

PADAENG INDUSTRY PUBLIC COMPANY LIMITED

**INTERIM CONSOLIDATED AND COMPANY
FINANCIAL STATEMENTS (UNAUDITED)**

30 JUNE 2010

AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

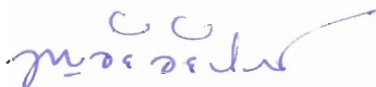
To the Shareholders and the Board of Directors of Padaeng Industry Public Company Limited

I have reviewed 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 30 June 2010, and the related consolidated and company statements of income for the three-month and six-month periods ended 30 June 2010, and the related consolidated and company statements of changes in shareholders' equity, and cash flows for the six-month periods ended 30 June 2010. The Company's management is responsible for the correctness and completeness of information in these interim financial statements. My responsibility is to issue a report on these interim financial statements based on my review. The interim financial statements for the three-month and six-month periods ended 30 June 2009 of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited, were reviewed by the another auditor from the same firm as myself, whose report dated 13 August 2009 stated that nothing had come to her attention that caused her to believe that the interim financial statements were not presented fairly, in all material respects, in accordance with generally accepted accounting principles. The statements of income for the three-month and six-month periods ended 30 June 2009 and the statements of changes in shareholders' equity and cash flows for the six-month period ended 30 June 2009, presented herewith for comparative purposes, are components of the aforementioned interim financial statements.

I conducted my review in accordance with the standard on auditing applicable to review engagements. This standard requires that I plan and perform a review to obtain moderate assurance as to whether the interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit, and accordingly, I do not express an audit opinion.

Based on my review, nothing has come to my attention that causes me to believe that the interim financial statements referred to above are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The consolidated and company 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, were audited by another auditor of the same firm as myself and her report dated 16 February 2010 expressed an unqualified opinion on those statements. The balance sheet as at 31 December 2009, presented herewith for comparative purposes, are part of the financial statements which were audited and upon which a report was issued as stated above and I have not performed any other auditing procedures subsequent to the date of that report.



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

Bangkok
9 August 2010

Padaeng Industry Public Company Limited
Balance Sheets
As at 30 June 2010 and 31 December 2009

	Notes	Consolidated		Company	
		(Unaudited) 30 June 2010 Baht	(Audited) 31 December 2009 Baht	(Unaudited) 30 June 2010 Baht	(Audited) 31 December 2009 Baht
ASSETS					
<u>Current Assets</u>					
Cash and cash equivalents		701,692,511	630,121,596	513,102,985	437,464,391
Trade accounts receivable-net	4	376,660,380	318,813,177	375,183,498	317,117,099
Inventories-net		2,577,726,708	2,707,478,925	2,577,726,708	2,707,478,925
Value added tax receivables		129,482,925	149,074,154	129,021,039	148,702,550
Other receivables-related parties-net	15 (iv)	-	3,989,549	13,377,397	11,643,592
Other current assets		62,661,549	46,637,244	60,581,077	45,256,222
Total Current Assets		3,848,224,073	3,856,114,645	3,668,992,704	3,667,662,779
<u>Non-Current Assets</u>					
Advances to related parties-net	15 (v)	-	-	28,740,416	16,965,416
Investments in subsidiaries-net	15 (i)	-	-	233,005,323	233,005,323
Investments in jointly controlled entity	15 (i)	166,877,466	167,309,172	236,249,800	236,249,800
Property, plant and equipment-net	5	1,613,540,843	1,725,019,574	1,614,459,294	1,726,246,262
Exploration and acquisition costs	6	1,118,685,525	1,094,047,135	168,715,313	182,616,867
Other non-current assets					
- deferred environmental rehabilitation expenses-net		25,774,993	32,540,631	25,774,993	32,540,631
- deferred environmental risk assurance expenses-net		23,187,679	28,681,950	23,187,679	28,681,950
- others		9,272,340	9,148,192	8,724,413	8,617,579
Total Non-Current Assets		2,957,338,846	3,056,746,654	2,338,857,231	2,464,923,828
Total Assets		6,805,562,919	6,912,861,299	6,007,849,935	6,132,586,607

Director.....

Director.....

