

PADAENG INDUSTRY PUBLIC COMPANY LIMITED

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

31 MARCH 2009

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 31 March 2009 and the related consolidated and company statements of income for the three month periods ended 31 March 2009 and 2008 and the related consolidated and company statements of changes in shareholders' equity, and cash flows for the three-month periods ended 31 March 2009 and 2008. 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 reviews.

I conducted my reviews 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 reviews, 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.

I have audited the consolidated and company financial statements for the year ended 31 December 2008 of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited in accordance with generally accepted auditing standards and expressed an unqualified opinion on those statements in my report dated 17 February 2009. The consolidated and company balance sheets as at 31 December 2008, presented for comparative purposes, are part of the financial statements which I have audited and issued a report thereon as stated above, and I have not performed any other auditing procedures subsequent to the date of that report.



NATTAPORN PHAN-UDOM
Certified Public Accountant
(Thailand) No.3430
PricewaterhouseCoopers ABAS Limited
Bangkok

11 May 2009

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

	Notes	Consolidated		Company	
		(Unaudited) 31 March 2009 Baht	(Audited) 31 December 2008 Baht	(Unaudited) 31 March 2009 Baht	(Audited) 31 December 2008 Baht
ASSETS					
<u>Current Assets</u>					
Cash and cash equivalents		830,980,204	1,043,293,804	576,505,631	800,779,192
Trade accounts receivables-net	4	195,153,023	338,718,624	193,538,255	338,197,287
Short-term loan	17 (iv)	2,449,000	2,449,000	-	-
Inventories-net		1,269,158,805	1,548,438,171	1,269,158,805	1,548,438,171
Value added tax receivables		98,319,185	97,571,271	95,105,284	91,707,320
Other receivables-related parties-net	17 (v)	80,873	-	4,466,368	3,307,445
Other current assets		63,889,613	198,627,609	61,708,798	197,112,683
Total Current Assets		2,460,030,703	3,229,098,479	2,200,483,141	2,979,542,098
<u>Non-Current Assets</u>					
Advances to related parties-net	17 (vi)	-	-	3,543,416	1,316,416
Investments in subsidiaries-net	17 (i)	-	-	237,955,323	237,955,323
Investments in jointly controlled entity	17 (i)	210,300,296	212,657,612	236,249,800	236,249,800
Property, plant and equipment-net	5	1,965,650,396	2,040,918,639	1,967,425,740	2,042,373,739
Exploration and acquisition costs	6	939,635,548	916,864,585	186,282,718	191,415,792
Other non-current assets					
- deferred environmental rehabilitation expenses-net		34,371,041	34,981,178	34,371,041	34,981,178
- deferred environmental risk assurance expenses-net		30,295,309	30,833,096	30,295,309	30,833,096
- others		10,929,072	11,858,473	9,446,916	10,228,848
Total Non-Current Assets		3,191,181,662	3,248,113,583	2,705,570,263	2,785,354,192
Total Assets		5,651,212,365	6,477,212,062	4,906,053,404	5,764,896,290

Director.....

Director.....

The notes to the consolidated and company financial statements on pages 9 to 21 are an integral part of these interim financial statements.

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

	Notes	Consolidated		Company	
		(Unaudited) 31 March 2009 Baht	(Audited) 31 December 2008 Baht	(Unaudited) 31 March 2009 Baht	(Audited) 31 December 2008 Baht
LIABILITIES AND SHAREHOLDERS' EQUITY					
<u>Current Liabilities</u>					
Short-term loans from financial institutions	7	152,118,366	754,335,939	152,118,366	754,335,939
Trade accounts payables		129,173,226	169,678,449	127,570,096	169,126,736
Advances from other party	17 (viii)	136,076,004	425,518,251	-	-
Accrued electricity expenses		193,423,638	211,016,284	193,423,638	211,016,284
Royalty payable		2,910,000	44,140,979	2,910,000	44,140,979
Other payables-related parties	17 (vii)	185,650	25,836,262	310,745	458,703
Other current liabilities		177,936,774	207,046,539	168,092,141	147,938,108
Total Current Liabilities		791,823,658	1,837,572,703	644,424,986	1,327,016,749
<u>Non-Current Liabilities</u>					
Long-term loans from other party	17 (ix)	380,560,310	-	-	-
Accrued interest expenses-other party	17 (ix)	13,690,796	-	-	-
Provisions for restoration expenses	8	79,078,361	87,032,557	79,078,361	87,032,557
Provision for employee termination/retirement benefits	9	113,878,564	113,790,600	113,878,564	113,790,600
Other non-current liabilities		1,040,250	1,112,191	1,040,250	1,112,191
Total Non-Current Liabilities		588,248,281	201,935,348	193,997,175	201,935,348
Total Liabilities		1,380,071,939	2,039,508,051	838,422,161	1,528,952,097
<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	10	2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Premium on share capital	10	602,413,600	602,413,600	602,413,600	602,413,600
Retained earnings					
Appropriated legal reserve	11	186,003,887	186,003,887	186,003,887	186,003,887
Unappropriated		1,137,311,283	1,307,718,595	1,019,213,756	1,187,526,706
Total Shareholders' Equity		4,185,728,770	4,356,136,082	4,067,631,243	4,235,944,193
Minority interests		85,411,656	81,567,929	-	-
Total Shareholders' Equity		4,271,140,426	4,437,704,011	4,067,631,243	4,235,944,193
Total Liabilities and Shareholders' Equity		5,651,212,365	6,477,212,062	4,906,053,404	5,764,896,290

The notes to the consolidated and company financial statements on pages 9 to 21 are an integral part of these interim financial statements.

