

PADAENG INDUSTRY PUBLIC COMPANY LIMITED

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

30 SEPTEMBER 2007

AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

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

I have reviewed the accompanying consolidated and company balance sheets of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited as at 30 September 2007 and the related consolidated and company statements of income for the three-month and nine-month periods ended 30 September 2007 and 2006 and the related consolidated and company statements of changes in shareholders' equity, and cash flows for the nine-month periods ended 30 September 2007 and 2006. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to issue a report on these 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 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 2006 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 16 February 2007. The consolidated and company balance sheets as at 31 December 2006, presented for comparative purposes, are part of the financial statements as stated above, and I have not performed any other auditing procedures subsequent to the date of that report. As discussed in Note 1.1 to the financial statements, in 2006 the Company has changed its accounting policy for investments in subsidiaries in the company financial statements from equity method to cost method to comply with the Federation of Accounting Professions' announcement. The Company has applied retrospective adjustments. Therefore, the interim company financial statements, for the nine-month period ended 30 September 2006, presented for comparative purposes, are restated.

Without qualifying my opinion, I draw attention to Note 2 to the financial statements. The Company is in the process of completing the procedures needed to apply for a new mining license in replacement of the principal mining lease that expired on 17 October 2007. On 9 October 2007, a request for the use of land in the 1A watershed area has been approved by the Cabinet. The final application file is now being reviewed by the Department of Primary Industry and Mining (DPIM) before approval by the Mineral Act Committee. The process of obtaining the license is lengthy and complex and may have a significant impact on the Company's continuing operations.

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

Bangkok
6 November 2007

Padaeng Industry Public Company Limited
Balance Sheets
As at 30 September 2007 and 31 December 2006

	Notes	Consolidated		Company	
		(Unaudited) 30 September 2007 Baht	(Audited) 31 December 2006 Baht	(Unaudited) 30 September 2007 Baht	(Audited) 31 December 2006 Baht
Assets					
<u>Current assets</u>					
Cash and cash equivalents		432,300,240	754,250,926	271,018,761	590,160,663
Deposits (with LME brokers)		-	591,772,404	-	591,772,404
Trade accounts receivables-net					
- other parties		441,373,242	604,559,281	431,823,387	596,883,258
- related parties	16 (iv)	25,727,540	29,635,296	27,148,191	32,130,690
Short-term loans and advances to related parties-net	16 (v)	2,449,000	2,449,000	2,825,313	2,379,748
Inventories-net		2,692,348,572	3,225,595,978	2,694,475,029	3,225,595,978
Value Added Tax receivables		36,330,034	74,697,849	34,511,301	74,625,615
Other current assets		43,545,161	27,310,118	43,540,047	26,934,042
Total current assets		3,674,073,789	5,310,270,852	3,505,342,029	5,140,482,398
<u>Non-current assets</u>					
Investments in related companies-net	16 (i)	32,191,233	17,157,754	271,035,797	248,100,772
Property, plant and equipment-net	14	2,010,035,983	2,095,342,498	2,012,182,779	2,098,510,769
Exploration and acquisition costs	3	405,558,167	312,000,629	131,095,919	104,998,853
Other non-current assets		3,932,537	6,057,527	3,854,039	6,002,527
Total non-current assets		2,451,717,920	2,430,558,408	2,418,168,534	2,457,612,921
Total assets		6,125,791,709	7,740,829,260	5,923,510,563	7,598,095,319

Director.....

Director.....

The notes to the consolidated and company financial statements on pages 11 to 25 are integral part of these financial statements.

Padaeng Industry Public Company Limited
Balance Sheets
As at 30 September 2007 and 31 December 2006

	Notes	Consolidated		Company	
		(Unaudited) 30 September 2007 Baht	(Audited) 31 December 2006 Baht	(Unaudited) 30 September 2007 Baht	(Audited) 31 December 2006 Baht
Liabilities and shareholders' equity					
<u>Current liabilities</u>					
Loans from financial institutions	4	120,000,000	1,163,921,339	120,000,000	1,163,921,339
Trade accounts payables					
- other parties		314,201,414	432,259,820	313,063,398	431,457,345
- related parties	16 (iv)	3,424,917	11,432,928	3,570,146	11,589,374
Current portion of long-term loans	5	-	80,000,000	-	80,000,000
Current portion of hire purchase payables		-	1,919,873	-	1,919,873
Advances from related party	16 (vi)	86,693,930	224,000	-	-
Short-term loans from related parties	16 (vii)	-	-	80,000,000	50,000,000
Accrued interest expenses					
- other parties		36,986	4,582,679	36,986	4,582,679
- related parties	16 (vii)	-	-	31,233	167,808
Accrued electricity expenses		191,560,785	182,156,037	191,560,785	182,156,037
Royalty payable		212,122,823	293,435,347	212,122,823	293,435,347
Other current liabilities		283,179,982	448,192,811	272,382,041	439,232,312
Total current liabilities		1,211,220,837	2,618,124,834	1,192,767,412	2,658,462,114
<u>Non-current liabilities</u>					
Provisions for restoration expenses	6	15,730,743	10,948,433	15,730,743	10,948,433
Provision for employee termination/retirement benefits	7	88,935,150	76,029,550	88,935,150	76,029,550
Others non-current liabilities		5,327,385	14,705,731	5,327,385	14,705,731
Total non-current liabilities		109,993,278	101,683,714	109,993,278	101,683,714
Total liabilities		1,321,214,115	2,719,808,548	1,302,760,690	2,760,145,828
<u>Shareholders' equity</u>					
Share capital					
Authorized 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	8	2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Premium on share capital	8	602,413,600	602,413,600	602,413,600	602,413,600
Retained earnings					
Appropriated legal reserve	9	125,461,639	125,461,639	125,461,639	125,461,639
Unappropriated retained earnings		1,768,882,622	1,985,686,934	1,632,874,634	1,850,074,252
Total Company shareholders' equity		4,756,757,861	4,973,562,173	4,620,749,873	4,837,949,491
Minority interests		47,819,733	47,458,539	-	-
Total shareholders' equity		4,804,577,594	5,021,020,712	4,620,749,873	4,837,949,491
Total liabilities and shareholders' equity		6,125,791,709	7,740,829,260	5,923,510,563	7,598,095,319

The notes to the consolidated and company financial statements on pages 11 to 25 are integral part of these financial statements.

