

PADAENG INDUSTRY PUBLIC COMPANY LIMITED

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

30 JUNE 2012

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 2012, the related consolidated and company statements of comprehensive income for the three-month and six-month periods ended 30 June 2012 and 2011, the related consolidated and company statement of changes in shareholders' equity, and cash flows for the six-month periods ended 30 June 2012 and 2011, 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 reviews.

Scope of review

I conducted my reviews 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 reviews, 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".

Statement of financial position as at 31 December 2011 presented for comparative purpose

I have audited the consolidated and company financial statements for the year ended 31 December 2011 of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited, respectively, in accordance with Thai Standards on Auditing and expressed an unqualified opinion on those statements in my report dated 28 February 2012. The consolidated and company statements of financial position as at 31 December 2011, presented for comparative purposes, are part of the financial statements. I have not performed any other auditing procedures subsequent to the date of that report.

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

Bangkok
7 August 2012

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 2012, the related consolidated and company statements of comprehensive income for the three-month and six-month periods ended 30 June 2012 and 2011, the related consolidated and company statement of changes in shareholders' equity, and cash flows for the six-month periods ended 30 June 2012 and 2011, 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 reviews.

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Conclusion

Based on my reviews, 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".

Statement of financial position as at 31 December 2011 presented for comparative purpose

I have audited the consolidated and company financial statements for the year ended 31 December 2011 of Padaeng Industry Public Company Limited and its subsidiaries and of Padaeng Industry Public Company Limited, respectively, in accordance with Thai Standards on Auditing and expressed an unqualified opinion on those statements in my report dated 28 February 2012. The consolidated and company statements of financial position as at 31 December 2011, presented for comparative purposes, are part of the financial statements. I have not performed any other auditing procedures subsequent to the date of that report.

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

Bangkok
7 August 2012

Padaeng Industry Public Company Limited
Statements of Financial Position
As at 30 June 2012 and 31 December 2011

	Notes	Consolidated		Company	
		Unaudited 30 June 2012 Baht	Audited 31 December 2011 Baht	Unaudited 30 June 2012 Baht	Audited 31 December 2011 Baht
ASSETS					
Current assets					
Cash and cash equivalents		1,120,393,251	714,174,693	977,406,006	567,402,283
Trade accounts receivable-net	4	514,977,659	311,050,406	513,371,934	309,947,290
Inventories-net		2,275,018,563	3,130,443,958	2,267,875,398	3,130,443,958
Value added tax receivables		146,234,199	134,266,627	145,386,192	133,752,866
Other receivables-related parties-net	14 (iv)	-	-	38,883,234	35,661,276
Income tax receivable		45,533,996	45,533,996	45,533,996	45,533,996
Other current assets		33,763,459	25,672,285	31,286,187	23,991,099
Total current assets		4,135,921,127	4,361,141,965	4,019,742,947	4,246,732,768
Non-current assets					
Advances to related parties-net	14 (v)	-	-	82,501,662	75,001,662
Investments in subsidiaries-net	14 (i)	-	-	233,252,023	233,252,023
Investments in jointly controlled entity	14 (i)	95,226,506	94,192,819	236,249,800	236,249,800
Long-term loans to related party	14 (i)	105,000,000	105,000,000	105,000,000	105,000,000
Property, plant and equipment-net	5	1,356,827,917	1,333,356,752	1,358,188,982	1,334,567,520
Exploration and acquisition costs	6	1,185,063,630	1,200,903,801	113,385,773	120,924,963
Other non-current assets					
- deferred environmental rehabilitation expenses-net		27,884,083	25,246,380	27,884,083	25,246,380
- deferred environmental risk assurance expenses-net		18,641,476	19,205,548	18,641,476	19,205,548
- others		8,878,549	9,199,310	8,583,400	8,800,478
Total non-current assets		2,797,522,161	2,787,104,610	2,183,687,199	2,158,248,374
Total assets		6,933,443,288	7,148,246,575	6,203,430,146	6,404,981,142

Director.....

Director.....

Padaeng Industry Public Company Limited
Statements of Financial Position (Cont'd)
As at 30 June 2012 and 31 December 2011

