

**PADAENG INDUSTRY PUBLIC COMPANY LIMITED**

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

**30 JUNE 2011**

## **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 statements of financial position of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited as at 30 June 2011, and the related consolidated and company statement of comprehensive income for the three-month and the six-month periods ended 30 June 2011 and 2010 (after restatement), and the related consolidated and company statements of changes in shareholders' equity, and cash flows for the six-month periods ended 30 June 2011 and 2010 (after restatement). The Company's management is responsible for the correctness and completeness of information in these interim financial statements. My responsibility is to issue a report on these interim 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 2010 of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited, respectively, in accordance with generally accepted auditing standards and expressed an unqualified opinion on those statements in my report dated 22 February 2011. As discussed in Notes 3 to the interim consolidated and company financial statements, from 1 January 2011, the Group has adopted the new and revised financial reporting standards as announced by the Federation of Accounting Professions. As a consequence, the consolidated and company statements of financial position as at 31 December 2010 which are part of the consolidated and company financial statements, which I have audited and issued a report thereon, have been restated. I have reviewed the adjustments relating to the statement of financial position as at 31 December 2010, as presented for comparative purpose. I have not performed any other auditing procedures subsequent to the date of that report except for the adjustments as stated above. The interim consolidated and company financial statements for the three-month and the six-month periods ended 30 June 2010, presented for comparative purposes, are therefore restated and presented in the new format to conform with the current period financial statements.

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

Bangkok  
9 August 2011

**Padaeng Industry Public Company Limited**  
**Statements of Financial Position**  
**As at 30 June 2011 and 31 December 2010**

	Notes	Consolidated		Company	
		30 June 2011 Baht (Unaudited)	31 December 2010 Baht Restated (Audited)	30 June 2011 Baht (Unaudited)	31 December 2010 Baht Restated (Audited)
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents		552,102,676	455,719,315	374,418,474	281,592,741
Trade accounts receivable-net	4	362,390,262	374,751,863	361,468,879	373,534,762
Inventories-net		3,306,406,141	3,212,808,832	3,306,406,141	3,212,808,832
Value added tax receivables		160,222,356	149,513,854	159,741,481	149,051,309
Other receivables-related parties-net	15 (iv)	-	69,524	31,361,334	20,197,565
Other current assets		37,639,908	21,598,753	35,899,357	19,116,833
<b>Total Current Assets</b>		<b>4,418,761,343</b>	<b>4,214,462,141</b>	<b>4,269,295,666</b>	<b>4,056,302,042</b>
<b>Non-Current Assets</b>					
Advances to related parties-net	15 (v)	-	-	61,369,416	41,112,916
Investments in subsidiaries-net	15 (i)	-	-	233,005,323	233,005,323
Investments in jointly controlled entity	15 (i)	135,968,894	105,271,490	236,249,800	236,249,800
Property, plant and equipment-net	5	1,403,044,845	1,496,719,023	1,404,258,412	1,497,798,634
Exploration and acquisition costs	6	1,150,249,855	1,114,261,747	128,798,601	131,049,859
Other non-current assets					
- deferred environmental rehabilitation expenses-net		27,187,659	20,518,370	27,187,659	20,518,370
- deferred environmental risk assurance expenses-net		21,126,103	21,404,011	21,126,103	21,404,011
- others		8,610,889	9,113,336	8,275,964	8,716,632
<b>Total Non-Current Assets</b>		<b>2,746,188,245</b>	<b>2,767,287,977</b>	<b>2,120,271,278</b>	<b>2,189,855,545</b>
<b>Total Assets</b>		<b>7,164,949,588</b>	<b>6,981,750,118</b>	<b>6,389,566,944</b>	<b>6,246,157,587</b>

Director.....

Director.....

The notes to the consolidated and company financial statements are an integral part of these interim financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of Financial Position (Cont'd)**  
**As at 30 June 2011 and 31 December 2010**

	Notes	Consolidated		Company	
		30 June 2011 Baht (Unaudited)	31 December 2010 Baht Restated (Audited)	30 June 2011 Baht (Unaudited)	31 December 2010 Baht Restated (Audited)
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current Liabilities</b>					
Short-term loans from financial institutions	7	1,114,025,498	718,869,139	1,114,025,498	718,869,139
Trade accounts payable		244,307,290	338,388,316	243,229,190	336,539,038
Accrued electricity expenses		90,465,498	100,783,304	90,465,498	100,783,304
Current portion of provision for employee retirement benefits	9	19,207,803	18,393,687	19,207,803	18,393,687
Other payables-related parties	15 (vi)	-	-	356,267	491,740
Income tax payable		70,345,263	41,142,142	69,958,196	40,844,350
Other current liabilities		128,243,565	188,494,726	123,590,905	181,533,346
<b>Total Current Liabilities</b>		<b>1,666,594,917</b>	<b>1,406,071,314</b>	<b>1,660,833,357</b>	<b>1,397,454,604</b>
<b>Non-Current Liabilities</b>					
Long-term loan from other party	15 (viii)	476,522,699	464,431,861	-	-
Accrued interest expenses-other party	15 (viii)	58,471,365	48,313,578	-	-
Provisions for restoration and rehabilitation expenses	8	92,765,560	92,144,122	92,765,560	92,144,122
Long-term portion of provision for employee retirement benefits	9	108,902,336	104,300,552	108,902,336	104,300,552
<b>Total Non-Current Liabilities</b>		<b>736,661,960</b>	<b>709,190,113</b>	<b>201,667,896</b>	<b>196,444,674</b>
<b>Total Liabilities</b>		<b>2,403,256,877</b>	<b>2,115,261,427</b>	<b>1,862,501,253</b>	<b>1,593,899,278</b>
<b>Shareholders' Equity</b>					
Share capital					
Authorised share capital					
226,000,000 ordinary shares of Baht 10 each		2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Issued and paid-up share capital					
226,000,000 ordinary shares of Baht 10 each, fully paid		2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Premium on share capital		602,413,600	602,413,600	602,413,600	602,413,600
Retained earnings					
Appropriated legal reserve		226,000,000	226,000,000	226,000,000	226,000,000
Unappropriated		1,457,826,522	1,562,588,257	1,438,652,091	1,563,844,709
<b>Total Equity Attributable to Owner of the Parent Company</b>		<b>4,546,240,122</b>	<b>4,651,001,857</b>	<b>4,527,065,691</b>	<b>4,652,258,309</b>
Non-controlling interests		215,452,589	215,486,834	-	-
<b>Total Shareholders' Equity</b>		<b>4,761,692,711</b>	<b>4,866,488,691</b>	<b>4,527,065,691</b>	<b>4,652,258,309</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>7,164,949,588</b>	<b>6,981,750,118</b>	<b>6,389,566,944</b>	<b>6,246,157,587</b>