Padaeng Industry Public Company Limited
Statements of income (Unaudited)
For the three-month periods ended 31 March 2009 and 2008

	Notes	Consolidated		Company	
		31 March 2009 Baht	31 March 2008 Baht	31 March 2009 Baht	31 March 2008 Baht
Sales and services revenue		1,306,112,867	2,293,729,604	1,302,646,983	2,289,236,657
Cost of sales and services		(1,420,372,080)	(2,245,216,829)	(1,416,949,591)	(2,243,647,346)
Gross profit (loss)		(114,259,213)	48,512,775	(114,302,608)	45,589,311
Other operating income		1,904,465	5,666,734	2,176,265	6,571,674
Gain on exchange rate		2,493,300	12,838,204	2,612,413	13,064,142
Reversal of allowance for diminution of inventories		38,738,500	3,669,865	38,738,500	3,669,865
Total revenues (expenses)		(71,122,948)	70,687,578	(70,775,430)	68,894,992
Selling expenses		(26,671,624)	(18,194,055)	(26,671,624)	(18,194,055)
Administrative expenses		(50,467,520)	(37,704,496)	(50,439,987)	(37,391,563)
Royalty expenses		(5,398,286)	(33,717,805)	(5,398,286)	(33,717,805)
Management's expenses		(11,926,492)	(16,821,672)	(11,926,492)	(16,821,672)
Total expenses		(94,463,922)	(106,438,028)	(94,436,389)	(106,125,095)
Operating loss		(165,586,870)	(35,750,450)	(165,211,819)	(37,230,103)
Share of loss of investment in jointly controlled entity on equity method		(2,357,316)	(5,905,253)	-	-
Loss before finance costs and corporate income tax		(167,944,186)	(41,655,703)	(165,211,819)	(37,230,103)
Finance costs-net	12	(2,238,450)	5,286,462	(3,101,131)	3,733,752
Loss before corporate income tax		(170,182,636)	(36,369,241)	(168,312,950)	(33,496,351)
Corporate income tax		(259,419)	(693,826)	-	-
Net loss for the period		(170,442,055)	(37,063,067)	(168,312,950)	(33,496,351)
Attributable to:					
Equity holders of the Company		(170,407,312)	(36,862,415)	(168,312,950)	(33,496,351)
Minority Interests		(34,743)	(200,652)	-	-
		(170,442,055)	(37,063,067)	(168,312,950)	(33,496,351)
Loss per share for loss attributable to the equity holders of the Company					
Basic loss per share	13	(0.75)	(0.16)	(0.74)	(0.15)

The notes to the consolidated and company financial statements on pages 9 to 21 are an integral part of these interim financial statements.

Padaeng Industry Public Company Limited
Statements of changes in shareholders' equity (Unaudited)
For the three-month periods ended 31 March 2009 and 2008

	Note	Consolidated						
		Attributable to equity holders of the Company				Total	Minority interest	Total
		Issued and paid-up share capital	Premium on share capital	Retained earnings				
				Baht	Baht	Appropriated legal reserve	Unappropriated	Baht
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	17 (viii)	-	-	-	-	-	3,878,470	3,878,470
Net loss for the period		-	-	-	(170,407,312)	(170,407,312)	(34,743)	(170,442,055)
Ending balance as at 31 March 2009		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>186,003,887</u>	<u>1,137,311,283</u>	<u>4,185,728,770</u>	<u>85,411,656</u>	<u>4,271,140,426</u>

	Note	Consolidated						
		Attributable to equity holders of the Company				Total	Minority interest	Total
		Issued and paid-up share capital	Premium on share capital	Retained earnings				
				Baht	Baht	Appropriated legal reserve	Unappropriated	Baht
Beginning balance as at 1 January 2008		2,260,000,000	602,413,600	171,962,698	1,686,899,415	4,721,275,713	47,392,951	4,768,668,664
Net loss for the period		-	-	-	(36,862,415)	(36,862,415)	(200,652)	(37,063,067)
Ending balance as at 31 March 2008		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>171,962,698</u>	<u>1,650,037,000</u>	<u>4,684,413,298</u>	<u>47,192,299</u>	<u>4,731,605,597</u>

The notes to the consolidated and company financial statements on pages 9 to 21 are an integral part of these interim financial statements.

