

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

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

I have reviewed the accompanying consolidated and company balance sheets of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited as at 30 September 2006 and the related consolidated and company statements of income for the three-month and nine-month periods ended 30 September 2006 and 2005 and the related consolidated and company statements of changes in shareholders' equity, and cash flows for the nine month period ended 30 September 2006 and 2005. 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 interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit, and accordingly, I do not express an audit opinion.

Based on my 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 2005 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 23 February 2006. The consolidated and company balance sheets as at 31 December 2005, presented for comparative purposes, are part of the financial statements which I have audited and issued a report thereon as stated above, and I have not performed any other auditing procedures subsequent to the date of that report.

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

Bangkok  
8 November 2006

**PADAENG INDUSTRY PUBLIC COMPANY LIMITED**

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

**30 SEPTEMBER 2006**

**Padaeng Industry Public Company Limited**  
**Balance Sheets**  
**As at 30 September 2006 and 31 December 2005**

|  | Notes   | Consolidated                                |  | Company                                     |  |
|--|---------|---|--|---|--|
|  |         | (Unaudited)<br>30 September<br>2006<br>Baht | (Audited)<br>31 December<br>2005<br>Baht | (Unaudited)<br>30 September<br>2006<br>Baht | (Audited)<br>31 December<br>2005<br>Baht |
| <b>Assets</b>  |         |   |  |   |  |
| <u>Current assets</u>                                |         |   |  |   |  |
| Cash and cash equivalents                            |         | 1,389,971,190                               | 600,395,622                              | 1,178,705,716                               | 568,843,310                              |
| Deposit (with LME brokers)                           |         | 282,975,258                                 | 121,314,837                              | 282,975,258                                 | 121,314,837                              |
| Trade accounts receivable-net                        |         |   |  |   |  |
| - other parties                                      |         | 415,206,966                                 | 241,744,163                              | 408,255,064                                 | 235,211,850                              |
| - related parties                                    | 13 (iv) | 30,376,775                                  | 51,345,585                               | 31,952,702                                  | 54,143,601                               |
| Short-term loans and advances to related parties-net | 13 (v)  | 2,449,000                                   | -  | 1,898,263                                   | 1,848,263                                |
| Inventories-net                                      |         | 2,589,921,516                               | 1,528,612,615                            | 2,589,921,516                               | 1,528,612,615                            |
| Value Added Tax receivable                           |         | 110,612,151                                 | 49,265,663                               | 110,545,728                                 | 46,152,125                               |
| Other current assets                                 |         | 30,505,249                                  | 18,373,230                               | 30,351,347                                  | 17,860,532                               |
| <b>Total current assets</b>                          |         | <b>4,852,018,105</b>                        | <b>2,611,051,715</b>                     | <b>4,634,605,594</b>                        | <b>2,573,987,133</b>                     |
| <u>Non-current assets</u>                            |         |   |  |   |  |
| Investment in subsidiaries-net                       | 13 (i)  | -   | -  | 364,480,281                                 | 361,933,979                              |
| Property, plant and equipment-net                    | 11      | 2,169,956,593                               | 2,248,200,005                            | 2,173,179,711                               | 2,251,245,733                            |
| Exploration and acquisition costs                    | 2       | 316,923,622                                 | 306,219,748                              | 110,834,417                                 | 100,130,543                              |
| Other non-current assets                             |         | 6,057,527                                   | 6,057,527                                | 6,002,527                                   | 6,002,527                                |
| <b>Total non-current assets</b>                      |         | <b>2,492,937,742</b>                        | <b>2,560,477,280</b>                     | <b>2,654,496,936</b>                        | <b>2,719,312,782</b>                     |
| <b>Total assets</b>                                  |         | <b>7,344,955,847</b>                        | <b>5,171,528,995</b>                     | <b>7,289,102,530</b>                        | <b>5,293,299,915</b>                     |

Director.....

Director.....

The notes to the consolidated and company financial statements on pages 10 to 21 are integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Balance Sheets**  
**As at 30 September 2006 and 31 December 2005**

|  | Notes    | Consolidated                                |  | Company                                     |  |
|--|----------|---|--|---|--|
|  |          | (Unaudited)<br>30 September<br>2006<br>Baht | (Audited)<br>31 December<br>2005<br>Baht | (Unaudited)<br>30 September<br>2006<br>Baht | (Audited)<br>31 December<br>2005<br>Baht |
| <b>Liabilities and shareholders' equity</b>            |          |   |  |   |  |
| <u>Current liabilities</u>                             |          |   |  |   |  |
| Loans from financial institutions                      | 3        | 900,666,748                                 | 175,719,606                              | 900,666,748                                 | 175,719,606                              |
| Trade accounts payable                                 |          |   |  |   |  |
| - other parties  |          | 1,116,899,118                               | 223,154,352                              | 1,116,107,978                               | 222,610,236                              |
| - related parties                                      | 13 (iv)  | 4,526,559                                   | 5,964,825                                | 4,609,451                                   | 6,028,377                                |
| Current portion of long-term loans                     | 3        | 117,500,000                                 | 467,500,000                              | 117,500,000                                 | 467,500,000                              |
| Current portion of hire purchase payable               |          | 1,919,873                                   | 1,919,873                                | 1,919,873                                   | 1,919,873                                |
| Advance from related party                             | 13 (vi)  | 224,000                                     | 2,951,967                                | -   | -  |
| Short-term loans from related parties                  | 13 (vii) | -   | -  | -   | 180,000,000                              |
| Accrued interest expenses                              |          |   |  |   |  |
| - other parties  |          | 5,187,691                                   | 1,187,096                                | 5,187,691                                   | 1,187,096                                |
| - related parties                                      | 13 (vii) | -   | -  | -   | 166,438                                  |
| Accrued electricity expenses                           |          | 159,235,605                                 | 160,437,037                              | 159,235,605                                 | 160,437,037                              |
| Royalty payable  |          | 208,776,394                                 | 177,847,780                              | 208,776,394                                 | 177,847,780                              |
| Other current liabilities                              |          | 219,226,595                                 | 252,014,186                              | 211,338,877                                 | 244,099,250                              |
| <b>Total current liabilities</b>                       |          | <b>2,734,162,583</b>                        | <b>1,468,696,722</b>                     | <b>2,725,342,617</b>                        | <b>1,637,515,693</b>                     |
| <u>Non-current liabilities</u>                         |          |   |  |   |  |
| Long-term loans  | 3        | -   | 80,000,000                               | -   | 80,000,000                               |
| Provisions for restoration expense                     | 4        | 37,975,763                                  | 42,257,061                               | 37,975,763                                  | 40,748,738                               |
| Provision for employee termination/retirement benefits |          | 60,753,326                                  | 60,804,526                               | 60,753,326                                  | 60,804,526                               |
| Others non-current liabilities                         |          | 858,384                                     | 3,095,445                                | 858,384                                     | 3,095,445                                |
| <b>Total non-current liabilities</b>                   |          | <b>99,587,473</b>                           | <b>186,157,032</b>                       | <b>99,587,473</b>                           | <b>184,648,709</b>                       |
| <b>Total liabilities</b>                               |          | <b>2,833,750,056</b>                        | <b>1,654,853,754</b>                     | <b>2,824,930,090</b>                        | <b>1,822,164,402</b>                     |
| <u>Shareholders' equity</u>                            |          |   |  |   |  |
| Share capital  |          |   |  |   |  |
| Authorized share capital                               |          |   |  |   |  |
| 226,000,000 ordinary shares of Baht 10 each            |          | 2,260,000,000                               | 2,260,000,000                            | 2,260,000,000                               | 2,260,000,000                            |
| Issued and paid-up share capital                       |          |   |  |   |  |
| 226,000,000 ordinary shares                            |          |   |  |   |  |
| of Baht 10 each, fully paid                            | 5        | 2,260,000,000                               | 2,260,000,000                            | 2,260,000,000                               | 2,260,000,000                            |
| Premium on share capital                               | 5        | 602,413,600                                 | 602,413,600                              | 602,413,600                                 | 602,413,600                              |
| Retained earnings                                      |          |   |  |   |  |
| Appropriated-legal reserve                             | 6        | 37,486,820                                  | 37,486,820                               | 37,486,820                                  | 37,486,820                               |
| Unappropriated retained earnings                       |          | 1,564,346,143                               | 569,685,839                              | 1,564,272,020                               | 571,235,093                              |
| <b>Total Company shareholders' equity</b>              |          | <b>4,464,246,563</b>                        | <b>3,469,586,259</b>                     | <b>4,464,172,440</b>                        | <b>3,471,135,513</b>                     |
| Minority interest                                      |          | 46,959,228                                  | 47,088,982                               | -   | -  |
| <b>Total shareholders' equity</b>                      |          | <b>4,511,205,791</b>                        | <b>3,516,675,241</b>                     | <b>4,464,172,440</b>                        | <b>3,471,135,513</b>                     |
| <b>Total liabilities and shareholders' equity</b>      |          | <b>7,344,955,847</b>                        | <b>5,171,528,995</b>                     | <b>7,289,102,530</b>                        | <b>5,293,299,915</b>                     |