Padaeng Industry Public Company Limited
Statements of income (Unaudited)
For the three-month periods ended 30 September 2007 and 2006

	Notes	Consolidated		Company	
		30 September 2007 Baht	30 September 2006 Baht	30 September 2007 Baht	Restated 30 September 2006 Baht
Revenues from sales and services		2,874,151,979	2,523,710,278	2,866,814,700	2,520,474,956
Cost of sales and services		(2,303,941,473)	(2,092,731,565)	(2,300,905,563)	(2,090,721,956)
Gross profit		570,210,506	430,978,713	565,909,137	429,753,000
Selling and administrative expenses		(140,061,362)	(119,709,283)	(138,811,918)	(119,454,590)
Royalty expenses		(87,967,001)	(83,436,034)	(87,967,001)	(83,436,034)
Profit from sales and services		342,182,143	227,833,396	339,130,218	226,862,376
Other revenues		2,751,990	4,139,301	2,805,702	4,139,298
Gain (loss) on exchange rate		21,480,885	(411,609)	21,319,391	(343,994)
Allowance for slow-moving and obsolete stocks - reversal		2,117,257	7,278,119	2,117,257	7,278,119
Directors' remuneration		(2,865,000)	(2,300,000)	(2,865,000)	(2,300,000)
Other expenses		(41,922)	(251,526)	(41,922)	(251,526)
Profit from operations		365,625,353	236,287,681	362,465,646	235,384,273
Share of loss of investment in jointly controlled entity on equity method		(844,839)	-	-	-
Profit before finance costs and income tax		364,780,514	236,287,681	362,465,646	235,384,273
Finance costs-net	11	(923,010)	(3,431,501)	(2,164,682)	(4,925,953)
Profit before income tax		363,857,504	232,856,180	360,300,964	230,458,320
Corporate Income Tax		(1,156,379)	(522,317)	-	-
Profit before allocation to minorities		362,701,125	232,333,863	360,300,964	230,458,320
(Profit) attributable to minorities		(243,522)	(41,854)	-	-
Net profit for the periods		<u>362,457,603</u>	<u>232,292,009</u>	<u>360,300,964</u>	<u>230,458,320</u>
Earnings per share	12				
Net profit for the periods		<u>1.60</u>	<u>1.03</u>	<u>1.59</u>	<u>1.02</u>

The notes to the consolidated and company financial statements on pages 11 to 25 are integral part of these financial statements.

Padaeng Industry Public Company Limited
Statements of income (Unaudited)
For the nine-month periods ended 30 September 2007 and 2006

	Notes	Consolidated		Company	
		30 September 2007 Baht	30 September 2006 Baht	30 September 2007 Baht	Restated 30 September 2006 Baht
Revenues from sales and services		9,473,705,686	7,326,357,744	9,457,861,790	7,316,158,810
Cost of sales and services		(7,925,949,902)	(5,464,294,300)	(7,917,121,358)	(5,458,316,515)
Gross profit		1,547,755,784	1,862,063,444	1,540,740,432	1,857,842,295
Selling and administrative expenses		(411,276,324)	(413,390,332)	(405,580,307)	(409,757,223)
Royalty expenses		(247,382,964)	(247,704,985)	(247,382,964)	(247,704,985)
Profit from sales and services		889,096,496	1,200,968,127	887,777,161	1,200,380,087
Other revenues		16,023,747	11,163,099	16,083,864	11,500,418
Gain on exchange rate		67,385,449	45,197,497	67,529,045	45,320,548
Allowance for slow-moving and obsolete stocks - reversal		8,460,085	632,031	8,460,085	632,031
Directors' remuneration		(9,506,244)	(6,482,527)	(9,506,244)	(6,482,527)
Other expenses		(147,079)	(542,209)	(147,079)	(542,209)
Profit from operations		971,312,454	1,250,936,018	970,196,832	1,250,808,348
Share of loss of investment in jointly controlled entity on equity method		(2,466,521)	-	-	-
Profit before finance costs and income tax		968,845,933	1,250,936,018	970,196,832	1,250,808,348
Finance costs-net	11	66,244	(5,978,062)	(4,737,502)	(8,812,974)
Profit before income tax		968,912,177	1,244,957,956	965,459,330	1,241,995,374
Corporate Income Tax		(2,696,347)	(1,418,631)	-	-
Profit before allocation to minorities		966,215,830	1,243,539,325	965,459,330	1,241,995,374
(Profit) attributable to minorities		(361,194)	(279,021)	-	-
Net profit for the periods		965,854,636	1,243,260,304	965,459,330	1,241,995,374
Earnings per share	12				
Net profit for the periods		4.27	5.50	4.27	5.50

The notes to the consolidated and company financial statements on pages 11 to 25 are integral part of these financial statements.

Padaeng Industry Public Company Limited
Statements of changes in shareholders' equity (Unaudited)
For the nine-month periods ended 30 September 2007 and 2006

	Notes	Consolidated					Total Baht
		Issued and paid up share capital Baht	Premium on share capital Baht	Retained earnings		Minority interest Baht	
				Appropriated legal reserve Baht	Unappropriated Baht		
Beginning balance as at 1 January 2007		2,260,000,000	602,413,600	125,461,639	1,985,686,934	47,458,539	5,021,020,712
Actuarial loss recognised in equity	7	-	-	-	(7,458,948)	-	(7,458,948)
Net profit		-	-	-	965,854,636	361,194	966,215,830
Dividends paid	10	-	-	-	(1,175,200,000)	-	(1,175,200,000)
Ending balance as at 30 September 2007		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>125,461,639</u>	<u>1,768,882,622</u>	<u>47,819,733</u>	<u>4,804,577,594</u>

	Notes	Consolidated					Total Baht
		Issued and paid up share capital Baht	Premium on share capital Baht	Retained earnings		Minority interest Baht	
				Appropriated legal reserve Baht	Unappropriated Baht		
Beginning balance as at 1 January 2006		2,260,000,000	602,413,600	37,486,820	569,685,839	47,088,982	3,516,675,241
Net profit		-	-	-	1,243,260,304	279,021	1,243,539,325
Dividends paid		-	-	-	(248,600,000)	(408,775)	(249,008,775)
Ending balance as at 30 September 2006		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>37,486,820</u>	<u>1,564,346,143</u>	<u>46,959,228</u>	<u>4,511,205,791</u>

The notes to the consolidated and company financial statements on pages 11 to 25 are integral part of these financial statements.

