

PADAENG INDUSTRY PUBLIC COMPANY LIMITED

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

30 SEPTEMBER 2008

AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

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

I have reviewed the accompanying consolidated and company balance sheets of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited as at 30 September 2008 and the related consolidated and company statements of income for the three-month and nine-month periods ended 30 September 2008 and 2007 and the related consolidated and company statements of changes in shareholders' equity, and cash flows for the nine-month periods ended 30 September 2008 and 2007. 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 2007 of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited in accordance with generally accepted auditing standards and expressed an unqualified opinion on those statements in my report dated 11 February 2008. The consolidated and company balance sheets as at 31 December 2007, presented for comparative purposes, are part of the financial statements which I have audited and issued a report thereon as stated above, and I have not performed any other auditing procedures subsequent to the date of that report.



Nattaporn Phan-Udom
Certified Public Accountant
(Thailand) No.3430
PricewaterhouseCoopers ABAS Limited
Bangkok

11 November 2008

Padaeng Industry Public Company Limited
Balance Sheets
As at 30 September 2008 and 31 December 2007

	Notes	Consolidated		Company	
		(Unaudited) 30 September 2008 Baht	(Audited) 31 December 2007 Baht	(Unaudited) 30 September 2008 Baht	(Audited) 31 December 2007 Baht
ASSETS					
<u>Current Assets</u>					
Cash and cash equivalents		809,519,431	514,608,111	572,090,421	351,075,427
Trade accounts receivables-net					
- other parties	2	548,365,730	278,974,064	546,404,649	275,087,596
- related parties	15 (iv)	-	25,222,828	-	25,222,828
Short-term loans to related parties-net	15 (v)	2,449,000	2,449,000	-	1,650,063
Inventories-net		1,955,742,408	2,199,580,945	1,955,742,408	2,201,842,506
Value added tax receivables		73,002,914	24,861,246	61,674,490	22,374,586
Other receivables-related parties	15 (vi)	-	-	2,152,587	3,597,350
Other current assets		121,324,113	90,684,503	119,520,662	89,753,309
Total Current Assets		3,510,403,596	3,136,380,697	3,257,585,217	2,970,603,665
<u>Non-Current Assets</u>					
Investments in related parties-net	15 (i)	214,810,480	132,743,660	472,285,597	371,660,597
Property, plant and equipment-net	13	2,050,454,451	2,019,052,572	2,051,934,919	2,021,297,154
Exploration and acquisition costs	3	842,553,965	456,611,538	193,213,430	130,534,342
Other non-current assets					
- deferred environmental rehabilitation expenses-net		35,591,314	-	35,591,314	-
- deferred environmental risk assurance expenses-net		31,370,883	-	31,370,883	-
- others		10,948,192	9,536,028	9,879,913	9,457,528
Total Non-Current Assets		3,185,729,285	2,617,943,798	2,794,276,056	2,532,949,621
Total Assets		6,696,132,881	5,754,324,495	6,051,861,273	5,503,553,286

Director.....

Director.....

The notes to the consolidated and company financial statements on pages 10 to 24 are an integral part of these interim financial statements.

Padaeng Industry Public Company Limited
Balance Sheets (Cont'd)
As at 30 September 2008 and 31 December 2007

	Notes	Consolidated		Company	
		(Unaudited) 30 September 2008 Baht	(Audited) 31 December 2007 Baht	(Unaudited) 30 September 2008 Baht	(Audited) 31 December 2007 Baht
LIABILITIES AND SHAREHOLDERS' EQUITY					
<u>Current Liabilities</u>					
Loans from financial institutions	4	330,725,121	-	330,725,121	-
Trade accounts payables					
- other parties		735,855,677	120,064,209	734,587,100	118,427,149
- related parties	15 (iv)	-	6,150,893	-	6,150,893
Advances from a related party	15 (viii)	359,395,734	126,240,767	-	-
Short-term loan from a related party	15 (ix)	-	-	-	80,000,000
Accrued interest expenses					
- other parties		97,525	-	97,525	-
- a related party	15 (ix)	-	-	-	510,137
Accrued electricity expenses		203,612,502	187,124,594	203,612,502	187,124,594
Royalty payable		46,149,205	216,945,530	46,149,205	216,945,530
Other payables-related parties	15 (vii)	25,650,612	-	162,858	125,436
Other current liabilities		214,446,505	223,652,578	159,516,608	203,480,565
Total Current Liabilities		1,915,932,881	880,178,571	1,474,850,919	812,764,304
<u>Non-Current Liabilities</u>					
Provisions for restoration expenses	5	88,690,919	13,571,494	88,690,919	13,571,494
Provision for employee termination/retirement benefits	6	99,149,326	91,905,766	99,149,326	91,905,766
Others non-current liabilities		1,111,600	-	1,111,600	-
Total Non-Current Liabilities		188,951,845	105,477,260	188,951,845	105,477,260
Total Liabilities		2,104,884,726	985,655,831	1,663,802,764	918,241,564
<u>Shareholders' Equity</u>					
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	7	2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Premium on share capital	7	602,413,600	602,413,600	602,413,600	602,413,600
Retained earnings					
Appropriated legal reserve	8	171,962,698	171,962,698	171,962,698	171,962,698
Unappropriated		1,475,295,137	1,686,899,415	1,353,682,211	1,550,935,424
Total Company Shareholders' Equity		4,509,671,435	4,721,275,713	4,388,058,509	4,585,311,722
Minority interests		81,576,720	47,392,951	-	-
Total Shareholders' Equity		4,591,248,155	4,768,668,664	4,388,058,509	4,585,311,722
Total Liabilities and Shareholders' Equity		6,696,132,881	5,754,324,495	6,051,861,273	5,503,553,286

The notes to the consolidated and company financial statements on pages 10 to 24 are an integral part of these interim financial statements.

