	46,637,244	198,627,609	45,256,222	197,112,683
<b>Total Current Assets</b>		<b>3,856,114,645</b>	<b>3,229,098,479</b>	<b>3,667,662,779</b>	<b>2,979,542,098</b>
<u>Non-Current Assets</u>					
Advances to related parties-net		-	-	16,965,416	1,316,416
Investments in subsidiaries-net	10, 26 (i)	-	-	233,005,323	237,955,323
Investments in jointly controlled entity	10, 26 (i)	167,309,172	212,657,612	236,249,800	236,249,800
Property, plant and equipment-net	11	1,725,019,574	2,040,918,639	1,726,246,262	2,042,373,739
Exploration and acquisition costs	12	1,094,047,135	916,864,585	182,616,867	191,415,792
Other non-current assets					
- deferred environmental rehabilitation expenses-net	13 (i)	32,540,631	34,981,178	32,540,631	34,981,178
- deferred environmental risk assurance expenses-net	13 (ii)	28,681,950	30,833,096	28,681,950	30,833,096
- others	13 (iii)	9,148,192	11,858,473	8,617,579	10,228,848
<b>Total Non-Current Assets</b>		<b>3,056,746,654</b>	<b>3,248,113,583</b>	<b>2,464,923,828</b>	<b>2,785,354,192</b>
<b>Total Assets</b>		<b>6,912,861,299</b>	<b>6,477,212,062</b>	<b>6,132,586,607</b>	<b>5,764,896,290</b>

Director.....

Director.....

**Padaeng Industry Public Company Limited**  
**Balance Sheets (Cont'd)**  
**As at 31 December 2009 and 2008**

	Notes	Consolidated		Company	
		2009 Baht	2008 Baht	2009 Baht	2008 Baht
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<u>Current Liabilities</u>					
Short-term loans from financial institutions	14	358,887,456	754,335,939	358,887,456	754,335,939
Trade accounts payables		832,090,780	169,678,449	830,692,147	169,126,736
Advances from other party	26 (viii)	-	451,168,863	-	-
Accrued electricity expenses		113,296,426	211,016,284	113,296,426	211,016,284
Royalty payable		2,412,081	44,140,979	2,412,081	44,140,979
Other payables-related parties	26 (vii)	-	185,650	243,587	458,703
Other current liabilities	18	267,029,221	207,046,539	246,426,670	147,938,108
<b>Total Current Liabilities</b>		<b>1,573,715,964</b>	<b>1,837,572,703</b>	<b>1,551,958,367</b>	<b>1,327,016,749</b>
<u>Non-Current Liabilities</u>					
Long-term loans from other party	26 (ix)	439,108,024	-	-	-
Accrued interest expenses-other party		28,405,604	-	-	-
Provisions for restoration expenses	16	70,660,152	87,032,557	70,660,152	87,032,557
Provisions for employee retirement benefits	17	115,145,724	113,790,600	115,145,724	113,790,600
Others non-current liabilities		570,157	1,112,191	570,157	1,112,191
<b>Total Non-Current Liabilities</b>		<b>653,889,661</b>	<b>201,935,348</b>	<b>186,376,033</b>	<b>201,935,348</b>
<b>Total Liabilities</b>		<b>2,227,605,625</b>	<b>2,039,508,051</b>	<b>1,738,334,400</b>	<b>1,528,952,097</b>
<u>Shareholders' Equity</u>					
Share capital					
Authorised share capital					
226,000,000 ordinary shares of Baht 10 each		2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Issued and paid-up share capital					
226,000,000 ordinary shares					
of Baht 10 each, fully paid	20	2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Premium on share capital	20	602,413,600	602,413,600	602,413,600	602,413,600
Retained earnings					
Appropriated legal reserve	21	202,961,801	186,003,887	202,961,801	186,003,887
Unappropriated		1,404,316,926	1,307,718,595	1,328,876,806	1,187,526,706
<b>Total Company Shareholders' Equity</b>		<b>4,469,692,327</b>	<b>4,356,136,082</b>	<b>4,394,252,207</b>	<b>4,235,944,193</b>
Minority interests		215,563,347	81,567,929	-	-
<b>Total Shareholders' Equity</b>		<b>4,685,255,674</b>	<b>4,437,704,011</b>	<b>4,394,252,207</b>	<b>4,235,944,193</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>6,912,861,299</b>	<b>6,477,212,062</b>	<b>6,132,586,607</b>	<b>5,764,896,290</b>

The notes to the consolidated and company financial statements on pages 9 to 30 are an integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of income**  
**For the years ended 31 December 2009 and 2008**

	Notes	Consolidated		Company	
		2009 Baht	2008 Baht	2009 Baht	2008 Baht
Sales and services revenue		6,619,405,921	8,142,298,823	6,602,569,165	8,125,350,516
Cost of sales and services		(5,943,298,515)	(7,384,575,646)	(5,930,477,308)	(7,372,624,753)
<b>Gross profit</b>		<b>676,107,406</b>	<b>757,723,177</b>	<b>672,091,857</b>	<b>752,725,763</b>
Other revenues		16,254,283	16,859,838	11,939,045	20,312,784
Dividend income		1,795,428	-	1,795,428	-
Gain (loss) on exchange rate		50,923,242	(52,961,151)	51,728,898	(53,053,605)
Reversal (allowance) for diminution of inventories		38,738,500	(14,797,168)	38,738,500	(14,797,168)
<b>Profit before expenses</b>		<b>783,818,859</b>	<b>706,824,696</b>	<b>776,293,728</b>	<b>705,187,774</b>
Selling expenses		(102,085,660)	(86,504,463)	(102,085,660)	(86,504,463)
Administrative expenses		(234,999,235)	(197,861,771)	(228,257,484)	(197,200,698)
Royalty expenses		(42,671,775)	(81,525,987)	(42,671,775)	(81,525,987)
Management expenses		(54,881,300)	(55,693,968)	(54,881,300)	(55,693,968)
<b>Total expenses</b>		<b>(434,637,970)</b>	<b>(421,586,189)</b>	<b>(427,896,219)</b>	<b>(420,925,116)</b>
<b>Operating profit</b>		<b>349,180,889</b>	<b>285,238,507</b>	<b>348,397,509</b>	<b>284,262,658</b>
Share of loss of investment in jointly controlled entity on equity method	10	(45,348,440)	(20,711,048)	-	-
<b>Profit before finance costs and corporate income tax</b>		<b>303,832,449</b>	<b>264,527,459</b>	<b>348,397,509</b>	<b>284,262,658</b>
Finance costs-net	23	(6,889,796)	2,940,359	(9,239,219)	(3,438,882)
<b>Profit before corporate income tax</b>		<b>296,942,653</b>	<b>267,467,818</b>	<b>339,158,290</b>	<b>280,823,776</b>
Corporate income tax		(903,763)	(2,578,763)	-	-
<b>Net profit</b>		<b>296,038,890</b>	<b>264,889,055</b>	<b>339,158,290</b>	<b>280,823,776</b>
<b>Attributable to:</b>					
Equity holders of the Company		296,354,305	265,051,674	339,158,290	280,823,776
Minority Interests		(315,415)	(162,619)	-	-
		<u>296,038,890</u>	<u>264,889,055</u>	<u>339,158,290</u>	<u>280,823,776</u>
<b>Earnings per share for profit attributable to the equity holders of the Company</b>					
Basic earnings per share	24	<u>1.31</u>	<u>1.17</u>	<u>1.50</u>	<u>1.24</u>

The notes to the consolidated and company financial statements on pages 9 to 30 are an integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of changes in shareholders' equity**  
**For the years ended 31 December 2009 and 2008**

	Notes	Consolidated						
		Attributable to equity holders of the Company				Total	Minority interest	Total
		Issued and paid-up share capital	Premium on share capital	Retained earnings				
				Baht	Baht	Appropriated legal reserve	Unappropriated	Baht
<b>Beginning balance as at 1 January 2009</b>		2,260,000,000	602,413,600	186,003,887	1,307,718,595	4,356,136,082	81,567,929	4,437,704,011
Appropriated legal reserve	21	-	-	16,957,914	(16,957,914)	-	-	-
Liquidation of a subsidiary		-	-	-	(1,947,784)	(1,947,784)	(5,643,640)	(7,591,424)
Actuarial gain recognised in equity	17	-	-	-	4,461,786	4,461,786	-	4,461,786
Increase in share capital		-	-	-	-	-	139,954,473	139,954,473
Net profit		-	-	-	296,354,305	296,354,305	(315,415)	296,038,890
Dividend paid	25	-	-	-	(185,312,062)	(185,312,062)	-	(185,312,062)
<b>Ending balance as at 31 December 2009</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>202,961,801</u>	<u>1,404,316,926</u>	<u>4,469,692,327</u>	<u>215,563,347</u>	<u>4,685,255,674</u>

	Notes	Consolidated						
		Attributable to equity holders of the Company				Total	Minority interest	Total
		Issued and paid-up share capital	Premium on share capital	Retained earnings				
				Baht	Baht	Appropriated legal reserve	Unappropriated	Baht
<b>Beginning balance as at 1 January 2008</b>		2,260,000,000	602,413,600	171,962,698	1,686,899,415	4,721,275,713	47,392,951	4,768,668,664
Appropriated legal reserve	21	-	-	14,041,189	(14,041,189)	-	-	-
Actuarial loss recognised in equity	17	-	-	-	(11,044,958)	(11,044,958)	-	(11,044,958)
Increase in share capital		-	-	-	-	-	34,337,597	34,337,597
Net profit		-	-	-	265,051,674	265,051,674	(162,619)	264,889,055
Dividend paid	25	-	-	-	(619,146,347)	(619,146,347)	-	(619,146,347)
<b>Ending balance as at 31 December 2008</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>186,003,887</u>	<u>1,307,718,595</u>	<u>4,356,136,082</u>	<u>81,567,929</u>	<u>4,437,704,011</u>

The notes to the consolidated and company financial statements on pages 9 to 30 are an integral part of these financial statements.