The notes to the consolidated and company financial statements are an integral part of these interim financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of Comprehensive Income (Unaudited)**  
**For the three-month periods ended 30 June 2011 and 2010**

	Note	Consolidated		Company	
		30 June 2011 Baht	30 June 2010 Baht Restated	30 June 2011 Baht	30 June 2010 Baht Restated
Sales and services		1,878,983,638	2,123,269,734	1,875,544,217	2,118,398,593
Cost of sales and services		(1,810,644,635)	(1,900,179,278)	(1,808,587,856)	(1,896,306,495)
<b>Gross profit</b>		68,339,003	223,090,456	66,956,361	222,092,098
Other operating income		815,666	2,670,894	1,173,715	2,980,403
Gain (loss) on exchange rate		(17,799,691)	5,218,109	(16,078,967)	5,102,535
<b>Total revenues</b>		51,354,978	230,979,459	52,051,109	230,175,036
Selling expenses		(16,274,689)	(17,738,745)	(16,274,689)	(17,738,745)
Administrative expenses		(75,411,250)	(74,647,712)	(70,886,282)	(70,332,612)
Management remuneration		(11,556,150)	(10,905,175)	(11,556,150)	(10,905,175)
<b>Total expenses</b>		(103,242,089)	(103,291,632)	(98,717,121)	(98,976,532)
<b>Operating profit (loss)</b>		(51,887,111)	127,687,827	(46,666,012)	131,198,504
Share of profit of investment in jointly controlled entity on equity method		10,688,018	6,853,575	-	-
<b>Profit (loss) before finance costs and corporate income tax</b>		(41,199,093)	134,541,402	(46,666,012)	131,198,504
Finance costs-net	11	1,354,940	50,076	507,754	(426,934)
<b>Profit (loss) before corporate income tax</b>		(39,844,153)	134,591,478	(46,158,258)	130,771,570
Corporate income tax		13,145,356	(23,042,575)	13,448,061	(23,042,575)
<b>Net profit (loss) for the period</b>		(26,698,797)	111,548,903	(32,710,197)	107,728,995
<b>Total comprehensive income (loss) for the period</b>		(26,698,797)	111,548,903	(32,710,197)	107,728,995
<b>Profit (loss) attributable to:</b>					
Owners of the parent		(26,683,491)	111,574,694	(32,710,197)	107,728,995
Non-controlling interests		(15,306)	(25,791)	-	-
		(26,698,797)	111,548,903	(32,710,197)	107,728,995
<b>Earnings (loss) per share</b>					
Basic earnings (loss) per share		(0.12)	0.49	(0.14)	0.48

The notes to the consolidated and company financial statements are an integral part of these interim financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of Comprehensive Income (Unaudited)**  
**For the six-month periods ended 30 June 2011 and 2010**

	Note	Consolidated		Company	
		30 June 2011 Baht	30 June 2010 Baht Restated	30 June 2011 Baht	30 June 2010 Baht Restated
Sales and services		3,818,577,657	4,293,156,191	3,811,709,637	4,284,025,404
Cost of sales and services		(3,488,663,655)	(3,587,689,229)	(3,484,093,217)	(3,579,476,551)
<b>Gross profit</b>		329,914,002	705,466,962	327,616,420	704,548,853
Other operating income		2,578,142	5,718,808	6,434,698	6,336,463
Gain (loss) on exchange rate		(12,994,223)	39,696,768	(11,782,144)	39,437,150
Gain on sale of fixed assets	5	105,915,121	-	105,915,121	-
<b>Total revenues</b>		425,413,042	750,882,538	428,184,095	750,322,466
Selling expenses		(30,137,431)	(32,829,303)	(30,137,431)	(32,829,303)
Administrative expenses		(145,761,096)	(139,248,571)	(137,054,246)	(131,497,609)
Management remuneration		(23,112,300)	(21,810,350)	(23,112,300)	(21,810,350)
<b>Total expenses</b>		(199,010,827)	(193,888,224)	(190,303,977)	(186,137,262)
<b>Operating profit</b>		226,402,215	556,994,314	237,880,118	564,185,204
Share of profit (loss) of investment in jointly controlled entity on equity method		30,697,404	(431,706)	-	-
<b>Profit before finance costs and corporate income tax</b>		257,099,619	556,562,608	237,880,118	564,185,204
Finance costs-net	11	1,782,347	233,401	143,344	(700,595)
<b>Profit before corporate income tax</b>		258,881,966	556,796,009	238,023,462	563,484,609
Corporate income tax		(72,147,015)	(135,080,238)	(71,685,149)	(135,080,238)
<b>Net profit for the period</b>		186,734,951	421,715,771	166,338,313	428,404,371
<b>Total comprehensive income for the period</b>		186,734,951	421,715,771	166,338,313	428,404,371
<b>Profit attributable to:</b>					
Owners of the parent		186,769,196	421,772,505	166,338,313	428,404,371
Non-controlling interests		(34,245)	(56,734)	-	-
		186,734,951	421,715,771	166,338,313	428,404,371
<b>Earnings per share</b>					
Basic earnings per share		0.83	1.87	0.74	1.90

The notes to the consolidated and company financial statements are an integral part of these interim financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of Changes in Shareholders' Equity (Unaudited)**  
**For the six-month periods ended 30 June 2011 and 2010**

