

**PADAENG INDUSTRY PUBLIC COMPANY LIMITED**

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

**31 MARCH 2013**

## **AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

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

I have reviewed the accompanying consolidated and company statements of financial position as at 31 March 2013, the related consolidated and company statements of comprehensive income, changes in shareholders' equity, and cash flows for the three-month period then ended, and condensed notes to interim financial information of Padaeng Industry Public Company Limited and its subsidiaries, and of Padaeng Industry Public Company Limited, respectively. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34, "Interim Financial Reporting". My responsibility is to express a conclusion on this interim financial information based on my review.

### **Scope of review**

I conducted my review in accordance with Thai Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

### **Conclusion**

Based on my review, nothing has come to my attention that causes me to believe that the interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34, "Interim Financial Reporting".

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

Bangkok  
13 May 2013

**Padaeng Industry Public Company Limited**

**Statements of Financial Position**

**As at 31 March 2013**

|  | Notes   | Consolidated                          |  | Company                               |  |
|--|---------|---------------------------------------|--|---------------------------------------|--|
|  |         | Unaudited<br>31 March<br>2013<br>Baht | Audited<br>31 December<br>2012<br>Baht<br>Restated | Unaudited<br>31 March<br>2013<br>Baht | Audited<br>31 December<br>2012<br>Baht<br>Restated |
| <b>Assets</b>  |         |                                       |  |                                       |  |
| <b>Current assets</b>                                |         |                                       |  |                                       |  |
| Cash and cash equivalents                            |         | 816,460,300                           | 1,026,571,357                                      | 673,551,032                           | 879,628,792  |
| Trade accounts receivable                            | 6       | 361,842,672                           | 285,744,367  | 361,106,568                           | 284,329,948  |
| Inventories-net                                      |         | 2,011,155,184                         | 1,985,869,985                                      | 2,011,155,184                         | 1,985,869,985                                      |
| Value added tax receivables                          |         | 143,990,690                           | 131,228,104  | 143,108,857                           | 130,345,974  |
| Other receivables-related parties - net              | 14 (iv) | -                                     | -  | 90,202                                | 384,092  |
| Income tax receivable                                |         | 45,533,996                            | 45,533,996   | 45,533,996                            | 45,533,996   |
| Other current assets                                 |         | 69,316,159                            | 28,300,381   | 67,967,209                            | 26,631,023   |
| <b>Total current assets</b>                          |         | <b>3,448,299,001</b>                  | <b>3,503,248,190</b>                               | <b>3,302,513,048</b>                  | <b>3,352,723,810</b>                               |
| <b>Non-current assets</b>                            |         |                                       |  |                                       |  |
| Advances to related parties - net                    | 14 (v)  | -                                     | -  | -                                     | -  |
| Investments in subsidiaries - net                    | 14 (i)  | -                                     | -  | 225,650,772                           | 225,650,772  |
| Investment in jointly controlled entity              | 14 (i)  | 88,361,334                            | 69,939,097   | 236,249,800                           | 236,249,800  |
| Long-term loans to a related party                   | 14 (i)  | 105,000,000                           | 105,000,000  | 105,000,000                           | 105,000,000  |
| Property, plant and equipment - net                  | 7       | 1,439,009,332                         | 1,419,162,007                                      | 1,440,647,989                         | 1,420,697,427                                      |
| Exploration and acquisition costs                    | 8       | 947,688,680                           | 949,217,141  | 28,707,854                            | 30,236,315   |
| Other non-current assets                             |         |                                       |  |                                       |  |
| - deferred environmental rehabilitation expenses-net |         | 23,076,383                            | 23,820,625   | 23,076,383                            | 23,820,625   |
| - deferred environmental risk assurance expenses-net |         | 15,492,063                            | 16,359,563   | 15,492,063                            | 16,359,563   |
| - deferred restoration expense - net                 |         | 20,362,028                            | 19,282,358   | 20,362,028                            | 19,282,358   |
| - others   |         | 9,030,920                             | 8,364,206  | 8,851,443                             | 8,113,034  |
| <b>Total non-current assets</b>                      |         | <b>2,648,020,740</b>                  | <b>2,611,144,997</b>                               | <b>2,104,038,332</b>                  | <b>2,085,409,894</b>                               |
| <b>Total assets</b>                                  |         | <b>6,096,319,741</b>                  | <b>6,114,393,187</b>                               | <b>5,406,551,380</b>                  | <b>5,438,133,704</b>                               |

Director.....

Director.....

The condensed notes to the interim financial information are an integral part of these interim financial information.

**Padaeng Industry Public Company Limited**

**Statements of Financial Position (Cont'd)**

**As at 31 March 2013**

|   | Notes     | Consolidated                          |  | Company                               |  |
|---|-----------|---------------------------------------|--|---------------------------------------|--|
|   |           | Unaudited<br>31 March<br>2013<br>Baht | Audited<br>31 December<br>2012<br>Baht<br>Restated | Unaudited<br>31 March<br>2013<br>Baht | Audited<br>31 December<br>2012<br>Baht<br>Restated |
| <b>Liabilities and shareholders' equity</b>                     |           |                                       |  |                                       |  |
| <b>Current liabilities</b>                                      |           |                                       |  |                                       |  |
| Short-term loans from financial institutions                    | 9         | 866,412,066                           | 811,988,641  | 866,412,066                           | 811,988,641  |
| Trade accounts payable  |           | 247,916,153                           | 301,380,312  | 247,239,465                           | 299,598,373  |
| Accrued electricity expenses                                    |           | 161,088,399                           | 202,261,631  | 161,088,399                           | 202,261,631  |
| Other payables to a related party                               | 14 (vi)   | -                                     | -  | 53,395                                | 482,287  |
| Income tax payable  |           | 493,198                               | 530,581  | -                                     | -  |
| Other current liabilities                                       |           | 116,136,429                           | 132,594,648  | 114,814,925                           | 132,210,762  |
| <b>Total current liabilities</b>                                |           | <b>1,392,046,245</b>                  | <b>1,448,755,813</b>                               | <b>1,389,608,250</b>                  | <b>1,446,541,694</b>                               |
| <b>Non-current liabilities</b>                                  |           |                                       |  |                                       |  |
| Long-term loan from other party                                 | 14 (viii) | 497,197,169                           | 494,322,650  | -                                     | -  |
| Accrued interest expenses - other party                         | 14 (viii) | 69,141,292                            | 69,141,292   | -                                     | -  |
| Provisions for restoration and rehabilitation expenses          | 10        | 107,759,912                           | 104,268,637  | 107,759,912                           | 104,268,637  |
| Employee benefit obligations                                    | 11        | 127,139,327                           | 128,057,175  | 125,395,427                           | 126,313,275  |
| Deferred tax liability  | 4         | 28,880,442                            | 28,656,549   | 28,880,442                            | 28,656,549   |
| <b>Total non-current liabilities</b>                            |           | <b>830,118,142</b>                    | <b>824,446,303</b>                                 | <b>262,035,781</b>                    | <b>259,238,461</b>                                 |
| <b>Total liabilities</b>  |           | <b>2,222,164,387</b>                  | <b>2,273,202,116</b>                               | <b>1,651,644,031</b>                  | <b>1,705,780,155</b>                               |
| <b>Shareholders' equity</b>                                     |           |                                       |  |                                       |  |
| Share capital   |           |                                       |  |                                       |  |
| Authorised share capital  |           |                                       |  |                                       |  |
| 226,000,000 ordinary shares of Baht 10 each                     |           | 2,260,000,000                         | 2,260,000,000                                      | 2,260,000,000                         | 2,260,000,000                                      |
| Issued and paid-up share capital                                |           |                                       |  |                                       |  |
| 226,000,000 ordinary shares of Baht 10 each, fully paid         |           | 2,260,000,000                         | 2,260,000,000                                      | 2,260,000,000                         | 2,260,000,000                                      |
| Premium on share capital  |           | 602,413,600                           | 602,413,600  | 602,413,600                           | 602,413,600  |
| Retained earnings   |           |                                       |  |                                       |  |
| Appropriated legal reserve                                      |           | 226,000,000                           | 226,000,000  | 226,000,000                           | 226,000,000  |
| Unappropriated  |           | 578,004,407                           | 543,675,930  | 666,493,749                           | 643,939,949  |
| <b>Total equity attributable to owner of the parent company</b> |           | <b>3,666,418,007</b>                  | <b>3,632,089,530</b>                               | <b>3,754,907,349</b>                  | <b>3,732,353,549</b>                               |
| Non-controlling interests                                       |           | 207,737,347                           | 209,101,541  | -                                     | -  |
| <b>Total shareholders' equity</b>                               |           | <b>3,874,155,354</b>                  | <b>3,841,191,071</b>                               | <b>3,754,907,349</b>                  | <b>3,732,353,549</b>                               |
| <b>Total liabilities and shareholders' equity</b>               |           | <b>6,096,319,741</b>                  | <b>6,114,393,187</b>                               | <b>5,406,551,380</b>                  | <b>5,438,133,704</b>                               |