	Notes	Consolidated		Company	
		Unaudited 30 June 2012 Baht	Audited 31 December 2011 Baht	Unaudited 30 June 2012 Baht	Audited 31 December 2011 Baht
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term loans from financial institutions	7	1,274,968,473	725,896,310	1,274,968,473	725,896,310
Trade accounts payable		248,993,346	671,835,283	247,053,433	669,185,035
Accrued electricity expenses		235,170,911	241,452,376	235,170,911	241,452,376
Other payables-related party	14 (vi)	-	-	564,744	527,684
Accrued expenses		37,975,807	52,272,061	30,229,071	47,962,132
Other current liabilities		70,456,472	107,879,766	67,346,744	104,401,741
Total current liabilities		1,867,565,009	1,799,335,796	1,855,333,376	1,789,425,278
Non-current liabilities					
Long-term loan from other party	14 (viii)	490,398,884	486,145,263	-	-
Accrued interest expenses-other party	14 (viii)	69,141,292	69,141,292	-	-
Provisions for restoration and rehabilitation expenses	8	103,374,190	96,320,858	103,374,190	96,320,858
Employee benefit obligations	9	113,295,608	118,147,530	111,551,708	116,826,930
Total non-current liabilities		776,209,974	769,754,943	214,925,898	213,147,788
Total liabilities		2,643,774,983	2,569,090,739	2,070,259,274	2,002,573,066
Shareholders' equity					
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		988,805,106	1,275,332,832	1,044,757,272	1,313,994,476
Total equity attributable to owner of the parent company		4,077,218,706	4,363,746,432	4,133,170,872	4,402,408,076
Non-controlling interests		212,449,599	215,409,404	-	-
Total shareholders' equity		4,289,668,305	4,579,155,836	4,133,170,872	4,402,408,076
Total liabilities and shareholders' equity		6,933,443,288	7,148,246,575	6,203,430,146	6,404,981,142

The accompanying notes are an integral part of these consolidated and company financial information.

Padaeng Industry Public Company Limited
Statements of Comprehensive Income
For the three-month periods ended 30 June 2012 and 2011

	Consolidated		Company	
	Unaudited 30 June 2012 Baht	Unaudited 30 June 2011 Baht	Unaudited 30 June 2012 Baht	Unaudited 30 June 2011 Baht
Sales and services	2,106,149,110	1,878,983,638	2,101,500,624	1,875,544,217
Cost of sales and services	(2,106,760,688)	(1,814,019,535)	(2,103,586,976)	(1,811,962,756)
Gross profit (loss)	(611,578)	64,964,103	(2,086,352)	63,581,461
Other operating income	2,062,435	815,666	2,828,295	1,173,715
Loss on exchange rate	(28,116,741)	(17,799,691)	(28,915,324)	(16,078,967)
Gain on sale of fixed assets	1,554,167	-	1,554,167	-
Profit (loss) before expenses	(25,111,717)	47,980,078	(26,619,214)	48,676,209
Selling expenses	(23,038,564)	(16,274,689)	(23,038,564)	(16,274,689)
Administrative expenses	(72,850,169)	(83,592,500)	(61,949,649)	(79,067,532)
Total expenses	(95,888,733)	(99,867,189)	(84,988,213)	(95,342,221)
Operating loss	(121,000,450)	(51,887,111)	(111,607,427)	(46,666,012)
Share of gain (loss) of investment in jointly controlled entity on equity method	(8,591,493)	10,688,018	-	-
Loss before finance costs and corporate income tax	(129,591,943)	(41,199,093)	(111,607,427)	(46,666,012)
Finance costs-net	1,976,166	1,354,940	1,022,614	507,754
Loss before corporate income tax	(127,615,777)	(39,844,153)	(110,584,813)	(46,158,258)
Corporate income tax	(187,444)	13,145,356	-	13,448,061
Net loss for the period	(127,803,221)	(26,698,797)	(110,584,813)	(32,710,197)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the period	(127,803,221)	(26,698,797)	(110,584,813)	(32,710,197)
Loss attributable to:				
Owners of the parent	(126,466,962)	(26,683,491)	(110,584,813)	(32,710,197)
Non-controlling interests	(1,336,259)	(15,306)	-	-
	(127,803,221)	(26,698,797)	(110,584,813)	(32,710,197)
Loss per share				
Basic loss per share	(0.56)	(0.12)	(0.49)	(0.14)

The accompanying notes are an integral part of these consolidated and company financial information.

Padaeng Industry Public Company Limited
Statements of Comprehensive Income
For the six-month periods ended 30 June 2012 and 2011

