

**PADAENG INDUSTRY PUBLIC COMPANY LIMITED**

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

**30 JUNE 2013**

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

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

I have reviewed the accompanying consolidated and company statements of financial position as at 30 June 2013, the related consolidated and company statements of comprehensive income, changes in shareholders' equity, and cash flows for the three-month and six-month periods then ended, and condensed notes to interim financial information of Padaeng Industry Public Company Limited and its subsidiaries, and of Padaeng Industry Public Company Limited, respectively. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34, "Interim Financial Reporting". My responsibility is to express a conclusion on this interim financial information based on my review.

### **Scope of review**

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

### **Conclusion**

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

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

Bangkok  
6 August 2013

**Padaeng Industry Public Company Limited**

**Statements of Financial Position**

**As at 30 June 2013**

	Notes	Consolidated		Company	
		Unaudited 30 June 2013 Baht	Audited 31 December 2012 Baht Restated	Unaudited 30 June 2013 Baht	Audited 31 December 2012 Baht Restated
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents		863,965,514	1,026,571,357	720,828,873	879,628,792
Trade accounts receivable	6	332,410,219	285,744,367	331,476,937	284,329,948
Inventories-net		2,212,794,469	1,985,869,985	2,212,794,469	1,985,869,985
Value added tax receivables		144,923,662	131,228,104	143,979,358	130,345,974
Other receivables-related parties - net	14 (iv)	-	-	90,202	384,092
Income tax receivable		45,533,996	45,533,996	45,533,996	45,533,996
Other current assets		21,568,032	25,307,894	20,638,945	23,638,536
<b>Total current assets</b>		<b>3,621,195,892</b>	<b>3,500,255,703</b>	<b>3,475,342,780</b>	<b>3,349,731,323</b>
<b>Non-current assets</b>					
Advances to related parties-net	14 (v)	-	-	50,000	-
Investments in subsidiaries-net	14 (i)	-	-	225,650,772	225,650,772
Investment in jointly controlled entity	14 (i)	78,155,098	69,939,097	236,249,800	236,249,800
Long-term loans to a related party	14 (i)	105,000,000	105,000,000	105,000,000	105,000,000
Property, plant and equipment-net	7	1,445,229,935	1,419,162,007	1,446,777,222	1,420,697,427
Exploration and acquisition costs	8	948,175,481	949,217,141	29,194,655	30,236,315
Other non-current assets					
- deferred environmental rehabilitation expenses-net	10	22,473,535	23,820,625	22,473,535	23,820,625
- deferred environmental risk assurance expenses-net	10	14,689,356	16,359,563	14,689,356	16,359,563
- deferred restoration expense-net	10	74,160,659	19,282,358	74,160,659	19,282,358
- others		7,611,740	8,364,206	7,404,054	8,113,034
<b>Total non-current assets</b>		<b>2,695,495,804</b>	<b>2,611,144,997</b>	<b>2,161,650,053</b>	<b>2,085,409,894</b>
<b>Total assets</b>		<b>6,316,691,696</b>	<b>6,111,400,700</b>	<b>5,636,992,833</b>	<b>5,435,141,217</b>

Director.....

Director.....

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

**Padaeng Industry Public Company Limited**

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

**As at 30 June 2013**

	Notes	Consolidated		Company	
		Unaudited 30 June 2013 Baht	Audited 31 December 2012 Baht Restated	Unaudited 30 June 2013 Baht	Audited 31 December 2012 Baht Restated
<b>Liabilities and shareholders' equity</b>					
<b>Current liabilities</b>					
Short-term loans from financial institutions	9	1,132,199,172	811,988,641	1,132,199,172	811,988,641
Trade accounts payable		228,307,864	301,380,312	227,259,699	299,598,373
Accrued electricity expenses		193,085,556	202,261,631	193,085,556	202,261,631
Other payables to a related party	14 (vi)	-	-	135,285	482,287
Income tax payable		137,743	530,581	-	-
Other current liabilities		117,852,522	132,200,438	116,829,386	131,816,552
<b>Total current liabilities</b>		<b>1,671,582,857</b>	<b>1,448,361,603</b>	<b>1,669,509,098</b>	<b>1,446,147,484</b>
<b>Non-current liabilities</b>					
Long-term loan from other party	14 (viii)	498,475,246	494,322,650	-	-
Accrued interest expenses-other party	14 (viii)	69,141,292	69,141,292	-	-
Provisions for restoration and rehabilitation expenses	10	160,518,013	104,268,637	160,518,013	104,268,637
Employee benefit obligations	11	123,572,961	128,057,175	121,829,061	126,313,275
<b>Total non-current liabilities</b>		<b>851,707,512</b>	<b>795,789,754</b>	<b>282,347,074</b>	<b>230,581,912</b>
<b>Total liabilities</b>		<b>2,523,290,369</b>	<b>2,244,151,357</b>	<b>1,951,856,172</b>	<b>1,676,729,396</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		497,893,562	569,734,202	596,723,061	669,998,221
<b>Total equity attributable to owner of the parent company</b>		<b>3,586,307,162</b>	<b>3,658,147,802</b>	<b>3,685,136,661</b>	<b>3,758,411,821</b>
Non-controlling interests		207,094,165	209,101,541	-	-
<b>Total shareholders' equity</b>		<b>3,793,401,327</b>	<b>3,867,249,343</b>	<b>3,685,136,661</b>	<b>3,758,411,821</b>
<b>Total liabilities and shareholders' equity</b>		<b>6,316,691,696</b>	<b>6,111,400,700</b>	<b>5,636,992,833</b>	<b>5,435,141,217</b>

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

**Padaeng Industry Public Company Limited**  
**Statements of Comprehensive Income**  
**For the three-month periods ended 30 June 2013**

