

PADAENG INDUSTRY PUBLIC COMPANY LIMITED

**CONSOLIDATED AND COMPANY
FINANCIAL STATEMENTS**

31 DECEMBER 2010

AUDITOR'S REPORT

To the Shareholders and the Board of Directors of Padaeng Industry Public Company Limited

I have audited the accompanying consolidated and company balance sheets of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited as at 31 December 2010, and the related consolidated and company statements of income, changes in shareholders' equity and cash flows for the year then ended. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audit. The financial statements for the year ended 31 December 2009 of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited, presented herewith for comparative purposes, were audited by another auditor in the same firm as myself, whose report dated 16 February 2010, expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with generally accepted auditing standards. Those standards requires that I plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position as at 31 December 2010, and the consolidated and company results of operations and cash flows for the year then ended of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited, respectively, in accordance with generally accepted accounting principles.

Chanchai Chaiprasit
Certified Public Accountant (Thailand) No.3760
PricewaterhouseCoopers ABAS Limited

Bangkok
22 February 2011

Padaeng Industry Public Company Limited
Balance Sheets
As at 31 December 2010 and 2009

| | Notes | Consolidated | | Company | |
|--|------------|----------------------|----------------------|----------------------|----------------------|
| | | 2010 Baht | 2009 Baht | 2010 Baht | 2009 Baht |
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | 6 | 455,719,315 | 630,121,596 | 281,592,741 | 437,464,391 |
| Trade accounts receivable-net | 7 | 374,751,863 | 318,813,177 | 373,534,762 | 317,117,099 |
| Inventories-net | 8 | 3,212,808,832 | 2,707,478,925 | 3,212,808,832 | 2,707,478,925 |
| Value added tax receivables | | 149,513,854 | 149,074,154 | 149,051,309 | 148,702,550 |
| Other receivables-related parties-net | 26 (iv) | 69,524 | 3,989,549 | 20,197,565 | 11,643,592 |
| Other current assets | 9 | 21,598,753 | 46,637,244 | 19,116,833 | 45,256,222 |
| Total Current Assets | | 4,214,462,141 | 3,856,114,645 | 4,056,302,042 | 3,667,662,779 |
| Non-Current Assets | | | | | |
| Advances to related parties-net | | - | - | 41,112,916 | 16,965,416 |
| Investments in subsidiaries-net | 10, 26 (i) | - | - | 233,005,323 | 233,005,323 |
| Investments in jointly controlled entity | 10, 26 (i) | 105,271,490 | 167,309,172 | 236,249,800 | 236,249,800 |
| Property, plant and equipment-net | 11 | 1,482,552,695 | 1,725,019,574 | 1,483,632,306 | 1,726,246,262 |
| Exploration and acquisition costs | 12 | 1,114,261,747 | 1,094,047,135 | 131,049,859 | 182,616,867 |
| Other non-current assets | | | | | |
| - deferred environmental rehabilitation expenses-net | 13 (i) | 20,518,370 | 32,540,631 | 20,518,370 | 32,540,631 |
| - deferred environmental risk assurance expenses-net | 13 (ii) | 21,404,011 | 28,681,950 | 21,404,011 | 28,681,950 |
| - others | 13 (iii) | 9,113,336 | 9,148,192 | 8,716,632 | 8,617,579 |
| Total Non-Current Assets | | 2,753,121,649 | 3,056,746,654 | 2,175,689,217 | 2,464,923,828 |
| Total Assets | | 6,967,583,790 | 6,912,861,299 | 6,231,991,259 | 6,132,586,607 |

Director.....

Director.....

Padaeng Industry Public Company Limited
Balance Sheets (Cont'd)
As at 31 December 2010 and 2009

| | Notes | Consolidated | | Company | |
|--|-----------|----------------------|----------------------|----------------------|----------------------|
| | | 2010 Baht | 2009 Baht | 2010 Baht | 2009 Baht |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current Liabilities | | | | | |
| Short-term loans from financial institutions | 14 | 718,869,139 | 358,887,456 | 718,869,139 | 358,887,456 |
| Trade accounts payable | | 338,388,316 | 832,090,780 | 336,539,038 | 830,692,147 |
| Accrued electricity expenses | | 100,783,304 | 113,296,426 | 100,783,304 | 113,296,426 |
| Royalty payable | | 1,890,000 | 2,412,081 | 1,890,000 | 2,412,081 |
| Current portion of provision for retirement benefits | 17 | 18,393,687 | 21,727,850 | 18,393,687 | 21,727,850 |
| Other payables-related parties | 26 (vi) | - | - | 491,740 | 243,587 |
| Income tax payables | | 41,142,142 | - | 40,844,350 | - |
| Other current liabilities | 18 | 186,518,997 | 267,029,221 | 179,557,617 | 246,426,670 |
| Total Current Liabilities | | 1,405,985,585 | 1,595,443,814 | 1,397,368,875 | 1,573,686,217 |
| Non-Current Liabilities | | | | | |
| Long-term loan from other party | 26 (viii) | 464,431,861 | 439,108,024 | - | - |
| Accrued interest expenses-other party | 26 (viii) | 48,313,578 | 28,405,604 | - | - |
| Provisions for restoration expenses | 16 | 48,704,826 | 70,660,152 | 48,704,826 | 70,660,152 |
| Long-term portion of provision for retirement benefits | 17 | 104,300,552 | 93,417,874 | 104,300,552 | 93,417,874 |
| Other non-current liabilities | | 85,729 | 570,157 | 85,729 | 570,157 |
| Total Non-Current Liabilities | | 665,836,546 | 632,161,811 | 153,091,107 | 164,648,183 |
| Total Liabilities | | 2,071,822,131 | 2,227,605,625 | 1,550,459,982 | 1,738,334,400 |
| Shareholders' Equity | | | | | |
| 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 | 226,000,000 | 202,961,801 | 226,000,000 | 202,961,801 |
| Unappropriated | | 1,591,861,225 | 1,404,316,926 | 1,593,117,677 | 1,328,876,806 |
| Total Shareholders' Equity | | 4,680,274,825 | 4,469,692,327 | 4,681,531,277 | 4,394,252,207 |
| Minority interest | | 215,486,834 | 215,563,347 | - | - |
| Total Shareholders' Equity | | 4,895,761,659 | 4,685,255,674 | 4,681,531,277 | 4,394,252,207 |
| Total Liabilities and Shareholders' Equity | | 6,967,583,790 | 6,912,861,299 | 6,231,991,259 | 6,132,586,607 |