Padaeng Industry Public Company Limited
Statements of changes in shareholders' equity (Unaudited)
For the nine-month periods ended 30 September 2007 and 2006

	Notes	Company					Total
		Issued and paid up share capital	Premium on share capital	Retained earnings		Minority interest	
				Appropriated legal reserve	Unappropriated		
Baht	Baht	Baht	Baht	Baht	Baht		
Beginning balance as at 1 January 2007		2,260,000,000	602,413,600	125,461,639	1,850,074,252	-	4,837,949,491
Actuarial loss recognised in equity	7	-	-	-	(7,458,948)	-	(7,458,948)
Net profit		-	-	-	965,459,330	-	965,459,330
Dividends paid	10	-	-	-	(1,175,200,000)	-	(1,175,200,000)
Ending balance as at 30 September 2007		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>125,461,639</u>	<u>1,632,874,634</u>	-	<u>4,620,749,873</u>

	Notes	Company					Total
		Issued and paid up share capital	Premium on share capital	Retained earnings		Minority interest	
				Appropriated legal reserve	Unappropriated		
Baht	Baht	Baht	Baht	Baht	Baht		
Beginning balance as at 1 January 2006 (Restated)		2,260,000,000	602,413,600	37,486,820	439,901,886	-	3,339,802,306
Net profit after restatement		-	-	-	1,241,995,374	-	1,241,995,374
Dividends paid		-	-	-	(248,600,000)	-	(248,600,000)
Ending balance as at 30 September 2006 (Restated)		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>37,486,820</u>	<u>1,433,297,260</u>	-	<u>4,333,197,680</u>

The notes to the consolidated and company financial statements on pages 11 to 25 are integral part of these financial statements.

Padaeng Industry Public Company Limited
Statements of cash flows (Unaudited)
For the nine-month periods ended 30 September 2007 and 2006

	Consolidated		Company		
	Notes	30 September 2007 Baht	30 September 2006 Baht	30 September 2007 Baht	Restated 30 September 2006 Baht
Cash flows from operating activities					
Net profit		965,854,636	1,243,260,304	965,459,330	1,241,995,374
<u>Items to reconcile net income to net cash:</u>					
Share of loss from jointly controlled entity		2,466,521	-	-	-
Income from investment in subsidiary		-	-	-	(499,614)
Allowance for doubtful debts - trade accounts receivable (reversal)					
- other parties		263,540	(1,081,335)	-	-
Allowance for slow-moving and obsolete stocks (reversal)		(8,460,085)	(632,031)	(8,460,085)	(632,031)
Allowance for advances to suppliers and unrecoverable interest		1,967,341	2,472,807	1,967,341	1,967,341
Provision for employee termination/retirement benefits expenses	7	5,446,652	5,400,000	5,446,652	5,400,000
Provision for annual leave		450,000	450,000	450,000	450,000
Amortization of deferred gain on hire purchase		(1,148,339)	(1,148,339)	(1,148,339)	(1,148,339)
VAT written-off		-	126,256	-	-
Withholding tax written-off		-	108,104	-	-
Depreciation expenses	14	261,822,547	251,779,049	261,501,753	251,589,764
(Gain) loss on disposal of property, plant and equipment		1,105,753	(2,667,256)	1,226,747	(2,507,041)
Impairment expenses (reversal)	14	(1,079,543)	(2,808,471)	(1,079,543)	(2,808,471)
Property, plant and equipment written-off	14	5	2,825,812	5	2,825,812
Other assets write-down	3	9,196,050	4,500,000	9,196,050	4,500,000
Other assets amortization expenses		8,176,901	9,713,803	8,176,901	9,713,803
Restoration expense (use of)		4,782,310	(2,761,902)	4,782,310	(1,253,579)
Unrealized (gain) loss on foreign currency exchange		472,770	(4,156,242)	472,770	(4,156,242)
Minority interest in net profit of subsidiaries		361,194	279,021	-	-
Cash flows from operations before changes in operating assets and liabilities		1,251,678,253	1,505,659,580	1,247,991,892	1,505,436,777
<u>Operating assets (increase) decrease</u>					
Trade accounts receivables					
- other parties		163,246,154	(172,294,495)	165,073,905	(173,025,235)
- related parties		3,598,135	20,899,816	4,982,499	22,190,899
Advances to related parties		-	-	(445,565)	(50,000)
Inventories		541,707,491	(1,060,676,870)	539,581,034	(1,060,676,870)
Value Added Tax receivables		38,367,815	(61,472,744)	40,114,314	(64,393,603)
Other current assets		(18,202,384)	(14,712,930)	(18,573,346)	(14,458,157)
Other non-current assets		2,124,990	-	2,148,489	-
<u>Operating liabilities increase (decrease)</u>					
Trade accounts payables					
- other parties		(118,011,212)	894,651,065	(118,346,754)	894,404,040
- related parties		(8,008,011)	(1,438,266)	(8,019,228)	(1,418,926)
Accrued interest expenses					
- other parties		(4,545,693)	4,000,595	(4,545,693)	4,000,595
- related parties		-	-	(136,575)	(166,438)
Advances from related party		86,469,930	(2,727,967)	-	-
Accrued electricity expenses		9,404,748	(1,201,432)	9,404,748	(1,201,432)
Royalty payable		(81,312,524)	30,928,614	(81,312,524)	30,928,614
Other current liabilities		(170,685,416)	(38,507,119)	(172,522,858)	(38,479,900)
Provision for employee termination/retirement benefits		-	(5,451,200)	-	(5,451,200)
Other non-current liabilities		(9,378,346)	(1,519,396)	(9,378,346)	(1,519,396)
Net cash provided by operating activities		1,686,453,930	1,096,137,251	1,596,015,992	1,096,119,768

The notes to the consolidated and company financial statements on pages 11 to 25 are integral part of these financial statements.

