

**PADAENG INDUSTRY PUBLIC COMPANY LIMITED**

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

**31 MARCH 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 31 March 2007 and the related consolidated and company statements of income, changes in shareholders' equity and cash flows for the three-month period ended 31 March 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.



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

Bangkok  
8 May 2007

**Padaeng Industry Public Company Limited**  
**Balance Sheets**  
**As at 31 March 2007 and 31 December 2006**

	Notes	Consolidated		Company	
		(Unaudited) 31 March 2007 Baht	(Audited) 31 December 2006 Baht	(Unaudited) 31 March 2007 Baht	(Audited) 31 December 2006 Baht
<b>Assets</b>					
<u>Current assets</u>					
Cash and cash equivalents		1,497,667,492	754,250,926	1,274,917,867	590,160,663
Deposits (with LME brokers)		22,582,447	591,772,404	22,582,447	591,772,404
Trade accounts receivables-net					
- other parties		370,268,915	604,559,281	364,160,145	596,883,258
- related parties	15 (iv)	33,428,215	29,635,296	34,772,967	32,130,690
Short-term loans and advances to related parties-net	15 (v)	2,449,000	2,449,000	2,767,019	2,379,748
Inventories-net		3,034,342,060	3,225,595,978	3,036,278,658	3,225,595,978
Value Added Tax receivables		27,667,648	74,697,849	27,518,534	74,625,615
Other current assets		35,422,067	27,310,118	34,830,064	26,934,042
<b>Total current assets</b>		<b>5,023,827,844</b>	<b>5,310,270,852</b>	<b>4,797,827,701</b>	<b>5,140,482,398</b>
<u>Non-current assets</u>					
Investments in related parties-net	15 (i)	16,335,419	17,157,754	253,535,797	248,100,772
Property, plant and equipment-net	13	2,062,549,472	2,095,342,498	2,065,061,886	2,098,510,769
Exploration and acquisition costs	3	320,001,298	312,000,629	109,031,597	104,998,853
Other non-current assets		3,932,538	6,057,527	3,854,038	6,002,527
<b>Total non-current assets</b>		<b>2,402,818,727</b>	<b>2,430,558,408</b>	<b>2,431,483,318</b>	<b>2,457,612,921</b>
<b>Total assets</b>		<b>7,426,646,571</b>	<b>7,740,829,260</b>	<b>7,229,311,019</b>	<b>7,598,095,319</b>

Director.....

Director.....

**Padaeng Industry Public Company Limited**  
**Balance Sheets**  
**As at 31 March 2007 and 31 December 2006**

	Notes	Consolidated		Company	
		(Unaudited) 31 March 2007 Baht	(Audited) 31 December 2006 Baht	(Unaudited) 31 March 2007 Baht	(Audited) 31 December 2006 Baht
<b>Liabilities and shareholders' equity</b>					
<u>Current liabilities</u>					
Loans from financial institutions	4	888,668,104	1,163,921,339	888,668,104	1,163,921,339
Trade accounts payables					
- other parties		569,752,791	432,259,820	568,639,436	431,457,345
- related parties	15 (iv)	54,241,475	11,432,928	54,372,587	11,589,374
Current portion of long-term loans	5	40,000,000	80,000,000	40,000,000	80,000,000
Current portion of hire purchase payables		1,148,340	1,919,873	1,148,340	1,919,873
Advance from related parties	15 (vi)	4,624,000	224,000	-	-
Short-term loans from related parties	15 (vii)	-	-	-	50,000,000
Accrued interest expenses					
- other parties		1,757,489	4,582,679	1,757,489	4,582,679
- related parties	15 (vii)	-	-	-	167,808
Accrued electricity expenses		64,993,466	182,156,037	64,993,466	182,156,037
Royalty payable		103,372,132	293,435,347	103,372,132	293,435,347
Other current liabilities		269,133,357	448,192,811	260,316,924	439,232,312
<b>Total current liabilities</b>		<b>1,997,691,154</b>	<b>2,618,124,834</b>	<b>1,983,268,478</b>	<b>2,658,462,114</b>
<u>Non-current liabilities</u>					
Provisions for restoration expenses	6	4,104,647	10,948,433	4,104,647	10,948,433
Provision for employee termination/retirement benefits	7	78,784,854	76,029,550	77,829,550	76,029,550
Others non-current liabilities		11,445,799	14,705,731	11,445,799	14,705,731
<b>Total non-current liabilities</b>		<b>94,335,300</b>	<b>101,683,714</b>	<b>93,379,996</b>	<b>101,683,714</b>
<b>Total liabilities</b>		<b>2,092,026,454</b>	<b>2,719,808,548</b>	<b>2,076,648,474</b>	<b>2,760,145,828</b>
<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		2,299,468,913	1,985,686,934	2,164,787,306	1,850,074,252
<b>Total Company shareholders' equity</b>		<b>5,287,344,152</b>	<b>4,973,562,173</b>	<b>5,152,662,545</b>	<b>4,837,949,491</b>
Minority interests		47,275,965	47,458,539	-	-
<b>Total shareholders' equity</b>		<b>5,334,620,117</b>	<b>5,021,020,712</b>	<b>5,152,662,545</b>	<b>4,837,949,491</b>
<b>Total liabilities and shareholders' equity</b>		<b>7,426,646,571</b>	<b>7,740,829,260</b>	<b>7,229,311,019</b>	<b>7,598,095,319</b>

