

Responding to
challenges



Padaeng Industry Public Company Limited
Annual Report 2009

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Vision

PADAENG will be a low cost producer of high quality zinc, able to compete in its markets with world class producers, providing valued services to customers, respecting the environment and supporting the communities in which it operates.

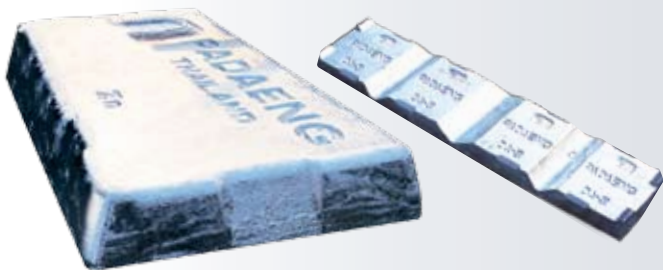


Background

Padaeng Industry was established on 10 April 1981 with a registered capital of 20 million Baht invested by Thai public (Ministry of Finance) and private investors and a private company from Belgium (Vieille Montagne). The Company engaged in mining and smelting business with the objective to produce zinc metal and zinc alloys to serve its customers. The Company's mine is located in the Mae Sod district and its smelter in the Muang district of the Tak province, the roaster plant in the Rayong province and the head office in Bangkok. The Company is also engaged in zinc ore exploration programs both in Thailand and in neighbouring countries. The Company has been listed on the Stock Exchange of Thailand since 21 July 1987 and converted into a public company limited on 4 February 1994. In 1996, the Company increased its registered capital to 2,260 million Baht. It was fully paid in 2000.



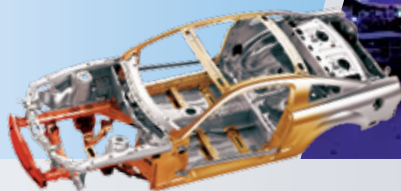
Zinc for Life



Zinc is used in many applications, and Padaeng Industry produces high quality zinc in a variety of forms to suit them. Products of Padaeng consist of special high grade (SHG) zinc metal and zinc alloys. Their main applications are described as follows;

SHG zinc metal:

It is used predominantly in the field of corrosion protection. Steel is galvanized to protect it from oxidation. Galvanized steel will offer long term and maintenance free corrosion resistance to infrastructure such as highway barriers, bridges, electric main, power stations, roofs, metal tubes, plates, wires, nails, nets.



Zinc alloys:

Pressure die-casting zinc alloys are used to produce near finish cast products for various industries. Zinc die-casting products require minimum finishing steps. They are used in auto parts (such as carburetors, key switches), household parts (such as windows and door knobs), among other applications.



Other applications of zinc:

Zinc chemicals:

While special grades of zinc powder are used in alkaline batteries and button cells, zinc oxide finds its application in vulcanization, ceramics, paints, animal feed and even in medical ointments.



Brass:

By combining copper with zinc in different proportions, various grades of brass are obtained for many applications. These include bathroom accessories, valves, decorative statues and brass tubes.



Zinc for human health:

Zinc is essential for human health, having a positive impact on the immune system as well as on brain development and skin formation. Zinc for human consumption is found in meat, fish, rice, grains and green vegetables or included in mineral supplements, and zinc oxide ointment soothes diaper rash, relieves skin itching, and acts as a natural sun screen.



Zinc in fertilisers:

It is also used in fertilisers to enhance crop production. Zinc is required in small but critical concentrations to allow several key plant physiological pathways to operate normally; photosynthesis and sugar formation, protein synthesis, fertility and seed production, growth regulation and defence against disease.





Zinc for fertiliser and nutrition promotion programme

As the sole zinc mining and smelting operator in Thailand and Southeast Asia, and a member of the International Zinc Association (IZA), the Company pays attention to and publicizes the many benefits of zinc. It supports research on zinc benefits to all living things from humans to animals and plants. Besides offering training courses and hosting seminars for professionals every year, the Company participated in 2009 in national and international research conferences presenting research findings on the significance of zinc for plants and humans, as follows:

The First National Soil and Fertiliser Congress, jointly organized by the Soil and Fertiliser Society of Thailand and the Soil and Water Conservation Society of Thailand in April 2009. The meeting assembled soil and fertiliser experts to exchange soil and fertiliser research results to increase Thai agricultural crop yields. The Company has cooperated with IZA to invite Thai and foreign researchers to present the findings on zinc-deficient grains as well as the benefits of dietary zinc for human health at the conference.

Thailand was honoured to host in October 2009, was the 19th International Congress of Nutrition organized by the Nutrition Association of Thailand and the International Union of Nutrition Sciences. More than 3,500 nutrition experts from around the world exchanged ideas. The Company supported the attendance of the International Zinc Nutrition Consultative Group (IZiNCG) to the effects of zinc deficiency on children's growth and the benefits of zinc in preventing diarrhoea in children.

At present, the Company supports zinc enhanced fertiliser projects of the International Zinc Association, both in Thailand and Laos, The goal is to replicate with rice in those countries the success met by Harvest Plus in Turkey and other countries with different cereals. This should lead to benefits to the farmers and communities.

Her Royal Highness Princess Maha Chakri Sirindhorn graciously dedicated Maesod Clean Energy ethanol plant and visited Padaeng's Vetiver project

On 28 December 2009, Her Royal Highness graciously presided over the opening ceremony of the Maesod Clean Energy ethanol plant, located at Mae Tao sub district, Mae Sod district, Tak province.



On that occasion, Her Royal Highness also visited the Vetiver grass project at the Padaeng mine. The Company uses vetiver to mitigate soil erosion in steep areas and in areas where mine activities have ended. Vetiver grass is first used as a pilot plant to rehabilitate the eroded soil before growing perennial plants, thereby reviving the once-mined area, again, into a forest with a balanced and sustainable ecosystem.



Message from the Board of Directors



A handwritten signature in black ink, appearing to read 'Arsa Sarasin'.

Arsa Sarasin
Chairman of the Board

The year 2009 has seen the continuation of the 2008 global economic crisis. Thailand has not been able to avoid the effects of the global slowdown in growth and trade. However Padaeng has prepared itself for this situation and has pursued a conservative financial policy by maintaining a strong liquidity position. In addition it exported a large part of its production in order to minimise the carrying cost of its inventory on its balance sheet.

Nevertheless this has been an important year for the future of the Company in that it has been vigorously active in developing the market for its product, especially in the Thai market. For instance it has helped customers to explore new markets for die casting. A consortium has been formed to produce zinc alloy parts in Thailand for the faucet manufacturing industry. It has also continued to improve its facilities to be able to process a wider range of zinc containing raw materials.

But the most important action has been in exploration. As the Company is preparing the orderly closure of the Mae Sod mine in a few years, it has focused its efforts on finding new sources of raw materials. A potential deposit has been identified in the Lamphun province but its development would be time consuming and unable to replace the Mae Sod mine in time. The Company has therefore been working on more immediate solutions.

It has acquired the operating rights on a mine located in Myanmar near Mae Sod and intends to start production in 2010. For the medium term, but potentially more important, it has started the exploration phase in its concession in Laos. This last project is the most important endeavour of the Company for the next few years. All our exploration efforts are currently mobilised to make it a success.

Our affiliate, the joint venture “Maesod Clean Energy Co. Ltd.” has successfully commissioned its installations and is currently in its first full year of operations. Padaeng, as one of its major shareholders, has actively supported the farmers in the areas adjacent to the mine which may be contaminated to switch over from rice to sugarcane growing.

Padaeng has been active in supporting all the communities within which it has its operations, especially in the areas of health and education and other social services. We believe that it is of the utmost importance to maintain the highest standards of environmental protection, and we constantly monitor and strengthen the measures we take to meet this objective.

The Board of Directors, once again, wishes to thank the shareholders, employees, neighbouring communities and business partners for their continued support.



A handwritten signature in black ink, which appears to read "André R. van der Heyden".

André R. van der Heyden
Managing Director

Highlights of the Year 2009



- Net consolidated profit is 296 million Baht and Net earnings per share are 1.31 Baht per share.

- The Company is drawing up a plan for the orderly closure of the mine of Mae Sod at the end of its life.

- A dividend payment of 0.92 Baht per share will be proposed to the shareholders at the Annual General Meeting.

- The Company is preparing its long term development plan in Laos. This is the major development for the next few years.

- After a depressed first half, the domestic demand for zinc in Thailand rebounded during the second half of the year.

Key Figures and Ratios



Consolidated

End of year		2009	2008	2007
Total revenues	(million Baht)	6,644	8,184	12,204
Gross profit	(million Baht)	676	758	1,706
Net profit (loss)	(million Baht)	296	265	930
Net profit (loss) per share	(Baht)	1.31	1.17	4.12
Net profit (loss) per total revenue	%	4.46	3.24	7.62
Total assets	(million Baht)	6,913	6,477	5,754
Total liabilities	(million Baht)	2,227	2,040	986
Total shareholders' equity	(million Baht)	4,685	4,438	4,769
Return on assets	%	4.43	4.33	13.79
Return on equity	%	6.72	5.84	19.19
Return on capital employed	%	7.53	6.15	19.75
Debt to equity ratio	(Times)	0.48	0.47	0.21
Book value per share	(Baht)	19.78	19.27	20.89
Dividend per share	(Baht)	0.92	0.82	2.74

The Year in Review



Industry conditions

According to the statistics of the International Lead and Zinc Study Group (ILZSG), in 2009, the zinc consumption in China has seen an unprecedented growth of 18%, but the economic downturn elsewhere led the rest of the world to a decrease of the same magnitude (-18%). Globally, the zinc consumption decreased by 5%.

The domestic demand for zinc in Thailand totalled 94,000 tonnes in 2009 or a decrease of 17% from the previous year, in line with the world outside China. The demand during the first half of the year was only two-thirds of the normal seasonal demand. The second half however was fully normal.

The zinc price in 2009 climbed consistently during the second half to the year-high level in December of 2,376 USD per tonne. The average annual price was 1,655 USD per tonne, a decrease of 220 USD or 12% from the previous year (1,875 USD per tonne).

USD/Tonne	2009	2008
LME first half	1,323	2,272
LME second half	1,988	1,478
LME average	1,655	1,875

Zinc sales volume

Commitments made by the Company during the downturn of the first half forced it to increase its sales to 110,000 tonnes. Domestic sales accounted for 71% or 79,000 tonnes, down 7% from the previous year. Export sales totalled 31,000 tonnes, an increase of 62% over 2008.

Competition in the industry

Following the events of late 2008, many smelters outside China decided to reduce their production in line with their regional demand. It resulted, outside China, in an 11% decrease in output. Combined with the 11% increase in China, it led to a global decrease of production of 3%. The ILZSG estimates that the excess of production over demand has been of 445,000 tonnes in 2009.

Locally, the Company monitored closely the situation, but regional demand remained strong, led by the huge imports of China during the first half. Regional LME stockpiles remained stable after a short spike in February. Therefore, the Company kept its output unchanged.

