

PADAENG INDUSTRY PUBLIC COMPANY LIMITED

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

31 MARCH 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 31 March 2010, and the related consolidated and company statements of income, changes in shareholders' equity, and cash flows for the three-month periods ended 31 March 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 period ended 31 March 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 11 May 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 consolidated and company statements of income, the statements of changes in shareholders' equity and cash flows for the three-month period ended 31 March 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
11 May 2010

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

	Notes	Consolidated		Company	
		(Unaudited) 31 March 2010 Baht	(Audited) 31 December 2009 Baht	(Unaudited) 31 March 2010 Baht	(Audited) 31 December 2009 Baht
ASSETS					
<u>Current Assets</u>					
Cash and cash equivalents		996,094,809	630,121,596	802,175,424	437,464,391
Trade accounts receivable-net	4	310,556,941	318,813,177	309,408,877	317,117,099
Inventories-net		2,615,977,295	2,707,478,925	2,615,977,295	2,707,478,925
Value added tax receivables		123,029,304	149,074,154	122,501,742	148,702,550
Other receivables-related parties-net	14 (iv)	3,989,549	3,989,549	13,420,637	11,643,592
Other current assets		62,085,960	46,637,244	60,124,174	45,256,222
Total Current Assets		4,111,733,858	3,856,114,645	3,923,608,149	3,667,662,779
<u>Non-Current Assets</u>					
Advances to related parties-net	14 (v)	-	-	25,040,416	16,965,416
Investments in subsidiaries-net	14 (i)	-	-	233,005,323	233,005,323
Investments in jointly controlled entity	14 (i)	160,023,891	167,309,172	236,249,800	236,249,800
Property, plant and equipment-net	5	1,663,242,783	1,725,019,574	1,664,660,568	1,726,246,262
Exploration and acquisition costs	6	1,100,425,489	1,094,047,135	174,747,387	182,616,867
Other non-current assets					
- deferred environmental rehabilitation expenses-net		37,627,786	32,540,631	37,627,786	32,540,631
- deferred environmental risk assurance expenses-net		24,193,459	28,681,950	24,193,459	28,681,950
- others		9,872,876	9,148,192	9,354,935	8,617,579
Total Non-Current Assets		2,995,386,284	3,056,746,654	2,404,879,674	2,464,923,828
Total Assets		7,107,120,142	6,912,861,299	6,328,487,823	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 31 March 2010 and 31 December 2009

	Notes	Consolidated		Company	
		(Unaudited) 31 March 2010 Baht	(Audited) 31 December 2009 Baht	(Unaudited) 31 March 2010 Baht	(Audited) 31 December 2009 Baht
LIABILITIES AND SHAREHOLDERS' EQUITY					
<u>Current Liabilities</u>					
Short-term loans from financial institutions	7	547,086,890	358,887,456	547,086,890	358,887,456
Trade accounts payable		431,548,780	832,090,780	429,659,035	830,692,147
Accrued electricity expenses		176,483,001	113,296,426	176,483,001	113,296,426
Royalty payable		840,000	2,412,081	840,000	2,412,081
Other payables-related parties	14 (vi)	-	-	234,577	243,587
Income tax payables		112,266,746	-	111,993,289	-
Other current liabilities		177,680,908	267,029,221	157,382,739	246,426,670
Total Current Liabilities		1,445,906,325	1,573,715,964	1,423,679,531	1,551,958,367
<u>Non-Current Liabilities</u>					
Long-term loans from other party	14 (viii)	442,725,523	439,108,024	-	-
Accrued interest expenses-other party	14 (viii)	33,185,043	28,405,604	-	-
Provisions for restoration expenses	8	69,782,666	70,660,152	69,782,666	70,660,152
Provision for employee retirement	9	118,296,044	115,145,724	118,296,044	115,145,724
Other non-current liabilities		570,957	570,157	570,957	570,157
Total Non-Current Liabilities		664,560,233	653,889,661	188,649,667	186,376,033
Total Liabilities		2,110,466,558	2,227,605,625	1,612,329,198	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		1,715,745,779	1,404,316,926	1,650,783,224	1,328,876,806
Total Shareholders' Equity		4,781,121,180	4,469,692,327	4,716,158,625	4,394,252,207
Minority interests		215,532,404	215,563,347	-	-
Total Shareholders' Equity		4,996,653,584	4,685,255,674	4,716,158,625	4,394,252,207
Total Liabilities and Shareholders' Equity		7,107,120,142	6,912,861,299	6,328,487,823	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 31 March 2010 and 2009