	<b>Consolidated</b>						
	<b>Attributable to owners of the parent</b>				<b>Total owners of the parent</b>	<b>Non-controlling interests</b>	<b>Total shareholders' equity</b>
	<b>Issued and paid-up share capital</b>	<b>Premium on share capital</b>	<b>Retained earnings</b>				
			<b>Appropriated legal reserve</b>	<b>Unappropriated</b>	<b>Baht</b>	<b>Baht</b>	
<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	
<b>Opening balance as at 1 January 2011</b>	2,260,000,000	602,413,600	226,000,000	1,591,861,225	4,680,274,825	215,486,834	4,895,761,659
Retrospective adjustment for changes in accounting policy for restoration and rehabilitation expenses	-	-	-	(29,272,968)	(29,272,968)	-	(29,272,968)
<b>Closing balance after adjustment</b>	2,260,000,000	602,413,600	226,000,000	1,562,588,257	4,651,001,857	215,486,834	4,866,488,691
<b>Changes in equity for period</b>							
Net profit for the period	-	-	-	186,769,196	186,769,196	(34,245)	186,734,951
Dividends paid	-	-	-	(291,530,931)	(291,530,931)	-	(291,530,931)
<b>Closing balance as at 30 June 2011</b>	2,260,000,000	602,413,600	226,000,000	1,457,826,522	4,546,240,122	215,452,589	4,761,692,711
<b>Opening balance as at 1 January 2010</b>	2,260,000,000	602,413,600	202,961,801	1,404,316,926	4,469,692,327	215,563,347	4,685,255,674
Retrospective adjustment for changes in accounting policy for restoration and rehabilitation expenses	-	-	-	(23,859,519)	(23,859,519)	-	(23,859,519)
<b>Closing balance after adjustment</b>	2,260,000,000	602,413,600	202,961,801	1,380,457,407	4,445,832,808	215,563,347	4,661,396,155
<b>Changes in equity for period</b>							
Net profit for the period	-	-	-	421,772,505	421,772,505	(56,734)	421,715,771
Dividends paid	-	-	-	(207,914,222)	(207,914,222)	-	(207,914,222)
<b>Closing balance as at 30 June 2010</b>	2,260,000,000	602,413,600	202,961,801	1,594,315,690	4,659,691,091	215,506,613	4,875,197,704

The notes to the consolidated and company financial statements are an integral part of these interim financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of Changes in Shareholders' Equity (Unaudited)**  
**For the six-month periods ended 30 June 2011 and 2010**

	<b>Company</b>				<b>Total shareholders' equity Baht</b>
	<b>Issued and paid-up share capital Baht</b>	<b>Premium on share capital Baht</b>	<b>Retained earnings</b>		
			<b>Appropriated legal reserve Baht</b>	<b>Unappropriated Baht</b>	
<b>Opening balance as at 1 January 2011</b>	2,260,000,000	602,413,600	226,000,000	1,593,117,677	4,681,531,277
Retrospective adjustment for changes in accounting policy for restoration and rehabilitation expenses	-	-	-	(29,272,968)	(29,272,968)
<b>Closing balance after adjustment</b>	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>226,000,000</u>	<u>1,563,844,709</u>	<u>4,652,258,309</u>
<b>Changes in equity for period</b>					
Net profit for the period	-	-	-	166,338,313	166,338,313
Dividends paid	-	-	-	(291,530,931)	(291,530,931)
<b>Closing balance as at 30 June 2011</b>	<u><u>2,260,000,000</u></u>	<u><u>602,413,600</u></u>	<u><u>226,000,000</u></u>	<u><u>1,438,652,091</u></u>	<u><u>4,527,065,691</u></u>
<b>Opening balance as at 1 January 2010</b>	2,260,000,000	602,413,600	202,961,801	1,328,876,806	4,394,252,207
Retrospective adjustment for changes in accounting policy for restoration and rehabilitation expenses	-	-	-	(23,859,519)	(23,859,519)
<b>Closing balance after adjustment</b>	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>202,961,801</u>	<u>1,305,017,287</u>	<u>4,370,392,688</u>
<b>Changes in equity for period</b>					
Net profit for the period	-	-	-	428,404,371	428,404,371
Dividends paid	-	-	-	(207,914,222)	(207,914,222)
<b>Closing balance as at 30 June 2010</b>	<u><u>2,260,000,000</u></u>	<u><u>602,413,600</u></u>	<u><u>202,961,801</u></u>	<u><u>1,525,507,436</u></u>	<u><u>4,590,882,837</u></u>

The notes to the consolidated and company financial statements are an integral part of these interim financial statements.



**Padaeng Industry Public Company Limited**  
**Statements of Cash Flows (Unaudited)**  
**For the six-month periods ended 30 June 2011 and 2010**

	Notes	Consolidated		Company	
		30 June 2011 Baht	30 June 2010 Baht Restated	30 June 2011 Baht	30 June 2010 Baht Restated
<b>Cash flows from operating activities</b>					
Profit before tax		258,881,966	556,796,009	238,023,462	563,484,609
<u>Adjustments for:</u>					
Depreciation expenses	5	140,266,365	165,149,750	139,951,026	164,748,404
Other non-current assets amortisation expenses		18,387,406	18,287,442	14,013,435	13,967,827
Interest expenses	11	4,397,808	3,903,051	4,397,808	3,903,051
Interest income	11	(6,180,155)	(4,136,452)	(4,541,152)	(3,202,456)
Share of (profit) loss from jointly controlled entity		(30,697,404)	431,706	-	-
Allowance for doubtful debt		-	-	33,013	50,660
Reversal of slow-moving and obsolete stocks		(110,647)	(3,821,667)	(110,647)	(3,821,667)
Provision for employee retirement benefits	9	6,120,810	6,422,154	6,120,810	6,422,154
Provision for annual leave		300,000	300,000	300,000	300,000
Gain on disposal of property, plant and equipment	5	(106,482,271)	(534,353)	(106,482,271)	(534,353)
Fixed assets written-off		14,550	128,781	14,499	128,781
Exploration costs written-down	6	326,233	6,890,585	326,233	6,890,585
Provisions for restoration expense (accretion expense)		16,677,332	11,295,164	16,677,332	11,295,164
Unrealised (gain) loss on foreign currency exchange		11,536,859	(2,416,314)	11,536,859	(2,416,314)
<b>Changes in operating assets and liabilities</b>					
Trade accounts receivable					
- other parties		12,423,040	(57,798,285)	12,127,322	(58,017,481)
Inventories		(93,486,661)	133,573,885	(93,486,661)	133,573,885
Value added tax receivables		(10,708,502)	19,591,229	(10,690,172)	19,681,511
Other receivables-related parties		69,524	3,989,549	(11,166,782)	(1,746,965)
Prepayment to a related party		-	-	(20,286,500)	(11,812,500)
Other current assets		(12,885,934)	(15,945,114)	(13,572,011)	(15,258,889)
Other non-current assets					
- deferred environmental rehabilitation expenses		(9,140,894)	4,579,567	(9,140,894)	4,579,567
- deferred environmental risk assurance expenses		(1,642,646)	3,531,341	(1,642,646)	3,531,341
- others		(1,052,358)	(1,875,493)	(1,087,357)	(1,832,408)
Trade accounts payable					
- other parties		(96,131,418)	(769,236,891)	(95,360,239)	(772,213,273)
Accrued electricity expenses		(10,317,806)	104,918,814	(10,317,806)	104,918,814
Royalty payable		1,530,000	(62,081)	1,530,000	(62,081)
Other payable-related parties		-	-	(135,473)	185,192
Other current liabilities		(63,389,186)	(89,623,767)	(61,080,469)	(89,192,855)
Provisions for restoration expenses utilised		(16,055,894)	(22,813,974)	(16,055,894)	(22,813,974)
Provisions for employee retirement benefits expenses utilised	9	(704,910)	(2,413,757)	(704,910)	(2,413,757)
Cash generated from (used in) operation		<u>11,945,207</u>	<u>69,110,879</u>	<u>(10,810,085)</u>	<u>52,322,572</u>
Interest paid		(3,475,608)	(3,686,942)	(3,475,608)	(3,686,942)
Tax paid		(42,944,961)	(407,100)	(42,571,303)	(75,902)
<b>Net cash generated from (used in) operating activities</b>		<b><u>(34,475,362)</u></b>	<b><u>65,016,837</u></b>	<b><u>(56,856,996)</u></b>	<b><u>48,559,728</u></b>