Operations

Mine operations

The Company produced a total of 157,000 tonnes at 22% zinc at the Mae Sod mine, 94,000 tonnes of high grade ore and 63,000 tonnes of concentrate, equivalent to 34,000 tonnes of zinc.

An important drilling campaign (6,000 metres) took place at the mine to plan the end of its life.

Ore reserve and mine planning were reviewed. At the current production rate the life of the mine will be 6.5 years. Mining will last 4 years but ore crushing and flotation will operate for another 2.5 years.

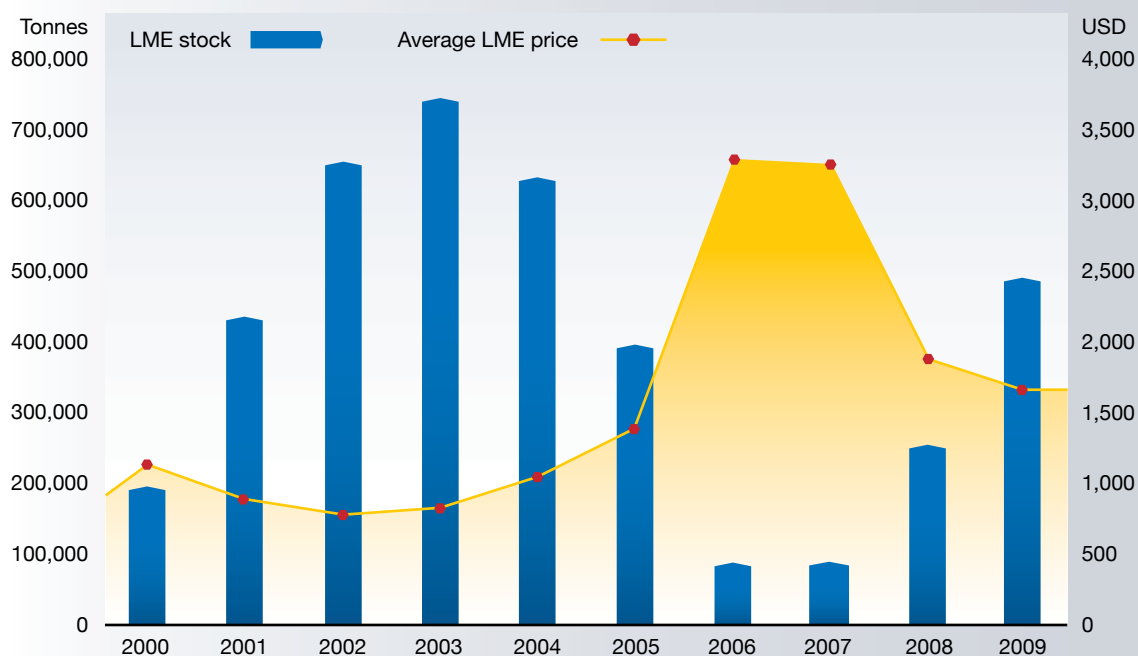
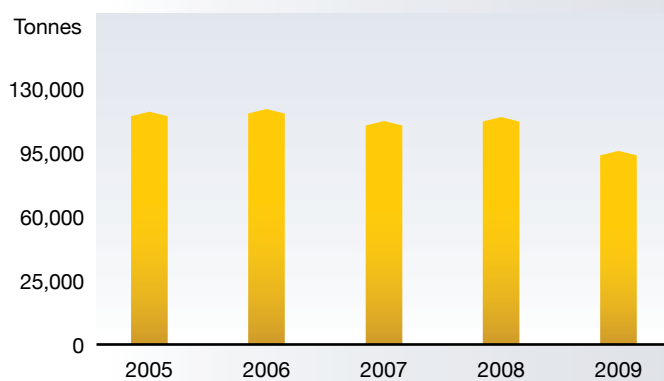
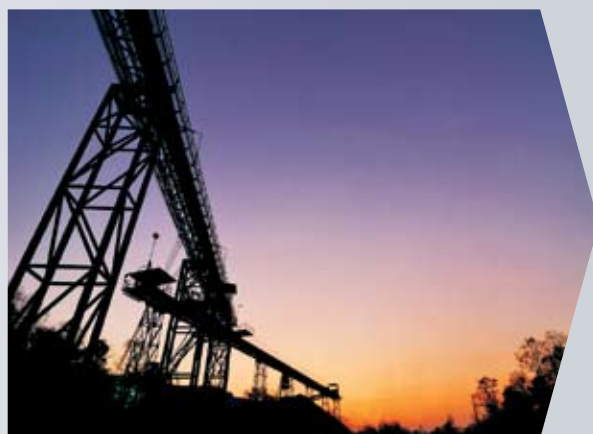
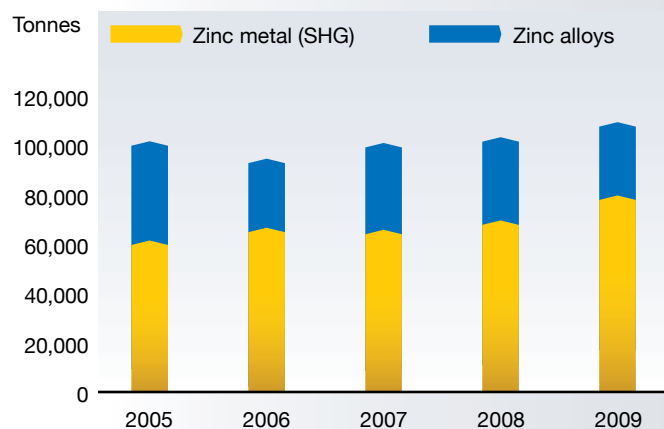
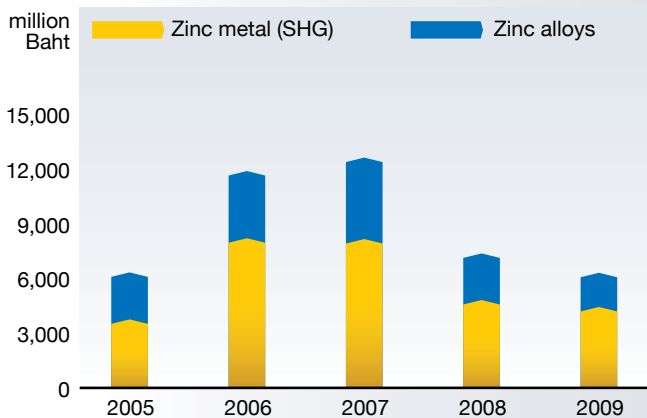
Figure 1: LME zinc prices and stock levels during the past 10 years**Figure 2: Zinc consumption in Thailand from 2005-2009****Figure 3: Sales volume of zinc metal and alloys from 2005-2009**

Figure 4: Sales value of zinc metal and alloys from 2005-2009

Smelter raw materials

The Mae Sod mine supplies only one-third of the total zinc units needed for the smelter. The balance of the feed requirement must be imported.

In 2009, the Company imported 162,000 tonnes of raw materials averaging 44% zinc and equivalent to 72,000 tonnes zinc metal. It is a mix of sulphides, oxides and silicates as the smelter is equipped to handle those three kinds of feed. Most of the imports came from Australia and Peru, the balance from Taiwan and various other countries.

In order to increase its flexibility, the Company also started testing zinc raw materials imported from new sources. Those materials contain higher impurity levels and require additional treatment before being fed to the normal process.

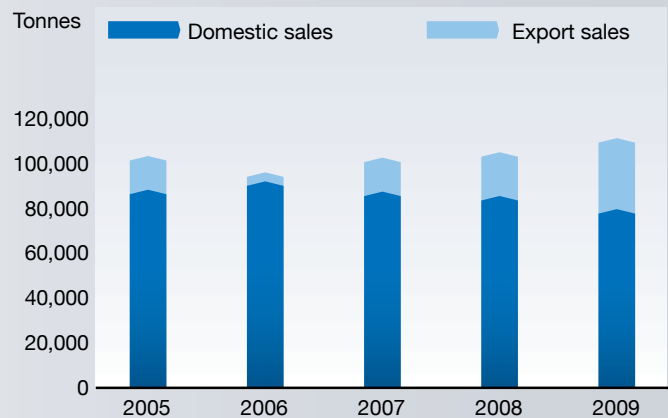
Smelter operations

In 2009, the smelter, at its Rayong plant, commissioned the new unit for the processing of zinc oxide, a secondary raw material imported from Taiwan.

The zinc smelter at Tak used silicate ores for 41% of its feed, the balance being composed of roasted sulphide (calcine) and oxides.

The plant produced 112,000 tonnes of cathodes and the total zinc metal products was 110,000 tonnes categorised into SHG zinc and zinc alloy (79,000 tonnes and 31,000 tonnes respectively).

The Tak plant produced 490 tonnes of copper cathode as by-product from the leaching residue and the Rayong plant produced 113,000 tonnes of sulphuric acid.

Figure 5: Sales volume of zinc metal from 2005-2009

Improvement in production efficiency

Pb-Ag recovery project

Ores fed to the roaster always contain some amount of lead (Pb) and some resources contain valuable amount of silver (Ag), part of it being payable to the miner. To increase the flexibility of the feed, a project to recover a Pb-Ag cake has been studied. The commission is planned for the second half of 2010.



Research and development

- Electroplating and metal products test laboratory

There is an increasing use of zinc alloy to replace conventional brass for faucet and sanitary wares because of its lower price and lower lead content. Most zinc alloy faucet and sanitary wares are currently imported but there is a need to produce top quality products in Thailand. A group composed of faucet manufacturers, die casters, electroplaters and Padaeng has been created to meet those stringent requirements and standards. The Company is currently installing a laboratory for electroplating and metal property testing.

- Fluoride removal of zinc sulphate solution

Laboratory tests to remove fluoride from zinc sulphate solutions have been successful and a pilot unit is being built to generate more data for the full plant design. The aim of this project is to increase the feed of cheaper and more available secondary raw material.

Operations at subsidiaries and affiliated companies

Ethanol project of Maesod Clean Energy Co., Ltd

Maesod Clean Energy Co., Ltd. is the only sugarcane processing plant in Thailand, fully dedicated to the production of ethanol for use as a fuel. Commissioning took place at the beginning of 2009.

Maesod Clean Energy Co., Ltd. was established in 2006 as a joint-venture between three partners: Padaeng Industry Public Co., Ltd. (35%), Thai Oil Public Co., Ltd. (30%) and MP Energy Co., Ltd. a subsidiary of the Mitr Phol Group (35%). The primary objective is to support the planting of sugarcane as raw material specifically for the production of ethanol.

It will receive its supply of sugarcane from plantations in the area of Mae Sod, Phop Phra and Mae Ramat districts of the Tak province. At present, 400,000 tonnes are annually available to supply the plant, which has a capacity to process 600,000 tonnes of sugarcane a year. Since the sugarcane plantation is an alternative agricultural crop yielding more consistent revenues to farmers, additional sugarcane plantation is expected. This increase

in sugarcane plantation is in line with the government's policy as implemented by the Tak province and the Mae Tao Basin Development Committee.