Padaeng Industry Public Company Limited
Statements of changes in shareholders' equity (Unaudited)
For the three-month periods ended 31 March 2009 and 2008

	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 2009	2,260,000,000	602,413,600	186,003,887	1,187,526,706	4,235,944,193
Net loss for the period	-	-	-	(168,312,950)	(168,312,950)
Ending balance as at 31 March 2009	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>186,003,887</u>	<u>1,019,213,756</u>	<u>4,067,631,243</u>

	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 2008	2,260,000,000	602,413,600	171,962,698	1,550,935,424	4,585,311,722
Net loss for the period	-	-	-	(33,496,351)	(33,496,351)
Ending balance as at 31 March 2008	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>171,962,698</u>	<u>1,517,439,073</u>	<u>4,551,815,371</u>

The notes to the consolidated and company financial statements on pages 9 to 21 are an integral part of these interim financial statements.

Padaeng Industry Public Company Limited
Statements of cash flows (Unaudited)
For the three-month periods ended 31 March 2009 and 2008

	Notes	Consolidated		Company	
		31 March 2009 Baht	31 March 2008 Baht	31 March 2009 Baht	31 March 2008 Baht
Cash flows from operating activities					
Net loss before tax		(170,182,636)	(36,369,241)	(168,312,950)	(33,496,351)
Adjustments for:					
Depreciation expenses	5	95,944,822	89,973,814	95,775,500	89,860,956
Other non-current assets amortisation expenses		5,369,102	3,364,939	5,334,347	3,364,939
Interest expenses	12	5,068,839	96,759	5,068,839	112,376
Interest income	12	(2,830,389)	(5,383,221)	(1,967,708)	(3,846,128)
Share of loss from jointly controlled entity		2,357,316	5,905,253	-	-
Allowance for doubtful debts-trade accounts receivables (reversal)					
- other parties		-	(100,179)	-	-
Allowance for other receivables-a related party		-	-	6,237	-
Allowance for slow-moving and obsolete stocks		1,590,816	2,541,021	1,590,816	2,541,021
Reversal for diminution of inventories		(38,738,500)	(3,669,865)	(38,738,500)	(3,669,865)
Allowance for unrecoverable interest		-	653,989	-	653,989
Provision for employee termination/retirement benefits	9	3,269,664	2,414,520	3,269,664	2,414,520
Provision for annual leave		150,000	150,000	150,000	150,000
Gain on disposal of property, plant and equipment		-	(2,867)	-	(2,867)
Exploration costs written-down	6	3,000,000	3,000,000	3,000,000	3,000,000
Provision for restoration expenses		4,007,549	10,251,808	4,007,549	10,251,808
Unrealised gain on foreign currency exchange		(533,970)	(1,777,121)	(533,970)	(1,777,121)
Changes in operating assets and liabilities					
Trade accounts receivables					
- other parties		143,649,790	(122,072,283)	144,743,221	(123,214,761)
- related parties		-	(4,778,646)	-	(4,778,646)
Inventories		316,427,050	577,310,818	316,427,050	579,572,379
Value added tax receivables		(747,914)	6,327,662	(3,397,964)	6,524,298
Other receivables-related parties		(80,873)	-	(1,165,160)	(187,593)
Other current assets		134,696,382	38,094,862	135,228,946	38,290,586
Advances to related parties		-	-	(2,227,000)	-
Other non-current assets		142,713	(6,500)	29,999	-
Trade accounts payables					
- other parties		(40,543,934)	357,340,102	(41,595,351)	357,325,197
- related parties		-	(5,529,416)	-	(5,557,400)
Advances from other party		25,585,826	36,911,311	-	-
Accrued electricity expenses		(17,592,646)	(15,886,262)	(17,592,646)	(15,886,262)
Royalty payable		(41,230,979)	(191,123,189)	(41,230,979)	(191,123,189)
Other payable-related parties		(25,650,612)	-	(147,958)	-
Other current liabilities		(27,874,039)	(4,017,289)	21,233,289	(36,231,733)
Provisions for restoration expenses utilised	8	(14,203,559)	(10,549,947)	(14,203,559)	(10,549,947)
Provision for employee termination/retirement benefits expenses utilised	9	(3,181,700)	-	(3,181,700)	-
Other non-current liabilities		(71,941)	484,792	(71,941)	484,792
Cash generated from operation		357,796,177	733,555,624	401,498,071	664,224,998
Interest paid		(4,055,271)	(52,850)	(4,055,271)	(578,604)
Tax paid		(398,872)	(168,497)	(29,774)	(134,480)
Net cash provided by operating activities		353,342,034	733,334,277	397,413,026	663,511,914

The notes to the consolidated and company financial statements on pages 9 to 21 are an integral part of these interim financial statements.