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

Padaeng Industry Public Company Limited
Statements of income
For the years ended 31 December 2010 and 2009

| | Notes | Consolidated | | Company | |
|--|-------|----------------------|----------------------|----------------------|----------------------|
| | | 2010 Baht | 2009 Baht | 2010 Baht | 2009 Baht |
| Sales and services | | 8,141,954,520 | 6,619,405,921 | 8,123,890,682 | 6,602,569,165 |
| Cost of sales and services | | (7,127,654,876) | (5,933,624,715) | (7,113,069,172) | (5,920,803,508) |
| Gross profit | | 1,014,299,644 | 685,781,206 | 1,010,821,510 | 681,765,657 |
| Other operating income | | 10,752,298 | 16,254,283 | 12,457,499 | 11,939,045 |
| Dividend income | | - | 1,795,428 | - | 1,795,428 |
| Gain on exchange rate | | 110,703,003 | 50,923,242 | 111,853,580 | 51,728,898 |
| Reversal of allowance for diminution of inventories | | - | 38,738,500 | - | 38,738,500 |
| Total revenues | | 1,135,754,945 | 793,492,659 | 1,135,132,589 | 785,967,528 |
| Selling expenses | | (62,211,274) | (102,085,660) | (62,211,274) | (102,085,660) |
| Administrative expenses | | (321,631,712) | (250,668,708) | (304,859,436) | (243,926,957) |
| Royalty expenses | | (37,669,313) | (42,671,775) | (37,669,313) | (42,671,775) |
| Management costs | | (58,525,115) | (55,542,400) | (58,525,115) | (55,542,400) |
| Total expenses | | (480,037,414) | (450,968,543) | (463,265,138) | (444,226,792) |
| Operating profit | | 655,717,531 | 342,524,116 | 671,867,451 | 341,740,736 |
| Share of loss of investment in jointly controlled entity on equity method | | (62,037,682) | (45,348,440) | - | - |
| Profit before finance costs and corporate income tax | | 593,679,849 | 297,175,676 | 671,867,451 | 341,740,736 |
| Finance costs-net | 23 | 1,524,724 | (233,023) | (672,646) | (2,582,446) |
| Profit before corporate income tax | | 595,204,573 | 296,942,653 | 671,194,805 | 339,158,290 |
| Corporate income tax | | (176,784,366) | (903,763) | (176,001,513) | - |
| Net profit | | 418,420,207 | 296,038,890 | 495,193,292 | 339,158,290 |
| Attributable to: | | | | | |
| Equity holders of the Company | | 418,496,720 | 296,354,305 | 495,193,292 | 339,158,290 |
| Minority Interest | | (76,513) | (315,415) | - | - |
| | | 418,420,207 | 296,038,890 | 495,193,292 | 339,158,290 |
| Earnings per share for profit attributable to the equity holders of the Company | | | | | |
| Basic earnings per share | 24 | 1.85 | 1.31 | 2.19 | 1.50 |

The notes to the consolidated and company financial statements 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 2010 and 2009

| | | Consolidated | | | | | | |
|--------------|---|--|---------------------------------|-----------------------------------|-----------------------|----------------------|--------------------------|----------------------|
| | | Attributable to equity holders of the Company | | | | | Minority interest | Total |
| | | Issued and paid-up share capital | Premium on share capital | Retained earnings | | Total | | |
| | | | | Appropriated legal reserve | Unappropriated | | | |
| Notes | | Baht | Baht | Baht | Baht | Baht | Baht | Baht |
| | Beginning balance as at 1 January 2010 | 2,260,000,000 | 602,413,600 | 202,961,801 | 1,404,316,926 | 4,469,692,327 | 215,563,347 | 4,685,255,674 |
| | Appropriated legal reserve | 21 | - | - | 23,038,199 | (23,038,199) | - | - |
| | Net profit | - | - | - | 418,496,720 | 418,496,720 | (76,513) | 418,420,207 |
| | Dividends paid | 25 | - | - | (207,914,222) | (207,914,222) | - | (207,914,222) |
| | Ending balance as at 31 December 2010 | <u>2,260,000,000</u> | <u>602,413,600</u> | <u>226,000,000</u> | <u>1,591,861,225</u> | <u>4,680,274,825</u> | <u>215,486,834</u> | <u>4,895,761,659</u> |
| | Beginning balance as at 1 January 2009 | 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 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 |
| | Dividends paid | 25 | - | - | (185,312,062) | (185,312,062) | - | (185,312,062) |
| | Ending balance as at 31 December 2009 | <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> |

The notes to the consolidated and company financial statements 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 2010 and 2009

| | Notes | Company | | | Total Baht | |
|---|-------|--|-------------------------------------|---------------------------------------|----------------------|------------------------|
| | | Issued and paid-up share capital Baht | Premium on share capital Baht | Retained earnings | | |
| | | | | Appropriated legal reserve Baht | | Unappropriated Baht |
| Beginning balance as at 1 January 2010 | | 2,260,000,000 | 602,413,600 | 202,961,801 | 1,328,876,806 | 4,394,252,207 |
| Appropriated legal reserve | 21 | - | - | 23,038,199 | (23,038,199) | - |
| Net profit | | - | - | - | 495,193,292 | 495,193,292 |
| Dividends paid | 25 | - | - | - | (207,914,222) | (207,914,222) |
| Ending balance as at 31 December 2010 | | <u>2,260,000,000</u> | <u>602,413,600</u> | <u>226,000,000</u> | <u>1,593,117,677</u> | <u>4,681,531,277</u> |
| Beginning balance as at 1 January 2009 | | 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 |
| Dividends paid | 25 | - | - | - | (185,312,062) | (185,312,062) |
| Ending balance as at 31 December 2009 | | <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> |

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

Padaeng Industry Public Company Limited
Statements of cash flows
For the years ended 31 December 2010 and 2009

| | Notes | Consolidated | | Company | |
|---|-------|----------------------|--------------------|----------------------|--------------------|
| | | 2010 Baht | 2009 Baht | 2010 Baht | 2009 Baht |
| Cash flows from operating activities | | | | | |
| Profit before tax | | 595,204,573 | 296,942,653 | 671,194,805 | 339,158,290 |
| Adjustments for: | | | | | |
| Depreciation expenses | 11 | 313,346,362 | 392,344,817 | 312,596,319 | 391,595,450 |
| Other non-current assets amortisation expenses | | 36,180,138 | 24,445,043 | 27,896,892 | 21,582,479 |
| Interest expenses | 23 | 7,388,395 | 8,620,560 | 7,388,395 | 8,620,560 |
| Interest income | 23 | (8,913,119) | (8,387,537) | (6,715,749) | (6,038,114) |
| Share of loss from jointly controlled entity | | 62,037,682 | 45,348,440 | - | - |
| Cost of doubtful debts | | - | - | 77,074 | 55,362 |
| Reversal of slow-moving and obsolete stocks | | (5,554,352) | (1,312,259) | (5,554,352) | (1,312,259) |
| Reversal for cost of diminution of inventories | | - | (38,738,500) | - | (38,738,500) |
| Provisions for employee retirement benefits | 17 | 12,844,313 | 13,078,660 | 12,844,313 | 13,078,660 |
| Provisions for annual leave | | 83,447 | (463,953) | 83,447 | (463,953) |
| (Gain) loss on disposal of property, plant and equipment | | (1,064,866) | 8,973,208 | (1,064,866) | 8,973,208 |
| Fixed assets written-off | 11 | 140,662 | 33,801 | 140,662 | 33,801 |
| Reversal of impairment of asset | | (11,845) | - | (11,845) | - |
| Tax deducted at source written-off | | - | 151,603 | - | 151,603 |
| Dividend income | | - | (1,795,428) | - | (1,795,428) |
| Exploration costs written-down | 12 | 37,412,911 | 533,440 | 37,412,911 | 533,440 |
| Provisions for restoration expenses | 16 | 23,037,406 | 42,400,444 | 23,037,406 | 42,400,444 |
| Unrealised (gain) loss on foreign currency exchange | | (5,883,594) | 837,857 | (5,883,594) | 837,857 |
| Changes in operating assets and liabilities | | | | | |
| Trade accounts receivable | | | | | |
| - other parties | | (55,946,007) | 19,982,443 | (56,424,984) | 21,157,184 |
| Inventories | | (499,775,555) | (1,118,989,995) | (499,775,555) | (1,118,989,995) |
| Value added tax receivables | | (439,700) | (51,502,883) | (348,759) | (56,995,230) |
| Other receivables-related parties | | 3,920,025 | (3,989,549) | (8,573,547) | (8,336,147) |
| Other current assets | | 24,867,936 | 156,262,316 | 25,929,469 | 152,021,376 |
| Other non-current assets | | | | | |
| - deferred environmental rehabilitation expenses | | 7,853,497 | - | 7,853,497 | - |
| - deferred environmental risk assurance expenses | | 3,531,341 | - | 3,531,341 | - |
| - others | | (3,813,168) | (563,545) | (3,894,084) | (1,641,557) |
| Trade accounts payable | | | | | |
| - other parties | | (492,978,074) | 662,056,571 | (493,428,719) | 661,209,651 |
| Advances from other party | | - | (3,632,851) | - | - |
| Accrued electricity expenses | | (12,513,122) | (97,719,858) | (12,513,122) | (97,719,858) |
| Royalty payable | | (522,081) | (41,728,898) | (522,081) | (41,728,898) |
| Other payable-related parties | | - | - | 248,153 | (215,116) |
| Other current liabilities | | (81,099,902) | 40,566,505 | (67,745,378) | 99,202,418 |
| Provisions for restoration expenses utilised | 16 | (44,992,733) | (58,772,849) | (44,992,733) | (58,772,849) |
| Provisions for employee retirement benefits expenses utilised | 17 | (5,295,798) | (7,261,750) | (5,295,798) | (7,261,750) |
| Cash generated from operation | | (90,955,228) | 277,718,506 | (82,510,482) | 320,602,129 |
| Interest paid | | (7,266,564) | (9,971,521) | (7,266,564) | (9,971,521) |
| Tax paid | | (135,928,868) | (2,133,951) | (135,157,163) | (347,298) |
| Net cash provided by (used in) operating activities | | (234,150,660) | 265,613,034 | (224,934,209) | 310,283,310 |