The notes to the consolidated and company financial statements are an integral part of these interim financial statements.

**Padaeng Industry Public Company Limited**  
**Statements of Cash Flows (Unaudited) (Cont'd)**  
**For the six-month periods ended 30 June 2011 and 2010**

	Notes	Consolidated		Company	
		30 June 2011 Baht	30 June 2010 Baht Restated	30 June 2011 Baht	30 June 2010 Baht Restated
<b><u>Cash flows from investing activities</u></b>					
Interest received		6,276,503	4,114,750	4,581,142	3,149,425
Cash paid for purchase of property, plant and equipment	5	(105,880,973)	(54,194,651)	(105,699,539)	(53,485,068)
Cash received from sales of property, plant and equipment	5	165,756,507	1,034,630	165,756,507	1,034,630
Cash paid for exploration	6	(38,596,997)	(34,336,616)	(6,168,226)	(1,082,282)
<b>Net cash provided by (used in) investing activities</b>		<b>27,555,040</b>	<b>(83,381,887)</b>	<b>58,469,884</b>	<b>(50,383,295)</b>
<b><u>Cash flows from financing activities</u></b>					
Proceeds on short-term loans from financial institutions		380,269,684	283,535,323	380,269,684	283,535,323
Proceeds on a long-term loan from other party	15 (viii)	12,090,838	12,473,804	-	-
Dividends payment		(291,145,105)	(207,600,641)	(291,145,105)	(207,600,641)
<b>Net cash provided by financing activities</b>		<b>101,215,417</b>	<b>88,408,486</b>	<b>89,124,579</b>	<b>75,934,682</b>
Effects from changes on exchange rate on cash and cash equivalents		2,088,266	1,527,479	2,088,266	1,527,479
<b>Net increase in cash and cash equivalents</b>		<b>96,383,361</b>	<b>71,570,915</b>	<b>92,825,733</b>	<b>75,638,594</b>
Cash and cash equivalents at beginning of the period		455,719,315	630,121,596	281,592,741	437,464,391
<b>Cash and cash equivalents at end of the period</b>		<b>552,102,676</b>	<b>701,692,511</b>	<b>374,418,474</b>	<b>513,102,985</b>

The notes to the consolidated and company financial statements are an integral part of these interim financial statements.

**1. General Information**

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

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

These interim consolidated and company financial statements were authorised for issue by the Board of Directors as its meeting on 9 August 2011.

These interim consolidated and company financial statements have been reviewed, not audited by the Company external auditor.

**2. Basis of preparation**

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 Professions Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission. The primary financial statements (i.e., statement of financial position, statement of comprehensive income, changes in shareholders’ equity and cash flows) are prepared in the full format as required by the Securities and Exchange Commission. The notes to the financial statements are prepared in a condensed format according to Thai Accounting Standard 34, “Interim Financial Reporting” and additional notes are presented as required by the Securities and Exchange Commission under the Securities and Exchange Act.

An English version of the consolidated and company interim financial statements have 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.

These interim consolidated and company financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2010.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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

**3. Summary of significant accounting policies**

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 2010 except as described in the followings.

Commencing 1 January 2011, the Company has applied the following new accounting standards, new financial reporting standards, new interpretations, and amendments to accounting standards (collectively “the accounting standards”) that are mandatory for the financial year beginning on or after 1 January 2011. However, the application of those accounting standards will not have significant impact to the financial statements being presented, except the following accounting standards.

- TAS 1 (Revised 2009), the revised standard prohibits the presentation of items of income and expenses in the statement of changes in equity. Entities can choose to present the statement of comprehensive income in one statement or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated statement of financial position as at the beginning comparative period in addition to the current requirement to present statement of financial position at the end of the current period and comparative period. However, on first time adoption of this revised standard, for the financial statements which period beginning on or after 1 January 2011, an entity can choose to present statement of financial position only two statements without the statement of financial position as at the beginning comparative period. The Company has chosen to present the statement of comprehensive income in one statement.

**3. Summary of significant accounting policies (Cont'd)**

- TAS 16 (Revised 2009), the revised standard requires the entity to include in cost of property, plant and equipment, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, when the entity has obligation to do. The revised standard also requires that an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The revised standard also requires an entity to review useful life, residual value and depreciation method at least at each financial year-end.
- TAS 19 prescribes accounting for employee benefit. The standard classifies employee benefit into 4 categories: a) short-term employee benefits b) post-employment benefits (including defined contribution plan and defined benefit plan) c) other long-term employee benefits and d) termination benefits. The standard requires the entity to measure the defined benefit plan and other long-term employee benefits by using the Projected Unit Credit method (PUC). The Company has elected to recognise any actuarial gain or loss for defined benefit plan or in other comprehensive income in the year of occurrence as allowed by the standard. Actuarial gain or loss for other long-term employee benefit shall be recognised in profit and loss. There is no significant impact to the Company's financial statements as a result of adopting the standard other than additional disclosures.
- TAS 24 (Revised 2009), the definition of related party has been expanded to include parties with joint control over the entity, joint venture in which the entity is a venturer and post-employment benefit plan for the benefit of employees of an entity. This revised standard only has impacted the disclosure of related party information in the notes to financial statements.