The condensed notes to the interim financial information are an integral part of these interim financial information.

**Padaeng Industry Public Company Limited**  
**Statements of Comprehensive Income**  
**For the three-month period ended 31 March 2013**

|   | Note   | Consolidated                          |   | Company                               |   |
|---|--------|---------------------------------------|---|---------------------------------------|---|
|   |        | Unaudited<br>31 March<br>2013<br>Baht | Unaudited<br>31 March<br>2012<br>Baht<br>Restated | Unaudited<br>31 March<br>2013<br>Baht | Unaudited<br>31 March<br>2012<br>Baht<br>Restated |
| Sales and services  |        | 1,451,942,048                         | 2,016,142,149                                     | 1,448,085,752                         | 2,011,799,557                                     |
| Cost of sales and services  |        | (1,430,978,730)                       | (1,998,991,219)                                   | (1,428,438,052)                       | (1,995,695,596)                                   |
| <b>Gross profit</b>   |        | 20,963,318                            | 17,150,930  | 19,647,700                            | 16,103,961  |
| Other operating income  |        | 6,552,812                             | 4,768,601   | 6,047,464                             | 6,947,547   |
| Gain on exchange rate   |        | 71,796,654                            | 19,781,310  | 73,474,679                            | 19,153,950  |
| Gain (loss) on sale of fixed assets                                       |        | 72,198                                | (16,378)  | 72,198                                | (16,378)  |
| <b>Profit before expenses</b>   |        | 99,384,982                            | 41,684,463  | 99,242,041                            | 42,189,080  |
| Selling expenses  |        | (14,811,420)                          | (15,640,650)                                      | (14,811,420)                          | (15,640,650)                                      |
| Operating and administrative expenses                                     |        | (67,549,727)                          | (81,502,304)                                      | (59,538,407)                          | (69,525,752)                                      |
| <b>Total expenses</b>   |        | (82,361,147)                          | (97,142,954)                                      | (74,349,827)                          | (85,166,402)                                      |
| <b>Operating profit (loss)</b>  |        | 17,023,835                            | (55,458,491)                                      | 24,892,214                            | (42,977,322)                                      |
| Share of gain of investment in jointly controlled entity on equity method | 14 (i) | 18,422,237                            | 9,625,180   | -                                     | -   |
| <b>Profit (loss) before finance costs and corporate income tax</b>        |        | 35,446,072                            | (45,833,311)                                      | 24,892,214                            | (42,977,322)                                      |
| Finance costs   |        | (2,114,521)                           | (2,682,671)                                       | (2,114,521)                           | (2,678,984)                                       |
| <b>Profit (loss) before corporate income tax</b>                          |        | 33,331,551                            | (48,515,982)                                      | 22,777,693                            | (45,656,306)                                      |
| Corporate income tax  |        | (367,268)                             | (89,876)  | (223,893)                             | 82,367  |
| <b>Net profit (loss) for the period</b>                                   |        | 32,964,283                            | (48,605,858)                                      | 22,553,800                            | (45,573,939)                                      |
| Other comprehensive income  |        | -                                     | -   | -                                     | -   |
| <b>Total comprehensive income (expense) for the period</b>                |        | 32,964,283                            | (48,605,858)                                      | 22,553,800                            | (45,573,939)                                      |
| <b>Profit (loss) attributable to:</b>                                     |        |                                       |   |                                       |   |
| Owners of the parent  |        | 34,328,477                            | (46,982,312)                                      | 22,553,800                            | (45,573,939)                                      |
| Non-controlling interests   |        | (1,364,194)                           | (1,623,546)                                       | -                                     | -   |
|   |        | 32,964,283                            | (48,605,858)                                      | 22,553,800                            | (45,573,939)                                      |
| <b>Earnings (loss) per share</b>  |        |                                       |   |                                       |   |
| Basic earnings (loss) per share   |        | 0.15                                  | (0.21)  | 0.10                                  | (0.20)  |

The condensed notes to the interim financial information are an integral part of these interim financial information.

**Padaeng Industry Public Company Limited**  
**Statements of Changes in Shareholders' Equity**  
**For the three-month period ended 31 March 2013**

| <b>Consolidated (Unaudited)</b>                                   |   |                                     |  |                                |   |                                      |   |
|---|---|-------------------------------------|--|--------------------------------|---|--------------------------------------|---|
| <b>Attributable to owners of the parent</b>                       |   |                                     |  |                                |   |                                      |   |
| <b>Notes</b>  | <b>Issued and<br/>paid-up<br/>share capital</b> | <b>Premium<br/>on share capital</b> | <b>Retained earnings</b>                       |                                | <b>Total<br/>owners of<br/>the parent</b> | <b>Non-controlling<br/>interests</b> | <b>Total<br/>shareholders'<br/>equity</b> |
|   | <b>Baht</b>                                     | <b>Baht</b>                         | <b>Appropriated<br/>legal reserve<br/>Baht</b> | <b>Unappropriated<br/>Baht</b> | <b>Baht</b>                               | <b>Baht</b>                          | <b>Baht</b>                               |
| <b>Opening balance as at 1 January 2013</b>                       | 2,260,000,000                                   | 602,413,600                         | 226,000,000                                    | 572,332,479                    | 3,660,746,079                             | 209,101,541                          | 3,869,847,620                             |
| Retrospective adjustments from<br>changes in accounting policy    |   |                                     |  |                                |   |                                      |   |
| - Adjustments to adopt the accounting<br>standard on income taxes | 4   | -                                   | -  | (28,656,549)                   | (28,656,549)                              | -                                    | (28,656,549)                              |
| <b>Closing balance after adjustments</b>                          | 2,260,000,000                                   | 602,413,600                         | 226,000,000                                    | 543,675,930                    | 3,632,089,530                             | 209,101,541                          | 3,841,191,071                             |
| Total comprehensive income for the period                         | -   | -                                   | -  | 34,328,477                     | 34,328,477                                | (1,364,194)                          | 32,964,283                                |
| <b>Closing balance as at 31 March 2013</b>                        | <u>2,260,000,000</u>                            | <u>602,413,600</u>                  | <u>226,000,000</u>                             | <u>578,004,407</u>             | <u>3,666,418,007</u>                      | <u>207,737,347</u>                   | <u>3,874,155,354</u>                      |
| <b>Opening balance as at 1 January 2012</b>                       | 2,260,000,000                                   | 602,413,600                         | 226,000,000                                    | 1,275,332,832                  | 4,363,746,432                             | 215,409,404                          | 4,579,155,836                             |
| Retrospective adjustments from<br>changes in accounting policy    |   |                                     |  |                                |   |                                      |   |
| - Adjustments to adopt the accounting<br>standard on income taxes | 4   | -                                   | -  | (28,120,670)                   | (28,120,670)                              | -                                    | (28,120,670)                              |
| <b>Closing balance after adjustments</b>                          | 2,260,000,000                                   | 602,413,600                         | 226,000,000                                    | 1,247,212,162                  | 4,335,625,762                             | 215,409,404                          | 4,551,035,166                             |
| Total comprehensive expense for the period                        | -   | -                                   | -  | (46,982,312)                   | (46,982,312)                              | (1,623,546)                          | (48,605,858)                              |
| <b>Closing balance as at 31 March 2012</b>                        | <u>2,260,000,000</u>                            | <u>602,413,600</u>                  | <u>226,000,000</u>                             | <u>1,200,229,850</u>           | <u>4,288,643,450</u>                      | <u>213,785,858</u>                   | <u>4,502,429,308</u>                      |