The plant currently produces and sells ethanol to leading companies such as PTT Plc and Chevron Thailand, to manufacture gasohol. In the future, the Company plans to sell its excess electricity generated from using bagasse as fuel, to the Provincial Electricity Authority (PEA) for distribution to the local community.

Mineral resources and exploration

Padaeng mineral resources and ore reserves

As of 31 December 2009 the total mineral resource of zinc silicate and carbonate at the Padaeng mine at Mae Sod was estimated at 2,862,000 dry metric tonnes (dmt) at 10.2% zinc, containing about 293,000 tonnes of zinc metal. The mineral resource as shown in Table 1 was estimated using a cut off grade of 3.0% zinc.



Table 1: Mineral resources at Padaeng mine 31 December 2009.

Category	dmt	Zinc grade (%)
Measured resource	1,346,000	10.6
Indicated resource	1,516,000	9.9
Total	2,862,000	10.2

Competent person statement

The data in this report that relates to mineral resources is based on information reviewed by Mr. Teerapong Songgul who is a member of the Australasian Institute of Mining and Metallurgy. Mr. Teerapong Songgul is a full time employee of Padaeng Industry Public Company Limited.

Mr. Teerapong Songgul has sufficient experience relevant to the styles of mineralisation and type of deposits under consideration and to the activity which he is undertaking, to qualify as a competent person as defined in the 2004 Edition of the Australasian Code for reporting of exploration results, mineral resources and ore reserves.

Mr. Teerapong Songgul consents to the inclusion in the reporting of Mineral resources in the form and context in which they appear.

Table 2: Ore reserves at Padaeng mine 31 December 2009.

Category	dmt	Zinc grade (%)
Stock	105,000	11.2
Proven reserve	1,343,000	9.9
Probable reserve	1,054,000	9.4
Total	2,502,000	9.7

Competent person statement

The data in this report that relates to ore reserves is based on information reviewed by Mr. Somchok Yu-iat who is a member of the Australasian Institute of Mining and Metallurgy. Mr. Somchok Yu-iat is a full time employee of Padaeng Industry Public Company Limited.

Mr. Somchok Yu-iat has sufficient experience relevant to the styles of mineralisation and type of deposits under consideration and to the activity which he is undertaking, to qualify as a competent person as defined in the 2004 Edition of the Australasian Code for reporting of exploration results, mineral resources and ore reserves.

Mr. Somchok Yu-iat consents to the inclusion in the reporting of mineral resources in the form and context in which they appear.

Exploration**1. Padaeng mine at Mae Sod**

Reverse circulation drilling (RC) was carried out in 2009 in the existing Padaeng mine. One hundred and four holes were completed for a total of 5,521 metres. Seventy eight holes intersected ore-grade zinc silicate mineralization above a cut-off grade of 3.0% zinc. The best hole intersected high-grade zinc ore with 29 metres at 25% zinc.

During the year 2009, a programme of diamond drilling was undertaken to test secondary zinc targets around the designed pit border of the Padaeng mine. Five holes were completed for a total of 653 metres. They indicated the limit of secondary zinc resource at the border of designed pit. The secondary zinc still has potential only in the deeper part of the designed pit boundary.

2. Regional exploration

After two to three years of intensive field work, the Company, with the support of consultants, is reviewing the data and its options before the end of some exploration licenses in June 2010.

In Lamphun province, an additional, non-JORC compliant, estimate of mineral resource of zinc sulphide was evaluated at about 2.1 million dry metric tonnes at 7.2% zinc and 1.2% lead (a cut off grade of 3.0% zinc).

In Loei province, the exploration project shows potential for gold.

**3. Puthep copper project in Loei province**

A 2004 Cabinet resolution enabled a research agreement between the Department of Primary Industries and Mines (DPIM) and the Royal Forestry Department (RFD) under which Puthep undertook a two year exploration programme on the PUT1 resource from 2006 until the end of October 2008. This 59,000 metres infill drilling programme has been incorporated into the Mineral Resource Estimate of May 2009. This Resource Estimate was 160 million tonnes at 0.53% copper and 0.09 gramme/tonne gold at cut off 0.30% copper as published in the ASX announcement from PanAust (Padaeng's partner in this project) and dated 19 May 2009.



PUT1 Mineral resource as at 1 May 2009, Puthep copper project, Thailand

0.3% copper cut-off grade	million (t)	Copper grade (%)	Gold grade (g/t)	Copper in-situ (000 t)	Gold in-situ (000 oz)
Measured	41	0.58	0.08	240	102
Indicated	60	0.51	0.1	306	186
Inferred	60	0.5	0.1	300	183
Total	160	0.53	0.09	846	471

The mineral resource estimates are based on an ordinary kriged model constrained by weathering and geological boundaries.

Competent person statement

The data in this report that relates to mineral resources is based on information reviewed by Mr. Daniel Brost who is a member of the Australasian Institute of Mining and Metallurgy. Mr Brost is a full time employee of PanAust Limited.

Mr Brost has sufficient experience relevant to the styles of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the 2004 Edition of the Australasian Code for reporting of exploration results, mineral resources and ore reserves. Mr Brost consents to the inclusion in the report of the mineral resources in the form and context in which they appear.

In view of completing the feasibility study, additional work is currently performed on processing this complex ore.

4. Kasi exploration project-Lao People's Democratic Republic

Since October 2006, the Padaeng Industry (Laos) has been working in the Northern part of the Vientiane province under an agreement with the Lao Authorities. After having submitted a comprehensive prospecting report in 2008, the Company has been granted a 30 months exploration license on a 400 square kilometres.

In 2009, the Company has continued its prospecting work in the whole area with the aim of defining new targets. Meanwhile, a first target has been tested by diamond drilling. Nine holes, totalling 1,700 metres, have all intersected zinc mineralisation.

Results from initial drilling have been encouraging and suggest high potential for a one million tonne zinc ore. Based on these, drill testing and mineral resources definition work have been intensified.



Sustainable Development



Environment and safety

The Company and every employee places great importance on taking responsibility for maintaining the environment and making the most use of natural resources. This duty extends to complying strictly with all relevant occupational health and safety regulations and laws, and international standards, including the ISO 9001 standard for quality management, the ISO 14001 standard for environmental management, and the OHSAS 18001/TIS 18001 standard for occupational health and safety management.



The Company cares about the health and safety of its employees and every stakeholder in this business, especially the surrounding community, and has carried out many measures to prevent and reduce the effects on the environment. Each year, the Company has invested 200 million Baht in implementing measures environment related matters. Moreover, the Company has always

cooperated closely with government officials and local communities in supporting and encouraging the maintaining the quality of the environment. Together these different parties jointly determined each year's targets and goals of ways to reduce and control the effects on the environment, by monitoring and assessing the environment according to the government's standards.



In 2009, the Company implemented these following environmentally-related programs:

Zinc smelter, Tak province

- Investments in the removal of solid waste from the smelting process by building a third residue pond, which is expected to be completed by April 2010.
- Continue to carry out health and safety management measures but instilling the importance of safety at work through training, as well as close and strict monitoring of safety standards. This has resulted in a new record of being accident-free and no work stoppage for 1,094,349 consecutive work hours. In recognition, the Company received an Outstanding Safety, Occupational Health and Environment Award in 2009 from the Ministry of Labour.

Roaster plant, Rayong province

- Managed to control the emission of sulphur dioxide (SO₂), with the average count at 267 ppm, well below the official ceiling of 500 ppm.

Mae Sod mine, Tak province

- Monitor and inspect environmental quality in accordance with the new, more stringent Environmental Impact Assessment (EIA) reports, whereby data collection compiled requires more frequent visits to more locations. Results show that the mine met official standards for every single metric.
- The mine has already rehabilitated areas which are no longer active. Between 2003 and 2009, more than 13 million Vetiver grass plants have been planted, making Mae Sod mine one of the largest growers of Vetiver grass in Thailand.
- The mine achieved an accident-free record with no work stoppage for 2,000,000 hours in August 2009.

Overview of the environmental performance indicators (EPI)

Indicator	Measurement unit	Zinc smelter			Roaster plant		
		2009	2008	2007	2009	2008	2007
Input indicators							
Total materials used	tonnes	315,972	297,169	284,595	136,030	128,786	112,857
Total energy consumption							
- Electricity	gigajoule	1,644,475	1,619,035	1,509,260	10,024	8,000	10,021
- Electricity/tonne production	gigajoule/tonne production ¹	14.64	14.63	14.32	0.08	0.07	0.10
- Fuel	gigajoule	397,405	358,685	328,345	16,673	21,301	31,270
- Fuel/tonne production	gigajoule/tonne production ¹	3.54	3.24	3.12	0.13	0.19	0.32
Total water consumption							
- Total water consumption	1,000 m ³	1,531	1,826	1,885	269	256	211
- Water consumption/tonne production	m ³ /tonne production ¹	13.63	16.50	17.89	2.17	2.29	2.18
Output indicators							
Produced waste							
- Total waste produced	tonnes (wet weight)	713,732	670,555	628,341	283	210	596
- Disposal ²	%	99.98	99.95	99.96	97.00	97.00	97.00
Emission to water							
Total emitted process water	1,000 m ³	888	1,260	615	91	59	47
Total emitted metals	kg	351	531	345	114	75	48
Effluent quality							
- Zinc (<5 mg/l)	mg/l	0.12	0.11	0.17	1.20	1.26	1.06
- Cadmium (<0.03 mg/l)	mg/l	0.01	0.01	0.01	0.01	0.01	0.02
- Manganese (<5 mg/l)	mg/l	0.17	0.20	0.25	-	-	-
- Lead (<0.2 mg/l)	mg/l	0.05	0.05	0.05	-	-	-
Emission to air							
Total emitted metals	kg	1,008	885	1,432	14	132	13
Total emitted SOx	tonnes	366	344	305	250	246	225
Air quality							
1. Air emission							
- SO ₂ at Acid Plant (< 500 ppm)	ppm	50	56	70	274	307	274
- SO ₂ at Boiler (< 950 ppm)	ppm	523	689	538	-	-	-
- Total suspended particulate at Boiler (< 240 mg/m ³)	mg/m ³	155	189	398	-	-	-
- Total suspended particulate at Bag Filter (< 400 mg/m ³)	mg/m ³	8.43	10.86	12.75	-	-	-
2. Ambient air quality							
- Total suspended particulate (< 0.33 mg/m ³)	mg/m ³	0.056	0.050	0.047	0.052	0.082	0.108
- Sulphur dioxide (SO ₂)							
(average 24 hr <0.30 mg/m ³)	mg/m ³	0.01	0.02	< 0.01	-	-	-
(average 1 hr <0.30 ppm)	ppm	-	-	-	<0.01	<0.01	<0.01
Greenhouse gas							
Total greenhouse gas	tonnes	30,267	27,269	24,978	1.12	0.80	1.30
Total greenhouse gas/tonne production	kg/tonne production ¹	270	246	237	0.01	0.01	0.01