The effects of the adoption of the above standards to the statement of financial position as at 31 December 2010 and the statement of comprehensive income for the period ended 30 June 2010 are presented as following:

**Statement of financial position as at 31 December 2010**

	<b>Consolidated</b>	<b>Company</b>
	<b>Baht</b>	<b>Baht</b>
Increase in property, plant and equipment-net	14,166,328	14,166,328
Increase in provision for restoration expense	43,439,296	43,439,296
Decrease in retained earnings	(29,272,968)	(29,272,968)

**Statement of comprehensive income for the six-month period ended 30 June 2010**

Increase in depreciation expenses	105,426	105,426
Increase in interest expenses	2,399,297	2,399,297
Decrease in basic earnings per share	0.01	0.01

The details of the accounting policies regarding the above transactions are explained in the Note No.3.1

**3.1 Accounting policy - Asset and provision for restoration and rehabilitation expenses**

Prior to January 1, 2011, the Company recognized estimated restoration costs over the life of mine properties and the useful life of restoration ponds used to accumulate residual waste from the operation of the Tak Zinc smelting facility. Beginning January 1, 2011, the Company has adopted an accounting policy in accordance with TAS 16 to account for asset restoration and rehabilitation costs. Under the policy, the estimated costs of decommissioning mine properties and residual ponds and removing any related assets and site restoration are included in the cost of restoration assets as at the date the obligation first arises and to the extent that it is first recognised as a provision. This restoration asset is subsequently amortised on a unit-of production basis. The corresponding restoration and rehabilitation provision, of an amount equivalent to the restoration asset created, is reviewed at the end of each reporting period. The provision is measured at the best estimate of the present value amount required to settle the present obligation at the end of the reporting period based on current legal and other requirements and technology, discounted where material using weighted average cost of capital at the statement of financial position date with terms to maturity that match, as closely as possible, the estimated future cash outflows. Where there is a change in the expected restoration, rehabilitation or decommissioning costs, an adjustment is recorded against the carrying value of the provision and any related restoration asset, and the effects are recognised in the statement of comprehensive income on a prospective basis over the remaining life of the operation. Accretion expenses recognised due to unwinding of the effect of discounting on the restoration provision is included within administrative expenses in the statement of comprehensive income.

**3. Summary of significant accounting policies (Cont'd)**

**3.1 Accounting policy - Asset and provision for restoration and rehabilitation expenses (Cont'd)**

The current balance of the restoration and rehabilitation assets and corresponding liabilities, including the impact of first time adoption of the accounting policy is shown in Note No.8.

**New accounting standards, amendments to accounting standards and new interpretation**

The following new accounting standards, amendments to accounting standards and new interpretation are mandatory for the accounting periods beginning on or after 1 January 2013, but the Company has not early adopted them:

TAS 12	Income Taxes
TAS 21 (Revised 2009)	The Effects of Changes in Foreign Exchange Rates

**4. Trade accounts receivable-net**

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2011 Baht</b>	<b>31 December 2010 Baht</b>	<b>30 June 2011 Baht</b>	<b>31 December 2010 Baht</b>
Trade accounts receivable	362,390,262	374,751,863	361,468,879	373,534,762
<u>Less:</u> Allowance for doubtful accounts	-	-	-	-
Trade accounts receivable-net	<u>362,390,262</u>	<u>374,751,863</u>	<u>361,468,879</u>	<u>373,534,762</u>

Outstanding trade accounts receivable as at 30 June 2011 and 31 December 2010 can be analysed as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2011 Baht</b>	<b>31 December 2010 Baht</b>	<b>30 June 2011 Baht</b>	<b>31 December 2010 Baht</b>
Up to 3 months	362,390,262	374,751,863	361,468,879	373,534,762
Over 3 months	-	-	-	-
	<u>362,390,262</u>	<u>374,751,863</u>	<u>361,468,879</u>	<u>373,534,762</u>
<u>Less:</u> Allowance for doubtful accounts	-	-	-	-
	<u>362,390,262</u>	<u>374,751,863</u>	<u>361,468,879</u>	<u>373,534,762</u>

**5. Property, plant and equipment-net**

	<b>Consolidated Baht</b>	<b>Company Baht</b>
<b>For the six-month period ended 30 June 2011</b>		
Opening net book amount	1,482,552,695	1,483,632,306
Retrospective adjustment for change in accounting policy for restoration and rehabilitation expenses	14,166,328	14,166,328
Closing balance after adjustment	<u>1,496,719,023</u>	<u>1,497,798,634</u>
Acquisition of assets and capital in progress	105,880,973	105,699,539
Disposal of property, plant and equipment	(59,274,236)	(59,274,236)
Fixed assets written-off	(14,550)	(14,499)
Depreciation	<u>(140,266,365)</u>	<u>(139,951,026)</u>
Closing net book amount	<u>1,403,044,845</u>	<u>1,404,258,412</u>

During the interim period ended 30 June 2011, the Company disposes land and office building at Chiang Mai Province with a total net book value of Baht 59 million. The Company has gain on sales amounting to Baht 106 million.

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**6. Exploration and acquisition costs**

Exploration and acquisition costs as at 30 June 2011 and 31 December 2010 comprise:

	<u>Consolidated</u>		<u>Company</u>	
	<u>30 June 2011</u>	<u>31 December 2010</u>	<u>30 June 2011</u>	<u>31 December 2010</u>
	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>	<u>Baht</u>
<u>Exploration costs</u>				
Opening balance for the period/year	1,018,758,270	974,287,110	75,662,064	111,042,572
Expenditure incurred during the period/year	38,596,997	61,976,096	6,168,226	2,032,403
Deferred capitalised interest	10,157,787	19,907,975	-	-
Expenditure written-down	(326,233)	(37,412,911)	(326,233)	(37,412,911)
Ending balance for the period/year	<u>1,067,186,821</u>	<u>1,018,758,270</u>	<u>81,504,057</u>	<u>75,662,064</u>
<u>Mining acquisition costs</u>				
Capitalised deferred cost				
Opening balance for the period/year	60,000,000	60,000,000	60,000,000	60,000,000
Accumulative depletion	(50,000,040)	(46,666,704)	(50,000,040)	(46,666,704)
Ending balance for the period/year	<u>9,999,960</u>	<u>13,333,296</u>	<u>9,999,960</u>	<u>13,333,296</u>
Land use compensation-net				
Opening balance for the period/year	24,051,429	26,983,108	24,051,429	26,983,108
Other capitalised expenditure-net	13,243,155	15,071,391	13,243,155	15,071,391
Ending balance for the period/year	<u>47,294,544</u>	<u>55,387,795</u>	<u>47,294,544</u>	<u>55,387,795</u>
Concession operating right				
Opening balance for the period/year	40,115,682	48,185,730	-	-
Expenditure incurred during the period/year	-	160,206	-	-
Amortisation	(4,347,192)	(8,230,254)	-	-
Ending balance for the period/year	<u>35,768,490</u>	<u>40,115,682</u>	<u>-</u>	<u>-</u>
Total mining acquisition costs	<u>83,063,034</u>	<u>95,503,477</u>	<u>47,294,544</u>	<u>55,387,795</u>
Total (Note No.6 (i-ii))	<u>1,150,249,855</u>	<u>1,114,261,747</u>	<u>128,798,601</u>	<u>131,049,859</u>

**i) Exploration costs**

Exploration costs are mainly related to those incurred by the Company and its subsidiaries, Puthep Co., Ltd. and Padaeng Industry (Laos) Co., Ltd. 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 capitalised until final determination of whether economically recoverable resource exists.