	<b>Consolidated</b>		<b>Company</b>	
	<b>Unaudited 30 June 2013 Baht</b>	<b>Unaudited 30 June 2012 Baht Restated</b>	<b>Unaudited 30 June 2013 Baht</b>	<b>Unaudited 30 June 2012 Baht Restated</b>
Sales and services	1,301,387,765	2,106,149,110	1,297,293,383	2,101,500,624
Cost of sales and services	(1,237,633,183)	(2,106,760,688)	(1,234,850,628)	(2,103,586,976)
<b>Gross profit (loss)</b>	<b>63,754,582</b>	<b>(611,578)</b>	<b>62,442,755</b>	<b>(2,086,352)</b>
Other operating income	6,237,104	7,542,200	5,491,345	7,354,508
Loss on exchange rate	(83,523,251)	(35,274,864)	(83,713,271)	(36,073,447)
Gain on sale of fixed assets	1,462,381	1,554,167	1,462,381	1,554,167
<b>Loss before expenses</b>	<b>(12,069,184)</b>	<b>(26,790,075)</b>	<b>(14,316,790)</b>	<b>(29,251,124)</b>
Selling expenses	(17,771,593)	(23,038,564)	(17,771,593)	(23,038,564)
Administrative expenses	(64,610,710)	(72,850,169)	(61,657,372)	(61,949,649)
<b>Total expenses</b>	<b>(82,382,303)</b>	<b>(95,888,733)</b>	<b>(79,428,965)</b>	<b>(84,988,213)</b>
<b>Operating loss</b>	<b>(94,451,487)</b>	<b>(122,678,808)</b>	<b>(93,745,755)</b>	<b>(114,239,337)</b>
Share of loss of investment in jointly controlled entity on equity method	(10,206,236)	(8,591,493)	-	-
<b>Loss before finance costs and corporate income tax</b>	<b>(104,657,723)</b>	<b>(131,270,301)</b>	<b>(93,745,755)</b>	<b>(114,239,337)</b>
Finance costs	(2,307,098)	(3,503,599)	(2,307,098)	(3,503,599)
<b>Loss before corporate income tax</b>	<b>(106,964,821)</b>	<b>(134,773,900)</b>	<b>(96,052,853)</b>	<b>(117,742,936)</b>
Corporate income tax	152,522	(187,444)	223,893	-
<b>Net loss for the period</b>	<b>(106,812,299)</b>	<b>(134,961,344)</b>	<b>(95,828,960)</b>	<b>(117,742,936)</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>(106,812,299)</b>	<b>(134,961,344)</b>	<b>(95,828,960)</b>	<b>(117,742,936)</b>
<b>Loss attributable to:</b>				
Owners of the parent	(106,169,117)	(133,625,085)	(95,828,960)	(117,742,936)
Non-controlling interests	(643,182)	(1,336,259)	-	-
	<b>(106,812,299)</b>	<b>(134,961,344)</b>	<b>(95,828,960)</b>	<b>(117,742,936)</b>
<b>Loss per share</b>				
Basic loss per share	(0.47)	(0.59)	(0.42)	(0.52)

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

**Padaeng Industry Public Company Limited**  
**Statements of Comprehensive Income**  
**For the six-month periods ended 30 June 2013**

	Note	Consolidated		Company	
		Unaudited 30 June 2013 Baht	Unaudited 30 June 2012 Baht Restated	Unaudited 30 June 2013 Baht	Unaudited 30 June 2012 Baht Restated
Sales and services		2,753,329,813	4,122,291,259	2,745,379,135	4,113,300,181
Cost of sales and services		(2,668,611,913)	(4,105,751,907)	(2,663,288,680)	(4,099,282,572)
<b>Gross profit</b>		<b>84,717,900</b>	<b>16,539,352</b>	<b>82,090,455</b>	<b>14,017,609</b>
Other operating income		12,789,916	12,307,114	11,538,809	14,302,055
Loss on exchange rate		(11,726,589)	(15,315,566)	(10,238,584)	(16,741,509)
Gain on sale of fixed assets		1,534,571	1,537,789	1,534,571	1,537,789
<b>Profit before expenses</b>		<b>87,315,798</b>	<b>15,068,689</b>	<b>84,925,251</b>	<b>13,115,944</b>
Selling expenses		(32,583,013)	(38,679,214)	(32,583,013)	(38,679,214)
Administrative expenses		(132,160,437)	(154,352,473)	(121,195,779)	(131,475,401)
<b>Total expenses</b>		<b>(164,743,450)</b>	<b>(193,031,687)</b>	<b>(153,778,792)</b>	<b>(170,154,615)</b>
<b>Operating loss</b>		<b>(77,427,652)</b>	<b>(177,962,998)</b>	<b>(68,853,541)</b>	<b>(157,038,671)</b>
Share of gain of investment in jointly controlled entity on equity method	14 (i)	8,216,001	1,033,687	-	-
<b>Loss before finance costs and corporate income tax</b>		<b>(69,211,651)</b>	<b>(176,929,311)</b>	<b>(68,853,541)</b>	<b>(157,038,671)</b>
Finance costs		(4,421,619)	(6,182,583)	(4,421,619)	(6,182,583)
<b>Loss before corporate income tax</b>		<b>(73,633,270)</b>	<b>(183,111,894)</b>	<b>(73,275,160)</b>	<b>(163,221,254)</b>
Corporate income tax		(214,746)	(359,687)	-	-
<b>Net loss for the period</b>		<b>(73,848,016)</b>	<b>(183,471,581)</b>	<b>(73,275,160)</b>	<b>(163,221,254)</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>(73,848,016)</b>	<b>(183,471,581)</b>	<b>(73,275,160)</b>	<b>(163,221,254)</b>
<b>Loss attributable to:</b>					
Owners of the parent		(71,840,640)	(180,511,776)	(73,275,160)	(163,221,254)
Non-controlling interests		(2,007,376)	(2,959,805)	-	-
		<b>(73,848,016)</b>	<b>(183,471,581)</b>	<b>(73,275,160)</b>	<b>(163,221,254)</b>
<b>Loss per share</b>					
Basic loss per share		(0.32)	(0.80)	(0.32)	(0.72)