1,000 m³ natural gas = 2.34 CO₂/1,000

1 t coal and coke = 4.44 t CO₂/1,000

Note : 1. tonne production means tonne of zinc cathode for Tak smelter, tonne of calcine and washed oxide for Roaster plant
2. % Disposal : % of total waste were treated by landfill (internal and external) and other % of waste were recycled and reused

Indicator		Measurement unit	Zinc smelter			Roaster plant			Mae Sod mine		
			2009	2008	2007	2009	2008	2007	2009	2008	2007
Safety indicators											
Injury frequency rate, IFR	accidents/million working hours	0.79	0	0	0	6.44	3.52	0	0	0	
Injury severity rate, ISR	lost days/million working hours	9.53	0	0	0	1,654.4	49	0	0	0	
No. of employee	number	590	587	594	110	112	98	310	322	318	
Financial indicators											
Environmental investment and operating costs											
Total environmental investment costs	million baht	0.0	15.5	54	19	24	21	1.2	7.9	16.3	
Total environmental operating costs	million baht	173	152	155	25	14	21	9.2	6.7	5.2	



Personnel

Since the year 2000, the Company had adopted a widely decentralised structure. While it did reap the benefits of this type of organisation, over the years it started to suffer the drawbacks also lack of direction and of cohesion. This became even more visible in a period of crisis. As the current crisis is expected to have effects lasting into the economic recovery, it has been decided to adopt a much more centralised structure for the coming years. It will allow more consistency in the strategy even if it leads to more cumbersome decision process.

First of all, the two factories of the smelter have been unified under one management. It will allow a better coordination on the handling of the various types of feed at a moment when the strategy of the smelter rests on its flexibility.

More importantly, the entire manufacturing process, from the mine to the smelter has been placed under one command and the position of “Chief Manufacturing Officer” has been created. As this Company is only as successful as its manufacturing functions, it was essential to give the necessary support to this aspect. One of the main aspects of this action is the coordination of the maintenance departments that remain by definition local.

Finally, the support functions such as procurement and accounting have been fully centralised.

A committee was set up to review the key positions in the hierarchy and the remuneration system of the Company. Both are critical for the future of the Company as well as training to ensure the adequacy of the personnel with the strategy.

In 2009, the Company received awards related to personnel development and welfare from the government as follows:

- The zinc smelter received the Outstanding Labour Relations and Welfare from the Department of Labour Protection and Welfare, Ministry of Labour.
- The zinc smelter received the Outstanding Award for Safety Measures, Occupational Health and Working Environment from the Ministry of Labour.
- The zinc smelter received the certificate of Corporate Social Responsibility (CSR-DIW) from the Department of Industrial Work, Ministry of Industry.

At the end of 2009, the Company had 1,039 employees, of which 18% hold a bachelor's degree or higher and 43% vocational certificates. Most employees reside in the Tak province or in the north where the factories are located. The average employee age is approximately 41 years old, with an average of 13 years of service within the Company. The personnel turnover rate is about 2%.



- Sugarcane growing experts share their knowledge and experience in nurturing the sugarcane roots after harvesting

- Demonstrating equipment used to manage sugarcane plantations

- The Health Fund Committee meeting

Corporate social responsibility

The Company values and supports the cooperation with various government agencies and local communities to improve the quality of life of the communities' members. It has a strong commitment to social responsibility through communities' participation principle.

In 2009, the Company continued to support sugarcane farmers in the Mae Tao basin, Mae Sod, Tak province. The Company also supported community health care and social welfare programmes which was developed in the form of saving funds, as well as continual support for education and activities for public benefit in the following ways:

Developing sugarcane farmers' careers by increasing the yield of sugarcane in Mae Tao - Mae Ku basin

The Company continued to support sugarcane farmers in the three sub districts in Mae Tao basin in the transition from cultivating rice to sugarcane to allow them to sustain their livelihood. Experts were brought in to share their knowledge with the farmers on sugarcane yield, nurturing

cane roots as well as management, decision and problem-solving skills with both theoretical and on-site training sessions.

Operations of the "Padaeng Quality of Life Development Foundation"

The Company established the "Padaeng Quality of Life Development Foundation" in 2006 to improve the quality of life in terms of public health, education, and other public services in rural communities.

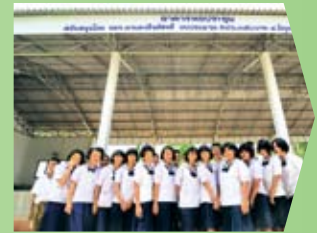
Over the past year, the Foundation continued to support four funds which comprise the "60th Coronation Anniversary Health and Social Welfare Fund" in three tambon (sub districts) in Mae Sod, with a total population of approximately 20,000. The three tambon, Phra Thad Padaeng, Mae Tao, and Mae Ku, are funded and managed by Committees whose members have contributed ideas and actions since its inception. The Committee consist of a Committee at the district level focusing on the policymaking, and another Committee at the tambon level that manage the funds. A tambon Committee would



- Applying for membership at the Fund: a savings passbook and a saving box



- Visiting patients by Health Volunteers



- "Padaeng Volunteers for Development" and the local community renovating classrooms and all-purpose buildings, constructing new bathrooms, libraries, children's playgrounds, and early childhood care centres.



- Awarding scholarships at Tak smelter and Mae Sod mine



- Donating a dialysis machine and a heartbeat monitoring machine.



- Supporting local annual cultural events, such as the Phra Thad ceremony, the Loy Krathong Sai Lai Pratheep Pun Duang festival, and the annual commemoration of King Taksin the Great.

typically include the community's leaders, volunteers, public health volunteers from each village, experts, Mae Sod civil society, public health officials from Mae Sod district, and coordinators from the Padaeng Foundation. Together, this group forms a solid network with a strong sense of ownership of the funds.

The Foundation has been the primary contributor to the Fund, while villagers' contributions were also welcomed. In 2009, the Fund's Committee decided to make the Fund more sustainable by changing the policy so that community members' participations will be the core source of funds for social welfare, which will partially cover expenses for newborn babies, the sick, injured and dead in the community. It is hoped that this welfare fund will create a strong society with people caring for each other. These policies are in line with the government's policy to establish communal welfare systems. As such, the 60th Coronation Anniversary Health and Social Welfare fund will begin accepting contribution in the form of savings starting from 2010.

It is expected to have more than 2,700 members in its first year, and bring in savings of more than 570,000 Baht.

The Foundation which has now operated for three years is applying to the Revenue Department for recognition as a charitable organisation/institution. It will then entitle donors to qualify for tax deductions, as well as other benefits for all parties participating in community development.

Activities supporting education, religion, tradition and public works

The Company has participated in improving the quality of education and teaching for children and youths in Tak province by providing more than 600 scholarships each year. Moreover, the Company continues to support local culture and traditions every year.

Financial Review

Overview of Company performance in 2009

Note: The following management review is based on formation of accounts which may not have been audited. The purpose of presenting such a format is to disclose the results in a way more useful to the reader than that of the heavily regulated financial statements.

The Company essentially generates earnings on concentrates, other feedstock and ore from its own mine, by converting them into marketable zinc metal (special high grade (SHG) and alloys). The revenues of the Company are affected by the commodity (zinc) prices and the treatment charges (TC) received from the miners for processing their zinc concentrates as the underlying price of the metal is effectively passed through the supply chain, from the mines to the smelter's customer.

As mentioned earlier, the London Metal Exchange (LME) average zinc cash settlement price for 2009 was at 1,655 US dollar per tonne (USD/tonne), a decrease of 12% from the price of 1,875 USD/tonne achieved in 2008. The average US dollar (USD) exchange rate to the Thai Baht (THB) for 2009 was 34.47 THB/USD, compared with 33.48 THB/USD in 2008. As a result, the average zinc price expressed in Thai Baht decreased by 9% from 62,771 THB/tonne in 2008 to 57,057 THB/tonne in 2009.

For the first time, transactional hedging was used through the year to limit pricing risk exposure. This protection remains however far from perfect as the back pricing is widely present in the market. This is particularly true when, as in 2009, the zinc price rises continuously. It results in a strong reduction of the apparent net premium from 212 USD/tonne in 2008 (decreasing market) to 27 USD/tonne in 2009. It is also visible in copper premium. At the level of result, it is neutralised by the fact that the increasing zinc price inflates the apparent Treatment Charge (TC), from 200 USD/dmt in 2008 to 330 USD/dmt in 2009.

The other main features of the profit and loss statement are the strong decrease of the sulphur/sulphuric acid prices and the increase of the price of electricity.



Balance sheet

Assets and liabilities

The consolidated assets amounted to 6,913 million Baht. Significant item on the working asset of the Company in 2009 is the increase in inventories from 1,548 million Baht in 2008 to 2,707 million Baht in 2009. This increase is the reflection of a higher zinc price and a higher tonnage in the raw material the Company purchased towards the end of 2009. The Company decided to take advantage of a softer supply market which was prevailing at that time.

Outside the Company, the increase in capitalized exploration expenses of Puthep Co., Ltd. was for the work to complete the feasibility study of a copper project in Leoi. The feasibility study was submitted in September 2009 and is now under evaluation. The capitalized exploration expenses by Padaeng Industry (Laos) Co., Ltd. were for their work in Kasi district of northern Vientiane province. As at 31 December 2009, net cumulated capitalized exploration expenses of Padaeng Industry Pcl., Puthep Co., Ltd. and Padaeng Industry (Laos) Co., Ltd. amounted to 111 million Baht, 836 million Baht and 27 million Baht respectively.

In 2009, South East Asia Metals Co., Ltd. (SEAMET), a subsidiary within the group of the Company committed 51 million Baht for a concession operating right with respect to a mining concession in Myanmar.

Total liabilities ended at 2,227 million Baht. Beside working capital loan of 359 million Baht, there is a term loan from PNA (Puthep) Pty Ltd. of 439 million Baht. This loan and its accrued interest expenses are subjected to the Terms of the Participation Agreement and Loan Agreement signed between the PNA (Puthep) Pty Ltd. and Puthep Co., Ltd.

Shareholder's equity

Appropriated legal reserve increased by 17 million Baht to 203 million Baht. Unappropriated retained earning ended at 1,404 million Baht. Dividend of 185 million Baht was paid in May 2009. At end of 2009, total shareholder's equity amounted to 4,470 million Baht and book value per share stood at 19.78 Baht per share.

Cash flow and capital expenditure

The net cash provided by operating activities in year 2009 was at 266 million Baht down from 1,322 million Baht in year 2008. The increase in the amount of inventory of 1,118 million Baht was the main use of the cash flow in the operating activities of the Company in 2009.

The Company maintains a strong financial position. Consolidated net cash at end of 2009 is 630 million Baht. No long term debt other than the term loan from PanAust to Puthep Co., Ltd. to fund the Loei copper feasibility study. This term loan is not due until there is a viable and profitable operation from the project. The Company continues to operate comfortably within internal cash and short term working capital financing facilities.