	Note	Consolidated		Company	
		Unaudited 30 June 2012 Baht	Unaudited 30 June 2011 Baht	Unaudited 30 June 2012 Baht	Unaudited 30 June 2011 Baht
Sales and services		4,122,291,259	3,818,577,657	4,113,300,181	3,811,709,637
Cost of sales and services		(4,105,751,907)	(3,495,413,455)	(4,099,282,572)	(3,490,843,017)
Gross profit		16,539,352	323,164,202	14,017,609	320,866,620
Other operating income		3,769,365	2,578,142	7,637,069	6,434,698
Loss on exchange rate		(8,335,431)	(12,994,223)	(9,761,374)	(11,782,144)
Gain on sale of fixed assets		1,537,789	105,915,121	1,537,789	105,915,121
Profit before expenses		13,511,075	418,663,242	13,431,093	421,434,295
Selling expenses		(38,679,214)	(30,137,431)	(38,679,214)	(30,137,431)
Administrative expenses		(154,352,473)	(162,123,596)	(131,475,401)	(153,416,746)
Total expenses		(193,031,687)	(192,261,027)	(170,154,615)	(183,554,177)
Operating profit (loss)		(179,520,612)	226,402,215	(156,723,522)	237,880,118
Share of gain of investment in jointly controlled entity on equity method	14 (i)	1,033,687	30,697,404	-	-
Profit (loss) before finance costs and corporate income tax		(178,486,925)	257,099,619	(156,723,522)	237,880,118
Finance costs-net		2,355,166	1,782,347	482,403	143,344
Profit (loss) before corporate income tax		(176,131,759)	258,881,966	(156,241,119)	238,023,462
Corporate income tax		(359,687)	(72,147,015)	-	(71,685,149)
Net profit (loss) for the period		(176,491,446)	186,734,951	(156,241,119)	166,338,313
Other comprehensive income		-	-	-	-
Total comprehensive income (expense) for the period		(176,491,446)	186,734,951	(156,241,119)	166,338,313
Profit (loss) attributable to:					
Owners of the parent		(173,531,641)	186,769,196	(156,241,119)	166,338,313
Non-controlling interests		(2,959,805)	(34,245)	-	-
		(176,491,446)	186,734,951	(156,241,119)	166,338,313
Earnings (loss) per share					
Basic earnings (loss) per share		(0.77)	0.83	(0.69)	0.74

The accompanying notes are an integral part of these consolidated and company financial information.

Padaeng Industry Public Company Limited
Statements of Changes in Shareholders' Equity
For the six-month periods ended 30 June 2012 and 2011

	Consolidated (Unaudited)						
	Attributable to owners of the parent				Total owners of the parent	Non-controlling interests	Total shareholders' equity
	Issued and paid-up share capital	Premium on share capital	Retained earnings				
			Appropriated legal reserve	Unappropriated	Baht	Baht	
Baht	Baht	Baht	Baht	Baht	Baht	Baht	
Opening balance as at 1 January 2012	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
Net loss for the period	-	-	-	(173,531,641)	(173,531,641)	(2,959,805)	(176,491,446)
Dividend paid	-	-	-	(112,996,085)	(112,996,085)	-	(112,996,085)
Closing balance as at 30 June 2012	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>226,000,000</u>	<u>988,805,106</u>	<u>4,077,218,706</u>	<u>212,449,599</u>	<u>4,289,668,305</u>
Opening balance as at 1 January 2011	2,260,000,000	602,413,600	226,000,000	1,591,861,225	4,680,274,825	215,486,834	4,895,761,659
Retrospective adjustment for changes in accounting policy for restoration and rehabilitation expenses	-	-	-	(29,272,968)	(29,272,968)	-	(29,272,968)
Closing balance after adjustment	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>226,000,000</u>	<u>1,562,588,257</u>	<u>4,651,001,857</u>	<u>215,486,834</u>	<u>4,866,488,691</u>
Net profit for the period	-	-	-	186,769,196	186,769,196	(34,245)	186,734,951
Dividend paid	-	-	-	(291,530,931)	(291,530,931)	-	(291,530,931)
Closing balance as at 30 June 2011	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>226,000,000</u>	<u>1,457,826,522</u>	<u>4,546,240,122</u>	<u>215,452,589</u>	<u>4,761,692,711</u>

The accompanying notes are an integral part of these consolidated and company financial information.

Padaeng Industry Public Company Limited
Statements of Changes in Shareholders' Equity
For the six-month periods ended 30 June 2012 and 2011

	Company (Unaudited)				Total shareholders' equity Baht
	Issued and paid-up share capital Baht	Premium on share capital Baht	Retained earnings		
			Appropriated legal reserve Baht	Unappropriated Baht	
Opening balance as at 1 January 2012	2,260,000,000	602,413,600	226,000,000	1,313,994,476	4,402,408,076
Net loss for the period	-	-	-	(156,241,119)	(156,241,119)
Dividend paid	-	-	-	(112,996,085)	(112,996,085)
Closing balance as at 30 June 2012	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>226,000,000</u>	<u>1,044,757,272</u>	<u>4,133,170,872</u>
Opening balance as at 1 January 2011	2,260,000,000	602,413,600	226,000,000	1,593,117,677	4,681,531,277
Retrospective adjustment for changes in accounting policy for restoration and rehabilitation expenses	-	-	-	(29,272,968)	(29,272,968)
Closing balance after adjustment	2,260,000,000	602,413,600	226,000,000	1,563,844,709	4,652,258,309
Net profit for the period	-	-	-	166,338,313	166,338,313
Dividend paid	-	-	-	(291,530,931)	(291,530,931)
Closing balance as at 30 June 2011	<u>2,260,000,000</u>	<u>602,413,600</u>	<u>226,000,000</u>	<u>1,438,652,091</u>	<u>4,527,065,691</u>

The accompanying notes are an integral part of these consolidated and company financial information.