Padaeng Industry Public Company Limited
Statements of income (Unaudited)
For the three-month periods ended 30 September 2008 and 2007

	Notes	Consolidated		Company	
		30 September 2008 Baht	30 September 2007 Baht	30 September 2008 Baht	30 September 2007 Baht
Sales and services revenue		1,987,032,545	2,874,151,979	1,982,453,100	2,866,814,700
Cost of sales and services		(1,601,971,375)	(2,303,941,473)	(1,598,057,666)	(2,300,905,563)
Gross Profit		385,061,170	570,210,506	384,395,434	565,909,137
Selling and administrative expenses		(98,900,569)	(137,986,027)	(99,227,346)	(136,736,583)
Royalty expenses		(20,903,197)	(87,967,001)	(20,903,197)	(87,967,001)
Profit from sales and services		265,257,404	344,257,478	264,264,891	341,205,553
Other revenues		886,812	2,751,990	1,490,170	2,805,702
Gain on exchange rate		10,864,077	21,480,885	10,769,968	21,319,391
Allowance for diminution of inventories		(32,049,876)	-	(32,049,876)	-
Directors' remuneration		(2,374,578)	(2,865,000)	(2,374,578)	(2,865,000)
Operating profit		242,583,839	365,625,353	242,100,575	362,465,646
Share of loss of investment in jointly controlled entity on equity method		(1,224,724)	(844,839)	-	-
Profit before finance costs and corporate income tax		241,359,115	364,780,514	242,100,575	362,465,646
Finance costs-net	10	102,236	(923,010)	(1,439,254)	(2,164,682)
Profit before corporate income tax		241,461,351	363,857,504	240,661,321	360,300,964
Corporate income tax-reversal		25,622,951	(1,156,379)	26,286,088	-
Net profit for the periods		267,084,302	362,701,125	266,947,409	360,300,964
Attributable to:					
Equity holders of the Company		267,192,243	362,457,603	266,947,409	360,300,964
Minority Interests		(107,941)	243,522	-	-
		<u>267,084,302</u>	<u>362,701,125</u>	<u>266,947,409</u>	<u>360,300,964</u>
Earnings per share for profit attributable to the equity holders of the Company	11				
Basic		<u>1.18</u>	<u>1.60</u>	<u>1.18</u>	<u>1.59</u>

The notes to the consolidated and company financial statements on pages 10 to 24 are an integral part of these interim financial statements.

Padaeng Industry Public Company Limited
Statements of income (Unaudited)
For the nine-month periods ended 30 September 2008 and 2007

	Notes	Consolidated		Company	
		30 September 2008 Baht	30 September 2007 Baht	30 September 2008 Baht	30 September 2007 Baht
Sales and services revenue	14	6,592,178,970	9,473,705,686	6,578,449,576	9,457,861,790
Cost of sales and services		(5,744,827,420)	(7,925,949,902)	(5,735,497,806)	(7,917,121,358)
Gross profit	14	847,351,550	1,547,755,784	842,951,770	1,540,740,432
Selling and administrative expenses		(300,369,270)	(402,963,318)	(298,817,745)	(397,267,301)
Royalty expenses		(75,951,657)	(247,382,964)	(75,951,657)	(247,382,964)
Profit from sales and services		471,030,623	897,409,502	468,182,368	896,090,167
Other revenues		12,663,652	16,023,747	14,315,816	16,083,864
Gain (loss) on exchange rate		(38,512,658)	67,385,449	(38,502,058)	67,529,045
Allowance for diminution of inventories		(17,655,771)	-	(17,655,771)	-
Directors' remuneration		(1,642,603)	(9,506,244)	(1,642,603)	(9,506,244)
Operating profit	14	425,883,243	971,312,454	424,697,752	970,196,832
Share of loss of investment in jointly controlled entity on equity method		(18,558,181)	(2,466,521)	-	-
Profit before finance costs and corporate income tax		407,325,062	968,845,933	424,697,752	970,196,832
Finance costs-net	10	6,956,757	66,244	2,228,182	(4,737,502)
Profit before corporate income tax		414,281,819	968,912,177	426,925,934	965,459,330
Corporate income tax		(6,893,578)	(2,696,347)	(5,032,800)	-
Net profit for the periods		<u>407,388,241</u>	<u>966,215,830</u>	<u>421,893,134</u>	<u>965,459,330</u>
Attributable to:					
Equity holders of the Company		407,542,069	965,854,636	421,893,134	965,459,330
Minority Interests		(153,828)	361,194	-	-
		<u>407,388,241</u>	<u>966,215,830</u>	<u>421,893,134</u>	<u>965,459,330</u>
Earnings per share for profit attributable to the equity holders of the Company	11				
Basic		<u>1.80</u>	<u>4.27</u>	<u>1.87</u>	<u>4.27</u>

The notes to the consolidated and company financial statements on pages 10 to 24 are an integral part of these interim financial statements.

Padaeng Industry Public Company Limited
Statements of changes in shareholders' equity (Unaudited)
For the nine-month periods ended 30 September 2008 and 2007

Consolidated							
Notes	Attributable to equity holders of the Company					Minority interest	Total
	Issued and paid-up share capital	Premium on share capital	Retained earnings		Total	Baht	Baht
	Baht	Baht	Appropriated legal reserve	Unappropriated	Baht		
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Beginning balance as at 1 January 2008	2,260,000,000	602,413,600	171,962,698	1,686,899,415	4,721,275,713	47,392,951	4,768,668,664
Increase in share capital	15 (i)	-	-	-	-	34,337,597	34,337,597
Net profit (loss) for the period	-	-	-	407,542,069	407,542,069	(153,828)	407,388,241
Dividends paid	9	-	-	(619,146,347)	(619,146,347)	-	(619,146,347)
Ending balance as at 30 September 2008		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>171,962,698</u>	<u>1,475,295,137</u>	<u>81,576,720</u>	<u>4,591,248,155</u>

Consolidated							
Note	Attributable to equity holders of the Company					Minority interest	Total
	Issued and paid-up share capital	Premium on share capital	Retained earnings		Total	Baht	Baht
	Baht	Baht	Appropriated legal reserve	Unappropriated	Baht		
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Beginning balance as at 1 January 2007	2,260,000,000	602,413,600	125,461,639	1,985,686,934	4,973,562,173	47,458,539	5,021,020,712
Actuarial loss recognised in equity	-	-	-	(7,458,948)	(7,458,948)	-	(7,458,948)
Net profit for the period	-	-	-	965,854,636	965,854,636	361,194	966,215,830
Dividends paid	9	-	-	(1,175,200,000)	(1,175,200,000)	-	(1,175,200,000)
Ending balance as at 30 September 2007		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>125,461,639</u>	<u>1,768,882,622</u>	<u>47,819,733</u>	<u>4,804,577,594</u>

The notes to the consolidated and company financial statements on pages 10 to 24 are an integral part of these interim financial statements.

