

PADAENG INDUSTRY PUBLIC COMPANY LIMITED

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

30 JUNE 2007

AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

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

I have reviewed the accompanying consolidated and company balance sheets of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited as at 30 June 2007 and the related consolidated and company statements of income for the three-month and six-month periods ended 30 June 2007 and 2006 and the related consolidated and company statements of changes in shareholders' equity, and cash flows for the six month period ended 30 June 2007 and 2006. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to issue a report on these financial statements based on my reviews.

I conducted my reviews in accordance with the standard on auditing applicable to review engagements. This standard requires that I plan and perform a review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit, and accordingly, I do not express an audit opinion.

Based on my reviews, nothing has come to my attention that causes me to believe that the interim financial statements referred to above are not presented fairly, in all material respects, in accordance with generally accepted accounting principles.

I have audited the consolidated and company financial statements for the year ended 31 December 2006 of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited in accordance with generally accepted auditing standards and expressed an unqualified opinion on those statements in my report dated 16 February 2007. The consolidated and company balance sheets as at 31 December 2006, presented for comparative purposes, are part of the financial statements as stated above, and I have not performed any other auditing procedures subsequent to the date of that report. As discussed in Note 1.1 to the financial statements, in 2006 the Company has changed its accounting policy for investments in subsidiaries in the company financial statements from equity method to cost method to comply with the Federation of Accounting Professions' announcement. The Company has applied retrospective adjustments. Therefore, the interim company financial statements, for the six-month period ended 30 June 2006, presented for comparative purposes, are restated

Without qualifying my opinion, I draw attention to Note 2 to the financial statements. The Company is in the process of completing the procedures needed to apply for the renewal of its principle mining lease that will expire in October 2007. The Mine Application files have been submitted and are presently being reviewed by the appropriate government departments. The Department of Primary Industry and Mining (DPIM) will submit for approval to the Cabinet a request for the use of land in the 1A watershed area before granting approval for the renewal of the mining licenses. The process of obtaining the license is lengthy and complex and may result in the risk that the licenses will not be approved as of their expiration date in October 2007 and may have a significant impact on the Company's continuing operations.

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

Bangkok
8 August 2007

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

	Notes	Consolidated		Company	
		(Unaudited) 30 June 2007 Baht	(Audited) 31 December 2006 Baht	(Unaudited) 30 June 2007 Baht	(Audited) 31 December 2006 Baht
Assets					
<u>Current assets</u>					
Cash and cash equivalents		847,708,163	754,250,926	787,119,709	590,160,663
Deposits (with LME brokers)		61,798,405	591,772,404	61,798,405	591,772,404
Trade accounts receivables-net					
- other parties		511,872,764	604,559,281	505,147,270	596,883,258
- related parties	16 (iv)	51,553,146	29,635,296	53,162,739	32,130,690
Short-term loans and advances to related parties-net	16 (v)	2,449,000	2,449,000	2,814,118	2,379,748
Inventories-net		3,097,711,634	3,225,595,978	3,100,050,340	3,225,595,978
Value Added Tax receivables		37,045,945	74,697,849	35,011,341	74,625,615
Other current assets		61,760,230	27,310,118	61,820,532	26,934,042
Total current assets		4,671,899,287	5,310,270,852	4,606,924,454	5,140,482,398
<u>Non-current assets</u>					
Investments in related companies-net	16(i)	15,536,072	17,157,754	253,535,797	248,100,772
Property, plant and equipment-net	14	2,041,032,871	2,095,342,498	2,043,102,864	2,098,510,769
Exploration and acquisition costs	3	365,427,129	312,000,629	118,609,409	104,998,853
Other non-current assets		3,932,538	6,057,527	3,854,037	6,002,527
Total non-current assets		2,425,928,610	2,430,558,408	2,419,102,107	2,457,612,921
Total assets		7,097,827,897	7,740,829,260	7,026,026,561	7,598,095,319

Director.....

Director.....

The notes to the consolidated and company financial statements on pages 11 to 24 are integral part of these financial statements.