The notes to the consolidated and company financial statements on pages 10 to 21 are integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of income (Unaudited)**  
**For the three-month periods ended 30 September 2006 and 2005**

|   | Notes | Consolidated                 |                              | Company                      |                              |
|---|-------|------------------------------|------------------------------|------------------------------|------------------------------|
|   |       | 30 September<br>2006<br>Baht | 30 September<br>2005<br>Baht | 30 September<br>2006<br>Baht | 30 September<br>2005<br>Baht |
| Revenues from sales and services                  |       | 2,523,710,278                | 1,394,338,179                | 2,520,474,956                | 1,402,027,760                |
| Cost of sales and services                        |       | (2,091,231,565)              | (1,147,150,478)              | (2,089,221,956)              | (1,146,064,059)              |
| <b>Gross profit</b>                               |       | <b>432,478,713</b>           | <b>247,187,701</b>           | <b>431,253,000</b>           | <b>255,963,701</b>           |
| Selling and administrative expenses               |       | (119,709,283)                | (96,528,352)                 | (119,454,590)                | (115,643,234)                |
| Royalty expenses                                  |       | (83,436,034)                 | (45,414,452)                 | (83,436,034)                 | (45,414,452)                 |
| <b>Profit from sales and services</b>             |       | <b>229,333,396</b>           | <b>105,244,897</b>           | <b>228,362,376</b>           | <b>94,906,015</b>            |
| Other revenues                                    |       | 4,139,301                    | 5,337,479                    | 4,139,298                    | 5,279,887                    |
| Gain (loss) on exchange rate                      |       | (411,609)                    | 4,869,484                    | (343,994)                    | 4,945,623                    |
| Reversal of impairment expenses                   |       | -                            | 30,742                       | -                            | 30,742                       |
| Reversal of provision for inventories             |       | 5,778,119                    | 4,397,821                    | 5,778,119                    | 4,397,821                    |
| Directors' remuneration                           |       | (2,300,000)                  | (220,000)                    | (2,300,000)                  | (220,000)                    |
| Early retirement                                  |       | -                            | (5,197,500)                  | -                            | (5,197,500)                  |
| Other expenses                                    |       | (251,526)                    | (102,182)                    | (251,526)                    | (102,182)                    |
| <b>Profit from operations</b>                     |       | <b>236,287,681</b>           | <b>114,360,741</b>           | <b>235,384,273</b>           | <b>104,040,406</b>           |
| Share of gain from subsidiaries on equity method  |       | -                            | -                            | 1,961,275                    | 364,850                      |
| <b>Profit before finance costs and income tax</b> |       | <b>236,287,681</b>           | <b>114,360,741</b>           | <b>237,345,548</b>           | <b>104,405,256</b>           |
| Finance costs-net                                 | 8     | (3,431,501)                  | (5,168,835)                  | (4,925,953)                  | (5,098,508)                  |
| <b>Profit before Income Tax</b>                   |       | <b>232,856,180</b>           | <b>109,191,906</b>           | <b>232,419,595</b>           | <b>99,306,748</b>            |
| Corporate Income Tax                              |       | (522,317)                    | (155,466)                    | -                            | -                            |
| <b>Profit before allocation to minorities</b>     |       | <b>232,333,863</b>           | <b>109,036,440</b>           | <b>232,419,595</b>           | <b>99,306,748</b>            |
| Profit attributable to minorities                 |       | (41,854)                     | (112,123)                    | -                            | -                            |
| <b>Net profit for the period</b>                  |       | <b>232,292,009</b>           | <b>108,924,317</b>           | <b>232,419,595</b>           | <b>99,306,748</b>            |
| <b>Earnings per share</b>                         |       |                              |                              |                              |                              |
| Net profit for the period                         | 9     | 1.03                         | 0.48                         | 1.03                         | 0.44                         |

The notes to the consolidated and company financial statements on pages 10 to 21 are integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of income (Unaudited)**  
**For the nine-month periods ended 30 September 2006 and 2005**

|   | Notes | Consolidated                 |                              | Company                      |                              |
|---|-------|------------------------------|------------------------------|------------------------------|------------------------------|
|   |       | 30 September<br>2006<br>Baht | 30 September<br>2005<br>Baht | 30 September<br>2006<br>Baht | 30 September<br>2005<br>Baht |
| Revenues from sales and services                  |       | 7,326,357,744                | 4,516,086,670                | 7,316,158,810                | 4,506,843,906                |
| Cost of sales and services                        |       | (5,461,094,300)              | (3,519,317,675)              | (5,455,116,515)              | (3,510,814,319)              |
| <b>Gross profit</b>                               |       | <b>1,865,263,444</b>         | <b>996,768,995</b>           | <b>1,861,042,295</b>         | <b>996,029,587</b>           |
| Selling and administrative expenses               |       | (413,390,332)                | (347,907,650)                | (409,757,223)                | (354,223,748)                |
| Royalty expenses                                  |       | (247,704,985)                | (155,422,091)                | (247,704,985)                | (155,422,091)                |
| <b>Profit from sales and services</b>             |       | <b>1,204,168,127</b>         | <b>493,439,254</b>           | <b>1,203,580,087</b>         | <b>486,383,748</b>           |
| Other revenues                                    |       | 11,163,099                   | 13,222,370                   | 11,000,804                   | 7,693,922                    |
| Gain (loss) on exchange rate                      |       | 45,197,497                   | (643,252)                    | 45,320,548                   | (692,798)                    |
| Impairment expenses                               |       | -                            | (230,794)                    | -                            | (230,794)                    |
| Provision for inventories                         |       | (2,567,969)                  | (38,381,475)                 | (2,567,969)                  | (38,381,475)                 |
| Directors' remuneration                           |       | (6,482,527)                  | (3,002,063)                  | (6,482,527)                  | (3,002,063)                  |
| Early retirement                                  |       | -                            | (5,197,500)                  | -                            | (5,197,500)                  |
| Other expenses                                    |       | (542,209)                    | (354,160)                    | (542,209)                    | (354,160)                    |
| <b>Profit from operations</b>                     |       | <b>1,250,936,018</b>         | <b>458,852,380</b>           | <b>1,250,308,734</b>         | <b>446,218,880</b>           |
| Share of gain from subsidiaries on equity method  |       | -                            | -                            | 141,167                      | 2,584,498                    |
| <b>Profit before finance costs and income tax</b> |       | <b>1,250,936,018</b>         | <b>458,852,380</b>           | <b>1,250,449,901</b>         | <b>448,803,378</b>           |
| Finance costs-net                                 | 8     | (5,978,062)                  | (15,147,517)                 | (8,812,974)                  | (15,279,363)                 |
| <b>Profit before Income Tax</b>                   |       | <b>1,244,957,956</b>         | <b>443,704,863</b>           | <b>1,241,636,927</b>         | <b>433,524,015</b>           |
| Corporate Income Tax                              |       | (1,418,631)                  | (1,157,647)                  | -                            | -                            |
| <b>Profit before allocation to minorities</b>     |       | <b>1,243,539,325</b>         | <b>442,547,216</b>           | <b>1,241,636,927</b>         | <b>433,524,015</b>           |
| Profit attributable to minorities                 |       | (279,021)                    | (666,533)                    | -                            | -                            |
| <b>Net profit for the period</b>                  |       | <b>1,243,260,304</b>         | <b>441,880,683</b>           | <b>1,241,636,927</b>         | <b>433,524,015</b>           |
| <b>Earnings per share</b>                         |       |                              |                              |                              |                              |
| Net profit for the period                         | 9     | 5.50                         | 1.96                         | 5.49                         | 1.92                         |

