

AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

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

I have reviewed the accompanying consolidated and company balance sheets of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited as at 30 June 2006 and the related consolidated and company statements of income for the three-month and six-month periods ended 30 June 2006 and 2005 and the related consolidated and company statements of changes in shareholders' equity, and cash flows for the six month period ended 30 June 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
9 August 2006

PADAENG INDUSTRY PUBLIC COMPANY LIMITED

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

30 JUNE 2006

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

	Notes	Consolidated		Company	
		(Unaudited) 30 June 2006 Baht	(Audited) 31 December 2005 Baht	(Unaudited) 30 June 2006 Baht	(Audited) 31 December 2005 Baht
Assets					
<u>Current assets</u>					
Cash and cash equivalents		1,863,149,426	600,395,622	1,651,019,017	568,843,310
Deposit		340,087,953	121,314,837	340,087,953	121,314,837
Trade accounts receivable-net					
- other parties		389,992,428	241,744,163	384,344,638	235,211,850
- related parties	13 (iv)	57,385,424	51,345,585	59,295,355	54,143,601
Short-term loans and advances to related parties-net	13 (v)	2,449,000	-	1,848,263	1,848,263
Inventories-net		2,158,873,346	1,528,612,615	2,159,170,764	1,528,612,615
Value Added Tax receivable		15,480,300	49,265,663	15,480,300	46,152,125
Other current assets		39,843,877	18,373,230	39,731,948	17,860,532
Total current assets		4,867,261,754	2,611,051,715	4,650,978,238	2,573,987,133
<u>Non-current assets</u>					
Investment in subsidiaries-net	13 (i)	-	-	362,519,005	361,933,979
Property, plant and equipment-net	11	2,210,688,668	2,248,200,005	2,213,848,603	2,251,245,733
Exploration and acquisition costs	2	314,363,218	306,219,748	108,274,013	100,130,543
Other non-current assets		6,057,527	6,057,527	6,002,527	6,002,527
Total non-current assets		2,531,109,413	2,560,477,280	2,690,644,148	2,719,312,782
Total assets		7,398,371,167	5,171,528,995	7,341,622,386	5,293,299,915

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 June 2006 and 31 December 2005

	Notes	Consolidated		Company	
		(Unaudited) 30 June 2006 Baht	(Audited) 31 December 2005 Baht	(Unaudited) 30 June 2006 Baht	(Audited) 31 December 2005 Baht
Liabilities and shareholders' equity					
<u>Current liabilities</u>					
Loans from financial institutions	3	1,554,658,640	175,719,606	1,554,658,640	175,719,606
Trade accounts payable					
- other parties		681,412,642	223,154,352	680,685,844	222,610,236
- related parties	13 (iv)	4,748,258	5,964,825	4,813,466	6,028,377
Current portion of long-term loans	3	297,500,000	467,500,000	297,500,000	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		4,182,158	1,187,096	4,182,158	1,187,096
- related parties	13 (vii)	-	-	-	166,438
Accrued electricity expenses		151,689,053	160,437,037	151,689,053	160,437,037
Royalty payable		149,037,657	177,847,780	149,037,657	177,847,780
Other current liabilities		172,017,688	252,014,186	163,273,580	244,099,250
Total current liabilities		3,017,389,969	1,468,696,722	3,007,760,271	1,637,515,693
<u>Non-current liabilities</u>					
Long-term loans	3	-	80,000,000	-	80,000,000
Provisions for restoration expense	4	35,973,080	42,257,061	35,973,080	40,748,738
Provision for employee termination/retirement benefits		64,404,526	60,804,526	64,404,526	60,804,526
Others non-current liabilities		1,731,664	3,095,445	1,731,664	3,095,445
Total non-current liabilities		102,109,270	186,157,032	102,109,270	184,648,709
Total liabilities		3,119,499,239	1,654,853,754	3,109,869,541	1,822,164,402
<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		1,332,054,134	569,685,839	1,331,852,425	571,235,093
Total Company shareholders' equity		4,231,954,554	3,469,586,259	4,231,752,845	3,471,135,513
Minority interest		46,917,374	47,088,982	-	-
Total shareholders' equity		4,278,871,928	3,516,675,241	4,231,752,845	3,471,135,513
Total liabilities and shareholders' equity		7,398,371,167	5,171,528,995	7,341,622,386	5,293,299,915