Padaeng Industry Public Company Limited  
 Statements of changes in shareholders' equity  
 For the years ended 31 December 2009 and 2008

	Notes	Company			Total	
		Issued and paid-up share capital	Premium on share capital	Retained earnings		
				Appropriated legal reserve		Unappropriated
Baht	Baht	Baht	Baht	Baht		
<b>Beginning balance as at 1 January 2009</b>		2,260,000,000	602,413,600	186,003,887	1,187,526,706	4,235,944,193
Appropriated legal reserve	21	-	-	16,957,914	(16,957,914)	-
Actuarial gain recognised in equity	17	-	-	-	4,461,786	4,461,786
Net profit		-	-	-	339,158,290	339,158,290
Dividend paid	25	-	-	-	(185,312,062)	(185,312,062)
<b>Ending balance as at 31 December 2009</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>202,961,801</u>	<u>1,328,876,806</u>	<u>4,394,252,207</u>

	Notes	Company			Total	
		Issued and paid-up share capital	Premium on share capital	Retained earnings		
				Appropriated legal reserve		Unappropriated
Baht	Baht	Baht	Baht	Baht		
<b>Beginning balance as at 1 January 2008</b>		2,260,000,000	602,413,600	171,962,698	1,550,935,424	4,585,311,722
Appropriated legal reserve	21	-	-	14,041,189	(14,041,189)	-
Actuarial loss recognised in equity	17	-	-	-	(11,044,958)	(11,044,958)
Net profit		-	-	-	280,823,776	280,823,776
Dividend paid	25	-	-	-	(619,146,347)	(619,146,347)
<b>Ending balance as at 31 December 2008</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>186,003,887</u>	<u>1,187,526,706</u>	<u>4,235,944,193</u>

The notes to the consolidated and company financial statements on pages 9 to 30 are an integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of cash flows**  
**For the years ended 31 December 2009 and 2008**

	Notes	Consolidated		Company	
		2009 Baht	2008 Baht	2009 Baht	2008 Baht
<b>Cash flows from operating activities</b>					
Profit before tax		296,942,653	267,467,818	339,158,290	280,823,776
<b>Adjustments for:</b>					
Depreciation expenses	11	392,344,817	367,932,154	391,595,450	367,325,295
Other non-current assets amortisation expenses		24,445,043	17,885,521	21,582,479	17,827,003
Interest expense	23	8,620,760	21,985,696	8,620,760	22,001,312
Interest income	23	(8,387,537)	(24,926,055)	(6,038,114)	(18,562,430)
Share of loss from jointly controlled entity	10	45,348,440	20,711,048	-	-
Allowance for doubtful debts		-	(274,240)	55,362	-
Allowance for doubtful debt-other receivables - related parties		-	-	-	73,910
Reversal of allowance for slow-moving and obsolete stocks	8	(1,312,259)	(21,064,934)	(1,312,259)	(21,064,934)
Allowance for diminution of inventories (reversal)	8	(38,738,500)	14,797,168	(38,738,500)	14,797,168
Allowance for unrecoverable interest		-	1,307,977	-	1,307,977
Provisions for employee retirement benefits	17	13,078,660	11,759,176	13,078,660	11,759,176
Provision for annual leave		-	2,022,202	-	2,022,202
(Gain) loss on disposal of property, plant and equipment		(463,953)	1,441,657	(463,953)	1,688,580
Impairment expenses (reversal)	11	8,973,208	(943,584)	8,973,208	(943,584)
Property, plant and equipment written-off		33,801	-	33,801	-
Withholding tax written-off		151,603	-	151,603	-
Dividend income		(1,795,428)	-	(1,795,428)	-
Exploration costs written-down	12	533,440	15,532,035	533,440	14,832,035
Provisions for restoration expenses	16	42,400,444	28,334,186	42,400,444	28,334,186
Unrealised loss on foreign currency exchange		837,857	6,880,235	837,857	6,880,235
<b>Changes in operating assets and liabilities</b>					
Trade accounts receivables					
- other parties		19,982,443	(59,062,330)	21,157,184	(62,701,701)
- related parties		-	25,222,828	-	25,222,828
Inventories		(1,118,989,995)	657,410,540	(1,118,989,995)	659,672,101
Value added tax receivables		(51,502,883)	(72,710,025)	(56,995,230)	(69,332,734)
Other receivables-related parties		(3,989,549)	-	(8,336,147)	215,995
Other current assets		156,262,316	(79,166,596)	152,021,376	(78,742,411)
Other non-current assets		(563,545)	(864,399)	(1,641,557)	-
Trade accounts payables					
- other parties		662,056,571	48,474,504	661,209,651	49,559,851
- related parties		-	(6,150,893)	-	(6,150,893)
Advances from other party		(3,632,851)	325,113,746	-	-
Accrued electricity expenses		(97,719,858)	23,891,690	(97,719,858)	23,891,690
Royalty payable		(41,728,898)	(172,804,551)	(41,728,898)	(172,804,551)
Other payable		-	-	(215,116)	333,267
Other current liabilities		41,108,339	(20,100,346)	99,744,252	(59,493,529)
Provisions for restoration expenses utilised	16	(58,772,849)	(23,748,526)	(58,772,849)	(23,748,526)
Provisions for employee retirement benefits	17	(7,261,750)	(919,300)	(7,261,750)	(919,300)
Other non-current liabilities		(542,034)	1,112,191	(542,034)	1,112,191
<b>Cash generated from operation</b>		<b>277,718,506</b>	<b>1,376,546,593</b>	<b>320,602,129</b>	<b>1,015,216,185</b>
Interest paid		(9,971,521)	(20,530,165)	(9,971,521)	(21,055,918)
Tax paid		(2,133,951)	(34,224,777)	(347,298)	(31,388,812)
<b>Net cash provided by operating activities</b>		<b>265,613,034</b>	<b>1,321,791,651</b>	<b>310,283,310</b>	<b>962,771,455</b>

The notes to the consolidated and company financial statements on pages 9 to 30 are an integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of cash flows (Cont'd)**  
**For the years ended 31 December 2009 and 2008**

	Notes	Consolidated		Company	
		2009 Baht	2008 Baht	2009 Baht	2008 Baht
<b>Cash flows from investing activities</b>					
Cash received from dividends		-	-	1,599,752	-
Cash received (paid) for short-term loans to related parties		2,449,000	-	(15,679,000)	1,650,063
Cash received from interest income		8,576,066	24,519,200	6,239,188	18,514,685
Cash invested in subsidiaries		-	-	-	(3,235,942)
Cash invested in jointly controlled entity		-	(100,625,000)	-	(100,625,000)
Proceeds from returns of capital from a subsidiary	10, 26 (i)	-	-	4,950,000	-
Cash paid for purchase of property, plant and equipment	11	(85,783,320)	(393,818,551)	(84,474,982)	(392,384,899)
Cash received from sales of property, plant and equipment		463,973	3,522,257	463,973	3,238,023
Cash paid for exploration	12	(114,862,616)	(445,949,872)	(5,472,475)	(45,878,275)
Cash paid for acquisition costs		(33,950,394)	(42,056,623)	-	(42,056,623)
Cash paid for other non-current assets		-	(4,061,025)	-	(3,315,781)
<b>Net cash used in investing activities</b>		<b>(223,107,291)</b>	<b>(958,469,614)</b>	<b>(92,373,544)</b>	<b>(564,093,749)</b>
<b>Cash flows from financing activities</b>					
Proceed (payment) on short-term loans from financial institutions		(397,047,241)	749,702,133	(397,047,241)	749,702,133
Proceed (payment) on a long-term loan from a related party		127,958,420	-	-	(80,000,000)
Dividends payment		(185,216,991)	(618,673,008)	(185,216,991)	(618,673,008)
Return of capital to minorities		(2,411,804)	-	-	-
Proceed on increase in share capital of a subsidiary		-	34,337,597	-	-
<b>Net cash received (used) in financing activities</b>		<b>(456,717,616)</b>	<b>165,366,722</b>	<b>(582,264,232)</b>	<b>51,029,125</b>
Effects from changes in exchange rate for cash and cash equivalents		1,039,665	(3,066)	1,039,665	(3,066)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(413,172,208)</b>	<b>528,685,693</b>	<b>(363,314,801)</b>	<b>449,703,765</b>
Cash and cash equivalents at beginning of the year		1,043,293,804	514,608,111	800,779,192	351,075,427
<b>Cash and cash equivalents at end of the year</b>		<b>630,121,596</b>	<b>1,043,293,804</b>	<b>437,464,391</b>	<b>800,779,192</b>

**Non-cash transaction:**

During 2009, Puthep Co., Ltd. increased share capital by transferring from "Advance from other party" to "Premium on share capital" for the amount of Baht 136,076,004 (Note 26 (i)).