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

	Notes	Consolidated		Company	
		(Unaudited) 30 June 2007 Baht	(Audited) 31 December 2006 Baht	(Unaudited) 30 June 2007 Baht	(Audited) 31 December 2006 Baht
Liabilities and shareholders' equity					
<u>Current liabilities</u>					
Loans from financial institutions	4	585,412,601	1,163,921,339	585,412,601	1,163,921,339
Trade accounts payables					
- other parties		922,296,200	432,259,820	921,091,083	431,457,345
- related parties	16 (iv)	19,245,509	11,432,928	19,351,696	11,589,374
Current portion of long-term loans	5	-	80,000,000	-	80,000,000
Current portion of hire purchase payables		-	1,919,873	-	1,919,873
Advances from related party	16 (vi)	59,727,335	224,000	-	-
Short-term loans from related parties	16 (vii)	-	-	180,000,000	50,000,000
Accrued interest expenses					
- other parties		2,255,528	4,582,679	2,255,528	4,582,679
- related parties	16 (vii)	-	-	297,740	167,808
Accrued electricity expenses		207,410,225	182,156,037	207,410,225	182,156,037
Royalty payable		150,516,182	293,435,347	150,516,182	293,435,347
Other current liabilities		604,181,557	448,192,811	595,291,610	439,232,312
Total current liabilities		2,551,045,137	2,618,124,834	2,661,626,665	2,658,462,114
<u>Non-current liabilities</u>					
Provisions for restoration expenses	6	10,725,655	10,948,433	10,725,655	10,948,433
Provision for employee termination/retirement benefits	7	88,090,454	76,029,550	87,135,150	76,029,550
Others non-current liabilities		6,090,182	14,705,731	6,090,182	14,705,731
Total non-current liabilities		104,906,291	101,683,714	103,950,987	101,683,714
Total liabilities		2,655,951,428	2,719,808,548	2,765,577,652	2,760,145,828
<u>Shareholders' equity</u>					
Share capital					
Authorized share capital					
226,000,000 ordinary shares of Baht 10 each		2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Issued and paid-up share capital					
226,000,000 ordinary shares					
of Baht 10 each, fully paid	8	2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Premium on share capital	8	602,413,600	602,413,600	602,413,600	602,413,600
Retained earnings					
Appropriated legal reserve	9	125,461,639	125,461,639	125,461,639	125,461,639
Unappropriated retained earnings		1,406,425,019	1,985,686,934	1,272,573,670	1,850,074,252
Total Company shareholders' equity		4,394,300,258	4,973,562,173	4,260,448,909	4,837,949,491
Minority interests		47,576,211	47,458,539	-	-
Total shareholders' equity		4,441,876,469	5,021,020,712	4,260,448,909	4,837,949,491
Total liabilities and shareholders' equity		7,097,827,897	7,740,829,260	7,026,026,561	7,598,095,319

The notes to the consolidated and company financial statements on pages 11 to 24 are integral part of these financial statements.

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

	Notes	Consolidated		Company	
		30 June 2007 Baht	30 June 2006 Baht	30 June 2007 Baht	Restated 30 June 2006 Baht
Revenues from sales and services		3,175,657,707	2,669,967,947	3,171,228,803	2,666,719,417
Cost of sales and services		(2,738,896,130)	(1,876,671,386)	(2,735,615,911)	(1,874,478,717)
Gross profit		436,761,577	793,296,561	435,612,892	792,240,700
Selling and administrative expenses		(108,256,491)	(171,058,419)	(106,661,932)	(169,761,383)
Royalty expenses		(64,826,709)	(91,206,992)	(64,826,709)	(91,206,992)
Profit from sales and services		263,678,377	531,031,150	264,124,251	531,272,325
Other revenues		10,507,677	3,568,255	10,575,132	4,065,789
Gain on exchange rate		12,856,352	23,463,247	12,965,030	23,443,788
Allowance for slow-moving and obsolete stocks - reversal		5,904,059	1,735,803	5,904,059	1,735,803
Directors' remuneration		(2,144,244)	(3,912,527)	(2,144,244)	(3,912,527)
Other expenses		(69,860)	(262,998)	(69,860)	(262,998)
Profit from operations		290,732,361	555,622,930	291,354,368	556,342,180
Share of loss of investment in jointly controlled entity on equity method		(799,347)	-	-	-
Profit before finance costs and income tax		289,933,014	555,622,930	291,354,368	556,342,180
Finance costs-net	11	860,084	287,932	(909,056)	(568,358)
Profit before income tax		290,793,098	555,910,862	290,445,312	555,773,822
Corporate Income Tax		(877,798)	(678,258)	-	-
Profit before allocation to minorities		289,915,300	555,232,604	290,445,312	555,773,822
(Profit) attributable to minorities		(300,246)	(50,957)	-	-
Net profit for the periods		289,615,054	555,181,647	290,445,312	555,773,822
Earnings per share	12				
Net profit for the periods		1.28	2.46	1.29	2.46

The notes to the consolidated and company financial statements on pages 11 to 24 are integral part of these financial statements.

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

	Notes	Consolidated		Company	
		30 June 2007 Baht	30 June 2006 Baht	30 June 2007 Baht	Restated 30 June 2006 Baht
Revenues from sales and services		6,599,553,707	4,802,647,466	6,591,047,090	4,795,683,854
Cost of sales and services		(5,622,008,429)	(3,371,562,735)	(5,616,215,795)	(3,367,594,559)
Gross profit		977,545,278	1,431,084,731	974,831,295	1,428,089,295
Selling and administrative expenses		(271,214,962)	(293,681,049)	(266,768,389)	(290,302,633)
Royalty expenses		(159,415,963)	(164,268,951)	(159,415,963)	(164,268,951)
Profit from sales and services		546,914,353	973,134,731	548,646,943	973,517,711
Other revenues		13,271,757	7,023,798	13,278,162	7,361,120
Gain on exchange rate		45,904,564	45,609,106	46,209,654	45,664,542
(Allowance) for slow-moving and obsolete stocks - reversal		6,342,828	(6,646,088)	6,342,828	(6,646,088)
Directors' remuneration		(6,641,244)	(4,182,527)	(6,641,244)	(4,182,527)
Other expenses		(105,157)	(290,683)	(105,157)	(290,683)
Profit from operations		605,687,101	1,014,648,337	607,731,186	1,015,424,075
Share of loss of investment in jointly controlled entity on equity method		(1,621,682)	-	-	-
Profit before finance costs and income tax		604,065,419	1,014,648,337	607,731,186	1,015,424,075
Finance costs-net	11	989,254	(2,546,561)	(2,572,820)	(3,887,021)
Profit before income tax		605,054,673	1,012,101,776	605,158,366	1,011,537,054
Corporate Income Tax		(1,539,968)	(896,314)	-	-
Profit before allocation to minorities		603,514,705	1,011,205,462	605,158,366	1,011,537,054
(Profit) attributable to minorities		(117,672)	(237,167)	-	-
Net profit for the periods		603,397,033	1,010,968,295	605,158,366	1,011,537,054
Earnings per share	12				
Net profit for the periods		2.67	4.47	2.68	4.48

The notes to the consolidated and company financial statements on pages 11 to 24 are integral part of these financial statements.