The notes to the consolidated and company financial statements on pages 10 to 21 are integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of changes in shareholders' equity (Unaudited)**  
**For the nine-month periods ended 30 September 2006 and 2005**

|   | Note | Consolidated                                   |                                     |                                       |                        |                              | Total<br>Baht        |
|---|------|--|-------------------------------------|---------------------------------------|------------------------|------------------------------|----------------------|
|   |      | Issued and<br>paid up<br>share capital<br>Baht | Premium<br>on share capital<br>Baht | Retained earnings                     |                        | Minority<br>interest<br>Baht |                      |
|   |      |  |                                     | Appropriated<br>legal reserve<br>Baht | Unappropriated<br>Baht |                              |                      |
| <b>Beginning balance as at 1 January 2006</b> |      | 2,260,000,000                                  | 602,413,600                         | 37,486,820                            | 569,685,839            | 47,088,982                   | 3,516,675,241        |
| Net profit                                    |      | -  | -                                   | -                                     | 1,243,260,304          | 279,021                      | 1,243,539,325        |
| Dividends paid                                | 7    | -  | -                                   | -                                     | (248,600,000)          | (408,775)                    | (249,008,775)        |
| <b>Ending balance as at 30 September 2006</b> |      | <u>2,260,000,000</u>                           | <u>602,413,600</u>                  | <u>37,486,820</u>                     | <u>1,564,346,143</u>   | <u>46,959,228</u>            | <u>4,511,205,791</u> |

|   | Note | Consolidated                                   |                                     |                                       |                        |                              | Total<br>Baht        |
|---|------|--|-------------------------------------|---------------------------------------|------------------------|------------------------------|----------------------|
|   |      | Issued and<br>paid up<br>share capital<br>Baht | Premium<br>on share capital<br>Baht | Retained earnings                     |                        | Minority<br>interest<br>Baht |                      |
|   |      |  |                                     | Appropriated<br>legal reserve<br>Baht | Unappropriated<br>Baht |                              |                      |
| <b>Beginning balance as at 1 January 2005</b> |      | 2,260,000,000                                  | 602,413,600                         | 9,791,560                             | 177,051,291            | 3,842,742                    | 3,053,099,193        |
| Net profit                                    |      | -  | -                                   | -                                     | 441,880,683            | 666,533                      | 442,547,216          |
| Increase in share capital                     |      | -  | -                                   | -                                     | -                      | 42,171,715                   | 42,171,715           |
| Dividends paid                                |      | -  | -                                   | -                                     | (90,400,000)           | -                            | (90,400,000)         |
| <b>Ending balance as at 30 September 2005</b> |      | <u>2,260,000,000</u>                           | <u>602,413,600</u>                  | <u>9,791,560</u>                      | <u>528,531,974</u>     | <u>46,680,990</u>            | <u>3,447,418,124</u> |

The notes to the consolidated and company financial statements on pages 10 to 21 are integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of changes in shareholders' equity (Unaudited)**  
**For the nine-month periods ended 30 September 2006 and 2005**

|   | <b>Company</b> |   |                                     |                                       |                       |                              |                      |
|---|----------------|---|-------------------------------------|---------------------------------------|-----------------------|------------------------------|----------------------|
|   | <b>Note</b>    | <b>Issued and<br/>paid up<br/>share capital</b> | <b>Premium<br/>on share capital</b> | <b>Retained earnings</b>              |                       | <b>Minority<br/>interest</b> | <b>Total</b>         |
|   |                | <b>Baht</b>                                     | <b>Baht</b>                         | <b>Appropriated<br/>legal reserve</b> | <b>Unappropriated</b> | <b>Baht</b>                  | <b>Baht</b>          |
| <b>Beginning balance as at 1 January 2006</b> |                | 2,260,000,000                                   | 602,413,600                         | 37,486,820                            | 571,235,093           | -                            | 3,471,135,513        |
| Net profit                                    |                | -   | -                                   | -                                     | 1,241,636,927         | -                            | 1,241,636,927        |
| Dividends paid                                | 7              | -   | -                                   | -                                     | (248,600,000)         | -                            | (248,600,000)        |
| <b>Ending balance as at 30 September 2006</b> |                | <u>2,260,000,000</u>                            | <u>602,413,600</u>                  | <u>37,486,820</u>                     | <u>1,564,272,020</u>  | <u>-</u>                     | <u>4,464,172,440</u> |

|   | <b>Company</b> |   |                                     |                                       |                       |                              |                      |
|---|----------------|---|-------------------------------------|---------------------------------------|-----------------------|------------------------------|----------------------|
|   | <b>Note</b>    | <b>Issued and<br/>paid up<br/>share capital</b> | <b>Premium<br/>on share capital</b> | <b>Retained earnings</b>              |                       | <b>Minority<br/>interest</b> | <b>Total</b>         |
|   |                | <b>Baht</b>                                     | <b>Baht</b>                         | <b>Appropriated<br/>legal reserve</b> | <b>Unappropriated</b> | <b>Baht</b>                  | <b>Baht</b>          |
| <b>Beginning balance as at 1 January 2005</b> |                | 2,260,000,000                                   | 602,413,600                         | 9,791,560                             | 186,039,629           | -                            | 3,058,244,789        |
| Net profit                                    |                | -   | -                                   | -                                     | 433,524,015           | -                            | 433,524,015          |
| Dividends paid                                |                | -   | -                                   | -                                     | (90,400,000)          | -                            | (90,400,000)         |
| <b>Ending balance as at 30 September 2005</b> |                | <u>2,260,000,000</u>                            | <u>602,413,600</u>                  | <u>9,791,560</u>                      | <u>529,163,644</u>    | <u>-</u>                     | <u>3,401,368,804</u> |

The notes to the consolidated and company financial statements on pages 10 to 21 are integral part of these financial statements.



**Padaeng Industry Public Company Limited**  
**Statements of cash flows (Unaudited)**  
**For the nine-month periods ended 30 September 2006 and 2005**