## **1. General Information**

Padaeng Industry Public Company Limited (the “Company”) was established on April 10, 1981 and has been listed on the Stock Exchange of Thailand since July 21, 1987.

The Company’s registered office is at CTI Tower, 26th-27th floor, 191/18-25 Rachadaphisek Road, Khlong Toei District, Bangkok. The Company operates a silicate mine and a zinc smelter located in the Tak Province and a roaster plant located in the Rayong Province.

The principal business operations of the Company, its subsidiaries and affiliates are summarised as follows:

<b>Company</b> Padaeng Industry Public Co., Ltd.	<b>Principal activities</b> Mining and smelting zinc, the main products are zinc and zinc alloys
<b>Subsidiaries</b> Padaeng Properties Co., Ltd. Puthep Co., Ltd. Padaeng Industry (Laos) Co., Ltd. Padaeng International Mining Co., Ltd. South East Asia Metals Co., Ltd.	<b>Principal activities</b> Providing property services Copper exploration Zinc exploration and mining in Laos Minerals exploration in Vietnam (non operating) Trading of various base metals and their by-products
<b>Jointly controlled entity</b> Maesod Clean Energy Co., Ltd.	<b>Principal activities</b> Production and sales of ethanol

These consolidated and company financial statements have been authorised for issue by the Board of Directors at its meeting on 16 February 2010.

## **2. Significant Accounting Policies**

The main accounting policies adopted in the preparation of these consolidated and company financial statements are set out below:

### **2.1 Basis of preparation**

These consolidated and company financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, including Thai Accounting Standards issued under the Accounting Profession Act B.E.2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535.

The consolidated and company financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Thai Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management's best knowledge of current events and actions, actual result may differ from those estimates.

An English version of the consolidated and company financial statements has been prepared from the statutory financial statements in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

## **2. Significant Accounting policies (Cont'd)**

### **2.2 New accounting standards, new financial reporting standards and amendments to accounting standards**

Thai Accounting Standards were renumbered with effect from 26 June 2009 following a notice by the Federation of Accounting Professions to conform with the numbers used in the International Financial Reporting Standards.

Revised standards that are effective for the period beginning on or after 1 January 2009 including a revised accounting framework are as follows:

TAS No.36 (revised 2007) "Impairment of Assets"

TFRS No.5 (revised 2007) "Non-current Assets Held for Sale and Discontinued Operations" (formerly TAS 54)

Accounting Framework (revised 2007) (effective 26 June 2009)

These two standards and the revised accounting framework do not have a material impact on the financial statements being presented.

The revised accounting standards and new accounting standards which are effective for the period beginning on or after 1 January 2011 and 1 January 2012 and which were not early adopted by the Company are as follows:

#### Effective for the period beginning on or after 1 January 2011

TAS No.24 (revised 2007) "Related Party Disclosure" (formerly TAS 47)

TAS No.40 "Investment Property"

#### Effective for the period beginning on or after 1 January 2012

TAS No.20 "Accounting for Government Grants and Disclosure for Government Assistance"

The Company's management has determined that the revised accounting standards and the new standards will not significantly impact the financial statements being presented.

### **2.3 Group Accounting - Investments in subsidiaries and interests in jointly controlled entities**

#### (1) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Company and are no longer consolidated from the date that control ceases.

In the Company's separate financial statements, investments in subsidiaries are reported by using the cost method.

A list of the Company's subsidiaries is given in Note 26 (i).

#### (2) Jointly controlled entities

In the consolidated financial statements, investments in jointly controlled entities is reported using the equity method of accounting.

In the Company's separate financial statements, interest in jointly controlled entities is reported using the cost method.

A list of the Company's principal jointly controlled entity is given in Note 26 (i).

### **2.4 Foreign currency transactions**

Items included in the financial statements of each entity in the Company are measured using Thai Baht. The consolidated financial statements are presented in Thai Baht.

## **2. Significant Accounting policies (Cont'd)**

### **2.4 Foreign currency transactions (Cont'd)**

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into Thai Baht at the exchange rate prevailing at the date of the financial statement. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of income.

The statements of income and cash flows of foreign entities are translated into the Company's reporting currency at the average exchange rates for the year and balance sheets are translated at the exchange rates ruling on the closing date.

### **2.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held at call with banks or other short-term highly liquid investments with original maturities of three months or less.

### **2.6 Trade accounts receivables**

Trade accounts receivables are carried at the original invoice amount and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collected. Bad debts are written off during the year in which they are identified and recognised in the statement of income within selling and marketing costs.

### **2.7 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials (zinc sulphide, concentrates and zinc silicates), direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Where net realisable value is less than cost, an allowance for the diminution in value of inventories has been provided.

Spare parts and consumables are valued at the weighted average cost basis. Provisions are made, where necessary, for obsolete, slow moving and defective inventories and are based on a review of all outstanding amounts at the year-end.

### **2.8 Property, plant and equipment**

Property, plant and equipment are recorded at cost. Cost is measured by the cash or cash equivalent price of obtaining the asset and bringing it to the location and condition necessary for its intended use. In the case of self-constructed assets, the cost of construction consists of materials, direct labour and other expenses attributable to the construction which are allocated to the assets on a systematic basis. Property, plant and equipment, except land, are presented in the balance sheet at cost less accumulated depreciation.

Depreciation is calculated on the straight line basis to write off the cost or the revalued amount of each asset, except for land which is considered to have an indefinite life, to its residual value over the estimated useful life as follows:

	<u>Years</u>
Land improvements	5 - 20
Buildings	20 - 25
Machinery and heavy equipments	8 - 20
Equipments, furniture and fixtures	3 - 5
Vehicles	5

Residue ponds are amortised on units of production basis using the capacity volume of the residue ponds.

## **2. Significant Accounting policies (Cont'd)**

### **2.8 Property, plant and equipment (Cont'd)**

Residual value and the estimated useful life of the assets are reviewed and revised if necessary at every financial reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to a recoverable amount.

Repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in statement of income.

### **2.9 Exploration and acquisition costs**

Exploration costs are accumulated separately for each area of interest and accounted using the successful efforts basis of accounting for such costs.

Under this basis, accumulated costs of exploration are capitalised and carried forward on the balance sheet where one or both of the following conditions are met:

- Costs are expected to be recouped through successful development and exploitation of each area of interest or by sale of the area of interest; and/or
- Exploration activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves and exploration activities are continuing in the area of interest.

Expenditures which no longer satisfy the above policy are written-off or an allowance is provided against such expenditure where management is of the opinion that the carried forward net cost may not be recoverable.

Upon commencement of development and production, these exploration costs are amortised by using the straight line basis over the period that they are expected to provide economic benefits. Mining concession fees and acquisition costs have an estimated useful life of 5 to 16 years and are amortised accordingly or over the life of the mine, whichever is shorter.

### **2.10 Intangible assets**

#### Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, not exceeding a period of 3 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include labour costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, not exceeding a period of 3 years.

## **2. Significant Accounting policies (Cont'd)**

### **2.11 Environmental restoration costs**

Expenditures related to ongoing environmental restoration programs are charged against earnings as incurred. Where future costs relating to environmental liabilities have arisen as a result of past events, the Company establishes a provision over the period in which the obligation is incurred, which is over the useful life of the related asset. These provisions are made on an undiscounted basis.

The estimated restoration costs of the Mae Sod mine are accrued over the life of the mine. The estimated restoration costs for the residue ponds located at the Tak zinc smelter facility are accrued over the useful life of the residue ponds.

### **2.12 Impairment of assets**

Property, plant and equipment and other non-current assets, including intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

### **2.13 Employee Benefits**

The Company operates a provident fund that is a defined contribution plan. The assets of which are held in a separate trust fund. The provident fund is funded by payments from employees and by the Company at a certain percentage of the employee basic salary. Contributions to the provident fund are charged to the statement of income in the year to which they relate.