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

Padaeng Industry Public Company Limited
Balance Sheets (Cont'd)
As at 30 June 2010 and 31 December 2009

	Notes	Consolidated		Company	
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
		30 June 2010 Baht	31 December 2009 Baht	30 June 2010 Baht	31 December 2009 Baht
LIABILITIES AND SHAREHOLDERS' EQUITY					
<u>Current Liabilities</u>					
Short-term loans from financial institutions	7	642,535,586	358,887,456	642,535,586	358,887,456
Trade accounts payable		61,914,101	832,090,780	57,539,085	830,692,147
Accrued electricity expenses		218,215,240	113,296,426	218,215,240	113,296,426
Royalty payable		2,350,000	2,412,081	2,350,000	2,412,081
Other payables-related parties	15 (vi)	-	-	428,779	243,587
Income tax payables		135,004,336	-	135,004,336	-
Other current liabilities		177,960,199	267,029,221	158,075,206	246,426,670
Total Current Liabilities		1,237,979,462	1,573,715,964	1,214,148,232	1,551,958,367
<u>Non-Current Liabilities</u>					
Long-term loans from other party	15 (viii)	451,581,828	439,108,024	-	-
Accrued interest expenses-other party	15 (viii)	37,985,059	28,405,604	-	-
Provisions for restoration expenses	8	56,742,045	70,660,152	56,742,045	70,660,152
Provisions for employee retirement benefits	9	119,154,121	115,145,724	119,154,121	115,145,724
Other non-current liabilities		558,457	570,157	558,457	570,157
Total Non-Current Liabilities		666,021,510	653,889,661	176,454,623	186,376,033
Total Liabilities		1,904,000,972	2,227,605,625	1,390,602,855	1,738,334,400
<u>Shareholders' Equity</u>					
Share capital					
Authorised share capital					
226,000,000 ordinary shares of Baht 10 each		2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Issued and paid-up share capital					
226,000,000 ordinary shares					
of Baht 10 each, fully paid		2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Premium on share capital		602,413,600	602,413,600	602,413,600	602,413,600
Retained earnings					
Appropriated legal reserve		202,961,801	202,961,801	202,961,801	202,961,801
Unappropriated		1,620,679,933	1,404,316,926	1,551,871,679	1,328,876,806
Total Shareholders' Equity		4,686,055,334	4,469,692,327	4,617,247,080	4,394,252,207
Minority interests		215,506,613	215,563,347	-	-
Total Shareholders' Equity		4,901,561,947	4,685,255,674	4,617,247,080	4,394,252,207
Total Liabilities and Shareholders' Equity		6,805,562,919	6,912,861,299	6,007,849,935	6,132,586,607

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

Padaeng Industry Public Company Limited
Statements of income (Unaudited)
For the three-month periods ended 30 June 2010 and 2009

	Note	Consolidated		Company	
		30 June 2010 Baht	30 June 2009 Baht	30 June 2010 Baht	30 June 2009 Baht
Sales and services revenue		2,123,269,734	1,436,741,258	2,118,398,593	1,432,694,335
Cost of sales and services		(1,898,586,179)	(1,376,242,292)	(1,894,713,396)	(1,372,336,975)
Gross profit		224,683,555	60,498,966	223,685,197	60,357,360
Other operating income		2,670,894	3,565,089	2,980,403	3,800,889
Gain on exchange rate		5,218,109	25,799,747	5,102,535	25,610,206
Total revenues		232,572,558	89,863,802	231,768,135	89,768,455
Selling expenses		(17,738,745)	(26,626,837)	(17,738,745)	(26,626,837)
Administrative expenses		(55,000,083)	(56,021,272)	(50,684,982)	(55,821,214)
Royalty expenses		(10,316,463)	(8,952,977)	(10,316,463)	(8,952,977)
Management costs		(12,503,075)	(11,398,500)	(12,503,075)	(11,398,500)
Total expenses		(95,558,366)	(102,999,586)	(91,243,265)	(102,799,528)
Operating profit (loss)		137,014,192	(13,135,784)	140,524,870	(13,031,073)
Share of gain (loss) of investment in jointly controlled entity on equity method		6,853,575	(3,329,500)	-	-
Profit (loss) before finance costs and corporate income tax		143,867,767	(16,465,284)	140,524,870	(13,031,073)
Finance costs-net	11	(8,002,607)	(170,527)	(8,479,618)	(679,979)
Profit (loss) before corporate income tax		135,865,160	(16,635,811)	132,045,252	(13,711,052)
Corporate income tax		(23,042,575)	(225,716)	(23,042,575)	-
Net profit (loss) for the period		112,822,585	(16,861,527)	109,002,677	(13,711,052)
Attributable to:					
Equity holders of the Company		112,848,376	(16,822,800)	109,002,677	(13,711,052)
Minority Interests		(25,791)	(38,727)	-	-
		<u>112,822,585</u>	<u>(16,861,527)</u>	<u>109,002,677</u>	<u>(13,711,052)</u>
Earnings (loss) per share for profit (loss) attributable to the equity holders of the Company					
Basic earnings (loss) per share		0.50	(0.07)	0.48	(0.06)