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

**Padaeng Industry Public Company Limited**  
**Statements of income (Unaudited)**  
**For the three-month periods ended 31 March 2007 and 2006**

	Notes	Consolidated		Company	
		31 March 2007 Baht	31 March 2006 Baht	31 March 2007 Baht	Restated 31 March 2006 Baht
Revenues from sales and services		3,423,896,000	2,132,679,519	3,419,818,287	2,128,964,437
Cost of sales and services		(2,883,112,299)	(1,494,891,348)	(2,880,599,884)	(1,493,115,841)
<b>Gross profit</b>		540,783,701	637,788,171	539,218,403	635,848,596
Selling and administrative expenses		(162,958,471)	(122,622,629)	(160,106,457)	(120,541,249)
Royalty expenses		(94,589,254)	(73,061,959)	(94,589,254)	(73,061,959)
<b>Profit from sales and services</b>		283,235,976	442,103,583	284,522,692	442,245,388
Other revenues		2,764,080	3,455,542	2,703,030	3,295,330
Gain on exchange rate		33,048,212	22,145,859	33,244,624	22,220,754
(Allowance) for slow-moving and obsolete stocks - reversal		438,769	(8,381,892)	438,769	(8,381,892)
Directors' remuneration		(4,497,000)	(270,000)	(4,497,000)	(270,000)
Other expenses		(35,297)	(27,685)	(35,297)	(27,685)
<b>Profit from operations</b>		314,954,740	459,025,407	316,376,818	459,081,895
Share of loss of investment in jointly controlled entity on equity method		(822,335)	-	-	-
<b>Profit before finance costs and corporate income tax</b>		314,132,405	459,025,407	316,376,818	459,081,895
Finance costs-net	10	129,170	(2,834,493)	(1,663,764)	(3,318,663)
<b>Profit before corporate income tax</b>		314,261,575	456,190,914	314,713,054	455,763,232
Corporate income tax		(662,170)	(218,056)	-	-
<b>Profit before allocation to minorities</b>		313,599,405	455,972,858	314,713,054	455,763,232
Profit (loss) attributable to minorities		182,574	(186,210)	-	-
<b>Net profit for the period</b>		313,781,979	455,786,648	314,713,054	455,763,232
<b>Earnings per share</b>					
Net profit for the period	11	1.39	2.02	1.39	2.02

The notes to the consolidated and company financial statements on pages 9 to 21 are 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 2007 and 2006**

	<b>Consolidated</b>					
	<b>Issued and paid up share capital Baht</b>	<b>Premium on share capital Baht</b>	<b>Retained earnings</b>		<b>Minority interest Baht</b>	<b>Total Baht</b>
			<b>Appropriated legal reserve Baht</b>	<b>Unappropriated Baht</b>		
<b>Beginning balance as at 1 January 2007</b>	2,260,000,000	602,413,600	125,461,639	1,985,686,934	47,458,539	5,021,020,712
Net profit	-	-	-	313,781,979	(182,574)	313,599,405
<b>Ending balance as at 31 March 2007</b>	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>125,461,639</u>	<u>2,299,468,913</u>	<u>47,275,965</u>	<u>5,334,620,117</u>