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

Padaeng Industry Public Company Limited
Statements of cash flows
For the years ended 31 December 2010 and 2009

| | Notes | Consolidated | | Company | |
|---|-----------|----------------------|----------------------|----------------------|----------------------|
| | | 2010 Baht | 2009 Baht | 2010 Baht | 2009 Baht |
| <u>Cash flows from investing activities</u> | | | | | |
| Dividend received | | - | - | - | 1,599,752 |
| Cash received for short-term loan to a related party | | - | 2,449,000 | - | - |
| Prepayment to a related party | | - | - | (24,205,000) | (15,679,000) |
| Interest received | | 8,840,493 | 8,576,066 | 6,682,490 | 6,239,188 |
| Proceeds from returns of capital from a subsidiary | | - | - | - | 4,950,000 |
| Cash paid for purchase of property, plant and equipment | 11 | (71,568,653) | (85,783,320) | (70,671,533) | (84,474,982) |
| Cash received from sales of property, plant and equipment | | 1,625,219 | 463,973 | 1,625,219 | 463,973 |
| Cash paid for exploration | 12 | (61,976,096) | (114,862,616) | (2,032,403) | (5,472,475) |
| Cash paid for acquisition costs | | (160,207) | (33,950,394) | - | - |
| Net cash used in investing activities | | (123,239,244) | (223,107,291) | (88,601,227) | (92,373,544) |
| <u>Cash flows from financing activities</u> | | | | | |
| Proceeds (payment) on short-term loans from financial institutions | | 364,829,782 | (397,047,241) | 364,829,782 | (397,047,241) |
| Proceeds from long-term loan from other party | 26 (viii) | 25,323,837 | 127,958,420 | - | - |
| Dividends payment | | (207,727,602) | (185,216,991) | (207,727,602) | (185,216,991) |
| Return of capital to minorities | | - | (2,411,804) | - | - |
| Net cash provided by (used in) financing activities | | 182,426,017 | (456,717,616) | 157,102,180 | (582,264,232) |
| Effects from changes in exchange rate for cash and cash equivalents | | 561,606 | 1,039,665 | 561,606 | 1,039,665 |
| Net decrease in cash and cash equivalents | | (174,402,281) | (413,172,208) | (155,871,650) | (363,314,801) |
| Cash and cash equivalents at beginning of the year | | 630,121,596 | 1,043,293,804 | 437,464,391 | 800,779,192 |
| Cash and cash equivalents at end of the year | | 455,719,315 | 630,121,596 | 281,592,741 | 437,464,391 |

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

1. General Information

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

| | |
|--|--|
| Company Padaeng Industry Public Co., Ltd. | Principal activities Mining and smelting zinc, the main products are zinc and zinc alloys |
| Subsidiaries Padaeng Properties Co., Ltd. Puthep Co., Ltd. Padaeng Industry (Laos) Co., Ltd. Padaeng International Mining Co., Ltd. South East Asia Metals Co., Ltd. | Principal activities 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 |
| Jointly controlled entity Maesod Clean Energy Co., Ltd. | Principal activities 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 22 February 2011.

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 the Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those 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.

The consolidated and company financial statements have been prepared under the historical cost convention, except accounting for employee benefits as disclosed in Note 2.13 and financial instruments as disclosed in Note 2.17.

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 statutory financial statements has been prepared from the statutory financial statements that are 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, new interpretation, amendments to accounting standards and accounting framework

a) The amendment of accounting framework is effective on 26 May 2010.

b) The following new accounting standards and amendments to accounting standards are mandatory for the accounting periods beginning on or after 1 January 2011 and 1 January 2013.

Effective for the accounting periods beginning on or after 1 January 2011

| | |
|-----------------------|---|
| TAS 1 (Revised 2009) | Presentation of Financial Statements |
| TAS 2 (Revised 2009) | Inventories |
| TAS 7 (Revised 2009) | Statement of Cash Flows |
| TAS 8 (Revised 2009) | Accounting Policies, Changes in Accounting Estimates and Errors |
| TAS 10 (Revised 2009) | Events after the Reporting Period |
| TAS 16 (Revised 2009) | Property, Plant and Equipment |
| TAS 18 (Revised 2009) | Revenues |
| TAS 19 (Revised 2009) | Employee Benefits |
| TAS 24 (Revised 2009) | Related Party Disclosures |
| TAS 27 (Revised 2009) | Consolidated and Separate Financial Statements |
| TAS 28 (Revised 2009) | Investments in Associates |
| TAS 31 (Revised 2009) | Interests in Joint Ventures |
| TAS 33 (Revised 2009) | Earnings per Share |
| TAS 34 (Revised 2009) | Interim Financial Reporting |
| TAS 36 (Revised 2009) | Impairment of Assets |
| TAS 37 (Revised 2009) | Provisions, Contingent Liabilities and Contingent Assets |
| TAS 38 (Revised 2009) | Intangible Assets |
| TFRS 6 | Exploration for and Evaluation of Mineral Resources |

The Company will apply new accounting standards, new financial reporting standards, new interpretation and amendments to accounting standards (collectively “the accounting standards”) from 1 January 2011. The Company’s management assessed and determined that there are no significant impacts to financial statements being presented except the following accounting standards.

TAS 1 (Revised 2009), the revised standard will prohibit the presentation of items of income and expenses in the statement of changes in equity. Entities can choose whether to present one statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated statement of financial position as at the beginning comparative period in addition to the current requirement to present a statement of financial position at the end of the current period and comparative period. However, for the financial statements for periods beginning on or after 1 January 2011 and for the first period to apply this standard, an entity can choose to present a statement of financial position without the statement of financial position as at the beginning comparative period. The Company will apply TAS 1 (Revised 2009) from 1 January 2011.