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

Padaeng Industry Public Company Limited
Statements of income (Unaudited)
For the six-month periods ended 30 June 2010 and 2009

	Note	Consolidated		Company	
		30 June 2010 Baht	30 June 2009 Baht	30 June 2010 Baht	30 June 2009 Baht
Sales and services revenue		4,293,156,191	2,742,854,125	4,284,025,404	2,735,341,318
Cost of sales and services		(3,589,226,503)	(2,794,512,155)	(3,581,013,825)	(2,787,184,349)
Gross profit (loss)		703,929,688	(51,658,030)	703,011,579	(51,843,031)
Other operating income		5,718,808	5,469,554	6,336,463	5,977,154
Gain on exchange rate		39,696,768	28,293,047	39,437,150	28,222,619
Reversal of allowance for diminution of inventories		-	38,738,500	-	38,738,500
Total revenues		749,345,264	20,843,071	748,785,192	21,095,242
Selling expenses		(32,829,303)	(53,032,835)	(32,829,303)	(53,032,835)
Administrative expenses		(107,685,937)	(108,856,635)	(99,934,974)	(108,629,044)
Royalty expenses		(17,772,178)	(14,351,263)	(17,772,178)	(14,351,263)
Management costs		(25,476,750)	(23,324,992)	(25,476,750)	(23,324,992)
Total expenses		(183,764,168)	(199,565,725)	(176,013,205)	(199,338,134)
Operating profit (loss)		565,581,096	(178,722,654)	572,771,987	(178,242,892)
Share of loss of investment in jointly controlled entity on equity method		(431,706)	(5,686,816)	-	-
Profit (loss) before finance costs and corporate income tax		565,149,390	(184,409,470)	572,771,987	(178,242,892)
Finance costs-net	11	(5,848,657)	(2,408,977)	(6,782,654)	(3,781,110)
Profit (loss) before corporate income tax		559,300,733	(186,818,447)	565,989,333	(182,024,002)
Corporate income tax		(135,080,238)	(485,135)	(135,080,238)	-
Net profit (loss) for the period		424,220,495	(187,303,582)	430,909,095	(182,024,002)
Attributable to:					
Equity holders of the Company		424,277,229	(187,230,112)	430,909,095	(182,024,002)
Minority Interests		(56,734)	(73,470)	-	-
		<u>424,220,495</u>	<u>(187,303,582)</u>	<u>430,909,095</u>	<u>(182,024,002)</u>
Earnings (loss) per share for profit (loss) attributable to the equity holders of the Company					
Basic earnings (loss) per share		<u>1.88</u>	<u>(0.83)</u>	<u>1.91</u>	<u>(0.81)</u>

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

Padaeng Industry Public Company Limited
Statements of changes in shareholders' equity (Unaudited)
For the six-month periods ended 30 June 2010 and 2009

	Notes	Consolidated						
		Attributable to equity holders of the Company				Total	Minority interest	Total
		Issued and paid-up share capital	Premium on share capital	Retained earnings				
				Appropriated legal reserve	Unappropriated			
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
Net profit for the period		-	-	-	424,277,229	424,277,229	(56,734)	424,220,495
Dividends paid	10	-	-	-	(207,914,222)	(207,914,222)	-	(207,914,222)
Ending balance as at 30 June 2010		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>202,961,801</u>	<u>1,620,679,933</u>	<u>4,686,055,334</u>	<u>215,506,613</u>	<u>4,901,561,947</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
Increase in share capital		-	-	-	-	-	3,878,470	3,878,470
Net loss for the period		-	-	-	(187,230,112)	(187,230,112)	(73,470)	(187,303,582)
Dividends paid	10	-	-	-	(185,312,062)	(185,312,062)	-	(185,312,062)
Ending balance as at 30 June 2009		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>186,003,887</u>	<u>935,176,421</u>	<u>3,983,593,908</u>	<u>85,372,929</u>	<u>4,068,966,837</u>

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

Padaeng Industry Public Company Limited
Statements of changes in shareholders' equity (Unaudited)
For the six-month periods ended 30 June 2010 and 2009

	Notes	Company			Total	
		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
Net profit for the period		-	-	-	430,909,095	430,909,095
Dividends paid	10	-	-	-	(207,914,222)	(207,914,222)
Ending balance as at 30 June 2010		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>202,961,801</u>	<u>1,551,871,679</u>	<u>4,617,247,080</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
Net loss for the period		-	-	-	(182,024,002)	(182,024,002)
Dividends paid	10	-	-	-	(185,312,062)	(185,312,062)
Ending balance as at 30 June 2009		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>186,003,887</u>	<u>820,190,642</u>	<u>3,868,608,129</u>