Padaeng Industry Public Company Limited
Statements of cash flows (Unaudited) (Cont'd)
For the nine-month periods ended 30 September 2007 and 2006

	Notes	Consolidated		Company	
		30 September 2007 Baht	30 September 2006 Baht	30 September 2007 Baht	Restated 30 September 2006 Baht
Cash flows from investing activities					
Cash invested in subsidiaries		-	-	(5,435,025)	(2,904,748)
Cash invested in jointly controlled entity		(17,500,000)	-	(17,500,000)	-
Cash paid for purchase of property, plant and equipment	14	(177,968,533)	(175,309,284)	(176,625,764)	(175,296,389)
Cash received from dividends		-	-	-	499,614
Cash received from sales of property, plant and equipment		1,426,286	4,423,562	1,304,792	4,262,347
Cash paid for exploration and acquisition costs		(110,930,489)	(24,917,677)	(43,470,017)	(24,917,677)
Net cash used in investing activities		(304,972,736)	(195,803,399)	(241,726,014)	(198,356,853)
Cash flows from financing activities					
Deposit (with LME brokers)		591,772,404	(162,085,582)	591,772,404	(162,085,582)
Increase (decrease) in loans from financial institution		(1,043,921,339)	736,130,369	(1,043,921,339)	736,130,369
Increase in short-term loans to related parties	16 (v)	-	(2,449,000)	-	-
Increase (decrease) in short-term loans from related parties	16 (vii)	-	-	30,000,000	(180,000,000)
Dividends payment		(1,169,362,607)	(250,118,001)	(1,169,362,607)	(249,709,226)
Payment on long-term borrowings	5	(80,000,000)	(430,000,000)	(80,000,000)	(430,000,000)
Account payable hire purchase payment		(1,919,873)	(2,237,061)	(1,919,873)	(2,237,061)
Net cash used in financing activities		(1,703,431,415)	(110,759,275)	(1,673,431,415)	(287,901,500)
Effects from changes in exchange rate for cash and cash equivalents		(465)	991	(465)	991
Net increase (decrease) in cash and cash equivalents		(321,950,686)	789,575,568	(319,141,902)	609,862,406
Cash and cash equivalents at beginning of the periods		754,250,926	600,395,622	590,160,663	568,843,310
Cash and cash equivalents at end of the periods		432,300,240	1,389,971,190	271,018,761	1,178,705,716
Supplementary information for statements of cash flows					
Cash paid during the period:					
Interest paid		34,367,545	36,220,030	35,863,778	36,948,351
Tax paid		2,653,619	942,943	102,364	233,709

The notes to the consolidated and company financial statements on pages 11 to 25 are integral part of these financial statements.

1. Accounting policies

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 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.

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 2006.

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

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%.

These interim financial statements should be read in conjunction with the 2006 annual financial statements.

These interim consolidated and company financial statements have been approved for issue by the Board of Directors on 6 November 2007.

Amendments to Accounting standards effective in 2007

The following standards are revised and are mandatory for accounting periods beginning on or after 1 January 2007 and are relevant to the Company.

TAS No. 44 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries"

TAS No. 45 "Accounting for Investments in Associates "

TAS No. 46 "Financial Reporting of Interests in Joint Ventures"

These standards have no impact to the consolidated financial statements. The significant impact to the separate financial statements relating to the revised standards have been discussed in Note 1.1 to the financial statements.

Amendments to Accounting standards effective in 2008

The following standards are revised and are mandatory for accounting periods beginning on or after 1 January 2008 and have not been early adopted by the Company.

TAS No. 25 "Cash Flow Statements"

TAS No. 33 "Borrowing Costs"

TAS No. 35 "Presentation of Financial Statements (revised 2007)"

TAS No. 39 "Accounting Policies, Changes in Accounting Estimates and Errors (revised 2007)"

TAS No. 41 "Interim Financial Reporting (revised 2007)"

TAS No. 49 "Construction Contracts"

The Company will apply these standards from 1 January 2008. However, the management has determined that the revised standards will not significantly impact the financial statements being presented.

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1. Accounting policies (Cont'd)

1.1 Changes in Accounting policy and restatement

In 2006, the Company early adopted TAS 44 (as amended in 2006) - "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" and TAS 45 (as amended in 2006) - "Accounting for Investments in Associates" in accordance with the Federation of Accounting Professions Notification No. 26/2549 dated 11 October 2006 and Notification No. 32/2549 dated 3 November 2006 that were effective on 1 January 2007. Under the standards, investments in subsidiaries and associates in the separate financial statements of the company are required to be accounted using the cost basis of accounting. Income from the investments will be recorded when dividends are declared. Prior to 2006, the Company used the equity method to record its share of income from the investments in subsidiaries. This change in accounting policy has been applied retrospectively and has also been applied to the company's investments in jointly controlled entities.

The effects of the adoption of TAS 44 and TAS 45 had been restated on the statement of income for the nine-month period ended 30 September 2006 in the company financial statements (restated) are as shown below;

	30 September 2006
	nine-month
	Baht
	<hr/>
Statements of changes in shareholders' equity	
(Decrease) in beginning retained earnings	(131,333,207)
Statements of income	
Increase in share of gain of investment in subsidiaries on equity method	358,447
Increase in basic earnings per share	0.01

2. Approval of mining licenses

As at 30 September 2007 to date of our review, the Company was still in the process of completing the procedures needed to apply for a new mining license in replacement of its principal mining lease that expired on 17 October 2007. As at 30 September 2007, an Environmental Impact Assessment report (EIA) has been approved by National Environmental Board (NEB). Further, on 9 October 2007, the use of the 1A watershed area has been approved by the Cabinet. The final application file is now being reviewed by the Department of Primary Industry and Mining (DPIM) before approval by the Mineral Act Committee and approval of the mining licenses.

As at 18 October 2007, the Company's mine operations have been temporarily put on hold until the mining licenses are finally approved. The Company has enough stockpiles and supplies on hand and committed for purchase to support the needs of the Tak smelter in order to complete deliveries through December 2007. Additionally, the Company has sufficient commitments in place to source raw materials to ensure continued operation of its smelter facilities for the next 12 months from September 2007.

Based on the above information, these financial statements have been prepared on the basis that the Company's operations will continue and operate as a going concern.

3. Exploration and acquisition costs

Exploration and acquisition costs as at 30 September 2007 and 31 December 2006 comprise:

	Consolidated		Company	
	30 September	31 December	30 September	31 December
	2007	2006	2007	2006
	Baht	Baht	Baht	Baht
	<hr/>		<hr/>	
<u>Exploration costs</u>				
Opening balance for the period/year	235,458,074	217,223,984	45,442,808	28,121,289
Expenditure incurred during the period/year	109,839,409	30,940,249	42,378,937	30,027,678
Expenditure written-down during the period/year	(9,196,050)	(12,706,159)	(9,196,050)	(12,706,159)
Ending balance for the period/year	<hr/> 336,101,433	<hr/> 235,458,074	<hr/> 78,625,695	<hr/> 45,442,808

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Unaudited condensed notes to the interim consolidated and company financial statements
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3. Exploration and acquisition costs (Cont'd)