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

**Padaeng Industry Public Company Limited**  
**Statements of Changes in Shareholders' Equity**  
**For the six-month periods ended 30 June 2013**

<b>Consolidated (Unaudited)</b>							
<b>Notes</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>Baht</b>	<b>Baht</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>Opening balance as at 1 January 2013</b>	2,260,000,000	602,413,600	226,000,000	572,332,479	3,660,746,079	209,101,541	3,869,847,620
Restrospective adjustments from changes in accounting policy							
- Adjustments to change the accounting for financial instruments for foreign currency exchange rates	4.5	-	-	(2,598,277)	(2,598,277)	-	(2,598,277)
<b>Opening balance after adjustments</b>	2,260,000,000	602,413,600	226,000,000	569,734,202	3,658,147,802	209,101,541	3,867,249,343
Total comprehensive income for the period	-	-	-	(71,840,640)	(71,840,640)	(2,007,376)	(73,848,016)
<b>Closing balance as at 30 June 2013</b>	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>226,000,000</u>	<u>497,893,562</u>	<u>3,586,307,162</u>	<u>207,094,165</u>	<u>3,793,401,327</u>
<b>Opening balance as at 1 January 2012</b>	2,260,000,000	602,413,600	226,000,000	1,275,332,832	4,363,746,432	215,409,404	4,579,155,836
Restrospective adjustments from changes in accounting policy							
- Adjustments to change the accounting for financial instruments for foreign currency exchange rates	4.5	-	-	(4,645,479)	(4,645,479)	-	(4,645,479)
<b>Opening balance after adjustments</b>	2,260,000,000	602,413,600	226,000,000	1,270,687,353	4,359,100,953	215,409,404	4,574,510,357
Total comprehensive income for the period	-	-	-	(180,511,776)	(180,511,776)	(2,959,805)	(183,471,581)
Dividend paid	-	-	-	(112,996,085)	(112,996,085)	-	(112,996,085)
<b>Closing balance as at 30 June 2012</b>	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>226,000,000</u>	<u>977,179,492</u>	<u>4,065,593,092</u>	<u>212,449,599</u>	<u>4,278,042,691</u>

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

**Padaeng Industry Public Company Limited**  
**Statements of Changes in Shareholders' Equity**  
**For the six-month periods ended 30 June 2013**

	Company (Unaudited)					
	Notes	Issued and paid-up share capital Baht	Premium on share capital Baht	Retained earnings		Total shareholders' equity Baht
				Appropriated legal reserve Baht	Unappropriated Baht	
<b>Opening balance as at 1 January 2013</b>		2,260,000,000	602,413,600	226,000,000	672,596,498	3,761,010,098
Retrospective adjustments from changes in accounting policy						
- Adjustments to change the accounting for financial instruments for foreign currency exchange rates	4.5	-	-	-	(2,598,277)	(2,598,277)
<b>Opening balance after adjustments</b>		2,260,000,000	602,413,600	226,000,000	669,998,221	3,758,411,821
Total comprehensive income for the period		-	-	-	(73,275,160)	(73,275,160)
<b>Closing balance as at 30 June 2013</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>226,000,000</u>	<u>596,723,061</u>	<u>3,685,136,661</u>
<b>Opening balance as at 1 January 2012</b>		2,260,000,000	602,413,600	226,000,000	1,313,994,476	4,402,408,076
Retrospective adjustments from changes in accounting policy						
- Adjustments to change the accounting for financial instruments for foreign currency exchange rates	4.5	-	-	-	(4,645,479)	(4,645,479)
<b>Opening balance after adjustments</b>		2,260,000,000	602,413,600	226,000,000	1,309,348,997	4,397,762,597
Total comprehensive income for the period		-	-	-	(163,221,254)	(163,221,254)
Dividend paid		-	-	-	(112,996,085)	(112,996,085)
<b>Closing balance as at 30 June 2012</b>		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>226,000,000</u>	<u>1,033,131,658</u>	<u>4,121,545,258</u>

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



**Padaeng Industry Public Company Limited**  
**Statements of Cash Flows**  
**For the six-month periods ended 30 June 2013**