Padaeng Industry Public Company Limited
Statements of cash flows (Unaudited) (Cont'd)
For the three-month periods ended 31 March 2009 and 2008

	Notes	Consolidated		Company	
		31 March 2009 Baht	31 March 2008 Baht	31 March 2009 Baht	31 March 2008 Baht
<u>Cash flows from investing activities</u>					
Cash received from interest income		2,998,250	5,383,221	2,159,215	3,869,730
Cash paid for purchase of property, plant and equipment	5	(20,833,049)	(114,343,422)	(20,827,501)	(114,004,362)
Cash received from sales of property, plant and equipment		-	8,000	-	8,000
Cash paid for exploration	6	(15,514,657)	(92,537,114)	(1,301,416)	(16,066,738)
Net cash used in investing activities		(33,349,456)	(201,489,315)	(19,969,702)	(126,193,370)
<u>Cash flows from financing activities</u>					
Deposits (with LME brokers)		-	(1,911,126)	-	(1,911,126)
Proceed (payment) on short-term loans from financial institutions		(601,712,617)	135,166,807	(601,712,617)	135,166,807
Payment on a short-term loan from a related party		-	-	-	(80,000,000)
Proceed on a long-term loan from other party	17 (ix)	69,410,707	-	-	-
Dividends payment		(1,011)	(2,340)	(1,011)	(2,340)
Net cash received (used) in financing activities		(532,302,921)	133,253,341	(601,713,628)	53,253,341
Effects from changes in exchange rate for cash and cash equivalents		(3,257)	(2,434)	(3,257)	(2,434)
Net increase (decrease) in cash and cash equivalents		(212,313,600)	665,095,869	(224,273,561)	590,569,451
Cash and cash equivalents at beginning of the period		1,043,293,804	519,777,885	800,779,192	356,245,201
Cash and cash equivalents at end of the period		830,980,204	1,184,873,754	576,505,631	946,814,652

The notes to the consolidated and company financial statements on pages 9 to 21 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 silicate mine and a zinc smelter located in Tak Province and a roaster plant located in Rayong Province.

These interim consolidated and company financial statements were authorised for issue by the Board of Directors on 11 May 2009.

These interim consolidated and company financial statements have been reviewed, not audited.

2. Basis of preparation

These interim consolidated and company financial statements are prepared in accordance with 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. 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 2008.

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 2008.

The amendments to accounting standards which are effective for the period beginning on or after 1 January 2009 are as follows;

TAS No. 36 “Impairment of Assets”

TAS No. 54 “Non-current Assets Held for Sale and Discontinued Operation”

The Company's management has determined that those standards did not result in a significant to the financial statements being presented.

Costs that incurred unevenly during the financial period 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.

Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial period. The estimated average annual tax rate used (for the Companies not benefiting from reported tax losses) is 30%.

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
For the interim period ended 31 March 2009

4. Trade accounts receivables-net

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
Trade accounts receivables	203,241,290	346,806,891	193,538,255	338,197,287
<u>Less: Allowance for doubtful accounts</u>	<u>(8,088,267)</u>	<u>(8,088,267)</u>	<u>-</u>	<u>-</u>
Trade accounts receivables-net	<u>195,153,023</u>	<u>338,718,624</u>	<u>193,538,255</u>	<u>338,197,287</u>

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

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
Up to 3 months	195,153,023	338,576,974	193,538,255	338,055,637
3-6 months	-	-	-	-
6-12 months	-	-	-	-
Over 12 months	8,088,267	8,229,917	-	141,650
	<u>203,241,290</u>	<u>346,806,891</u>	<u>193,538,255</u>	<u>338,197,287</u>
<u>Less: Allowance for doubtful accounts</u>	<u>(8,088,267)</u>	<u>(8,088,267)</u>	<u>-</u>	<u>-</u>
	<u>195,153,023</u>	<u>338,718,624</u>	<u>193,538,255</u>	<u>338,197,287</u>

5. Property, plant and equipment-net

For the three-month period ended 31 March 2009

	Consolidated Baht	Company Baht
Opening net book amount	2,040,918,639	2,042,373,739
Acquisition of assets and capital in progress	20,833,049	20,827,501
Transfer of assets	(156,470)	-
Depreciation	(95,944,822)	(95,775,500)
Closing net book amount	<u>1,965,650,396</u>	<u>1,967,425,740</u>

6. Exploration and acquisition costs

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

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
<u>Exploration costs</u>				
Opening balance for the period/year	831,552,330	401,134,493	106,103,537	75,057,297
Expenditure incurred during the period/year	15,514,657	445,949,872	1,301,416	45,878,275
Deferred capitalised interest	13,690,796	-	-	-
Expenditure written-down	<u>(3,000,000)</u>	<u>(15,532,035)</u>	<u>(3,000,000)</u>	<u>(14,832,035)</u>
Ending balance for the period/year	<u>857,757,783</u>	<u>831,552,330</u>	<u>104,404,953</u>	<u>106,103,537</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>(35,000,028)</u>	<u>(33,333,360)</u>	<u>(35,000,028)</u>	<u>(33,333,360)</u>
Ending balance for the period/year	24,999,972	26,666,640	24,999,972	26,666,640
Land use compensation-net	36,152,699	37,254,779	36,152,699	37,254,779
Other capitalised expenditure-net	<u>20,725,094</u>	<u>21,390,836</u>	<u>20,725,094</u>	<u>21,390,836</u>
Ending balance for the period/year	<u>81,877,765</u>	<u>85,312,255</u>	<u>81,877,765</u>	<u>85,312,255</u>
Total (Note 6 (i))	<u>939,635,548</u>	<u>916,864,585</u>	<u>186,282,718</u>	<u>191,415,792</u>

6. Exploration and acquisition costs (Cont'd)

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.