Padaeng Industry Public Company Limited
Statements of Cash Flows
For the six-month periods ended 30 June 2012 and 2011

	Notes	Consolidated		Company	
		Unaudited 30 June 2012 Baht	Unaudited 30 June 2011 Baht	Unaudited 30 June 2012 Baht	Unaudited 30 June 2011 Baht
<u>Cash flows from operating activities</u>					
Profit (loss) before tax		(176,131,759)	258,881,966	(156,241,119)	238,023,462
<u>Adjustments for:</u>					
Depreciation expenses	5	127,597,319	140,266,365	127,360,770	139,951,026
Other non-current assets amortisation expenses		22,025,488	18,387,406	13,684,749	14,013,435
Interest expenses		6,182,583	4,397,808	6,182,583	4,397,808
Interest income		(8,542,646)	(6,180,155)	(6,664,986)	(4,541,152)
Share of gain from jointly controlled entity	14 (i)	(1,033,687)	(30,697,404)	-	-
Allowance of slow-moving and obsolete stocks (reversal)		1,228,317	(110,647)	1,228,317	(110,647)
Provisions for employee benefits		6,872,304	6,120,810	6,449,004	6,120,810
Provisions for annual leave		300,000	300,000	300,000	300,000
Gain on disposal of property, plant and equipment		(1,537,789)	(106,482,271)	(1,537,789)	(106,482,271)
Exploration costs written-down	6	4,003,178	326,233	51,616	326,233
Provisions for restoration expense (accretion expense)	8	20,683,945	16,677,332	20,683,945	16,677,332
Unrealised loss on foreign currency exchange		3,915,156	11,551,409	3,920,052	11,584,371
<u>Changes in operating assets and liabilities</u>					
Trade accounts receivable-other parties		(203,749,064)	12,423,040	(203,246,456)	12,127,322
Inventories		854,197,077	(93,486,661)	861,340,243	(93,486,661)
Value added tax receivables		(11,967,572)	(10,708,502)	(11,633,326)	(10,690,172)
Other receivables-related parties		-	69,524	(3,226,854)	(11,166,782)
Prepayment to a related party		-	-	(7,500,000)	(20,286,500)
Other current assets		(6,024,344)	(12,885,934)	(5,224,448)	(13,572,011)
Other non-current assets					
- deferred environmental rehabilitation expenses		(5,696,194)	(9,140,894)	(5,696,194)	(9,140,894)
- deferred environmental risk assurance expenses		(1,507,203)	(1,642,646)	(1,507,203)	(1,642,646)
- others		(696,714)	(1,052,358)	(756,715)	(1,087,357)
Trade accounts payable-other parties		(425,277,825)	(96,131,418)	(424,567,490)	(95,360,239)
Accrued electricity expenses		(6,281,466)	(10,317,806)	(6,281,465)	(10,317,806)
Royalty payable		(2,230,000)	1,530,000	(2,230,000)	1,530,000
Other payable-related parties		-	-	37,060	(135,473)
Other current liabilities		(49,275,598)	(63,389,186)	(52,656,899)	(61,080,469)
Provisions for restoration expenses utilised	8	(13,630,613)	(16,055,894)	(13,630,613)	(16,055,894)
Provisions for employee benefits expenses utilised	9	(11,724,226)	(704,910)	(11,724,226)	(704,910)
Corporate income tax refund		5,032,801	-	5,032,801	-
Cash generated from (used in) operation		126,731,468	11,945,207	131,945,357	(10,810,085)
Interest paid		(6,337,341)	(3,475,608)	(6,337,341)	(3,475,608)
Tax paid		(723,364)	(42,944,961)	(52,085)	(42,571,303)
Net cash provided by (used in) operating activities		119,670,763	(34,475,362)	125,555,931	(56,856,996)

The accompanying notes are an integral part of these consolidated and company financial information.

Padaeng Industry Public Company Limited
Statements of Cash Flows (Cont'd)
For the six-month periods ended 30 June 2012 and 2011

	Notes	Consolidated		Company	
		Unaudited 30 June 2012 Baht	Unaudited 30 June 2011 Baht	Unaudited 30 June 2012 Baht	Unaudited 30 June 2011 Baht
<u>Cash flows from investing activities</u>					
Interest received		8,474,037	6,276,503	6,593,765	4,581,142
Cash paid for purchase of property, plant and equipment	5	(151,451,056)	(105,880,973)	(151,364,804)	(105,699,539)
Cash received from sales of property, plant and equipment		1,920,361	165,756,507	1,920,361	165,756,507
Cash paid for exploration	6	(4,041,254)	(38,596,997)	(93,616)	(6,168,226)
Net cash provided by (used in) investing activities		(145,097,912)	27,555,040	(142,944,294)	58,469,884
<u>Cash flows from financing activities</u>					
Proceeds on short-term loans from financial institutions		532,612,820	380,269,684	532,612,820	380,269,684
Proceeds from long-term loan from other party	14 (viii)	4,253,621	12,090,838	-	-
Dividend payment		(113,042,486)	(291,145,105)	(113,042,486)	(291,145,105)
Net cash provided by financing activities		423,823,955	101,215,417	419,570,334	89,124,579
Effects from changes in exchange rate for cash and cash equivalents		7,821,752	2,088,266	7,821,752	2,088,266
Net increase in cash and cash equivalents		406,218,558	96,383,361	410,003,723	92,825,733
Cash and cash equivalents at beginning of the period		714,174,693	455,719,315	567,402,283	281,592,741
Cash and cash equivalents at end of the period		1,120,393,251	552,102,676	977,406,006	374,418,474