**Puthep Co., Ltd.**

Since 21 August 2000, the Company and Puthep Co., Ltd. have entered into a Participation Agreement (the "Agreement") with PanAust Limited ("PanAust") and PNA (Puthep) Pty Ltd. of Australia (a wholly owned subsidiary of PanAust) to undertake exploration and mining of the Company's Puthep Copper Project in the Northeast of Thailand. Under the Agreement, PanAust and the Company have agreed that subsequent to bearing certain feasibility costs, PNA (Puthep) Pty Ltd. shall be entitled to earn a shareholding in Puthep Co., Ltd. As such, PNA (Puthep) Pty Ltd. has the right to obtain a 51% working interest in the Puthep Project by completing a bankable feasibility study. The Agreement also includes further options for PNA (Puthep) Pty Ltd. to acquire a total interest of either 60% or 70% in Puthep Co., Ltd. As of 30 June 2011, PNA (Puthep) Pty Ltd. has earned 49% in Puthep Co., Ltd.

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

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

As at 30 June 2011, the capitalised exploration and acquisition costs incurred by Puthep Co., Ltd. amount to Baht 908.1 million. A feasibility study was not submitted by PNA (Puthep) Pty Ltd. to an independent expert by September 19, 2009 as required under the Participation Agreement. In April 2010 however, an independent expert has been appointed to review the feasibility study. He reported deficiencies of the feasibility study and suggested further work. PNA (Puthep) Pty Ltd. has affirmed its intention to undertake the additional actions identified by the independent expert. PNA (Puthep) Pty Ltd. is currently in the stage of preparing Environmental and Social Impact Assessment (ESIA) which is conducted by Kasetsart University.

Padaeng Industry (Laos) Co., Ltd.

In October 2006, the Company signed an exploration agreement with the Department of Mines and Geology of Lao PDR. The area currently under study covers 600 km<sup>2</sup> in the northern part of Vientiane Province. The exploration activities are conducted through Padaeng Industry (Laos) Co., Ltd. As at 30 June 2011, a total amount of Baht 80.8 million of exploration costs has been capitalised on the consolidated statement of financial position.

**ii) Concession operating rights**

South East Asia Metals Co., Ltd.

On 4 September 2009, South East Asia Metals Co., Ltd. ("SEAMET"), a subsidiary of Padaeng Properties Co., Ltd., entered into an agreement with Mayflower Mining Enterprises Ltd. ("MME"), a third party registered in the Union of Myanmar. Under this agreement, SEAMET has obtained the operating rights of a mining concession owned by MME. SEAMET made a payment of USD 1 million or Baht 34 million on 16 September 2009 under the term of the Concession Operation Agreement and USD 0.5 million or Baht 15 million on 22 October 2010.

**7. Short-term loans from financial institutions**

Short-term loans from financial institutions as at 30 June 2011 and 31 December 2010 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2011 Baht</b>	<b>31 December 2010 Baht</b>	<b>30 June 2011 Baht</b>	<b>31 December 2010 Baht</b>
Trust Receipts	741,480,573	394,929,331	741,480,573	394,929,331
Promissory Notes	372,544,925	323,939,808	372,544,925	323,939,808
<b>Total</b>	<b>1,114,025,498</b>	<b>718,869,139</b>	<b>1,114,025,498</b>	<b>718,869,139</b>

The Company has entered into short-term financing arrangements to fund its operations with various financial institutions. The interest rates, the Company is paying on the trust receipts and promissory notes are between 0.73% - 3.32% per annum.

**Financing arrangements available to the Company**

	<b>Company</b>	
	<b>30 June 2011 Baht</b>	<b>31 December 2010 Baht</b>
Bank Overdraft	80,000,000	80,000,000
Short-term Loans	2,801,646,000	2,783,889,000
Bank Guarantee	1,056,993,800	1,051,666,700
<b>Total</b>	<b>3,938,639,800</b>	<b>3,915,555,700</b>

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**8. Provisions for restoration and rehabilitation expenses**

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2011 Baht</b>	<b>31 December 2010 Baht</b>	<b>30 June 2011 Baht</b>	<b>31 December 2010 Baht</b>
Balance at the beginning of the period/year	92,144,122	70,660,152	92,144,122	70,660,152
Retrospective adjustment for change in accounting policy	-	43,439,296	-	43,439,296
Accretion expense	16,677,332	23,037,406	16,677,332	23,037,406
Amounts utilised	(16,055,894)	(44,992,732)	(16,055,894)	(44,992,732)
Balance at the end of the period/year	92,765,560	92,144,122	92,765,560	92,144,122

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

**9. Provision for employee retirement benefits**

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2011 Baht</b>	<b>31 December 2010 Baht</b>	<b>30 June 2011 Baht</b>	<b>31 December 2010 Baht</b>
Balance at the beginning of the period/year	122,694,239	115,145,724	122,694,239	115,145,724
Additional provisions charged to the statements of comprehensive income	6,120,810	12,844,313	6,120,810	12,844,313
Amounts utilised	(704,910)	(5,295,798)	(704,910)	(5,295,798)
Balance at the end of the period/year	128,110,139	122,694,239	128,110,139	122,694,239

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

**10. Dividend**

At the Ordinary Shareholders' Meeting held on 27 April 2011, shareholders approved the annual dividend payment from net profit of the Company for the year ended 31 December 2010 of Baht 1.29 per share totalling Baht 291.5 million. (2009: totalling Baht 207.9 million). The dividend was paid on 24 May 2011.