The condensed notes to the interim financial information are an integral part of these interim financial information.

**Padaeng Industry Public Company Limited**  
**Statements of Changes in Shareholders' Equity**  
**For the three-month period ended 31 March 2013**

|   | Company (Unaudited) |  |                                     |                                       |                        |  |
|---|---------------------|--|-------------------------------------|---------------------------------------|------------------------|--|
|   | Notes               | Issued and<br>paid-up<br>share capital<br>Baht | Premium<br>on share capital<br>Baht | Retained earnings                     |                        | Total<br>shareholders'<br>equity<br>Baht |
|   |                     |  |                                     | Appropriated<br>legal reserve<br>Baht | Unappropriated<br>Baht |  |
| <b>Opening balance as at 1 January 2013</b>                       |                     | 2,260,000,000                                  | 602,413,600                         | 226,000,000                           | 672,596,498            | 3,761,010,098                            |
| Retrospective adjustments from<br>changes in accounting policy    |                     |  |                                     |                                       |                        |  |
| - Adjustments to adopt the accounting standard<br>on income taxes | 4                   | -  | -                                   | -                                     | (28,656,549)           | (28,656,549)                             |
| <b>Closing balance after adjustments</b>                          |                     | 2,260,000,000                                  | 602,413,600                         | 226,000,000                           | 643,939,949            | 3,732,353,549                            |
| Total comprehensive income for the period                         |                     | -  | -                                   | -                                     | 22,553,800             | 22,553,800                               |
| <b>Closing balance as at 31 March 2013</b>                        |                     | <u>2,260,000,000</u>                           | <u>602,413,600</u>                  | <u>226,000,000</u>                    | <u>666,493,749</u>     | <u>3,754,907,349</u>                     |
| <b>Opening balance as at 1 January 2012</b>                       |                     | 2,260,000,000                                  | 602,413,600                         | 226,000,000                           | 1,313,994,476          | 4,402,408,076                            |
| Retrospective adjustments from<br>changes in accounting policy    |                     |  |                                     |                                       |                        |  |
| - Adjustments to adopt the accounting standard<br>on income taxes | 4                   | -  | -                                   | -                                     | (28,120,670)           | (28,120,670)                             |
| <b>Closing balance after adjustments</b>                          |                     | 2,260,000,000                                  | 602,413,600                         | 226,000,000                           | 1,285,873,806          | 4,374,287,406                            |
| Total comprehensive expense for the period                        |                     | -  | -                                   | -                                     | (45,573,939)           | (45,573,939)                             |
| <b>Closing balance as at 31 March 2012</b>                        |                     | <u>2,260,000,000</u>                           | <u>602,413,600</u>                  | <u>226,000,000</u>                    | <u>1,240,299,867</u>   | <u>4,328,713,467</u>                     |

The condensed notes to the interim financial information are an integral part of these interim financial information.

**Padaeng Industry Public Company Limited**  
**Statements of Cash Flows**  
**For the three-month period ended 31 March 2013**

|   | Notes  | Consolidated                          |                                       | Company                               |                                       |
|---|--------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|   |        | Unaudited<br>31 March<br>2013<br>Baht | Unaudited<br>31 March<br>2012<br>Baht | Unaudited<br>31 March<br>2013<br>Baht | Unaudited<br>31 March<br>2012<br>Baht |
| <b><u>Cash flows from operating activities</u></b>            |        |                                       |                                       |                                       |                                       |
| Profit (loss) before income tax                               |        | 33,331,551                            | (48,515,982)                          | 22,777,693                            | (45,656,306)                          |
| <u>Adjustments for:</u>                                       |        |                                       |                                       |                                       |                                       |
| Depreciation expenses   | 7      | 60,957,746                            | 65,152,959                            | 60,854,509                            | 65,030,960                            |
| Other non-current assets amortisation expenses                |        | 4,470,828                             | 11,134,194                            | 4,449,135                             | 6,963,824                             |
| Interest expense  |        | 2,114,521                             | 2,678,984                             | 2,114,521                             | 2,678,984                             |
| Interest income   |        | (5,008,846)                           | (3,057,984)                           | (4,170,947)                           | (2,136,325)                           |
| Share of gain from jointly controlled entity                  | 14 (i) | (18,422,237)                          | (9,625,180)                           | -                                     | -                                     |
| Provision for write-down inventories                          |        | 70,448,646                            | -                                     | 70,448,646                            | -                                     |
| (Reversal)/allowance of slow-moving and obsolete stocks       |        | (116,000)                             | 63,166                                | (116,000)                             | 63,166                                |
| Provisions for employee benefits                              |        | 3,313,935                             | 3,483,705                             | 3,313,935                             | 3,060,405                             |
| Provisions for annual leave                                   |        | 150,000                               | 150,000                               | 150,000                               | 150,000                               |
| (Gain)/loss on disposal of property, plant and equipment      |        | (72,198)                              | 16,378                                | (72,198)                              | 16,378                                |
| Provisions for restoration expense - accretion expense        | 10     | 4,894,268                             | 17,795,753                            | 4,894,268                             | 17,795,753                            |
| Unrealised gain on foreign currency exchange                  |        | (66,072,673)                          | (13,204,041)                          | (66,072,673)                          | (13,204,041)                          |
| <b><u>Changes in operating assets and liabilities</u></b>     |        |                                       |                                       |                                       |                                       |
| Trade accounts receivable-other parties                       |        | (75,628,637)                          | (66,805,049)                          | (76,306,951)                          | (66,378,764)                          |
| Inventories   |        | (95,617,845)                          | 385,658,081                           | (95,617,845)                          | 392,801,237                           |
| Value added tax receivables                                   |        | (12,762,586)                          | (20,569,561)                          | (12,762,883)                          | (20,258,739)                          |
| Other receivables-related parties                             |        | -                                     | -                                     | 293,890                               | (2,812,841)                           |
| Prepayment to a related party                                 |        | -                                     | -                                     | -                                     | (6,500,000)                           |
| Other current assets  |        | (378,838)                             | 8,308,630                             | (155,619)                             | 8,884,924                             |
| Other non-current assets                                      |        |                                       |                                       |                                       |                                       |
| - deferred environmental rehabilitation expenses              |        | (754,969)                             | (5,338,530)                           | (754,969)                             | (5,338,530)                           |
| - deferred environmental risk assurance expenses              |        | (154,973)                             | (1,507,203)                           | (154,973)                             | (1,507,203)                           |
| - deferred restoration expense                                |        | (1,079,670)                           | (8,586,120)                           | (1,079,670)                           | (8,586,120)                           |
| - others  |        | (1,087,397)                           | (1,439,769)                           | (1,137,397)                           | (1,497,320)                           |
| Trade accounts payable-other parties                          |        | (51,432,253)                          | (218,012,087)                         | (50,327,003)                          | (218,263,113)                         |
| Accrued electricity expenses                                  |        | (41,173,232)                          | (39,620,872)                          | (41,173,232)                          | (39,620,872)                          |
| Royalty payable   |        | (690,000)                             | (1,360,000)                           | (690,000)                             | (1,360,000)                           |
| Other payable-related parties                                 |        | -                                     | -                                     | (428,892)                             | (140,295)                             |
| Other current liabilities                                     |        | (15,577,360)                          | (41,141,438)                          | (16,480,781)                          | (44,928,013)                          |
| Provisions for restoration expenses utilised                  | 10     | (1,402,993)                           | (6,191,451)                           | (1,402,993)                           | (6,191,451)                           |
| Provisions for employee retirement benefits expenses utilised | 11     | (4,231,783)                           | (2,968,866)                           | (4,231,783)                           | (2,968,866)                           |
| Cash (used in) provided by operation                          |        | (211,982,995)                         | 6,497,717                             | (203,840,212)                         | 10,096,832                            |
| Interest paid   |        | (2,420,351)                           | (3,287,993)                           | (2,420,351)                           | (3,287,993)                           |
| Income tax paid   |        | (180,757)                             | (42,195)                              | (34,198)                              | (13,290)                              |
| <b>Net cash (used in) provided by operating activities</b>    |        | <b>(214,584,103)</b>                  | <b>3,167,529</b>                      | <b>(206,294,761)</b>                  | <b>6,795,549</b>                      |