	Note	Consolidated		Company	
		31 March 2010 Baht	31 March 2009 Baht	31 March 2010 Baht	31 March 2009 Baht
Sales and services revenue		2,169,886,457	1,306,112,867	2,165,626,811	1,302,646,983
Cost of sales and services		(1,690,640,324)	(1,418,269,863)	(1,686,300,429)	(1,414,847,374)
Gross profit (loss)		479,246,133	(112,156,996)	479,326,382	(112,200,391)
Other operating income		3,047,914	1,904,465	3,356,060	2,176,265
Gain on exchange rate		34,478,659	2,493,300	34,334,615	2,612,413
Reversal of allowance for diminution of inventories		-	38,738,500	-	38,738,500
Total revenues (expenses)		516,772,706	(69,020,731)	517,017,057	(68,673,213)
Selling expenses		(15,090,558)	(26,405,998)	(15,090,558)	(26,405,998)
Administrative expenses		(52,685,854)	(52,835,363)	(49,249,992)	(52,807,830)
Royalty expenses		(7,455,715)	(5,398,286)	(7,455,715)	(5,398,286)
Management costs		(12,973,675)	(11,926,492)	(12,973,675)	(11,926,492)
Total expenses		(88,205,802)	(96,566,139)	(84,769,940)	(96,538,606)
Operating profit (loss)		428,566,904	(165,586,870)	432,247,117	(165,211,819)
Share of loss of investment in jointly controlled entity on equity method		(7,285,281)	(2,357,316)	-	-
Profit (loss) before finance costs and corporate income tax		421,281,623	(167,944,186)	432,247,117	(165,211,819)
Finance costs-net	10	2,153,950	(2,238,450)	1,696,964	(3,101,131)
Profit (loss) before corporate income tax		423,435,573	(170,182,636)	433,944,081	(168,312,950)
Corporate income tax		(112,037,663)	(259,419)	(112,037,663)	-
Net profit (loss) for the period		311,397,910	(170,442,055)	321,906,418	(168,312,950)
Attributable to:					
Equity holders of the Company		311,428,853	(170,407,312)	321,906,418	(168,312,950)
Minority Interests		(30,943)	(34,743)	-	-
		311,397,910	(170,442,055)	321,906,418	(168,312,950)
Earnings (loss) per share for profit (loss) attributable to the equity holders of the Company					
Basic earnings (loss) per share		1.38	(0.75)	1.42	(0.74)

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 three-month periods ended 31 March 2010 and 2009

	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	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	-	-	-	311,428,853	311,428,853	(30,943)	311,397,910
Ending balance as at 31 March 2010	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>202,961,801</u>	<u>1,715,745,779</u>	<u>4,781,121,180</u>	<u>215,532,404</u>	<u>4,996,653,584</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	-	-	-	(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>

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 three-month periods ended 31 March 2010 and 2009

	Company				Total Baht
	Issued and paid-up share capital Baht	Premium on share capital Baht	Retained earnings		
			Appropriated legal reserve Baht	Unappropriated Baht	
Beginning balance as at 1 January 2010	2,260,000,000	602,413,600	202,961,801	1,328,876,806	4,394,252,207
Net profit for the period	-	-	-	321,906,418	321,906,418
Ending balance as at 31 March 2010	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>202,961,801</u>	<u>1,650,783,224</u>	<u>4,716,158,625</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	-	-	-	(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>

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 three-month periods ended 31 March 2010 and 2009