**11. Finance costs-net**

Finance costs relate to the following:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2011 Baht</b>	<b>2010 Baht</b>	<b>2011 Baht</b>	<b>2010 Baht</b>
<b>For the three-month periods ended 30 June</b>				
Interest income	3,744,362	2,230,741	2,897,176	1,753,731
Interest expense	(2,389,422)	(2,180,665)	(2,389,422)	(2,180,665)
Total finance costs-net	1,354,940	50,076	507,754	(426,934)
<b>For the six-month periods ended 30 June</b>				
Interest income	6,180,155	4,136,452	4,541,152	3,202,456
Interest expense	(4,397,808)	(3,903,051)	(4,397,808)	(3,903,051)
Total finance costs-net	1,782,347	233,401	143,344	(700,595)



**12. Bank guarantees**

As at 30 June 2011, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 439.6 million (31 December 2010: Baht 461.2 million).

**13. Commitments**

As at 30 June 2011 and 31 December 2010, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

	<u>Consolidated</u>		<u>Company</u>	
	<u>30 June</u> <u>2011</u> <u>Baht</u>	<u>31 December</u> <u>2010</u> <u>Baht</u>	<u>30 June</u> <u>2011</u> <u>Baht</u>	<u>31 December</u> <u>2010</u> <u>Baht</u>
Not later than 1 year	40,467,356	153,568,339	40,467,356	153,568,339

As at 30 June 2011 and 31 December 2010, the Company has the following commitments for the purchase of inventories that have been contracted but not recorded as liabilities:

	<u>Consolidated</u>		<u>Company</u>	
	<u>30 June</u> <u>2011</u> <u>Baht</u>	<u>31 December</u> <u>2010</u> <u>Baht</u>	<u>30 June</u> <u>2011</u> <u>Baht</u>	<u>31 December</u> <u>2010</u> <u>Baht</u>
Not later than 1 year	407,473,439	224,751,537	407,473,439	224,751,537

In addition, as at 30 June 2011, the Company has contracted for the purchase of raw materials that contained zinc units approximately 35,217 tonnes (31 December 2010 : 17,047 tonnes).

**14. Segment information**

The Company produces a single product in Thailand for both domestic and export markets, using the same assets. The Company does not present segment information as it considers its business operations to be in one segment. Sales of the Company comprised mainly local sales and export to neighbouring countries presenting no material difference in risks and rewards to the Company.

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**15. Related parties transactions**

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

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

	<b>Consolidated</b>		<b>Company</b>		<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2011</b>		<b>30 June 2011</b>		<b>31 December 2010</b>		<b>31 December 2010</b>	
	<b>Equity</b>	<b>Paid-up</b>	<b>%</b>	<b>Cost</b>	<b>Equity</b>	<b>Paid-up</b>	<b>%</b>	<b>Cost</b>
	<b>Baht</b>	<b>capital</b>	<b>ownership</b>	<b>Baht</b>	<b>Baht</b>	<b>capital</b>	<b>ownership</b>	<b>Baht</b>
		<b>Baht</b>	<b>investment</b>			<b>Baht</b>	<b>investment</b>	
<b>Subsidiaries</b>								
Padaeng Properties Co., Ltd.	-	80,000,000	100	80,000,000	-	80,000,000	100	80,000,000
Puthep Co., Ltd.	-	285,589,732	51	145,650,772	-	285,589,732	51	145,650,772
Padaeng Industry (Laos) Co., Ltd.	-	27,569,653	100	27,569,653	-	27,569,653	100	27,569,653
Padaeng International Mining Co., Ltd.	-	100,000	100	100,000	-	100,000	100	100,000
Total	-			253,320,425	-			253,320,425
<u>Less</u> : Diminution								
Padaeng Industry (Laos) Co., Ltd.	-			(20,215,102)	-			(20,215,102)
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)
Investments in subsidiaries-net	-			233,005,323	-			233,005,323

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

**Jointly controlled entity**

Maesod Clean Energy Co., Ltd.	135,968,894	675,000,000	35	236,249,800	105,271,490	675,000,000	35	236,249,800
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**15. Related parties transactions (Cont'd)**

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2011 Baht</b>	<b>31 December 2010 Baht</b>	<b>30 June 2011 Baht</b>	<b>31 December 2010 Baht</b>
Opening net book amount	105,271,490	167,309,172	469,255,123	469,255,123
Share of profit (loss) from jointly controlled entity	30,697,404	(62,037,682)	-	-
Closing net book amount	135,968,894	105,271,490	469,255,123	469,255,123

Subsidiaries

As at 30 June 2011, **Padaeng Industry (Laos) Co., Ltd.** has total authorised share capital of USD 1,273,000 of which USD 797,000 has been issued and paid up. The current investment value of Padaeng Industry (Laos) Co., Ltd. in the Company's books net of diminution in value of investment is Baht 7,354,551 (31 December 2010 : Baht 7,354,551). The Company is aware that the balance of share capital of USD 476,000 will be called during 2011. In addition, the Company is aware that in year 2011, subject to the approval of its board of directors and shareholder, Padaeng Industry (Laos) Co., Ltd. will also increase its authorised capital to USD 2,500,000.

On 19 November 2009, the shareholders at the Extraordinary Shareholders' Meeting of **Puthep Co., Ltd.** passed a resolution to approve an increase in the authorised share capital of Puthep Co., Ltd. from 3,515,196 ordinary shares with a par value of Baht 62 per share to 4,606,286 ordinary shares. Puthep Co., Ltd. received a subscription of 1,091,090 additional shares at Baht 62 par value which were priced at Baht 124.70 per share. Accordingly, the paid-up share capital and premium on share capital increased by Baht 67,647,580 and Baht 68,428,424 respectively. On 1 December 2009, the company registered the increased share capital with the Ministry of Commerce. As at 30 June 2011, the Company has a total of 4,606,286 shares outstanding for a cumulative amount of Baht 377,102,615.

**South East Asia Metals Co., Ltd.** ("SEAMET"), has entered into a service agreement related to a mining operation in the Union of Myanmar with Mali Mining & Metallurgy Pte. Ltd., ("Mali"). The shares are held by an official senior management of the Company. The Company has disclosed this transaction to the SET on 23 February 2011. Under the terms of the service agreement, Mali will receive Baht 120 million for provision of mining related services to allow the Company to obtain raw material for its smelting operations. This transaction was approved by the Padaeng Industry's shareholders at the Ordinary Shareholders' Meeting on 27 April 2011.

Jointly controlled entity

On 9 October 2006, **Maesod Clean Energy Co., Ltd.** was created together with MP Energy Co., Ltd. and Thai Oil Public Company Limited. The jointly controlled entity will produce ethanol as an alternative energy source. As at 30 June 2011 and 31 December 2010, Maesod Clean Energy Co., Ltd. has 67,500,000 shares authorised and outstanding. Padaeng Industry Public Company Limited has subscribed to a total of 23,625,000 shares in this company.