The condensed notes to the interim financial information are an integral part of these interim financial information.



**Padaeng Industry Public Company Limited**  
**Statements of Cash Flows (Cont'd)**  
**For the three-month period ended 31 March 2013**

|   | Notes     | Consolidated                          |                                       | Company                               |                                       |
|---|-----------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|   |           | Unaudited<br>31 March<br>2013<br>Baht | Unaudited<br>31 March<br>2012<br>Baht | Unaudited<br>31 March<br>2013<br>Baht | Unaudited<br>31 March<br>2012<br>Baht |
| <b><u>Cash flows from investing activities</u></b>                  |           |                                       |                                       |                                       |                                       |
| Interest received   |           | 5,309,557                             | 3,054,624                             | 3,928,031                             | 2,192,571                             |
| Cash paid for purchase of property, plant and equipment             | 7         | (80,805,071)                          | (73,908,843)                          | (80,805,071)                          | (73,822,593)                          |
| Cash received from sales of property, plant and equipment           |           | 72,200                                | 6,429                                 | 72,200                                | 6,429                                 |
| Cash paid for exploration   | 8         | -                                     | (2,116,166)                           | -                                     | (22,631)                              |
| <b>Net cash used in investing activities</b>                        |           | <b>(75,423,314)</b>                   | <b>(72,963,956)</b>                   | <b>(76,804,840)</b>                   | <b>(71,646,224)</b>                   |
| <b><u>Cash flows from financing activities</u></b>                  |           |                                       |                                       |                                       |                                       |
| Proceeds from short-term loans from financial institutions          |           | 77,065,527                            | 123,715,657                           | 77,065,527                            | 123,715,657                           |
| Proceeds from long-term loan from other party                       | 14 (viii) | 2,874,519                             | 3,257,310                             | -                                     | -                                     |
| Dividends payment   |           | (833)                                 | (281,342)                             | (833)                                 | (281,342)                             |
| <b>Net cash provided by financing activities</b>                    |           | <b>79,939,213</b>                     | <b>126,691,625</b>                    | <b>77,064,694</b>                     | <b>123,434,315</b>                    |
| Effects from changes in exchange rate for cash and cash equivalents |           | (42,853)                              | 4,691,561                             | (42,853)                              | 4,691,561                             |
| <b>Net (decrease) increase in cash and cash equivalents</b>         |           | <b>(210,111,057)</b>                  | <b>61,586,759</b>                     | <b>(206,077,760)</b>                  | <b>63,275,201</b>                     |
| Cash and cash equivalents at beginning of the period                |           | 1,026,571,357                         | 714,174,693                           | 879,628,792                           | 567,402,283                           |
| <b>Cash and cash equivalents at end of the period</b>               |           | <b>816,460,300</b>                    | <b>775,761,452</b>                    | <b>673,551,032</b>                    | <b>630,677,484</b>                    |

The condensed notes to the interim financial information are an integral part of these interim financial information.

**Padaeng Industry Public Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the interim period ended 31 March 2013**

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**1 General information**

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

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

For reporting purposes, the Company, its subsidiaries and jointly controlled entity are referred to as the Group.

These interim consolidated and company financial information were authorized for issue by the Board of Directors on 9 May 2013.

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

**2 Basis of preparation**

These interim consolidated and company financial information 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 Professions Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission. The primary financial information (i.e., statement of financial position, statement of comprehensive 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 information are prepared in a condensed format according to Thai Accounting Standard 34, "Interim Financial Reporting" and additional notes are presented as required by the Securities and Exchange Commission under the Securities and Exchange Act.

The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012.

An English version of the interim consolidated and company financial information has been prepared from the interim financial information that is in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language interim financial information shall prevail.

The comparative figures on the statements of financial position as at 31 December 2012 have been reclassified in order to be comparable to comply with the nature of transaction in the current period as follows:

|   | <b>Consolidated</b>                      |                            |                          |
|---|--|----------------------------|--------------------------|
|   | <b>As originally<br/>stated<br/>Baht</b> | <b>Adjustment<br/>Baht</b> | <b>Restated<br/>Baht</b> |
| <b>Statement of financial position<br/>as at 31 December 2012</b> |  |                            |                          |
| Property, plant and equipment - net                               | 1,438,444,365                            | (19,282,358)               | 1,419,162,007            |
| Deferred restoration expenses - net                               | -  | 19,282,358                 | 19,282,358               |
|   |  |                            |                          |
|   | <b>Company</b>                           |                            |                          |
|   | <b>As originally<br/>stated<br/>Baht</b> | <b>Adjustment<br/>Baht</b> | <b>Restated<br/>Baht</b> |
| <b>Statement of financial position<br/>as at 31 December 2012</b> |  |                            |                          |
| Property, plant and equipment - net                               | 1,439,979,785                            | (19,282,358)               | 1,420,697,427            |
| Deferred restoration expenses - net                               | -  | 19,282,358                 | 19,282,358               |

### **3 Accounting policies**

The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2012 except as described below.

New revised accounting standards and related interpretations which are effective on 1 January 2013 and are relevant to the Group are:

|                       |  |
|-----------------------|--|
| TAS 12                | Income taxes                                     |
| TAS 21 (Revised 2009) | The Effects of Changes in Foreign Exchange Rates |
| TFRS 8                | Operating Segments                               |

New accounting policies resulting from new/revised accounting standards and related interpretations are discussed in note 4. The adoption of those accounting policies do not have a material impact to the Group except for accounting standard in relation to Income taxes as discussed in Note 4.

New interpretations which are effective on 1 January 2014 and are relevant to the Group are as follows:

|          |   |
|----------|---|
| TFRIC 1  | Changes in Existing Decommissioning, Restoration and Similar Liabilities                            |
| TFRIC 4  | Determining whether an Arrangement contains a Lease   |
| TFRIC 5  | Right to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| TFRIC 10 | Interim Financial Reporting and Impairment  |
| TSIC 29  | Service Concession Arrangements: Disclosure   |

TFRIC 1 provide guidance on accounting for changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate. This interpretation has no impact to the Group.

TFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. The management is currently assessing the impact of TRIC 4.

TFRIC 5 provide guidance on accounting in the financial statements of a contributor for interests arising from decommissioning funds that the assets are administered separately and a contributor's right to access the assets is restricted. TFRIC 5 is not relevant to the Group's operations.

TFRIC 10 prohibits reversal of an impairment losses recognised in a previous interim period in respect of goodwill. This interpretation has no impact to the Group.

TSIC 29 contains disclosure requirements in respect of public-to-private service arrangements.

#### 4 New accounting policies

##### 4.1 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The effects of the adoption of the new accounting policy are as follows:

|   | <b>Consolidated</b>                      |                            |                          |
|---|--|----------------------------|--------------------------|
|   | <b>As originally<br/>stated<br/>Baht</b> | <b>Adjustment<br/>Baht</b> | <b>Restated<br/>Baht</b> |
| <b>Statement of financial position</b>                |  |                            |                          |
| <b>as at 31 December 2012</b>                         |  |                            |                          |
| Deferred tax liability - increase                     | -  | 28,656,549                 | 28,656,549               |
| <b>Statement of Changes in Shareholders' Equity</b>   |  |                            |                          |
| <b>as at 1 January 2012</b>                           |  |                            |                          |
| Retained earnings - Unappropriated - decrease         | 1,275,332,832                            | (28,120,670)               | 1,247,212,162            |
| <b>Statement of Changes in Shareholders' Equity</b>   |  |                            |                          |
| <b>as at 1 January 2013</b>                           |  |                            |                          |
| Retained earnings - Unappropriated - decrease         | 572,332,479                              | (28,656,549)               | 543,675,930              |
| <b>Statement of comprehensive income</b>              |  |                            |                          |
| <b>for the three-month period ended 31 March 2012</b> |  |                            |                          |
| Corporate income tax - decrease                       | (172,243)                                | 82,367                     | (89,876)                 |
| Total comprehensive expenses - decrease               | (48,688,225)                             | 82,367                     | (48,605,858)             |
| <b>Loss per share</b>                                 |  |                            |                          |
| Basic loss per share                                  | (0.21)                                   | -                          | (0.21)                   |

**4 New accounting policies (Cont'd)**

**4.1 Current and deferred income taxes (Cont'd)**

|   | <b>Company</b>                           |                            |                          |
|---|--|----------------------------|--------------------------|
|   | <b>As originally<br/>stated<br/>Baht</b> | <b>Adjustment<br/>Baht</b> | <b>Restated<br/>Baht</b> |
| <b>Statement of financial position</b>                |  |                            |                          |
| <b>as at 31 December 2012</b>                         |  |                            |                          |
| Deferred tax liability - increase                     | -  | 28,656,549                 | 28,656,549               |
| <b>Statement of Changes in Shareholders' Equity</b>   |  |                            |                          |
| <b>as at 1 January 2012</b>                           |  |                            |                          |
| Retained earnings - Unappropriated - decrease         | 1,313,994,476                            | (28,120,670)               | 1,285,873,806            |
| <b>Statement of Changes in Shareholders' Equity</b>   |  |                            |                          |
| <b>as at 1 January 2013</b>                           |  |                            |                          |
| Retained earnings - Unappropriated - decrease         | 672,596,498                              | (28,656,549)               | 643,939,949              |
| <b>Statement of comprehensive income</b>              |  |                            |                          |
| <b>for the three-month period ended 31 March 2012</b> |  |                            |                          |
| Corporate income tax - decrease                       | -  | 82,367                     | 82,367                   |
| Total comprehensive expenses - decrease               | (45,656,306)                             | 82,367                     | (45,573,939)             |
| <b>Loss per share</b>                                 |  |                            |                          |
| Basic loss per share                                  | (0.20)                                   | -                          | (0.20)                   |

**4.2 Foreign currency translation**

(a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Thai Baht, which is the company's functional and the group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in profit and loss.

**4 New accounting policies (Cont'd)**

**4.2 Foreign currency translation (Cont'd)**

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

**4.3 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Management Committee that makes strategic decisions. The Group has only one operating segment, being zinc metal, sold as ingots and alloys.

**5 Segment information**

The Group produces a single product in Thailand for both domestic and export markets, using the same assets. The Group's operations relate primarily to the production and sale of one principle product, zinc products. The following is information relating to this operating segment:

| <b>For the three-month periods ended 31 March</b> | <b>2013</b>       | <b>2012</b>       |
|---|-------------------|-------------------|
|   | <b>in million</b> | <b>in million</b> |
|   | <b>Baht</b>       | <b>Baht</b>       |
| Revenue domestic                                  |                   |                   |
| - zinc ingot                                      | 629               | 859               |
| - zinc alloy                                      | 578               | 601               |
| - others  | 81                | 113               |
| Revenue export                                    |                   |                   |
| - zinc ingot                                      | 9                 | 264               |
| - zinc alloy                                      | 110               | 169               |
| - others  | 41                | 6                 |
| Total sales and services                          | 1,448             | 2,012             |
| Operating profit                                  | 12                | 16                |
| Net profit (loss) for the period                  | 23                | (46)              |

All assets relating to the production of zinc products are at the Company's facilities in Tak Province and Rayong Province. Total assets are as disclosed in Note 7.

There are no customers of the Company that generate more than 10% of total revenue.

**Padaeng Industry Public Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the interim period ended 31 March 2013**

**6 Trade accounts receivable**

|   | <b>Consolidated</b>               |                                      | <b>Company</b>                    |                                      |
|---|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
|   | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> |
| Trade accounts receivable                   | 361,842,672                       | 285,744,367                          | 361,106,568                       | 284,329,948                          |
| <u>Less</u> Allowance for doubtful accounts | -                                 | -                                    | -                                 | -                                    |
| Trade accounts receivable                   | <u>361,842,672</u>                | <u>285,744,367</u>                   | <u>361,106,568</u>                | <u>284,329,948</u>                   |

Outstanding trade accounts receivable as at 31 March 2013 and 31 December 2012 can be analysed as follows:

|   | <b>Consolidated</b>               |                                      | <b>Company</b>                    |                                      |
|---|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
|   | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> |
| Up to 3 months                              | 361,842,672                       | 285,744,367                          | 361,106,568                       | 284,329,948                          |
| Over 3 months                               | -                                 | -                                    | -                                 | -                                    |
|   | 361,842,672                       | 285,744,367                          | 361,106,568                       | 284,329,948                          |
| <u>Less</u> Allowance for doubtful accounts | -                                 | -                                    | -                                 | -                                    |
|   | <u>361,842,672</u>                | <u>285,744,367</u>                   | <u>361,106,568</u>                | <u>284,329,948</u>                   |

**7 Property, plant and equipment-net**

|   | <b>Consolidated<br/>Baht</b> | <b>Company<br/>Baht</b> |
|---|------------------------------|-------------------------|
| <b>For the three-month period ended 31 March 2013</b> |                              |                         |
| Opening net book value                                | 1,419,162,007                | 1,420,697,427           |
| Acquisition of assets and capital in progress         | 80,805,071                   | 80,805,071              |
| Disposal of property, plant and equipment             | -                            | -                       |
| Depreciation  | (60,957,746)                 | (60,854,509)            |
| Closing net book value                                | <u>1,439,009,332</u>         | <u>1,440,647,989</u>    |