	Notes	Consolidated		Company	
		Unaudited 30 June 2013 Baht	Unaudited 30 June 2012 Baht Restated	Unaudited 30 June 2013 Baht	Unaudited 30 June 2012 Baht Restated
<b>Cash flows from operating activities</b>					
Loss before tax		(73,633,270)	(183,111,894)	(73,275,160)	(163,221,254)
<b>Adjustments for:</b>					
Depreciation expenses	7	125,167,286	126,765,356	124,962,069	126,528,807
Other non-current assets amortisation expenses		10,666,671	22,857,451	10,623,185	14,516,712
Interest expenses		4,421,619	6,182,583	4,421,619	6,182,583
Interest income		(9,440,878)	(8,542,646)	(7,742,569)	(6,664,986)
Share of gain from jointly controlled entity	14 (i)	(8,216,001)	(1,033,687)	-	-
Allowance of slow-moving and obsolete stocks (reversal)		(83,478)	1,228,317	(83,478)	1,228,317
Provisions for employee benefits		6,627,869	6,872,304	6,627,869	6,449,004
Provision for annual leave		(10,086)	300,000	(10,086)	300,000
Gain on disposal of property, plant and equipment (Reversal)/Provision for asset impairment		(72,190)	(1,537,789)	(72,190)	(1,537,789)
		(431,569)	-	(431,569)	-
Exploration costs written-down	8	-	4,003,178	-	51,616
Provisions for restoration expense (accretion expense)	10	64,496,940	20,683,945	64,496,940	20,683,945
Unrealised loss on foreign currency exchange		30,060,271	3,915,156	30,060,271	3,920,052
<b>Changes in operating assets and liabilities</b>					
Trade accounts receivable-other parties		(47,392,863)	(203,749,064)	(47,873,999)	(203,246,456)
Inventories		(226,835,728)	854,197,077	(226,835,728)	861,340,243
Value added tax receivables		(13,695,558)	(11,967,572)	(13,633,384)	(11,633,326)
Other receivables-related parties		-	-	288,612	(3,226,854)
Prepayment to a related party		-	-	(50,000)	(7,500,000)
Other current assets		6,389,182	955,791	6,326,455	1,755,688
<b>Other non-current assets</b>					
- deferred environmental rehabilitation expenses		(1,690,546)	(5,696,194)	(1,690,546)	(5,696,194)
- deferred environmental risk assurance expenses		(385,070)	(1,507,203)	(385,070)	(1,507,203)
- deferred restoration expenses		(56,654,764)	(8,999,725)	(56,654,764)	(8,999,725)
- others		12,082	(696,714)	12,082	(756,715)
Trade accounts payable-other parties		(76,152,117)	(425,277,825)	(75,418,344)	(424,567,490)
Accrued electricity expenses		(9,176,075)	(6,281,465)	(9,176,075)	(6,281,465)
Royalty payable		300,000	(2,230,000)	300,000	(2,230,000)
Other payable-related parties		-	-	(347,002)	37,060
Other current liabilities		(14,341,285)	(49,275,601)	(15,144,010)	(52,656,898)
Provisions for restoration expenses utilised	10	(8,247,564)	(13,630,613)	(8,247,564)	(13,630,613)
Provisions for employee benefits expenses utilised	11	(11,112,083)	(11,724,226)	(11,112,083)	(11,724,226)
Corporate income tax refund		375,307	5,032,801	-	5,032,801
Cash generated from (used in) operation		<u>(309,053,898)</u>	<u>117,731,741</u>	<u>(300,064,519)</u>	<u>122,945,634</u>
Interest paid		(4,923,210)	(6,337,342)	(4,923,210)	(6,337,342)
Tax paid		(466,156)	(723,363)	(83,839)	(52,085)
<b>Net cash provided by (used in) operating activities</b>		<u>(314,443,264)</u>	<u>110,671,036</u>	<u>(305,071,568)</u>	<u>116,556,207</u>

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

**Padaeng Industry Public Company Limited**  
**Statements of Cash Flows (Cont'd)**  
**For the six-month periods ended 30 June 2013**

	Notes	Consolidated		Company	
		Unaudited 30 June 2013 Baht	Unaudited 30 June 2012 Baht Restated	Unaudited 30 June 2013 Baht	Unaudited 30 June 2012 Baht Restated
<b><u>Cash flows from investing activities</u></b>					
Interest received		9,098,558	8,474,037	7,492,032	6,593,765
Cash paid for purchase of property, plant and equipment	7	(150,803,645)	(142,451,330)	(150,610,295)	(142,365,080)
Cash received from sales of property, plant and equipment		72,200	1,920,362	72,200	1,920,361
Cash paid for exploration	8	(2,015,250)	(4,041,254)	(2,015,250)	(93,616)
<b>Net cash used in investing activities</b>		<b>(143,648,137)</b>	<b>(136,098,185)</b>	<b>(145,061,313)</b>	<b>(133,944,570)</b>
<b><u>Cash flows from financing activities</u></b>					
Proceeds on short-term loans from financial institutions		290,665,874	532,612,820	290,665,874	532,612,820
Proceeds from long-term loan from other party	14 (viii)	4,152,596	4,253,621	-	-
Dividend payment		(25,700)	(113,042,486)	(25,700)	(113,042,486)
<b>Net cash provided by financing activities</b>		<b>294,792,770</b>	<b>423,823,955</b>	<b>290,640,174</b>	<b>419,570,334</b>
Effects from changes in exchange rate for cash and cash equivalents		692,788	7,821,752	692,788	7,821,752
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(162,605,843)</b>	<b>406,218,558</b>	<b>(158,799,919)</b>	<b>410,003,723</b>
Cash and cash equivalents at beginning of the period		1,026,571,357	714,174,693	879,628,792	567,402,283
<b>Cash and cash equivalents at end of the period</b>		<b>863,965,514</b>	<b>1,120,393,251</b>	<b>720,828,873</b>	<b>977,406,006</b>

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

**Padaeng Industry Public Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the interim period ended 30 June 2013**

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**1 General information**

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

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

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

These interim consolidated and company financial information were authorized for issue by the Board of Directors on 6 August 2013.

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

**2 Basis of preparation**

These interim consolidated and company financial information are prepared in accordance with Thai generally accepted accounting principles under the Accounting Act B.E. 2543, being those Thai Accounting Standards issued under the Accounting Professions Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission. The primary financial information (i.e., statement of financial position, statement of comprehensive income, changes in shareholders' equity and cash flows) are prepared in the full format as required by the Securities and Exchange Commission. The notes to the financial information are prepared in a condensed format according to Thai Accounting Standard 34, "Interim Financial Reporting" and additional notes are presented as required by the Securities and Exchange Commission under the Securities and Exchange Act.