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 June 2006 and 2005

	Notes	Consolidated		Company	
		30 June 2006 Baht	30 June 2005 Baht	30 June 2006 Baht	30 June 2005 Baht
Revenues from sales and services		2,669,967,947	1,643,737,693	2,666,719,417	1,640,774,610
Cost of sales and services		(1,874,971,386)	(1,189,675,114)	(1,872,778,717)	(1,188,293,165)
Gross profit		794,996,561	454,062,579	793,940,700	452,481,445
Selling and administrative expenses		(171,058,419)	(130,550,057)	(169,761,383)	(132,368,697)
Royalty expenses		(91,206,992)	(64,634,403)	(91,206,992)	(64,634,403)
Profit from sales and services		532,731,150	258,878,119	532,972,325	255,478,345
Other revenues		3,568,255	2,239,511	3,566,175	1,824,727
Gain (loss) on exchange rate		23,463,247	(15,495,791)	23,443,788	(15,679,282)
Provision for inventories		35,803	(38,821,711)	35,803	(38,821,711)
Directors' remuneration		(3,912,527)	(2,562,063)	(3,912,527)	(2,562,063)
Other expenses		(262,998)	(251,978)	(262,998)	(251,978)
Profit from operations		555,622,930	203,986,087	555,842,566	199,988,038
Share of gain (loss) from subsidiaries on equity method		-	-	(624,181)	215,534
Profit before finance costs and income tax		555,622,930	203,986,087	555,218,385	200,203,572
Finance costs-net	8	287,932	(4,699,366)	(568,358)	(4,809,463)
Profit before Income Tax		555,910,862	199,286,721	554,650,027	195,394,109
Corporate Income Tax		(678,258)	(1,002,181)	-	-
Profit before allocation to minorities		555,232,604	198,284,540	554,650,027	195,394,109
(Profit) loss attributable to minorities		(50,957)	39,425	-	-
Net profit for the period		555,181,647	198,323,965	554,650,027	195,394,109
Earnings per share					
Net profit for the period	9	2.46	0.88	2.45	0.86

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 six-month periods ended 30 June 2006 and 2005

	Notes	Consolidated		Company	
		30 June 2006 Baht	30 June 2005 Baht	30 June 2006 Baht	30 June 2005 Baht
Revenues from sales and services		4,802,647,466	3,111,610,853	4,795,683,854	3,104,816,146
Cost of sales and services		(3,369,862,735)	(2,369,426,270)	(3,365,894,559)	(2,366,885,505)
Gross profit		1,432,784,731	742,184,583	1,429,789,295	737,930,641
Selling and administrative expenses		(293,681,049)	(241,501,146)	(290,302,633)	(238,840,002)
Royalty expenses		(164,268,951)	(110,007,639)	(164,268,951)	(110,007,639)
Profit from sales and services		974,834,731	390,675,798	975,217,711	389,083,000
Other revenues		7,023,798	5,143,962	6,861,506	4,549,278
Gain (loss) on exchange rate		45,609,106	(5,512,736)	45,664,542	(5,638,420)
Provision for inventories		(8,346,088)	(42,779,296)	(8,346,088)	(42,779,296)
Directors' remuneration		(4,182,527)	(2,782,063)	(4,182,527)	(2,782,063)
Other expenses		(290,683)	(251,978)	(290,683)	(251,978)
Profit from operations		1,014,648,337	344,493,687	1,014,924,461	342,180,521
Share of gain (loss) from subsidiaries on equity method		-	-	(1,820,108)	2,219,648
Profit before finance costs and income tax		1,014,648,337	344,493,687	1,013,104,353	344,400,169
Finance costs-net	8	(2,546,561)	(9,980,729)	(3,887,021)	(10,182,902)
Profit before Income Tax		1,012,101,776	334,512,958	1,009,217,332	334,217,267
Corporate Income Tax		(896,314)	(1,002,181)	-	-
Profit before allocation to minorities		1,011,205,462	333,510,777	1,009,217,332	334,217,267
(Profit) attributable to minorities		(237,167)	(554,410)	-	-
Net profit for the period		1,010,968,295	332,956,367	1,009,217,332	334,217,267
Earnings per share					
Net profit for the period	9	4.47	1.47	4.47	1.48