Padaeng Industry Public Company Limited
Statements of changes in shareholders' equity (Unaudited)
For the nine-month periods ended 30 September 2008 and 2007

	Note	Company				Total
		Issued and paid-up share capital	Premium on share capital	Retained earnings		
				Appropriated legal reserve	Unappropriated	
Baht	Baht	Baht	Baht	Baht		
Beginning balance as at 1 January 2008		2,260,000,000	602,413,600	171,962,698	1,550,935,424	4,585,311,722
Net profit for the period		-	-	-	421,893,134	421,893,134
Dividends paid	9	-	-	-	(619,146,347)	(619,146,347)
Ending balance as at 30 September 2008		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>171,962,698</u>	<u>1,353,682,211</u>	<u>4,388,058,509</u>

	Note	Company				Total
		Issued and paid-up share capital	Premium on share capital	Retained earnings		
				Appropriated legal reserve	Unappropriated	
Baht	Baht	Baht	Baht	Baht		
Beginning balance as at 1 January 2007		2,260,000,000	602,413,600	125,461,639	1,850,074,252	4,837,949,491
Actuarial loss recognised in equity		-	-	-	(7,458,948)	(7,458,948)
Net profit for the period		-	-	-	965,459,330	965,459,330
Dividends paid	9	-	-	-	(1,175,200,000)	(1,175,200,000)
Ending balance as at 30 September 2007		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>125,461,639</u>	<u>1,632,874,634</u>	<u>4,620,749,873</u>

The notes to the consolidated and company financial statements on pages 10 to 24 are an integral part of these interim financial statements.

Padaeng Industry Public Company Limited
Statements of cash flows (Unaudited)
For the nine-month periods ended 30 September 2008 and 2007

	Notes	Consolidated		Company	
		30 September 2008 Baht	30 September 2007 Baht	30 September 2008 Baht	30 September 2007 Baht
Cash flows from operating activities					
Net profit before tax		414,281,819	968,912,177	426,925,934	965,459,330
Adjustments for:					
Depreciation expenses	13	273,167,263	261,822,547	272,746,896	261,501,753
Other assets amortisation expenses		12,468,435	8,176,901	12,468,435	8,176,901
Interest expenses	10	11,512,787	29,821,852	11,528,403	31,181,510
Interest income	10	(18,469,544)	(29,888,096)	(13,756,585)	(26,444,008)
Share of loss from jointly controlled entity		18,558,181	2,466,521	-	-
Allowance for doubtful debts-trade accounts receivables (reversal)					
- other parties		(274,240)	263,540	-	-
Allowance for slow-moving and obsolete stocks (reversal)		6,392,352	(8,460,085)	6,392,352	(8,460,085)
Allowance for diminution of inventories		17,655,771	-	17,655,771	-
Allowance for unrecoverable interest and other receivables					
- related parties		1,374,883	1,967,341	1,374,883	1,967,341
Provision for employee termination/retirement benefits	6	7,243,560	5,446,652	7,243,560	5,446,652
Provision for annual leave		450,000	450,000	450,000	450,000
Amortisation of deferred gain on hire purchases		-	(1,148,339)	-	(1,148,339)
Loss on disposal of property, plant and equipment		1,789,456	1,105,753	2,040,238	1,226,747
Impairment expenses (reversal)	13	(943,584)	(1,079,543)	(943,584)	(1,079,543)
Property, plant and equipment written-off	13	5,134	5	5,134	5
Other assets written-down	3	9,000,000	9,196,050	9,000,000	9,196,050
Provision for restoration expenses	5	21,793,969	4,782,310	21,793,969	4,782,310
Unrealised (gain) loss on foreign currency exchange		(1,887,066)	472,770	(1,887,066)	472,770
Changes in operating assets and liabilities					
Trade accounts receivables					
- other parties		(269,054,255)	163,246,154	(271,253,882)	165,073,905
- related parties		25,222,828	3,598,135	25,222,828	4,982,499
Advances to related parties		-	-	-	(445,565)
Inventories		219,790,414	541,707,491	222,051,975	539,581,034
Value added tax receivables		(48,141,668)	38,367,815	(39,299,904)	40,114,314
Other receivables-related parties		-	-	1,444,763	-
Other current assets		(4,043,144)	(17,310,877)	(3,894,134)	(17,417,158)
Other non-current assets		(68,875,403)	2,124,990	(68,875,403)	2,148,489
Trade accounts payables					
- other parties		614,564,699	(118,011,212)	614,933,183	(118,346,754)
- related parties		(6,150,893)	(8,008,011)	(6,150,893)	(8,019,228)
Advances from a related party		233,154,967	86,469,930	-	-
Accrued electricity expenses		16,487,908	9,404,748	16,487,908	9,404,748
Royalty payable		(170,796,325)	(81,312,524)	(170,796,325)	(81,312,524)
Other payable-related parties		25,650,612	-	37,422	-
Provision for restoration expenses	5	53,325,456	-	53,325,456	-
Other current liabilities		(9,035,077)	(170,808,223)	(44,967,711)	(172,522,858)
Other non-current liabilities		1,111,600	(9,710,108)	1,111,600	(9,710,108)
Cash generated from operation		1,387,330,895	1,694,066,664	1,102,415,223	1,606,260,188
Interest paid		(11,415,262)	(34,367,545)	(11,941,015)	(35,863,778)
Tax paid		(34,321,797)	(2,653,619)	(31,485,951)	(102,364)
Net cash provided by operating activities		1,341,593,836	1,657,045,500	1,058,988,257	1,570,294,046

The notes to the consolidated and company financial statements on pages 10 to 24 are an integral part of these interim financial statements.