	Consolidated		Company	
	30 September 2007 Baht	31 December 2006 Baht	30 September 2007 Baht	31 December 2006 Baht
<u>Mining acquisition costs</u>				
Capitalized deferred cost				
Opening balance for the period/year	60,000,000	60,000,000	60,000,000	60,000,000
Accumulative depletion	(25,000,020)	(20,000,016)	(25,000,020)	(20,000,016)
Ending balance for the period/year	34,999,980	39,999,984	34,999,980	39,999,984
Special prospect license fee	16,986,510	16,986,510	-	-
Land use compensation	6,748,168	8,026,339	6,748,168	8,026,339
Other capitalized expenditure	10,722,076	11,529,722	10,722,076	11,529,722
Ending balance for the period/year	69,456,734	76,542,555	52,470,224	59,556,045
Total exploration and acquisition costs (Note 3 (i))	405,558,167	312,000,629	131,095,919	104,998,853

i) Exploration costs

Exploration costs are mainly related to those incurred by the Company, Puthep Co., Ltd. and Padaeng Industry (Laos) Co., Ltd., its subsidiaries. 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 capitalized until final determination of whether economically recoverable resource exists.

Since 21 August 2000, the Company and Puthep Co., Ltd. has entered into a Participation Agreement (the "Agreement") with Pan Australian Resources N.L. and PNA (Puthep) Pty Limited of Australia ("PNA") to undertake exploration and mining of Puthep Copper Project. Under the Agreement, PNA has the right to obtain a 51% working interest in the Puthep Project in north-east Thailand by completing a feasibility study to a bankable standard. The Agreement also includes further options for PNA to acquire a total interest of either 60% or 70% in Puthep Co., Ltd.

PNA completed the expenditure requirements of the First Earning Period of the Participation Agreement (USD 1 million or Baht 42 million) in April 2003 and has complied with all other requirements under the Participation Agreement. Accordingly, in June 2005, PNA obtained, through a capital increase, a 20.66% ownership interest in Puthep Co., Ltd.

On 10 July 2007, PNA advised the Company that they funded approximately USD 2 million of project expenditure in Puthep Co., Ltd. Accordingly, this funding will give PNA the right to earn an additional share of around 12.50% in Puthep Co., Ltd. for a total of 33.16%.

The capitalized exploration costs incurred by Puthep Co., Ltd. amount to Baht 271 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) for acknowledgment and to obtain land access and conduct the complementary exploration and technical studies needed to confirm the feasibility of the project.

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 3.5 million has been capitalized on the consolidated balance sheet.

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4. Loans from financial institutions

Loans from financial institutions as at 30 September 2007 and 31 December 2006 comprise:

	Consolidated		Company	
	30 September 2007 Baht	31 December 2006 Baht	30 September 2007 Baht	31 December 2006 Baht
Promissory Notes	120,000,000	-	120,000,000	-
Trust Receipts	-	1,163,921,339	-	1,163,921,339
Total	120,000,000	1,163,921,339	120,000,000	1,163,921,339

The Company has entered into short-term financing arrangements to fund its operations with various financial institutions. The interest rate, the Company is paying on the promissory notes is 3.75% (2006: 5.75% - 5.85%).

5. Long-term loans

Long-term loans as at 30 September 2007 and 31 December 2006 comprise:

	Consolidated		Company	
	30 September 2007 Baht	31 December 2006 Baht	30 September 2007 Baht	31 December 2006 Baht
Due within one year	-	80,000,000	-	80,000,000
More than one year	-	-	-	-
Total	-	80,000,000	-	80,000,000

The movements in the borrowings can be analyzed as follows:

For the nine-month period ended	Consolidated		Company	
	30 September 2007 Baht	30 September 2006 Baht	30 September 2007 Baht	30 September 2006 Baht
Opening amount	80,000,000	547,500,000	80,000,000	547,500,000
Repayment of loans	(80,000,000)	(430,000,000)	(80,000,000)	(430,000,000)
Closing amount	-	117,500,000	-	117,500,000

6. Provisions for restoration expenses

	Consolidated		Company	
	30 September 2007 Baht	31 December 2006 Baht	30 September 2007 Baht	31 December 2006 Baht
Balance at the beginning of the period/year	10,948,433	26,681,935	10,948,433	25,173,612
Additional provisions charged to the statement of income	21,147,280	18,661,522	21,147,280	18,661,522
Amounts utilised	(16,364,970)	(34,395,024)	(16,364,970)	(32,886,701)
Balance at the end of the period/year	15,730,743	10,948,433	15,730,743	10,948,433

The provision for restoration costs represent amounts provided for the estimated costs of restoration of residual ponds at Tak and the tailing dam and rehabilitation of the mined area in Maesod in accordance with government regulations and company's commitments.

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7. Provision for employee termination/retirement benefits

	Consolidated		Company	
	30 September 2007 Baht	31 December 2006 Baht	30 September 2007 Baht	31 December 2006 Baht
Balance at the beginning of the period/year	76,029,550	60,804,526	76,029,550	60,804,526
Additional provisions charged to the statement of income	5,446,652	8,318,232	5,446,652	8,318,232
Amounts utilised	-	(5,842,400)	-	(5,842,400)
Actuarial loss recognised in equity	7,458,948	12,749,192	7,458,948	12,749,192
Balance at the end of the period/year	<u>88,935,150</u>	<u>76,029,550</u>	<u>88,935,150</u>	<u>76,029,550</u>

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 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 which they occur as shown above.

8. Share capital and premium on share capital

	Number of shares	Ordinary shares Baht	Shares premium Baht	Total Baht
For the nine-month period ended 30 September 2007				
As at 31 December 2006	226,000,000	2,260,000,000	602,413,600	2,862,413,600
Movement during the period	-	-	-	-
As at 30 September 2007	<u>226,000,000</u>	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>2,862,413,600</u>

As at 30 September 2007, the total authorized number of ordinary shares is 226,000,000 shares (31 December 2006: 226,000,000 shares) with a par value of Baht 10 per share (31 December 2006: Baht 10 per share). All issued shares are fully paid.

9. Legal reserve

	Consolidated		Company	
	30 September 2007 Baht	31 December 2006 Baht	30 September 2007 Baht	31 December 2006 Baht
Balance at the beginning of the period/year	125,461,639	37,486,820	125,461,639	37,486,820
Appropriation during the period/year	-	87,974,819	-	87,974,819
Balance at the end of the period/year	<u>125,461,639</u>	<u>125,461,639</u>	<u>125,461,639</u>	<u>125,461,639</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.