The Company has commitments for post-retirement benefits to employees on reaching retirement age. The present value of employee benefit liabilities recognised in the balance sheet is determined on an actuarial basis utilising various assumptions. The assumptions used in determining the net period cost for employee benefits includes the discount rate, the rate of salary inflation and employee turnover. Any changes in these assumptions will impact the net periodic cost recorded for employee benefits. On an annual basis the Company determines the appropriate discount rate, which represents the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the employee benefits. In determining the appropriate discount rate the Company considers the current yields on Thai Government Bonds.

### **2.14 Provisions**

Provisions, excluding the provisions for employee benefits, are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### **2.15 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods net of output tax, rebates and discounts, and after eliminating sales within the Group for the consolidated financial statements. Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer which is at the time when the goods are delivered to the customer or as contractually agreed.

Interest income is recognised on a time proportion basis, taking into account the outstanding principal and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company. Dividends are recognised when the right to receive payment is established.

## **2. Significant Accounting policies (Cont'd)**

### **2.16 Dividends**

Dividends are recorded in the consolidated and company's financial statements in the period in which they are approved by the shareholders.

### **2.17 Financial instruments**

Financial assets and liabilities carried on the balance sheet include cash and cash equivalents, trade accounts receivables, related parties receivables and payables, bank overdraft, trade accounts payables, accrued expenses and loans.

The Company enters into derivative financial instruments that reduce its exposure to fluctuations in foreign currency exchange rates with respect to recognised foreign currency assets or liabilities. The derivative instruments comprise forward foreign exchange contracts, protecting the Company from movements of foreign currency exchange rates by establishing the rate at which a foreign currency asset or liability will be realised or settled. They are measured at fair value and any related gains or losses (realised or unrealised) are recognised in the current period income. The fair values of the contracts are based on closing exchange quotations.

The Company also enters into forward derivative contracts to protect itself from movements in the zinc metal price changes related to production, and contracted purchases of concentrate and metal and sales of finished products. Those instruments comprise forward contracts for the sale and purchase of zinc metal. Such derivatives are not recognised on balance sheet at inception, since they relate to future transactions (or underlying) which are not yet reflected in the financial statements. Gains and losses on those derivative contracts are recognised in the financial statements upon settlement of the transactions; their valuation at period end is nevertheless mentioned in Note 27.

### **2.18 Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## **3. Capital risk management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## **4. Environmental rehabilitation and environmental risk assurance**

Deferred environment rehabilitation expenses and provision for environmental rehabilitation expenses are recognised in the balance sheet using the present value of the management's best estimation of future cash flows to be required to settle the expenditures for rehabilitation activities.

Deferred environmental risk assurance expenses and provision for environmental risk assurance expenses are recognised in the balance sheet using the present value of the instalments plan.

These deferred expenses are amortised by straight-line method over the useful life of mining area. The provisions are reviewed regularly and any changes in provisions are recognised as finance costs.

## **5. Segment information**

The Company produces a single product in Thailand for both domestic and export markets, using the same assets. The Company does not present segment information as it considers its business operations to be in one segment. Sales of the Company comprised mainly local sales and export to neighbouring countries present no material difference in risks and rewards to the Company.

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**6. Cash and cash equivalents**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Cash on hand	640,000	640,000	480,000	480,000
Deposits held at call with banks	207,662,673	295,301,506	188,080,014	260,772,704
Cash and bank balances	208,302,673	295,941,506	188,560,014	261,252,704
Bill of exchange	421,818,923	747,352,298	248,904,377	539,526,488
Cash and cash equivalents	<u>630,121,596</u>	<u>1,043,293,804</u>	<u>437,464,391</u>	<u>800,779,192</u>

The average interest rates on deposits and short-term investments are in the range of 0.10% - 1.07% (2008 : 0.13% - 2.32%).

**7. Trade accounts receivables-net**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Trade accounts receivables-third parties-gross	318,813,177	346,806,891	317,117,099	338,197,287
Less: Allowance for doubtful accounts	-	(8,088,267)	-	-
Trade accounts receivables-net	<u>318,813,177</u>	<u>338,718,624</u>	<u>317,117,099</u>	<u>338,197,287</u>

Outstanding trade accounts receivables as at 31 December 2009 and 2008 can be analysed as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Up to 3 months	318,813,177	338,576,974	317,117,099	338,055,637
3-6 months	-	-	-	-
6-12 months	-	-	-	-
Over 12 months	-	8,229,917	-	141,650
	318,813,177	346,806,891	317,117,099	338,197,287
Less: Allowance for doubtful accounts	-	(8,088,267)	-	-
	<u>318,813,177</u>	<u>338,718,624</u>	<u>317,117,099</u>	<u>338,197,287</u>

**8. Inventories-net**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Raw materials	653,061,292	638,050,973	653,061,292	638,050,973
Spare parts and consumables	156,520,039	259,010,984	156,520,039	259,010,984
Goods in transit	1,096,846,801	2,068,971	1,096,846,801	2,068,971
Work in process	597,581,581	488,645,211	597,581,581	488,645,211
Finished goods	223,406,562	220,650,141	223,406,562	220,650,141
	2,727,416,275	1,608,426,280	2,727,416,275	1,608,426,280
Less: Allowance for slow moving and obsolete inventories	(19,937,350)	(21,249,609)	(19,937,350)	(21,249,609)
Allowance for diminution of inventories	-	(38,738,500)	-	(38,738,500)
Inventories-net	<u>2,707,478,925</u>	<u>1,548,438,171</u>	<u>2,707,478,925</u>	<u>1,548,438,171</u>

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**9. Other current assets**

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Advances to suppliers				
- principal	35,071,032	35,071,032	35,071,032	35,071,032
- interest	11,133,011	11,133,011	11,133,011	11,133,011
Recoverable taxes	31,385,236	30,931,268	31,385,236	30,931,268
Others	15,252,008	167,696,341	13,870,986	166,181,415
	92,841,287	244,831,652	91,460,265	243,316,726
<u>Less: Allowance for doubtful accounts</u>	<u>(46,204,043)</u>	<u>(46,204,043)</u>	<u>(46,204,043)</u>	<u>(46,204,043)</u>
Total	<u>46,637,244</u>	<u>198,627,609</u>	<u>45,256,222</u>	<u>197,112,683</u>

**10. Investments in subsidiaries and jointly controlled entity**

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Opening net book amount	212,657,612	132,743,660	474,205,123	371,660,597
Share of loss	(45,348,440)	(20,711,048)	-	-
Increase in share capital (Note 26 (i))	-	100,625,000	-	102,544,526
Liquidate	-	-	(4,950,000)	-
Closing net book amount	<u>167,309,172</u>	<u>212,657,612</u>	<u>469,255,123</u>	<u>474,205,123</u>

During the year, the Company received returns of capital investment of Baht 4.95 million from a subsidiary which has registered its resolution with the Ministry of Commerce since 8 May 2008. As at 31 December 2009, the subsidiary completed its liquidation.

Investments in jointly controlled entity	Business	Country of Incorporation	% Ownership Interest	
			2009	2008
Maesod Clean Energy Co., Ltd.	Production and distribution of ethanol	Thailand	35	35

The Company has a 35% interest in a jointly controlled entity, Maesod Clean Energy Co., Ltd., which produces ethanol as an alternative energy source. The following amounts represent the significant financial information as at and for the year ended 31 December 2009 and 2008 of the jointly controlled entity:

	2009 '000 Baht	2008 '000 Baht
Property, plant and equipment	2,149,809	1,495,198
Current assets	615,185	548,878
Non-current assets	2,504	2,497
Total assets	<u>2,767,498</u>	<u>2,046,573</u>
Long-term borrowing	1,350,000	1,264,505
Current liabilities	939,470	174,474
Total liabilities	<u>2,289,470</u>	<u>1,438,979</u>
<b>Net assets</b>	<u>478,028</u>	<u>607,594</u>
Revenues	352,093	62,667
Expenses	(481,660)	(121,841)
<b>Net loss for the year</b>	<u>(129,567)</u>	<u>(59,174)</u>

There are no contingent liabilities relating to the Company's interest in the jointly controlled entity.