|  | Notes    | Consolidated                 |                              | Company                      |                              |
|--|----------|------------------------------|------------------------------|------------------------------|------------------------------|
|  |          | 30 September<br>2006<br>Baht | 30 September<br>2005<br>Baht | 30 September<br>2006<br>Baht | 30 September<br>2005<br>Baht |
| <b>Cash flows from operating activities</b>  |          |                              |                              |                              |                              |
| Net profit   |          | 1,243,260,304                | 441,880,683                  | 1,241,636,927                | 433,524,015                  |
| <u>Items to reconcile net income to net cash:</u>                                    |          |                              |                              |                              |                              |
| Share of gain from subsidiaries  |          | -                            | -                            | (141,167)                    | (2,584,498)                  |
| Allowance for doubtful debts - trade accounts receivable (reversal)                  |          |                              |                              |                              |                              |
| - other parties  |          | (1,081,335)                  | (1,285,285)                  | -                            | 11,274,396                   |
| Allowance for shortage, slow-moving and obsolete stocks                              |          | 2,567,969                    | 38,381,475                   | 2,567,969                    | 38,381,475                   |
| Allowance for unrecoverable deferred interest and advances to supplier               |          | 2,472,807                    | 3,901,393                    | 1,967,341                    | 3,901,393                    |
| Provision for annual leave   |          | 450,000                      | 450,000                      | 450,000                      | 450,000                      |
| Amortization of deferred gain on hire purchase                                       |          | (1,148,339)                  | (1,148,339)                  | (1,148,339)                  | (1,148,339)                  |
| Value Added Tax written-off  |          | 126,256                      | -                            | -                            | -                            |
| Withholding tax written-off  |          | 108,104                      | -                            | -                            | -                            |
| Depreciation expenses  | 11       | 251,779,049                  | 251,655,103                  | 251,589,764                  | 251,468,734                  |
| Gain on disposal of property, plant and equipment                                    |          | (2,667,256)                  | (1,752,601)                  | (2,507,041)                  | (1,752,601)                  |
| Impairment expenses (reversal)   | 11       | (2,808,471)                  | 230,794                      | (2,808,471)                  | 230,794                      |
| Property, plant and equipment written-off  | 11       | 2,825,812                    | 236,048                      | 2,825,812                    | 236,048                      |
| Other assets write-down  |          | 4,500,000                    | 10,713,471                   | 4,500,000                    | 10,713,471                   |
| Other assets amortization expenses   |          | 9,713,803                    | 9,676,413                    | 9,713,803                    | 9,676,413                    |
| Restoration expense  | 4        | 10,244,807                   | 11,958,390                   | 10,244,807                   | 11,958,390                   |
| Unrealized gain on foreign currency exchange   |          | (4,156,242)                  | (318,045)                    | (4,156,242)                  | (318,045)                    |
| Minority interest in net profit of subsidiaries                                      |          | 279,021                      | 666,533                      | -                            | -                            |
| <b>Cash flows from operations before changes in operating assets and liabilities</b> |          | <b>1,516,466,289</b>         | <b>765,246,033</b>           | <b>1,514,735,163</b>         | <b>766,011,646</b>           |
| <u>Operating assets (increase) decrease</u>  |          |                              |                              |                              |                              |
| Trade accounts receivable  |          |                              |                              |                              |                              |
| - other parties  |          | (172,294,495)                | 49,940,607                   | (173,025,235)                | 47,706,436                   |
| - related parties  |          | 20,899,816                   | 6,437,549                    | 22,190,899                   | 6,071,877                    |
| Short-term loans to related parties  |          | -                            | -                            | (50,000)                     | (2,377,332)                  |
| Inventories  |          | (1,063,876,870)              | 36,572,761                   | (1,063,876,870)              | 36,515,029                   |
| Value Added Tax receivable   |          | (61,472,744)                 | 35,450,013                   | (64,393,603)                 | 38,570,617                   |
| Other receivables  |          |                              |                              |                              |                              |
| - other parties  |          | -                            | 20,282,288                   | -                            | 20,490,094                   |
| Other current assets   |          | (14,712,930)                 | (16,371,989)                 | (14,458,156)                 | (16,145,441)                 |
| Other non-current assets   |          | -                            | 6,238,631                    | -                            | 6,238,631                    |
| <u>Operating liabilities increase (decrease)</u>                                     |          |                              |                              |                              |                              |
| Trade accounts payable   |          |                              |                              |                              |                              |
| - other parties  |          | 894,651,065                  | (265,825,684)                | 894,404,040                  | (266,319,207)                |
| - related parties  |          | (1,438,266)                  | 3,812,416                    | (1,418,926)                  | 4,054,238                    |
| Accrued interest expenses  |          |                              |                              |                              |                              |
| - other parties  |          | 4,000,595                    | (1,376,830)                  | 4,000,595                    | (1,534,638)                  |
| - related parties  | 13 (vii) | -                            | -                            | (166,438)                    | -                            |
| Advance from related party   | 13 (vi)  | (2,727,967)                  | -                            | -                            | -                            |
| Accrued electricity expenses   |          | (1,201,432)                  | (45,246,784)                 | (1,201,432)                  | (45,246,784)                 |
| Royalty payable  |          | 30,928,614                   | (856,951)                    | 30,928,614                   | (856,951)                    |
| Other current liabilities  |          | (38,558,319)                 | 34,664,954                   | (38,531,100)                 | 32,651,806                   |
| Provision for restoration expenses (use of)  | 4        | (14,526,105)                 | (6,598,270)                  | (13,017,782)                 | (6,598,270)                  |
| <b>Net cash provided by operating activities</b>                                     |          | <b>1,096,137,251</b>         | <b>622,368,744</b>           | <b>1,096,119,769</b>         | <b>619,231,751</b>           |

The notes to the consolidated and company financial statements on pages 10 to 21 are integral part of these financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of cash flows (Unaudited) (Cont'd)**  
**For the nine-month periods ended 30 September 2006 and 2005**

|  | Notes    | Consolidated                 |                              | Company                      |                              |
|--|----------|------------------------------|------------------------------|------------------------------|------------------------------|
|  |          | 30 September<br>2006<br>Baht | 30 September<br>2005<br>Baht | 30 September<br>2006<br>Baht | 30 September<br>2005<br>Baht |
| <b><u>Cash flows from investing activities</u></b>                     |          |                              |                              |                              |                              |
| Cash invested in subsidiaries  |          | -                            | -                            | (2,904,748)                  | -                            |
| Cash paid for land compensation  |          | -                            | (11,061,405)                 | -                            | (11,061,405)                 |
| Cash paid for purchase of property,<br>plant and equipment             | 11       | (175,309,284)                | (122,178,421)                | (175,296,389)                | (122,163,163)                |
| Cash received from dividends   |          | -                            | -                            | 499,613                      | -                            |
| Cash received from sales of<br>property, plant and equipment           |          | 4,423,562                    | 2,794,569                    | 4,262,347                    | 2,794,569                    |
| Cash paid for exploration and acquisition costs                        |          | (24,917,677)                 | (52,239,907)                 | (24,917,677)                 | (10,068,193)                 |
| <b>Net cash used in investing activities</b>                           |          | <b>(195,803,399)</b>         | <b>(182,685,164)</b>         | <b>(198,356,854)</b>         | <b>(140,498,192)</b>         |
| <b><u>Cash flows from financing activities</u></b>                     |          |                              |                              |                              |                              |
| Deposit (with LME brokers)   |          | (162,085,582)                | (387,301)                    | (162,085,582)                | (387,301)                    |
| Loans from financial institution increase (decrease)                   |          | 736,130,369                  | (135,819,241)                | 736,130,369                  | (135,819,241)                |
| Short-term loans to related parties increase                           | 13 (v)   | (2,449,000)                  | -                            | -                            | -                            |
| Short-term loans from related parties decrease                         | 13 (vii) | -                            | -                            | (180,000,000)                | (90,000,000)                 |
| Dividend payment   |          | (250,118,001)                | (90,235,493)                 | (249,709,226)                | (90,235,493)                 |
| Payment on long-term borrowings  | 3        | (430,000,000)                | (90,000,000)                 | (430,000,000)                | (90,000,000)                 |
| Account payable hire purchase payment                                  |          | (2,237,061)                  | (1,417,264)                  | (2,237,061)                  | (1,417,264)                  |
| Increase in share capital for minority interest                        |          | -                            | 42,171,715                   | -                            | -                            |
| <b>Net cash used in financing activities</b>                           |          | <b>(110,759,275)</b>         | <b>(275,687,584)</b>         | <b>(287,901,500)</b>         | <b>(407,859,299)</b>         |
| Effects from changes in exchange rate for cash and<br>cash equivalents |          | 991                          | (1,967)                      | 991                          | (1,967)                      |
| <b>Net increase in cash and cash equivalents</b>                       |          | <b>789,575,568</b>           | <b>163,994,029</b>           | <b>609,862,406</b>           | <b>70,872,293</b>            |
| Cash and cash equivalents at beginning of the period                   |          | 600,395,622                  | 441,677,104                  | 568,843,310                  | 325,879,711                  |
| <b>Cash and cash equivalents at end of the period</b>                  |          | <b>1,389,971,190</b>         | <b>605,671,133</b>           | <b>1,178,705,716</b>         | <b>396,752,004</b>           |
| <b>Supplementary information for statements of cash flows</b>          |          |                              |                              |                              |                              |
| <b>Cash paid during the period:</b>                                    |          |                              |                              |                              |                              |
| Interest paid  |          | 36,220,030                   | 16,995,905                   | 36,948,351                   | 17,597,383                   |
| Tax paid   |          | 942,943                      | 888,821                      | 233,709                      | 154,682                      |

The notes to the consolidated and company financial statements on pages 10 to 21 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 2005.

Costs that incur unevenly during the financial year 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 year.

Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year. 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 2005 annual financial statements.

These interim consolidated and company financial statements have been approved for issue by the Board of Directors on 8 November 2006.