Padaeng Industry Public Company Limited
Statements of cash flows (Unaudited) (Cont'd)
For the nine-month periods ended 30 September 2008 and 2007

	Notes	Consolidated		Company	
		30 September 2008 Baht	30 September 2007 Baht	30 September 2008 Baht	30 September 2007 Baht
Cash flows from investing activities					
Cash received from short-term loans to related parties		-	-	1,650,063	-
Cash received from interest income		17,425,851	30,199,955	13,635,820	26,513,471
Cash invested in subsidiaries		-	-	-	(5,435,025)
Cash invested in jointly controlled entity	15 (i)	(100,625,000)	(17,500,000)	(100,625,000)	(17,500,000)
Cash paid for purchase of property, plant and equipment	13	(307,322,303)	(177,968,533)	(306,104,369)	(176,625,764)
Cash received from sales of property, plant and equipment		1,902,154	1,426,286	1,617,920	1,304,792
Cash paid for exploration	3	(361,672,728)	(110,930,489)	(38,409,389)	(43,470,017)
Cash paid for acquisition costs		(42,056,623)	-	(42,056,623)	-
Cash paid for other non-current assets		(3,180,470)	-	(2,190,691)	-
Net cash used in investing activities		(795,529,119)	(274,772,781)	(472,482,269)	(215,212,543)
Cash flows from financing activities					
Deposits (with LME brokers)		-	591,772,404	-	591,772,404
Proceed (payment) on loans from financial institutions		333,102,328	(1,043,921,339)	333,102,328	(1,043,921,339)
Proceed (payment) on a short-term loan from a related party	15 (ix)	-	-	(80,000,000)	30,000,000
Dividends payment		(618,592,591)	(1,169,362,607)	(618,592,591)	(1,169,362,607)
Payment on long-term borrowings		-	(80,000,000)	-	(80,000,000)
Accounts payable hire purchase payment		-	(1,919,873)	-	(1,919,873)
Proceed on increase in share capital of a subsidiary	15 (i)	34,337,597	-	-	-
Net cash used in financing activities		(251,152,666)	(1,703,431,415)	(365,490,263)	(1,673,431,415)
Effects from changes in exchange rate for cash and cash equivalents		(731)	(465)	(731)	(465)
Net increase (decrease) in cash and cash equivalents		294,911,320	(321,159,161)	221,014,994	(318,350,377)
Cash and cash equivalents at beginning of the period		514,608,111	747,460,708	351,075,427	583,370,445
Cash and cash equivalents at end of the period		809,519,431	426,301,547	572,090,421	265,020,068

The notes to the consolidated and company financial statements on pages 10 to 24 are an integral part of these interim financial statements.

1. Accounting policies

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

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

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2007.

These interim financial statements have added additional information in relation to critical accounting estimated and judgements and capital risk management as required by the revised standards TAS No. 35.

The following amendments to standards and new standard as published by the Federation of Accounting Professions are mandatory for the Company's accounting periods beginning on or after 1 January 2008 and are relevant to the Company.

Revised standards

TAS No. 25 "Cash Flow Statements"

TAS No. 29 "Leases"

TAS No. 31 "Inventories"

TAS No. 33 "Borrowing Costs"

TAS No. 35 "Presentation of Financial Statements (revised 2007)"

TAS No. 39 "Accounting Policies, Changes in Accounting Estimates and Errors (revised 2007)"

TAS No. 41 "Interim Financial Reporting (revised 2007)"

New standard

TAS No. 51 "Intangible Assets"

The Company's management has determined that the revised and new standards did not result in a significant impact to the Company's financial statements except for TAS No.35 which effects the presentation of minority interest and other disclosures as discussed in Note 1.1 and 1.2 as adopted by the Company.

The following amendments to standards as published by the Federation of Accounting Professions are mandatory for the Company's accounting periods beginning on or after 1 January 2008 and are currently not relevant to the Company.

TAS No. 43 "Business Combinations"

TAS No. 49 "Construction Contracts"

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

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

These interim financial statements should be read in conjunction with the 2007 annual financial statements.

These interim consolidated and company financial statements have been approved for issue by the Board of Directors on 11 November 2008.

1. Accounting policies (Cont'd)

1.1 Critical accounting estimates, assumption and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Impairment of receivables

The Company maintains an allowance for doubtful accounts to reflect impairment of trade receivables relating to estimated losses resulting from the inability of customers to make required payments. The allowance for doubtful accounts is significantly impacted by the Company's assessment of future cash flows, such assessment being based on consideration of historical collection experience, known and identified instances of default and consideration of market trends.

b. Property, plant and equipment and intangible assets

Management determines the estimated useful lives and residual values for the Company's property, plant and equipment and intangible assets. Management will revise the depreciation charge where useful lives and residual values are different to previously estimated, or it will write off or write down technically obsolete or assets that have been abandoned or sold.

c. Deferred income taxes

The Company does not recognise income taxes payable or receivable in future periods in respect of temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The accounting standard for deferred income taxes is currently not in effect in Thailand.

d. Employee benefits

The Company has commitment on post-retirement benefits to employees on reaching retirement age. The present value of employee benefit liabilities recognised in the balance sheet is determined on an actuarial basis utilising various assumptions. The assumptions used in determining the net period cost for employee benefits includes the discount rate, the rate of salary inflation and employee turnover. Any changes in these assumptions will impact the net periodic cost recorded for employee benefits. On an annual basis the Company determines the appropriate discount rate, which represents the interest rate that should be used to determine the present value of future cash flows currently expected to be required to settle the employee benefits. In determining the appropriate discount rate the Company considers the current yields on high quality corporate fixed-income investments in Thailand.

1.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

1.3 Environmental rehabilitation and environmental risk assurance

Deferred environment rehabilitation expenses and provision for environmental rehabilitation expenses are recognised in the balance sheet using the present value of the management's best estimation of future cash flows to be required to settle the expenditures for rehabilitation activities.

Deferred environmental risk assurance expenses and provision for environmental risk assurance expenses are recognised in the balance sheet using the present value of the installments plan.

These deferred expenses are amortised by straight-line method over the useful life of mining area. The provisions are reviewed regularly and any changes in provisions are recognised as finance costs.