	Notes	Consolidated		Company	
		31 March 2010 Baht	31 March 2009 Baht	31 March 2010 Baht	31 March 2009 Baht
Cash flows from operating activities					
Profit (loss) before tax		423,435,573	(170,182,636)	433,944,081	(168,312,950)
Adjustments for:					
Depreciation expenses	5	87,117,058	95,944,822	86,923,439	95,775,500
Other non-current assets amortisation expenses		8,749,748	5,369,102	6,590,156	5,334,347
Interest expenses	10	4,594,066	5,068,839	4,594,066	5,068,839
Interest income	10	(6,748,016)	(2,830,389)	(6,291,030)	(1,967,708)
Share of loss from jointly controlled entity		7,285,281	2,357,316	-	-
Allowance for slow-moving and obsolete stocks (reversal)		(2,666,828)	1,590,816	(2,666,828)	1,590,816
Reversal for diminution of inventories		-	(38,738,500)	-	(38,738,500)
Provision for employee retirement benefits	9	3,211,077	3,269,664	3,211,077	3,269,664
Provision for annual leave		150,000	150,000	150,000	150,000
Gain on disposal of property, plant and equipment		(436,497)	-	(436,497)	-
Fixed assets written-off	5	117,625	-	117,625	-
Exploration costs written-down	6	3,890,585	3,000,000	3,890,585	3,000,000
Provision for restoration expenses		9,368,526	4,007,549	9,368,526	4,007,549
Unrealised gain on foreign currency exchange		(12,651,461)	(533,970)	(12,651,461)	(533,970)
Changes in operating assets and liabilities					
Trade accounts receivable					
- other parties		8,256,178	143,649,790	7,708,163	144,743,221
Inventories		94,168,459	316,427,050	94,168,459	316,427,050
Value added tax receivables		26,044,850	(747,914)	26,200,808	(3,397,964)
Other receivables-related parties		-	(80,873)	(1,777,045)	(1,158,923)
Other current assets		(14,884,996)	134,696,382	(14,674,668)	135,228,946
Advances to related parties		-	-	-	(2,227,000)
Other non-current assets					
- deferred environmental rehabilitation expenses-net		(5,887,746)	-	(5,887,746)	-
- deferred environmental risk assurance expenses-net		3,592,437	-	3,592,437	-
- others		(1,555,648)	142,713	(1,555,648)	29,999
Trade accounts payable					
- other parties		(397,963,430)	(40,543,934)	(398,454,542)	(41,595,351)
Advances from other party		-	25,585,826	-	-
Accrued electricity expenses		63,186,575	(17,592,646)	63,186,575	(17,592,646)
Royalty payable		(1,572,081)	(41,230,979)	(1,572,081)	(41,230,979)
Other payable-related parties		-	(25,650,612)	(9,010)	(147,958)
Other current liabilities		(89,798,287)	(27,945,980)	(89,780,552)	21,161,348
Provisions for restoration expenses utilised		(8,275,387)	(14,203,559)	(8,275,387)	(14,203,559)
Provision for employee retirement benefits expenses utilised	9	(60,757)	(3,181,700)	(60,757)	(3,181,700)
Cash generated from operation		<u>200,666,904</u>	<u>357,796,177</u>	<u>199,552,745</u>	<u>401,498,071</u>
Interest paid		(1,134,914)	(4,055,271)	(1,134,914)	(4,055,271)
Tax paid		(421,105)	(398,872)	(44,374)	(29,774)
Net cash provided by operating activities		<u>199,110,885</u>	<u>353,342,034</u>	<u>198,373,457</u>	<u>397,413,026</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) (Cont'd)
For the three-month periods ended 31 March 2010 and 2009