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, which is a wholly owned subsidiary of PanAust, to undertake exploration and mining of 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. PNA (Puthep) Pty Ltd. has the right to obtain a 51% working interest in the Puthep Project by completing a bankable feasibility study. The Agreement also includes further options for PNA (Puthep) Pty Ltd. to acquire a total interest of either 60% or 70% in Puthep Co., Ltd.

PNA (Puthep) Pty Ltd. completed the expenditure requirements of the First Earning Period of the Participation Agreement in April 2003 and has complied with all other requirements under the Participation Agreement. Accordingly, in June 2005, PNA (Puthep) Pty Ltd. obtained, through a capital increase, a 20.66% ownership interest in Puthep Co., Ltd.

On 10 July 2007, PNA (Puthep) Pty Ltd. advised the Company that they funded approximately USD 2 million of project expenditure in Puthep Co., Ltd. As per the term of the Second Earning Period, PNA (Puthep) Pty Ltd. exercised the right to earn an additional share of 12.51% in Puthep Co., Ltd. for a total share of 33.17% on 9 June 2008.

The capitalised exploration and acquisition costs incurred by Puthep Co., Ltd. amount to Baht 743.2 million. On 1 November 2006, the land access permits for completion of Puthep's project feasibility study have been approved by the Royal Forestry Department (RFD), the permits have been provided to the Department of Primary Industry and Mine (DPIM) to obtain land access and conduct the complementary exploration and technical studies needed to confirm the feasibility of the project. On 31 October 2008, the land access permits for exploration of Puthep Co., Ltd. have expired. Presently, Puthep Co., Ltd. is in the process of preparing a feasibility study which is expected to be delivered in September 2009.

In October 2006, the Company signed an exploration agreement with the Department of Mines and Geology of Laos PDR covering 800 km² in the Kasi district of northern Vientiane Province. The exploration is conducted through **Padaeng Industry (Laos) Co., Ltd.** At the date of this closing a total amount of Baht 10.2 million in exploration costs have been capitalised on the consolidated balance sheet.

7. Short-term loans from financial institutions

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

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
Trust Receipts	112,118,366	603,335,939	112,118,366	603,335,939
Promissory Notes	40,000,000	151,000,000	40,000,000	151,000,000
Total	152,118,366	754,335,939	152,118,366	754,335,939

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 2.70% - 3.62%.

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

Financing arrangements available

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
Bank Overdraft	60,000,000	60,000,000	60,000,000	60,000,000
Short-term Loans	3,943,201,500	3,922,884,000	3,943,201,500	3,922,884,000
Bank Guarantee	1,495,298,000	1,483,688,000	1,495,258,000	1,483,648,000
Total	5,498,499,500	5,466,572,000	5,498,459,500	5,466,532,000

8. Provisions for restoration expenses

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
Balance at the beginning of the period/year	87,032,557	13,571,494	87,032,557	13,571,494
Additional provisions charged to				
- deferred assets	-	68,875,403	-	68,875,403
- the statements of income	6,249,363	28,334,186	6,249,363	28,334,186
Amounts utilised	(14,203,559)	(23,748,526)	(14,203,559)	(23,748,526)
Balance at the end of the period/year	79,078,361	87,032,557	79,078,361	87,032,557

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

9. Provision for employee termination/retirement benefits

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
Balance at the beginning of the period/year	113,790,600	91,905,766	113,790,600	91,905,766
Additional provisions charged to				
the statements of income	3,269,664	11,759,176	3,269,664	11,759,176
Amounts utilised	(3,181,700)	(919,300)	(3,181,700)	(919,300)
Actuarial loss recognised in equity	-	11,044,958	-	11,044,958
Balance at the end of the period/year	113,878,564	113,790,600	113,878,564	113,790,600

The Company recognises the costs of employee termination/retirement benefits payable in accordance with Thai Labor law. The amount of termination/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 period/year which they occur as shown above.

10. Share capital and premium on share capital

	Number of shares	Ordinary shares Baht	Shares premium Baht	Total Baht
For the three-month period ended 31 March 2009				
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 March 2009, the total authorised number of ordinary shares is 226,000,000 shares (2008: 226,000,000 shares) with a par value of Baht 10 per share (2008: Baht 10 per share). All issued shares are fully paid.

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11. Legal reserve

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
Balance at the beginning of the period/year	186,003,887	171,962,698	186,003,887	171,962,698
Appropriation during the period/year	-	14,041,189	-	14,041,189
Balance at the end of the period/year	<u>186,003,887</u>	<u>186,003,887</u>	<u>186,003,887</u>	<u>186,003,887</u>

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.

12. Finance costs-net

Finance costs relate to the following:

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
For the three-month periods ended 31 March				
Interest income	2,830,389	5,383,221	1,967,708	3,846,128
Interest expense	(5,068,839)	(96,759)	(5,068,839)	(112,376)
Total finance costs-net	<u>(2,238,450)</u>	<u>5,286,462</u>	<u>(3,101,131)</u>	<u>3,733,752</u>

13. Basic loss per share

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

There are no potential dilutive ordinary shares in issue for the period presented and no diluted loss per share is presented.

14. Bank guarantees

As at 31 March 2009, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 477.8 million (31 December 2008: Baht 494.7 million).