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

Padaeng Industry Public Company Limited
Statements of cash flows (Unaudited)
For the six-month periods ended 30 June 2010 and 2009

	Notes	Consolidated		Company	
		30 June 2010 Baht	30 June 2009 Baht	30 June 2010 Baht	30 June 2009 Baht
Cash flows from operating activities					
Profit (loss) before tax		559,300,733	(186,818,447)	565,989,333	(182,024,002)
Adjustments for:					
Depreciation expenses	5	165,044,324	193,380,703	164,642,978	192,995,137
Other non-current assets amortisation expenses		18,287,442	10,811,385	13,967,827	10,717,462
Interest expenses	11	9,985,109	6,758,817	9,985,109	6,758,817
Interest income	11	(4,136,452)	(4,349,840)	(3,202,455)	(2,977,707)
Share of loss from jointly controlled entity		431,706	5,686,816	-	-
Allowance for doubtful debts		-	-	50,660	42,419
Allowance for slow-moving and obsolete stocks (reversal)		(3,821,667)	2,700,170	(3,821,667)	2,700,170
Reversal for diminution of inventories		-	(38,738,500)	-	(38,738,500)
Provisions for employee retirement benefits	9	6,422,154	6,539,328	6,422,154	6,539,328
Provisions for annual leave		300,000	300,000	300,000	300,000
Gain on disposal of property, plant and equipment		(534,353)	(74,765)	(534,353)	(74,765)
Fixed assets written-off	5	128,781	-	128,781	-
Withholding tax written-off		-	151,603	-	151,603
Exploration costs written-down	6	6,890,585	6,000,000	6,890,585	6,000,000
Provisions for restoration expenses		2,813,808	8,651,175	2,813,808	8,651,175
Unrealised gain on foreign currency exchange		(2,416,314)	(8,202,967)	(2,416,314)	(8,202,967)
Changes in operating assets and liabilities					
Trade accounts receivable					
- other parties		(57,798,285)	79,593,061	(58,017,481)	80,223,359
Inventories		133,573,885	17,495,180	133,573,885	17,495,180
Value added tax receivables		19,591,229	(26,050,432)	19,681,511	(30,764,307)
Other receivables-related parties		3,989,549	-	(1,746,965)	(1,840,035)
Other current assets		(15,945,114)	125,456,429	(15,258,889)	125,195,604
Advances to related parties					
Other non-current assets					
- deferred environmental rehabilitation expenses-net		4,579,567	-	4,579,567	-
- deferred environmental risk assurance expenses-net		3,531,341	-	3,531,341	-
- others		(1,875,493)	(406,569)	(1,832,408)	(564,483)
Trade accounts payable					
- other parties		(769,236,891)	81,148,407	(772,213,273)	77,920,902
Advances from other party		-	31,471,128	-	-
Accrued electricity expenses		104,918,814	16,065,102	104,918,814	16,065,102
Royalty payable		(62,081)	(42,150,979)	(62,081)	(42,150,979)
Other payable-related parties		-	(25,650,612)	185,192	(115,892)
Other current liabilities		(89,623,768)	(54,641,544)	(89,192,856)	(4,971,483)
Provisions for restoration expenses utilised		(22,813,974)	(22,996,379)	(22,813,974)	(22,996,379)
Provisions for employee retirement benefits expenses utilised	9	(2,413,757)	(3,787,950)	(2,413,757)	(3,787,950)
Cash generated from operation		69,110,878	178,340,320	64,135,072	212,546,809
Interest paid		(3,686,942)	(5,427,424)	(3,686,942)	(5,427,424)
Tax paid		(407,100)	(1,279,463)	(75,902)	(72,115)
Net cash provided by operating activities		65,016,836	171,633,433	60,372,228	207,047,270

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

Padaeng Industry Public Company Limited
Statements of cash flows (Unaudited) (Cont'd)
For the six-month periods ended 30 June 2010 and 2009