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

	Notes	Consolidated					
		Issued and paid up share capital Baht	Premium on share capital Baht	Retained earnings		Minority interest Baht	Total Baht
				Appropriated legal reserve Baht	Unappropriated Baht		
Beginning balance as at 1 January 2007		2,260,000,000	602,413,600	125,461,639	1,985,686,934	47,458,539	5,021,020,712
Actuarial loss recognised in equity	7	-	-	-	(7,458,948)	-	(7,458,948)
Net profit		-	-	-	603,397,033	117,672	603,514,705
Dividends paid	10	-	-	-	(1,175,200,000)	-	(1,175,200,000)
Ending balance as at 30 June 2007		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>125,461,639</u>	<u>1,406,425,019</u>	<u>47,576,211</u>	<u>4,441,876,469</u>

	Notes	Consolidated					
		Issued and paid up share capital Baht	Premium on share capital Baht	Retained earnings		Minority interest Baht	Total Baht
				Appropriated legal reserve Baht	Unappropriated Baht		
Beginning balance as at 1 January 2006		2,260,000,000	602,413,600	37,486,820	569,685,839	47,088,982	3,516,675,241
Net profit		-	-	-	1,010,968,295	237,167	1,011,205,462
Dividends paid		-	-	-	(248,600,000)	(408,775)	(249,008,775)
Ending balance as at 30 June 2006		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>37,486,820</u>	<u>1,332,054,134</u>	<u>46,917,374</u>	<u>4,278,871,928</u>

The notes to the consolidated and company financial statements on pages 11 to 24 are integral part of these financial statements.

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

	Notes	Company					
		Issued and paid up share capital Baht	Premium on share capital Baht	Retained earnings		Minority interest Baht	Total Baht
				Appropriated legal reserve Baht	Unappropriated Baht		
Beginning balance as at 1 January 2007		2,260,000,000	602,413,600	125,461,639	1,850,074,252	-	4,837,949,491
Actuarial loss recognised in equity	7	-	-	-	(7,458,948)	-	(7,458,948)
Net profit		-	-	-	605,158,366	-	605,158,366
Dividends paid	10	-	-	-	(1,175,200,000)	-	(1,175,200,000)
Ending balance as at 30 June 2007		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>125,461,639</u>	<u>1,272,573,670</u>	<u>-</u>	<u>4,260,448,909</u>

	Notes	Company					
		Issued and paid up share capital Baht	Premium on share capital Baht	Retained earnings		Minority interest Baht	Total Baht
				Appropriated legal reserve Baht	Unappropriated Baht		
Beginning balance as at 1 January 2006 (Restated)		2,260,000,000	602,413,600	37,486,820	439,901,886	-	3,339,802,306
Net profit after restatement		-	-	-	1,011,537,054	-	1,011,537,054
Dividends paid		-	-	-	(248,600,000)	-	(248,600,000)
Ending balance as at 30 June 2006 (Restated)		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>37,486,820</u>	<u>1,202,838,940</u>	<u>-</u>	<u>4,102,739,360</u>

The notes to the consolidated and company financial statements on pages 11 to 24 are integral part of these financial statements.