	<b>Consolidated</b>					
	<b>Issued and paid up share capital Baht</b>	<b>Premium on share capital Baht</b>	<b>Retained earnings</b>		<b>Minority interest Baht</b>	<b>Total Baht</b>
			<b>Appropriated legal reserve Baht</b>	<b>Unappropriated Baht</b>		
<b>Beginning balance as at 1 January 2006</b>	2,260,000,000	602,413,600	37,486,820	569,685,839	47,088,982	3,516,675,241
Net profit	-	-	-	455,786,648	186,210	455,972,858
<b>Ending balance as at 31 March 2006</b>	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>37,486,820</u>	<u>1,025,472,487</u>	<u>47,275,192</u>	<u>3,972,648,099</u>

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**Padaeng Industry Public Company Limited**  
**Statements of changes in shareholders' equity (Unaudited)**  
**For the three-month periods ended 31 March 2007 and 2006**

	Note	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		
<b>Beginning balance as at 1 January 2007</b>		2,260,000,000	602,413,600	125,461,639	1,978,481,286	-	4,966,356,525
Restrospective adjustments	1.1	-	-	-	(128,407,034)	-	(128,407,034)
<b>Beginning balance after restatement</b>		2,260,000,000	602,413,600	125,461,639	1,850,074,252	-	4,837,949,491
Net profit		-	-	-	314,713,054	-	314,713,054
<b>Ending balance as at 31 March 2007</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>125,461,639</u>	<u>2,164,787,306</u>	-	<u>5,152,662,545</u>

	Note	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		
<b>Beginning balance as at 1 January 2006 (Restated)</b>		2,260,000,000	602,413,600	37,486,820	568,308,920	-	3,468,209,340
Restrospective adjustments	1.1	-	-	-	(128,407,034)	-	(128,407,034)
<b>Beginning balance after restatement</b>		2,260,000,000	602,413,600	37,486,820	439,901,886	-	3,339,802,306
Net profit after restatement		-	-	-	455,763,232	-	455,763,232
<b>Ending balance as at 31 March 2006 (Restated)</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>37,486,820</u>	<u>895,665,118</u>	-	<u>3,795,565,538</u>

The notes to the consolidated and company financial statements on pages 9 to 21 are 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 2007 and 2006**

	Notes	Consolidated		Company	
		31 March 2007 Baht	31 March 2006 Baht	31 March 2007 Baht	Restated 31 March 2006 Baht
<b>Cash flows from operating activities</b>					
Net profit		313,781,979	455,786,648	314,713,054	455,763,232
<u>Items to reconcile net income to net cash:</u>					
Share of loss from jointly controlled entity		822,335	-	-	-
Allowance for doubtful debts - trade accounts receivables (reversal)					
- other parties		330	(30,181)	-	-
Allowance for slow-moving and obsolete stocks (reversal)		(438,769)	8,381,892	(438,769)	8,381,892
Allowance for advances to suppliers and unrecoverable interest		648,574	648,574	648,574	648,574
Provision for employee termination/retirement benefits		2,755,304	1,800,000	1,800,000	1,800,000
Provision for annual leave		150,000	150,000	150,000	150,000
Amortization of deferred gain on hire purchases		(382,780)	(382,780)	(382,780)	(382,780)
Depreciation expenses	13	85,350,470	82,560,650	85,264,327	82,498,339
Gain on disposal of property, plant and equipment		(187,849)	(815,302)	(187,849)	(655,087)
Impairment expenses (reversal)	13	(408)	(3,550)	(408)	(3,550)
Property, plant and equipment written-off		-	17,360	-	17,360
Other assets written-down	3	3,000,000	1,500,000	3,000,000	1,500,000
Other assets amortization expenses		3,021,638	3,225,471	3,021,638	3,225,471
Provision for restoration expenses (use of)	6	(6,843,786)	(6,365,745)	(6,843,786)	(5,044,146)
Unrealized loss (gain) on foreign currency exchange		(852,523)	3,181,593	(852,523)	3,181,593
Minority interest in net profit of subsidiaries		(182,574)	186,210	-	-
<b>Cash flows from operations before changes in operating assets and liabilities</b>		<b>400,641,941</b>	<b>549,840,840</b>	<b>399,891,478</b>	<b>551,080,898</b>
<u>Operating assets (increase) decrease</u>					
Trade accounts receivables					
- other parties		234,141,151	(119,094,567)	232,574,228	(118,329,916)
- related parties		(3,792,919)	26,906,462	(2,642,277)	27,498,395
Short-term loans to related parties		-	-	(387,271)	-
Inventories		191,692,687	223,391,748	189,756,089	223,391,748
Value Added Tax receivables		47,030,201	37,044,229	47,107,081	34,110,878
Other current assets		(8,760,523)	(40,643,255)	(8,544,596)	(40,610,244)
Other non-current assets		2,124,989	-	2,148,489	-
<u>Operating liabilities increase (decrease)</u>					
Trade accounts payables					
- other parties		140,963,441	(44,875,800)	140,652,560	(45,436,320)
- related parties		42,808,547	8,122,128	42,783,213	8,111,683
Accrued interest expenses					
- other parties		(2,825,190)	155,405	(2,825,190)	155,405
- related parties	15 (vii)	-	-	(167,808)	(166,438)
Advances from related parties	15 (vi)	4,400,000	(2,727,967)	-	-
Accrued electricity expenses		(117,162,571)	(22,785,215)	(117,162,571)	(22,785,215)
Royalty payable		(190,063,215)	(96,476,845)	(190,063,215)	(96,476,845)
Other current liabilities		(178,430,923)	12,023,331	(178,286,856)	11,939,235
Other non-current liabilities		(3,259,932)	(19,445)	(3,259,932)	(19,445)
<b>Net cash provided by operating activities</b>		<b>559,507,684</b>	<b>530,861,049</b>	<b>551,573,422</b>	<b>532,463,819</b>