The accompanying notes are an integral part of these consolidated and company financial information.

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 group interim consolidated and company financial information were authorised for issue by the Board of Directors on 7 August 2012.

These group 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.

An English version of the consolidated and company interim financial information has been prepared from the interim financial information 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 information shall prevail.

These interim consolidated and company financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2011.

The accounting policies used in the preparation of interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2011.

3. Summary of significant accounting policies

New accounting standards, amendments to accounting standards and new interpretation

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

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

The Group's management has determined that the new accounting standards, amendments to accounting standards and new interpretation will not significantly impact the financial information being presented.

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

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4. Trade accounts receivable-net

	Consolidated		Company	
	30 June 2012 Baht	31 December 2011 Baht	30 June 2012 Baht	31 December 2011 Baht
Trade accounts receivable	514,977,659	311,050,406	513,371,934	309,947,290
<u>Less: Allowance for doubtful accounts</u>	-	-	-	-
Trade accounts receivable-net	<u>514,977,659</u>	<u>311,050,406</u>	<u>513,371,934</u>	<u>309,947,290</u>

Outstanding trade accounts receivable as at 30 June 2012 and 31 December 2011 can be analysed as follows:

	Consolidated		Company	
	30 June 2012 Baht	31 December 2011 Baht	30 June 2012 Baht	31 December 2011 Baht
Up to 3 months	514,977,659	311,050,406	513,371,934	309,947,290
Over 3 months	-	-	-	-
	<u>514,977,659</u>	<u>311,050,406</u>	<u>513,371,934</u>	<u>309,947,290</u>
<u>Less: Allowance for doubtful accounts</u>	-	-	-	-
	<u>514,977,659</u>	<u>311,050,406</u>	<u>513,371,934</u>	<u>309,947,290</u>

5. Property, plant and equipment-net

	Consolidated Baht	Company Baht
For the six-month period ended 30 June 2012		
Opening net book amount	1,333,356,752	1,334,567,520
Acquisition of assets and construction in progress	151,451,056	151,364,804
Disposal of property, plant and equipment	(382,572)	(382,572)
Depreciation	(127,597,319)	(127,360,770)
Closing net book amount	<u>1,356,827,917</u>	<u>1,358,188,982</u>

6. Exploration and acquisition costs

Exploration and acquisition costs as at 30 June 2012 and 31 December 2011 comprise:

	Consolidated		Company	
	30 June 2012 Baht	31 December 2011 Baht	30 June 2012 Baht	31 December 2011 Baht
<u>Exploration costs</u>				
At 1 January	1,101,677,245	1,018,758,270	81,723,668	75,662,064
Expenditure incurred during period/year	4,041,254	62,671,655	93,616	6,641,998
Deferred capitalised interest	-	20,827,714	-	-
Expenditure written-down	(4,003,178)	(580,394)	(51,616)	(580,394)
Ending balance for the period/year	<u>1,101,715,321</u>	<u>1,101,677,245</u>	<u>81,765,668</u>	<u>81,723,668</u>
<u>Mining acquisition costs</u>				
Capitalised deferred cost				
Mining license				
At 1 January	60,000,000	60,000,000	60,000,000	60,000,000
Accumulated depletion	(56,666,712)	(53,333,376)	(56,666,712)	(53,333,376)
Ending balance for the period/year	<u>3,333,288</u>	<u>6,666,624</u>	<u>3,333,288</u>	<u>6,666,624</u>
Land use compensation-net	18,396,192	21,119,752	18,396,192	21,119,752
Other capitalised expenditure-net	<u>9,890,625</u>	<u>11,414,919</u>	<u>9,890,625</u>	<u>11,414,919</u>
Ending balance for the period/year	<u>31,620,105</u>	<u>39,201,295</u>	<u>31,620,105</u>	<u>39,201,295</u>

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6. Exploration and acquisition costs (Cont'd)

	Consolidated		Company	
	30 June 2012 Baht	31 December 2011 Baht	30 June 2012 Baht	31 December 2011 Baht
Concession operating right				
At 1 January	31,421,298	40,115,682	-	-
Amortisation	(4,347,192)	(8,694,384)	-	-
Ending balance for the period/year	27,074,106	31,421,298	-	-
Other capitalised cost				
At 1 January	28,603,963	-	-	-
Expenditure incurred during the period/year	-	30,014,630	-	-
Amortisation	(3,949,865)	(1,410,667)	-	-
Ending balance for the period/year	24,654,098	28,603,963	-	-
Total mining acquisition costs	83,348,309	99,226,556	31,620,105	39,201,295
Total (Note 6 (i-ii))	1,185,063,630	1,200,903,801	113,385,773	120,924,963

i) Exploration costs

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

Puthep Co., Ltd.