	Consolidated		Company	
	30 June 2010 Baht	30 June 2009 Baht	30 June 2010 Baht	30 June 2009 Baht
<u>Cash flows from investing activities</u>				
Cash paid for advance to a related party	-	-	(11,812,500)	(7,847,000)
Cash received from interest income	4,114,750	4,436,785	3,149,425	3,113,263
Cash paid for purchase of property, plant and equipment	5 (54,194,651)	(41,173,777)	(53,485,068)	(40,910,779)
Cash received from sales of property, plant and equipment	1,034,630	74,766	1,034,630	74,766
Cash paid for exploration	6 (34,336,616)	(61,456,956)	(1,082,282)	(3,640,138)
Net cash used in investing activities	(83,381,887)	(98,119,182)	(62,195,795)	(49,209,888)
<u>Cash flows from financing activities</u>				
Proceeds (payment) on short-term loans from financial institutions	283,535,324	(223,899,541)	283,535,323	(223,899,541)
Proceeds on a long-term loan from other party	15 (viii) 12,473,804	84,871,130	-	-
Dividends payment	(207,600,641)	(185,035,221)	(207,600,641)	(185,035,221)
Net cash received (used) in financing activities	88,408,487	(324,063,632)	75,934,682	(408,934,762)
Effects from changes in exchange rate for cash and cash equivalents	1,527,479	(2,215)	1,527,479	(2,215)
Net increase (decrease) in cash and cash equivalents	71,570,915	(250,551,596)	75,638,594	(251,099,595)
Cash and cash equivalents at beginning of the period	630,121,596	1,043,293,804	437,464,391	800,779,192
Cash and cash equivalents at end of the period	701,692,511	792,742,208	513,102,985	549,679,597

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

1. General Information

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

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

These interim consolidated and company financial statements were authorised for issue by the Board of Directors at its meeting on 9 August 2010.

These interim consolidated and company financial statements have been reviewed, not audited by the Company external auditors.

2. Basis of preparation

These interim consolidated and company financial statements have been prepared in accordance with the Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, including those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission. The primary financial statements (i.e. balance sheets, statements of income, changes in shareholders' equity and cash flows) are prepared in the full format as required by the Securities and Exchange Commission. The notes to the financial statements are prepared in a condensed format according to Thai Accounting Standard No.41, "Interim Financial Reporting" and additional notes are presented as required by the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535.

An English version of the consolidated and company interim financial statements has been prepared from the interim 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 interim financial statements shall prevail.

These interim consolidated and company financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2009.

3. Accounting Policies

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2009.

New accounting standards, new financial reporting standards, amendments to accounting standards and accounting framework

a) Accounting framework

An amendment to the accounting framework was announced by the Federation of Accounting Professions on 9 April 2010 and endorsed by the Government Gazette on 26 May 2010 with effect on 26 May 2010.

b) New accounting standards, new financial reporting standards and amendments to accounting standards

The following new accounting standards, new financial reporting standards and amendments to accounting standards were announced by the Federation of Accounting Professions on 26 May 2010 and are mandatory for the accounting periods beginning on or after 1 January 2011 and 1 January 2013, but the Company has not early adopted them:

Effective for the period 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 11 (Revised 2009) Construction Contracts
- TAS 17 (Revised 2009) Leases

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3. Accounting Policies (Cont'd)

TAS 23 (Revised 2009)	Borrowing Costs
TAS 24 (Revised 2009)	Related Party Disclosures
TAS 27 (Revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (Revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economics
TAS 31 (Revised 2009)	Interests in Joint Venture
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
TAS 40 (Revised 2009)	Investment Property
TFRS 5 (Revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources

Effective for the period beginning on or after 1 January 2013

TAS 12	Income taxes
TAS 20 (Revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance

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

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

4. Trade accounts receivable-net

	Consolidated		Company	
	30 June 2010 Baht	31 December 2009 Baht	30 June 2010 Baht	31 December 2009 Baht
Trade accounts receivable	376,660,380	318,813,177	375,183,498	317,117,099
Less: Allowance for doubtful accounts	-	-	-	-
Trade accounts receivable-net	<u>376,660,380</u>	<u>318,813,177</u>	<u>375,183,498</u>	<u>317,117,099</u>

Outstanding trade accounts receivable as at 30 June 2010 and 31 December 2009 can be analysed as follows:

	Consolidated		Company	
	30 June 2010 Baht	31 December 2009 Baht	30 June 2010 Baht	31 December 2009 Baht
Up to 3 months	376,660,380	318,813,177	375,183,498	317,117,099
3-6 months	-	-	-	-
6-12 months	-	-	-	-
Over 12 months	-	-	-	-
	<u>376,660,380</u>	<u>318,813,177</u>	<u>375,183,498</u>	<u>317,117,099</u>
Less: Allowance for doubtful accounts	-	-	-	-
	<u>376,660,380</u>	<u>318,813,177</u>	<u>375,183,498</u>	<u>317,117,099</u>

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5. Property, plant and equipment-net