The notes to the consolidated and company financial statements on pages 9 to 21 are 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 2007 and 2006**

	Notes	Consolidated		Company	
		31 March 2007 Baht	31 March 2006 Baht	31 March 2007 Baht	Restated 31 March 2006 Baht
<b><u>Cash flows from investing activities</u></b>					
Cash invested in subsidiaries		-	-	(5,435,025)	(1,959,460)
Cash paid for purchase of property, plant and equipment	13	(52,557,037)	(80,919,764)	(51,815,037)	(80,915,774)
Cash received from sales of property, plant and equipment		187,850	1,806,918	187,850	1,645,703
Cash paid for exploration and acquisition costs	3	(14,022,307)	(10,363,031)	(10,054,382)	(10,363,031)
<b>Net cash used in investing activities</b>		<b>(66,391,494)</b>	<b>(89,475,877)</b>	<b>(67,116,594)</b>	<b>(91,592,562)</b>
<b><u>Cash flows from financing activities</u></b>					
Deposit (with LME brokers)		566,786,106	22,601,753	566,786,106	22,601,753
Increase (decrease) in loans from financial institution		(275,670,327)	128,198,670	(275,670,327)	128,198,670
(Decrease) in short-term loans from related parties	15 (vii)	-	-	(50,000,000)	(180,000,000)
Dividends payment		(41,272)	(3,228,588)	(41,272)	(3,228,588)
Payment on long-term borrowings	5	(40,000,000)	(40,000,000)	(40,000,000)	(40,000,000)
Accounts payable hire purchase payment		(771,533)	(490,500)	(771,533)	(490,500)
<b>Net cash (used in) from financing activities</b>		<b>250,302,974</b>	<b>107,081,335</b>	<b>200,302,974</b>	<b>(72,918,665)</b>
Effects from changes in exchange rate for cash and cash equivalents		(2,598)	60,676	(2,598)	60,676
<b>Net increase in cash and cash equivalents</b>		<b>743,416,566</b>	<b>548,527,183</b>	<b>684,757,204</b>	<b>368,013,268</b>
Cash and cash equivalents at beginning of the period		754,250,926	600,395,622	590,160,663	568,843,310
<b>Cash and cash equivalents at end of the period</b>		<b>1,497,667,492</b>	<b>1,148,922,805</b>	<b>1,274,917,867</b>	<b>936,856,578</b>
<b>Supplementary information for statements of cash flows</b>					
<b>Cash paid during the period:</b>					
Interest paid		15,715,369	7,418,703	15,895,164	7,585,142
Tax paid		315,272	58,999	24,433	47,621

The notes to the consolidated and company financial statements on pages 9 to 21 are integral part of these interim 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 8 May 2007.