10. Dividend paid

At the Annual Ordinary General Meeting of Shareholders held on 23 April 2007, shareholders approved the annual dividend payment from net profit of the Company for the year ended 31 December 2006 of Baht 5.20 per share (2005: Baht 1.10 per share) totalling Baht 1,175.2 million (2005: totalling Baht 248.6 million). The dividend was paid on 22 May 2007.

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11. Financial costs-net

Financial costs relate to the following:

For the three-month period ended	Consolidated		Company	
	30 September 2007 Baht	30 September 2006 Baht	30 September 2007 Baht	30 September 2006 Baht
Interest income	2,988,076	16,729,583	2,511,404	15,235,131
Interest expense	(3,911,086)	(20,161,084)	(4,676,086)	(20,161,084)
Total financial costs-net	<u>(923,010)</u>	<u>(3,431,501)</u>	<u>(2,164,682)</u>	<u>(4,925,953)</u>

For the nine-month period ended	Consolidated		Company	
	30 September 2007 Baht	30 September 2006 Baht	30 September 2007 Baht	30 September 2006 Baht
Interest income	29,888,096	37,609,771	26,444,008	35,336,743
Interest expense	(29,821,852)	(43,587,833)	(31,181,510)	(44,149,717)
Total financial costs-net	<u>66,244</u>	<u>(5,978,062)</u>	<u>(4,737,502)</u>	<u>(8,812,974)</u>

12. Basic earnings per share

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

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

13. Bank guarantees

As at 30 September 2007, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 432.47 million (31 December 2006: Baht 1,031.25 million).

14. Capital expenditures and commitments

Movement of property, plant and equipment

For the nine-month period ended 30 September 2007	Consolidated Baht	Company Baht
Opening net book amount	2,095,342,498	2,098,510,769
Acquisition of assets and capital in progress	177,968,533	176,625,764
Sale of assets	(2,532,039)	(2,531,539)
Assets written-off	(5)	(5)
Provision for asset impairment reversal	1,079,543	1,079,543
Depreciation	<u>(261,822,547)</u>	<u>(261,501,753)</u>
Closing net book amount	<u>2,010,035,983</u>	<u>2,012,182,779</u>

Commitments

As at 30 September 2007 and 31 December 2006, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	30 September 2007 Baht	31 December 2006 Baht	30 September 2007 Baht	31 December 2006 Baht
Not later than 1 year	100,101,710	28,288,706	100,101,710	28,288,706
Later than 1 year	-	-	-	-
Total	<u>100,101,710</u>	<u>28,288,706</u>	<u>100,101,710</u>	<u>28,288,706</u>

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14. Capital expenditures and commitments (Cont'd)

As at 30 September 2007 and 31 December 2006, the Company has the following commitments for the purchase of inventories that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	30 September 2007 Baht	31 December 2006 Baht	30 September 2007 Baht	31 December 2006 Baht
Not later than 1 year	2,945,782,937	1,899,886,103	2,945,782,937	1,899,886,103
Later than 1 year	-	-	-	-
Total	2,945,782,937	1,899,886,103	2,945,782,937	1,899,886,103

15. Segment information

The Company produces a single product produced in Thailand for both domestic and export markets, utilizing the same assets. The Company does not present segment information as it considers its business operations to be in one segment.

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16. Related party transactions

The Company's major shareholders are Umicore and Nyrstar in Belgium which own approximately 22.0% and 24.9% of the Company's outstanding shares, respectively. The remaining shares are widely held.

i) Investments in related parties - net

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

	Consolidated				Company			
	30 September 2007				31 December 2006			
	Equity	Paid up	%	Cost	Equity	Paid up	%	Cost
	capital	ownership			capital	ownership		
	Baht	Baht	investment	Baht	Baht	investment	Baht	Baht
Subsidiaries and jointly controlled entity								
Padaeng Properties Co., Ltd.	-	80,000,000	100	80,000,000	-	80,000,000	100	80,000,000
Puthep Co., Ltd.	-	183,575,800	79.34	145,650,772	-	183,575,800	79.34	145,650,772
Padaeng Industry (Laos) Co., Ltd.	-	25,650,127	100	25,650,127	-	8,824,808	100	8,824,808
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
Maesod Clean Energy Co., Ltd.	32,191,233	100,000,000	35	35,000,000	17,157,754	50,000,000	35	17,500,000
Total	32,191,233			291,350,899	17,157,754			257,025,580
Less : Diminution								
Padaeng Industry (Laos) Co., Ltd.	-			(20,215,102)	-			(8,824,808)
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)
Investments in related companies - net	32,191,233			271,035,797	17,157,754			248,100,772

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

16. Related party transactions (Cont'd)

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

Jointly controlled entity

On 9 October 2006, Maesod Clean Energy Co., Ltd. was created together with MP Energy Co., Ltd. and Thai Oil Plc. The jointly controlled entity will produce ethanol as an alternative energy sources. The entity is consolidated under the equity method.

In September 2007, Maesod Clean Energy Co.,Ltd. called for additional subscriptions of 10,000,000 shares capital at Baht 5 per share. It should be noted that the authorised shares capital are 10,000,000 shares with par value at Baht 10 per share has been fully paid-up.

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.

Subsidiaries

According to its commitments to restore its mine site upon depletion, in January 2006, the board of Padaeng Industry (Laos) Co., Ltd. passed a resolution to approve an increase in the authorised share capital of Padaeng Industry (Laos) Co.,Ltd. from USD 200,000 to USD 300,000 to cover cash flow requirements for the rehabilitation cost of the mine site and administrative expenses. The Board of Directors of Padaeng Industry Plc. approved the capital increase of Padaeng Industry (Laos) Co., Ltd. on 23 February 2006.

On 9 August 2006, the board of Padaeng Industry (Laos) Co., Ltd. passed a resolution to approve an increase in the authorised share capital of Padaeng Industry (Laos) Co.,Ltd. from USD 300,000 to USD 1,273,000 to meet the expenses foreseen in the frame of a new exploration campaign in Laos.

As at 31 December 2006, Padaeng Industry Plc. paid USD 100,000 for the additional share capital. It should be noted that the Company has previously recorded a provision for diminution of investment in Padaeng Industry (Laos) Co., Ltd. for the full amount of its investment.

On 5 January 2007, the Company paid USD 150,000 for the additional share capital of Padaeng Industry (Laos) Co., Ltd. in relation to the resolution on 9 August 2006 to increase the authorised share capital from USD 300,000 to USD 1,273,000 in order to meet the expenses foreseen in the frame of the new exploration.