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

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

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

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

### **3 Accounting policies**

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

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

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

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

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

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

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

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

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

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

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

#### **4 New accounting policies**

##### **4.1 Current and deferred income taxes**

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

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

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

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

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

Based on a review of the Consolidated and Company financial statements, the company has determined there is no impact to the Company's Statement of Financial Position as at 31 December 2012 and Statements of Changes in Shareholders' Equity as at 1 January 2012 and 2013 from the adoption of this accounting standard.

##### **4.2 Correction of Error**

The Company adopted the accounting for deferred taxes beginning 1 January 2013 and incorrectly recognized deferred tax liabilities in the amount of 28,656,549 Baht in respect to assets that were fully depreciated under both the financial and tax basis of accounting. The impact for correcting the error is as shown below:

**Padaeng Industry Public Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the interim period ended 30 June 2013**

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

**4.2 Correction of Error (Cont'd)**

	<b>Consolidated</b>		
	<b>As originally stated Baht</b>	<b>Adjustment Baht</b>	<b>Restated Baht</b>
<b>Statement of Financial Position as at 31 December 2012</b>			
Deferred tax liability	28,656,549	(28,656,549)	-
<b>Statement of Changes in Shareholders' Equity as at 1 January 2012</b>			
Retained earnings-Unappropriated	1,247,212,162	28,120,670	1,275,332,832
<b>Statement of Changes in Shareholders' Equity as at 1 January 2013</b>			
Retained earnings-Unappropriated	543,675,930	28,656,549	572,332,479
<b>Statement of Comprehensive Income for the three-month period ended 31 March 2012</b>			
Corporate income tax	(89,876)	(82,367)	(172,243)
Total comprehensive income	(48,605,858)	(82,367)	(48,688,225)
<b>Loss per share</b>			
Basic loss per share	(0.21)	-	(0.21)
<b>Company</b>			
	<b>As originally stated Baht</b>	<b>Adjustment Baht</b>	<b>Restated Baht</b>
<b>Statement of Financial Position as at 31 December 2012</b>			
Deferred tax liability	28,656,549	(28,656,549)	-
<b>Statement of Changes in Shareholders' Equity as at 1 January 2012</b>			
Retained earnings-Unappropriated	1,285,873,806	28,120,670	1,313,994,476
<b>Statement of Changes in Shareholders' Equity as at 1 January 2013</b>			
Retained earnings-Unappropriated	643,939,949	28,656,549	672,596,498
<b>Statement of Comprehensive Income for the three-month period ended 31 March 2012</b>			
Corporate income tax	82,327	(82,367)	-
Total comprehensive expenses	(45,573,939)	(82,367)	(45,656,306)
<b>Loss per share</b>			
Basic loss per share	(0.20)	-	(0.20)

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

**4.3 Foreign currency translation**

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

**4.4 Segment reporting**

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

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

**4.5 Financial instrument of foreign currency exchange rates**

Prior to 1 January 2013, the Company recognised both realized and unrealized gains and losses related to financial instruments that reduce its exposure to fluctuations in foreign currency exchange rates with respect to recognised foreign currency assets or liabilities in the statement of comprehensive income.

Beginning 1 January 2013, the Company has changed its accounting policy for financial instrument contracts relating to foreign currency transactions. Such contracts are not recognized on the statement of financial position at inception. Gains and losses occurring on these contracts are only recognized upon settlement of the contracts. The impact of the adoption of this policy is shown below.

	<b>Consolidated</b>		
	<b>As originally stated Baht</b>	<b>Adjustment Baht</b>	<b>Restated Baht</b>
<b>Statement of Financial Position as at 31 December 2012</b>			
Other current assets	28,300,381	(2,992,487)	25,307,894
Other current liabilities	132,594,648	(394,210)	132,200,438
<b>Statement of Changes in Shareholders' Equity as at 1 January 2012</b>			
Retained earnings-Unappropriated	1,275,332,832	(4,645,479)	1,270,687,353
<b>Statement of Changes in Shareholders' Equity as at 1 January 2013</b>			
Retained earnings-Unappropriated	572,332,479	(2,598,277)	569,734,202
<b>Statement of Comprehensive Income for the six-month period ended 30 June 2012</b>			
Loss on exchange rate	(8,335,431)	(6,980,135)	(15,315,566)
Total comprehensive income	(176,491,446)	(6,980,135)	(183,471,581)
<b>Statement of Comprehensive Income for the three-month period ended 30 June 2012</b>			
Loss on exchange rate	(28,116,741)	(7,158,123)	(35,274,864)
Total comprehensive income	(127,803,221)	(7,158,123)	(134,961,344)



**Padaeng Industry Public Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the interim period ended 30 June 2013**

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

**4.5 Financial instrument of foreign currency exchange rates (Cont'd)**

	<b>Company</b>		
	<b>As originally stated Baht</b>	<b>Adjustment Baht</b>	<b>Restated Baht</b>
<b>Statement of Financial Position as at 31 December 2012</b>			
Other current assets	26,631,023	(2,992,487)	23,638,536
Other current liabilities	132,210,762	(394,210)	131,816,552
<b>Statement of Changes in Shareholders' Equity as at 1 January 2012</b>			
Retained earnings-Unappropriated	1,313,994,476	(4,645,479)	1,309,348,997
<b>Statement of Changes in Shareholders' Equity as at 1 January 2013</b>			
Retained earnings-Unappropriated	672,596,498	(2,598,277)	669,998,221
<b>Statement of Comprehensive Income for the six-month period ended 30 June 2012</b>			
Loss on exchange rate	(9,761,374)	(6,980,135)	(16,741,509)
Total comprehensive income	(156,241,119)	(6,980,135)	(163,221,254)
<b>Statement of Comprehensive Income for the three-month period ended 30 June 2012</b>			
Loss on exchange rate	(28,915,324)	(7,158,123)	(36,073,447)
Total comprehensive income	(110,584,813)	(7,158,123)	(117,742,936)