For the six-month period ended 30 June 2010	Consolidated Baht	Company Baht
Opening net book amount	1,725,019,574	1,726,246,262
Acquisition of assets and capital in progress	54,194,651	53,485,068
Sales of fixed assets	(500,277)	(500,277)
Fixed assets written-off	(128,781)	(128,781)
Depreciation	<u>(165,044,324)</u>	<u>(164,642,978)</u>
Closing net book amount	<u>1,613,540,843</u>	<u>1,614,459,294</u>

6. Exploration and acquisition costs

Exploration and acquisition costs as at 30 June 2010 and 31 December 2009 comprise:

	Consolidated		Company	
	30 June 2010 Baht	31 December 2009 Baht	30 June 2010 Baht	31 December 2009 Baht
<u>Exploration costs</u>				
Opening balance for the period/year	974,287,110	831,552,330	111,042,572	106,103,538
Expenditure incurred during the period/year	34,336,616	114,862,616	1,082,282	5,472,474
Deferred capitalised interest	9,579,455	28,405,604	-	-
Expenditure written-down	<u>(6,890,585)</u>	<u>(533,440)</u>	<u>(6,890,585)</u>	<u>(533,440)</u>
Ending balance for the period/year	<u>1,011,312,596</u>	<u>974,287,110</u>	<u>105,234,269</u>	<u>111,042,572</u>
<u>Mining acquisition costs</u>				
Capitalised deferred cost				
Opening balance for the period/year	60,000,000	60,000,000	60,000,000	60,000,000
Accumulative depletion	<u>(43,333,369)</u>	<u>(40,000,032)</u>	<u>(43,333,369)</u>	<u>(40,000,032)</u>
Ending balance for the period/year	16,666,631	19,999,968	16,666,631	19,999,968
Land use compensation-net	29,914,786	32,846,459	29,914,786	32,846,459
Other capitalised expenditure-net	<u>16,899,627</u>	<u>18,727,868</u>	<u>16,899,627</u>	<u>18,727,868</u>
Ending balance for the period/year	<u>63,481,044</u>	<u>71,574,295</u>	<u>63,481,044</u>	<u>71,574,295</u>
<u>Concession operating right</u>				
Opening balance for the period/year	48,185,730	-	-	-
Expenditure incurred during the period/year	-	51,048,294	-	-
Accumulative amortisation	<u>(4,293,845)</u>	<u>(2,862,564)</u>	-	-
Ending balance for the period/year	<u>43,891,885</u>	<u>48,185,730</u>	-	-
Total mining acquisition costs	<u>107,372,929</u>	<u>119,760,025</u>	<u>63,481,044</u>	<u>71,574,295</u>
Total (Note 6 (i))	<u>1,118,685,525</u>	<u>1,094,047,135</u>	<u>168,715,313</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.

6. Exploration and acquisition costs (Cont'd)

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 through bearing certain feasibility costs PNA (Puthep) Pty Ltd. shall be entitled to earn a shareholding in Puthep Co., Ltd. As such, PNA (Puthep) Pty Ltd. has the right to obtain a 51% working interest in the Puthep Project by completing a bankable feasibility study. The Agreement also includes further options for PNA (Puthep) Pty Ltd. to acquire a total interest of either 60% or 70% in Puthep Co., Ltd. On 19 November 2009, in accordance with the terms of the Participation Agreement and of a Loan Agreement (See Note 15 (viii)) signed between PNA (Puthep) Pty Ltd. and Puthep Co., Ltd., PNA (Puthep) Pty Ltd. obtained a further 15.83% in additional shares in Puthep Co., Ltd. for a total shareholding of 49%.

As of 30 June 2010, the capitalised exploration and acquisition costs incurred by Puthep Co., Ltd. amount to Baht 862.9 million. A feasibility study has not been 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.

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 is conducted through Padaeng Industry (Laos) Co., Ltd. At the date of this closing a total amount of Baht 43.2 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 in respect of these rights. SEAMET has the right to extend this agreement for a period of 5 plus 5 years after 10 August 2010 through a payment of USD 500,000 or Baht 17 million subject to MME obtaining an extension of mining rights in the mining concession. This request for extension of the mining rights has been filed by MME to the authorities and awaiting approval.

7. Short-term loans from financial institutions

Short-term loans from financial institutions as at 30 June 2010 and 31 December 2009 comprise:

	Consolidated		Company	
	30 June 2010 Baht	31 December 2009 Baht	30 June 2010 Baht	31 December 2009 Baht
Trust Receipts	642,535,586	247,305,978	642,535,586	247,305,978
Promissory Notes	-	111,581,478	-	111,581,478
Total	642,535,586	358,887,456	642,535,586	358,887,456

The Company has entered into short-term financing arrangements to fund its operations with various financial institutions. The interest rates, the Company is paying on the trust receipts and promissory notes are 1.20% - 1.50% per annum.