TAS 16 (Revised 2009) requires that the cost of an item of property, plant and equipment includes the costs of its dismantlement, removal or restoration, the obligation for which an entity incurs as a consequence of installing the item. Each significant component of property, plant and equipment is required to be separately indentified and depreciated if the useful life of each significant component differs from other components. In addition, useful lives and residual values of the property, plant and equipment are required to be reviewed and adjusted, if appropriate, at least annually. The Company will apply this standard from 1 January 2011 retrospectively with an expected adjustment to retained earnings. The management is currently assessing the impact of applying this standard.

2. Significant Accounting Policies (Cont'd)

2.3 Group Accounting - Investments in subsidiaries and interests in jointly controlled entities (Cont'd)

General investments are non-marketable securities and carried at cost less impairment.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the investments. Cost of investment includes transaction costs.

A test for impairment is carried out when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to the statement of income.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of income.

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.

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 balance sheet date. 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 balance sheet 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 administrative expenses.

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. Allowance is 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. Significant Accounting Policies (Cont'd)

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 equipment | 8 - 20 |
| Equipment, furniture and fixtures | 3 - 5 |
| Vehicles | 5 |

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

Residual value and the estimated useful life of the assets are reviewed and revised if necessary in balance sheet 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 the 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 a provision is recognised for 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.

2. Significant Accounting Policies (Cont'd)

2.10 Intangible assets (Cont'd)

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.

2.11 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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the period in which they arise and accumulated in the statement of changes in shareholders' equity.

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. Significant Accounting Policies (Cont'd)

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.

2.16 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.

3. 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.

3.1 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.

3.2 Exploration and evaluation expenditure

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided certain conditions are met. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. These calculations and reviews require the use of assumptions and judgment.

3. Critical accounting estimates and judgements (Cont'd)

3.3 Restoration provision

Significant judgment is required in determining the restoration provision as there are many transactions and factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability includes future development, changes in technology, commodity price changes and changes in interest rates.

3.4 Property and equipment and intangible assets

Management determines the carrying value of property, plant, and equipment and intangible assets based on estimates, assumptions, and judgments in respect of remaining useful lives and residual values of these assets. These estimates, assumptions, and judgments reflect both historical experience and expectations regarding future operations, utilisation, and performance.

3.5 Impairment of assets

Assets and intangible assets with a definite useful life are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and, where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets and using an appropriate discount rate.

4. 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.

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.

6. Cash and cash equivalents

| | Consolidated | | Company | |
|----------------------------------|---------------------|--------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| Cash on hand | 640,000 | 640,000 | 480,000 | 480,000 |
| Deposits held at call with banks | 97,352,548 | 207,662,673 | 81,263,372 | 188,080,014 |
| Cash and bank balances | 97,992,548 | 208,302,673 | 81,743,372 | 188,560,014 |
| Bill of exchange | 357,726,767 | 421,818,923 | 199,849,369 | 248,904,377 |
| Cash and cash equivalents | <u>455,719,315</u> | <u>630,121,596</u> | <u>281,592,741</u> | <u>437,464,391</u> |

The average interest rates on deposits and short-term investments are in the range of 0.10% - 1.93% per annum (2009 : 0.10% - 1.07% per annum).

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7. Trade accounts receivable-net

| | Consolidated | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2010 Baht | 2009 Baht | 2010 Baht | 2009 Baht |
| Trade accounts receivable | 374,751,863 | 318,813,177 | 373,534,762 | 317,117,099 |
| <u>Less: Allowance for doubtful accounts</u> | - | - | - | - |
| Trade accounts receivable-net | <u>374,751,863</u> | <u>318,813,177</u> | <u>373,534,762</u> | <u>317,117,099</u> |

Outstanding trade accounts receivable as at 31 December 2010 and 2009 can be analysed as follows:

| | Consolidated | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2010 Baht | 2009 Baht | 2010 Baht | 2009 Baht |
| Up to 3 months | 374,751,863 | 318,813,177 | 373,534,762 | 317,117,099 |
| 3-6 months | - | - | - | - |
| 6-12 months | - | - | - | - |
| Over 12 months | - | - | - | - |
| | <u>374,751,863</u> | <u>318,813,177</u> | <u>373,534,762</u> | <u>317,117,099</u> |
| <u>Less: Allowance for doubtful accounts</u> | - | - | - | - |
| | <u>374,751,863</u> | <u>318,813,177</u> | <u>373,534,762</u> | <u>317,117,099</u> |

8. Inventories-net

| | Consolidated | | Company | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2010 Baht | 2009 Baht | 2010 Baht | 2009 Baht |
| Raw materials | 1,344,584,753 | 653,061,292 | 1,344,584,753 | 653,061,292 |
| Spare parts and consumables | 148,307,237 | 156,520,039 | 148,307,237 | 156,520,039 |
| Goods in transit | 740,535,407 | 1,096,846,801 | 740,535,407 | 1,096,846,801 |
| Work in process | 578,111,051 | 597,581,581 | 578,111,051 | 597,581,581 |
| Finished goods | 415,653,382 | 223,406,562 | 415,653,382 | 223,406,562 |
| | <u>3,227,191,830</u> | <u>2,727,416,275</u> | <u>3,227,191,830</u> | <u>2,727,416,275</u> |
| <u>Less: Allowance for slow moving and obsolete inventories</u> | <u>(14,382,998)</u> | <u>(19,937,350)</u> | <u>(14,382,998)</u> | <u>(19,937,350)</u> |
| Inventories-net | <u>3,212,808,832</u> | <u>2,707,478,925</u> | <u>3,212,808,832</u> | <u>2,707,478,925</u> |

9. Other current assets

| | Consolidated | | Company | |
|--|---------------------|---------------------|---------------------|---------------------|
| | 2010 Baht | 2009 Baht | 2010 Baht | 2009 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 | 5,661,622 | 31,385,236 | 5,661,622 | 31,385,236 |
| Others | 15,937,131 | 15,252,008 | 13,455,211 | 13,870,986 |
| | <u>67,802,796</u> | <u>92,841,287</u> | <u>65,320,876</u> | <u>91,460,265</u> |
| <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>21,598,753</u> | <u>46,637,244</u> | <u>19,116,833</u> | <u>45,256,222</u> |

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10. Investments in subsidiaries and jointly controlled entity

| | Consolidated | | Company | |
|-------------------------|---------------------|--------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| Opening net book amount | 167,309,172 | 212,657,612 | 469,255,123 | 474,205,123 |
| Share of loss | (62,037,682) | (45,348,440) | - | - |
| Liquidate | - | - | - | (4,950,000) |
| Closing net book amount | <u>105,271,490</u> | <u>167,309,172</u> | <u>469,255,123</u> | <u>469,255,123</u> |

In 2009, the Company received returns of capital investment of Baht 4.95 million from a subsidiary which has registered its dissolution with the Ministry of Commerce since 8 May 2008. The subsidiary completed its liquidation in the year 2009.

| Investments in jointly controlled entity | Business | Country of Incorporation | % Ownership Interest | |
|---|--|---------------------------------|-----------------------------|-------------|
| | | | 2010 | 2009 |
| 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 October 2010 and 2009 of the jointly controlled entity:

| | 31 October 2010 | 31 October 2009 |
|-------------------------------|------------------------|------------------------|
| | '000 Baht | '000 Baht |
| Property, plant and equipment | 2,019,093 | 2,164,639 |
| Current assets | 431,367 | 473,498 |
| Non-current assets | 14,765 | 12,138 |
| Total assets | <u>2,465,225</u> | <u>2,650,275</u> |
| Long-term borrowing | 1,260,000 | 1,350,000 |
| Current liabilities | 844,933 | 785,092 |
| Total liabilities | <u>2,104,933</u> | <u>2,135,092</u> |
| Net assets | <u>360,292</u> | <u>515,183</u> |
| Revenues | 701,368 | 301,548 |
| Expenses | (856,269) | (390,250) |
| Net loss for the year | <u>(154,901)</u> | <u>(88,702)</u> |

Maesod Clean Energy Co., Ltd., ("Maesod") has fiscal year that ends on 31 October. For the two months ended 31 December 2010, Maesod has net loss of Baht 62,220 thousand (31 December 2009 : net loss of Baht 39,870 thousand). The operating results of Maesod for the two months period as at 31 December 2010 included in the consolidated financial statements have been unaudited.