Investment in plant and equipment amounted to 86 million Baht. Cash used in exploration (including Puthep Co., Ltd and Padaeng Industry (Laos) Co., Ltd) amounted to 115 million Baht. Cash paid for the acquisition of concession operating right by SEAMET amounted to 34 million Baht.

Development in related companies

Maesod Clean Energy Co., Ltd was set up in 2006 for the production of ethanol with a daily production capacity of 200,000 litres. As of 31 December 2009, the Company's 35% share in the equity amounted to 167 million Baht.

In Puthep Co., Ltd, alternative processing methods are being reviewed under the feasibility study along with the work on environmental and health impact assessments.

In South East Asia Metals Co., Ltd., at the 50 square miles Mawkhi, Myanmar, an initial phase of upgrading the known low grade material into concentrate containing a minimum of 30% zinc is being pursued. An exploration programme will be launched as soon as possible to assess quantity of additional low grade material and the most economic way to mine it. Industrial size plant for processing the low grade material is available on site and can start up immediately once contractual arrangements are executed.

	Year 2009	Year 2008
Averages		
LME Zn (USD/t)	1,655	1,875
LME Cu (USD/t)	5,150	6,956
USD/THB	34.47	33.48
Zn (THB/t)	57,057	62,771
Cu (THB/t)	177,522	232,868
Apparent Zn net premium (USD/t)	27	212
Apparent Cu net premium (USD/t)	-232	357
Apparent TC net (USD/dmt)	330	200

	2009		2008	
	Tonnes	million Baht	Tonnes	million Baht
Zinc price (at LME average)		6,273		6,509
Apparent zinc net premium		101		737
Total zinc sales	109,946	6,374	103,692	7,245
Copper price (at LME average)		86		112
Apparent copper net premium		-4		6
Copper sales	484	82	481	118
Acid sales	117,247	147	114,223	762
Company revenue		6,603		8,125
Other income		14		20
Expenses				
Zinc costs (at LME average)		4,227		4,954
Apparent TC net		-1,828		-1,130
Zinc purchased		2,399		3,824
Alloying metals		71		125
Sulphur		142		335
Total raw materials		2,612		4,284
Personnel expenses		508		464
Energy expenses		1,449		1,350
Materials and supplies		87		78
Consumables		228		245
Services (freight, contracts)		925		865
Other expenses		98		137
Depreciation amortisation		413		385
Subtotal		6,320		7,808
Gain (loss) on foreign exchange		52		-53
Consolidation effect		1		1
Operating result		349		285

Risk Factors

The Company aims at identifying the risks inherent to its activities and mitigating them to an acceptable level. Exposure to credit, commodity price and currency risk arises in the normal course of the Company business.

Credit risk

The significant credit risk to the Company is the account receivable. The Company actively monitors collections performance of all customers and evaluates the creditworthiness of its customers prior to the granting of any credit. In additions, for non-credit customers the Company has credit insurance that covers its receivable which is not support by cash advance, bank guarantee or letter of credit.

Commodity price exposure

In the normal course of its business, the Company is exposed to the fluctuation in the market prices of commodities. The Company currently engages only in transactional hedging which means that it will undertake short term hedging transactions to cover the timing risk between raw material purchases and sales of metal and to cover its exposure on fixed-price forward sales of metal to customers.

The Company currently does not undertake any structural or strategic hedging which means that it's results are exposed to fluctuation in commodity prices.

Currency exposure

The Company incurs foreign currency risk on sales, purchases and borrowings that are dominated in a currency other than Thai Baht. The currency giving rise to this risk is primarily the U.S. dollar. The Company manages this exposure by using foreign exchange forward contracts and its U.S. dollar holdings.

Environmental Issues

The Company operates its mine and smelter under licenses and permits issued by governmental authorities that require emission to meet with regulatory standards. At the mine, provision is made for the present value of the rehabilitation fund and risk fund to the extent of the present obligation. In addition, management makes estimates, if determinable, of the anticipated costs that may be necessitated by environmental laws and regulations in order to provide sufficient provisions for the environmental related expenditures.

Revenue Structure

The Company's total revenue for the consolidated financial statement can be classified by types of product (2007 - 2009)

Products	2009 Revenue million Baht	% of Total revenue	2008 Revenue million Baht	% of Total revenue	2007 Revenue million Baht	% of Total revenue
Zinc metal (SHG)	4,430.61	66.69	4,672.20	57.09	7,433.29	60.91
Zinc alloy	1,887.83	28.41	2,512.26	30.7	4,098.54	33.58
Sulphuric acid	146.65	2.21	762.11	9.31	154.18	1.26
Other revenue	178.96	2.69	237.51	2.9	517.94	4.25
Total revenue	6,644.05	100.00	8,184.08	100.00	12,203.95	100.00

Future projects

As raw materials is one of the keys to the Company's profitability, priority is given to exploring the local potential for new mining projects especially in the Indochina region in order to secure new material sources to replace the depleting Mae Sod mine.

The Company is also investing in projects aiming at increasing efficiency and flexibility of the smelter. In so doing the Company is able to further reducing the cost of supply and increasing the potential sources of supply by increasing the use of secondary zinc materials and the use of zinc concentrates with high silver content as raw materials for the plant.

2009 Board of Directors, Strategic Committee, Audit Committee and Nomination and Remuneration Committee



Arsa Sarasin

Chairman

73 Years Old

Education • B.A. (Business Administration), Boston University, U.S.A.

Training • Thai Institute of Directors Association - Director Accreditation Program (DAP) - Finance for Non-Finance Directors - Audit Committee Program (ACP)

Current position • Chairman, Padaeng Industry Public Company Limited • Chairman, Thai Asia Pacific Brewery Company Limited • Chairman, Siam Makro Public Company Limited • Chairman, Amata City Company Limited • Director, Thai Pure Drinks Company Limited • Director, Thai Tapioca Development Institute • Director and Member of the Governance and Nomination Committee, the Siam Cement Public Company Limited • Independent Director and Audit Committee Member of Charoen Pokphand Foods Public Company Limited

Working experience • Chief Executive Officer, Padaeng Industry Public Company Limited • Director-General, Department of Political Affairs, Ministry of Foreign Affairs • Director-General, Department of Economic Affairs, Ministry of Foreign Affairs • Thai Ambassador to Belgium & Chief of Mission to the European Community • Thai Ambassador to the U.S.A. • The Permanent Secretary of the Ministry of Foreign Affairs • The Minister of Foreign Affairs • Chairman of the Asia-Europe Business Forum II • Vice Chairman of the Board of Directors, Bangkok Bank Public Company Limited • Chairman of the Thai-Laos Association



Paron Israsena

Independent Director, Audit Committee Member and Nomination and Remuneration Committee Chairman

82 Years Old

Education • Master of Science (M.E.), Massachusetts Institute of Technology (MIT), U.S.A.

Training • Thai Institute of Directors Association - The Board's Role in Setting Effective Compensation Policy - The Audit Committee... the Expectation Increase and the Responsibility Expansion, the Stock Exchange of Thailand • Director Accreditation Program (DAP), Class 4/2003, the Stock Exchange of Thailand and Thai Institute of Directors Association

Current position • Member and Chairman of Audit Committee, the Thai Red Cross Society • Director and Chairman of the Audit Committee, Summakorn Public Company Limited • Chairman, Thaicom Public Company Limited • Member, Thailand Industrial Standard Institute, Ministry of Industry • High Caliber Director, Council of Chulalongkorn University • High Caliber Director, Council of Chiang Mai University • Chairman, Office of the Basic Education Committee, Ministry of Education • High Caliber Director, the National Economic and Social Development Board • Director, the National Science and Technology Development Board

Working experience • President, the Siam Cement Public Company Limited • Chairman, the Federation of Thai Industries • Senator and Member of National Legislative Assembly • Chairman, Committee on Economics & Industry of the Senate • High Caliber Director, Thailand Productivity Institute • Director and Member of the Audit Committee, the Siam Cement Public Company Limited • High Caliber Director, the Education Council



Aswin Kongsiri

Independent Director, Audit Committee Member and Nomination and Remuneration Committee Member

64 Years Old

Education • B.A. (Hons.) in Philosophy, Politics and Economics, Oxford University, England

Training • Banff School of Advanced Management, Alberta, Canada • The National Defense Course for the Joint State-Private Sectors, Class 6, National Defense College • Thai Institute of Directors Association - Chairman 2000, Class 5/2001 - Directors Certification Program (DCP), Class 11/2001

Current position • Director, Executive Director and Chairman of Risk Management Committee, Krung Thai Bank Public Company Limited • Director, Chairman of Risk Management Committee and Chairman of Nominating Committee, Bangkok Aviation Fuel Services Public Company

Limited • Vice Chairman and Remuneration and Nomination Committee, Electricity Generating Public Company Limited • Chairman, Ch. Karnchang Public Company Limited • Chairman, Ton Poh Emerging Thailand Fund • Director and Chairman of Audit Committee, OHTL Public Company Limited (The Mandarin Oriental Bangkok) • Director, Audit Committee and Nominating Committee, Thai Reinsurance Public Company Limited

Working experience • Assembly Member, the National Legislative Assembly • Director and Audit Committee, Thai Rating and Information Service Company Limited (TRIS) • Director and Executive Director, Siam Commercial Bank Public Company Limited • President, the Industrial Finance Corporation of Thailand



Vinai Vamvanij

Independent Director, Audit Committee Chairman and Strategic Committee Member

69 Years Old

Education • Professional Accountancy, CPA, Australia

Training • Thai Institute of Directors Association - Chartered Director Class 2007 - Audit Committee Program 2007 - DCP Refresher Course - Directors Certification Program 2001 - Chairman 2000 - Creating a Strategic Direction

Current position • Independent Director and Audit Committee, Christiani & Nielsen (Thai) Public Company Limited • Director, Continental Petrochemical (Thailand) Company Limited • Director, Palang Sophon Two Company Limited • Selection Sub-Committee of Board of the Year Awards 2006-2007 • Working Group IOD Chartered Director

Working experience • Executive Director, Thonburi Automotive Assembly Plant Company Limited • President, Eternal Petrochemical Company Limited • Chief Executive Officer, Aquastar Group



Sirinuj Bisonsyabut

Director

60 Years Old

Education • M.B.A., Thammasat University • B.Sc., Chulalongkorn University • Certificate of Senior Executive of Office of the Civil Service Committee (Class 28) • Certificate of National Defense College (Class 44) • Certificate of King Prajadhipok's Institute (Class 3)

Training • Thai Institute of Directors Association - Directors Certification Program, Class 56/2005 - Audit Committee Program, Class 16/2007

Current position • Chairman, Liquidation Committee, Asset Management Corporation • Director, TOT Public Company Limited • Director, PTT Exploration & Production Public Company Limited

Working experience • Director-General, Excise Department, Ministry of Finance • Chief of Inspector, Ministry of Finance • Director, the Government Pharmaceutical Organization • Board of CAT Telecom Public Company Limited • Director, the Sports Authority of Thailand • Deputy Director-General, Excise Department, Ministry of Finance



Pinit Vongmasa

Director and Nomination & Remuneration Committee Member

65 Years Old

Education • B.Eng. (Electrical Engineering), Chulalongkorn University • M.S. (Ind. Mgt.), Oklahoma State University, U.S.A. • Advance Management Program, Harvard University, U.S.A.