## 2. Exploration and acquisition costs

Exploration and acquisition costs balance comprise:

|   | <u>Consolidated</u>                               |  | <u>Company</u>                                    |  |
|---|---|--|---|--|
|   | <u>30 September</u><br><u>2006</u><br><u>Baht</u> | <u>31 December</u><br><u>2005</u><br><u>Baht</u> | <u>30 September</u><br><u>2006</u><br><u>Baht</u> | <u>31 December</u><br><u>2005</u><br><u>Baht</u> |
| <u>Exploration costs</u>                        |   |  |   |  |
| Opening balance for the period/year             | 217,223,984                                       | 175,134,679                                      | 28,121,289  | 28,203,698                                       |
| Expenditure incurred during the period/year     | 24,409,177  | 54,302,775                                       | 24,409,177  | 12,131,061                                       |
| Expenditure written-down                        | (4,500,000)                                       | (12,213,470)                                     | (4,500,000)                                       | (12,213,470)                                     |
| Ending balance for the period/year (Note 2 (i)) | <u>237,133,161</u>                                | <u>217,223,984</u>                               | <u>48,030,466</u>                                 | <u>28,121,289</u>                                |
| <u>Mining acquisition costs</u>                 |   |  |   |  |
| Capitalized deferred cost                       |   |  |   |  |
| Opening balance for the period/year             | 60,000,000  | 60,000,000                                       | 60,000,000  | 60,000,000                                       |
| Accumulative depletion                          | (18,333,348)                                      | (13,333,344)                                     | (18,333,348)                                      | (13,333,344)                                     |
| Ending balance for the period/year              | <u>41,666,652</u>                                 | <u>46,666,656</u>                                | <u>41,666,652</u>                                 | <u>46,666,656</u>                                |
| Special prospect license fee                    | 16,986,510  | 16,986,510                                       | -   | -  |
| Land use compensation                           | 8,452,396   | 9,730,567  | 8,452,396   | 9,730,567  |
| Other capitalized expenditure                   | <u>12,684,903</u>                                 | <u>15,612,031</u>                                | <u>12,684,903</u>                                 | <u>15,612,031</u>                                |
| Ending balance for the period/year              | <u>79,790,461</u>                                 | <u>88,995,764</u>                                | <u>62,803,951</u>                                 | <u>72,009,254</u>                                |
| Total   | <u><u>316,923,622</u></u>                         | <u><u>306,219,748</u></u>                        | <u><u>110,834,417</u></u>                         | <u><u>100,130,543</u></u>                        |

### i) Exploration costs

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

Since 21 August 2000, the Company and Puthep Co., Ltd. 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 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%.

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. (Note 13 (i)). PNA must spend a further USD 1 million to attain approximately a further 15% interest in Puthep Co., Ltd.

The capitalized exploration costs incurred by Puthep Co., Ltd. amount to Baht 206 million. On 1 November 2006, the land access permits for completion Puthep's project feasibility study have been approved by the Royal Forestry Department (RFD); the permits will be provided to the Department of Primary Industry and Mine (DPIM) for acknowledgment and to gain land access and conduct the complementary exploration and technical studies needed to confirm the feasibility of the project.

**Unaudited condensed notes to the interim consolidated and company financial statements  
for the interim period ended 30 September 2006**

**3. Borrowings**

**Loans from financial institutions**

Loans from financial institutions as at 30 September 2006 and 31 December 2005 comprise:

|                | Consolidated                 |                             | Company                      |                             |
|----------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
|                | 30 September<br>2006<br>Baht | 31 December<br>2005<br>Baht | 30 September<br>2006<br>Baht | 31 December<br>2005<br>Baht |
| Trust Receipts | 900,666,748                  | 175,719,606                 | 900,666,748                  | 175,719,606                 |
| Bank Loans     | 117,500,000                  | 547,500,000                 | 117,500,000                  | 547,500,000                 |
| Total          | 1,018,166,748                | 723,219,606                 | 1,018,166,748                | 723,219,606                 |

The Company has entered into short-term financing arrangements to fund its operations with various financial institutions. The interest rates, the Company is paying on the trust receipts are in the range of 5.63% - 6.10% (2005: 5.22% - 5.25%).

**Long-term loans**

Long-term loans as at 30 September 2006 and 31 December 2005 comprise:

|                     | Consolidated                 |                             | Company                      |                             |
|---------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
|                     | 30 September<br>2006<br>Baht | 31 December<br>2005<br>Baht | 30 September<br>2006<br>Baht | 31 December<br>2005<br>Baht |
| Due within one year | 117,500,000                  | 467,500,000                 | 117,500,000                  | 467,500,000                 |
| More than one year  | -                            | 80,000,000                  | -                            | 80,000,000                  |
| Total               | 117,500,000                  | 547,500,000                 | 117,500,000                  | 547,500,000                 |

The movements in the long-term loans can be analyzed as follows:

|   | Consolidated  |              | Company       |              |
|---|---------------|--------------|---------------|--------------|
|   | 2006<br>Baht  | 2005<br>Baht | 2006<br>Baht  | 2005<br>Baht |
| <b>For the nine-month period ended 30 September</b> |               |              |               |              |
| Opening amount                                      | 547,500,000   | 650,000,000  | 547,500,000   | 650,000,000  |
| Repayment of loans                                  | (430,000,000) | (90,000,000) | (430,000,000) | (90,000,000) |
| Closing amount                                      | 117,500,000   | 560,000,000  | 117,500,000   | 560,000,000  |

As at 30 September 2006, the Company has 2 unsecured long-term loan agreements with two local banks. These facilities have been contracted at a market rate of interest which is in the range of 2.5% to 3%. These loans are repayable within 1 year.

**4. Provisions for restoration expense**

|   | Consolidated                 |                             | Company                      |                             |
|---|------------------------------|-----------------------------|------------------------------|-----------------------------|
|   | 30 September<br>2006<br>Baht | 31 December<br>2005<br>Baht | 30 September<br>2006<br>Baht | 31 December<br>2005<br>Baht |
| Balance at the beginning of the period/year                 | 42,257,061                   | 21,543,364                  | 40,748,738                   | 21,543,364                  |
| Additional provisions charged to<br>the statement of income | 10,244,807                   | 34,657,914                  | 10,244,807                   | 33,149,591                  |
| Amounts utilised  | (14,526,105)                 | (13,944,217)                | (13,017,782)                 | (13,944,217)                |
| Balance at the end of the period/year                       | 37,975,763                   | 42,257,061                  | 37,975,763                   | 40,748,738                  |

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 Mae Sod in accordance with government regulations.

### 5. Share capital and premium on share capital

| <b>For the nine-month period ended 30 September 2006</b> | <b>Number of<br/>shares</b> | <b>Ordinary<br/>shares<br/>Baht</b> | <b>Shares<br/>premium<br/>Baht</b> | <b>Total<br/>Baht</b> |
|--|-----------------------------|-------------------------------------|------------------------------------|-----------------------|
| <b>As at 31 December 2005</b>                            | 226,000,000                 | 2,260,000,000                       | 602,413,600                        | 2,862,413,600         |
| Movement during the period                               | -                           | -                                   | -                                  | -                     |
| <b>As at 30 September 2006</b>                           | 226,000,000                 | 2,260,000,000                       | 602,413,600                        | 2,862,413,600         |

As at 30 September 2006, the total authorized number of ordinary shares is 226,000,000 shares (31 December 2005: 226,000,000 shares) with a par value of Baht 10 per share (31 December 2005: Baht 10 per share). All issued shares are fully paid.

### 6. Legal reserve

|   | <b>Consolidated</b>                   |                                      | <b>Company</b>                        |                                      |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
|   | <b>30 September<br/>2006<br/>Baht</b> | <b>31 December<br/>2005<br/>Baht</b> | <b>30 September<br/>2006<br/>Baht</b> | <b>31 December<br/>2005<br/>Baht</b> |
| Balance at the beginning of the period/year | 37,486,820                            | 9,791,560                            | 37,486,820                            | 9,791,560                            |
| Appropriation during the period/year        | -                                     | 27,695,260                           | -                                     | 27,695,260                           |
| Balance at the end of the period/year       | 37,486,820                            | 37,486,820                           | 37,486,820                            | 37,486,820                           |

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.