**5 Segment information**

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

<b>For the six-month period ended 30 June</b>	<b>2013 in million Baht</b>	<b>2012 in million Baht Restated</b>
Revenue domestic		
- zinc ingot	1,054	1,829
- zinc alloy	1,169	1,262
- others	164	242
Revenue export		
- zinc ingot	15	440
- zinc alloy	285	343
- others	66	6
Total sales and services	2,753	4,122
Operating profit	87	15
Net loss for the period	(74)	(183)

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

**Padaeng Industry Public Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the interim period ended 30 June 2013**

**6 Trade accounts receivable**

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>
Trade accounts receivable	332,410,219	285,744,367	331,476,937	284,329,948
<u>Less: Allowance for doubtful accounts</u>	-	-	-	-
Trade accounts receivable	<u>332,410,219</u>	<u>285,744,367</u>	<u>331,476,937</u>	<u>284,329,948</u>

Outstanding trade accounts receivable as at 30 June 2013 and 31 December 2012 can be analysed as follows:

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>
Up to 3 months	331,619,736	285,744,367	330,686,454	284,329,948
Over 3 months	790,483	-	790,483	-
	<u>332,410,219</u>	<u>285,744,367</u>	<u>331,476,937</u>	<u>284,329,948</u>
<u>Less: Allowance for doubtful accounts</u>	-	-	-	-
	<u>332,410,219</u>	<u>285,744,367</u>	<u>331,476,937</u>	<u>284,329,948</u>

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

	<b>Consolidated Baht</b>	<b>Company Baht</b>
<b>For the six-month period ended 30 June 2013</b>		
Opening net book value	1,419,162,007	1,420,697,427
Acquisition of assets and capital in progress	150,803,645	150,610,295
Provision for asset impairment	431,569	431,569
Depreciation	(125,167,286)	(124,962,069)
Closing net book value	<u>1,445,229,935</u>	<u>1,446,777,222</u>

**8 Exploration and acquisition costs**

Exploration and acquisition costs as at 30 June 2013 and 31 December 2012 comprise:

	Consolidated		Company	
	30 June 2013 Baht	31 December 2012 Baht	30 June 2013 Baht	31 December 2012 Baht
<u>Exploration costs</u>				
At 1 January	924,761,942	1,101,677,245	5,781,116	81,723,668
Expenditure incurred during the year	2,015,250	6,070,508	2,015,250	96,756
<u>Less:</u> Provision for impairment of exploration costs	-	(182,985,811)	-	(76,039,308)
Ending balance for the period/year	926,777,192	924,761,942	7,796,366	5,781,116
<u>Mining acquisition costs</u>				
Capitalised deferred cost				
Land use compensation-net	14,077,727	16,088,868	14,077,727	16,088,868
Other capitalised expenditure-net	7,320,562	8,366,331	7,320,562	8,366,331
Ending balance for the period/year	21,398,289	24,455,199	21,398,289	24,455,199
Total mining acquisition costs	21,398,289	24,455,199	21,398,289	24,455,199
Total (Note 8 (i))	948,175,481	949,217,141	29,194,655	30,236,315

**i) Exploration costs**

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

Puthep Co., Ltd.

As at 30 June 2013, the capitalized exploration and acquisition costs incurred by Puthep amount to Baht 926.2 million. The Company continues to assess and review the viability of the project, situated in the Loei province, in North Eastern Thailand. The main resource in the exploration area relates to copper and gold. Technical assessments conducted by the company and its partners continue to confirm commercially recoverable resource supporting the cost for a scalable leach operation allowing the development of the mine. Updated assessments in the first half of 2013 on the basis of actualized assumptions for metal prices, investment and operating costs confirm the viability of the project. To proceed with the project, the company needs to obtain relevant mining licenses, forestry permits and complete an Environmental and Health Impact Assessment. Legal advice taken by the company has reaffirmed that the permits are obtainable, provided all necessary steps are taken in good order. In addition, the company is also evaluating options on whether to consider selling the project to interested parties.

Padaeng Industry (Laos) Co., Ltd.

In October 2006, the Company through its subsidiary Padaeng Industry (Laos) signed a 5-year exploration agreement with the Department of Mines and Geology of Lao PDR which expired on 27 October 2011 for the purposes of exploring and producing resources containing Zinc. As at 30 June 2013, the total amount of exploration costs capitalised amounted to Baht 106.8 million. Although the exploration agreement with the Lao PDR has been extended to 27 October 2014, during the fourth quarter of 2012, the Company’s management concluded that significant expenditures and alternative drilling methods not currently utilized by the company would be required to proceed further with the assessment of the project’s commercial viability. Therefore, based on this review the company has ceased further exploration activities until a viable option for development can be determined. Consequently, the company has recognized a provision for impairment with respect to the exploration costs capitalized.

**Padaeng Industry Public Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the interim period ended 30 June 2013**

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

Short-term loans from financial institutions as at 30 June 2013 and 31 December 2012 comprise:

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>
Trust Receipts	1,132,199,172	811,988,641	1,132,199,172	811,988,641
Promissory Notes	-	-	-	-
<b>Total</b>	<b>1,132,199,172</b>	<b>811,988,641</b>	<b>1,132,199,172</b>	<b>811,988,641</b>

The Company has entered into short-term financing arrangements to fund its operations with various financial institutions. The interest rates, the Company is paying on the trust receipts and promissory notes are in the range of 0.95% - 1.20% per annum.