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
For the interim period ended 30 September 2008

2. Trade accounts receivables-net

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
Trade accounts receivables	548,365,730	293,222,884	546,404,649	275,087,596
<u>Less: Allowance for doubtful accounts</u>	-	(14,248,820)	-	-
Trade accounts receivables-net	<u>548,365,730</u>	<u>278,974,064</u>	<u>546,404,649</u>	<u>275,087,596</u>

Outstanding trade accounts receivables as at 30 September 2008 and 31 December 2007 can be analysed as follows:

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
Up to 3 months	548,224,080	278,628,764	546,262,999	275,087,596
3-6 months	-	71,060	-	-
6-12 months	-	548,480	-	-
Over 12 months	141,650	13,974,580	141,650	-
	<u>548,365,730</u>	<u>293,222,884</u>	<u>546,404,649</u>	<u>275,087,596</u>
<u>Less: Allowance for doubtful accounts</u>	-	(14,248,820)	-	-
	<u>548,365,730</u>	<u>278,974,064</u>	<u>546,404,649</u>	<u>275,087,596</u>

3. Exploration and acquisition costs

Exploration and acquisition costs as at 30 September 2008 and 31 December 2007 comprise:

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
<u>Exploration costs</u>				
Opening balance for the period/year	384,147,983	235,458,074	75,057,297	45,442,808
Expenditure incurred during the period/year	361,672,728	181,087,724	38,409,389	62,012,304
Expenditure written-down	(9,000,000)	(32,397,815)	(9,000,000)	(32,397,815)
Ending balance for the period/year (Note 3 (i))	<u>736,820,711</u>	<u>384,147,983</u>	<u>104,466,686</u>	<u>75,057,297</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	(31,666,692)	(26,666,688)	(31,666,692)	(26,666,688)
Ending balance for the period/year	<u>28,333,308</u>	<u>33,333,312</u>	<u>28,333,308</u>	<u>33,333,312</u>
Special prospect license fee	16,986,510	16,986,510	-	-
Land use compensation-net	38,356,859	14,927,106	38,356,859	14,927,106
Other capitalised expenditure-net	<u>22,056,577</u>	<u>7,216,627</u>	<u>22,056,577</u>	<u>7,216,627</u>
Ending balance for the period/year	<u>105,733,254</u>	<u>72,463,555</u>	<u>88,746,744</u>	<u>55,477,045</u>
Total	<u>842,553,965</u>	<u>456,611,538</u>	<u>193,213,430</u>	<u>130,534,342</u>

i) Exploration costs

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

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
For the interim period ended 30 September 2008

3. Exploration and acquisition costs (cont'd)

i) Exploration costs (Cont'd)

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, which is a wholly owned subsidiary of PanAust, to undertake exploration and mining of Puthep Copper Project in north-east Thailand. Under the Agreement, PanAust and the Company have agreed that through bearing certain feasibility costs PNA (Puthep) Pty Ltd. shall be entitled to earn a shareholding in Puthep Co. Ltd. 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 PanAust to acquire a total interest of either 60% or 70% in Puthep Co., Ltd.

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

On 10 July 2007, PNA (Puthep) Pty Ltd. advised the Company that they funded approximately USD 2 million of project expenditure in Puthep Co., Ltd. As per the term of the Second Earning Period, PNA (Puthep) Pty Ltd. put the right to earn an additional share of 12.51% in Puthep Co., Ltd. for a total share of 33.17% on 9 June 2008.

The capitalised exploration and acquisition costs incurred by Puthep Co., Ltd. amount to Baht 642.8 million. On 1 November 2006, the land access permits for completion of Puthep's project feasibility study have been approved by the Royal Forestry Department (RFD), the permits have been provided to the Department of Primary Industry and Mine (DPIM) to obtain land access and conduct the complementary exploration and technical studies needed to confirm the feasibility of the project.

In October 2006, the Company signed an exploration agreement with the Department of Mines and Geology of Laos PDR covering 800 km² in the Kasi district of northern Vientiane Province. The exploration is conducted through **Padaeng Industry (Laos) Co., Ltd.** at the date of this closing a total amount of Baht 6.5 million has been capitalised on the consolidated balance sheet.

4. Loans from financial institutions

Loans from financial institutions as at 30 September 2008 and 31 December 2007 comprise:

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
Trust Receipts	247,725,121	-	247,725,121	-
Promissory Notes	83,000,000	-	83,000,000	-
Total	330,725,121	-	330,725,121	-

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 3.05% - 4.92%.

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
For the interim period ended 30 September 2008

5. Provisions for restoration expenses

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
Balance at the beginning of the period/year	13,571,494	10,948,433	13,571,494	10,948,433
Additional provisions charged to				
- deferred assets	68,875,403	-	68,875,403	-
- the statement of income	21,793,969	25,882,804	21,793,969	25,882,804
Amounts utilised	(15,549,947)	(23,259,743)	(15,549,947)	(23,259,743)
Balance at the end of the period/year	<u>88,690,919</u>	<u>13,571,494</u>	<u>88,690,919</u>	<u>13,571,494</u>

The provisions for restoration costs represent amounts provided for the estimated costs of restoration of residual ponds at Tak as well as the tailing dam, rehabilitation and environmental risk assurance of the mined area in Maesod in accordance with government regulations and company's commitments.

6. Provision for employee termination/retirement benefits

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
Balance at the beginning of the period/year	91,905,766	76,029,550	91,905,766	76,029,550
Additional provisions charged to				
the statement of income	7,243,560	9,756,372	7,243,560	8,801,068
Amounts utilised	-	(1,339,104)	-	(383,800)
Actuarial loss recognised in equity	-	7,458,948	-	7,458,948
Balance at the end of the period/year	<u>99,149,326</u>	<u>91,905,766</u>	<u>99,149,326</u>	<u>91,905,766</u>

The Company recognises the costs of employee termination/retirement benefits payable in accordance with Thai Labor law. The amount of termination/retirement benefits are recorded based on 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 period which they occur as shown above.

7. Share capital and premium on share capital

	Number of shares	Ordinary shares Baht	Shares premium Baht	Total Baht
For the nine-month period ended 30 September				
Opening balance	226,000,000	2,260,000,000	602,413,600	2,862,413,600
Movement during the period	-	-	-	-
Closing balance	<u>226,000,000</u>	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>2,862,413,600</u>

As at 30 September 2008, the total authorised number of ordinary shares is 226,000,000 shares (2007: 226,000,000 shares) with a par value of Baht 10 per share (2007: Baht 10 per share). All issued shares are fully paid.