### 7. Dividend

At the Annual Ordinary General Meeting of Shareholders held on 26 April 2006, shareholders approved the annual dividend payment from net profit of the Company for the year ended 31 December 2005 of Baht 1.10 per share totalling Baht 248.6 million. The dividend was paid on 24 May 2006.

### 8. Financial costs-net

Financial costs relate to the following:

| <b>For the three-month period ended</b> | <b>Consolidated</b>                   |                                       | <b>Company</b>                        |                                       |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|   | <b>30 September<br/>2006<br/>Baht</b> | <b>30 September<br/>2005<br/>Baht</b> | <b>30 September<br/>2006<br/>Baht</b> | <b>30 September<br/>2005<br/>Baht</b> |
| Interest income                         | 16,729,583                            | 1,380,375                             | 15,235,131                            | 1,447,871                             |
| Interest expense                        | (20,161,084)                          | (6,549,210)                           | (20,161,084)                          | (6,546,379)                           |
| Total financial costs-net               | (3,431,501)                           | (5,168,835)                           | (4,925,953)                           | (5,098,508)                           |

  

| <b>For the nine-month period ended</b> | <b>Consolidated</b>                   |                                       | <b>Company</b>                        |                                       |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|  | <b>30 September<br/>2006<br/>Baht</b> | <b>30 September<br/>2005<br/>Baht</b> | <b>30 September<br/>2006<br/>Baht</b> | <b>30 September<br/>2005<br/>Baht</b> |
| Interest income                        | 37,609,771                            | 4,751,909                             | 35,336,743                            | 5,063,733                             |
| Interest expense                       | (43,587,833)                          | (19,899,426)                          | (44,149,717)                          | (20,343,096)                          |
| Total financial costs-net              | (5,978,062)                           | (15,147,517)                          | (8,812,974)                           | (15,279,363)                          |

**Unaudited condensed notes to the interim consolidated and company financial statements  
for the interim period ended 30 September 2006**

**9. 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.

**10. Bank guarantees**

As at 30 September 2006, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 1,161.35 million (31 December 2005: Baht 375.83 million).

**11. Capital expenditures and commitments**

**Movement of property, plant and equipment**

**For the nine-month period ended 30 September 2006**

|   | <b>Consolidated<br/>Baht</b> | <b>Company<br/>Baht</b> |
|---|------------------------------|-------------------------|
| Opening net book amount                       | 2,248,200,005                | 2,251,245,733           |
| Acquisition of assets and capital in progress | 175,309,284                  | 175,296,389             |
| Sale of assets                                | (1,756,306)                  | (1,755,306)             |
| Assets written off                            | (2,825,812)                  | (2,825,812)             |
| Reversal of provision for asset impairment    | 2,808,471                    | 2,808,471               |
| Depreciation                                  | (251,779,049)                | (251,589,764)           |
| Closing net book amount                       | <u>2,169,956,593</u>         | <u>2,173,179,711</u>    |

**Commitments**

As at 30 September 2006 and 31 December 2005, 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>30 September<br/>2006<br/>Baht</b> | <b>31 December<br/>2005<br/>Baht</b> | <b>30 September<br/>2006<br/>Baht</b> | <b>31 December<br/>2005<br/>Baht</b> |
| Not later than 1 year | 80,156,576                            | 5,767,384                            | 80,156,576                            | 5,767,384                            |
| Later than 1 year     | -                                     | -                                    | -                                     | -                                    |
| Total                 | <u>80,156,576</u>                     | <u>5,767,384</u>                     | <u>80,156,576</u>                     | <u>5,767,384</u>                     |

As at 30 September 2006 and 31 December 2005, 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>30 September<br/>2006<br/>Baht</b> | <b>31 December<br/>2005<br/>Baht</b> | <b>30 September<br/>2006<br/>Baht</b> | <b>31 December<br/>2005<br/>Baht</b> |
| Not later than 1 year | 3,750,647,764                         | 2,630,146,241                        | 3,750,647,764                         | 2,630,146,241                        |
| Later than 1 year     | -                                     | -                                    | -                                     | -                                    |
| Total                 | <u>3,750,647,764</u>                  | <u>2,630,146,241</u>                 | <u>3,750,647,764</u>                  | <u>2,630,146,241</u>                 |

**12. Segment information**

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

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**Unaudited condensed notes to the interim consolidated and company financial statements  
for the interim period ended 30 September 2006**

**13. 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 subsidiaries - net**

Details of investments in subsidiaries are as follows:

|  | Company                    |                              |                    |                           | Company                    |                              |                    |                           |
|--|----------------------------|------------------------------|--------------------|---------------------------|----------------------------|------------------------------|--------------------|---------------------------|
|  | 30 September 2006          |                              |                    |                           | 31 December 2005           |                              |                    |                           |
|  | Paid up<br>capital<br>Baht | %<br>ownership<br>investment | Cost<br>Baht       | Carrying<br>value<br>Baht | Paid up<br>capital<br>Baht | %<br>ownership<br>investment | Cost<br>Baht       | Carrying<br>value<br>Baht |
| <b>Subsidiaries</b>                    |                            |                              |                    |                           |                            |                              |                    |                           |
| Padaeng Properties Co., Ltd.           | 80,000,000                 | 100                          | 80,000,000         | 34,662,884                | 80,000,000                 | 100                          | 80,000,000         | 33,865,582                |
| Puthep Co., Ltd.                       | 183,575,800                | 79.34                        | 145,650,772        | 162,050,802               | 183,575,800                | 79.34                        | 145,650,772        | 162,205,203               |
| Padaeng Industry (Laos) Co., Ltd.      | 7,904,748                  | 100                          | 7,904,748          | -                         | 5,000,000                  | 100                          | 5,000,000          | -                         |
| 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          | 5,835,166                 | 9,000,000                  | 55                           | 4,950,000          | 5,944,613                 |
| South East Asia Metals Co., Ltd.       | 200,000,000                | 100                          | 200,000,000        | 161,931,429               | 200,000,000                | 100                          | 200,000,000        | 159,918,581               |
|  |                            |                              | <u>438,605,520</u> | <u>364,480,281</u>        |                            |                              | <u>435,700,772</u> | <u>361,933,979</u>        |

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

In January 2006, the board of Padaeng Laos 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 for the rehabilitation cost and administrative expenses of the company from Padaeng Industry Co.,Plc.The Board of Director of Padaeng approved the capital increase of Padaeng Industry (Laos) Co.,Ltd. on 23 February 2006. As at 30 June 2006, Padaeng paid USD 75,000 for the additional share capital.

On 18 March 2005, the shareholders at the Extraordinary Shareholders' Meeting passed a resolution to approve an increase in the authorised share capital of Puthep Co., Ltd. from 2,348,142 ordinary shares with a par value of Baht 62 per share to 2,960,900 ordinary shares with a par value of Baht 62 per share. On 28 June 2005, Puthep Co., Ltd. received subscriptions of 612,759 additional shares at Baht 62 par value at a price of Baht 68.82 per share. As a result, the paid-up share capital and premium on share capital totalled Baht 37,991,058 and Baht 4,254,099, respectively. Puthep Co., Ltd. registered the increased share capital with the Ministry of Commerce on 29 June 2005 (Note 2(i)). The impact of this transaction to minority shareholder was Baht 42,171,715.

In August 2005, the Board of Directors passed a resolution to complete the liquidation process of Padaeng International Mining Co., Ltd. Actual liquidation has not yet commenced.

At the Annual General Meeting of shareholders of Sila Enterprise Co., Ltd. held on 30 April 2006, shareholders approved the annual dividend payment from net profit of the Company for the year ended 31 December 2005 of Baht 9,083.87 per shares totalling Baht 908,387.67. The dividend was paid on 19 July 2006.



### 13. Related party transactions (Cont'd)

#### ii) Sales of goods and services

| For the nine-month period ended                    | Consolidated |              | Company      |              |
|--|--------------|--------------|--------------|--------------|
|  | 30 September | 30 September | 30 September | 30 September |
|  | 2006         | 2005         | 2006         | 2005         |
|  | Baht         | Baht         | Baht         | Baht         |
| Sales of goods and services:                       |              |              |              |              |
| Padaeng Industry (Laos) Co., Ltd.                  | -            | -            | -            | 493,949      |
| Sila Enterprise Co., Ltd.                          | -            | -            | 7,506,370    | 7,075,534    |
| Umicore  | 507,709      | 437,428,297  | 507,709      | 437,428,297  |
| Umicore Marketing Services<br>(Far East) Ltd.      | 2,535,073    | -            | 2,535,073    | -            |
| Umicore Marketing Services<br>(Thailand) Co., Ltd. | 283,539,043  | 79,071,577   | 283,539,043  | 79,071,577   |

Sales to related parties are based on industry market price.