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

Financing arrangements available to the Company

	Company	
	30 June 2010 Baht	31 December 2009 Baht
Bank Overdraft	60,000,000	60,000,000
Short-term Loans	2,544,487,200	3,836,222,400
Bank Guarantee	1,430,728,000	1,449,336,000
Total	4,035,215,200	5,345,558,400

8. Provisions for restoration expenses

	Consolidated		Company	
	30 June 2010 Baht	31 December 2009 Baht	30 June 2010 Baht	31 December 2009 Baht
Balance at the beginning of the period/year	70,660,152	87,032,557	70,660,152	87,032,557
Additional provisions charged to the statements of income	8,895,867	42,400,444	8,895,867	42,400,444
Amounts utilised	(22,813,974)	(58,772,849)	(22,813,974)	(58,772,849)
Balance at the end of the period/year	56,742,045	70,660,152	56,742,045	70,660,152

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

9. Provisions for employee retirement benefits

	Consolidated		Company	
	30 June 2010 Baht	31 December 2009 Baht	30 June 2010 Baht	31 December 2009 Baht
Balance at the beginning of the period/year	115,145,724	113,790,600	115,145,724	113,790,600
Additional provisions charged to the statements of income	6,422,154	13,078,660	6,422,154	13,078,660
Amounts utilised	(2,413,757)	(7,261,750)	(2,413,757)	(7,261,750)
Actuarial loss recognised in equity	-	(4,461,786)	-	(4,461,786)
Balance at the end of the period/year	119,154,121	115,145,724	119,154,121	115,145,724

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 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.

10. 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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11. Finance costs-net

Finance costs relate to the following:

For the three-month periods ended 30 June	Consolidated		Company	
	2010	2009	2010	2009
	Baht	Baht	Baht	Baht
Interest income	2,230,741	1,519,451	1,753,730	1,009,999
Interest expense	(10,233,348)	(1,689,978)	(10,233,348)	(1,689,978)
Total finance costs-net	(8,002,607)	(170,527)	(8,479,618)	(679,979)

For the six-month periods ended 30 June	Consolidated		Company	
	2010	2009	2010	2009
	Baht	Baht	Baht	Baht
Interest income	4,136,452	4,349,840	3,202,455	2,977,707
Interest expense	(9,985,109)	(6,758,817)	(9,985,109)	(6,758,817)
Total finance costs-net	(5,848,657)	(2,408,977)	(6,782,654)	(3,781,110)

12. Bank guarantees

As at 30 June 2010, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 513.4 million (31 December 2009: Baht 444.0 million).

13. Commitments

As at 30 June 2010 and 31 December 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	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
	Baht	Baht	Baht	Baht
Not later than 1 year	8,727,032	64,452,021	8,727,032	64,452,021

As at 30 June 2010 and 31 December 2009, the Company has the following commitments for the purchase of inventories that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
	Baht	Baht	Baht	Baht
Not later than 1 year	358,960,766	310,836,753	358,960,766	310,836,753

In addition, as at 30 June 2010, the Company has contracted for the purchase of raw materials that contained zinc units approximately 37,567 tonnes (31 December 2009 : 21,986 tonnes).

14. 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 presenting no material difference in risks and rewards to the Company.

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15. Related parties transactions

i) Investments in related parties-net

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

	Consolidated				Company			
	30 June 2010				30 June 2010			
	Equity	Paid-up capital	% ownership	Cost	Equity	Paid-up capital	% ownership	Cost
	Baht	Baht	investment	Baht	Baht	Baht	investment	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

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

Jointly controlled entity

Maesod Clean Energy Co., Ltd.	166,877,466	675,000,000	35	236,249,800	167,309,172	675,000,000	35	236,249,800
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15. Related parties transactions (Cont'd)

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

	Consolidated		Company	
	30 June 2010 Baht	31 December 2009 Baht	30 June 2010 Baht	31 December 2009 Baht
Opening net book amount	167,309,172	212,657,612	469,255,123	474,205,123
Share of loss	(431,706)	(45,348,440)	-	-
Liquidation of a subsidiary	-	-	-	(4,950,000)
Closing net book amount	<u>166,877,466</u>	<u>167,309,172</u>	<u>469,255,123</u>	<u>469,255,123</u>

Subsidiaries

As at 30 June 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 by the year 2010. In addition, the Company is aware that in year 2010, subject to the approval of its board of directors and shareholder, Padaeng Industry (Laos) Co., Ltd. will also increase its authorised capital to USD 2,500,000.