8. Legal reserve

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
Balance at the beginning of the period/year	171,962,698	125,461,639	171,962,698	125,461,639
Appropriation during the period/year	-	46,501,059	-	46,501,059
Balance at the end of the period/year	<u>171,962,698</u>	<u>171,962,698</u>	<u>171,962,698</u>	<u>171,962,698</u>

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

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
For the interim period ended 30 September 2008

9. Dividend

At the Annual Ordinary General Meeting of Shareholders held on 23 April 2008, shareholders approved the annual dividend payment from net profit of the Company for the year ended 31 December 2007 of Baht 2.74 per share (2006: Baht 5.20 per share) totalling Baht 619.2 million (2006: totalling Baht 1,175.2 million). The dividend was paid on 20 May 2008.

10. Finance costs-net

Finance costs relate to the following:

	Consolidated		Company	
	2008	2007	2008	2007
For the three-month periods ended 30 September	Baht	Baht	Baht	Baht
Interest income	4,726,427	2,988,076	3,184,936	2,511,404
Interest expense	(4,624,191)	(3,911,086)	(4,624,190)	(4,676,086)
Total finance costs-net	102,236	(923,010)	(1,439,254)	(2,164,682)
For the nine-month periods ended 30 September	2008	2007	2008	2007
	Baht	Baht	Baht	Baht
Interest income	18,469,544	29,888,096	13,756,585	26,444,008
Interest expense	(11,512,787)	(29,821,852)	(11,528,403)	(31,181,510)
Total finance costs-net	6,956,757	66,244	2,228,182	(4,737,502)

11. Basic earnings per share

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

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

12. Bank guarantees

As at 30 September 2008, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 494.7 million (31 December 2007: Baht 440.1 million).

13. Capital expenditures and commitments

Property, Plant and Equipment

For the nine-month period ended 30 September	Consolidated	Company
	Baht	Baht
Opening net book amount	2,019,052,572	2,021,297,154
Acquisition of assets and capital in progress	307,322,303	306,104,369
Sale of assets	(3,691,611)	(3,658,158)
Assets written-off	(5,134)	(5,134)
Reversal of provision for asset impairment	943,584	943,584
Depreciation	(273,167,263)	(272,746,896)
Closing net book amount	2,050,454,451	2,051,934,919

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
For the interim period ended 30 September 2008

13. Capital expenditures and commitments (Cont'd)

Commitments

As at 30 September 2008 and 31 December 2007, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
Not later than 1 year	36,671,786	126,888,463	36,671,786	126,888,463
Later than 1 year	-	-	-	-
Total	36,671,786	126,888,463	36,671,786	126,888,463

As at 30 September 2008 and 31 December 2007, the Company has the following commitments for the purchase of inventories that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
Not later than 1 year	1,047,381,759	3,077,529,993	1,047,381,759	3,077,529,993
Later than 1 year	-	-	-	-
Total	1,047,381,759	3,077,529,993	1,047,381,759	3,077,529,993

14. Segment information

Financial information by geographical segment

For the nine-month period ended 30 September 2008	Domestic Baht	Export Baht	Consolidated Baht
Sales and services revenue	5,903,617,644	688,561,326	6,592,178,970
Segment result	836,471,488	10,880,062	847,351,550
Unallocated costs			421,468,307
Operating profit			425,883,243
For the nine-month period ended 30 September 2007	Domestic Baht	Export Baht	Consolidated Baht
Sales and services revenue	7,875,820,913	1,597,884,773	9,473,705,686
Segment result	1,332,945,095	214,810,689	1,547,755,784
Unallocated costs			576,443,330
Operating profit			971,312,454

15. Related parties transactions

i) Investments in related parties-net

The Company has been informed by their declaration to the Stock Exchange of Thailand that on 4 April 2008, the two major shareholders of the Company, Umicore and Nyrstar, have sold their shares of 22.00% and 24.90% respectively on the stock exchange.

Consequently, there are no major shareholders. The Company's shares are widely held.

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
For the interim period ended 30 September 2008

15. Related parties transactions (Cont'd)

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

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

	Consolidated				Company			
	30 September 2008				30 September 2008			
	Equity	Paid-up	%	Cost	Equity	Paid-up	%	Cost
	Baht	capital	ownership	Baht	Baht	capital	ownership	Baht
		Baht	investment	Baht		Baht	investment	Baht
Subsidiaries and jointly controlled entity								
Padaeng Properties Co., Ltd.	-	80,000,000	100	80,000,000	-	80,000,000	100	80,000,000
Puthep Co., Ltd.	-	217,942,152	66.83	145,650,772	-	183,575,800	79.34	145,650,772
Padaeng Industry (Laos) Co., Ltd.	-	25,650,127	100	25,650,127	-	25,650,127	100	25,650,127
Padaeng International Mining Co., Ltd.	-	100,000	100	100,000	-	100,000	100	100,000
Sila Enterprise Co., Ltd.	-	9,000,000	55	4,950,000	-	9,000,000	55	4,950,000
Maesod Clean Energy Co., Ltd.	214,810,480	675,000,000	35	236,249,800	132,743,660	387,500,000	35	135,624,800
Total	214,810,480			492,600,699	132,743,660			391,975,699
Less : Diminution								
Padaeng Industry (Laos) Co., Ltd.	-			(20,215,102)	-			(20,215,102)
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)
Investments in related parties-net	214,810,480			472,285,597	132,743,660			371,660,597

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

15. Related parties transactions (Cont'd)

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

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 sources. The entity was created with an initial capital of 10,000,000 shares at a par value of Baht 10 from which Baht 5 have been paid by the shareholders. The entity is consolidated under the equity method.

In September 2007, Maesod Clean Energy Co., Ltd. called for payment of the balance of the initial shares.

On 19 September 2007, the shareholders at the Extraordinary Shareholders' Meeting passed a resolution to approve an increase in the authorised share capital of Maesod Clean Energy Co., Ltd. from 10,000,000 ordinary shares with a par value of Baht 10 per share to 67,500,000 ordinary shares with a par value of Baht 10 per share. In October 2007, Padaeng Industry Plc. subscribed for an additional 20,125,000 new shares in this company for which Baht 5 have been called.