	Notes	Consolidated		Company	
		31 March 2010 Baht	31 March 2009 Baht	31 March 2010 Baht	31 March 2009 Baht
<u>Cash flows from investing activities</u>					
Cash paid for advance to a related party		-	-	(8,075,000)	-
Cash received from interest income		1,735,077	2,998,250	1,284,985	2,159,215
Cash paid for purchase of property, plant and equipment	5	(25,457,892)	(20,833,049)	(25,455,370)	(20,827,501)
Cash received from sales of property, plant and equipment		436,499	-	436,499	-
Cash paid for exploration	6	(11,711,641)	(15,514,657)	(96,324)	(1,301,416)
Net cash used in investing activities		(34,997,957)	(33,349,456)	(31,905,210)	(19,969,702)
<u>Cash flows from financing activities</u>					
Proceeds (payment) on short-term loans from financial institutions		197,933,187	(601,712,617)	197,933,187	(601,712,617)
Proceeds on a long-term loan from other party	14 (viii)	3,617,499	69,410,707	-	-
Dividends payment		(55)	(1,011)	(55)	(1,011)
Net cash received (used) in financing activities		201,550,631	(532,302,921)	197,933,132	(601,713,628)
Effects from changes in exchange rate for cash and cash equivalents		309,654	(3,257)	309,654	(3,257)
Net increase (decrease) in cash and cash equivalents		365,973,213	(212,313,600)	364,711,033	(224,273,561)
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		996,094,809	830,980,204	802,175,424	576,505,631

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 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 2010.

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

2. Basis of preparation

These interim consolidated and company financial statements have been 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 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.

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

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

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

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

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

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

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

Effective for the period beginning on or after 1 January 2011

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

TAS No.40 "Investment Property"

Effective for the period beginning on or after 1 January 2012

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

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
For the interim period ended 31 March 2010

3. Accounting Policies (Cont'd)

The Company's management has determined that the revised accounting standards and the new standards stated above will not significantly impact 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.

4. Trade accounts receivable-net

	Consolidated		Company	
	31 March 2010 Baht	31 December 2009 Baht	31 March 2010 Baht	31 December 2009 Baht
Trade accounts receivable	310,556,941	318,813,177	309,408,877	317,117,099
<u>Less:</u> Allowance for doubtful accounts	-	-	-	-
Trade accounts receivable-net	<u>310,556,941</u>	<u>318,813,177</u>	<u>309,408,877</u>	<u>317,117,099</u>

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

	Consolidated		Company	
	31 March 2010 Baht	31 December 2009 Baht	31 March 2010 Baht	31 December 2009 Baht
Up to 3 months	310,556,941	318,813,177	309,408,877	317,117,099
3-6 months	-	-	-	-
6-12 months	-	-	-	-
Over 12 months	-	-	-	-
	<u>310,556,941</u>	<u>318,813,177</u>	<u>309,408,877</u>	<u>317,117,099</u>
<u>Less:</u> Allowance for doubtful accounts	-	-	-	-
	<u>310,556,941</u>	<u>318,813,177</u>	<u>309,408,877</u>	<u>317,117,099</u>

5. Property, plant and equipment-net

For the three-month period ended 31 March 2010

	Consolidated Baht	Company Baht
Opening net book amount	1,725,019,574	1,726,246,262
Acquisition of assets and capital in progress	25,457,892	25,455,370
Fixed assets written-off	(117,625)	(117,625)
Depreciation	(87,117,058)	(86,923,439)
Closing net book amount	<u>1,663,242,783</u>	<u>1,664,660,568</u>

6. Exploration and acquisition costs

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

	Consolidated		Company	
	31 March 2010 Baht	31 December 2009 Baht	31 March 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	11,711,641	114,862,616	96,324	5,472,474
Deferred capitalised interest	4,779,439	28,405,604	-	-
Expenditure written-down	(3,890,585)	(533,440)	(3,890,585)	(533,440)
Ending balance for the period/year	<u>986,887,605</u>	<u>974,287,110</u>	<u>107,248,311</u>	<u>111,042,572</u>

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
For the interim period ended 31 March 2010