As at 31 December 2010, 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

| | Consolidated | | | | | | 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 | |
| At 31 December 2008 | | | | | | | |
| 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> |
| Year ended 31 December 2009 | | | | | | | |
| 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) |
| 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> |
| At 31 December 2009 | | | | | | | |
| 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> |

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

| | Consolidated | | | | | | 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 | |
| Year ended 31 December 2010 | | | | | | | |
| Opening balance | 403,761,875 | 349,996,606 | 848,515,293 | 51,417,351 | 63,068,522 | 8,259,927 | 1,725,019,574 |
| Additions | - | - | - | 626,015 | - | 70,942,638 | 71,568,653 |
| Transfers | 1,919,426 | 2,155,986 | 56,808,929 | 10,384,048 | 153,000 | (71,421,389) | - |
| Disposals of property, plant and equipment | - | - | (54,202) | 5,974 | (500,280) | - | (548,508) |
| Write-off property, plant and equipment | - | - | - | (140,662) | - | - | (140,662) |
| Depreciation expense | (21,233,497) | (60,387,413) | (192,834,194) | (22,463,764) | (16,427,494) | - | (313,346,362) |
| Closing net book amount | <u>384,447,804</u> | <u>291,765,179</u> | <u>712,435,826</u> | <u>39,828,962</u> | <u>46,293,748</u> | <u>7,781,176</u> | <u>1,482,552,695</u> |
| At 31 December 2010 | | | | | | | |
| Cost | 721,318,405 | 1,656,087,815 | 5,135,150,738 | 451,147,840 | 234,185,589 | 7,781,176 | 8,205,671,563 |
| Less: Accumulated depreciation | (333,561,857) | (1,358,015,844) | (4,260,928,194) | (409,962,980) | (187,539,843) | - | (6,550,008,718) |
| Accumulated provision for impairment | (3,308,744) | (6,306,792) | (161,786,718) | (1,355,898) | (351,998) | - | (173,110,150) |
| Net book amount | <u>384,447,804</u> | <u>291,765,179</u> | <u>712,435,826</u> | <u>39,828,962</u> | <u>46,293,748</u> | <u>7,781,176</u> | <u>1,482,552,695</u> |

Fully depreciated property, plant and equipment still in use as at 31 December 2010 amount to Baht 3,228.2 million (2009: Baht 2,033.5 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 | |
| | Baht | Baht | Baht | Baht | Baht | Baht | |
| At 31 December 2008 | | | | | | | |
| 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> |
| Year ended 31 December 2009 | | | | | | | |
| 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) |
| 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> |
| At 31 December 2009 | | | | | | | |
| 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> |

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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 | |
| Year ended 31 December 2010 | | | | | | | |
| Opening balance | 407,271,813 | 349,996,606 | 848,515,293 | 49,134,596 | 63,068,027 | 8,259,927 | 1,726,246,262 |
| Additions | - | - | - | 626,015 | - | 70,045,518 | 70,671,533 |
| Transfers | 1,919,426 | 2,155,986 | 56,808,929 | 9,486,928 | 153,000 | (70,524,269) | - |
| Disposals of property, plant and equipment | - | - | (54,202) | 5,974 | (500,280) | - | (548,508) |
| Write-off property, plant and equipment | - | - | - | (140,662) | - | - | (140,662) |
| Depreciation expense | (21,233,497) | (60,387,413) | (192,834,194) | (21,713,721) | (16,427,494) | - | (312,596,319) |
| Closing net book amount | <u>387,957,742</u> | <u>291,765,179</u> | <u>712,435,826</u> | <u>37,399,130</u> | <u>46,293,253</u> | <u>7,781,176</u> | <u>1,483,632,306</u> |
| At 31 December 2010 | | | | | | | |
| Cost | 724,828,343 | 1,656,087,815 | 5,135,150,738 | 446,278,179 | 234,165,590 | 7,781,176 | 8,204,291,841 |
| Less: Accumulated depreciation | (333,561,857) | (1,358,015,844) | (4,260,928,194) | (407,523,151) | (187,520,339) | - | (6,547,549,385) |
| Accumulated provision for impairment | (3,308,744) | (6,306,792) | (161,786,718) | (1,355,898) | (351,998) | - | (173,110,150) |
| Net book amount | <u>387,957,742</u> | <u>291,765,179</u> | <u>712,435,826</u> | <u>37,399,130</u> | <u>46,293,253</u> | <u>7,781,176</u> | <u>1,483,632,306</u> |

Fully depreciated property, plant and equipment still in use as at 31 December 2010 amount to Baht 3,227.2 million (2009: Baht 2,033.0 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:

| | Consolidated | | Company | |
|---------------------------|---------------------|--------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| Opening balances | 173,121,995 | 169,952,737 | 173,121,995 | 169,952,737 |
| Provision for impairment | - | 8,973,208 | - | 8,973,208 |
| Reversal from disposals | - | (5,803,950) | - | (5,803,950) |
| Reversal from written-off | (11,845) | - | (11,845) | - |
| Ending balances | <u>173,110,150</u> | <u>173,121,995</u> | <u>173,110,150</u> | <u>173,121,995</u> |

12. Exploration and acquisition costs

Exploration and acquisition costs as at 31 December 2010 and 2009 comprise:

| | Consolidated | | Company | |
|--------------------------------------|----------------------|----------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| <u>Exploration costs</u> | | | | |
| Opening balance for the year | 974,287,110 | 831,552,330 | 111,042,572 | 106,103,538 |
| Expenditure incurred during the year | 61,976,096 | 114,862,616 | 2,032,403 | 5,472,474 |
| Deferred capitalised interest | 19,907,975 | 28,405,604 | - | - |
| Expenditure written-down | (37,412,911) | (533,440) | (37,412,911) | (533,440) |
| Ending balance for the year | <u>1,018,758,270</u> | <u>974,287,110</u> | <u>75,662,064</u> | <u>111,042,572</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 |
| Accumulated depletion | (46,666,704) | (40,000,032) | (46,666,704) | (40,000,032) |
| Ending balance for the year | 13,333,296 | 19,999,968 | 13,333,296 | 19,999,968 |
| Land use compensation-net | 26,983,108 | 32,846,459 | 26,983,108 | 32,846,459 |
| Other capitalised expenditure-net | 15,071,391 | 18,727,868 | 15,071,391 | 18,727,868 |
| Ending balance for the year | <u>55,387,795</u> | <u>71,574,295</u> | <u>55,387,795</u> | <u>71,574,295</u> |
| Concession operating right | | | | |
| Opening balance for the year | 48,185,730 | - | - | - |
| Expenditure incurred during the year | 160,206 | 51,048,294 | - | - |
| Accumulated amortisation | (8,230,254) | (2,862,564) | - | - |
| Ending balance for the year | <u>40,115,682</u> | <u>48,185,730</u> | <u>-</u> | <u>-</u> |
| Total mining acquisition costs | <u>95,503,477</u> | <u>119,760,025</u> | <u>55,387,795</u> | <u>71,574,295</u> |
| Total (Note 12 (i), (ii)) | <u>1,114,261,747</u> | <u>1,094,047,135</u> | <u>131,049,859</u> | <u>182,616,867</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)

During 2010, Baht 37 million in exploration costs were written-down as the Company does not expect significant development within five years even if the Company continues to hold the exploration rights.