On 12 May 2011, the Board of Directors of the Company has adopted a resolution to provide Baht 105 million or a 35% of the Baht 300 million capital injection of Maesod Clean Energy Co., Ltd.

**ii) Sales of goods and services**

<b>For the six-month periods ended 30 June</b>	<b>Consolidated</b>		<b>Company</b>	
	<b>2011 Baht</b>	<b>2010 Baht</b>	<b>2011 Baht</b>	<b>2010 Baht</b>
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	471,600	471,600
Padaeng Industry (Laos) Co., Ltd.	-	-	3,237,694	6,104,431
Puthep Co., Ltd.	-	-	153,790	357,794

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

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

**iii) Purchases of goods and services**

For the six-month periods ended 30 June	Consolidated		Company	
	2011 Baht	2010 Baht	2011 Baht	2010 Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	2,685,275	1,732,579
Padaeng Industry (Laos) Co., Ltd.	-	-	7,500,694	-
Puthep Co., Ltd.	-	-	-	211,739
Maesod Clean Energy Co.,Ltd.	-	-	-	433,081

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

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

	Consolidated		Company	
	30 June 2011 Baht	31 December 2010 Baht	30 June 2011 Baht	31 December 2010 Baht
Padaeng Properties Co., Ltd.	-	-	82,002	82,002
Padaeng Industry (Laos) Co., Ltd.	-	-	31,270,332	20,044,713
Puthep Co., Ltd.	-	-	9,000	1,326
Padaeng International Mining Co., Ltd.	-	-	121,859	118,846
Maesod Clean Energy Co.,Ltd.	-	69,524	-	69,524
Total	-	69,524	31,483,193	20,316,411
Less: Allowance for doubtful accounts	-	-	(121,859)	(118,846)
Other receivables-related parties-net	-	69,524	31,361,334	20,197,565

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

	Consolidated		Company	
	30 June 2011 Baht	31 December 2010 Baht	30 June 2011 Baht	31 December 2010 Baht
Padaeng Industry (Laos) Co., Ltd.	-	-	61,369,416	41,112,916
Padaeng International Mining Co., Ltd.	-	-	462,300	432,300
Total	-	-	61,831,716	41,545,216
Less: Allowance for doubtful accounts	-	-	(462,300)	(432,300)
Advance to related parties-net	-	-	61,369,416	41,112,916

Advance from the Company amount of Baht 61,369,416 represents an advance for share subscription payment in Padaeng Industry (Laos) Co., Ltd.

As at 30 June 2011, the above mentioned loans to Padaeng International Mining Co., Ltd. is calculated at interest rates of fixed 3-month deposit per annum.

**vi) Other payables-related party**

	Consolidated		Company	
	30 June 2011 Baht	31 December 2010 Baht	30 June 2011 Baht	31 December 2010 Baht
Padaeng Properties Co., Ltd.	-	-	356,267	491,740
Total	-	-	356,267	491,740

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

**vii) Key management compensation**

The compensation paid or payable to key management for employee services for six-month period ended 30 June 2011 is shown below:

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2011</b>	<b>30 June 2010</b>	<b>30 June 2011</b>	<b>30 June 2010</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
Short-term employee benefits	23,112,300	21,810,350	23,112,300	21,810,350
Post-employee benefits	1,153,384	1,052,692	1,153,384	1,052,692
Other long-term employee benefits	373,906	921,266	373,906	921,266
<b>Total</b>	<b>24,639,590</b>	<b>23,784,308</b>	<b>24,639,590</b>	<b>23,784,308</b>

The above information is prepared in accordance with the Securities and Exchange commission regulations. This includes the managing directors and the principal four managers reporting to the managing director.

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

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2011</b>	<b>31 December 2010</b>	<b>30 June 2011</b>	<b>31 December 2010</b>
	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>
<u>PNA (Puthep) Pty Ltd.</u>				
Beginning balance of the period/year	464,431,861	439,108,024	-	-
Loan increase during the period/year	12,090,838	25,323,837	-	-
Ending balance of the period/year	<u>476,522,699</u>	<u>464,431,861</u>	<u>-</u>	<u>-</u>
Accrued interest expense	<u>58,471,365</u>	<u>48,313,578</u>	<u>-</u>	<u>-</u>

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

**16.1 Risk management and hedging instruments**

**Foreign exchange risk**

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

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

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

#### **Price risk**

The Company is also exposed to risk resulting from fluctuations in commodity prices. The Company currently engages only in transactional hedging with the purpose of mitigating price exposure from the difference in timing between purchased raw material and finished product sales. Any settlement gains or losses realized from hedging arrangements are recorded against the corresponding revenue or cost of purchases as appropriate. As at 30 June 2011, the net purchases of 4,350 metric tons of zinc on the London Metal Exchange are outstanding. The change in fair value of these open positions amounts to USD 852,493 or Baht 26,209,895, is favourable. These fair values reflect the mark to market values of the contracts at the prevailing period end rates. These positions will be offset by committed and priced physical purchases and sales contracts. The operations carried out on the future markets for hedging transactional risks as described are not of a speculative nature. In accordance with current Thai Generally Accepted Accounting Principles, the changes in fair value of outstanding hedging contracts are not recognised in these financial statements.

#### **Credit risk**

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

#### **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.

### **16.2 Fair values**

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

### **16.3 Exploration risk**

In order to maintain a supply base for its smelter, the Company and some of its subsidiaries are performing exploration activities. These expenses are capitalised and eventually impaired as explained in Note No.6 of these financial statements. The current increased level of activity is likely to generate higher level of exploration costs capitalised than in the previous years increasing the impact of the impairments. Regular assessments by the management, once sufficient reliable data have been collected and compiled, should lower both uncertainty and risk level related to the recoverability of these costs.

## **17. Litigation**

As of 30 June 2011, the Company has been served notice of six complaints by 1,143 plaintiffs filed in the Bangkok Southern Civil Court. The plaintiffs are seeking compensation of Baht 3,976 million from the Company alleging that it caused cadmium contamination in the Mae Sod district of the Tak province. The Company has filed answers to all the claims as ordered by the Court, the cases are pending for the court proceeding, but is confident that its strict environmental measures are in line with the regulations and requirements of the authorities. Management intends to defend the case vigorously. At this stage, the outcome of the proceedings is unknown and no contingent liability has been recorded.

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

The company objects to the legality of that order and lodged a Plaintiff by the Administrative Court in January 2011. The case is pending for the court consideration.