6. Exploration and acquisition costs (Cont'd)

	Consolidated		Company	
	31 March 2010 Baht	31 December 2009 Baht	31 March 2010 Baht	31 December 2009 Baht
<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	(41,666,700)	(40,000,032)	(41,666,700)	(40,000,032)
Ending balance for the period/year	18,333,300	19,999,968	18,333,300	19,999,968
Land use compensation-net	31,352,031	32,846,459	31,352,031	32,846,459
Other capitalised expenditure-net	17,813,745	18,727,868	17,813,745	18,727,868
Ending balance for the period/year	67,499,076	71,574,295	67,499,076	71,574,295
Concession operating right				
Opening balance for the period/year	48,185,730	-	-	-
Expenditure incurred during the period/year	-	51,048,294	-	-
Accumulative amortisation	(2,146,922)	(2,862,564)	-	-
Ending balance for the period/year	46,038,808	48,185,730	-	-
Total mining acquisition costs	113,537,884	119,760,025	67,499,076	71,574,295
Total (Note 6 (i))	1,100,425,489	1,094,047,135	174,747,387	182,616,867

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.

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

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

On 10 July 2007, PNA (Puthep) Pty Ltd. advised the Company that they have funded approximately a total of USD 2 million of project expenditures in Puthep Co., Ltd. Consequently, on 9 June 2008, under the term of the Second Earning Period of the Participation Agreement, PNA (Puthep) Pty Ltd. obtained an additional share of 12.51% in Puthep Co., Ltd. for a total share of 33.17% in Puthep Co., Ltd.. On 19 November 2009, in accordance with the terms of a Loan Agreement (See Note 14 (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%.

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6. Exploration and acquisition costs (Cont'd)

As at 31 March 2010, the capitalised exploration and acquisition costs incurred by Puthep Co., Ltd. amount to Baht 847.5 million. On 1 November 2006 the Royal Forestry Department (RFD) granted permission to the Department of Primary Industry and Mine (DPIM) until 31 October 2008 to gain land access, enabling Puthep Co., Ltd. to conduct complementary exploration and technical studies needed to confirm the feasibility of the project. As of 31 March 2010, a bankable feasibility study has not been submitted to an independent expert as required under the Participation Agreement. Currently the process of evaluating the feasibility study is underway while Kasetsart University is preparing an environment impact assessment (EIA). Processing alternatives under the project's feasibility study are being reviewed prior to a decision on the appointment of an independent expert. The results from this review will be taken into the consideration of further steps in the project.

Padaeng Industry (Laos) Co., Ltd.

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 32.1 million in exploration costs have been capitalised on the consolidated balance sheet.

ii) Concession operating rights

South East Asia Metals Co., Ltd.

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

7. Short-term loans from financial institutions

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

	Consolidated		Company	
	31 March 2010 Baht	31 December 2009 Baht	31 March 2010 Baht	31 December 2009 Baht
Trust Receipts	438,801,241	247,305,978	438,801,241	247,305,978
Promissory Notes	108,285,649	111,581,478	108,285,649	111,581,478
Total	547,086,890	358,887,456	547,086,890	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% - 1.65%.

Financing arrangements available to the Company

	Consolidated		Company	
	31 March 2010 Baht	31 December 2009 Baht	31 March 2010 Baht	31 December 2009 Baht
Bank Overdraft	60,000,000	60,000,000	60,000,000	60,000,000
Short-term Loans	3,493,652,400	3,836,222,400	3,493,652,400	3,836,222,400
Bank Guarantee	1,429,576,000	1,449,376,000	1,429,536,000	1,449,336,000
Total	4,983,228,400	5,345,598,400	4,983,188,400	5,345,558,400

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8. Provisions for restoration expenses

	Consolidated		Company	
	31 March 2010 Baht	31 December 2009 Baht	31 March 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	7,397,901	42,400,444	7,397,901	42,400,444
Amounts utilised	(8,275,387)	(58,772,849)	(8,275,387)	(58,772,849)
Balance at the end of the period/year	<u>69,782,666</u>	<u>70,660,152</u>	<u>69,782,666</u>	<u>70,660,152</u>