In July 2008, Maesod Clean Energy Co.,Ltd. called for the balance of additional 20,125,000 shares of Baht 10 par in the amount of Baht 100,625,000. Accordingly, as at 30 September 2008, Padaeng Industry Plc. subscribed to a total of 23,625,000 shares for a cumulative amount of Baht 236,249,800.

Subsidiaries

In 2006, the board of **Padaeng Industry (Laos) Co., Ltd.** approved increases in the authorised share capital of Padaeng Industry (Laos) Co., Ltd. from USD 200,000 to USD 1,273,000 including debt conversion of USD 293,000 to capital. The Board of Directors of Padaeng Industry Plc. approved the capital increases of Padaeng Industry (Laos) Co., Ltd. on 23 February 2006 and 9 August 2006.

As at 31 December 2006 and 2007 respectively, Padaeng Industry Plc. had paid USD 100,000 and USD 150,000 for additional share capital increases. It should be noted that the Company had previously recorded a provision for diminution of investment in Padaeng Industry (Laos) Co., Ltd. for the full amount of its investment.

On 30 May 2007, Foreign Investment Management Committee of Laos PDR approved the above mentioned conversion of loans, advances and accrued interest from Padaeng Industry Plc. of USD 293,000 to increase authorised share capital of Padaeng Industry (Laos) Co., Ltd. Padaeng Industry Plc. reclassified the loans, advances and accrued interest to Padaeng Industry (Laos) Co., Ltd. and related allowance for doubtful account to investment and diminution of investment in Padaeng Industry (Laos) Co., Ltd., respectively.

Accordingly, as at 31 December 2007, Padaeng Industry (Laos) Co., Ltd. has authorised share capital total of USD 1,273,000 from which USD 743,000 have already been paid or converted. The current investment value of Padaeng Industry (Laos) Co., Ltd. in the Company's books is reduced to USD 150,000 or Baht 5,435,025.

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

In August 2007, the Board of Directors of **Sila Enterprise Co., Ltd.** passed a resolution to liquidate the company. The dissolution has been approved in the Extraordinary Shareholders' meeting no.1/2008 and 2/2008 on 16 April and 30 April 2008, respectively and was registered with the Ministry of Commerce on 8 May 2008. The company has stopped its commercial activities since 18 October 2007 and is currently in the liquidation process.

On 9 June 2008, the shareholders at the Extraordinary Shareholders' Meeting passed a resolution to approve an increase in the authorised share capital of **Puthap Co., Ltd.** from 2,960,900 ordinary shares with a par value of Baht 62 per share to 3,515,196 ordinary shares with a par value of Baht 62 per share. On 6 May 2008, the company received subscriptions of 554,296 additional shares at Baht 62 par in the amount of approximately Baht 34.4 million. The company registered the increased share capital with the Ministry of Commerce on 9 June 2008.

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
For the interim period ended 30 September 2008

15. Related parties transactions (Cont'd)

ii) Sales of goods and services

For the nine-month periods ended 30 September	Consolidated		Company	
	2008	2007	2008	2007
	Baht	Baht	Baht	Baht
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	815,400	815,366
Padaeng Industry (Laos) Co., Ltd.	-	-	535,910	-
Puthep Co., Ltd.	-	-	555,939	-
Sila Enterprise Co., Ltd.	-	-	-	5,622,084
Nyrstar Belgium SA/NV	-	167,179,348	-	167,179,348
Umicore Marketing Services (Thailand) Co., Ltd.	36,879,003	155,583,511	36,879,003	155,583,511
Umicore Marketing Services (Far East) Ltd.	-	61,231,033	-	61,231,033

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

iii) Purchases of goods and services

For the nine-month periods ended 30 September	Consolidated		Company	
	2008	2007	2008	2007
	Baht	Baht	Baht	Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	1,481,744	1,388,372
Padaeng Industry (Laos) Co., Ltd.	-	-	-	13,579,043
Umicore Marketing Services (Thailand) Co., Ltd.	6,157,680	43,939,377	6,157,680	43,939,377
Umicore Australia Limited	-	29,480,610	-	29,480,610

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

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

	Consolidated		Company	
	30 September	31 December	30 September	31 December
	2008	2007	2008	2007
	Baht	Baht	Baht	Baht
Receivables from related parties:				
Nyrstar Belgium SA/NV	-	7,628,960	-	7,628,960
Umicore Malaysia Sdn Bhd Co., Ltd.	-	8,678,448	-	8,678,448
Umicore Marketing Services (Thailand) Co., Ltd.	-	7,237,104	-	7,237,104
Umicore Marketing Services (Hong Kong) Ltd.	-	1,678,316	-	1,678,316
Total	-	25,222,828	-	25,222,828

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
For the interim period ended 30 September 2008

15. Related parties transactions (Cont'd)

iv) Outstanding balances arising from sales/purchases of goods and services (Cont'd)

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
Payables to related parties:				
Umicore	-	1,792,940	-	1,792,940
Umicore Marketing Services (Thailand) Co., Ltd.	-	4,357,953	-	4,357,953
Total	-	6,150,893	-	6,150,893

v) Short-term loans to related parties-net

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
Puthep Co., Ltd.	-	-	-	1,650,063
Padaeng International Mining Co., Ltd.	-	-	344,800	344,800
Minority Shareholder of Sila Enterprise Co., Ltd.	2,449,000	2,449,000	-	-
	2,449,000	2,449,000	344,800	1,994,863
<u>Less:</u> Allowance for doubtful accounts	-	-	(344,800)	(344,800)
Short-term loan to related parties-net	2,449,000	2,449,000	-	1,650,063

As at 30 September 2008, the Company has no outstanding balance of short term loan to Puthep Co.,Ltd. due to full repayment in April 2008.

As at 30 September 2008, the above mentioned loans to Padaeng International Mining Co.,Ltd. is calculated at interest rates of MLR+1% p.a.