15. Commitments

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

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
Not later than 1 year	44,630,141	77,886,931	44,630,141	77,886,931
Later than 1 year	-	-	-	-
Total	<u>44,630,141</u>	<u>77,886,931</u>	<u>44,630,141</u>	<u>77,886,931</u>

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

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
Not later than 1 year	292,557,546	251,754,356	292,557,546	251,754,356
Later than 1 year	-	-	-	-
Total	<u>292,557,546</u>	<u>251,754,356</u>	<u>292,557,546</u>	<u>251,754,356</u>

15. Commitments (Cont'd)

In addition, as at 31 March 2009, the Company has commitments for the purchase of inventories that have been contracted only in term of quantities at 80,300 wet metric tons and 20,000 - 30,000 dry metric tons (31 December 2008 : 47,000-50,000 wet metric tons and 20,000 - 30,000 dry metric tons).

16. 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.

17. Related parties transactions

i) Investments in related parties-net

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

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

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17. Related parties transactions (Cont'd)

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

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

	Consolidated				Company			
	31 March 2009				31 March 2009			
	Equity	Paid-up	%	Cost	Equity	Paid-up	%	Cost
	capital	ownership		capital	ownership			
	Baht	Baht	investment	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.	-	217,942,152	66.83	145,650,772	-	217,942,152	66.83	145,650,772
Padaeng Industry (Laos) Co., Ltd.	-	27,569,653	100	27,569,653	-	27,569,653	100	27,569,653
Padaeng International Mining Co., Ltd.	-	100,000	100	100,000	-	100,000	100	100,000
Sila Enterprise Co., Ltd.	-	9,000,000	55	4,950,000	-	9,000,000	55	4,950,000
Total	-			258,270,425	-			258,270,425
<u>Less : Diminution</u>								
Padaeng Industry (Laos) Co., Ltd.	-			(20,215,102)	-			(20,215,102)
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)
Investments in subsidiaries-net	-			237,955,323	-			237,955,323
Jointly controlled entity								
Maesod Clean Energy Co., Ltd.	210,300,296	675,000,000	35	236,249,800	212,657,612	675,000,000	35	236,249,800

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

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17. Related parties transactions (Cont'd)

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

Subsidiaries

On 24 November and 3 December 2008, the Company has paid Baht 773,402 or USD 21,830 and Baht 1,146,124 or USD 32,170 respectively for additional share capital increases in **Padaeng Industry (Laos) Co.,Ltd.**. All registered share capital of USD 797,000 are fully paid.

As at 31 March 2009, Padaeng Industry (Laos) Co., Ltd. has authorised share capital total of USD 1,273,000 from which USD 797,000 registered share capital. The current investment value of Padaeng Industry (Laos) Co., Ltd. in the Company's books netting of diminution of investment is Baht 7,354,551 (31 December 2008 : Baht 7,354,551)

In August 2005, the Board of Directors of the Company passed a resolution to complete the liquidation process of **Padaeng International Mining Co., Ltd.** The actual liquidation has not yet commenced.

In August 2007, the Board of Directors of **Sila Enterprise Co., Ltd.** passed a resolution to liquidate the company. The dissolution has been approved in the Extraordinary Shareholders' meeting no.1/2008 and 2/2008 on 16 April and 30 April 2008, respectively and was registered with the Ministry of Commerce on 8 May 2008. Sila Enterprise Co., Ltd. has stopped its commercial activities since 18 October 2007 and is currently in the liquidation process.

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

Jointly controlled entity

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

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

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

ii) Sales of goods and services

For the three-month periods ended 31 March	Consolidated		Company	
	2009	2008	2009	2008
	Baht	Baht	Baht	Baht
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	271,800	271,800
Padaeng Industry (Laos) Co., Ltd.	-	-	743,937	370,906
Puthep Co., Ltd.	-	-	470,840	262,234
Umicore Marketing Services (Thailand) Co., Ltd.	-	35,473,928	-	35,473,928

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

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17. Related parties transactions (Cont'd)

iii) Purchases of goods and services

For the three-month periods ended 31 March	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	647,364	466,278
Umicore Marketing Services (Thailand) Co., Ltd.	-	6,157,680	-	6,157,680

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

iv) Short-term loan

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
Minority Shareholder of Sila Enterprise Co., Ltd.	2,449,000	2,449,000	-	-
Total	2,449,000	2,449,000	-	-

In May 2006, Sila Enterprise Co., Ltd. contracted a short-term loan in favour of one of its minority shareholder. The loan amounts to Baht 2.4 million and was granted on 22 May 2006, bearing the fixed 12-month interest rates in the range of 2.38% - 4.75% per annum. As at 31 March 2009, Sila Enterprise Co., Ltd. has the interest receivable in the amount of Baht 182,175 and all the interest will be paid on the principal repayment date.