**Financing arrangements available**

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2013 in million Baht</b>	<b>31 December 2012 in million Baht</b>	<b>30 June 2013 in million Baht</b>	<b>31 December 2012 in million Baht</b>
Bank Overdraft	60	60	60	60
Short-term Loans	2,905	2,968	2,905	2,968
Bank Guarantee	1,310	1,309	1,310	1,306
<b>Total</b>	<b>4,275</b>	<b>4,337</b>	<b>4,275</b>	<b>4,334</b>

**10 Provision for restoration and rehabilitation expenses**

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>
At 1 January	104,268,637	96,320,858	104,268,637	96,320,858
Accretion expense	64,496,940	22,776,618	64,496,940	22,776,618
Amounts utilised	(8,247,564)	(14,828,839)	(8,247,564)	(14,828,839)
<b>Ending balance for the period/year</b>	<b>160,518,013</b>	<b>104,268,637</b>	<b>160,518,013</b>	<b>104,268,637</b>

The provision for restoration and rehabilitation costs represents amounts provided for the estimated costs of restoration of cadmium and residue ponds at Take 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. 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 and rehabilitation assets as at the date of the obligation first arises and to the extent that it is first recognized as a provision. The corresponding assets are recognized in other non-current assets amounting to Baht 111.32 million (31 December 2012: Baht 59.46 million). This restoration and rehabilitation asset is subsequently amortized on a unit-of-production basis.

**Padaeng Industry Public Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the interim period ended 30 June 2013**

**11 Employee benefit obligations**

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>
Balance at the beginning of the period/year	128,057,175	118,147,530	126,313,275	116,826,930
Additional provisions charged to the statements of comprehensive income	6,627,869	32,167,014	6,627,869	31,743,714
Amounts utilised	(11,112,083)	(22,257,369)	(11,112,083)	(22,257,369)
Balance at the end of the period/year	<u>123,572,961</u>	<u>128,057,175</u>	<u>121,829,061</u>	<u>126,313,275</u>

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

**12 Bank guarantees**

As at 30 June 2013, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 409.66 million (31 December 2012: Baht 433.14 million).

**13 Commitments**

As at 30 June 2013 and 31 December 2012, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>
Not later than 1 year	74,943,611	94,291,322	74,943,611	94,291,322

As at 30 June 2013 and 31 December 2012, the Company has the following commitments for the purchase of raw materials that have been contracted but not recorded as liabilities:

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>
Not later than 1 year	314,420,572	349,542,534	314,420,572	349,542,534

In addition, as at 30 June 2013, the Company has contracted for the purchase of raw materials that contained zinc units of approximately 9,712 tones (31 December 2012 : 8,979 tones).

**Padaeng Industry Public Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the interim period ended 30 June 2013**

**14 Related parties transactions**

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

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

	<b>Consolidated</b>		<b>Company</b>		<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2013</b>		<b>30 June 2013</b>		<b>31 December 2012</b>		<b>31 December 2012</b>	
	<b>Equity</b>	<b>Paid-up capital</b>	<b>% ownership</b>	<b>Cost</b>	<b>Equity</b>	<b>Paid-up capital</b>	<b>% ownership</b>	<b>Cost</b>
	<b>Baht</b>	<b>Baht</b>	<b>investment</b>	<b>Baht</b>	<b>Baht</b>	<b>Baht</b>	<b>investment</b>	<b>Baht</b>
<b>Subsidiaries</b>								
Padaeng Properties Co., Ltd.	-	80,000,000	100	80,000,000	-	80,000,000	100	80,000,000
Puthep Co., Ltd.	-	285,589,732	51	145,650,772	-	285,589,732	51	145,650,772
Padaeng Industry (Laos) Co., Ltd.	-	27,563,113	100	27,563,113	-	27,569,653	100	27,569,653
Padaeng International Mining Co., Ltd.	-	100,000	100	100,000	-	100,000	100	100,000
Ton Sangkasi Pte Ltd.	-	246,700	100	246,700	-	246,700	100	246,700
Total	-			253,560,585	-			253,567,125
<b>Less</b> Diminution in value								
Padaeng Industry (Laos) Co., Ltd	-			(27,563,113)	-			(27,569,653)
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)
Ton Sangkasi Pte Ltd.	-			(246,700)	-			(246,700)
Investments in subsidiaries-net	-			225,650,772	-			225,650,772

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

**Jointly controlled entity**

Maesod Clean Energy Co., Ltd.	<u>78,155,098</u>	675,000,000	35	<u>236,249,800</u>	<u>69,939,097</u>	675,000,000	35	<u>236,249,800</u>
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Maesod Clean Energy Co., Ltd. is incorporated in Thailand.

**Padaeng Industry Public Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the interim period ended 30 June 2013**

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

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>
At 1 January	69,939,097	94,192,819	461,900,572	469,501,823
Share of gain (loss) from jointly controlled entity	8,216,001	(24,253,722)	-	-
Disposal of investment	-	-	(6,540)	-
Reversal (charge) of diminution of investment	-	-	6,540	(7,601,251)
Ending balance for the period/year	<u>78,155,098</u>	<u>69,939,097</u>	<u>461,900,572</u>	<u>461,900,572</u>

Subsidiaries

As at 30 June 2013, Padaeng Industry (Laos) has total authorised share capital of USD 1,273,000 of which USD 797,000 has been issued and paid up. The current investment value of Padaeng Industry (Laos) in the Company's books, net of diminution in value of investment, is zero.

As at 30 June 2013, Puthep has a total authorised share capital of 4,606,286 shares (31 December 2012: 4,606,286 shares) outstanding for a cumulative amount of Baht 377,102,615 (31 December 2012: Baht 377,102,615).

Jointly controlled entity

On 9 October 2006, Maesod Clean Energy Co., Ltd. ("Maesod Clean Energy") was created together with MP Energy Co., Ltd. and Thai Oil Public Company Limited. The jointly controlled entity produces ethanol as an alternative energy source. As at 30 June 2013 and 31 December 2012, Maesod Clean Energy has 67,500,000 shares authorised and outstanding. The Company has subscribed to a total of 23,625,000 shares in Maesod Clean Energy.