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 six-month periods ended 30 June 2006 and 2005

	Note	Consolidated					Total
		Issued and paid up share capital	Premium on share capital	Retained earnings		Minority interest	
				Appropriated legal reserve	Unappropriated		
Baht	Baht	Baht	Baht	Baht	Baht		
Beginning balance as at 1 January 2006		2,260,000,000	602,413,600	37,486,820	569,685,839	47,088,982	3,516,675,241
Net profit		-	-	-	1,010,968,295	237,167	1,011,205,462
Dividends paid	7	-	-	-	(248,600,000)	(408,775)	(249,008,775)
Ending balance as at 30 June 2006		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>37,486,820</u>	<u>1,332,054,134</u>	<u>46,917,374</u>	<u>4,278,871,928</u>

	Note	Consolidated					Total
		Issued and paid up share capital	Premium on share capital	Retained earnings		Minority interest	
				Appropriated legal reserve	Unappropriated		
Baht	Baht	Baht	Baht	Baht	Baht		
Beginning balance as at 1 January 2005		2,260,000,000	602,413,600	9,791,560	126,436,817	3,842,742	3,002,484,719
Net profit		-	-	-	332,956,367	554,410	333,510,777
Increase in share capital		-	-	-	-	42,171,715	42,171,715
Dividends paid		-	-	-	(90,400,000)	-	(90,400,000)
Ending balance as at 30 June 2005		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>9,791,560</u>	<u>368,993,184</u>	<u>46,568,867</u>	<u>3,287,767,211</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 six-month periods ended 30 June 2006 and 2005

	Note	Company					Total Baht
		Issued and paid up share capital Baht	Premium on share capital Baht	Retained earnings		Minority interest Baht	
				Appropriated legal reserve Baht	Unappropriated Baht		
Beginning balance as at 1 January 2006		2,260,000,000	602,413,600	37,486,820	571,235,093	-	3,471,135,513
Net profit		-	-	-	1,009,217,332	-	1,009,217,332
Dividends paid	7	-	-	-	(248,600,000)	-	(248,600,000)
Ending balance as at 30 June 2006		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>37,486,820</u>	<u>1,331,852,425</u>	-	<u>4,231,752,845</u>

	Note	Company					Total Baht
		Issued and paid up share capital Baht	Premium on share capital Baht	Retained earnings		Minority interest Baht	
				Appropriated legal reserve Baht	Unappropriated Baht		
Beginning balance as at 1 January 2005		2,260,000,000	602,413,600	9,791,560	135,425,155	-	3,007,630,315
Net profit		-	-	-	334,217,267	-	334,217,267
Dividends paid		-	-	-	(90,400,000)	-	(90,400,000)
Ending balance as at 30 June 2005		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>9,791,560</u>	<u>379,242,422</u>	-	<u>3,251,447,582</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 six-month periods ended 30 June 2006 and 2005