v) Other receivables-related parties-net

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
Padaeng Properties Co., Ltd.	-	-	94,842	94,842
Padaeng Industry (Laos) Co., Ltd.	-	-	3,786,854	2,993,215
Puthep Co., Ltd.	-	-	503,799	219,388
Padaeng International Mining Co., Ltd.	-	-	80,147	73,910
Maesod Clean Energy Co., Ltd.	80,873	-	80,873	-
Total	80,873	-	4,546,515	3,381,355
Less: Allowance for doubtful accounts	-	-	(80,147)	(73,910)
Other receivables-related parties-net	80,873	-	4,466,368	3,307,445

vi) Advance to related parties-net

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
Padaeng Industry (Laos) Co., Ltd.	-	-	3,543,416	1,316,416
Padaeng International Mining Co., Ltd.	-	-	344,800	344,800
Total	-	-	3,888,216	1,661,216
Less: Allowance for doubtful accounts	-	-	(344,800)	(344,800)
Advance to related parties-net	-	-	3,543,416	1,316,416

Advance from the Company amount of Baht 3,543,416 represents an advance for share subscription payment in Padaeng Industry (Laos) Co., Ltd.

As at 31 March 2009, the advance to Padaeng International Mining Co.,Ltd. amount of Baht 344,800 is calculated at interest rates of MLR+1% p.a.

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17. Related parties transactions (Cont'd)

vii) Other payables

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
Padaeng Properties Co., Ltd.	-	-	125,095	273,053
Maesod Clean Energy Co., Ltd.	185,650	185,650	185,650	185,650
PNA (Puthep) Pty Ltd.	-	25,650,612	-	-
Total	185,650	25,836,262	310,745	458,703

viii) Advances from other party

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
<u>PNA (Puthep) Pty Ltd.</u>				
Beginning balance of the period/year	425,518,251	126,240,767	-	-
Reclassified from other payable	25,650,612	-	-	-
Advances increase during the period/year	-	299,277,484	-	-
Converted to share capital	(3,878,470)	-	-	-
Converted to long-term loan (Note 17 (ix))	(311,149,603)	-	-	-
Foreign exchange rate adjustment	(64,786)	-	-	-
Ending balance of the period/year	136,076,004	425,518,251	-	-

Under the term of the Loan Agreement dated 15 August 2008 that Puthep Co., Ltd. had made with PNA (Puthep) Pty Ltd., the advance amount of Baht 136,076,004 as at 31 March 2009 from PNA (Puthep) Pty Ltd. will be applied as shares subscription payment towards an increase in its shareholding in Puthep Co., Ltd. to 49%.

ix) Long-term loan from other party

A Loan Agreement between Puthep Co., Ltd. and PNA (Puthep) Pty Ltd., in which PNA (Puthep) Pty Ltd. agreed to advance funds necessary to complete a feasibility study for the Puthep Copper Project, was entered into on 15 August 2008. The loan amount is in addition to equity funding of US\$6,000,000 or Baht 216,492,547. Interest on principal amounts advanced under the Loan Agreement are calculated based on best commercial rates available for PNA (Puthep) Pty Ltd. and are to be capitalised. Interest will cease to accrue on the third anniversary of the earlier of the due date for delivery of the feasibility study (currently 19 September 2009) and the actual date the feasibility study is completed. Puthep Co., Ltd. is not obliged to make loan repayments until such time as it has generated sufficient profits to commence making dividend payments with repayments then to be equal to 35% of distributable net profit. The loan agreement is subject to cancellation without compensation to PNA (Puthep) Pty Ltd. if the feasibility study is not delivered by its due date.

With the receipt of the signed Loan Agreement in March 2009, it has been determined that the loan started in February 2008, therefore, the loan from other can be comprised as follows;

	Consolidated		Company	
	31 March 2009 Baht	31 December 2008 Baht	31 March 2009 Baht	31 December 2008 Baht
<u>PNA (Puthep) Pty Ltd.</u>				
Beginning balance of the period/year	-	-	-	-
Converted from advance (Note 17 (viii))	311,149,603	-	-	-
Loan increase during the period/year	69,410,707	-	-	-
Ending balance of the period/year	380,560,310	-	-	-
Accrued interest expenses	13,690,796	-	-	-

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17. Related parties transactions (Cont'd)

ix) Loan from other party (Cont'd)

Interest rates on the loan is 3 month LIBOR plus 3.5% up to 31 August 2008, then 3 month LIBOR plus 4% up to 31 March 2009, on a rolling basis. These interest rates are yet to be formally agreed by both parties. It is not expected that the accrued interest will change materially upon agreement of the final interest rates.

18. Risk management policy for assets and liabilities

18.1 Significant assets and liabilities in foreign currencies

As at 31 March 2009:

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	6,293	222,709	6,293	222,709
Accounts receivables	7-20	1,461,636	51,728,760	1,461,636	51,728,760
Unrealised forward exchange contract payables (sell)	0-90	5,835,813	207,397,230	5,835,813	207,397,230
Unrealised forward exchange contract receivables (buy)	0-170	3,678,081	131,065,135	3,678,081	131,065,135
Trust Receipts	60	2,158,855	76,991,039	2,158,855	76,991,039
Accounts payables	8-107	636,403	22,697,026	636,403	22,697,026

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		EUR	Baht	EUR	Baht
Unrealised forward contract receivables (buy)	0-130	96,840	4,574,176	96,840	4,574,176
Accounts payables	30-47	6,037	285,824	6,037	285,524