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

	Notes	Consolidated		Company	
		30 June 2007 Baht	30 June 2006 Baht	30 June 2007 Baht	Restated 30 June 2006 Baht
Cash flows from operating activities					
Net profit		603,397,033	1,010,968,295	605,158,366	1,011,537,054
<u>Items to reconcile net income to net cash:</u>					
Share of loss from jointly controlled entity		1,621,682	-	-	-
Allowance for doubtful debts - trade accounts receivable (reversal)					
- other parties		32,161	(64,421)	-	-
Allowance for slow-moving and obsolete stocks (reversal)		(6,342,828)	6,646,088	(6,342,828)	6,646,088
Allowance for advances to suppliers and unrecoverable interest		1,304,354	1,304,354	1,304,354	1,304,354
Provision for employee termination/retirement benefits	7	4,601,956	3,600,000	3,646,652	3,600,000
Provision for annual leave		300,000	300,000	300,000	300,000
Amortization of deferred gain on hire purchase		(765,559)	(765,559)	(765,559)	(765,559)
VAT written-off		-	126,256	-	-
Withholding tax written-off		-	108,104	-	-
Depreciation expenses	14	172,526,038	167,152,362	172,303,196	167,026,260
(Gain) loss on disposal of property, plant and equipment		1,197,548	(908,767)	1,318,543	(748,552)
Impairment expenses (reversal)	14	(1,049,780)	(2,808,471)	(1,049,780)	(2,808,471)
Property, plant and equipment written-off	14	4	2,822,285	4	2,822,285
Other assets write-down	3	6,196,050	3,000,000	6,196,050	3,000,000
Other assets amortization expenses		5,590,746	6,450,942	5,590,746	6,450,942
Restoration expense (use of)	6	(222,778)	(6,264,537)	(222,778)	(4,756,214)
Unrealized loss on foreign currency exchange		898,537	8,301,478	898,537	8,301,478
Minority interest in net profit of subsidiaries		117,672	237,167	-	-
Cash flows from operations before changes in operating assets and liabilities		789,402,836	1,200,205,576	788,335,503	1,201,909,665
<u>Operating assets (increase) decrease</u>					
Trade accounts receivables					
- other parties		92,114,367	(148,170,723)	91,195,999	(149,119,667)
- related parties		(21,917,850)	(6,039,839)	(21,032,049)	(5,151,754)
Advances to related parties	16(v)	-	-	(434,370)	-
Inventories		134,227,172	(636,906,819)	131,888,466	(637,204,237)
Value Added Tax receivables		37,651,904	33,659,107	39,614,274	30,671,825
Other current assets		(35,754,466)	(22,883,105)	(36,190,843)	(23,175,772)
Other non-current assets		2,124,989	-	2,148,489	-
<u>Operating liabilities increase (decrease)</u>					
Trade accounts payables					
- other parties		491,764,070	454,369,927	491,361,427	454,187,245
- related parties		7,812,581	(1,216,567)	7,762,322	(1,214,911)
Accrued interest expenses					
- other parties		(2,327,151)	2,995,062	(2,327,151)	2,995,062
- related parties	16(vii)	-	-	129,932	(166,438)
Advances from related party	16(vi)	59,503,335	(2,727,967)	-	-
Accrued electricity expenses		25,254,188	(8,747,984)	25,254,188	(8,747,984)
Royalty payable		(142,919,165)	(28,810,123)	(142,919,165)	(28,810,123)
Other current liabilities		148,606,955	(81,257,745)	148,677,508	(81,678,140)
Other non-current liabilities		(8,615,549)	(19,444)	(8,615,549)	(19,444)
Net cash provided by operating activities		1,576,928,216	754,449,356	1,514,848,981	754,475,327

The notes to the consolidated and company financial statements on pages 11 to 24 are integral part of these financial statements.

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

	Notes	Consolidated		Company	
		30 June 2007 Baht	30 June 2006 Baht	30 June 2007 Baht	Restated 30 June 2006 Baht
Cash flows from investing activities					
Cash invested in subsidiaries		-	-	(5,435,025)	(2,904,748)
Cash paid for purchase of property, plant and equipment	14	(119,668,251)	(130,646,457)	(118,346,631)	(130,633,562)
Cash received from sales of property, plant and equipment		1,304,068	1,900,385	1,182,573	1,739,170
Cash paid for exploration and acquisition costs	3	(65,213,296)	(17,594,413)	(25,397,352)	(17,594,413)
Net cash used in investing activities		(183,577,479)	(146,340,485)	(147,996,435)	(149,393,553)
Cash flows from financing activities					
Deposit (with LME brokers)		529,522,545	(223,199,571)	529,522,545	(223,199,571)
Increase (decrease) in loans from financial institution		(578,508,738)	1,377,848,811	(578,508,738)	1,377,848,811
Increase in short-term loans to related parties	16 (v)	-	(2,449,000)	-	-
Increase (decrease) in short-term loans from related parties	16 (vii)	-	-	130,000,000	(180,000,000)
Dividends payment		(1,168,987,410)	(246,192,383)	(1,168,987,410)	(246,192,383)
Payment on long-term borrowings	5	(80,000,000)	(250,000,000)	(80,000,000)	(250,000,000)
Account payable hire purchase payment		(1,919,873)	(1,363,781)	(1,919,873)	(1,363,781)
Net cash (used in)/from financing activities		(1,299,893,476)	654,644,076	(1,169,893,476)	477,093,076
Effects from changes in exchange rate for cash and cash equivalents		(24)	857	(24)	857
Net increase in cash and cash equivalents		93,457,237	1,262,753,804	196,959,046	1,082,175,707
Cash and cash equivalents at beginning of the periods		754,250,926	600,395,622	590,160,663	568,843,310
Cash and cash equivalents at end of the periods		847,708,163	1,863,149,426	787,119,709	1,651,019,017
Supplementary information for statements of cash flows					
Cash paid during the period:					
Interest paid		28,237,917	17,730,310	28,702,643	18,458,632
Tax paid		1,381,023	775,103	77,538	97,586

The notes to the consolidated and company financial statements on pages 11 to 24 are integral part of these financial statements.

1. Accounting policies

These interim consolidated and company financial statements are prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Profession Act B.E.2547 and the financial reporting requirements of the Securities and Exchange Commission. The primary financial statements (i.e. balance sheets, statements of income, changes in shareholders' equity and cash flows) are prepared in the full format as required by the Securities and Exchange Commission. The notes to the financial statements are prepared in a condensed format according to Thai Accounting Standard 41, "Interim Financial Reporting" and additional notes are presented as required by the Securities and Exchange Commission under the Securities and Exchange Act B.E.2535.

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

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2006.

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

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

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

These interim consolidated and company financial statements have been approved for issue by the Board of Directors on 8 August 2007.