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**11. Property, plant and equipment-net**

	<b>Consolidated</b>						<b>Total Baht</b>
	<b>Land and land improvements Baht</b>	<b>Buildings Baht</b>	<b>Machinery and heavy equipment Baht</b>	<b>Equipment, furniture and fixtures Baht</b>	<b>Vehicles Baht</b>	<b>Building and machinery under constructions Baht</b>	
<b>At 31 December 2008</b>							
Cost	718,610,701	1,653,277,135	4,960,163,885	438,816,065	240,341,805	83,112,786	8,094,322,377
<u>Less:</u> Accumulated depreciation	(290,858,669)	(1,222,500,058)	(3,839,796,760)	(367,211,985)	(163,083,529)	-	(5,883,451,001)
Accumulated provision for impairment	(3,308,744)	(112,386)	(165,055,719)	(1,292,766)	(183,122)	-	(169,952,737)
Net book amount	<u>424,443,288</u>	<u>430,664,691</u>	<u>955,311,406</u>	<u>70,311,314</u>	<u>77,075,154</u>	<u>83,112,786</u>	<u>2,040,918,639</u>
<b>Year ended 31 December 2009</b>							
Opening balance	424,443,288	430,664,691	955,311,406	70,311,314	77,075,154	83,112,786	2,040,918,639
Additions	-	-	-	2,332,928	-	83,450,392	85,783,320
Transfers	788,278	654,694	147,858,860	3,679,079	5,322,340	(158,303,251)	-
Disposals of property, plant and equipment	-	-	-	(330,559)	-	-	(330,559)
Write-off property, plant and equipment	-	-	-	(33,801)	-	-	(33,801)
Closing book amount	425,231,566	431,319,385	1,103,170,266	75,958,961	82,397,494	8,259,927	2,126,337,599
<u>Less:</u> Depreciation expense	(21,469,691)	(75,128,372)	(252,120,026)	(24,466,633)	(19,160,095)	-	(392,344,817)
Provision for impairment	-	(6,194,407)	(2,534,947)	(74,977)	(168,877)	-	(8,973,208)
Closing net book amount	<u>403,761,875</u>	<u>349,996,606</u>	<u>848,515,293</u>	<u>51,417,351</u>	<u>63,068,522</u>	<u>8,259,927</u>	<u>1,725,019,574</u>
<b>At 31 December 2009</b>							
Cost	719,398,979	1,653,931,829	5,079,062,359	443,575,369	241,761,157	8,259,927	8,145,989,620
<u>Less:</u> Accumulated depreciation	(312,328,360)	(1,297,628,431)	(4,068,760,348)	(390,790,275)	(178,340,637)	-	(6,247,848,051)
Accumulated provision for impairment	(3,308,744)	(6,306,792)	(161,786,718)	(1,367,743)	(351,998)	-	(173,121,995)
Net book amount	<u>403,761,875</u>	<u>349,996,606</u>	<u>848,515,293</u>	<u>51,417,351</u>	<u>63,068,522</u>	<u>8,259,927</u>	<u>1,725,019,574</u>

Fully depreciated property, plant and equipment still in use as at 31 December 2009 amount to Baht 3,385.7 million (2008: Baht 2,791.3 million).

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**11. Property, plant and equipment-net (Cont'd)**

	Company						Total Baht
	Land and land improvements Baht	Buildings Baht	Machinery and heavy equipment Baht	Equipment, furniture and fixtures Baht	Vehicles Baht	Building and machinery under constructions Baht	
<b>At 31 December 2008</b>							
Cost	722,120,639	1,653,277,135	4,960,163,885	435,416,787	240,321,804	83,112,786	8,094,413,036
<u>Less:</u> Accumulated depreciation	(290,858,669)	(1,222,500,058)	(3,839,796,760)	(365,867,048)	(163,064,025)	-	(5,882,086,560)
Accumulated provision for impairment	(3,308,744)	(112,386)	(165,055,719)	(1,292,766)	(183,122)	-	(169,952,737)
Net book amount	<u>427,953,226</u>	<u>430,664,691</u>	<u>955,311,406</u>	<u>68,256,973</u>	<u>77,074,657</u>	<u>83,112,786</u>	<u>2,042,373,739</u>
<b>Year ended 31 December 2009</b>							
Opening balance	427,953,226	430,664,691	955,311,406	68,256,973	77,074,657	83,112,786	2,042,373,739
Additions	-	-	-	1,024,590	-	83,450,392	84,474,982
Transfers	788,278	654,694	147,858,860	3,679,079	5,322,340	(158,303,251)	-
Write-off property, plant and equipment	-	-	-	(33,801)	-	-	(33,801)
Closing book amount	428,741,504	431,319,385	1,103,170,266	72,926,841	82,396,997	8,259,927	2,126,814,920
<u>Less:</u> Depreciation expense	(21,469,691)	(75,128,372)	(252,120,026)	(23,717,268)	(19,160,093)	-	(391,595,450)
Provision for impairment	-	(6,194,407)	(2,534,947)	(74,977)	(168,877)	-	(8,973,208)
Closing net book amount	<u>407,271,813</u>	<u>349,996,606</u>	<u>848,515,293</u>	<u>49,134,596</u>	<u>63,068,027</u>	<u>8,259,927</u>	<u>1,726,246,262</u>
<b>At 31 December 2009</b>							
Cost	722,908,917	1,653,931,829	5,079,062,359	439,456,514	241,741,157	8,259,927	8,145,360,703
<u>Less:</u> Accumulated depreciation	(312,328,360)	(1,297,628,431)	(4,068,760,348)	(388,954,175)	(178,321,132)	-	(6,245,992,446)
Accumulated provision for impairment	(3,308,744)	(6,306,792)	(161,786,718)	(1,367,743)	(351,998)	-	(173,121,995)
Net book amount	<u>407,271,813</u>	<u>349,996,606</u>	<u>848,515,293</u>	<u>49,134,596</u>	<u>63,068,027</u>	<u>8,259,927</u>	<u>1,726,246,262</u>

Fully depreciated property, plant and equipment still in use as at 31 December 2009 amount to Baht 3,385.1 million (2008: Baht 2,791.1 million).

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**11. Property, plant and equipment-net (Cont'd)**

Provision for asset impairment

Asset impairment charges represent a write-down in the book value of assets which exceed their estimated recoverable amount based on a review of each asset's respective value in use.

Changes in impairment provision movement are shown as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Opening balances	169,952,737	170,896,321	169,952,737	170,896,321
Provision for impairment	8,973,208	3,064,909	8,973,208	3,064,909
Reversal from disposals	(5,803,950)	(4,008,493)	(5,803,950)	(4,008,493)
Ending balances	<u>173,121,995</u>	<u>169,952,737</u>	<u>173,121,995</u>	<u>169,952,737</u>

**12. Exploration and acquisition costs**

Exploration and acquisition costs as at 31 December 2009 and 2008 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<u>Exploration costs</u>				
Opening balance for the year	831,552,330	401,134,493	106,103,538	75,057,297
Expenditure incurred during the year	114,862,616	445,949,872	5,472,474	45,878,275
Deferred capitalised interest	28,405,604	-	-	-
Expenditure written-down	(533,440)	(15,532,035)	(533,440)	(14,832,035)
Ending balance for the year	<u>974,287,110</u>	<u>831,552,330</u>	<u>111,042,572</u>	<u>106,103,537</u>
<u>Mining acquisition costs</u>				
Capitalised deferred cost				
Opening balance for the year	60,000,000	60,000,000	60,000,000	60,000,000
Accumulative depletion	(40,000,032)	(33,333,360)	(40,000,032)	(33,333,360)
Ending balance for the year	<u>19,999,968</u>	<u>26,666,640</u>	<u>19,999,968</u>	<u>26,666,640</u>
Land use compensation-net	32,846,459	37,254,779	32,846,459	37,254,779
Other capitalised expenditure-net	18,727,868	21,390,836	18,727,868	21,390,836
Ending balance for the year	<u>71,574,295</u>	<u>85,312,255</u>	<u>71,574,295</u>	<u>85,312,255</u>
Concession operating right				
Opening balance for the year	-	-	-	-
Expenditure incurred during the year	51,048,294	-	-	-
Accumulative amortisation	(2,862,564)	-	-	-
Ending balance for the year	<u>48,185,730</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total mining acquisition costs	<u>119,760,025</u>	<u>85,312,255</u>	<u>71,574,295</u>	<u>85,312,255</u>
Total (Note 12 (i), (ii))	<u>1,094,047,135</u>	<u>916,864,585</u>	<u>182,616,867</u>	<u>191,415,792</u>

**i) Exploration costs**

Exploration costs are mainly related to those incurred by the Company and its subsidiaries, Puthep Co., Ltd. and Padaeng Industry (Laos) Co., Ltd. At the date of these statements, exploration activities had not established whether economically recoverable resources existed in the area. In accordance with the Company's accounting policy for exploration, such costs will remain capitalised until final determination of whether economically recoverable resource exists.

**12. Exploration and acquisition costs (Cont'd)**

**i) Exploration costs (Cont'd)**

Puthep Co., Ltd.

On 21 August 2000, the Company and Puthep Co., Ltd. have entered into a Participation Agreement (the "Agreement") with PanAust Limited ("PanAust") and PNA (Puthep) Pty Ltd. of Australia, which is a wholly owned subsidiary of PanAust, to undertake exploration and mining of the Company's Puthep Copper Project in North-East Thailand. Under the Agreement, PanAust and the Company have agreed that through bearing certain feasibility costs PNA (Puthep) Pty Ltd. shall be entitled to earn a shareholding in Puthep Co., Ltd. As such, PNA (Puthep) Pty Ltd. has the right to obtain a 51% working interest in the Puthep Project by completing a bankable feasibility study. The Agreement also includes further options for PNA (Puthep) Pty Ltd. to acquire a total interest of either 60% or 70% in Puthep Co., Ltd.