### **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 on the statement of income for the three months period ended 31 March 2006 in the company financial statements are as shown below;

	<b>31 March 2006 three months Baht</b>
(Decrease) in investment in subsidiaries and jointly controlled entity	(130,137,280)
(Decrease) in beginning retained earnings	(131,333,207)
Increase in net profit for the period	1,195,927
Increase in basic earnings per share	0.01

**2. Approval of mining licenses**

The Company is in the process of completing the procedures needed to apply for the renewal of its principle mining lease that will expire in October 2007. The Mine Application files have been submitted and are presently being reviewed by the appropriate government departments. While the Company is confident that the Mining Lease will be renewed on time, the process of obtaining the license is lengthy and complex and may result in the risk that the licenses will not be approved as of their expiration date in October 2007. As at 31 March 2007, an Environmental Impact Assessment (EIA) report has already been amended and approved by the Expert Committee of the Office of Natural Resources and Environmental Policy and Planning (ONEP) and is now being finalized for further review by the authorities prior to proceeding with the next step of the renewal procedure.

It should be noted that the Company has continued to receive approval from the relevant departments for several exploration licenses that were pending since last year and has resumed its normal exploration program. The Company has confirmed sufficient raw materials including imported concentrates and silicates will be in place to ensure continued operation of its smelter facilities beyond October 2007.

**3. Exploration and acquisition costs**

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>
<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	14,022,307	30,940,249	10,054,382	30,027,678
Expenditure written-down during the period/year	(3,000,000)	(12,706,159)	(3,000,000)	(12,706,159)
Ending balance for the period/year (Note 3 (i))	<u>246,480,381</u>	<u>235,458,074</u>	<u>52,497,190</u>	<u>45,442,808</u>
<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	(21,666,684)	(20,000,016)	(21,666,684)	(20,000,016)
Ending balance for the period/year	38,333,316	39,999,984	38,333,316	39,999,984
Special prospect license fee	16,986,510	16,986,510	-	-
Land use compensation	7,600,282	8,026,339	7,600,282	8,026,339
Other capitalized expenditure	10,600,809	11,529,722	10,600,809	11,529,722
Ending balance for the period/year	<u>73,520,917</u>	<u>76,542,555</u>	<u>56,534,407</u>	<u>59,556,045</u>
Total	<u>320,001,298</u>	<u>312,000,629</u>	<u>109,031,597</u>	<u>104,998,853</u>

**i) Exploration costs**

Exploration costs are mainly related to those incurred by the Company and Puthep Co., Ltd., its subsidiary. 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. PNA must spend a further USD 1 million to attain approximately a further 15% interest in Puthep Co., Ltd.

**3. Exploration and acquisition costs (Cont'd)**

**i) Exploration costs (Cont'd)**

The capitalized exploration costs incurred by Puthep Co., Ltd. amount to Baht 209 million. On 1 November 2006, the land access permits for completion 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.

**4. Loans from financial institutions**

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>
Trust Receipts	888,668,104	1,163,921,339	888,668,104	1,163,921,339

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 are in the range of 5.15% - 5.75% (2006: 5.75% - 5.85%).

**5. Long-term loans**

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>
Due within one year	40,000,000	80,000,000	40,000,000	80,000,000
More than one year	-	-	-	-
<b>Total</b>	<b>40,000,000</b>	<b>80,000,000</b>	<b>40,000,000</b>	<b>80,000,000</b>

The movements in the borrowings can be analyzed as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>31 March 2007 Baht</b>	<b>31 March 2006 Baht</b>	<b>31 March 2007 Baht</b>	<b>31 March 2006 Baht</b>
Opening amount	80,000,000	547,500,000	80,000,000	547,500,000
Repayment of loans	(40,000,000)	(40,000,000)	(40,000,000)	(40,000,000)
<b>Closing amount</b>	<b>40,000,000</b>	<b>507,500,000</b>	<b>40,000,000</b>	<b>507,500,000</b>

As at 31 March 2007, the Company has a unsecured long-term loan agreement with a local bank. This facility has been contracted at a market rate of interest which is 3%. The loan is repayable within 1 year.

**6. Provisions for restoration expenses**

	<b>Consolidated</b>		<b>Company</b>	
	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>
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	3,694,296	18,661,522	3,694,296	18,661,522
Amounts utilised	(10,538,082)	(34,395,024)	(10,538,082)	(32,886,701)
<b>Balance at the end of the period/year</b>	<b>4,104,647</b>	<b>10,948,433</b>	<b>4,104,647</b>	<b>10,948,433</b>

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.