Training • Thai Institute of Directors Association - Directors Certification Program 2001,

Current position • Director, Padaeng Industry Public Company Limited

Working experience • Chief Executive Officer, Padaeng Industry Public Company Limited • President and Chief Executive Officer, Padaeng Industry Public Company Limited • President, the Siam Kubota Industry Company Limited • Managing Director, the CPAC Concrete Products Company Limited



Karel Vinck

Independent Director

71 Years Old

Education • Master's Degree in Electrical and Mechanical Engineering, Katholieke Universiteit Leuven (KUL), Belgium • Master of Business Administration, Cornell University, U.S.A.

Current position • Chairman of BAM (Antwerp Mobility Program) • Director with several international Corporations; Tractebel, Suez, Tessenderlo, Eurostar • Coordinator European Commission ERTMS, for railway transport

Working experience • Chairman, Cumerio, Belgium • Chairman, Umicore, Belgium • Chief Executive Officer, NMBS/SNCB (Belgian Railways), Belgium • Chairman, Advance Minerals Asia, Singapore • Chief Executive Officer, Umicore, Belgium



Ahmad Bin Fahad

Director and Nomination and Remuneration Committee Member

39 Years Old

Education • Master of Sciences in Finance, Boston University, U.S.A. • B.Sc. in International Management, Boston University U.S.A.

Current position • Chief Executive Officer - Istithmar World Ventures LLC, UAE

Working experience • Over 16 Years - Merges and Acquisitions and Investment Banking • Senior Position in Millennium Finance Corporation • Chief Investment Officer in Etisalat International Investment - Over 8 years in a private Equity Fund in the U.S.A. (New York)



Madhu Koneru

Director and Strategic Committee Member

35 Years Old

Education • MBA, Marketing, New Hampshire University, U.S.A. • Bachelor Degree in Commerce, Delhi University, India

Current position • Managing Director, RAK Minerals & Metals Investments FZ-LLC • Executive Director, TRIMEX International FZE • Advisor to Ras Al Khaimah Investment Authority, International Mining Opportunities

Working experience • Director, Al Ghanem Industrial Company, Kuwait • Managing Director, TJ Shipping and Logistics



Gable F. Gao

Director

40 Years Old

Education • Master of Business and Administration (MBA), Yale School of Management, New Haven Connecticut, U.S.A. • Bachelor of Business and Administration, Summa Cum Laude, International Business, Saint Mary's University, San Antonio, Texas, U.S.A. • Diploma, High Honors, Diplomacy and English, China Foreign Affairs University, Beijing, China

Current position • Managing Director, Chief Representative, Istithmar World Shanghai Representative Office

Working experience • Vice President, Head of Syndication, Structured and Project Finance Group, Dexia Credit Local, New York, U.S.A. • Vice President, Global Structured Finance Group, Westdeutsche Landesbank Girozentrale, New York, U.S.A. • Senior Associate, Chase Securities Inc., New York, U.S.A.



Managing Director

62 Years Old

Education • Master's Degree in Metallurgical Engineering, Université Catholique de Louvain (UCL), Belgium

Current position • Managing Director, Padaeng Industry Public Company Limited

Working experience • Director, Mali Mining & Metallurgy Pte. Ltd., Singapore • Managing Director, Padaeng Industry Public Company Limited, Thailand • Senior Vice President - Zinc, Union Minière, Belgium • Executive Vice President - Carolmet Inc., U.S.A.

André R. van der Heyden



Deputy Managing Director

60 Years Old

Education • Bachelor Degree in Mechanical Engineering, Chulalongkorn University • Certificate: Five-Year Course in Pulp and Paper Management, University of Maine, U.S.A.

Training • Strategic Marketing Management, Harvard University, U.S.A. • Leading Change and Innovation, University of Chicago, U.S.A. • Thai Institute of Directors Association - Directors Certification Program (DCP 58/2005)

Current position • Deputy Managing Director: Padaeng Industry Public Company Limited

Working experience • Managing Director, Thai Paper Company Limited/Siam Cellulose Company Limited/Thai Union Paper Public Company Limited • Director, Phoenix Pulp and Paper Public Company Limited • Managing Director, Siam Kraft Industry Company Limited/Thai Kraft Paper Industry Company Limited/Thai Union Paper Industry Company Limited • Audit Director, United Pulp and Paper Co., Inc. • Executive Director, Thai Cane Paper Public Company Limited • Director, the Federation of Thai Industries • Vice President, the Thai Pulp and Paper Industries Association

Professional license • Chartered Engineer, Mechanical Engineering, Council of Engineers (Kor Vor 567)

Vinij Ongnengnun

Board of Directors (Resigned or retired during the year)

Pablo Fetter Director

42 Years Old

Education • Ph.D. in the Field of Computer Science, Technical University, Berlin, Germany • Diploma in Engineering

Working experience • Investment Director, Istithmar World Ventures LLC, UAE • Managing Director, Neuhaus Partners, Germany • Investment Manager, Neuhaus Partners, Germany

Jürgen Heppe Director

44 Years Old

Education • Masters Degree in Finance, London Business School, England

Working experience • Managing Director Investments, Istithmar World Ventures LLC, United Arab Emirates • Managing Director, Bank of America, London, England • Managing Director, Millennium Finance Corp., Dubai, UAE • Senior Vice President, Lehman Brothers, London, England

Company Management

Top Management



André R. van der Heyden
Managing Director



Vinij Ongnegnun
Deputy Managing Director



Chaian Roojnawate
Chief Manufacturing Officer



Waykin Utharntharm
Chief Financial Officer

Executives



Suwit Uawanichkul
Plant Manager



Tianchai Singhakarn
Mine Manager



Somluck Toonkumtornchai
Senior Vice President
- Marketing

Executives



Chitchai Thaveepanich
Vice President - Human
Resources & Corporate
Administration



Chaya Hasdiseve
Vice President
- Procurement



Siam Dowmanee
Vice President
- Technical Service



Unnop Tungkananukulchai
Vice President - Regulatory
Affairs



Manoch Jaroonvuthitham
Vice President - Production



Pothong Pipatpaiboon
Vice President
- Maintenance

Internal Audit



Surin Tanticharoenkiat
Vice President - Internal Audit

Audit Committee's Statement

Dear Shareholders,

The Audit Committee comprises three independent directors, Mr. Vinai Vamvanij as Chairman, Mr. Aswin Kongsiri, and Mr. Paron Israsena.

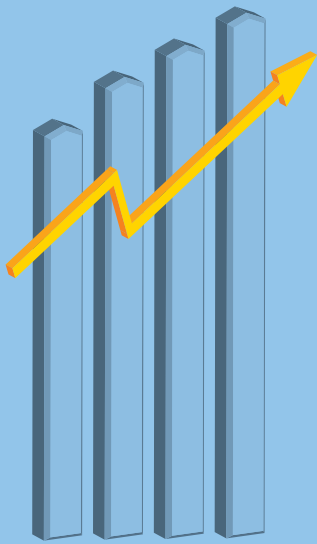
In 2009, the Audit Committee has met quarterly with the external auditor, the internal auditor and the management to review the consolidated and company financial statements to ensure conformity with the regulations of SEC, SET and with the generally accepted accounting principles of Thailand before submission to the Board. There is also one additional meeting with the external auditor without management. The Audit Committee has discussed with the internal auditor and the management to assess the Company's internal control and risk management. In this respect, the Audit Committee is of the opinion that the Company's operations have been appropriate and has found no significant weaknesses in its conduct of business.

For year 2010 the Company will continue focus on the improvement of the internal control system with the aim to cut down redundant work procedure, to boost efficiency and to identify weaknesses in the system and implementation of solution to eliminate them. Risk management follow-up will be one issue for 2010.

The Audit Committee has recommended to the Board of Directors to propose to the shareholders to reappoint Certified Public Accountants of PricewaterhouseCoopers ABAS Ltd. to conduct the audit of financial statements for the Company and its subsidiaries for the year 2010.



(Vinai Vamvanij)
Chairman of the Audit Committee
26 February 2010



Financial Statements



Auditor's Report

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

I have audited the accompanying consolidated and company balance sheets as of 31 December 2009 and 2008, and the related consolidated and company statements of income, changes in shareholders' equity and cash flows for the years then ended of Padaeng Industry Public Company Limited and its subsidiaries (the "Group"), and of Padaeng Industry Public Company Limited (the "Company"), respectively. The Company's management is responsible for the correctness and completeness of information in these financial statements. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the consolidated and company financial statements referred to above present fairly, in all material respects, the consolidated and company financial position as at 31 December 2009 and 2008, and the consolidated and company results of operations, and cash flows for the years then ended of the Group and the Company, respectively, in accordance with generally accepted accounting principles.



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

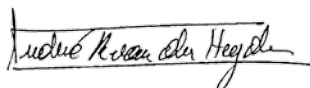
16 February 2010

Balance Sheets

Padaeng Industry Public Company Limited
As at 31 December 2009 and 2008

		Consolidated		Company	
	Notes	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Assets					
Current assets					
Cash and cash equivalents	6	630,121,596	1,043,293,804	437,464,391	800,779,192
Trade accounts receivables-net	7	318,813,177	338,718,624	317,117,099	338,197,287
Short-term loans	26 (iv)	-	2,449,000	-	-
Inventories-net	8	2,707,478,925	1,548,438,171	2,707,478,925	1,548,438,171
Value added tax receivables		149,074,154	97,571,271	148,702,550	91,707,320
Other receivables-related parties-net		3,989,549	-	11,643,592	3,307,445
Other current assets	9	46,637,244	198,627,609	45,256,222	197,112,683
Total current assets		3,856,114,645	3,229,098,479	3,667,662,779	2,979,542,098
Non-current assets					
Advances to related parties-net		-	-	16,965,416	1,316,416
Investments in subsidiaries-net	10, 26 (i)	-	-	233,005,323	237,955,323
Investments in jointly controlled entity	10, 26 (i)	167,309,172	212,657,612	236,249,800	236,249,800
Property, plant and equipment-net	11	1,725,019,574	2,040,918,639	1,726,246,262	2,042,373,739
Exploration and acquisition costs	12	1,094,047,135	916,864,585	182,616,867	191,415,792
Other non-current assets					
- deferred environmental rehabilitation expenses-net	13 (i)	32,540,631	34,981,178	32,540,631	34,981,178
- deferred environmental risk assurance expenses-net	13 (ii)	28,681,950	30,833,096	28,681,950	30,833,096
- others	13 (iii)	9,148,192	11,858,473	8,617,579	10,228,848
Total non-current assets		3,056,746,654	3,248,113,583	2,464,923,828	2,785,354,192
Total assets		6,912,861,299	6,477,212,062	6,132,586,607	5,764,896,290