Amendment to Accounting standards effective in 2007 and 2008

On 2 May 2007, the Federation of Accounting Professions ("FAP") has announced the amendment to Thai Accounting Standards ("TAS") as followings:

- TAS No. 25 "Cash flow statement"
- TAS No. 33 "Borrowing Costs"
- TAS No. 44 "Consolidated and Separate Financial Statements"
- TAS No. 45 "Investment in Associates "
- TAS No. 46 "Interests in Joint Ventures"
- TAS No. 49 "Construction Contracts"

The effective date for the revised TAS No. 44 "Consolidated and Separate Financial Statements", TAS No. 45 "Investment in Associates " and TAS No. 46 "Interests in Joint Ventures" is for the accounting periods beginning on or after 1 January 2007 as discussed in Note 1.1.

TAS No. 25 "Cash Flow Statement", TAS No. 33 "Borrowing Costs" and TAS No. 49 "Construction Contracts" will be effective for the accounting periods beginning on or after 1 January 2008. However, the management has determined that the revised standards will not significantly impact the financial statements being presented.

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
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1. Accounting policies (Cont'd)

1.1 Changes in Accounting policy and restatement

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

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

	30 June 2006
	six months
	Baht
	<hr/>
Statements of changes in shareholders' equity	
(Decrease) in beginning retained earnings	(131,333,207)
Statements of income	
(Decrease) in share of loss of investment in subsidiaries on equity method	2,319,722
Increase in basic earnings per share	0.01

2. Approval of mining licenses

The Company is in the process of completing the procedures needed to apply for the renewal of its principle mining lease that will expire in October 2007. The Mine Application files have been submitted and are presently being reviewed by the appropriate government departments. As at 30 June 2007, an Environmental Impact Assessment (EIA) report has already been amended and approved by the Expert Committee of the Office of Natural Resources and Environmental Policy and Planning (ONEP) . On 17 July 2007, National Environmental Board (NEB) approved the Environmental Impact Assessment (EIA) report submitted by the Company. Next, the Department of Primary Industry and Mining (DPIM) will submit for approval to the Cabinet a request for the use of land in the 1A watershed area before granting approval for the renewal of the mining licenses.

While the Company is striving to obtain the Mining Lease on time, the process of obtaining the license is lengthy and complex and may result in the risk that the licenses will not be approved as of their expiration date in October 2007. The Company has confirmed that sufficient raw materials can be purchased to ensure continued operation of its smelter facilities for the next 12 months from June 2007.

3. Exploration and acquisition costs

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

	Consolidated		Company	
	30 June	31 December	30 June	31 December
	2007	2006	2007	2006
	Baht	Baht	Baht	Baht
	<hr/>		<hr/>	
<u>Exploration costs</u>				
Opening balance for the period/year	235,458,074	217,223,984	45,442,808	28,121,289
Expenditure incurred during the period/year	65,213,296	30,940,249	25,397,352	30,027,678
Expenditure written-down during the period/year	(6,196,050)	(12,706,159)	(6,196,050)	(12,706,159)
	<hr/>		<hr/>	
Ending balance for the period/year (Note 3 (i))	294,475,320	235,458,074	64,644,110	45,442,808
	<hr/>		<hr/>	

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3. Exploration and acquisition costs (Cont'd)

Mining acquisition costs

Capitalized deferred cost				
Opening balance for the period/year	60,000,000	60,000,000	60,000,000	60,000,000
Accumulative depletion	(23,333,352)	(20,000,016)	(23,333,352)	(20,000,016)
Ending balance for the period/year	36,666,648	39,999,984	36,666,648	39,999,984
Special prospect license fee	16,986,510	16,986,510	-	-
Land use compensation	7,174,225	8,026,339	7,174,225	8,026,339
Other capitalized expenditure	10,124,426	11,529,722	10,124,426	11,529,722
Ending balance for the period/year	70,951,809	76,542,555	53,965,299	59,556,045
Total	365,427,129	312,000,629	118,609,409	104,998,853

i) Exploration costs

Exploration costs are mainly related to those incurred by the Company, Puthep Co., Ltd. and Padaeng Industry (Laos) Co., Ltd., its subsidiaries. At the date of these statements, exploration activities had not established whether economically recoverable resources existed in the area. In accordance with the Company's accounting policy for exploration, such costs will remain capitalized until final determination of whether economically recoverable resource exists.

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

PNA completed the expenditure requirements of the First Earning Period of the Participation Agreement (USD 1 million or Baht 42 million) in April 2003 and has complied with all other requirements under the Participation Agreement. Accordingly, in June 2005, PNA obtained, through a capital increase, a 20.66% ownership interest in Puthep Co., Ltd. PNA must spend a further USD 1 million to attain approximately a further 12.50% interest in Puthep Co., Ltd. (total 33.16%).

The capitalized exploration costs incurred by Puthep Co., Ltd. amount to Baht 245 million. On 1 November 2006, the land access permits for completion of Puthep's project feasibility study have been approved by the Royal Forestry Department (RFD), the permits have been provided to the Department of Primary Industry and Mine (DPIM) for acknowledgment and to obtain land access and conduct the complementary exploration and technical studies needed to confirm the feasibility of the project.

In October 2006, the Company signed an exploration agreement with the Department of Mines and Geology of Laos PDR covering 800 km² in the Kasi district of northern Vientiane Province. The exploration is conducted through Padaeng Industry (Laos) Co., Ltd., at the date of this closing a total amount of Baht 2.05 million has been capitalized on the consolidated balance sheet.