**Padaeng Industry Public Company Limited**  
**Unaudited condensed notes to the interim consolidated and company financial statements**  
**for the interim period ended 31 March 2007**

**7. Provision for employee termination/retirement benefits**

	<b>Consolidated</b>		<b>Company</b>	
	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>
Balance at the beginning of the period/year	76,029,550	60,804,526	76,029,550	60,804,526
Current period provision	2,755,304	8,318,232	1,800,000	8,318,232
Provision used	-	(5,842,400)	-	(5,842,400)
Actuarial loss recognised in equity	-	12,749,192	-	12,749,192
Balance at the end of the period/year	<u>78,784,854</u>	<u>76,029,550</u>	<u>77,829,550</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**

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

As at 31 March 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**

	<b>Consolidated</b>		<b>Company</b>	
	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>
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. Finance costs-net**

Finance costs relate to the following:

	<b>Consolidated</b>		<b>Company</b>	
	<b>31 March 2007 Baht</b>	<b>31 March 2006 Baht</b>	<b>31 March 2007 Baht</b>	<b>31 March 2006 Baht</b>
Interest income	13,019,350	6,166,399	11,238,402	5,682,229
Interest expense	(12,890,180)	(9,000,892)	(12,902,166)	(9,000,892)
Total finance costs-net	<u>129,170</u>	<u>(2,834,493)</u>	<u>(1,663,764)</u>	<u>(3,318,663)</u>

**11. 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.

**12. Bank guarantees**

As at 31 March 2007, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 740.74 million (31 December 2006: Baht 1,031.25 million).

**13. Capital expenditures and commitments**

**Movement of property, plant and equipment**

<b>For the three-month period ended 31 March 2007</b>	<b>Consolidated Baht</b>	<b>Company Baht</b>
Opening net book amount	2,095,342,498	2,098,510,769
Acquisition of assets and capital in progress	52,557,037	51,815,037
Sale of assets	(1)	(1)
Reversal of provision for asset impairment	408	408
Depreciation	(85,350,470)	(85,264,327)
Closing net book amount	<u>2,062,549,472</u>	<u>2,065,061,886</u>

**Commitments**

As at 31 March 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:

	<b>Consolidated</b>		<b>Company</b>	
	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>
Not later than 1 year	69,810,084	28,288,706	69,810,084	28,288,706
Later than 1 year	-	-	-	-
Total	<u>69,810,084</u>	<u>28,288,706</u>	<u>69,810,084</u>	<u>28,288,706</u>

As at 31 March 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:

	<b>Consolidated</b>		<b>Company</b>	
	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>
Not later than 1 year	3,855,552,672	1,899,886,103	3,855,552,672	1,899,886,103
Later than 1 year	-	-	-	-
Total	<u>3,855,552,672</u>	<u>1,899,886,103</u>	<u>3,855,552,672</u>	<u>1,899,886,103</u>

**14. 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.

**Padaeng Industry Public Company Limited**  
**Unaudited condensed notes to the interim consolidated and company financial statements**  
**for the interim period ended 31 March 2007**

**15. Related party transactions**

The Company's major shareholder is Umicore in Belgium which owns approximately 46.90% of the Company's outstanding shares. The remaining shares are widely held.

**i) Investments in related parties - net**

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

	<b>Consolidated</b>				<b>Company</b>			
	<b>31 March 2007</b>				<b>31 March 2007</b>			
	<b>Equity</b>	<b>Paid up</b>	<b>%</b>	<b>Cost</b>	<b>Equity</b>	<b>Paid up</b>	<b>%</b>	<b>Cost</b>
	<b>capital</b>	<b>ownership</b>			<b>capital</b>	<b>ownership</b>		
	<b>Baht</b>	<b>Baht</b>	<b>investment</b>	<b>Baht</b>	<b>Baht</b>	<b>investment</b>	<b>Baht</b>	<b>Baht</b>
<b>Subsidiaries and jointly controlled</b>								
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.	-	14,259,833	100	14,259,833	-	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.	16,335,419	50,000,000	35	17,500,000	17,157,754	50,000,000	35	17,500,000
<b>Total</b>	<b>16,335,419</b>			<b>262,460,605</b>	<b>17,157,754</b>			<b>257,025,580</b>
<b>Less : Diminution</b>								
Padaeng Industry (Laos) Co., Ltd.	-			(8,824,808)	-			(8,824,808)
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)
<b>Investments in related companies - net</b>	<b>16,335,419</b>			<b>253,535,797</b>	<b>17,157,754</b>			<b>248,100,772</b>

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

**15. Related parties 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 Petrogreen 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.

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 (see Note 15 (i)).

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 31 March 2007, the actual liquidation has not yet commenced.