## 8 Exploration and acquisition costs

Exploration and acquisition costs as at 31 March 2013 and 31 December 2012 comprise:

|  | <b>Consolidated</b>               |                                      | <b>Company</b>                    |                                      |
|--|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
|  | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> |
| <u>Exploration costs</u>                                     |                                   |                                      |                                   |                                      |
| At 1 January   | 924,761,942                       | 1,101,677,245                        | 5,781,116                         | 81,723,668                           |
| Expenditure incurred during the year                         | -                                 | 6,070,508                            | -                                 | 96,756                               |
| <u>Less</u> Provision for impairment of<br>exploration costs | -                                 | (182,985,811)                        | -                                 | (76,039,308)                         |
| Ending balance for the period/year                           | 924,761,942                       | 924,761,942                          | 5,781,116                         | 5,781,116                            |
| <u>Mining acquisition costs</u>                              |                                   |                                      |                                   |                                      |
| Capitalised deferred cost                                    |                                   |                                      |                                   |                                      |
| Land use compensation-net                                    | 15,083,282                        | 16,088,868                           | 15,083,282                        | 16,088,868                           |
| Other capitalised expenditure-net                            | 7,843,456                         | 8,366,331                            | 7,843,456                         | 8,366,331                            |
| Ending balance for the period/year                           | 22,926,738                        | 24,455,199                           | 22,926,738                        | 24,455,199                           |
| Total mining acquisition costs                               | 22,926,738                        | 24,455,199                           | 22,926,738                        | 24,455,199                           |
| Total (Note 8 (i))   | 947,688,680                       | 949,217,141                          | 28,707,854                        | 30,236,315                           |

### i) Exploration costs

Exploration costs are consisted of those incurred by the Company and its subsidiaries, Puthep Co., Ltd. ("Puthep") and Padaeng Industry (Laos) Co., Ltd. ("Padaeng Industry (Laos)"). In accordance with the Group's accounting policy for exploration, these costs will remain capitalised until final determination of whether economically recoverable resource exists.

#### Puthep Co., Ltd.

As at 31 March 2013, the capitalised exploration and acquisition costs incurred by Puthep amounting to Baht 926.2 million. At the date of these financial information, the Company continues to conduct a review to assess the economic viability of the project. The company's exploration activities are in Loei province, in North Eastern Thailand. The principle resource in the exploration area relates to copper and gold resource. Technical assessments conducted by the company and its partners indicate commercially recoverable resource supporting the cost for a scalable leach operation to allow for the development of the resource. To proceed further with the project, the company needs to obtain relevant mining licenses, forestry permits and complete an Environmental and Health Impact Assessment and finalize a feasibility study. These processes are currently underway and being reviewed by the Company. In addition the company is also evaluating options on whether to consider selling the project to interested parties. In the course of 2013, the Company is evaluating the project to determine its viability.

#### Padaeng Industry (Laos) Co., Ltd.

In October 2006, the Company through its subsidiary Padaeng Industry (Laos) signed a 5-year exploration agreement with the Department of Mines and Geology of Lao PDR which expired on 27 October 2011 for the purposes of exploring and producing resources containing Zinc. As at 31 March 2013, the total amount of exploration costs capitalised amounted to Baht 106.8 million. Although the exploration agreement with the Lao PDR has been extended to 27 October 2014, during the fourth quarter of 2012, the Company's management concluded that significant expenditures and alternative drilling methods not currently utilized by the company would be required to proceed further with the assessment of the project's commercial viability. Therefore, based on this review the company has ceased further exploration activities until a viable option for development can be determined. Consequently, the company has recognised a provision for impairment in respect to exploration costs capitalized.



**Padaeng Industry Public Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the interim period ended 31 March 2013**

**9 Short-term loans from financial institutions**

Short-term loans from financial institutions as at 31 March 2013 and 31 December 2012 comprise:

|                  | <b>Consolidated</b>               |                                      | <b>Company</b>                    |                                      |
|------------------|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
|                  | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> |
| Trust Receipts   | 866,412,066                       | 811,988,641                          | 866,412,066                       | 811,988,641                          |
| Promissory Notes | -                                 | -                                    | -                                 | -                                    |
| <b>Total</b>     | <b>866,412,066</b>                | <b>811,988,641</b>                   | <b>866,412,066</b>                | <b>811,988,641</b>                   |

The Company has entered into short-term financing arrangements to fund its operations with various financial institutions. The interest rates, the Company is paying on the trust receipts and promissory notes are in the range of 0.95% - 1.17% per annum.

**Financing arrangements available**

|                  | <b>Consolidated</b>                              |   | <b>Company</b>                                   |   |
|------------------|--|---|--|---|
|                  | <b>31 March<br/>2013<br/>in million<br/>Baht</b> | <b>31 December<br/>2012<br/>in million<br/>Baht</b> | <b>31 March<br/>2013<br/>in million<br/>Baht</b> | <b>31 December<br/>2012<br/>in million<br/>Baht</b> |
| Bank Overdraft   | 60   | 60  | 60   | 60  |
| Short-term Loans | 2,869  | 2,968   | 2,868  | 2,968   |
| Bank Guarantee   | 1,297  | 1,309   | 1,294  | 1,306   |
| <b>Total</b>     | <b>4,226</b>                                     | <b>4,337</b>  | <b>4,222</b>                                     | <b>4,334</b>  |

**10 Provision for restoration and rehabilitation expenses**

|   | <b>Consolidated</b>               |                                      | <b>Company</b>                    |                                      |
|---|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
|   | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> |
| At 1 January                              | 104,268,637                       | 96,320,858                           | 104,268,637                       | 96,320,858                           |
| Accretion expense                         | 4,894,268                         | 22,776,618                           | 4,894,268                         | 22,776,618                           |
| Amounts utilised                          | (1,402,993)                       | (14,828,839)                         | (1,402,993)                       | (14,828,839)                         |
| <b>Ending balance for the period/year</b> | <b>107,759,912</b>                | <b>104,268,637</b>                   | <b>107,759,912</b>                | <b>104,268,637</b>                   |

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

**11 Employee benefit obligations**

The amounts recognised in the statements of financial position are determined as follows:

|  | <b>Consolidated</b>               |                                      | <b>Company</b>                    |                                      |
|--|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
|  | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> |
| Balance at the beginning of the period/year                                | 128,057,175                       | 118,147,530                          | 126,313,275                       | 116,826,930                          |
| Additional provisions charged to<br>the statements of comprehensive income | 3,313,935                         | 32,167,014                           | 3,313,935                         | 31,743,714                           |
| Amounts utilised   | (4,231,783)                       | (22,257,369)                         | (4,231,783)                       | (22,257,369)                         |
| Balance at the end of the period/year                                      | <u>127,139,327</u>                | <u>128,057,175</u>                   | <u>125,395,427</u>                | <u>126,313,275</u>                   |

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

**12 Bank guarantees**

As at 31 March 2013, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 432.7 million (31 December 2012: Baht 433.14 million).

**13 Commitments**

As at 31 March 2013 and 31 December 2012, 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<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> |
| Not later than 1 year | 72,227,742                        | 94,291,322                           | 72,227,742                        | 94,291,322                           |

As at 31 March 2013 and 31 December 2012, the Company has the following commitments for the purchase of raw materials that have been contracted but not recorded as liabilities:

|                       | <b>Consolidated</b>               |                                      | <b>Company</b>                    |                                      |
|-----------------------|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
|                       | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> |
| Not later than 1 year | 249,673,602                       | 349,542,534                          | 249,673,602                       | 349,542,534                          |

In addition, as at 31 March 2013, the Company has contracted for the purchase of raw materials that contained zinc units of approximately 20,321 tones (31 December 2012 : 8,979 tones).