Puthep Co., Ltd.

Since 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 (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 subsequent to 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. As of 31 December 2010, PNA (Puthep) Co., Ltd. has earned 49% in Puthep Co., Ltd.

As of 31 December 2010, the capitalised exploration and acquisition costs incurred by Puthep Co., Ltd. amount to Baht 885.4 million. A feasibility study was not submitted by PNA (Puthep) Pty Ltd. to an independent expert by September 19, 2009 as required under the Participation Agreement. In April 2010 however, an independent expert has been appointed to review the feasibility study. He reported deficiencies of the feasibility study and suggested further work. PNA (Puthep) Pty Ltd. has affirmed its intention to undertake the additional actions identified by the independent expert. Puthep is now in the stage of preparing Environmental and Social Impact Assessment (ESIA) which is conducted by Kasetsart University.

Padaeng Industry (Laos) Co., Ltd.

In October 2006, the Company signed an exploration agreement with the Department of Mines and Geology of Lao PDR. The area currently under study covers 600 km² in the northern part of the Vientiane Province. The exploration activities are conducted through Padaeng Industry (Laos) Co., Ltd. At the date of this closing, a total amount of Baht 58.1 million in exploration costs have been capitalised on the consolidated balance sheet.

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 under the term of the Concession Operation Agreement and USD 0.5 million or Baht 15 million on 22 October 2010.

13. Other non-current assets

Other non-current assets as at 31 December 2010 and 2009 comprise:

i) Deferred environmental rehabilitation expenses-net

| | Consolidated | | Company | |
|----------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2010 Baht | 2009 Baht | 2010 Baht | 2009 Baht |
| Opening balance | 32,540,631 | 34,981,178 | 32,540,631 | 34,981,178 |
| Additions | (7,853,498) | - | (7,853,498) | - |
| Closing book amount | 24,687,133 | 34,981,178 | 24,687,133 | 34,981,178 |
| Less: Amortisation expense | (4,168,763) | (2,440,547) | (4,168,763) | (2,440,547) |
| Closing net book amount | <u>20,518,370</u> | <u>32,540,631</u> | <u>20,518,370</u> | <u>32,540,631</u> |

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

ii) Deferred environmental risk assurance expenses-net

| | Consolidated | | Company | |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2010 Baht | 2009 Baht | 2010 Baht | 2009 Baht |
| Opening balance | 28,681,950 | 30,833,096 | 28,681,950 | 30,833,096 |
| Additions | (3,531,341) | - | (3,531,341) | - |
| Closing book amount | 25,150,609 | 30,833,096 | 25,150,609 | 30,833,096 |
| <u>Less: Amortisation expense</u> | <u>(3,746,598)</u> | <u>(2,151,146)</u> | <u>(3,746,598)</u> | <u>(2,151,146)</u> |
| Closing net book amount | <u>21,404,011</u> | <u>28,681,950</u> | <u>21,404,011</u> | <u>28,681,950</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

| | Consolidated | | Company | |
|--|---------------------|---------------------|--------------------|--------------------|
| | 2010 Baht | 2009 Baht | 2010 Baht | 2009 Baht |
| Deposits and instalment payments for condominium units | 74,932,723 | 74,932,723 | - | - |
| <u>Less: Allowance for doubtful accounts</u> | <u>(74,932,723)</u> | <u>(74,932,723)</u> | - | - |
| Total | - | - | - | - |
| Capitalised software | | | | |
| Opening balance | 4,948,555 | 7,031,536 | 4,763,543 | 6,344,810 |
| Additions | 3,910,330 | 1,683,709 | 3,897,245 | 1,671,559 |
| Transfers | - | (441,004) | - | - |
| Closing book amount | 8,858,885 | 8,274,241 | 8,660,788 | 8,016,369 |
| <u>Less: Amortisation expense</u> | <u>(3,851,186)</u> | <u>(3,325,686)</u> | <u>(3,798,193)</u> | <u>(3,252,826)</u> |
| Closing net book amount | <u>5,007,699</u> | <u>4,948,555</u> | <u>4,862,595</u> | <u>4,763,543</u> |
| Deposits | 970,911 | 1,064,911 | 719,311 | 719,311 |
| Others | 3,134,726 | 3,134,726 | 3,134,726 | 3,134,725 |
| Total | <u>9,113,336</u> | <u>9,148,192</u> | <u>8,716,632</u> | <u>8,617,579</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 general investments which are invested in third parties 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 2010 and 2009 comprise:

| | Consolidated | | Company | |
|------------------|--------------------|--------------------|--------------------|--------------------|
| | 2010 Baht | 2009 Baht | 2010 Baht | 2009 Baht |
| Trust Receipts | 394,929,331 | 247,305,978 | 394,929,331 | 247,305,978 |
| Promissory Notes | 323,939,808 | 111,581,478 | 323,939,808 | 111,581,478 |
| Total | <u>718,869,139</u> | <u>358,887,456</u> | <u>718,869,139</u> | <u>358,887,456</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 0.96% - 1.55% per annum.

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

Financing arrangements available to the Company

| | <u>Company</u> | |
|------------------|----------------------|----------------------|
| | <u>2010</u> | <u>2009</u> |
| | <u>Baht</u> | <u>Baht</u> |
| Bank Overdraft | 80,000,000 | 60,000,000 |
| Short-term Loans | 2,783,889,000 | 3,836,222,400 |
| Bank Guarantee | 1,051,666,700 | 1,449,336,000 |
| Total | <u>3,915,555,700</u> | <u>5,345,558,400</u> |

15. Bank guarantees

As at 31 December 2010, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 593.7 million (31 December 2009: Baht 444.0 million).