	Notes	Consolidated		Company	
		30 June 2006 Baht	30 June 2005 Baht	30 June 2006 Baht	30 June 2005 Baht
Cash flows from operating activities					
Net profit		1,010,968,295	332,956,367	1,009,217,332	334,217,267
<u>Items to reconcile net income to net cash:</u>					
Share of (gain) loss from subsidiaries		-	-	1,820,108	(2,219,648)
Allowance for doubtful debts-other trade accounts receivable (reversal)					
- other parties		(64,421)	(1,285,285)	-	(115,898)
Allowance for shortage, slow-moving and obsolete stocks		8,346,088	42,779,296	8,346,088	42,779,296
Allowance for unrecoverable advances to supplier		1,304,354	-	1,304,354	-
Provision for employee termination/retirement benefits		3,600,000	3,600,000	3,600,000	3,600,000
Provision for annual leave		300,000	300,000	300,000	300,000
Amortization of deferred gain on hire purchase		(765,559)	(765,559)	(765,559)	(765,559)
VAT written-off		126,256	-	-	-
Withholding tax written-off		108,104	-	-	-
Depreciation expenses	11	167,152,362	167,163,372	167,026,260	167,040,330
(Gain) loss on disposal of property, plant and equipment		(908,767)	(1,349,522)	(748,552)	(1,349,522)
Impairment expenses (reversal)	11	(2,808,471)	261,536	(2,808,471)	261,536
Property, plant and equipment written-off	11	2,822,285	233,724	2,822,285	233,724
Other assets write-down (reversal)		3,000,000	9,213,471	3,000,000	9,213,471
Other assets amortization expenses		6,450,942	6,450,942	6,450,942	6,450,942
Restoration expense	4	6,742,172	8,677,870	6,742,172	8,677,870
Unrealized foreign currency exchange (gain) loss		8,301,478	14,751,520	8,301,478	14,751,520
Minority interest in net profit of subsidiaries		237,167	554,410	-	-
Cash flows from operations before changes in operating assets and liabilities		1,214,912,285	583,542,142	1,214,608,437	583,075,329
<u>Operating assets (increase) decrease</u>					
Trade accounts receivable					
- other parties		(148,170,723)	34,747,138	(149,119,667)	31,826,428
- related parties		(6,039,839)	(24,802,967)	(5,151,754)	(24,213,573)
Short-term loans to related parties		-	-	-	(2,143,428)
Inventories		(638,606,819)	117,282,081	(638,904,237)	117,316,385
Value Added Tax receivable		33,659,107	39,571,765	30,671,825	39,589,850
Other receivables					
- other parties		-	11,587,841	-	11,587,841
Other current assets		(22,883,105)	(7,700,280)	(22,676,158)	(4,757,173)
Other non-current assets		-	4,573,983	-	4,573,983
<u>Operating liabilities increase (decrease)</u>					
Trade accounts payable					
- other parties		454,369,927	(131,279,847)	454,187,245	(132,200,017)
- related parties		(1,216,567)	9,506,255	(1,214,911)	9,924,793
Accrued interest expenses					
- other parties		2,995,062	35,025	2,995,062	(122,783)
- related parties	13 (vii)	-	-	(166,438)	-
Advance from related party	13 (vi)	(2,727,967)	-	-	-
Accrued electricity expenses		(8,747,984)	(6,972,790)	(8,747,984)	(6,972,790)
Royalty payable		(28,810,123)	(32,013,761)	(28,810,123)	(32,013,761)
Other current liabilities		(81,257,745)	(46,915,311)	(81,678,140)	(51,515,767)
Provision for restoration expenses (use of)	4	(13,026,153)	(672,081)	(11,517,830)	(672,081)
Net cash provided by operating activities		754,449,356	550,489,193	754,475,327	543,283,236

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 six-month periods ended 30 June 2006 and 2005