4. Loans from financial institutions

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

	<u>Consolidated</u>		<u>Company</u>	
	<u>30 June 2007</u>	<u>31 December 2006</u>	<u>30 June 2007</u>	<u>31 December 2006</u>
	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>
Trust Receipts	585,412,601	1,163,921,339	585,412,601	1,163,921,339

The Company has entered into short-term financing arrangements to fund its operations with various financial institutions. The interest rates, the Company is paying on the trust receipts are in the range of 4.15% - 4.47% (2006: 5.75% - 5.85%).

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5. Long-term loans

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

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

The movements in the borrowings can be analyzed as follows:

For the six-month period ended	Consolidated		Company	
	30 June 2007 Baht	30 June 2006 Baht	30 June 2007 Baht	30 June 2006 Baht
Opening amount	80,000,000	547,500,000	80,000,000	547,500,000
Repayment of loans	(80,000,000)	(250,000,000)	(80,000,000)	(250,000,000)
Closing amount	-	297,500,000	-	297,500,000

6. Provisions for restoration expenses

	Consolidated		Company	
	30 June 2007 Baht	31 December 2006 Baht	30 June 2007 Baht	31 December 2006 Baht
Balance at the beginning of the period/year	10,948,433	26,681,935	10,948,433	25,173,612
Additional provisions charged to the statement of income	16,142,192	18,661,522	16,142,192	18,661,522
Amounts utilised	(16,364,970)	(34,395,024)	(16,364,970)	(32,886,701)
Balance at the end of the period/year	10,725,655	10,948,433	10,725,655	10,948,433

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

7. Provision for employee termination/retirement benefits

	Consolidated		Company	
	30 June 2007 Baht	31 December 2006 Baht	30 June 2007 Baht	31 December 2006 Baht
Balance at the beginning of the period/year	76,029,550	60,804,526	76,029,550	60,804,526
Additional provisions charged to the statement of income	4,601,956	8,318,232	3,646,652	8,318,232
Amounts utilised	-	(5,842,400)	-	(5,842,400)
Actuarial loss recognised in equity	7,458,948	12,749,192	7,458,948	12,749,192
Balance at the end of the period/year	88,090,454	76,029,550	87,135,150	76,029,550

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

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8. Share capital and premium on share capital

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

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

9. Legal reserve

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

Under the Public Companies Act.,B.E. 2535, the company is required to set aside as a legal reserve at least 5% of its net profit after accumulated deficit brought forward (if any) until the reserve reaches 10% of the registered capital.

10. Dividend paid

At the Annual Ordinary General Meeting of Shareholders held on 23 April 2007, shareholders approved the annual dividend payment from net profit of the Company for the year ended 31 December 2006 of Baht 5.20 per share (2005: Baht 1.10 per share) totalling Baht 1,175 million (2005: totalling Baht 248.6 million). The dividend was paid on 22 May 2007.

11. Financial costs-net

Financial costs relate to the following:

	Consolidated		Company	
	30 June 2007 Baht	30 June 2006 Baht	30 June 2007 Baht	30 June 2006 Baht
For the three-month period ended				
Interest income	13,880,670	14,713,789	12,694,202	14,419,383
Interest expense	(13,020,586)	(14,425,857)	(13,603,258)	(14,987,741)
Total financial costs-net	860,084	287,932	(909,056)	(568,358)
For the six-month period ended				
Interest income	26,900,020	20,880,188	23,932,604	20,101,612
Interest expense	(25,910,766)	(23,426,749)	(26,505,424)	(23,988,633)
Total financial costs-net	989,254	(2,546,561)	(2,572,820)	(3,887,021)

12. Basic earnings per share

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

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

Padaeng Industry Public Company Limited
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13. Bank guarantees

As at 30 June 2007, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 578.06 million (31 December 2006: Baht 1,031.25 million).

14. Capital expenditures and commitments

Movement of property, plant and equipment

For the six-month period ended 30 June 2007

	Consolidated Baht	Company Baht
Opening net book amount	2,095,342,498	2,098,510,769
Acquisition of assets and capital in progress	119,668,251	118,346,631
Sale of assets	(2,501,616)	(2,501,116)
Assets written-off	(4)	(4)
Provision for asset impairment reversal	1,049,780	1,049,780
Depreciation	(172,526,038)	(172,303,196)
Closing net book amount	<u>2,041,032,871</u>	<u>2,043,102,864</u>

Commitments

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

	Consolidated		Company	
	30 June 2007 Baht	31 December 2006 Baht	30 June 2007 Baht	31 December 2006 Baht
Not later than 1 year	94,473,652	28,288,706	94,473,652	28,288,706
Later than 1 year	-	-	-	-
Total	<u>94,473,652</u>	<u>28,288,706</u>	<u>94,473,652</u>	<u>28,288,706</u>

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

	Consolidated		Company	
	30 June 2007 Baht	31 December 2006 Baht	30 June 2007 Baht	31 December 2006 Baht
Not later than 1 year	3,622,659,451	1,899,886,103	3,622,659,451	1,899,886,103
Later than 1 year	-	-	-	-
Total	<u>3,622,659,451</u>	<u>1,899,886,103</u>	<u>3,622,659,451</u>	<u>1,899,886,103</u>

15. Segment information

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

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
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16. Related party transactions