PNA (Puthep) Pty Ltd. completed the expenditure requirements of the First Earning Period of the Participation Agreement (USD 1 million or Baht 42 million) in April 2003. Accordingly, on 29 June 2005, PNA (Puthep) Pty Ltd. obtained, through a capital increase, a 20.66% ownership interest in Puthep Co., Ltd.

On 10 July 2007, PNA (Puthep) Pty Ltd. advised the Company that they have funded approximately a total of USD 2 million of project expenditures in Puthep Co., Ltd. Consequently, on 9 June 2008, under the term of the Second Earning Period of the Participation Agreement, PNA (Puthep) Pty Ltd. obtained an additional share of 12.51% in Puthep Co., Ltd. for a total share of 33.17% in Puthep Co., Ltd.. On 19 November 2009, in accordance with the terms of a Loan Agreement (See Note 26 (ix)) signed between PNA (Puthep) Pty Ltd. and Puthep Co., Ltd., PNA (Puthep) Pty Ltd. obtained further 15.83% additional shares in Puthep Co., Ltd. for a total shareholding of 49%.

The capitalised exploration and acquisition costs incurred by Puthep Co., Ltd. amount to Baht 836 million. On 1 November 2006 the Royal Forestry Department (RFD) granted permission to the Department of Primary Industry and Mine (DPIM) until 31 October 2008 to gain land access, enabling Puthep Co., Ltd. to conduct complementary exploration and technical studies needed to confirm the feasibility of the project. As of 31 December 2009, the bankable feasibility study has not been submitted to an independent expert as required under the Participation Agreement. Currently the process of evaluating the feasibility study is underway while Kasetsart University is preparing an environment impact assessment (EIA). Processing alternatives under the project's feasibility study are being reviewed prior to a decision on the appointment of an independent expert. The results from this review will be taken into the consideration of further steps in the project.

**ii) Concession operating right**

South East Asia Metals Co., Ltd.

On 4 September 2009, South East Asia Metals Co., Ltd. ("SEAMET"), a subsidiary of Padaeng Properties Co., Ltd., has entered into an agreement with Mayflower Mining Enterprises Ltd. ("MME"), a third party, registered in the Union of Myanmar. Under this agreement, SEAMET has obtained the operating rights of a mining concession owned by MME. SEAMET made a payment of USD 1 million or Baht 34 million on 16 September 2009 in respect of these rights. SEAMET has the right to extend this agreement for a period of 5 plus 5 years after 10 August 2010 through a payment of USD 500,000 or Baht 17 million subject to MME obtaining an extension of mining rights in the mining concession. This request for extension is expected to be completed before 10 August 2010.

**13. Other non-current assets**

Other non-current assets as at 31 December 2009 and 2008 comprise:

**i) Deferred environmental rehabilitation expenses-net**

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Opening balance	34,981,178	-	34,981,178	-
Additions	-	36,608,210	-	36,608,210
Closing book amount	34,981,178	36,608,210	34,981,178	36,608,210
Less: Amortisation expense	(2,440,547)	(1,627,032)	(2,440,547)	(1,627,032)
Closing net book amount	32,540,631	34,981,178	32,540,631	34,981,178

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**13. Other non-current assets (Cont'd)**

**ii) Deferred environmental risk assurance expenses-net**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Opening balance	30,833,096	-	30,833,096	-
Additions	-	32,267,193	-	32,267,193
Closing book amount	30,833,096	32,267,193	30,833,096	32,267,193
Less: Amortisation expense	(2,151,146)	(1,434,097)	(2,151,146)	(1,434,097)
Closing net book amount	<u>28,681,950</u>	<u>30,833,096</u>	<u>28,681,950</u>	<u>30,833,096</u>

Deferred risk assurance costs related to payments made for future environmental restoration costs and are amortised over the life of the related mining licences.

**iii) Others**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Deposits and instalment payments for condominium units	74,932,723	74,932,723	-	-
Less: Allowance for doubtful accounts	(74,932,723)	(74,932,723)	-	-
Total	-	-	-	-
Capitalised software				
Opening balance	7,031,536	5,573,490	6,344,810	5,573,490
Additions	1,683,709	4,061,025	1,671,559	3,315,781
Transfers	(441,004)	-	-	-
Closing book amount	8,274,241	9,634,515	8,016,369	8,889,271
Less: Amortisation expense	(3,325,686)	(2,602,979)	(3,252,826)	(2,544,461)
Closing net book amount	<u>4,948,555</u>	<u>7,031,536</u>	<u>4,763,543</u>	<u>6,344,810</u>
Deposits	1,064,911	1,068,311	719,311	719,311
Others	3,134,726	3,758,626	3,134,725	3,164,727
Total	<u>9,148,192</u>	<u>11,858,473</u>	<u>8,617,579</u>	<u>10,228,848</u>

A subsidiary has provided an allowance of Baht 74.9 million against deposits and instalment payments for certain condominium units whose construction was suspended due to unfavourable economic conditions.

Others

The Company also has other investments in the amount of Baht 14.4 million that have been fully written down in value.

**14. Short-term loans from financial institutions**

Short-term loans from financial institutions as at 31 December 2009 and 2008 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Trust Receipts	247,305,978	603,335,939	247,305,978	603,335,939
Promissory Notes	111,581,478	151,000,000	111,581,478	151,000,000
Total	<u>358,887,456</u>	<u>754,335,939</u>	<u>358,887,456</u>	<u>754,335,939</u>

The Company has entered into short-term financing arrangements to fund its operations with various financial institutions. The interest rates, the Company is paying on the trust receipts and promissory notes are 1.29% - 1.65%.

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**14. Short-term loans from financial institutions (Cont'd)**

**Financing arrangements available**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Bank Overdraft	60,000,000	60,000,000	60,000,000	60,000,000
Short-term Loans	3,836,222,400	3,622,844,000	3,836,222,400	3,622,844,000
Bank Guarantee	1,449,376,000	1,483,688,000	1,449,336,000	1,483,648,000
<b>Total</b>	<b>5,345,598,400</b>	<b>5,166,532,000</b>	<b>5,345,558,400</b>	<b>5,166,492,000</b>

**15. Bank guarantees**

As at 31 December 2009, the Company and subsidiaries have provided letters of guarantee in the ordinary course of business issued by banks of approximately Baht 444.0 million (2008: Baht 494.7 million).

**16. Provisions for restoration expenses**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Balance at the beginning of the year	87,032,557	13,571,494	87,032,557	13,571,494
Additional provisions charged to				
- deferred assets (Note 13 (i) and note 13 (ii))	-	68,875,403	-	68,875,403
- the statement of income	42,400,444	28,334,186	42,400,444	28,334,186
Amounts utilised	(58,772,849)	(23,748,526)	(58,772,849)	(23,748,526)
<b>Balance at the end of the year</b>	<b>70,660,152</b>	<b>87,032,557</b>	<b>70,660,152</b>	<b>87,032,557</b>

The provision for restoration costs represent amounts provided for the estimated costs of restoration of cadmium ponds and residual ponds at Tak as well as rehabilitation and environmental risk assurance of the mined area in Maesod in accordance with government regulations and the Company's commitments.

**17. Provisions for employee retirement benefits**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Balance at the beginning of the year	113,790,600	91,905,766	113,790,600	91,905,766
Additional provisions charged to				
the statement of income	13,078,660	11,759,176	13,078,660	11,759,176
Amounts utilised	(7,261,750)	(919,300)	(7,261,750)	(919,300)
Actuarial (gain) loss recognised in equity	(4,461,786)	11,044,958	(4,461,786)	11,044,958
<b>Balance at the end of the year</b>	<b>115,145,724</b>	<b>113,790,600</b>	<b>115,145,724</b>	<b>113,790,600</b>

The Company recognises the costs of employee retirement benefits payable in accordance with Thai Labor Law. The amount of retirement benefits are recorded based on projected unit credit method by an actuarial valuation completed using end of period employee wages, turnover rates, retirement ages, mortality, length of service and other factors. All actuarial gains and losses following changes in actuarial assumptions of post employment defined benefit plans are recognised through equity in the year which they occur as shown above.

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**18. Other current liabilities**

Other current liabilities as of 31 December 2009 and 2008 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Social security and other taxes	9,469,202	9,770,803	8,333,703	8,632,976
Accrued expenses	91,433,635	65,599,300	67,011,626	58,738,188
Other payables	166,126,384	131,676,436	171,081,341	80,566,944
<b>Total</b>	<b>267,029,221</b>	<b>207,046,539</b>	<b>246,426,670</b>	<b>147,938,108</b>

**19. Capital expenditures and commitments**

As at 31 December 2009 and 2008, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Not later than 1 year	64,452,021	77,886,931	64,452,021	77,886,931

As at 31 December 2009 and 2008, the Company has the following commitments for the purchase of raw materials and consumables that have been contracted but not recorded as liabilities:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Not later than 1 year	310,836,753	251,754,356	310,836,753	251,754,356

In addition, as at 31 December 2009, the Company has commitments for the purchase of raw materials that have been contracted only in term of quantities at 17,119-20,119 wet metric tons and 20,550 dry metric tons (31 December 2008 : 47,000-50,000 wet metric tons and 20,000-30,000 dry metric tons).