On 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 30 June 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 30 June 2010 and 31 December 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 six-month periods ended 30 June	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	471,600	507,600
Padaeng Industry (Laos) Co., Ltd.	-	-	6,104,431	1,481,970
Puthep Co., Ltd.	-	-	357,794	889,751

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

iii) Purchases of goods and services

For the six-month periods ended 30 June	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	1,732,579	1,301,751
Puthep Co., Ltd.	-	-	211,739	-
Maesod Clean Energy Co.,Ltd.	-	-	433,081	-

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

15. Related parties transactions (Cont'd)

iv) Other receivables-related parties-net

	Consolidated		Company	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
	Baht	Baht	Baht	Baht
Padaeng Properties Co., Ltd.	-	-	82,002	82,002
Padaeng Industry (Laos) Co., Ltd.	-	-	13,121,951	6,962,762
Puthep Co., Ltd.	-	-	173,444	609,279
Padaeng International Mining Co., Ltd.	-	-	112,432	99,272
Maesod Clean Energy Co.,Ltd.	-	3,989,549	-	3,989,549
Total	-	3,989,549	13,489,829	11,742,864
Less: Allowance for doubtful accounts	-	-	(112,432)	(99,272)
Other receivables-related parties-net	-	3,989,549	13,377,397	11,643,592

v) Advance to related parties-net

	Consolidated		Company	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
	Baht	Baht	Baht	Baht
Padaeng Industry (Laos) Co., Ltd.	-	-	28,740,416	16,965,416
Padaeng International Mining Co., Ltd.	-	-	412,300	374,800
Total	-	-	29,152,716	17,340,216
Less: Allowance for doubtful accounts	-	-	(412,300)	(374,800)
Advance to related parties-net	-	-	28,740,416	16,965,416

Advance from the Company amount of Baht 28,740,416 represents an advance for share subscription payment in Padaeng Industry (Laos) Co., Ltd.

As at 30 June 2010, the above mentioned loans to Padaeng International Mining Co., Ltd. is calculated at interest rates of MLR plus 1% per annum.

vi) Other payables-related parties

	Consolidated		Company	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
	Baht	Baht	Baht	Baht
Padaeng Properties Co., Ltd.	-	-	428,779	243,587
Total	-	-	428,779	243,587

vii) Advances from other party

	Consolidated		Company	
	30 June	31 December	30 June	31 December
	2010	2009	2010	2009
	Baht	Baht	Baht	Baht
PNA (Puthep) Pty Ltd.	-	-	-	-
Beginning balance of the period/year	-	451,168,863	-	-
Converted to share capital	-	(140,019,259)	-	-
Converted to long-term loan	-	(311,149,604)	-	-
Ending balance of the period/year	-	-	-	-

15. 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 best commercial rates available for PNA (Puthep) Pty Ltd. and are to be capitalised. Under the terms of the loan, interest expense will cease to accrue on the third anniversary of the earlier of the due date for delivery of the bankable feasibility study (19 September 2009) and the actual date 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	
	30 June 2010 Baht	31 December 2009 Baht	30 June 2010 Baht	31 December 2009 Baht
<u>PNA (Puthep) Pty Ltd.</u>				
Beginning balance of the period/year	439,108,024	-	-	-
Converted from advance	-	311,149,604	-	-
Loan increase during the period/year	12,473,804	127,958,420	-	-
Ending balance of the period/year	451,581,828	439,108,024	-	-
Accrued interest expenses	37,985,059	28,405,604	-	-

16. Risk management policy for assets and liabilities

16.1 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 30 June 2010, there is a long position of 4,375 metric tonnes of future contracts outstanding on the London Metal Exchange ("LME"). The changes in fair value of this open position on the LME is covered by the corresponding changes in value of the Company's physical zinc stock. The operations carried out on the future markets for hedging transactional risks as described are not of a speculative nature.

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

In 2009 and for the six-month periods ended 30 June 2010, the Company did not undertake any structural or strategic hedging.

16.2 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 and 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.

16.3 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.

16.4 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.

16.5 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 6 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.

17. Litigation

As of 30 June 2010, the Company has been served notice of five complaints by 1,121 plaintiffs filed in the Bangkok Southern Civil Court. The plaintiffs are seeking compensation of Baht 3,949 million from the Company alleging that it caused cadmium contamination in the Maesod district of Tak province. The Company has filed answers to two of the claims as imposed 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.