On 30 May 2007, Foreign Investment Management Committee of Laos PDR approved a conversion of loans, advances and accrued interest from Padaeng Industry Plc. of USD 293,000 to increase authorised share capital of Padaeng Industry (Laos) Co., Ltd.. According to the approval, Padaeng Industry (Laos) Co., Ltd. has authorised share capital total of USD 1,566,000. Consequently, Padaeng Industry Plc. reclassified the loans, advances and accrued interest to Padaeng Industry (Laos) Co., Ltd. and related allowance for doubtful account to investment and diminution of investment in Padaeng Industry (Laos) Co., Ltd., respectively.

In August 2005, the Board of Directors of Padaeng Industry Plc. passed a resolution to complete the liquidation process of Padaeng International Mining Co., Ltd. As at 30 September 2007, the actual liquidation has not yet commenced.

In September 2007, the Board of Directors of Sila Enterprise Co., Ltd. passed a resolution to liquidate the company. Currently the company has stopped its commercial activities on 18 October 2007. The subsidiary's management will begin the process to obtain shareholders approval to liquidate the subsidiary (see Note 18).

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16. Related party transactions (Cont'd)

ii) Sales of goods and services

For the nine-month period ended	Consolidated		Company	
	30 September 2007 Baht	30 September 2006 Baht	30 September 2007 Baht	30 September 2006 Baht
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	815,366	-
Sila Enterprise Co., Ltd.	-	-	5,622,084	7,506,370
Nyrstar Belgium SA/NV	167,179,348	-	167,179,348	-
Umicore	-	507,709	-	507,709
Umicore Marketing Services (Thailand) Co., Ltd.	155,583,511	283,539,043	155,583,511	283,539,043
Umicore Marketing Services (Far East) Ltd.	61,231,033	2,535,073	61,231,033	2,535,073

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

iii) Purchases of goods and services

For the nine-month period ended	Consolidated		Company	
	30 September 2007 Baht	30 September 2006 Baht	30 September 2007 Baht	30 September 2006 Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	1,388,372	1,169,973
Padaeng Industry (Laos) Co., Ltd.	-	-	13,579,043	901,639
Umicore Marketing Services (Thailand) Co., Ltd.	43,939,377	40,997,722	43,939,377	40,997,722
Umicore Marketing Services (Far East) Ltd.	-	6,540,141	-	6,540,141
Umicore Australia Limited	29,480,610	13,721,117	29,480,610	13,721,117

Purchases from related parties are based on industry market price.

iv) Outstanding balances arising from sales/purchases of goods and services

	Consolidated		Company	
	30 September 2007 Baht	31 December 2006 Baht	30 September 2007 Baht	31 December 2006 Baht
Receivables from related parties:				
Sila Enterprise Co., Ltd.	-	-	1,420,651	2,495,394
Nyrstar Belgium SA/NV	161,672	-	161,672	-
Umicore Marketing Services (Thailand) Co.,Ltd.	17,093,621	12,655,279	17,093,621	12,655,279
Umicore Malaysia Sdn Bhd Co., Ltd.	8,472,247	13,507,406	8,472,247	13,507,406
Umicore Marketing Services (Far East) Ltd.	-	3,472,611	-	3,472,611
Total	25,727,540	29,635,296	27,148,191	32,130,690

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16. Related party transactions (Cont'd)

iv) Outstanding balances arising from sales/purchases of goods and services (Cont'd)

	Consolidated		Company	
	30 September 2007 Baht	31 December 2006 Baht	30 September 2007 Baht	31 December 2006 Baht
Payables to related parties:				
Padaeng Properties Co., Ltd.	-	-	145,229	156,446
Umicore	1,819,402	-	1,819,402	-
Umicore Marketing Services (Thailand) Co., Ltd.	1,605,515	5,889,313	1,605,515	5,889,313
Umicore Australia Limited	-	5,543,615	-	5,543,615
Total	3,424,917	11,432,928	3,570,146	11,589,374

v) Short-term loans and advances to related parties, net

	Consolidated		Company	
	30 September 2007 Baht	31 December 2006 Baht	30 September 2007 Baht	31 December 2006 Baht
Padaeng Industry (Laos) Co., Ltd.	-	-	886,981	11,849,975
Puthep Co., Ltd.	-	-	1,650,063	1,650,063
Padaeng International Mining Co., Ltd.	-	-	334,869	316,604
Minority Shareholder of Sila Enterprise Co., Ltd.	2,449,000	2,449,000	-	-
	2,449,000	2,449,000	2,871,913	13,816,642
<u>Less: Allowance for doubtful accounts</u>	<u>-</u>	<u>-</u>	<u>(46,600)</u>	<u>(11,436,894)</u>
Short-term loans and advances to related parties, net	2,449,000	2,449,000	2,825,313	2,379,748

The outstanding balance from Padaeng Industry (Laos) Co., Ltd. for a total of Baht 886,981 represents advances for exploration activities in Kasi district. For a reclassification of loans, advances and accrued interest to Padaeng Industry (Laos) Co., Ltd. to investment (See Note 16 (i)).

In May 2006, Sila Enterprise Co., Ltd. contracted a short-term loans in favour of one of its minority shareholder. The loan amounts to Baht 2.4 million and was granted on 22 May 2006 and will due on 31 October 2007, bearing an interest rate of 0.75% per annum. As at 30 September 2007, Sila Enterprise Co., Ltd. has the interest receivable in the amount of Baht 24,490 and all the interest will be paid on the principal repayment date.

vi) Advance from related party

	Consolidated		Company	
	30 September 2007 Baht	31 December 2006 Baht	30 September 2007 Baht	31 December 2006 Baht
<u>PNA (Puthep) Pty Limited of Australia</u>				
Beginning balance of the period/year	224,000	2,951,967	-	-
Advance increase (decrease) during the period/year	86,469,930	(2,727,967)	-	-
Ending Balance of the period/year	86,693,930	224,000	-	-

vii) Short-term loans from related parties

	Consolidated		Company	
	30 September 2007 Baht	31 December 2006 Baht	30 September 2007 Baht	31 December 2006 Baht
<u>South East Asia Metals Co., Ltd.</u>				
Beginning balance of the period/year	-	-	50,000,000	180,000,000
Loans increase (decrease) during the period/year	-	-	30,000,000	(130,000,000)
Ending balance of the period/year	-	-	80,000,000	50,000,000
Accrued interest expenses	-	-	31,233	167,808