**Padaeng Industry Public Company Limited**  
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**For the interim period ended 31 March 2013**

**14 Related parties transactions**

**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>Consolidated</b>     |                        | <b>Company</b>          |              |
|--|----------------------|------------------------|----------------------|--------------|-------------------------|------------------------|-------------------------|--------------|
|  | <b>31 March 2013</b> |                        | <b>31 March 2013</b> |              | <b>31 December 2012</b> |                        | <b>31 December 2012</b> |              |
|  | <b>Equity</b>        | <b>Paid-up capital</b> | <b>% ownership</b>   | <b>Cost</b>  | <b>Equity</b>           | <b>Paid-up capital</b> | <b>% ownership</b>      | <b>Cost</b>  |
|  | <b>Baht</b>          | <b>Baht</b>            | <b>investment</b>    | <b>Baht</b>  | <b>Baht</b>             | <b>Baht</b>            | <b>investment</b>       | <b>Baht</b>  |
| <b>Subsidiaries</b>                    |                      |                        |                      |              |                         |                        |                         |              |
| Padaeng Properties Co., Ltd.           | -                    | 80,000,000             | 100                  | 80,000,000   | -                       | 80,000,000             | 100                     | 80,000,000   |
| Puthep Co., Ltd.                       | -                    | 285,589,732            | 51                   | 145,650,772  | -                       | 285,589,732            | 51                      | 145,650,772  |
| Padaeng Industry (Laos) Co., Ltd.      | -                    | 27,563,113             | 100                  | 27,563,113   | -                       | 27,569,653             | 100                     | 27,569,653   |
| Padaeng International Mining Co., Ltd. | -                    | 100,000                | 100                  | 100,000      | -                       | 100,000                | 100                     | 100,000      |
| Ton Sangkasi Pte Ltd.                  | -                    | 246,700                | 100                  | 246,700      | -                       | 246,700                | 100                     | 246,700      |
| Total                                  | -                    |                        |                      | 253,560,585  | -                       |                        |                         | 253,567,125  |
| <b>Less Diminution</b>                 |                      |                        |                      |              |                         |                        |                         |              |
| Padaeng Industry (Laos) Co., Ltd       | -                    |                        |                      | (27,563,113) | -                       |                        |                         | (27,569,653) |
| Padaeng International Mining Co., Ltd. | -                    |                        |                      | (100,000)    | -                       |                        |                         | (100,000)    |
| Ton Sangkasi Pte Ltd.                  | -                    |                        |                      | (246,700)    | -                       |                        |                         | (246,700)    |
| Investments in subsidiaries-net        | -                    |                        |                      | 225,650,772  | -                       |                        |                         | 225,650,772  |

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

**Jointly controlled entity**

|                               |                   |             |    |                    |                   |             |    |                    |
|-------------------------------|-------------------|-------------|----|--------------------|-------------------|-------------|----|--------------------|
| Maesod Clean Energy Co., Ltd. | <u>88,361,334</u> | 675,000,000 | 35 | <u>236,249,800</u> | <u>69,939,097</u> | 675,000,000 | 35 | <u>236,249,800</u> |
|-------------------------------|-------------------|-------------|----|--------------------|-------------------|-------------|----|--------------------|

Maesod Clean Energy Co., Ltd. is incorporated in Thailand.

**Padaeng Industry Public Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the interim period ended 31 March 2013**

**14 Related parties transactions (Cont'd)**

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

|  | <b>Consolidated</b>               |                                      | <b>Company</b>                    |                                      |
|--|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
|  | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> |
| At 1 January   | 69,939,097                        | 94,192,819                           | 461,900,572                       | 469,501,823                          |
| Share of gain (loss) from<br>jointly controlled entity | 18,422,237                        | (24,253,722)                         | -                                 | -                                    |
| Disposal of investment                                 | -                                 | -                                    | (6,540)                           | -                                    |
| Reversal (charge) of diminution<br>of investment       | -                                 | -                                    | 6,540                             | (7,601,251)                          |
| Ending balance for the period/year                     | <u>88,361,334</u>                 | <u>69,939,097</u>                    | <u>461,900,572</u>                | <u>461,900,572</u>                   |

Subsidiaries

As at 31 March 2013, Padaeng Industry (Laos) has total authorised share capital of USD 1,273,000 of which USD 797,000 has been issued and paid up. The current investment value of Padaeng Industry (Laos) in the Company's books net of diminution in value of investment is zero.

As at 31 March 2013, Puthep has total authorised share capital of 4,606,286 shares (31 December 2012: 4,606,286 shares) outstanding for a cumulative amount of Baht 377,102,615 (31 December 2012: Baht 377,102,615).

Jointly controlled entity

On 9 October 2006, Maesod Clean Energy Co., Ltd. ("Maesod Clean Energy") was created together with MP Energy Co., Ltd. and Thai Oil Public Company Limited. The jointly controlled entity produces ethanol as an alternative energy source. As at 31 March 2013 and 31 December 2012, Maesod Clean Energy has 67,500,000 shares authorised and outstanding. The Company has subscribed to a total of 23,625,000 shares in Maesod Clean Energy.

Under the term loan agreement dated 9 September 2011, signed by the Company and its partners with Maesod Clean Energy, the Company provided to Maesod Clean Energy a Baht 105 million loan on 5 October 2011. After a period of one year from the date of the agreement, the Company may convert this loan into equity of Maesod Clean Energy. The loan carries interest rate of 4.2% per annum.

**ii) Sales of goods and services**

|   | <b>Consolidated</b>  |                      | <b>Company</b>       |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | <b>2013<br/>Baht</b> | <b>2012<br/>Baht</b> | <b>2013<br/>Baht</b> | <b>2012<br/>Baht</b> |
| <b>For the three-month periods ended<br/>31 March</b> |                      |                      |                      |                      |
| Sales of goods and services:                          |                      |                      |                      |                      |
| Padaeng Properties Co., Ltd.                          | -                    | -                    | 259,380              | 248,888              |
| Padaeng Industry (Laos) Co., Ltd.                     | -                    | -                    | -                    | 2,779,545            |
| Puthep Co., Ltd.                                      | -                    | -                    | 79,170               | 79,190               |

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

**Padaeng Industry Public Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
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**14 Related parties transactions (Cont'd)**

**iii) Purchases of goods and services**

|   | Consolidated |              | Company      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2013<br>Baht | 2012<br>Baht | 2013<br>Baht | 2012<br>Baht |
| <b>For the three-month periods ended 31 March</b> |              |              |              |              |

Purchases of goods and services:

|                              |   |   |           |           |
|------------------------------|---|---|-----------|-----------|
| Padaeng Properties Co., Ltd. | - | - | 1,128,623 | 1,306,444 |
|------------------------------|---|---|-----------|-----------|

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

**iv) Other receivables-related parties-net**

|   | Consolidated             |                             | Company                  |                             |
|---|--------------------------|-----------------------------|--------------------------|-----------------------------|
|   | 31 March<br>2013<br>Baht | 31 December<br>2012<br>Baht | 31 March<br>2013<br>Baht | 31 December<br>2012<br>Baht |
| Padaeng Properties Co., Ltd.                | -                        | -                           | 90,202                   | 357,702                     |
| Padaeng Industry (Laos) Co., Ltd.           | -                        | -                           | 37,202,462               | 37,202,463                  |
| Puthep Co., Ltd.                            | -                        | -                           | -                        | 26,390                      |
| Padaeng International Mining Co., Ltd.      | -                        | -                           | 139,538                  | 136,913                     |
| Total                                       | -                        | -                           | 37,432,202               | 37,723,468                  |
| <u>Less</u> Allowance for doubtful accounts | -                        | -                           | (37,342,000)             | (37,339,376)                |
| Other receivables-related parties-net       | -                        | -                           | 90,202                   | 384,092                     |

**v) Advances to related parties-net**

|   | Consolidated             |                             | Company                  |                             |
|---|--------------------------|-----------------------------|--------------------------|-----------------------------|
|   | 31 March<br>2013<br>Baht | 31 December<br>2012<br>Baht | 31 March<br>2013<br>Baht | 31 December<br>2012<br>Baht |
| Padaeng Industry (Laos) Co., Ltd.           | -                        | -                           | 84,243,416               | 84,243,416                  |
| Padaeng International Mining Co., Ltd.      | -                        | -                           | 532,300                  | 532,300                     |
| Ton Sangkasi Pte Ltd.                       | -                        | -                           | 12,278,558               | 12,278,558                  |
| Total                                       | -                        | -                           | 97,054,274               | 97,054,274                  |
| <u>Less</u> Allowance for doubtful accounts | -                        | -                           | (97,054,274)             | (97,054,274)                |
| Advance to related parties-net              | -                        | -                           | -                        | -                           |

Advance from the Company in the amount of Baht 84,243,416 represents an advance for share subscription payment in Padaeng Industry (Laos).