#### iii) Purchases of goods and services

| For the nine-month period ended                    | Consolidated |              | Company      |              |
|--|--------------|--------------|--------------|--------------|
|  | 30 September | 30 September | 30 September | 30 September |
|  | 2006         | 2005         | 2006         | 2005         |
|  | Baht         | Baht         | Baht         | Baht         |
| Purchases of goods and services:                   |              |              |              |              |
| Padaeng Properties Co., Ltd.                       | -            | -            | 1,169,973    | 405,007      |
| Padaeng Industry (Laos) Co., Ltd.                  | -            | -            | 901,639      | 3,595,455    |
| Umicore  | -            | 9,307,224    | -            | 9,774,605    |
| Umicore Marketing Services<br>(Thailand) Co., Ltd. | 40,997,722   | 25,916,925   | 40,997,722   | 25,916,925   |
| Umicore Marketing Services<br>(Far East) Ltd.      | 6,540,141    | -            | 6,540,141    | -            |
| Umicore Australia Litmited                         | 13,721,117   | -            | 13,721,117   | -            |
| Umicore Engineering S.A.                           | -            | 1,663,696    | -            | 1,663,696    |

Purchases from related parties are based on industry market price.

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

|  | Consolidated |             | Company      |             |
|--|--------------|-------------|--------------|-------------|
|  | 30 September | 31 December | 30 September | 31 December |
|  | 2006         | 2005        | 2006         | 2005        |
|  | Baht         | Baht        | Baht         | Baht        |
| Receivables from related parties:                  |              |             |              |             |
| Sila Enterprise Co., Ltd.                          | -            | -           | 1,575,927    | 2,798,016   |
| Umicore  | 10,604,995   | 32,401,827  | 10,604,995   | 32,401,827  |
| Umicore Marketing Services<br>(Thailand) Co.,Ltd.  | 19,771,780   | 18,943,758  | 19,771,780   | 18,943,758  |
| Total  | 30,376,775   | 51,345,585  | 31,952,702   | 54,143,601  |
|  |              |             |              |             |
|  | Consolidated |             | Company      |             |
|  | 30 September | 31 December | 30 September | 31 December |
|  | 2006         | 2005        | 2006         | 2005        |
|  | Baht         | Baht        | Baht         | Baht        |
| Payables to related parties:                       |              |             |              |             |
| Padaeng Properties Co., Ltd.                       | -            | -           | 82,892       | 63,552      |
| Umicore  | -            | 981,037     | -            | 981,037     |
| Umicore Marketing Services<br>(Thailand) Co., Ltd. | 4,526,559    | 4,983,788   | 4,526,559    | 4,983,788   |
| Total  | 4,526,559    | 5,964,825   | 4,609,451    | 6,028,377   |

### 13. Related party transactions (Cont'd)

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

|  | Consolidated                 |                             | Company                      |                             |
|--|------------------------------|-----------------------------|------------------------------|-----------------------------|
|  | 30 September<br>2006<br>Baht | 31 December<br>2005<br>Baht | 30 September<br>2006<br>Baht | 31 December<br>2005<br>Baht |
| Padaeng Industry (Laos) Co., Ltd.                        | -                            | -                           | 11,390,294                   | 11,390,294                  |
| Puthep Co., Ltd.   | -                            | -                           | 1,650,063                    | 1,650,063                   |
| Padaeng International Mining Co., Ltd.                   | -                            | -                           | 294,800                      | 244,800                     |
| Minority Shareholder of Sila Enterprise Co., Ltd.        | 2,449,000                    | -                           | -                            | -                           |
|  | <u>2,449,000</u>             | <u>-</u>                    | <u>13,335,157</u>            | <u>13,285,157</u>           |
| <u>Less: Allowance for doubtful accounts</u>             | <u>-</u>                     | <u>-</u>                    | <u>(11,436,894)</u>          | <u>(11,436,894)</u>         |
| Short-term loans and advances to<br>related parties, net | <u>2,449,000</u>             | <u>-</u>                    | <u>1,898,263</u>             | <u>1,848,263</u>            |

The outstanding balance from Padaeng Industry (Laos) Co., Ltd. totalling Baht 11.39 million mainly comprises a Baht 7.09 million loan which bears interest at a rate of MLR plus 5%. The balance remaining of Baht 4.30 million comprises advances and accrued interests. Due to financial situation, all balances from Padaeng Industry (Laos) Co., Ltd. are fully provided for and interests accrual has been stopped since September 2005.

As at 30 September 2006, Sila Enterprise Co., Ltd. has short-term loans to minority shareholders of Sila Enterprise Co., Ltd. amount Baht 2,449,000 from 22 May 2006 to 30 September 2006 at an interest rate of 0.75% per annum.

#### vi) Advance from related party

|  | Consolidated                 |                             | Company                      |                             |
|--|------------------------------|-----------------------------|------------------------------|-----------------------------|
|  | 30 September<br>2006<br>Baht | 31 December<br>2005<br>Baht | 30 September<br>2006<br>Baht | 31 December<br>2005<br>Baht |
| <u>PNA (Puthep) Pty Limited of Australia</u>       |                              |                             |                              |                             |
| Beginning balance of the period / year             | 2,951,967                    | -                           | -                            | -                           |
| Advance increase (decrease) during the period/year | (2,727,967)                  | 2,951,967                   | -                            | -                           |
| Ending balance of the period / year                | <u>224,000</u>               | <u>2,951,967</u>            | <u>-</u>                     | <u>-</u>                    |

#### vii) Loans from related parties

|  | Consolidated                 |                             | Company                      |                             |
|--|------------------------------|-----------------------------|------------------------------|-----------------------------|
|  | 30 September<br>2006<br>Baht | 31 December<br>2005<br>Baht | 30 September<br>2006<br>Baht | 31 December<br>2005<br>Baht |
| <u>South East Asia Metals Co., Ltd.</u>          |                              |                             |                              |                             |
| Beginning balance of the period / year           | -                            | -                           | 180,000,000                  | 90,000,000                  |
| Loans increase (decrease) during the period/year | -                            | -                           | (180,000,000)                | 90,000,000                  |
| Ending balance of the period / year              | <u>-</u>                     | <u>-</u>                    | <u>-</u>                     | <u>180,000,000</u>          |
| Accrued interest expenses                        | <u>-</u>                     | <u>-</u>                    | <u>-</u>                     | <u>166,438</u>              |

As at 31 December 2005, the above mentioned loan from South East Asia Metals Co., Ltd. is an unsecured 1 month term promissory note at an interest rate of 2.8125%. As at 30 September 2006, the Company has repaid all amount due to South East Asia Metals Co.,Ltd.