Padaeng Industry Public Company Limited

Unaudited condensed notes to the interim consolidated and company financial statements

for the interim period ended 30 September 2007

17. Risk management policy for assets and liabilities in foreign currencies

17.1 Significant assets and liabilities in foreign currencies

As at 30 September 2007:

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	6,107	208,489	6,107	208,489
Accounts receivables	15	2,359,620	80,561,660	2,359,620	80,561,660
Unrealized forward exchange contract payables	30-90	4,517,427	154,713,998	4,517,427	154,713,998
Unrealized forward exchange contract receivables	30-120	6,869,159	235,277,955	6,869,159	235,277,955
Accounts payables	30-60	6,281,988	216,006,780	6,281,988	216,006,780
Realized forward exchange contract payable for zinc metal price	30	1,340,213	55,511,602	1,340,213	55,511,602
Realized forward exchange contract receivable for zinc metal price	30	1,340,213	45,903,116	1,340,213	45,903,116
	Term of receipt (days)	Amount		Amount	
		EUR	Baht	EUR	Baht
Forward contract receivable (Buy)	30	35,000	1,701,805	35,000	1,701,805
	Term of payment (days)	Amount		Amount	
		AUD	Baht	AUD	Baht
Accounts payable	30	1,487	45,279	1,487	45,279
	Term of payment (days)	Amount		Amount	
		EUR	Baht	EUR	Baht
Accounts payable	30	17,882	873,161	17,882	873,161

As at 31 December 2006:

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	6,006	215,946	6,006	215,946
Accounts receivables	7-20	5,508,879	198,074,508	5,508,879	198,074,508
Deposit (with LME brokers)	-	16,454,350	591,772,404	16,454,350	591,772,404
Unrealized forward exchange contract payables	3-60	28,421,745	1,024,747,904	28,421,745	1,024,747,904
Unrealized forward exchange contract receivables	3-350	17,972,640	647,994,929	17,972,640	647,994,929
Trust Receipts	5-66	25,383,301	919,657,318	25,383,301	919,657,318
Accounts payables	30-60	9,388,653	340,158,402	9,388,653	340,158,402
Realized forward exchange contract payables for zinc metal price	30	2,629,375	108,637,710	2,629,375	108,637,710
Realized forward exchange contract receivables for zinc metal price	30	2,629,375	93,721,204	2,629,375	93,721,204

17. Risk management policy for assets and liabilities in foreign currencies (Cont'd)

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

	Term of receipt (days)	Consolidated		Company	
		Amount		Amount	
		EUR	Baht	EUR	Baht
Forward contract receivables (Buy)	30	30,166	1,436,223	30,166	1,436,223

	Term of Payment (days)	Amount		Amount	
		AUD		Baht	
		AUD	Baht	AUD	Baht
Accounts payable	30	14,330	412,739	14,330	412,739

Foreign currency amounts are translated by using the reference rate quoted by the Bank of Thailand as at 30 September 2007 and 31 December 2006, respectively.

17.2 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 some transactional hedging operations with respect of certain specific customer contracts with committed future deliveries at a fixed priced. At the end of the period, a balance of 150 metric tons purchased on the London Metals Exchange at the average price of Baht 119,931 per metric ton is still outstanding. As at 30 September 2007, the change in fair value of these hedge contracts amounts to Baht 2.27 million unfavorable and is balanced by committed and priced future physical deliveries to customers.

Also for its cash flow hedges, 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 our exposure to fluctuations in metals prices from our own mining production, on treatment charges received and our 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 recognized in the financial statements until the underlying cash flows are realized. 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.

Through January 2006, a total of 49,950 metric tons of metal forward sales and associated forward foreign exchange in US dollars have been entered into. An amount of 30,000 metric tons related to cash flows had been realized in 2006 at an average price of Baht 58,511 per metric ton and 19,950 metric tons relate to cash flows to be realized in 2007 at an average price of Baht 68,673 per metric ton.

As at 30 September 2007, a balance of 2,475 metric tons of unsettled metal forward sales and associated forward foreign exchange in US dollars remained at a contractual average price of Baht 67,373 per metric ton which will be settled through purchases from the London Metals Exchange through the rest of the current year. The total contract value of these unsettled metal forward contracts at 30 September 2007 is Baht 166.75 million.

Also at 30 September 2007, 2,475 metric tons of unpriced metal forwards purchases remained at a closing average price of Baht 104,692 per metric ton. The value of these unpriced forward contracts at period end are estimated at Baht 259.11 million. As at the end of the period, the change in fair value of these unrealised forward (purchase and sales) contracts is Baht 121.69 million unfavorable.

17. Risk management policy for assets and liabilities in foreign currencies (Cont'd)

17.2 Risk Management and hedging instruments (Cont'd)

These fair values reflect the marked to market values of the contracts at the prevailing year end rates. The marked to market values are determined on a comparison of the contract rate to the prevailing end of period market rate (spot-to-spot or forward-to-forward depending on the type of contract).

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

17.3 Fair values

The carrying amounts at the balance sheet date of cash and cash equivalents, trade accounts receivables, short-term loans and advances 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 related parties, accrued interest expenses, accrued electricity expenses, royalty payable, other current liabilities and provision for restoration expenses approximate their fair values.

17.4 Credit risk

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

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

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

17.5 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.

Management believes that these risks are acceptable. In 2003, the Company obtained financing facilities in the amount of Baht 800 million at a fixed rate of interest for a period of 3 years. As of 30 September 2007, the Company has no outstanding balance left as all principals have already been repaid in June 2007 (see Note 5).

17.6 Mining licenses risk

See Note 2 for discussion related to the renewal of mining licenses.

17.7 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 3 (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 capitalized 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 be lower both uncertainty and risk level related to the recoverability of these costs.

18. Events after balance sheet date

On 9 October 2007, the use of Area 1A watershed has been approved by the Cabinet. The final application file is now being reviewed by the Department of Primary Industry and Mining (DPIM) before approval by the Mineral Act Committee.

In October 2007, Padaeng Industry Plc. subscribed to 20,125,000 shares of Baht 10 par in Maesod Clean Energy Co.,Ltd. The Company had paid up Baht 100,624,800 (see Note 16(i)).

Sila Enterprise Co., Ltd., a 55% subsidiary of the Company, stopped its commercial activities on 18 October 2007. The subsidiary's management will begin the process to obtain shareholders approval to liquidate the subsidiary.

19. Reclassification

Certain items in the balance sheet as at 31 December 2006 and statements of income for the period ended 30 September 2006 have been reclassified for comparative purpose to coincide with balance sheet as at 30 September 2007 and statements of income for the period then ended.