As at 30 June 2012, the capitalised exploration and acquisition costs incurred by Puthep amounting to Baht 926.2 million. At the date of this information, the Company continues to review the commercial viability of the project and is also considering the sale of the concession assets. The company management has been approved by the Board of Director and appointed an advisor to seek potential buyers of the concession assets.

Padaeng Industry (Laos) Co., Ltd.

In October 2006, the Company signed a 5-year exploration agreement with the Department of Mines and Geology of Lao PDR which has been expired on 27 October 2011. In the first half of 2012, the exploration agreement was extended to 27 October 2014, which was covered 600 km² in the northern part of Vientiane Province. The exploration activities are conducted through Padaeng Industry (Laos). As at 30 June 2012, a total amount of Baht 100.9 million of exploration costs has been capitalised on the consolidated statement of financial position.

ii) Concession operating right and other capitalised cost

South East Asia Metals Co., Ltd.

On 4 September 2009, South East Asia Metals Co., Ltd. ("SEAMET"), a subsidiary of Padaeng Properties Co., Ltd., has entered into the Concession Operation Agreement with Mayflower Mining Enterprises Ltd. ("MME"), registered in the Union of Myanmar. Under this agreement, SEAMET has obtained the operating rights of a mining concession owned by MME.

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6. Exploration and acquisition costs (Cont'd)

ii) Concession operating right and other capitalised cost (Cont'd)

South East Asia Metals Co., Ltd. (Cont'd)

During 2011, SEAMET has entered into a service agreement related to a mining operation in the Union of Myanmar with Mali Mining & Metallurgy Pte. Ltd. ("Mali"). This transaction was approved by the Padaeng Industry's shareholders at the Ordinary Shareholders' Meeting on 27 April 2011. Under the terms of the service agreement, Mali will receive Baht 120 million, of which Baht 30 million was paid on 27 October 2011. During the year 2012, SEAMET has delivered 1,340 tonnes of ores to Thailand.

7. Short-term loans from financial institutions

Short-term loans from financial institutions as at 30 June 2012 and 31 December 2011 comprise:

	Consolidated		Company	
	30 June 2012 Baht	31 December 2011 Baht	30 June 2012 Baht	31 December 2011 Baht
Trust Receipts	1,086,146,535	359,934,913	1,086,146,535	359,934,913
Promissory Notes	188,821,938	365,961,397	188,821,938	365,961,397
Total	1,274,968,473	725,896,310	1,274,968,473	725,896,310

The Company has entered into short-term financing arrangements to fund its operations with various financial institutions. The interest rates, the Company is paying on the trust receipts and promissory notes are between 1.15 % - 1.52% per annum.

Financing arrangements available

	Consolidated		Company	
	30 June 2012 Baht	31 December 2011 Baht	30 June 2012 Baht	31 December 2011 Baht
Bank Overdraft	60,000,000	80,000,000	60,000,000	80,000,000
Short-term Loans	3,103,953,000	3,129,957,000	3,103,953,000	3,129,957,000
Bank Guarantee	1,019,725,900	1,068,527,100	1,016,685,900	1,065,487,100
Total	4,183,678,900	4,278,484,100	4,180,638,900	4,275,444,100

8. Provisions for restoration and rehabilitation expenses

	Consolidated		Company	
	30 June 2012 Baht	31 December 2011 Baht	30 June 2012 Baht	31 December 2011 Baht
Balance at the beginning of the period/year	96,320,858	92,144,122	96,320,858	92,144,122
Accretion expense	20,683,945	23,509,277	20,683,945	23,509,277
Amounts utilised	(13,630,613)	(19,332,541)	(13,630,613)	(19,332,541)
Balance at the end of the period/year	103,374,190	96,320,858	103,374,190	96,320,858

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

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9. Employee benefit obligations

	Consolidated		Company	
	30 June 2012 Baht	31 December 2011 Baht	30 June 2012 Baht	31 December 2011 Baht
Balance at the beginning of the period/year	118,147,530	122,694,239	116,826,930	122,694,239
Additional provisions charged to the statements of comprehensive income	6,872,304	21,484,321	6,449,004	20,163,721
Amounts utilised	(11,724,226)	(26,031,030)	(11,724,226)	(26,031,030)
Balance at the end of the period/year	<u>113,295,608</u>	<u>118,147,530</u>	<u>111,551,708</u>	<u>116,826,930</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.