16. Provisions for restoration expenses

| | <u>Consolidated</u> | | <u>Company</u> | |
|---|---------------------|-------------------|-------------------|-------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| | <u>Baht</u> | <u>Baht</u> | <u>Baht</u> | <u>Baht</u> |
| Balance at the beginning of the year | 70,660,152 | 87,032,557 | 70,660,152 | 87,032,557 |
| Additional provisions charged to the statements of income | 23,037,406 | 42,400,444 | 23,037,406 | 42,400,444 |
| Amounts utilised | (44,992,732) | (58,772,849) | (44,992,732) | (58,772,849) |
| Balance at the end of the year | <u>48,704,826</u> | <u>70,660,152</u> | <u>48,704,826</u> | <u>70,660,152</u> |

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

17. Provisions for employee retirement benefits

The amounts recognised in the balance sheet are determined as follows:

| | <u>Consolidated</u> | | <u>Company</u> | |
|--|---------------------|--------------------|--------------------|--------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| | <u>Baht</u> | <u>Baht</u> | <u>Baht</u> | <u>Baht</u> |
| Current portion of provision for retirement benefits | 18,393,687 | 21,727,850 | 18,393,687 | 21,727,850 |
| Long-term portion of provision for retirement benefits | 104,300,552 | 93,417,874 | 104,300,552 | 93,417,874 |
| Total provision for retirement benefits | <u>122,694,239</u> | <u>115,145,724</u> | <u>122,694,239</u> | <u>115,145,724</u> |

The movement in the liability recognised in the balance sheet is as follows:

| | <u>Consolidated</u> | | <u>Company</u> | |
|---|---------------------|--------------------|--------------------|--------------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| | <u>Baht</u> | <u>Baht</u> | <u>Baht</u> | <u>Baht</u> |
| Balance at the beginning of the year | 115,145,724 | 113,790,600 | 115,145,724 | 113,790,600 |
| Additional provisions charged to the statements of income | 12,844,313 | 13,078,660 | 12,844,313 | 13,078,660 |
| Amounts utilised | (5,295,798) | (7,261,750) | (5,295,798) | (7,261,750) |
| Actuarial (gain) recognised in equity | - | (4,461,786) | - | (4,461,786) |
| Balance at the end of the year | <u>122,694,239</u> | <u>115,145,724</u> | <u>122,694,239</u> | <u>115,145,724</u> |

The Company recognises the costs of employee retirement benefits payable in accordance with Thai Labour Law. The amount of retirement benefits are recorded based on the 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 of occurrence.

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18. Other current liabilities

Other current liabilities as of 31 December 2010 and 2009 comprise:

| | Consolidated | | Company | |
|---------------------------------|---------------------|--------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| Social security and other taxes | 11,059,528 | 9,469,202 | 8,660,782 | 8,333,703 |
| Accrued expenses | 109,252,728 | 91,433,635 | 106,812,736 | 67,011,626 |
| Other payables | 66,206,741 | 166,126,384 | 64,084,099 | 171,081,341 |
| Total | 186,518,997 | 267,029,221 | 179,557,617 | 246,426,670 |

19. Commitments

As at 31 December 2010 and 2009, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

| | Consolidated | | Company | |
|-----------------------|---------------------|-------------|----------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| Not later than 1 year | 153,568,339 | 64,452,021 | 153,568,339 | 64,452,021 |

As at 31 December 2010 and 2009, the Company has the following commitments for the purchase of inventories that have been contracted but not recorded as liabilities:

| | Consolidated | | Company | |
|-----------------------|---------------------|-------------|----------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| Not later than 1 year | 224,751,537 | 310,836,753 | 224,751,537 | 310,836,753 |

In addition, as at 31 December 2010, the Company has contracted for the purchase of raw materials that contained zinc units approximately 17,047 tonnes (31 December 2009 : 21,986 tonnes).

20. Share capital and premium on share capital

| For the years ended 31 December 2010 | Number of | Ordinary | Shares | Total |
|---|--------------------|----------------------|--------------------|----------------------|
| | shares | shares | premium | Baht |
| | | Baht | Baht | Baht |
| Opening balance | 226,000,000 | 2,260,000,000 | 602,413,600 | 2,862,413,600 |
| Movement during the period | - | - | - | - |
| Closing balance | 226,000,000 | 2,260,000,000 | 602,413,600 | 2,862,413,600 |

As at 31 December 2010, the total authorised number of ordinary shares is 226,000,000 shares (2009: 226,000,000 shares) with a par value of Baht 10 per share (2009: Baht 10 per share). All issued shares are fully paid.

21. Legal reserve

| | Consolidated | | Company | |
|---------------------------------------|---------------------|--------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| Balance at the beginning of the year | 202,961,801 | 186,003,887 | 202,961,801 | 186,003,887 |
| Appropriation during the year | 23,038,199 | 16,957,914 | 23,038,199 | 16,957,914 |
| Balance at the end of the year | 226,000,000 | 202,961,801 | 226,000,000 | 202,961,801 |

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.

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22. Expenses by nature

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

| | Consolidated | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2010 Baht | 2009 Baht | 2010 Baht | 2009 Baht |
| Changes in inventories | (177,283,535) | (184,410,612) | (177,283,535) | (184,410,612) |
| Raw materials, spare parts and consumables used | 4,306,955,245 | 3,014,022,144 | 4,306,955,245 | 3,014,022,144 |
| Employee benefits expense | 516,892,759 | 507,944,627 | 516,860,759 | 507,541,871 |
| Utility expenses | 1,377,543,467 | 1,448,818,592 | 1,377,389,681 | 1,448,612,881 |
| Depreciation and amortisation expenses | 348,874,377 | 416,092,669 | 340,493,210 | 413,177,931 |

23. Finance costs-net

Finance costs relate to the following:

| | Consolidated | | Company | |
|-------------------------|--------------|--------------|--------------|--------------|
| | 2010 Baht | 2009 Baht | 2010 Baht | 2009 Baht |
| Interest income | 8,913,119 | 8,387,537 | 6,715,749 | 6,038,114 |
| Interest expense | (7,388,395) | (8,620,560) | (7,388,395) | (8,620,560) |
| Total finance costs-net | 1,524,724 | (233,023) | (672,646) | (2,582,446) |

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.

| | Consolidated | | Company | |
|--|--------------|-------------|-------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Net profit attributable to common shareholders (Baht) | 418,420,207 | 296,038,890 | 495,193,292 | 339,158,290 |
| 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) | 1.85 | 1.31 | 2.19 | 1.50 |

There are no potential dilutive ordinary shares in issue for the years ended 31 December 2010 and 2009.

25. Dividend

At their Annual Ordinary General Meeting held on 26 April 2010, the shareholders approved the payment of dividend for the year ended 31 December 2009 of Baht 0.92 per share (2008: Baht 0.82 per share) totalling Baht 207.9 million (2008: totalling Baht 185.3 million). The dividend was paid on 31 May 2010.

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26. Related parties transactions

i) Investments in related parties-net

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

| | Consolidated | | | | Company | | | |
|--|-------------------------|-------------------------|-------------------|--------------|-------------------------|-------------------------|-------------------|--------------|
| | 31 December 2010 | 31 December 2010 | | | 31 December 2009 | 31 December 2009 | | |
| | Equity | Paid-up | % | Cost | Equity | Paid-up | % | Cost |
| | Baht | capital | ownership | Baht | Baht | capital | ownership | Baht |
| | | Baht | investment | | | Baht | investment | |
| | | | | Baht | | | | Baht |
| Subsidiaries | | | | | | | | |
| 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 | - | 285,589,732 | 51 | 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 |
| Total | - | | | 253,320,425 | - | | | 253,320,425 |
| Less : Diminution | | | | | | | | |
| Padaeng Industry (Laos) Co., Ltd. | - | | | (20,215,102) | - | | | (20,215,102) |
| Padaeng International Mining Co., Ltd. | - | | | (100,000) | - | | | (100,000) |
| Investments in subsidiaries-net | - | | | 233,005,323 | - | | | 233,005,323 |
| Jointly controlled entity | | | | | | | | |
| Maesod Clean Energy Co., Ltd. | 105,271,490 | 675,000,000 | 35 | 236,249,800 | 167,309,172 | 675,000,000 | 35 | 236,249,800 |

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

Padaeng Industry Public Company Limited
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26. Related parties transactions (Cont'd)