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		AUD	Baht	AUD	Baht
Unrealised forward contract receivables (buy)	0-31	61,330	1,506,072	61,330	1,506,072

As at 31 December 2008:

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	6,293	219,022	6,293	219,022
Accounts receivables	7-20	3,607,614	125,563,350	3,607,614	125,563,350
Unrealised forward exchange contract payables (sell)	0-67	13,424,823	470,033,695	13,424,823	470,033,695
Unrealised forward exchange contract receivables (buy)	0-144	8,435,529	295,119,055	8,435,529	295,119,055
Trust Receipts	30-180	12,815,301	449,591,501	12,815,301	449,591,501
Accounts payables	30-180	2,627,672	92,185,050	2,627,672	92,185,050

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		EUR	Baht	EUR	Baht
Unrealised forward contract receivables (buy)	0-140	230,600	11,211,772	230,600	11,211,772
Accounts payables	45	2,084	103,474	2,084	103,474

18. Risk management policy for assets and liabilities (Cont'd)

18.1 Significant assets and liabilities in foreign currencies (Cont'd)

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		AUD	Baht	AUD	Baht
Unrealised forward contract receivables (buy)	0-25	118,370	2,922,558	118,370	2,922,558
Accounts payables	15-30	72,790	1,774,694	72,790	1,774,694
	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		GBP	Baht	GBP	Baht
Accounts payables	14-23	10,766	550,496	10,766	550,496
	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		HKD	Baht	HKD	Baht
Accounts payables	17	1,000	4,543	1,000	4,543

Foreign currency amounts are translated by using the reference rate quoted by the Bank of Thailand as at 31 March 2009 and 31 December 2008, respectively.

18.2 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 and capital equipment. When needed, the Company uses derivative financial instruments (mainly spot and forward contracts) to reduce the exposure to adverse fluctuations in foreign exchange rates.

During the year, the Company has entered into full transactional hedging with the purpose to balance simultaneously purchased metal and sold metal, in term of price, quantity and maturity date. As at 31 March 2009, the net sale of 5,525 metric tons on the London Metal Exchange are outstanding. The change in fair value of these open positions amounts to USD 763,389, unfavourable. These fair values reflect the mark to market values of the contracts at the prevailing period end rates. These positions will be balanced by committed and priced physical purchases and sales contracts which are done or to be done in the future.

The changes in fair value of the above hedged contracts have not been recognised in these financial statements in accordance with Thai Generally Accepted Accounting Principles.

The Company uses derivative financial and commodity instruments (mainly spot and forward contracts) primarily to reduce the exposure to adverse fluctuations in foreign exchange rates and commodity prices on its expected future cash flows. Those risks derive mainly from its exposure to fluctuations in metals prices from its own mining production, on treatment charges received and its ability to obtain higher recoveries of metal from imported concentrates. Derivative financial instruments comprising forward foreign exchange and commodity contracts related to future cash flows are not recognised in the financial statements until the underlying cash flows are realised. Accordingly, on these financial instruments, no "mark to market" mechanism is applied to unsettled forward foreign exchange and commodity contracts at the time of the balance sheet date.

As at 31 March 2009, there is no position of metal hedged existing and no similar hedges have been entered over the current or future years.

The operations carried out on the future markets for reducing both transactional and structural risks as described here above are not of a speculative nature.

18. Risk management policy for assets and liabilities (Cont'd)

18.3 Fair values

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

18.4 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.

18.5 Exploration risk

In order to maintain a low-cost supply base for its smelter, the Company and some of its subsidiaries are performing exploration activities. These expenses are capitalised and eventually impaired as explained in Note 6 (i) of these financial statements. Following the simultaneous approval of several exploration licenses and in particular the Puthep project, the increased level of activity is likely to generate higher level of exploration costs capitalised than in the previous years increasing the impact of the impairments. Regular assessments by the management, once sufficient reliable data have been collected and compiled, should lower both uncertainty and risk level related to the recoverability of these costs.

19. Litigation

As of 31 March 2009, the Company was served with notice of three complaints by 830 plaintiffs filed in the Bangkok Southern Civil Court. The plaintiffs are seeking compensation of Baht 2,995 million from the Company alleging that it caused cadmium contamination in the Maesod district of Tak province. The Company has not yet been required to file an answer to the claims. It is in the process of evaluating the merit of the case, but is confident that its strict environmental measures are in line with the regulations and requirements of the authorities. Management intends to defend the case vigorously. At this stage, the outcome of the proceedings is unknown and no contingent liability has been recorded.

The Company is aware of recent statements by the Lawyers Council of Thailand that civil suits have been filed by 1,037 plaintiffs claiming total compensation of Baht 3.7 billion but, to date, the Company has only been served with notice of the above complaint.

20. Event after balance sheet date

At the Annual Ordinary General Meeting of Shareholders held on 23 April 2009, shareholders approved the annual dividend payment from net profit of the Company for the year ended 31 December 2008 of Baht 0.82 per share totalling Baht 185.3 million. These interim financial statements do not reflect this dividend payment in the period ending 31 March 2009.

21. Reclassification

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