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

9. Provisions for employee retirement benefits

	Consolidated		Company	
	31 March 2010 Baht	31 December 2009 Baht	31 March 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	3,211,077	13,078,660	3,211,077	13,078,660
Amounts utilised	(60,757)	(7,261,750)	(60,757)	(7,261,750)
Actuarial loss recognised in equity	-	(4,461,786)	-	(4,461,786)
Balance at the end of the period/year	<u>118,296,044</u>	<u>115,145,724</u>	<u>118,296,044</u>	<u>115,145,724</u>

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

10. Finance costs-net

Finance costs relate to the following:

For the three-month periods ended 31 March	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Interest income	6,748,016	2,830,389	6,291,030	1,967,708
Interest expense	(4,594,066)	(5,068,839)	(4,594,066)	(5,068,839)
Total finance costs-net	<u>2,153,950</u>	<u>(2,238,450)</u>	<u>1,696,964</u>	<u>(3,101,131)</u>

11. Bank guarantees

As at 31 March 2010, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 478.4 million (31 December 2009: Baht 444.0 million).

12. Commitments

As at 31 March 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	
	31 March 2010 Baht	31 December 2009 Baht	31 March 2010 Baht	31 December 2009 Baht
Not later than 1 year	45,948,922	64,452,021	45,948,922	64,452,021

As at 31 March 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	
	31 March 2010 Baht	31 December 2009 Baht	31 March 2010 Baht	31 December 2009 Baht
Not later than 1 year	248,638,688	310,836,753	248,638,688	310,836,753

In addition, as at 31 March 2010, the Company has commitments for the purchase of inventories that have been contracted only in term of quantities at 110,929 - 113,929 wet metric tons and 10,198 dry metric tons (31 December 2009 : 17,119-20,119 wet metric tons and 20,550 dry metric tons).

13. 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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14. Related parties transactions

i) Investments in related parties-net

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

	Consolidated		Company		Consolidated		Company	
	31 March 2010		31 March 2010		31 December 2009		31 December 2009	
	Equity	Paid-up	%	Cost	Equity	Paid-up	%	Cost
	Baht	capital	ownership	Baht	Baht	capital	ownership	Baht
		Baht	investment			Baht	investment	
				Baht				Baht
Subsidiaries								
Padaeng Properties Co., Ltd.	-	80,000,000	100	80,000,000	-	80,000,000	100	80,000,000
Puthep Co., Ltd.	-	285,589,732	51	145,650,772	-	285,589,732	51	145,650,772
Padaeng Industry (Laos) Co., Ltd.	-	27,569,653	100	27,569,653	-	27,569,653	100	27,569,653
Padaeng International Mining Co., Ltd.	-	100,000	100	100,000	-	100,000	100	100,000
Total	-			253,320,425	-			253,320,425
<u>Less</u> : Diminution								
Padaeng Industry (Laos) Co., Ltd.	-			(20,215,102)	-			(20,215,102)
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)
Investments in subsidiaries-net	-			233,005,323	-			233,005,323
Jointly controlled entity								
Maesod Clean Energy Co., Ltd.	160,023,891	675,000,000	35	236,249,800	167,309,172	675,000,000	35	236,249,800

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

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14. Related parties transactions (Cont'd)

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

	Consolidated		Company	
	31 March 2010 Baht	31 December 2009 Baht	31 March 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	(7,285,281)	(45,348,440)	-	-
Liquidation of a subsidiary	-	-	-	(4,950,000)
Closing net book amount	<u>160,023,891</u>	<u>167,309,172</u>	<u>469,255,123</u>	<u>469,255,123</u>

Subsidiaries

As at 31 March 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 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 31 March 2010, the company has a total of 4,606,286 shares outstanding for a cumulative amount of Baht 377,102,615.