	Notes	Consolidated		Company	
		30 June 2006 Baht	30 June 2005 Baht	30 June 2006 Baht	30 June 2005 Baht
<u>Cash flows from investing activities</u>					
Cash invested in subsidiaries		-	-	(2,904,748)	-
Cash paid for land compensation		-	(11,061,405)	-	(11,061,405)
Cash paid for purchase of property, plant and equipment	11	(130,646,457)	(82,361,166)	(130,633,562)	(82,352,269)
Cash received from sales of property, plant and equipment		1,900,385	1,349,529	1,739,170	1,349,529
Exploration and acquisition costs (increase)	2	(17,594,413)	(47,791,794)	(17,594,413)	(5,620,078)
Net cash used in investing activities		(146,340,485)	(139,864,836)	(149,393,553)	(97,684,223)
<u>Cash flows from financing activities</u>					
Deposit (with LME brokers)		(223,199,571)	(3,859,839)	(223,199,571)	(3,859,839)
Loans from financial institution increase (decrease)		1,377,848,811	60,894,716	1,377,848,811	60,894,716
Short-term loans to related parties (decrease)	13 (v)	(2,449,000)	-	-	-
Short-term loans from related parties (decrease)	13 (vii)	-	-	(180,000,000)	(90,000,000)
Dividend payment		(246,192,383)	(90,159,178)	(246,192,383)	(90,159,178)
Payment on long-term borrowings	3	(250,000,000)	(50,000,000)	(250,000,000)	(50,000,000)
Account payable hire purchase (payment)		(1,363,781)	(943,179)	(1,363,781)	(943,179)
Increase in share capital for minority interest		-	42,171,715	-	-
Net cash (used in)/from financing activities		654,644,076	(41,895,765)	477,093,076	(174,067,480)
Effects from changes in exchange rate for cash and cash equivalents		857	(15,895)	857	(15,895)
Net increase in cash and cash equivalents		1,262,753,804	368,712,697	1,082,175,707	271,515,638
Cash and cash equivalents at beginning of the period		600,395,622	441,677,104	568,843,310	325,879,711
Cash and cash equivalents at end of the period		1,863,149,426	810,389,801	1,651,019,017	597,395,349
Supplementary information for statements of cash flows					
Cash paid during the period:					
Interest paid		17,730,310	10,461,624	18,458,632	11,065,932
Tax paid		775,103	535,900	97,586	136,807

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 9 August 2006.

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
for the interim period ended 30 June 2006

2. Exploration and acquisition costs

Exploration and acquisition costs balance comprise:

	Consolidated		Company	
	30 June 2006 Baht	31 December 2005 Baht	30 June 2006 Baht	31 December 2005 Baht
<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	27,177,551	66,407,670	27,177,551	24,235,956
Expenditure charged to the statement of income	(9,583,138)	(12,104,895)	(9,583,138)	(12,104,895)
Expenditure written-down	<u>(3,000,000)</u>	<u>(12,213,470)</u>	<u>(3,000,000)</u>	<u>(12,213,470)</u>
Ending balance for the period/year (Note 2 (i))	<u>231,818,397</u>	<u>217,223,984</u>	<u>42,715,702</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
Acquisition cost write-off	-	-	-	-
Accumulative depletion	<u>(16,666,680)</u>	<u>(13,333,344)</u>	<u>(16,666,680)</u>	<u>(13,333,344)</u>
Ending balance for the period/year	43,333,320	46,666,656	43,333,320	46,666,656
Special prospect license fee	16,986,510	16,986,510	-	-
Land use compensation	8,878,452	9,730,567	8,878,452	9,730,567
Other capitalized expenditure	<u>13,346,539</u>	<u>15,612,031</u>	<u>13,346,539</u>	<u>15,612,031</u>
Ending balance for the period/year	<u>82,544,821</u>	<u>88,995,764</u>	<u>65,558,311</u>	<u>72,009,254</u>
Total	<u><u>314,363,218</u></u>	<u><u>306,219,748</u></u>	<u><u>108,274,013</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.

On 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. As at the date of these financial statements, no further approvals have been received to conduct further exploration activity to determine whether economically recoverable resource exists. Early June 2006, environmental protection conditions attached to the land access permit have been approved by the Natural Environmental Board. The Company and its partners will resume the approval procedure with the local authorities and expect to obtain land access in the last quarter of the year. Would further delays be encountered, the Company may consider at year-end to adjust the book value of its investment in the project.