**20. Share capital and premium on share capital**

	<b>Number of shares</b>	<b>Ordinary shares Baht</b>	<b>Shares premium Baht</b>	<b>Total Baht</b>
<b>For the years ended 31 December 2009</b>				
<b>Opening balance</b>	226,000,000	2,260,000,000	602,413,600	2,862,413,600
<b>Movement during the year</b>	-	-	-	-
<b>Closing balance</b>	<b>226,000,000</b>	<b>2,260,000,000</b>	<b>602,413,600</b>	<b>2,862,413,600</b>

As at 31 December 2009, the total authorised number of ordinary shares is 226,000,000 shares (2008: 226,000,000 shares) with a par value of Baht 10 per share (2008: Baht 10 per share). All issued shares are fully paid.

**21. Legal reserve**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Balance at the beginning of the year	186,003,887	171,962,698	186,003,887	171,962,698
Appropriation during the year	16,957,914	14,041,189	16,957,914	14,041,189
<b>Balance at the end of the year</b>	<b>202,961,801</b>	<b>186,003,887</b>	<b>202,961,801</b>	<b>186,003,887</b>

Under the Public Companies Act, B.E. 2535, the Company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve reaches 10% of the registered capital. The legal reserve is non-distributable.

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**22. Expenses by nature**

The following expenditures items, classified by nature, have been charged in arriving at the operation profit:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Changes in inventories	(184,410,612)	281,686,426	(184,410,612)	281,686,426
Raw materials, spare parts and consumables	3,014,022,144	4,435,853,559	3,014,022,144	4,435,853,559
Employees benefits expenses	507,944,627	464,306,193	507,541,871	463,629,051
Energy expenses	1,448,818,592	1,350,510,934	1,448,612,881	1,350,306,964
Depreciation and amortisation expenses	416,092,669	385,204,610	413,177,931	385,152,298

**23. Finance costs-net**

Finance costs relate to the following:

<b>For the years ended 31 December</b>	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Interest income	8,387,537	24,926,055	6,038,114	18,562,430
Interest expense	(15,277,333)	(21,985,696)	(15,277,333)	(22,001,312)
Finance costs-net	(6,889,796)	2,940,359	(9,239,219)	(3,438,882)

**24. Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

<b>For the year ended 31 December</b>	<b>Consolidated</b>		<b>Company</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net profit attributable to common shareholders (Baht)	296,354,305	265,051,674	339,158,290	280,823,776
Weighted average number of ordinary shares on issue (shares)	226,000,000	226,000,000	226,000,000	226,000,000
Basic earnings per share (Baht)	1.31	1.17	1.50	1.24

There are no potential dilutive ordinary shares in issue for the years ended 31 December 2009 and 2008.

**25. Dividend**

At the Annual Ordinary General Meeting of Shareholders held on 23 April 2009, shareholders approved the annual dividend payment from net profit of the Company for the year ended 31 December 2008 of Baht 0.82 per share (2007: Baht 2.74 per share) totalling Baht 185.3 million (2007: totalling Baht 619.1 million). The dividend was paid on 20 May 2009.

**26. Related parties transactions**

**i) Investments in related parties-net**

The Company has been informed by their declaration to the Stock Exchange of Thailand that on 4 April 2008, the two major shareholders of the Company, Umicore and Nyrstar, have sold their shares of 22.00% and 24.90% respectively on the stock exchange.

Consequently, there are no major shareholders. The Company's shares are widely held.

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**26. Related parties transactions (Cont'd)**

**i) Investments in related parties-net (Cont'd)**

Details of investments in subsidiaries and jointly controlled entity are as follows:

	<b>Consolidated</b>				<b>Company</b>			
	<b>31 December 2009</b>				<b>31 December 2009</b>			
	<b>Equity</b>	<b>Paid-up capital</b>	<b>% ownership</b>	<b>Cost</b>	<b>Equity</b>	<b>Paid-up capital</b>	<b>% ownership</b>	<b>Cost</b>
	<b>Baht</b>	<b>Baht</b>	<b>investment</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>investment</b>	<b>Baht</b>
<b>Subsidiaries</b>								
Padaeng Properties Co., Ltd.	-	80,000,000	100	80,000,000	-	80,000,000	100	80,000,000
Puthep Co., Ltd.	-	285,589,732	51	145,650,772	-	217,942,152	66.83	145,650,772
Padaeng Industry (Laos) Co., Ltd.	-	27,569,653	100	27,569,653	-	27,569,653	100	27,569,653
Padaeng International Mining Co., Ltd.	-	100,000	100	100,000	-	100,000	100	100,000
Sila Enterprise Co., Ltd.	-	-	-	-	-	9,000,000	55	4,950,000
<b>Total</b>	-			253,320,425	-			258,270,425
<b>Less : Diminution</b>								
Padaeng Industry (Laos) Co., Ltd.	-			(20,215,102)	-			(20,215,102)
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)
<b>Investments in subsidiaries-net</b>	-			<u>233,005,323</u>	-			<u>237,955,323</u>
<b>Jointly controlled entity</b>								
Maesod Clean Energy Co., Ltd.	<u>167,309,172</u>	675,000,000	35	<u>236,249,800</u>	<u>212,657,612</u>	675,000,000	35	<u>236,249,800</u>

All subsidiaries are incorporated in Thailand except Padaeng Industry (Laos) Co., Ltd.

**26. Related parties transactions (Cont'd)**

**i) Investments in related parties-net (Cont'd)**

Subsidiaries

As at 31 December 2009, **Padaeng Industry (Laos) Co., Ltd.** has total authorised share capital of USD 1,273,000 of which USD 797,000 has been issued and paid up. The current investment value of Padaeng Industry (Laos) Co., Ltd. in the Company's books net of diminution in value of investment is Baht 7,354,551 (31 December 2008 : Baht 7,354,551). The Company is aware that the balance share capital of USD 476,000 will be called by the first quarter of 2010. In addition, the Company is aware that in year 2010, subject to the approval of its board of directors and shareholder, Padaeng Industry (Laos) Co., Ltd. will also increase its authorised capital to USD 2,500,000.

On 9 June 2008, the shareholders at the Extraordinary Shareholders' Meeting passed a resolution to approve an increase in the authorised share capital of **Puthep Co., Ltd.** from 2,960,900 ordinary shares with a par value of Baht 62 per share to 3,515,196 ordinary shares with a par value of Baht 62 per share. Puthep Co., Ltd. received subscriptions for 554,296 additional shares at Baht 62 par value which were priced at Baht 69 per share. Accordingly, the paid-up share capital and premium on share capital increased by Baht 34,366,352 and Baht 3,878,476 respectively. The company registered the increase in share capital with the Ministry of Commerce at the same date.

On 19 November 2009, the shareholders at the Extraordinary Shareholders' Meeting of Puthep Co., Ltd. passed a resolution to approve an increase in the authorised share capital of 3,515,196 ordinary shares with a par value of Baht 62 per share to 4,606,286 ordinary shares. Puthep Co., Ltd. received a subscription of 1,091,090 additional shares at Baht 62 par value which were priced at Baht 124.7 per share. Accordingly, the paid-up share capital and premium on share capital increased by Baht 67,647,580 and Baht 68,428,424 respectively. On 1 December 2009, the company registered the increased share capital with the Ministry of Commerce. As at 31 December 2009, the company has a total of 4,606,286 shares outstanding for a cumulative amount of Baht 377,102,615.

Jointly controlled entity

On 9 October 2006, **Maesod Clean Energy Co., Ltd.** was created together with MP Energy Co., Ltd. and Thai Oil Public Company Limited. The jointly controlled entity will produce ethanol as an alternative energy source. The entity was created with an initial capital of 10,000,000 shares at a par value of Baht 10 from which Baht 5 have been paid by the shareholders. In September 2007, Maesod Clean Energy Co., Ltd. called for payment of the balance of the initial shares. The entity is consolidated under the equity method.

On 19 September 2007, the shareholders at the Extraordinary Shareholders' Meeting passed a resolution to approve an increase in the authorised share capital of Maesod Clean Energy Co., Ltd. from 10,000,000 ordinary shares with a par value of Baht 10 per share to 67,500,000 ordinary shares with a par value of Baht 10 per share. In October 2007, the Company subscribed for an additional 20,125,000 new shares in this company for which Baht 5 have been called.

In July 2008, Maesod Clean Energy Co.,Ltd. called for the balance of additional 20,125,000 shares of Baht 10 par in the amount of Baht 100,625,000. Accordingly, as at 31 December 2009, Padaeng Industry Plc. has subscribed to a total of 23,625,000 shares with par value of Baht 10 per share fully paid for a cumulative amount of Baht 236,249,800.