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

i) Investments in related parties - net

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

	Consolidated				Company			
	30 June 2007				31 December 2006			
	Equity	Paid up	%	Cost	Equity	Paid up	%	Cost
	capital	ownership			capital	ownership		
	Baht	Baht	investment	Baht	Baht	investment	Baht	
Subsidiaries and jointly controlled entity								
Padaeng Properties Co., Ltd.	-	80,000,000	100	80,000,000	-	80,000,000	100	80,000,000
Puthep Co., Ltd.	-	183,575,800	79.34	145,650,772	-	183,575,800	79.34	145,650,772
Padaeng Industry (Laos) Co., Ltd.	-	25,650,127	100	25,650,127	-	8,824,808	100	8,824,808
Padaeng International Mining Co., Ltd.	-	100,000	100	100,000	-	100,000	100	100,000
Sila Enterprise Co., Ltd.	-	9,000,000	55	4,950,000	-	9,000,000	55	4,950,000
Maesod Clean Energy Co.,Ltd.	15,536,072	50,000,000	35	17,500,000	17,157,754	50,000,000	35	17,500,000
Total	15,536,072			273,850,899	17,157,754			257,025,580
<u>Less : Diminution</u>								
Padaeng Industry (Laos) Co., Ltd.	-			(20,215,102)	-			(8,824,808)
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)
Investments in related companies - net	15,536,072			253,535,797	17,157,754			248,100,772

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

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
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16. Related party transactions (Cont'd)

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

Jointly controlled entity

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

Subsidiaries

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

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

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

On 5 January 2007, the Company paid USD 150,000 for the additional share capital of Padaeng Industry (Laos) Co., Ltd. in relation to the resolution on 9 August 2006 to increase the authorised share capital from USD 300,000 to USD 1,273,000 in order to meet the expenses foreseen in the frame of the new exploration (see Note 16 (i)).

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

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

ii) Sales of goods and services

For the six-month period ended	Consolidated		Company	
	30 June 2007 Baht	30 June 2006 Baht	30 June 2007 Baht	30 June 2006 Baht
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	568,777	-
Sila Enterprise Co., Ltd.	-	-	3,815,020	5,592,738
Umicore	111,102,030	(507,709)	111,102,030	(507,709)
Umicore Marketing Services (Thailand) Co., Ltd.	114,541,355	199,158,356	114,541,355	199,158,356
Umicore Marketing Services (Far East) Ltd.	51,582,738	-	51,582,738	-

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

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16. Related party transactions (Cont'd)

iii) Purchases of goods and services

For the six-month period ended	Consolidated		Company	
	30 June 2007 Baht	30 June 2006 Baht	30 June 2007 Baht	30 June 2006 Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	896,480	768,999
Padaeng Industry (Laos) Co., Ltd.	-	-	13,637,122	911,785
Umicore Marketing Services (Thailand) Co., Ltd.	31,262,834	28,996,449	31,262,834	28,996,449
Umicore Marketing Services (Far East) Ltd.	-	3,825,787	-	3,825,787
Umicore Australia Litimited	29,499,978	12,696,891	29,499,978	12,696,891

Purchases from related parties are based on industry market price.

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

	Consolidated		Company	
	30 June 2007 Baht	31 December 2006 Baht	30 June 2007 Baht	31 December 2006 Baht
Receivables from related parties:				
Sila Enterprise Co., Ltd.	-	-	1,609,593	2,495,394
Umicore	31,421,043	-	31,421,043	-
Umicore Malaysia Sdn Bhd Co., Ltd.	10,885,395	13,507,406	10,885,395	13,507,406
Umicore Marketing Services (Far East) Ltd.	-	3,472,611	-	3,472,611
Umicore Marketing Services (Thailand) Co.,Ltd.	9,246,708	12,655,279	9,246,708	12,655,279
Total	51,553,146	29,635,296	53,162,739	32,130,690

	Consolidated		Company	
	30 June 2007 Baht	31 December 2006 Baht	30 June 2007 Baht	31 December 2006 Baht
Payables to related parties:				
Padaeng Properties Co., Ltd.	-	-	106,187	156,446
Umicore	1,834,365	-	1,834,365	-
Umicore Australia Limited	6,749,954	5,543,615	6,749,954	5,543,615
Umicore Marketing Services (Far East) Ltd.	10,712	-	10,712	-
Umicore Marketing Services (Thailand) Co., Ltd.	10,650,478	5,889,313	10,650,478	5,889,313
Total	19,245,509	11,432,928	19,351,696	11,589,374

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
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16. Related party transactions (Cont'd)

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

	Consolidated		Company	
	30 June 2007 Baht	31 December 2006 Baht	30 June 2007 Baht	31 December 2006 Baht
Padaeng Industry (Laos) Co., Ltd.	-	-	871,072	11,849,975
Puthep Co., Ltd.	-	-	1,660,652	1,650,063
Padaeng International Mining Co., Ltd.	-	-	328,994	316,604
Minority Shareholder of Sila Enterprise Co., Ltd.	2,449,000	2,449,000	-	-
	<u>2,449,000</u>	<u>2,449,000</u>	<u>2,860,718</u>	<u>13,816,642</u>
<u>Less: Allowance for doubtful accounts</u>	-	-	(46,600)	(11,436,894)
Short-term loans and advances to related parties, net	<u>2,449,000</u>	<u>2,449,000</u>	<u>2,814,118</u>	<u>2,379,748</u>

The outstanding balance from Padaeng Industry (Laos) Co., Ltd. for a total of Baht 871,702 represents advances for exploration activities in Kasi district. For a reclassification of loans, advances and accrued interest to Padaeng Industry (Laos) Co., Ltd. to investment (See Note 16 (i)).