**ii) Sales of goods and services**

<b>For the three-month period ended</b>	<b>Consolidated</b>		<b>Company</b>	
	<b>31 March 2007 Baht</b>	<b>31 March 2006 Baht</b>	<b>31 March 2007 Baht</b>	<b>31 March 2006 Baht</b>
Sales of goods and services:				
Sila Enterprise Co., Ltd.	-	-	1,607,383	3,005,603
Umicore	63,718,798	4,648,143	63,718,798	4,648,143
Umicore Marketing Services (Far East) Ltd.	28,364,868	-	28,364,868	-
Umicore Marketing Services (Thailand) Co., Ltd.	77,200,417	68,730,987	77,200,417	68,730,987

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



**Padaeng Industry Public Company Limited**  
**Unaudited condensed notes to the interim consolidated and company financial statements**  
**for the interim period ended 31 March 2007**

**15. Related parties transactions (Cont'd)**

**iii) Purchases of goods and services**

For the three-month period ended	Consolidated		Company	
	31 March	31 March	31 March	31 March
	2007	2006	2007	2006
	Baht	Baht	Baht	Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	486,352	413,816
Padaeng Industry (Laos) Co., Ltd.	-	-	11,436,046	-
Umicore Marketing Services (Thailand) Co., Ltd.	13,963,867	10,583,686	13,963,867	10,583,686
Umicore Australia Litmitted	14,327,336	12,696,891	14,327,336	12,696,891

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

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

	Consolidated		Company	
	31 March	31 December	31 March	31 December
	2007	2006	2007	2006
	Baht	Baht	Baht	Baht
Receivables from related parties:				
Sila Enterprise Co., Ltd.	-	-	1,344,752	2,495,394
Umicore	22,450,373	-	22,450,373	-
Umicore Malaysia Sdn Bhd Co., Ltd.	2,586,554	13,507,406	2,586,554	13,507,406
Umicore Marketing Services (Far East) Ltd.	-	3,472,611	-	3,472,611
Umicore Marketing Services (Thailand) Co.,Ltd.	8,391,288	12,655,279	8,391,288	12,655,279
<b>Total</b>	<b>33,428,215</b>	<b>29,635,296</b>	<b>34,772,967</b>	<b>32,130,690</b>
Payables to related parties:				
Padaeng Properties Co., Ltd.	-	-	131,112	156,446
Umicore	52,896,150	-	52,896,150	-
Umicore Australia Limited	-	5,543,615	-	5,543,615
Umicore Marketing Services (Far East) Ltd.	19,784	-	19,784	-
Umicore Marketing Services (Thailand) Co., Ltd.	1,325,541	5,889,313	1,325,541	5,889,313
<b>Total</b>	<b>54,241,475</b>	<b>11,432,928</b>	<b>54,372,587</b>	<b>11,589,374</b>

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

	Consolidated		Company	
	31 March	31 December	31 March	31 December
	2007	2006	2007	2006
	Baht	Baht	Baht	Baht
Padaeng Industry (Laos) Co., Ltd.	-	-	12,230,885	11,849,975
Puthep Co., Ltd.	-	-	1,650,063	1,650,063
Padaeng International Mining Co., Ltd.	-	-	322,965	316,604
Minority Shareholder of Sila Enterprise Co., Ltd.	2,449,000	2,449,000	-	-
	2,449,000	2,449,000	14,203,913	13,816,642
<u>Less: Allowance for doubtful accounts</u>	<u>-</u>	<u>-</u>	<u>(11,436,894)</u>	<u>(11,436,894)</u>
<b>Short-term loans and advances to related parties - net</b>	<b>2,449,000</b>	<b>2,449,000</b>	<b>2,767,019</b>	<b>2,379,748</b>

**15. Related parties transactions (Cont'd)**

**v) Short-term loans and advances to related parties - net (Cont'd)**

The outstanding balance from Padaeng Industry (Laos) Co., Ltd. totalling Baht 12.2 million mainly comprises a Baht 7.2 million loan which bears interest at a rate of MLR plus 5%. The balance remaining of Baht 5 million comprises advances and accrued interests. Since September 2005, the Company has stopped charging interest and set a full provision against the loans and advances as at 30 September 2005.

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 30 September 2007, bearing an interest rate of 0.75% per annum. As at 31 March 2007, Sila Enterprise Co., Ltd. has the interest receivable in the amount of Baht 15,306 and all the interest will be paid on the principle repayment date.