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

**ii) Sales of goods and services**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2013 Baht</b>	<b>2012 Baht</b>	<b>2013 Baht</b>	<b>2012 Baht</b>
<b>For the six-month periods ended 30 June</b>				
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	518,760	497,776
Padaeng Industry (Laos) Co., Ltd.	-	-	-	3,217,500
Puthep Co., Ltd.	-	-	158,340	158,340

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

**Padaeng Industry Public Company Limited**  
**Condensed Notes to Interim Financial Information (Unaudited)**  
**For the interim period ended 30 June 2013**

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

**iii) Purchases of goods and services**

	Consolidated		Company	
	2013 Baht	2012 Baht	2013 Baht	2012 Baht
<b>For the six-month periods ended 30 June</b>				
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	2,548,653	2,999,509

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

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

	Consolidated		Company	
	30 June 2013 Baht	31 December 2012 Baht	30 June 2013 Baht	31 December 2012 Baht
Padaeng Properties Co., Ltd.	-	-	90,202	357,702
Padaeng Industry (Laos) Co., Ltd.	-	-	37,202,462	37,202,463
Puthep Co., Ltd.	-	-	-	26,390
Padaeng International Mining Co., Ltd.	-	-	142,192	136,913
Total	-	-	37,434,856	37,723,468
<u>Less:</u> Allowance for doubtful accounts	-	-	(37,344,654)	(37,339,376)
Other receivables-related parties-net	-	-	90,202	384,092

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

	Consolidated		Company	
	30 June 2013 Baht	31 December 2012 Baht	30 June 2013 Baht	31 December 2012 Baht
Padaeng Industry (Laos) Co., Ltd.	-	-	84,243,416	84,243,416
Padaeng International Mining Co., Ltd.	-	-	532,300	532,300
Ton Sangkasi Pte Ltd.	-	-	12,328,558	12,278,558
Total	-	-	97,104,274	97,054,274
<u>Less:</u> Allowance for doubtful accounts	-	-	(97,054,274)	(97,054,274)
Advance to related parties-net	-	-	50,000	-

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

As at 30 June 2013, the amounts due from the related entities have been fully provided against because as noted in Note 8, exploration activities in these entities have not resulted in economically viable projects.



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

**vi) Other payables-related party**

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>
Padaeng Properties Co., Ltd.	-	-	135,285	482,287
<b>Total</b>	<b>-</b>	<b>-</b>	<b>135,285</b>	<b>482,287</b>

**vii) Key management compensation**

The compensation paid or payable to key management for employee services for the six-month periods ended 30 June 2013 and 2012 is shown below:

	<b>Consolidated</b>		<b>Company</b>	
	<b>2013 Baht</b>	<b>2012 Baht</b>	<b>2013 Baht</b>	<b>2012 Baht</b>
Short-term employee benefits	16,405,800	18,919,300	16,405,800	18,919,300
Post-employee benefits and termination benefits	2,064,344	10,797,723	2,064,344	10,797,723
<b>Total</b>	<b>18,470,144</b>	<b>29,717,023</b>	<b>18,470,144</b>	<b>29,717,023</b>

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

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

	<b>Consolidated</b>		<b>Company</b>	
	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>	<b>30 June 2013 Baht</b>	<b>31 December 2012 Baht</b>
PNA (Puthep) Pty Ltd.				
At 1 January	494,322,650	486,145,263	-	-
Loan increase during the year	4,152,596	8,177,387	-	-
Ending balance for the period/year	498,475,246	494,322,650	-	-
Accrued interest expenses	69,141,292	69,141,292	-	-

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

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

#### **Price risk**

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

As at 30 June 2013, the balance of forward foreign exchange contracts outstanding was net sale of 17,448,972 USD and the change in fair value are 8,158,947 Baht unfavorable.

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

In late 2012, the Company began strategic hedging to mitigate against the fluctuation in zinc price primarily in respect to zinc production from the Company's mine in Maesod. The Company has entered into forward contracts to fix the zinc price for a portion of its Maesod mine production for year 2013, in the amount of 22,600 metric tons at a price of USD 2,141 per ton using an average exchange rate 30.79 Baht per USD.

As at 30 June 2013, total net buy of 950 metric tons of zinc and total net buy of 700 metric tons of aluminium on the London Metal Exchange are outstanding for both transactional and strategic hedge. The change in fair value of these open positions amounts to USD 2,877,036 or Baht 89,582,254 is favorable. These fair values reflect the mark to market values of the contracts at the prevailing period end rates for similar contracts. These positions will be offset by committed and priced physical purchases and sales contracts. The operations carried out on the future markets for hedging transactional risks as described are not of a speculative nature.

#### **Credit risk**

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

#### **Interest rate risk**

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

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

**15.2 Fair values**

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

**15.3 Exploration risk**

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

**16 Litigation**

As of 30 June 2013, the Company has been served notice of five complaints by 1,141 plaintiffs filed in the Bangkok Southern Civil Court. The plaintiffs are seeking compensation of Baht 3,969 million from the Company alleging that it caused cadmium contamination in the Mae Sod district of the Tak province. The Company has filed answers to all the claims as ordered by the Court, the cases are pending for the court proceeding, but is confident that its strict environmental measures are in line with the regulations and requirements of the authorities. Management intends to defend the case vigorously. At this stage, the outcome of the proceedings is unknown and no contingent liability has been recorded.

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

The Company objects to the legality of that order and lodged a Complaint by the Central Administrative Court in January 2011. The case is still pending for the court consideration as at 30 June 2013 and the outcome of the courts views are currently unknown.