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

| | Consolidated | | Company | |
|-----------------------------|---------------------|--------------------|--------------------|--------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| Opening net book amount | 167,309,172 | 212,657,612 | 469,255,123 | 474,205,123 |
| Share of loss | (62,037,682) | (45,348,440) | - | - |
| Liquidation of a subsidiary | - | - | - | (4,950,000) |
| Closing net book amount | <u>105,271,490</u> | <u>167,309,172</u> | <u>469,255,123</u> | <u>469,255,123</u> |

Subsidiaries

As at 31 December 2010, **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 2009 : Baht 7,354,551). The Company is aware that the balance of share capital of USD 476,000 will be called during 2011. In addition, the Company is aware that in year 2011, 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 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 Puthep Co., Ltd. from 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 124.70 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 2010, 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. As at 31 December 2010 and 2009, Maesod Clean Energy Co., Ltd. has 67,500,000 shares authorised and outstanding. Padaeng Industry Public Company Limited has subscribed to a total of 23,625,000 shares in this company.

ii) Sales of goods and services

| For the years ended 31 December | Consolidated | | Company | |
|--|---------------------|-------------|----------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| Sales of goods and services: | | | | |
| Padaeng Properties Co., Ltd. | - | - | 943,200 | 979,200 |
| Padaeng Industry (Laos) Co., Ltd. | - | - | 463,066 | 3,819,939 |
| Puthep Co., Ltd. | - | - | 298,935 | 1,874,325 |
| Maesod Clean Energy Co.,Ltd. | - | 141,581 | - | 141,581 |

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

iii) Purchases of goods and services

| For the years ended 31 December | Consolidated | | Company | |
|--|---------------------|-------------|----------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| Purchases of goods and services: | | | | |
| Padaeng Properties Co., Ltd. | - | - | 5,054,510 | 2,760,815 |
| Padaeng Industry (Laos) Co., Ltd. | - | - | 12,182,104 | - |
| Puthep Co., Ltd. | - | - | 217,712 | - |
| Maesod Clean Energy Co.,Ltd. | - | - | 433,081 | - |

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

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26. Related parties transactions (Cont'd)

iv) Other receivables-related parties-net

| | Consolidated | | Company | |
|--|---------------------|------------------|-------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| Padaeng Properties Co., Ltd. | - | - | 82,002 | 82,002 |
| Padaeng Industry (Laos) Co., Ltd. | - | - | 20,044,713 | 6,962,762 |
| Puthep Co., Ltd. | - | - | 1,326 | 609,279 |
| Padaeng International Mining Co., Ltd. | - | - | 118,846 | 99,272 |
| Maesod Clean Energy Co.,Ltd. | 69,524 | 3,989,549 | 69,524 | 3,989,549 |
| Total | 69,524 | 3,989,549 | 20,316,411 | 11,742,864 |
| <u>Less: Allowance for doubtful accounts</u> | - | - | (118,846) | (99,272) |
| Other receivables-related parties-net | 69,524 | 3,989,549 | 20,197,565 | 11,643,592 |

v) Advance to related parties-net

| | Consolidated | | Company | |
|--|---------------------|-------------|-------------------|-------------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| Padaeng Industry (Laos) Co., Ltd. | - | - | 41,112,916 | 16,965,416 |
| Padaeng International Mining Co., Ltd. | - | - | 432,300 | 374,800 |
| Total | - | - | 41,545,216 | 17,340,216 |
| <u>Less: Allowance for doubtful accounts</u> | - | - | (432,300) | (374,800) |
| Advance to related parties-net | - | - | 41,112,916 | 16,965,416 |

Advance from the Company in the amount of Baht 41,112,916 represents an advance for share subscription payment in Padaeng Industry (Laos) Co., Ltd.

As at 31 December 2010, the above mentioned loans to Padaeng International Mining Co., Ltd. are carried at interest rates of MLR plus 1% per annum.

vi) Other payables-related parties

| | Consolidated | | Company | |
|------------------------------|---------------------|-------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| Padaeng Properties Co., Ltd. | - | - | 491,740 | 243,587 |
| Total | - | - | 491,740 | 243,587 |

vii) Advances from other party

| | Consolidated | | Company | |
|-----------------------------------|---------------------|---------------|----------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| <u>PNA (Puthep) Pty Ltd.</u> | | | | |
| Beginning balance of the year | - | 451,168,863 | - | - |
| Converted to share capital | - | (140,019,259) | - | - |
| Converted to long-term loan | - | (311,149,604) | - | - |
| Ending balance of the year | - | - | - | - |

26. Related parties transactions (Cont'd)

viii) Long-term loan 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 received from PNA (Puthep) Pty Ltd. Interest on principal amounts advanced under the Loan Agreement are calculated based on the best commercial rates available for PNA (Puthep) Pty Ltd. and is capitalised as part of exploration costs. 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 that 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 | |
|-------------------------------|---------------------|-------------|----------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | Baht | Baht | Baht | Baht |
| <u>PNA (Puthep) Pty Ltd.</u> | | | | |
| Beginning balance of the year | 439,108,024 | - | - | - |
| Converted from advance | - | 311,149,604 | - | - |
| Loan increase during the year | 25,323,837 | 127,958,420 | - | - |
| Ending balance of the year | 464,431,861 | 439,108,024 | - | - |
| Accrued interest expenses | 48,313,578 | 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 fluctuations in commodity prices. The Company currently engages only in transactional hedging with the purpose of mitigating price exposure from the difference in timing between purchased raw material and finished product sales. Any settlement gains or losses realized from hedging arrangements are recorded into operating profit or loss. As at 31 December 2010, the net purchases of 450 metric tons of zinc on the London Metal Exchange are outstanding. The change in fair value of these open positions amounts to USD 720,020 or Baht 21,708,603, is favourable. These fair values reflect the mark to market values of the contracts at the prevailing period end rates. These positions will be offset by committed and priced physical purchases and sales contracts. 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.

27.2 Fair values

The carrying amounts at the financial statements date of cash and cash equivalents, trade accounts receivable, short-term loans to related parties, value added tax receivables, other current assets, investments, certain other assets, loans from financial institutions, trade accounts payable, 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. Risk management policy for assets and liabilities (Cont'd)

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 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 of these financial statements. The current 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 2010, the Company has been served notice of six complaints by 1,143 plaintiffs filed in the Bangkok Southern Civil Court. The plaintiffs are seeking compensation of Baht 3,976 million from the Company alleging that it caused cadmium contamination in the Mae Sod district of the Tak province. The Company has filed answers to four of the claims as ordered by the Court, 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.

On 26 October 2010, the Company received Letter from the Ministry of Industry ordering it to perform, within 180 days, an additional EHIA in compliance with instructions from the Ministry of Natural Resources and Environment. Failure to do so would cause the revocation of the latest mining concession.

The company objects to the legality of that order and lodged a Plaint by the Administrative Court in January 2011.

29. Subsequent events

South East Asia Metals Co., Ltd. ("SEAMET"), has entered into a service agreement related to a mining operation in the Union of Myanmar with Mali Mining & Metallurgy Pte. Ltd., ("Mali"). The shares are held by a senior management official of the Company. The Company has disclosed this transaction to the SET on 23 February 2011. Under the terms of the service agreement Mali will receive Baht 120 million for provision of mining related services to allow the Company to obtain raw material for its smelting operations. This transaction will be presented to the Company's shareholders to approve.

On 22 February 2011, the Board of Directors decided to propose to the Annual Shareholders Meeting of April 2011 the payment of dividend of Baht 1.29 per share totalling Baht 291.5 million from the 2010 operating results.