Director


(André R. van der Heyden)

Balance Sheets

(Continued)

Padaeng Industry Public Company Limited
As at 31 December 2009 and 2008

		Consolidated		Company	
	Notes	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Liabilities and shareholders' equity					
<u>Current liabilities</u>					
Short-term loans from financial institutions	14	358,887,456	754,335,939	358,887,456	754,335,939
Trade accounts payables		832,090,780	169,678,449	830,692,147	169,126,736
Advances from other party	26 (viii)	-	451,168,863	-	-
Accrued electricity expenses		113,296,426	211,016,284	113,296,426	211,016,284
Royalty payable		2,412,081	44,140,979	2,412,081	44,140,979
Other payables-related parties	26 (vii)	-	185,650	243,587	458,703
Other current liabilities	18	267,029,221	207,046,539	246,426,670	147,938,108
Total current liabilities		1,573,715,964	1,837,572,703	1,551,958,367	1,327,016,749
<u>Non-current liabilities</u>					
Long-term loans from other party	26 (ix)	439,108,024	-	-	-
Accrued interest expenses-other party		28,405,604	-	-	-
Provisions for restoration expenses	16	70,660,152	87,032,557	70,660,152	87,032,557
Provisions for employee retirement benefits	17	115,145,724	113,790,600	115,145,724	113,790,600
Others non-current liabilities		570,157	1,112,191	570,157	1,112,191
Total non-current liabilities		653,889,661	201,935,348	186,376,033	201,935,348
Total liabilities		2,227,605,625	2,039,508,051	1,738,334,400	1,528,952,097

Padaeng Industry Public Company Limited
As at 31 December 2009 and 2008

Balance Sheets

(Continued)

	Notes	Consolidated		Company	
		2009 Baht	2008 Baht	2009 Baht	2008 Baht
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	20	2,260,000,000	2,260,000,000	2,260,000,000	2,260,000,000
Premium on share capital	20	602,413,600	602,413,600	602,413,600	602,413,600
Retained earnings					
Appropriated legal reserve	21	202,961,801	186,003,887	202,961,801	186,003,887
Unappropriated		1,404,316,926	1,307,718,595	1,328,876,806	1,187,526,706
Total company shareholders' equity		4,469,692,327	4,356,136,082	4,394,252,207	4,235,944,193
Minority interests		215,563,347	81,567,929	-	-
Total shareholders' equity		4,685,255,674	4,437,704,011	4,394,252,207	4,235,944,193
Total liabilities and shareholders' equity		6,912,861,299	6,477,212,062	6,132,586,607	5,764,896,290

Statements of Income

Padaeng Industry Public Company Limited
For the years ended 31 December 2009 and 2008

	Notes	Consolidated		Company	
		2009 Baht	2008 Baht	2009 Baht	2008 Baht
Sales and services revenue		6,619,405,921	8,142,298,823	6,602,569,165	8,125,350,516
Cost of sales and services		(5,943,298,515)	(7,384,575,646)	(5,930,477,308)	(7,372,624,753)
Gross profit		676,107,406	757,723,177	672,091,857	752,725,763
Other revenues		16,254,283	16,859,838	11,939,045	20,312,784
Dividend income		1,795,428	-	1,795,428	-
Gain (loss) on exchange rate		50,923,242	(52,961,151)	51,728,898	(53,053,605)
Reversal (allowance) for diminution of inventories		38,738,500	(14,797,168)	38,738,500	(14,797,168)
Profit before expenses		783,818,859	706,824,696	776,293,728	705,187,774
Selling expenses		(102,085,660)	(86,504,463)	(102,085,660)	(86,504,463)
Administrative expenses		(234,999,235)	(197,861,771)	(228,257,484)	(197,200,698)
Royalty expenses		(42,671,775)	(81,525,987)	(42,671,775)	(81,525,987)
Management expenses		(54,881,300)	(55,693,968)	(54,881,300)	(55,693,968)
Total expenses		(434,637,970)	(421,586,189)	(427,896,219)	(420,925,116)
Operating profit		349,180,889	285,238,507	348,397,509	284,262,658
Share of loss of investment in jointly controlled entity on equity method	10	(45,348,440)	(20,711,048)	-	-
Profit before finance costs and corporate income tax		303,832,449	264,527,459	348,397,509	284,262,658
Finance costs-net	23	(6,889,796)	2,940,359	(9,239,219)	(3,438,882)
Profit before corporate income tax		296,942,653	267,467,818	339,158,290	280,823,776
Corporate income tax		(903,763)	(2,578,763)	-	-
Net profit		296,038,890	264,889,055	339,158,290	280,823,776
Attributable to:					
Equity holders of the Company		296,354,305	265,051,674	339,158,290	280,823,776
Minority interests		(315,415)	(162,619)	-	-
		<u>296,038,890</u>	<u>264,889,055</u>	<u>339,158,290</u>	<u>280,823,776</u>
Earnings per share for profit attributable to the equity holders of the Company					
Basic earnings per share	24	1.31	1.17	1.50	1.24

The notes to the consolidated and company financial statements on pages 47 to 70 are an integral part of these financial statements.

Padaeng Industry Public Company Limited
For the years ended 31 December 2009 and 2008

Statements of Changes in Shareholders' Equity

		Consolidated						
		Attributable to equity holders of the Company					Minority interest	Total
		Issued and paid-up share capital	Premium on share capital	Retained earnings		Total		
				Appropriated legal reserve	Unappropriated			
Notes	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Beginning balance as at								
1 January 2009		2,260,000,000	602,413,600	186,003,887	1,307,718,595	4,356,136,082	81,567,929	4,437,704,011
Appropriated legal reserve	21	-	-	16,957,914	(16,957,914)	-	-	-
Liquidation of a subsidiary		-	-	-	(1,947,784)	(1,947,784)	(5,643,640)	(7,591,424)
Actuarial gain recognised in equity	17	-	-	-	4,461,786	4,461,786	-	4,461,786
Increase in share capital		-	-	-	-	-	139,954,473	139,954,473
Net profit		-	-	-	296,354,305	296,354,305	(315,415)	296,038,890
Dividend paid	25	-	-	-	(185,312,062)	(185,312,062)	-	(185,312,062)
Ending balance as at								
31 December 2009		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>202,961,801</u>	<u>1,404,316,926</u>	<u>4,469,692,327</u>	<u>215,563,347</u>	<u>4,685,255,674</u>

		Consolidated						
		Attributable to equity holders of the Company					Minority interest	Total
		Issued and paid-up share capital	Premium on share capital	Retained earnings		Total		
				Appropriated legal reserve	Unappropriated			
Notes	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
Appropriated legal reserve	21	-	-	14,041,189	(14,041,189)	-	-	-
Actuarial loss recognised in equity	17	-	-	-	(11,044,958)	(11,044,958)	-	(11,044,958)
Increase in share capital		-	-	-	-	-	34,337,597	34,337,597
Net profit		-	-	-	265,051,674	265,051,674	(162,619)	264,889,055
Dividend paid	25	-	-	-	(619,146,347)	(619,146,347)	-	(619,146,347)
Ending balance as at								
31 December 2008		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>186,003,887</u>	<u>1,307,718,595</u>	<u>4,356,136,082</u>	<u>81,567,929</u>	<u>4,437,704,011</u>

The notes to the consolidated and company financial statements on pages 47 to 70 are an integral part of these financial statements.

Statements of Changes in Shareholders' Equity (Continued)

Padaeng Industry Public Company Limited
For the years ended 31 December 2009 and 2008

	Notes	Company				
		Issued and paid-up share capital	Premium on share capital	Retained earnings		Total
				Appropriated legal reserve	Unappropriated	
		Baht	Baht	Baht	Baht	Baht
Beginning balance as at 1 January 2009		2,260,000,000	602,413,600	186,003,887	1,187,526,706	4,235,944,193
Appropriated legal reserve	21	-	-	16,957,914	(16,957,914)	-
Actuarial gain recognised in equity	17	-	-	-	4,461,786	4,461,786
Net profit		-	-	-	339,158,290	339,158,290
Dividend paid	25	-	-	-	(185,312,062)	(185,312,062)
Ending balance as at 31 December 2009		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>202,961,801</u>	<u>1,328,876,806</u>	<u>4,394,252,207</u>

	Notes	Company				
		Issued and paid-up share capital	Premium on share capital	Retained earnings		Total
				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
Appropriated legal reserve	21	-	-	14,041,189	(14,041,189)	-
Actuarial loss recognised in equity	17	-	-	-	(11,044,958)	(11,044,958)
Net profit		-	-	-	280,823,776	280,823,776
Dividend paid	25	-	-	-	(619,146,347)	(619,146,347)
Ending balance as at 31 December 2008		<u>2,260,000,000</u>	<u>602,413,600</u>	<u>186,003,887</u>	<u>1,187,526,706</u>	<u>4,235,944,193</u>

Statements of Cash Flows

Padaeng Industry Public Company Limited
For the years ended 31 December 2009 and 2008

		Consolidated		Company		
Notes		2009 Baht	2008 Baht	2009 Baht	2008 Baht	
Cash flows from operating activities						
Profit before tax		296,942,653	267,467,818	339,158,290	280,823,776	
Adjustments for:						
Depreciation expenses		11	392,344,817	367,932,154	391,595,450	367,325,295
Other non-current assets amortisation expenses			24,445,043	17,885,521	21,582,479	17,827,003
Interest expense		23	8,620,760	21,985,696	8,620,760	22,001,312
Interest income		23	(8,387,537)	(24,926,055)	(6,038,114)	(18,562,430)
Share of loss from jointly controlled entity		10	45,348,440	20,711,048	-	-
Allowance for doubtful debts			-	(274,240)	55,362	-
Allowance for doubtful debt-other receivables						
- related parties			-	-	-	73,910
Reversal of allowance for slow-moving and obsolete stocks		8	(1,312,259)	(21,064,934)	(1,312,259)	(21,064,934)
Allowance for diminution of inventories (reversal)		8	(38,738,500)	14,797,168	(38,738,500)	14,797,168
Allowance for unrecoverable interest			-	1,307,977	-	1,307,977
Provisions for employee retirement benefits		17	13,078,660	11,759,176	13,078,660	11,759,176
Provision for annual leave			-	2,022,202	-	2,022,202
(Gain) loss on disposal of property, plant and equipment			(463,953)	1,441,657	(463,953)	1,688,580
Impairment expenses (reversal)		11	8,973,208	(943,584)	8,973,208	(943,584)
Property, plant and equipment written-off			33,801	-	33,801	-
Withholding tax written-off			151,603	-	151,603	-
Dividend income			(1,795,428)	-	(1,795,428)	-
Exploration costs written-down		12	533,440	15,532,035	533,440	14,832,035
Provisions for restoration expenses		16	42,400,444	28,334,186	42,400,444	28,334,186
Unrealised loss on foreign currency exchange			837,857	6,880,235	837,857	6,880,235

The notes to the consolidated and company financial statements on pages 47 to 70 are an integral part of these financial statements.