3. Borrowings

Loans from financial institutions

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

	Consolidated		Company	
	30 June 2006 Baht	31 December 2005 Baht	30 June 2006 Baht	31 December 2005 Baht
Promissory Notes	150,000,000	175,719,606	150,000,000	175,719,606
Trust Receipts	1,404,658,640	-	1,404,658,640	-
Bank Loans	297,500,000	547,500,000	297,500,000	547,500,000
Total	<u>1,852,158,640</u>	<u>723,219,606</u>	<u>1,852,158,640</u>	<u>723,219,606</u>

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 June 2006 and 31 December 2005 comprise:

	Consolidated		Company	
	30 June 2006 Baht	31 December 2005 Baht	30 June 2006 Baht	31 December 2005 Baht
Due within one year	297,500,000	467,500,000	297,500,000	467,500,000
More than one year	-	80,000,000	-	80,000,000
Total	<u>297,500,000</u>	<u>547,500,000</u>	<u>297,500,000</u>	<u>547,500,000</u>

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

For the six-month period ended 30 June	Consolidated		Company	
	2006 Baht	2005 Baht	2006 Baht	2005 Baht
Opening amount	547,500,000	650,000,000	547,500,000	650,000,000
Repayment of loans	(250,000,000)	(102,500,000)	(250,000,000)	(102,500,000)
Closing amount	<u>297,500,000</u>	<u>547,500,000</u>	<u>297,500,000</u>	<u>547,500,000</u>

As at 30 June 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 years.

4. Provisions for restoration expense

	Consolidated		Company	
	30 June 2006 Baht	31 December 2005 Baht	30 June 2006 Baht	31 December 2005 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 the statement of income	6,742,172	34,657,914	6,742,172	33,149,591
Amounts utilised	(13,026,153)	(13,944,217)	(11,517,830)	(13,944,217)
Balance at the end of the period/year	<u>35,973,080</u>	<u>42,257,061</u>	<u>35,973,080</u>	<u>40,748,738</u>

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.

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4. Provisions for restoration expense (Cont'd)

Also in line with its previously announced community service commitments, the Company has set aside (since December 2005) a fund for the Mae Sod community development in the amount of Baht 10 million. That fund will be used exclusively for the benefit of the community around the mine by supporting various development projects.

5. Share capital and premium on share capital

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

As at 30 June 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

	Consolidated		Company	
	30 June 2006 Baht	31 December 2005 Baht	30 June 2006 Baht	31 December 2005 Baht
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	<u>37,486,820</u>	<u>37,486,820</u>	<u>37,486,820</u>	<u>37,486,820</u>

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

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:

	Consolidated		Company	
	30 June 2006 Baht	30 June 2005 Baht	30 June 2006 Baht	30 June 2005 Baht
For the three-month period ended				
Interest income	14,713,789	1,863,249	14,419,383	1,977,735
Interest expense	(14,425,857)	(6,562,615)	(14,987,741)	(6,787,198)
Total financial costs-net	<u>287,932</u>	<u>(4,699,366)</u>	<u>(568,358)</u>	<u>(4,809,463)</u>
For the six-month period ended				
Interest income	20,880,188	3,371,534	20,101,612	3,615,862
Interest expense	(23,426,749)	(13,352,263)	(23,988,633)	(13,798,764)
Total financial costs-net	<u>(2,546,561)</u>	<u>(9,980,729)</u>	<u>(3,887,021)</u>	<u>(10,182,902)</u>

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 June 2006, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 844.26 million (31 December 2005: Baht 375.83 million).

11. Capital expenditures and commitments

Movement of property, plant and equipment

For the six-month period ended 30 June 2006

	Consolidated	Company
	Baht	Baht
Opening net book amount	2,248,200,005	2,251,245,733
Acquisition of assets and capital in progress	130,646,457	130,633,562
Sale of assets	(991,618)	(990,618)
Assets written off	(2,822,285)	(2,822,285)
Provision for asset impairment	2,808,471	2,808,471
Depreciation	(167,152,362)	(167,026,260)
Closing net book amount	<u>2,210,688,668</u>	<u>2,213,848,603</u>

Commitments

As at 30 June 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:

	Consolidated		Company	
	30 June	31 December	30 June	31 December
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Not later than 1 year	136,685,727	5,767,384	136,685,727	5,767,384
Later than 1 year	-	-	-	-
Total	<u>136,685,727</u>	<u>5,767,384</u>	<u>136,685,727</u>	<u>5,767,384</u>

As at 30 June 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:

	Consolidated		Company	
	30 June	31 December	30 June	31 December
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Not later than 1 year	4,027,539,174	2,630,146,241	4,027,539,174	2,630,146,241
Later than 1 year	-	-	-	-
Total	<u>4,027,539,174</u>	<u>2,630,146,241</u>	<u>4,027,539,174</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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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 June 2006				31 December 2005			
	Paid up capital Baht	% ownership investment	Cost Baht	Carrying value Baht	Paid up capital Baht	% ownership investment	Cost Baht	Carrying value Baht
Subsidiaries								
Padaeng Properties Co., Ltd.	80,000,000	100	80,000,000	33,755,072	80,000,000	100	80,000,000	33,865,582
Puthep Co., Ltd.	183,575,800	79.34	145,650,772	162,097,399	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	5,769,181	9,000,000	55	4,950,000	5,944,613
South East Asia Metals Co., Ltd.	200,000,000	100	200,000,000	160,897,353	200,000,000	100	200,000,000	159,918,581
			<u>438,605,520</u>	<u>362,519,005</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. Currently, management is also considering deploying the subsidiary for alternative operations.

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.

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13. Related party transactions (Cont'd)

ii) Sales of goods and services

For the six-month period ended	Consolidated		Company	
	30 June	30 June	30 June	30 June
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Sales of goods and services:				
Sila Enterprise Co., Ltd.	-	-	5,592,738	5,582,757
Umicore	(507,709)	314,261,769	(507,709)	314,261,769
Umicore Marketing Services (Thailand) Co., Ltd.	199,158,356	48,038,282	199,158,358	48,038,282

Sales to related parties are based on industry market price.

iii) Purchases of goods and services

For the six-month period ended	Consolidated		Company	
	30 June	30 June	30 June	30 June
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	768,999	212,562
Padaeng Industry (Laos) Co., Ltd.	-	-	911,785	3,595,455
Umicore	-	8,969,456	-	8,969,456
Umicore Marketing Services (Thailand) Co., Ltd.	28,996,449	14,591,549	28,996,449	14,591,549
Umicore Marketing Services (Far East) Ltd.	3,825,787	101,578	3,825,787	101,578
Umicore Australia Litmitted	12,696,891	-	12,696,891	-

Purchases from related parties are based on industry market price.

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

Receivables from related parties:	Consolidated		Company	
	30 June	31 December	30 June	31 December
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Sila Enterprise Co., Ltd.	-	-	1,909,931	2,798,016
Umicore	-	32,401,827	-	32,401,827
Umicore Marketing Services (Thailand) Co.,Ltd.	57,385,424	18,943,758	57,385,424	18,943,758
Total	57,385,424	51,345,585	59,295,355	54,143,601

Payables to related parties:	Consolidated		Company	
	30 June	31 December	30 June	31 December
	2006	2005	2006	2005
	Baht	Baht	Baht	Baht
Padaeng Properties Co., Ltd.	-	-	65,208	63,552
Umicore Australia Limited	4,529,848	-	4,529,848	-
Umicore	106,060	981,037	106,060	981,037
Umicore Marketing Services (Thailand) Co., Ltd.	112,350	4,983,788	112,350	4,983,788
Total	4,748,258	5,964,825	4,813,466	6,028,377

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13. Related party transactions (Cont'd)

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

	Consolidated		Company	
	30 June 2006 Baht	31 December 2005 Baht	30 June 2006 Baht	31 December 2005 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.	-	-	244,800	244,800
Minority Shareholder of Sila Enterprise Co., Ltd.	2,449,000	-	-	-
	<u>2,449,000</u>	<u>-</u>	<u>13,285,157</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 related parties, net	<u>2,449,000</u>	<u>-</u>	<u>1,848,263</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 remaining 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 June 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 31 July 2006 at an interest rate of 0.75% per annum.