In May 2006, Sila Enterprise Co., Ltd. contracted a short-term loans in favour of one of its minority shareholder. The loan amounts to Baht 2.4 million and was granted on 22 May 2006 and will due on 30 September 2007, bearing an interest rate of 0.75% per annum. As at 30 June 2007, Sila Enterprise Co., Ltd. has the interest receivable in the amount of Baht 19,898 and all the interest will be paid on the principal repayment date.

vi) **Advance from related party**

	Consolidated		Company	
	30 June 2007 Baht	31 December 2006 Baht	30 June 2007 Baht	31 December 2006 Baht
<u>PNA (Puthep) Pty Limited of Australia</u>				
Beginning balance of the period/year	224,000	2,951,967	-	-
Advance increase (decrease) during the period/year	59,503,335	(2,727,967)	-	-
Ending Balance of the period/year	<u>59,727,335</u>	<u>224,000</u>	<u>-</u>	<u>-</u>

vii) **Short-term loans from related parties**

	Consolidated		Company	
	30 June 2007 Baht	31 December 2006 Baht	30 June 2007 Baht	31 December 2006 Baht
<u>South East Asia Metals Co., Ltd.</u>				
Beginning balance of the period/year	-	-	50,000,000	180,000,000
Loans increase (decrease) during the period/year	-	-	130,000,000	(130,000,000)
Ending balance of the period/year	<u>-</u>	<u>-</u>	<u>180,000,000</u>	<u>50,000,000</u>
Accrued interest expenses	-	-	297,740	167,808

Padaeng Industry Public Company Limited

Unaudited condensed notes to the interim consolidated and company financial statements

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

17.1 Significant assets and liabilities in foreign currencies

As at 30 June 2007:

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	6,107	210,205	6,107	210,205
Accounts receivables	15	4,150,681	142,877,660	4,150,681	142,877,660
Deposit (with LME brokers)	-	1,803,281	61,798,410	1,803,281	61,798,410
Unrealized forward exchange contract payables	30-90	9,565,770	330,179,201	9,565,770	330,179,201
Unrealized forward exchange contract receivables	30-120	23,070,350	796,062,071	23,070,350	796,062,071
Accounts payables	30-90	23,393,687	811,010,005	23,393,687	811,010,005
Realized forward exchange contract payable for zinc metal price	30	4,186,750	171,703,419	4,186,750	171,703,419
Realized forward exchange contract receivable for zinc metal price	30	4,186,750	144,736,709	4,186,750	144,736,709
	Term of payment (days)	Amount		Amount	
		EUR	Baht	EUR	Baht
Forward contract receivable (Buy)	30	53,012	2,468,010	53,012	2,468,010
	Term of payment (days)	Amount		Amount	
		AUD	Baht	AUD	Baht
Accounts payable	30	17,737	524,007	17,737	524,007

As at 31 December 2006:

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

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
for the interim period ended 30 June 2007

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

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

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

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

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

17.2 Risk Management and hedging instruments

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

During the year, the Company has entered into some transactional hedging operations with respect of certain specific customer contracts with committed future deliveries at a fixed priced. At the end of the period, a balance of 475 metric tons purchased on the London Metals Exchange at the average price of Baht 123,509 per metric ton is still outstanding. As at 30 June 2007, the change in fair value of these hedge contracts amounts to Baht 3.52 million unfavorable and is balanced by committed and priced future physical deliveries to customers.

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

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

As at 30 June 2007, a balance of 4,950 metric tons of unsettled metal forward sales and associated forward foreign exchange in US dollars remained at a contractual average price of Baht 67,218 per metric ton which will be settled through purchases from the London Metals Exchange through the rest of the current year. The total contract value of these unsettled metal forward contracts at 30 June 2007 is Baht 332.73 million.

Also at 30 June 2007, 4,950 metric tons of unpriced metal forwards purchases remained at a closing average price of Baht 115,978 per metric ton. The value of these unpriced forward contracts at period end are estimated at Baht 574.09 million. As at the end of the period, the change in fair value of these unrealised forward (purchase and sales) contracts is Baht 293.76 million unfavorable.

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

17.2 Risk Management and hedging instruments (Cont'd)

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

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

17.3 Fair values

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

17.4 Credit risk

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

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

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

17.5 Interest rate risk

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

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

17.6 Mining licenses risk

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

17.7 Exploration risk

In order to maintain a low-cost supply base for its smelter, the Company and some of its subsidiaries are performing exploration activities. These expenses are capitalised and eventually impaired as explained in Note 3 (i) of these financial statements. Following the simultaneous approval of several exploration licenses and in particular the Puthap project, the increased level of activity is likely to generate higher level of exploration costs capitalized than in the previous years increasing the impact of the impairments. Regular assessments by the management, once sufficient reliable data have been collected and compiled, should be lower both uncertainty and risk level related to the recoverability of these costs.

18. Events after balance sheet date

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

On 17 July 2007, National Environmental Board (NEB) approved the Environmental Impact Assessment (EIA) report submitted by the Company. Next, the Department of Primary Industry and Mining (DPIM) will submit for approval to the Cabinet a request for the use of land in the 1A watershed area before granting approval for the renewal of the mining licenses.

19. Reclassification

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