In May 2006, Sila Enterprise Co., Ltd. contracted a short-term loan in favour of one of its minority shareholder. The loan amounts to Baht 2.4 million and was granted on 22 May 2006, bearing the fixed 12-month interest rates in the range of 2.38% - 4.75% per annum. As at 30 September 2008, Sila Enterprise Co., Ltd. has the interest receivable in the amount of Baht 182,175 and all the interest will be paid on the principal repayment date.

vi) Other receivables-related parties

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
Padaeng Properties Co., Ltd.	-	-	94,842	1,138,104
Padaeng Industry (Laos) Co., Ltd.	-	-	1,844,932	1,271,507
Puthep Co., Ltd.	-	-	212,813	1,141,592
Padaeng International Mining Co., Ltd.	-	-	66,906	46,147
	-	-	2,219,493	3,597,350
<u>Less:</u> Allowance for doubtful accounts	-	-	(66,906)	-
Total	-	-	2,152,587	3,597,350

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
For the interim period ended 30 September 2008

15. Related parties transactions (Cont'd)

vii) Other payables-related parties

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
Padaeng Properties Co., Ltd.	-	-	162,858	125,436
PanAust Limited	25,650,612	-	-	-
Total	25,650,612	-	162,858	125,436

viii) Advances from a related party

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
<u>PanAust Limited</u>				
Beginning balance of the period/year	126,240,767	224,000	-	-
Advances increase during the period/year	233,154,967	126,016,767	-	-
Ending balance of the period/year	359,395,734	126,240,767	-	-

ix) Short-term loan from a related party

	Consolidated		Company	
	30 September 2008 Baht	31 December 2007 Baht	30 September 2008 Baht	31 December 2007 Baht
<u>South East Asia Metals Co., Ltd.</u>				
Beginning balance of the period/year	-	-	80,000,000	50,000,000
Loans increase (decrease) during the period/year	-	-	(80,000,000)	30,000,000
Ending balance of the period/year	-	-	-	80,000,000
Accrued interest expenses	-	-	-	510,137

The above mentioned loan from South East Asia Metals Co., Ltd. was an unsecured one-month term promissory note at an interest rate of 2.38%. As at 30 September 2008, the Company has no outstanding balance left as all principals have already been repaid in January 2008.

Padaeng Industry Public Company Limited
Unaudited condensed notes to the interim consolidated and company financial statements
For the interim period ended 30 September 2008

16. Risk management policy for assets and liabilities

16.1 Significant assets and liabilities in foreign currencies

As at 30 September 2008:

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	6,261	212,397	6,261	212,397
Accounts receivables	7-20	2,089,712	70,893,895	2,089,712	70,893,895
Unrealised forward exchange contract payables	3-60	7,286,468	247,619,446	7,286,468	247,619,446
Unrealised forward exchange contract receivables	3-150	4,036,712	137,388,281	4,036,712	137,388,281
Trust Receipts	30-60	7,248,681	247,725,122	7,248,681	247,725,122
Accounts payables	30-60	16,072,847	549,307,012	16,072,847	549,307,012

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		EUR	Baht	EUR	Baht
Forward contract receivables (Buy)	30	534,625	26,057,547	534,625	26,057,547
Accounts payables	30	259,611	12,790,548	259,611	12,790,548

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		AUD	Baht	AUD	Baht
Forward contract receivables (Buy)	30	113,711	3,104,304	113,711	3,104,304
Accounts payables	30	18,911	520,220	18,911	520,220

As at 31 December 2007:

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		USD	Baht	USD	Baht
Cash at banks	-	6,207	208,853	6,207	208,853
Accounts receivables	7-20	989,178	33,285,448	989,178	33,285,448
Unrealised forward exchange contract payables	3-60	3,245,390	109,438,130	3,245,390	109,438,130
Unrealised forward exchange contract receivables	3-350	1,032,277	34,808,835	1,032,277	34,808,835
Accounts payables	30-60	1,813,401	61,447,081	1,813,401	61,447,081
Realised forward exchange contract payables for zinc metal price	30	365,300	12,275,183	365,300	12,275,183
Realised forward exchange contract receivables for zinc metal price	30	365,300	12,295,132	365,300	12,295,132

	Term of receipt/ payment (days)	Consolidated		Company	
		Amount		Amount	
		EUR	Baht	EUR	Baht
Forward contract receivables (Buy)	30	472,087	23,291,191	472,087	23,291,191
Accounts payables	30	37,498	1,860,668	37,498	1,860,668

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

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

Foreign currency amounts are translated by using the reference rate quoted by the Bank of Thailand as at 30 September 2008 and 31 December 2007, respectively.

16.2 Risk management and hedging instruments

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

During the year, the Company has entered into full transactional hedging with the purpose to balance simultaneously purchased metal and sold metal, in term of price, quantity and maturity date. As at 30 September 2008, the net purchase of 4,775 metric tons on the London Metals Exchange are outstanding. The change in fair value of these open positions amounts to USD 415,700, unfavourable. These fair values reflect the marked to market values of the contracts at the prevailing period end rates. These positions will be balanced by committed and priced physical purchases and sales contracts which are done or to be done in the future.

The changes in fair value of the above hedged contracts have not been recognised in these financial statements in accordance with Thai Generally Accepted Accounting Principles.

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

Through January 2006, a total of 19,950 metric tons of metal forward sales over the year 2007 and associated forward foreign exchange contracts in US dollars was completed. The aforementioned volume of 19,950 metric tons relate to cash flows that were realised in 2007 at an average price of Baht 68,673 per metric ton.

As at 30 September 2008, there is no any position of metal hedged existing and no similar hedges have been entered over the current or future years.

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

16.3 Fair values

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

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

16.4 Credit risk

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

As a general rule, the Company has a credit risk management policy to obtain credit insurance 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.

16.5 Interest rate risk

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

Management believes that these risks are acceptable. As of 30 September 2008, the Company has no outstanding long-term loan as all principals have already been repaid in June 2007.

16.6 Exploration risk

In order to maintain a low-cost supply base for its smelter, the Company and some of its subsidiaries are performing exploration activities. These expenses are capitalised and eventually impaired as explained in Note 3(i) of these financial statements. Following the simultaneous approval of several exploration licenses and in particular the Puthep project, the 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. Reclassification

Certain items in the balance sheet as at 31 December 2007 and statements of income for the period ended 30 September 2007 have been reclassified for comparative purpose to coincide with balance sheet as at 30 September 2008 and statements of income for the period then ended.