**ii) Sales of goods and services**

	Consolidated		Company	
	2009	2008	2009	2008
	Baht	Baht	Baht	Baht
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	979,200	1,087,200
Padaeng Industry (Laos) Co., Ltd.	-	-	3,819,939	1,609,072
Puthep Co., Ltd.	-	-	1,874,325	760,975
Maesod Clean Energy Co., Ltd.	141,581	-	141,581	-
Umicore Marketing Services (Thailand) Co., Ltd.	-	36,879,003	-	36,879,003

Sales to related parties are based on current industry market practices and prices.

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**26. Related parties transactions (Cont'd)**

**iii) Purchases of goods and services**

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	2,760,815	2,172,894
Maesod Clean Energy Co.,Ltd.	-	185,650	-	185,650
Umicore Marketing Services (Thailand) Co., Ltd.	-	6,157,680	-	6,157,680

Purchases from related parties are based on current industry market practices and prices.

**iv) Short-term loans**

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Minority Shareholder of Sila Enterprise Co., Ltd.	-	2,449,000	-	-
Total	-	2,449,000	-	-

As at 31 December 2009, Sila Enterprise Co., Ltd. has finished the registration to complete its liquidation and the short-term loan has already been paid.

**v) Other receivables-related parties-net**

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Padaeng Properties Co., Ltd.	-	-	82,002	94,842
Padaeng Industry (Laos) Co., Ltd.	-	-	6,962,762	2,993,215
Puthep Co., Ltd.	-	-	609,278	219,388
Padaeng International Mining Co., Ltd.	-	-	99,272	73,910
Mae Sod Clean Energy Co.,Ltd.	3,989,549	-	3,989,549	-
	3,989,549	-	11,742,863	3,381,355
Less: Allowance for doubtful accounts	-	-	(99,272)	(73,910)
Total	3,989,549	-	11,643,591	3,307,445

**vi) Advance to related parties-net**

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Padaeng Industry (Laos) Co., Ltd.	-	-	16,965,416	1,316,416
Padaeng International Mining Co., Ltd.	-	-	374,800	344,800
Total	-	-	17,340,216	1,661,216
Less: Allowance for doubtful accounts	-	-	(374,800)	(344,800)
Advance to related parties-net	-	-	16,965,416	1,316,416

Advance from the Company amount of Baht 16,965,416 represents an advance for share subscription payment in Padaeng Industry (Laos) Co., Ltd.

As at 31 December 2009, the above mentioned loans to Padaeng International Mining Co., Ltd. is calculated at interest rates of MLR+1% p.a.

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**26. Related parties transactions (Cont'd)**

**vii) Other payables-related parties**

	Consolidated		Company	
	2009	2008	2009	2008
	Baht	Baht	Baht	Baht
Padaeng Properties Co., Ltd.	-	-	243,587	273,053
Mae Sod Clean Energy Co.,Ltd.	-	185,650	-	185,650
<b>Total</b>	<b>-</b>	<b>185,650</b>	<b>243,587</b>	<b>458,703</b>

**viii) Advances from other party**

	Consolidated		Company	
	2009	2008	2009	2008
	Baht	Baht	Baht	Baht
<u>PNA (Puthep) Pty Ltd.</u>				
Beginning balance of the year	451,168,863	126,240,767	-	-
Advances increase during the year	-	324,928,096	-	-
Converted to share capital	(140,019,259)	-	-	-
Converted to long-term loan	(311,149,604)	-	-	-
<b>Ending balance of the year</b>	<b>-</b>	<b>451,168,863</b>	<b>-</b>	<b>-</b>

**ix) Long-term loans from other party**

Represents a Loan Agreement between Puthep Co., Ltd. and PNA (Puthep) Pty Ltd., dated 15 August 2008 and executed in March 2009 in which PNA (Puthep) Pty Ltd. agreed to advance funds necessary to complete a feasibility study for the Puthep Copper Project. The loan amount is in addition to equity funding of USD 6,000,000 or Baht 216,492,547. Interest on principal amounts advanced under the Loan Agreement are calculated based on best commercial rates available for PNA (Puthep) Pty Ltd. and are to be capitalised. Under the terms of the loan, interest expense will cease to accrue on the third anniversary of the earlier of the due date for delivery of the bankable feasibility study (19 September 2009) and the actual date the feasibility study is completed. Puthep Co., Ltd. is not obliged to make loan repayments until such time as it has generated sufficient profits to commence making dividend payments at which time repayments will then commence to be equal to 35% of distributable net profit.

	Consolidated		Company	
	2009	2008	2009	2008
	Baht	Baht	Baht	Baht
<u>PNA (Puthep) Pty Ltd.</u>				
Beginning balance of the year	-	-	-	-
Converted from advance	311,149,604	-	-	-
Loan increase during the year	127,958,420	-	-	-
<b>Ending balance of the year</b>	<b>439,108,024</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accrued interest expenses	28,405,604	-	-	-

## **27. Risk management policy for assets and liabilities**

### **27.1 Risk management and hedging instruments**

The majority of the Company's price quotations of zinc related transactions are based on US dollars. In this respect, the Company is exposed to foreign currency fluctuations relating to export sales and to the purchases of imported raw materials, spare parts consumables and capital equipment. When needed, the Company uses financial instruments (mainly spot and forward contracts) to reduce the exposure to adverse fluctuations in foreign exchange rates.

The Company is also exposed to risk resulting from fluctuation in commodity prices. The Company currently engages only in transactional hedging with the purpose of hedging price exposure from difference in timing between purchased raw material and metal sales. Any settlement gains or losses realized from hedging arrangements are recorded into the operating profit or loss. As at 31 December 2009, there is a short position of 2,275 metric tonnes outstanding on the London Metal Exchange ("LME"). The changes in fair value of this open position on the LME is covered by the corresponding changes in value of the Company's physical zinc stock. The operations carried out on the future markets for hedging transactional risks as described are not of a speculative nature.

In accordance with current Thai Generally Accepted Accounting Principles, the changes in fair value of outstanding hedging contracts are not recognized in these financial statements.

In 2009, the Company does not undertake any structural or strategic hedging.

### **27.2 Fair values**

The carrying amounts at the financial statements date of cash and cash equivalents, trade accounts receivables, short-term loans to related parties, value added tax receivables, other current assets, investments and certain other assets, loans from financial institutions, trade accounts payables, short-term loans and advances from other parties, accrued interest expenses, accrued electricity expenses, royalty payable, other current liabilities and provision for restoration expenses approximate their fair values.

### **27.3 Credit risk**

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in a financial loss to the Company.

As a general rule, the Company has a credit risk management policy of obtaining credit insurance or collateral from the customers before commencing trade. The collateral may include bank guarantees or cash guarantees.

The remaining Company's credit risk is spread amongst several customers.

### **27.4 Interest rate risk**

Interest rate risk in the balance sheet arises from the potential for a change in interest rates to have an adverse effect on the net interest earnings of the Company in the current reporting period and in future years.

### **27.5 Exploration risk**

In order to maintain a low-cost supply base for its smelter, the Company and some of its subsidiaries are performing exploration activities. These expenses are capitalised and eventually impaired as explained in Note 12(i) of these financial statements. Following the simultaneous approval of several exploration licenses and in particular the Puthep project, the increased level of activity is likely to generate higher level of exploration costs capitalised than in the previous years increasing the impact of the impairments. Regular assessments by the management, once sufficient reliable data have been collected and compiled, should lower both uncertainty and risk level related to the recoverability of these costs.

**28. Litigation**

As of 31 December 2009, the Company was served with notice of four complaints by 1,007 plaintiffs filed in the Bangkok Southern Civil Court. The plaintiffs are seeking compensation of Baht 3,556 million from the Company alleging that it caused cadmium contamination in the Maesod district of Tak province. The Company has not yet been required to file an answer to the claims. It is in the process of evaluating the merit of the case, but is confident that its strict environmental measures are in line with the regulations and requirements of the authorities. Management intends to defend the case vigorously. At this stage, the outcome of the proceedings is unknown and no contingent liability has been recorded.

**29. Reclassification**

Certain items in the balance sheet as at 31 December 2008 and statements of income for the year ended 31 December 2008 have been reclassified for comparative purpose to coincide with balance sheet as at 31 December 2009 and statements of income for the year then ended.

**30. Subsequent event**

On 6 January 2010, the Company was served with notice of the additional complaint by 84 plaintiffs filed in the Bangkok Southern Civil Court. The plaintiffs are seeking compensation of Baht 228 million from the Company alleging that it caused cadmium contamination in the Maesod district of Tak province. (See Note 28)

On 16 February 2010, the Board of Directors decided to propose to the Annual Shareholders Meeting of April 2010 the payment of dividend of Baht 0.92 per share totalling Baht 207.9 million from the 2009 operating results.