vi) Advance from related party

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

vii) Loans from related parties

	Consolidated		Company	
	30 June 2006 Baht	31 December 2005 Baht	30 June 2006 Baht	31 December 2005 Baht
<u>South East Asia Metals Co., Ltd.</u>				
Beginning balance	-	-	180,000,000	90,000,000
Loans increase (decrease) during the period/year	-	-	(180,000,000)	90,000,000
Ending balance	<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 June 2006, the company has already paid all amount due to South East Asia Metals Co., Ltd.

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

14.1 Significant assets and liabilities in foreign currencies

As at 30 June 2006:

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	9,116	347,701	9,116	347,701
Accounts receivable-foreign	15	74,296	2,833,716	74,296	2,833,716
Deposit		8,949,107	340,087,953	8,949,107	340,087,953
Unrealized forward exchange contract payable	30-90	13,705,440	523,359,397	13,705,440	523,359,397
Unrealized forward exchange contract receivable	30-120	10,047,796	384,086,363	10,047,796	384,086,363
Trust Receipts/Promissory Notes	45-108	20,149,088	772,304,474	20,149,088	772,304,474
Accounts payable	30-90	15,314,187	586,685,900	15,314,187	586,685,900
Realized forward exchange contract payable for zinc metal price	30	3,855,313	158,252,179	3,855,313	158,252,179
Realized forward exchange contract receivable for zinc metal price	30	3,855,313	147,879,676	3,855,313	147,879,676
	Term of payment (days)	Amount		Amount	
		EUR	Baht	EUR	Baht
Forward contract receivable	30	26,102	1,273,127	26,102	1,273,127
	Term of payment (days)	Amount		Amount	
		AUD	Baht	AUD	Baht
Accounts payable	30	1,693	48,356	1,693	48,356

As at 31 December 2005:

	Term of receipt/ payment (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		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 for zinc metal price	30	6,071,450	236,729,822	6,071,450	236,729,822
Realized forward exchange contract receivable for zinc metal price	30	6,071,450	249,812,954	6,071,450	249,812,954

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/ payment (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 (days)	Amount		Amount	
		SGD	Baht	SGD	Baht
		Accounts payable	30-90	594	14,747
	Term of Payment (days)	Amount		Amount	
		AUD	Baht	AUD	Baht
		Accounts payable	30-90	22,849	693,624
	Term of Payment (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 June 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 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 33,750 metric ton of unsettled metal forward sales remained at a contractual average of USD 1,562 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 June 2006 is USD 53 million. As at the end of the period, the change in fair value of these contracts is USD 49 million unfavorable.

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

14.2 Risk Management and hedging instruments (Cont'd)

	<u>Consolidated</u>		<u>Company</u>	
	<u>Amount</u>		<u>Amount</u>	
	<u>USD</u>	<u>Baht</u>	<u>USD</u>	<u>Baht</u>
Contract values				
As at 30 June 2006:				
For off balance sheet contracts				
Forward contract payable for zinc metal price	52,712,488	2,016,357,706	52,712,488	2,016,357,706
As at 31 December 2005:				
For off balance sheet contracts				
Forward contract payable for zinc metal price	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 period end. 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).

Also at 30 June 2006, 33,750 metric tons of unsettled metal forwards purchases remained at a closing average of USD 3,001 per metric tons. The value of these unpriced forward contracts at period end are estimated at USD 101 million.

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.

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 June 2006, the Company has drawdown a total of Baht 650 million from which Baht 297.5 million are still not matured (see Note 3).

15. Post balance sheet event

On 9 August 2006, the Board of Directors Meeting of Padaeng Industry Co., Plc. approved an increase in the authorised share capital of Padaeng Industry (Laos) Co.,Ltd. from USD 300,000 to USD 1,273,000.

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 June 2006 and statements of income for the period then ended.