As at 31 March 2013, the amounts due from the related entities have been fully provided against because as noted in Note 8, exploration activities in these entities have not resulted in economically viable projects.

**14 Related parties transactions (Cont'd)**

**vi) Other payables-related party**

|                              | <b>Consolidated</b>               |                                      | <b>Company</b>                    |                                      |
|------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
|                              | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> |
| Padaeng Properties Co., Ltd. | -                                 | -                                    | 53,395                            | 482,287                              |
| <b>Total</b>                 | <b>-</b>                          | <b>-</b>                             | <b>53,395</b>                     | <b>482,287</b>                       |

**vii) Key management compensation**

The compensation paid or payable to key management for employee services for the three-month periods ended 31 March 2013 and 2012 is shown below:

|   | <b>Consolidated</b>  |                      | <b>Company</b>       |                      |
|---|----------------------|----------------------|----------------------|----------------------|
|   | <b>2013<br/>Baht</b> | <b>2012<br/>Baht</b> | <b>2013<br/>Baht</b> | <b>2012<br/>Baht</b> |
| Short-term employee benefits                    | 8,202,900            | 9,501,100            | 8,202,900            | 9,501,100            |
| Post-employee benefits and termination benefits | 1,032,172            | 1,077,288            | 1,032,172            | 1,077,288            |
| <b>Total</b>                                    | <b>9,235,072</b>     | <b>10,578,388</b>    | <b>9,235,072</b>     | <b>10,578,388</b>    |

**viii) Long-term loan from other party**

Under the terms of a Loan Agreement between Puthep and PNA (Puthep) dated 15 August 2008 and executed in March 2009, PNA (Puthep) agreed to advance funds necessary to complete a feasibility study for the Puthep copper project. The loan amount is in addition to equity funding of USD 6,000,000 or Baht 216,492,547 received from PNA (Puthep). Interest on principal amounts advanced under the Loan Agreement are calculated based on best commercial rates available for PNA (Puthep) and are to be capitalised. Under the terms of the loan, interest expense will cease to accrue on the third anniversary of the earlier of the due date for delivery of the bankable feasibility study (19 September 2009) and the actual date that the feasibility study is completed. The interest expense has stopped accruing since January 2012. Puthep is not obliged to make loan repayments until such time as it has generated sufficient profits to commence making repayments at which time it will then commence to be equal to 35% of distributable net profits of the company.

|                                    | <b>Consolidated</b>               |                                      | <b>Company</b>                    |                                      |
|------------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|--------------------------------------|
|                                    | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> | <b>31 March<br/>2013<br/>Baht</b> | <b>31 December<br/>2012<br/>Baht</b> |
| PNA (Puthep) Pty Ltd.              |                                   |                                      |                                   |                                      |
| At 1 January                       | 494,322,650                       | 486,145,263                          | -                                 | -                                    |
| Loan increase during the year      | 2,874,519                         | 8,177,387                            | -                                 | -                                    |
| Ending balance for the period/year | <b>497,197,169</b>                | <b>494,322,650</b>                   | <b>-</b>                          | <b>-</b>                             |
| Accrued interest expenses          | 69,141,292                        | 69,141,292                           | -                                 | -                                    |

## **15 Risk management policy for assets and liabilities**

### **15.1 Risk management and hedging instruments**

#### **Price risk**

The Company is also exposed to risk resulting from fluctuations in commodity prices. The Company currently engages in transactional hedging with the purpose of mitigating price exposure from the difference in timing between purchased raw material and finished product sales. Any settlement gains or losses realized from hedging arrangements are recorded against the corresponding revenue or cost of purchases as appropriate.

Beginning January 2013, the Company began strategic hedging to mitigate against the fluctuation in zinc price primarily in respect to zinc production from the Company's mine in Maesod. The Company has entered into forward contracts to fix the zinc price for a portion of its Maesod mine production for year 2013, in the amount of 22,600 metric tons at a price of USD 2,141 per ton using an average exchange rate 30.79 Baht per USD.

The Company has entered into transactional and strategic hedges. As at 31 March 2013, total net sales of 5,150 metric tons of zinc on the London Metal Exchange are outstanding. The change in fair value of these open positions amounts to USD 2,899,137 or Baht 84,950,512 is favourable. These fair values reflect the mark to market values of the contracts at the prevailing period end rates for similar contracts. These positions will be offset by committed and priced physical purchases and sales contracts. The operations carried out on the future markets for hedging transactional risks as described are not of a speculative nature.

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. The Company normally uses derivative financial instruments mainly spot and forward contracts to reduce the exposure to adverse fluctuations in foreign exchange rates.

#### **Credit risk**

Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in a financial loss to the Company. As a general rule, the Company has a credit risk management policy of obtaining credit insurance or collateral from the customers before commencing trade. The collateral may include bank guarantees or cash guarantees. The remaining Company's credit risk is spread amongst several customers. The maximum exposure to credit risk at the reporting date is the carrying amount of each receivable.

#### **Interest rate risk**

Interest rate risk in the statement of financial position from the potential for a change in interest rates to have an adverse effect on the net interest earnings of the Company in the current reporting period and in future years.

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

**15.2 Fair values**

The carrying amounts at the financial information date of cash and cash equivalents, trade accounts receivable, short-term loans to related parties, other current assets, certain other assets, loans from financial institutions, trade accounts payable, short-term loans and advances from other parties, accrued interest expenses, accrued electricity expenses, royalty payable and other current liabilities approximate their fair values.

**15.3 Exploration risk**

In order to maintain a supply base for its smelter, the Company and some of its subsidiaries are performing exploration activities. These expenses are capitalised and eventually impaired as explained in Note 8 of these financial information. The current increased level of activity is likely to generate higher level of exploration costs capitalised than in the previous years increasing the impact of the impairments. Regular assessments by the management, once sufficient reliable data have been collected and compiled, should lower both uncertainty and risk level related to the recoverability of these costs.

**16 Litigation**

As of 31 March 2013, the Company has been served notice of five complaints by 1,141 plaintiffs filed in the Bangkok Southern Civil Court. The plaintiffs are seeking compensation of Baht 3,969 million from the Company alleging that it caused cadmium contamination in the Mae Sod district of the Tak province. The Company has filed answers to all the claims as ordered by the Court, the cases are pending for the court proceeding, but is confident that its strict environmental measures are in line with the regulations and requirements of the authorities. Management intends to defend the case vigorously. At this stage, the outcome of the proceedings is unknown and no contingent liability has been recorded.

On 26 October 2010, the Company received Letter from the Ministry of Industry ordering it to perform, within 180 days, an additional Environmental and Health Impact Assessment ("EHIA") in compliance with instructions from the Ministry of Natural Resources and Environment. Failure to do so would cause the revocation of the latest mining concession.

The Company objects to the legality of that order and lodged a Complaint by the Central Administrative Court in January 2011 as a case is pending for the court consideration as at 31 March 2013.