Jointly controlled entity

On 9 October 2006, **Maesod Clean Energy Co., Ltd.** was created together with MP Energy Co., Ltd. and Thai Oil Public Company Limited. The jointly controlled entity will produce ethanol as an alternative energy source. As at 31 March 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 three-month periods ended 31 March	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	235,800	271,800
Padaeng Industry (Laos) Co., Ltd.	-	-	2,308,015	743,937
Puthep Co., Ltd.	-	-	121,987	470,840

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

iii) Purchases of goods and services

For the three-month periods ended 31 March	Consolidated		Company	
	2010 Baht	2009 Baht	2010 Baht	2009 Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	703,157	647,364

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

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14. Related parties transactions (Cont'd)

iv) Other receivables-related parties-net

	Consolidated		Company	
	31 March 2010 Baht	31 December 2009 Baht	31 March 2010 Baht	31 December 2009 Baht
Padaeng Properties Co., Ltd.	-	-	82,002	82,002
Padaeng Industry (Laos) Co., Ltd.	-	-	9,295,969	6,962,762
Puthep Co., Ltd.	-	-	53,117	609,279
Padaeng International Mining Co., Ltd.	-	-	105,602	99,272
Maesod Clean Energy Co.,Ltd.	3,989,549	3,989,549	3,989,549	3,989,549
Total	3,989,549	3,989,549	13,526,239	11,742,864
<u>Less: Allowance for doubtful accounts</u>	-	-	(105,602)	(99,272)
Other receivables-related parties-net	3,989,549	3,989,549	13,420,637	11,643,592

v) Advance to related parties-net

	Consolidated		Company	
	31 March 2010 Baht	31 December 2009 Baht	31 March 2010 Baht	31 December 2009 Baht
Padaeng Industry (Laos) Co., Ltd.	-	-	25,040,416	16,965,416
Padaeng International Mining Co., Ltd.	-	-	374,800	374,800
Total	-	-	25,415,216	17,340,216
<u>Less: Allowance for doubtful accounts</u>	-	-	(374,800)	(374,800)
Advance to related parties-net	-	-	25,040,416	16,965,416

Advance from the Company amount of Baht 25,040,416 represents an advance for share subscription payment in Padaeng Industry (Laos) Co., Ltd.

As at 31 March 2010, the above mentioned loans to Padaeng International Mining Co., Ltd. is calculated at interest rates of MLR+1% p.a.

vi) Other payables-related parties

	Consolidated		Company	
	31 March 2010 Baht	31 December 2009 Baht	31 March 2010 Baht	31 December 2009 Baht
Padaeng Properties Co., Ltd.	-	-	234,577	243,587
Total	-	-	234,577	243,587

vii) Advances from other party

	Consolidated		Company	
	31 March 2010 Baht	31 December 2009 Baht	31 March 2010 Baht	31 December 2009 Baht
<u>PNA (Puthep) Pty Ltd.</u>				
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	-	-	-	-

14. 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 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	
	31 March 2010 Baht	31 December 2009 Baht	31 March 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	3,617,499	127,958,420	-	-
Ending balance of the period/year	<u>442,725,523</u>	<u>439,108,024</u>	-	-
Accrued interest expenses	<u>33,185,043</u>	<u>28,405,604</u>	-	-

15. Risk management policy for assets and liabilities

15.1 Risk management and hedging instruments

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

The Company is also exposed to risk resulting from fluctuations in commodity prices. The Company currently engages only in transactional hedging with the purpose of mitigating price exposure from the difference in timing between purchased raw material and finished product sales. Any settlement gains or losses realized from hedging arrangements are recorded into operating profit or loss. As at 31 March 2010, there is a long position of 4,250 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 3 months period ended 31 March 2010, the Company does not undertake any structural or strategic hedging.

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

15.2 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.

15.3 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.

15.4 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.

15.5 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 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.

16. Litigation

As of 31 March 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 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.

17. Subsequent event

On 16 April 2010, the Company was served with a notice requiring it to file an answer to one of the claims by 293 plaintiffs. The plaintiffs are seeking compensation of Baht 1,064 million from the Company alleging that it caused cadmium contamination in the Maesod district of Tak province.

At the Annual Ordinary General Meeting of Shareholders held on 26 April 2010, shareholders approved the annual dividend payment from net profit of the Company for the year ended 31 December 2009 of Baht 0.92 per share totalling Baht 207.9 million. These interim financial statements do not reflect this dividend payment in the period ending 31 March 2010.