**vi) Advance from related parties**

	<b>Consolidated</b>		<b>Company</b>	
	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>	<b>31 March 2007 Baht</b>	<b>31 December 2006 Baht</b>
<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	4,400,000	(2,727,967)	-	-
Ending balance of the period/year	<u>4,624,000</u>	<u>224,000</u>	<u>-</u>	<u>-</u>

**vii) Loans from related parties**

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

**16. Risk management policy for assets and liabilities**

**16.1 Significant assets and liabilities in foreign currencies**

**As at 31 March 2007:**

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	6,006	209,585	6,006	209,585
Accounts receivables	20-30	1,265,979	44,178,236	1,265,979	44,178,236
Deposits (with LME brokers)		645,831	22,582,447	645,831	22,582,447
Unrealized forward exchange contract payables	5-45	4,526,350	158,502,467	4,526,350	158,502,467
Unrealized forward exchange contract receivables	5-275	7,644,746	267,628,203	7,644,746	267,628,203
Trust Receipts	91	5,266,312	185,033,980	5,266,312	185,033,980
Accounts payables	30-60	13,999,054	491,862,369	13,999,054	491,862,369
Realized forward exchange contract payables for zinc metal price	30	2,864,250	118,193,276	2,864,250	118,193,276
Realized forward exchange contract receivables for zinc metal price	30	2,864,250	100,464,948	2,864,250	100,464,948
	Term of payment (days)	Amount		Amount	
		EUR	Baht	EUR	Baht
Forward contract receivables (Buy)	15	21,464	1,004,173	21,464	1,004,173
Accounts payables	30	14,008	657,706	14,008	657,706
	Term of payment (days)	Amount		Amount	
		AUD	Baht	AUD	Baht
Accounts payables	30	32,508	926,289	32,508	926,289
	Term of payment (days)	Amount		Amount	
		GBP	Baht	GBP	Baht
Accounts payables	30	1,073	74,110	1,073	74,110

**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
Deposits (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

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

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

As at 31 December 2006: (Cont'd)

	Term of payment (days)	Consolidated Amount		Company 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
Accounts payables	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 31 March 2007 and 31 December 2006, respectively.

**16.2 Risk management and hedging instruments**

The majority of the Company's price quotations of zinc related transactions are based in 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.

As at the beginning of the year, the Company has entered into hedge contracts with respect to certain specific customer contracts for 1,400 metric tons of committed future deliveries at the average of Baht 115,573 per metric ton. At the end of the period, a balance of 1,350 metric tons purchased on the London Metals Exchange at the average of Baht 115,298 per metric ton is still outstanding. As at 31 March 2007, the change in fair value of these hedge contracts amounts to Baht 22 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 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 31 March 2007, a balance of 12,450 metric tons of unsettled metal forward sales and associated forward foreign exchange in US dollars remained priced at a contractual average of Baht 68,284 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 31 March 2007 is Baht 850 million.

## **16. Risk management policy for assets and liabilities (Cont'd)**

### **16.2 Risk management and hedging instruments (Cont'd)**

Also at 31 March 2007, 12,450 metric tons of unpriced metal forwards purchases remained at a closing average of Baht 113,268 per metric ton. The value of these unpriced forward contracts at period end are estimated at Baht 1,410 million. As at the end of the period, the change in fair value of these unrealised forward (purchase and sales) contracts is Baht 560 million unfavorable.

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 described here above are not of a speculative nature.

### **16.3 Fair values**

The carrying amounts at the balance sheet date of cash and cash equivalents, trade accounts receivable, short-term loans and advances to related parties, Value Added Tax receivable, other receivables, other current assets, investment and certain other assets, loans from financial institutions, trade accounts payable, short-term loans from related parties, payable for land use compensation, accrued interest expenses, accrued electricity expenses, royalty payable, other current liabilities, hire purchase payable, deferred gain on hire purchase and provision for restoration expense approximate their fair values.

### **16.4 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 or 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.

### **16.5 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 31 March 2007, the Company has drawdown a total of Baht 650 million from which Baht 40 million are still not matured (see Note 5).

### **16.6 Mining licenses risk**

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

### **16.7 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 lower both uncertainty and risk level related to the recoverability of these costs.

**17. Events after balance sheet date**

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 5.2 per share totalling Baht 1,175.2 million. These interim financial statements don't reflect this dividend payment in the period ending 31 March 2007.

**18. Reclassification**

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