10. Dividend

At the Ordinary Shareholders' Meeting held on 26 April 2012, shareholders approved the annual dividend payment from operating results and retained earning of the Company for the year ended 31 December 2011 of Baht 0.50 per share totalling Baht 113 million (2010: totalling Baht 291.5 million). The dividend was paid on 23 May 2012.

11. Bank guarantees

As at 30 June 2012, the Company and subsidiaries have given letters of guarantee in the ordinary course of business issued by banks of approximately Baht 432.2 million (31 December 2011: Baht 432.3 million).

12. Commitments

As at 30 June 2012 and 31 December 2011, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	30 June 2012 Baht	31 December 2011 Baht	30 June 2012 Baht	31 December 2011 Baht
Not later than 1 year	52,874,239	54,288,316	52,874,239	54,288,316

As at 30 June 2012 and 31 December 2011, the Company has the following commitments for the purchase of raw materials that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	30 June 2012 Baht	31 December 2011 Baht	30 June 2012 Baht	31 December 2011 Baht
Not later than 1 year	445,186,452	289,587,301	445,186,452	289,587,301

In addition, as at 30 June 2012, the Company has contracted for the purchase of raw materials that contained zinc units approximating 24,013 tonnes (31 December 2011 : 10,801 tonnes).

13. Segment information

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

Padaeng Industry Public Company Limited
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14. Related parties transactions

i) Investments in related parties-net

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

	Consolidated				Company			
	30 June 2012				30 June 2012			
	Equity	Paid-up	%	Cost	Equity	Paid-up	%	Cost
	Baht	capital	ownership	Baht	Baht	capital	ownership	Baht
		Baht	investment			Baht	investment	
				Baht				Baht
Subsidiaries								
Padaeng Properties Co., Ltd.	-	80,000,000	100	80,000,000	-	80,000,000	100	80,000,000
Puthep Co., Ltd.	-	285,589,732	51	145,650,772	-	285,589,732	51	145,650,772
Padaeng Industry (Laos) Co., Ltd.	-	27,569,653	100	27,569,653	-	27,569,653	100	27,569,653
Padaeng International Mining Co., Ltd.	-	100,000	100	100,000	-	100,000	100	100,000
Ton Sangkasi Pte Ltd.	-	246,700	100	246,700	-	246,700	100	246,700
Total	-			253,567,125	-			253,567,125
Less : Diminution								
Padaeng Industry (Laos) Co., Ltd.	-			(20,215,102)	-			(20,215,102)
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)
Investments in subsidiaries-net	-			233,252,023	-			233,252,023

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.	95,226,506	675,000,000	35	236,249,800	94,192,819	675,000,000	35	236,249,800
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Maesod Clean Energy Co., Ltd. is incorporated in Thailand.

Padaeng Industry Public Company Limited
Unaudited Condensed Notes to the Interim Consolidated and Company Financial Information
For the interim period ended 30 June 2012

14. Related parties transactions (Cont'd)

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

	Consolidated		Company	
	30 June 2012 Baht	31 December 2011 Baht	30 June 2012 Baht	31 December 2011 Baht
At 1 January	94,192,819	105,271,490	469,501,823	469,255,123
Share of gain (loss) from jointly controlled entity	1,033,687	(11,078,671)	-	-
Investment in a subsidiary	-	-	-	246,700
Ending balance for the period/year	<u>95,226,506</u>	<u>94,192,819</u>	<u>469,501,823</u>	<u>469,501,823</u>

Subsidiaries

As at 30 June 2012, **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 Baht 7,354,551 (31 December 2011: Baht 7,354,551). The balance of share capital of USD 476,000 is expected to be called during 2012.

As at 30 June 2012, **Puthep** has total authorised share capital of 4,606,286 shares (31 December 2011: 4,606,286 shares) outstanding for a cumulative amount of Baht 377,102,615 (31 December 2011: Baht 377,102,615).

SEAMET has entered into a service agreement related to a mining operation in the Union of Myanmar with Mali Mining & Metallurgy Pte. Ltd. The details regarding the service agreement are explained in the Note 6 (ii).

On 18 January 2011, **Ton Sangkasi Pte Ltd.** ("Ton Sangkasi"), a Singapore registered company was incorporated with capital of SGD 10,000 which has been solely subscribed by the Company. As at 30 June 2012, the Company has transferred a cash advance Baht 9.0 million to Ton Sangkasi for the purpose of exploration and mining service abroad.