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Unaudited condensed notes to the interim consolidated and company financial statements  
for the interim period ended 30 September 2006

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

14.1 Significant assets and liabilities in foreign currencies

As at 30 September 2006:

|   | Term of receipt/<br>payment<br>(days) | Consolidated |               | Company    |               |
|---|---------------------------------------|--------------|---------------|------------|---------------|
|   |                                       | Amount       |               | Amount     |               |
|   |                                       | USD          | Baht          | USD        | Baht          |
| Cash at banks   | -                                     | 5,924        | 221,821       | 5,924      | 221,821       |
| Accounts receivable-foreign   | 15                                    | 956,448      | 35,815,063    | 956,448    | 35,815,063    |
| Deposit (Margin Call)   |                                       | 7,561,741    | 282,975,258   | 7,561,741  | 282,975,258   |
| Unrealized forward exchange contract payable                          | 30-90                                 | 13,741,933   | 515,920,780   | 13,741,933 | 515,920,780   |
| Unrealized forward exchange contract receivable                       | 30-120                                | 31,601,418   | 1,186,351,603 | 31,601,418 | 1,186,351,603 |
| Trust Receipts/Promissory Notes                                       | 45-108                                | 16,571,777   | 623,716,930   | 16,571,777 | 623,716,930   |
| Accounts payable  | 30-90                                 | 27,263,958   | 1,022,628,581 | 27,263,958 | 1,022,628,581 |
| Realized forward exchange contract payable<br>for zinc metal price    | 30                                    | 3,865,425    | 158,970,697   | 3,865,425  | 158,970,697   |
| Realized forward exchange contract receivable<br>for zinc metal price | 30                                    | 3,865,425    | 144,504,899   | 3,865,425  | 144,504,899   |
|   |                                       |              |               |            |               |
|   | Term of payment<br>(days)             | Amount       |               | Amount     |               |
|   |                                       | EUR          | Baht          | EUR        | Baht          |
| Forward contract receivable   | 30                                    | 47,030       | 2,240,967     | 47,030     | 2,240,967     |
| Accounts payable  | 30                                    | 22,876       | 1,096,190     | 22,876     | 1,096,190     |
|   |                                       |              |               |            |               |
|   | Term of payment<br>(days)             | Amount       |               | Amount     |               |
|   |                                       | AUD          | Baht          | AUD        | Baht          |
| Accounts payable  | 30                                    | 2,784        | 78,788        | 2,784      | 78,788        |

As at 31 December 2005:

|   | Term of receipt/<br>payment<br>(days) | Consolidated |             | Company   |             |
|---|---------------------------------------|--------------|-------------|-----------|-------------|
|   |                                       | Amount       |             | Amount    |             |
|   |                                       | USD          | Baht        | USD       | Baht        |
| Cash at banks   | -                                     | 5,863        | 240,273     | 5,863     | 240,273     |
| Accounts receivable-foreign   | 15                                    | 1,174,119    | 48,118,449  | 1,174,119 | 48,118,449  |
| Deposit (Margin Call)   |                                       | 2,960,155    | 121,314,837 | 2,960,155 | 121,314,837 |
| Unrealized forward exchange contract payable                          | 30-120                                | 3,228,556    | 132,528,934 | 3,228,556 | 132,528,934 |
| Unrealized forward exchange contract receivable                       | 30-120                                | 2,935,908    | 120,639,626 | 2,935,908 | 120,639,626 |
| Trust Receipts/Promissory Notes                                       | 30-130                                | 4,246,549    | 174,849,956 | 4,246,549 | 174,849,956 |
| Accounts payable  | 30-90                                 | 3,080,127    | 126,822,997 | 3,080,127 | 126,822,997 |
| Realized forward exchange contract payable<br>for zinc metal price    | 30                                    | 6,071,450    | 236,729,822 | 6,071,450 | 236,729,822 |
| Realized forward exchange contract receivable<br>for zinc metal price | 30                                    | 6,071,450    | 249,812,954 | 6,071,450 | 249,812,954 |

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**Unaudited condensed notes to the interim consolidated and company financial statements  
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**14. Risk management policy for assets and liabilities in foreign currencies (Cont'd)**

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

|                             | Term of receipt/<br>payment<br>(days) | Consolidated     |           | Company |           |
|-----------------------------|---------------------------------------|------------------|-----------|---------|-----------|
|                             |                                       | Amount           |           | Amount  |           |
|                             |                                       | EUR              | Baht      | EUR     | Baht      |
| Forward contract receivable | 30-60                                 | 55,851           | 2,712,768 | 55,851  | 2,712,768 |
| Accounts payable            | 30-90                                 | 46,978           | 2,299,577 | 46,978  | 2,299,577 |
|                             | Term of Payment<br>(days)             | Amount           |           | Amount  |           |
|                             |                                       | SGD              | Baht      | SGD     | Baht      |
|                             |                                       | Accounts payable | 30-90     | 594     | 14,747    |
|                             | Term of Payment<br>(days)             | Amount           |           | Amount  |           |
|                             |                                       | AUD              | Baht      | AUD     | Baht      |
|                             |                                       | Accounts payable | 30-90     | 22,849  | 693,624   |
|                             | Term of Payment<br>(days)             | Amount           |           | Amount  |           |
|                             |                                       | GBP              | Baht      | GBP     | Baht      |
|                             |                                       | Accounts payable | 30-90     | 7,280   | 517,991   |

Foreign currency amounts are translated by using the reference rate quoted by the Bank of Thailand as at 30 September 2006 and 31 December 2005, respectively.

**14.2 Risk Management and hedging instruments**

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

Also, 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.

In 2005 until early January 2006, a total of 30,000 metric tons of zinc forward contracts have been entered into relating to cash flows to be realized in 2006 at an average price of Baht 58,511 per metric ton and a total of 19,950 metric tons of zinc forward contracts have been entered into relating to cash flows to be realized in 2007 at an average price of Baht 68,673 per metric ton.

At the end of the period, a balance of 25,650 metric ton of unsettled metal forward sales remained priced at a contractual average of USD 1,604 per metric ton which will be settled through purchases from the London Metals Exchange through the rest of the current year and through 2007. The total contract value of these unsettled metal forward contracts at 30 September 2006 is USD 41.1 million.

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**Unaudited condensed notes to the interim consolidated and company financial statements  
for the interim period ended 30 September 2006**

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

**14.2 Risk Management and hedging instruments (Cont'd)**

Also at 30 September 2006, 25,650 metric tons of unsettled metal forwards purchases remained at a closing average of USD 3,230 per metric tons. The value of these unpriced forward contracts at period end are estimated at USD 82.8 million. As at the end of the period, the change in fair value of these forward (purchase and sales) contracts is USD 41.9 million unfavorable.

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.

|  | <u>Consolidated</u> |               | <u>Company</u> |               |
|--|---------------------|---------------|----------------|---------------|
|  | <u>Amount</u>       |               | <u>Amount</u>  |               |
| <b>Contract values</b>   | <u>USD</u>          | <u>Baht</u>   | <u>USD</u>     | <u>Baht</u>   |
| <b>As at 30 September 2006:</b>  |                     |               |                |               |
| <b>For off balance sheet contracts</b>   |                     |               |                |               |
| Forward contract payable for zinc metal price<br>(Forward sale of 25,650 metric ton) | 41,147,913          | 1,544,413,957 | 41,147,913     | 1,544,413,957 |
| <b>As at 31 December 2005:</b>   |                     |               |                |               |
| <b>For off balance sheet contracts</b>   |                     |               |                |               |
| Forward contract payable for zinc metal price<br>(Forward sale of 48,275 metric ton) | 72,978,438          | 3,001,448,281 | 72,978,438     | 3,001,448,281 |

These fair values reflect the marked to market values of the contracts at the prevailing period 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).

**14.3 Fair values**

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

**14.4 Credit risk**

Credit risk refers to the risk that counterparty 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 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.

**14.5 Interest rate risk**

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

Management believes that these risks are acceptable. In 2003, the Company obtained financing facilities in the amount of Baht 800 million at a fixed rate of interest for a period of 3 years. As of 30 September 2006, the Company has drawdown a total of Baht 650 million from which Baht 117.50 million are still not matured (see Note 3).

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**Unaudited condensed notes to the interim consolidated and company financial statements  
for the interim period ended 30 September 2006**

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**14.6 Mining licenses**

The Company is in the process of completing the procedures needed to apply for the renewal of its principle mining lease that will expire in October 2007. The Mine Application files have been submitted and are presently being reviewed by the appropriate government departments. While the Company is confident that the Mining Lease will be renewed on time, the process of obtaining the license is lengthy and complex and may result in the risk that the licenses will not be approved as of their expiration date in October 2007. It should be noted that the Company has continued to receive approval from the relevant departments for several exploration licenses that were pending since last year and has resumed its normal exploration program.

**15. Events after balance sheet date**

The Company together with Petrogreen Company Limited and Thai Oil Public Company Limited have established Maesod Clean Energy Company Limited to produce ethanol as an energy alternative. The three parties signed the joint venture contract on 9 October 2006.

**16. Reclassification**

Certain items in the balance sheet as at 31 December 2005 and statements of income for the year then ended have been reclassified for comparative purpose to coincide with balance sheet as at 30 September 2006 and statements of income for the period then ended.