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 produce ethanol as an alternative energy source. As at 30 June 2012 and 31 December 2011, 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. After a period of one year from the date of the agreement, the Company may 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

For the six-month periods ended 30 June	Consolidated		Company	
	2012 Baht	2011 Baht	2012 Baht	2011 Baht
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	497,776	471,600
Padaeng Industry (Laos) Co., Ltd.	-	-	3,217,500	3,237,694
Puthep Co., Ltd.	-	-	158,340	153,790

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

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14. Related parties transactions (Cont'd)

iii) Purchases of goods and services

For the six-month periods ended 30 June	Consolidated		Company	
	2012	2011	2012	2011
	Baht	Baht	Baht	Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	2,999,509	2,685,275

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

iv) Other receivables-related parties-net

	Consolidated		Company	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
	Baht	Baht	Baht	Baht
Padaeng Properties Co., Ltd.	-	-	86,460	82,002
Padaeng Industry (Laos) Co., Ltd.	-	-	37,202,462	33,984,962
Padaeng International Mining Co., Ltd.	-	-	131,580	126,684
Ton Sangkasi Pte Ltd.	-	-	1,594,312	1,594,312
Total	-	-	39,014,814	35,787,960
Less: Allowance for doubtful accounts	-	-	(131,580)	(126,684)
Other receivables-related parties-net	-	-	38,883,234	35,661,276

v) Advances to related parties-net

	Consolidated		Company	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
	Baht	Baht	Baht	Baht
Padaeng Industry (Laos) Co., Ltd.	-	-	73,469,416	68,469,416
Padaeng International Mining Co., Ltd.	-	-	492,300	492,300
Ton Sangkasi Pte Ltd.	-	-	9,032,246	6,532,246
Total	-	-	82,993,962	75,493,962
Less: Allowance for doubtful accounts	-	-	(492,300)	(492,300)
Advance to related parties-net	-	-	82,501,662	75,001,662

Advance from the Company in the amount of Baht 73,469,416 represents an advance for share subscription payment in Padaeng Industry (Laos).

As at 30 June 2012, the above mentioned loans to Padaeng International Mining Co., Ltd. is calculated at interest rates of fixed 3-month deposit per annum.

vi) Other payables-related party

	Consolidated		Company	
	30 June	31 December	30 June	31 December
	2012	2011	2012	2011
	Baht	Baht	Baht	Baht
Padaeng Properties Co., Ltd.	-	-	564,744	527,684
Total	-	-	564,744	527,684

14. Related parties transactions (Cont'd)

vii) Key management compensation

The compensation paid or payable to key management for employee services for the six-month periods ended 30 June 2012 and 2011 is shown below:

	Consolidated		Company	
	30 June 2012 Baht	30 June 2011 Baht	30 June 2012 Baht	30 June 2011 Baht
Short-term employee benefits	13,616,817	23,112,300	13,616,817	23,112,300
Post-employee benefits and termination benefits	10,249,503	1,527,290	10,249,503	1,527,290
Total	23,866,320	24,639,590	23,866,320	24,639,590

viii) Long-term loan from other party

A Loan Agreement between Puthep and PNA (Puthep) dated 15 August 2008 and executed in March 2009 in which PNA (Puthep) agreed to advance funds necessary to complete a feasibility study for the Puthep copper project. The loan amount is in addition to equity funding of USD 6,000,000 or Baht 216,492,547 received from PNA (Puthep). 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. 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 dividend payments at which time repayments will then commence an amount equal to 35% of distributable net profit.

	Consolidated		Company	
	30 June 2012 Baht	31 December 2011 Baht	30 June 2012 Baht	31 December 2011 Baht
<u>PNA (Puthep) Pty Ltd.</u>				
1 January	486,145,263	464,431,861	-	-
Loan increase during the period/year	4,253,621	21,713,402	-	-
Ending balance for the period/year	<u>490,398,884</u>	<u>486,145,263</u>	<u>-</u>	<u>-</u>
Accrued interest expenses	<u>69,141,292</u>	<u>69,141,292</u>	<u>-</u>	<u>-</u>

15. Risk management policy for assets and liabilities

15.1 Risk management and hedging instruments

Price risk

The Company is also exposed to risk resulting from fluctuations in commodity prices. The Company currently engages only in transactional hedging with the purpose of mitigating price exposure from the difference in timing between purchased raw material and finished product sales. Any settlement gains or losses realized from hedging arrangements are recorded against the corresponding revenue or cost of purchases as appropriate. As at 30 June 2012, the net purchases of 14,150 metric tons of zinc on the London Metal Exchange are outstanding. The change in fair value of these open positions amounts to USD 97,349 or Baht 3,096,874, is unfavourable. These fair values reflect the mark to market values of the contracts at the prevailing period end rates. These positions will be offset by committed and priced physical purchases and sales contracts. The operations carried out on the future markets for hedging transactional risks as described are not of a speculative nature. In accordance with current Thai Generally Accepted Accounting Principles, the changes in fair value of outstanding hedging contracts are not recognised in this financial information.

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.

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

15.1 Risk management and hedging instruments (Cont'd)

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.

15.2 Fair values

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

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 6 of this 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 2012, 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 pending for the court consideration.