Statements of Cash Flows

(Continued)

Padaeng Industry Public Company Limited
For the years ended 31 December 2009 and 2008

	Notes	Consolidated		Company	
		2009 Baht	2008 Baht	2009 Baht	2008 Baht
Changes in operating assets and liabilities					
Trade accounts receivables					
- other parties		19,982,443	(59,062,330)	21,157,184	(62,701,701)
- related parties		-	25,222,828	-	25,222,828
Inventories		(1,118,989,995)	657,410,540	(1,118,989,995)	659,672,101
Value added tax receivables		(51,502,883)	(72,710,025)	(56,995,230)	(69,332,734)
Other receivables-related parties		(3,989,549)	-	(8,336,147)	215,995
Other current assets		156,262,316	(79,166,596)	152,021,376	(78,742,411)
Other non-current assets		(563,545)	(864,399)	(1,641,557)	-
Trade accounts payables					
- other parties		662,056,571	48,474,504	661,209,651	49,559,851
- related parties		-	(6,150,893)	-	(6,150,893)
Advances from other party		(3,632,851)	325,113,746	-	-
Accrued electricity expenses		(97,719,858)	23,891,690	(97,719,858)	23,891,690
Royalty payable		(41,728,898)	(172,804,551)	(41,728,898)	(172,804,551)
Other payable		-	-	(215,116)	333,267
Other current liabilities		41,108,339	(20,100,346)	99,744,252	(59,493,529)
Provisions for restoration expenses utilised	16	(58,772,849)	(23,748,526)	(58,772,849)	(23,748,526)
Provisions for employee retirement benefits	17	(7,261,750)	(919,300)	(7,261,750)	(919,300)
Other non-current liabilities		(542,034)	1,112,191	(542,034)	1,112,191
Cash generated from operation		277,718,506	1,376,546,593	320,602,129	1,015,216,185
Interest paid		(9,971,521)	(20,530,165)	(9,971,521)	(21,055,918)
Tax paid		(2,133,951)	(34,224,777)	(347,298)	(31,388,812)
Net cash provided by operating activities		265,613,034	1,321,791,651	310,283,310	962,771,455

Statements of Cash Flows

(Continued)

Padaeng Industry Public Company Limited
For the years ended 31 December 2009 and 2008

		Consolidated		Company	
	Notes	2009 Baht	2008 Baht	2009 Baht	2008 Baht
<u>Cash flows from investing activities</u>					
Cash received from dividends		-	-	1,599,752	-
Cash received (paid) for short-term loans to related parties		2,449,000	-	(15,679,000)	1,650,063
Cash received from interest income		8,576,066	24,519,200	6,239,188	18,514,685
Cash invested in subsidiaries		-	-	-	(3,235,942)
Cash invested in jointly controlled entity		-	(100,625,000)	-	(100,625,000)
Proceeds from returns of capital from a subsidiary	10, 26 (i)	-	-	4,950,000	-
Cash paid for purchase of property, plant and equipment	11	(85,783,320)	(393,818,551)	(84,474,982)	(392,384,899)
Cash received from sales of property, plant and equipment		463,973	3,522,257	463,973	3,238,023
Cash paid for exploration	12	(114,862,616)	(445,949,872)	(5,472,475)	(45,878,275)
Cash paid for acquisition costs		(33,950,394)	(42,056,623)	-	(42,056,623)
Cash paid for other non-current assets		-	(4,061,025)	-	(3,315,781)
Net cash used in investing activities		<u>(223,107,291)</u>	<u>(958,469,614)</u>	<u>(92,373,544)</u>	<u>(564,093,749)</u>
<u>Cash flows from financing activities</u>					
Proceed (payment) on short-term loans from financial institutions		(397,047,241)	749,702,133	(397,047,241)	749,702,133
Proceed (payment) on a long-term loan from a related party		127,958,420	-	-	(80,000,000)
Dividends payment		(185,216,991)	(618,673,008)	(185,216,991)	(618,673,008)
Return of capital to minorities		(2,411,804)	-	-	-
Proceed on increase in share capital of a subsidiary		-	34,337,597	-	-
Net cash received (used) in financing activities		<u>(456,717,616)</u>	<u>165,366,722</u>	<u>(582,264,232)</u>	<u>51,029,125</u>
Effects from changes in exchange rate for cash and cash equivalents		1,039,665	(3,066)	1,039,665	(3,066)
Net increase (decrease) in cash and cash equivalents		<u>(413,172,208)</u>	<u>528,685,693</u>	<u>(363,314,801)</u>	<u>449,703,765</u>
Cash and cash equivalents at beginning of the year		<u>1,043,293,804</u>	<u>514,608,111</u>	<u>800,779,192</u>	<u>351,075,427</u>
Cash and cash equivalents at end of the year		630,121,596	1,043,293,804	437,464,391	800,779,192

Non-cash transaction:

During 2009, Puthep Co., Ltd. increased share capital by transferring from “Advance from other party” to “Premium on share capital” for the amount of Baht 136,076,004 (Note 26 (i)).

Notes to the Consolidated and Company Financial Statements

Padaeng Industry Public Company Limited
For the years ended 31 December 2009 and 2008

1. General information

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

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

The principal business operations of the Company, its subsidiaries and affiliates are summarised as follows:

Company	Principal activities
Padaeng Industry Public Co., Ltd.	Mining and smelting zinc, the main products are zinc and zinc alloys
Subsidiaries	Principal activities
Padaeng Properties Co., Ltd.	Providing property services
Puthep Co., Ltd.	Copper exploration
Padaeng Industry (Laos) Co., Ltd.	Zinc exploration and mining in Laos
Padaeng International Mining Co., Ltd.	Minerals exploration in Vietnam (non operating)
South East Asia Metals Co., Ltd.	Trading of various base metals and their by-products
Jointly controlled entity	Principal activities
Maesod Clean Energy Co., Ltd.	Production and sales of ethanol

These consolidated and company financial statements have been authorised for issue by the Board of Directors at its meeting on 16 February 2010.

2. Significant accounting policies

The main accounting policies adopted in the preparation of these consolidated and company financial statements are set out below:

2.1 Basis of preparation

These consolidated and company financial statements have been prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, including Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547, and the financial reporting requirements of the Securities and Exchange Commission under the Securities and Exchange Act B.E. 2535.

The consolidated and company financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Thai Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses in the reported periods. Although these estimates are based on management’s best knowledge of current events and actions, actual result may differ from those estimates.

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

2.2 New accounting standards, new financial reporting standards and amendments to accounting standards

Thai Accounting Standards were renumbered with effect from 26 June 2009 following a notice by the Federation of Accounting Professions to conform with the numbers used in the International Financial Reporting Standards.

Revised standards that are effective for the period beginning on or after 1 January 2009 including a revised accounting framework are as follows:

TAS No. 36 (revised 2007)	“Impairment of Assets”
TFRS No. 5 (revised 2007)	“Non-current Assets Held for Sale and Discontinued Operations” (formerly TAS 54)
Accounting Framework (revised 2007) (effective 26 June 2009)	

These two standards and the revised accounting framework do not have a material impact on the financial statements being presented.

The revised accounting standards and new accounting standards which are effective for the period beginning on or after 1 January 2011 and 1 January 2012 and which were not early adopted by the Company are as follows:

Effective for the period beginning on or after 1 January 2011

TAS No. 24 (revised 2007)	“Related Party Disclosure” (formerly TAS 47)
TAS No. 40	“Investment Property”

Effective for the period beginning on or after 1 January 2012

TAS No. 20	“Accounting for Government Grants and Disclosure for Government Assistance”
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The Company’s management has determined that the revised accounting standards and the new standards will not significantly impact the financial statements being presented.

2.3 Group accounting - investments in subsidiaries and interests in jointly controlled entities

(1) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another entity, are considered when assessing whether the Company controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Company and are no longer consolidated from the date that control ceases.

In the Company’s separate financial statements, investments in subsidiaries are reported by using the cost method. A list of the Company’s subsidiaries is given in Note 26 (i).

(2) Jointly controlled entities

In the consolidated financial statements, investments in jointly controlled entities is reported using the equity method of accounting.

In the Company’s separate financial statements, interest in jointly controlled entities is reported using the cost method.

A list of the Company’s principal jointly controlled entity is given in Note 26 (i).

2.4 Foreign currency transactions

Items included in the financial statements of each entity in the Company are measured using Thai Baht. The consolidated financial statements are presented in Thai Baht.

Foreign currency transactions are translated into Thai Baht using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into Thai Baht at the exchange rate prevailing at the date of the financial statement. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of income.

The statements of income and cash flows of foreign entities are translated into the Company's reporting currency at the average exchange rates for the year and balance sheets are translated at the exchange rates ruling on the closing date.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks or other short-term highly liquid investments with original maturities of three months or less.

2.6 Trade accounts receivables

Trade accounts receivables are carried at the original invoice amount and subsequently measured at the remaining amount less any allowance for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the allowance is the difference between the carrying amount of the receivable and the amount expected to be collected. Bad debts are written off during the year in which they are identified and recognised in the statement of income within selling and marketing costs.

2.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of purchase comprises both the purchase price and costs directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowances or rebates. The cost of finished goods and work in progress comprises raw materials (zinc sulphide, concentrates and zinc silicates), direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Where net realisable value is less than cost, an allowance for the diminution in value of inventories has been provided.

Spare parts and consumables are valued at the weighted average cost basis. Provisions are made, where necessary, for obsolete, slow moving and defective inventories and are based on a review of all outstanding amounts at the year-end.

2.8 Property, plant and equipment

Property, plant and equipment are recorded at cost. Cost is measured by the cash or cash equivalent price of obtaining the asset and bringing it to the location and condition necessary for its intended use. In the case of self-constructed assets, the cost of construction consists of materials, direct labour and other expenses attributable to the construction which are allocated to the assets on a systematic basis. Property, plant and equipment, except land, are presented in the balance sheet at cost less accumulated depreciation.

Depreciation is calculated on the straight line basis to write off the cost or the revalued amount of each asset, except for land which is considered to have an indefinite life, to its residual value over the estimated useful life as follows:

	<u>Years</u>
Land improvements	5 - 20
Buildings	20 - 25
Machinery and heavy equipments	8 - 20
Equipments, furniture and fixtures	3 - 5
Vehicles	5

Residue ponds are amortised on units of production basis using the capacity volume of the residue ponds.

Residual value and the estimated useful life of the assets are reviewed and revised if necessary at every financial reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to a recoverable amount.

Repairs and maintenance are charged to the statement of income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in statement of income.

2.9 Exploration and acquisition costs

Exploration costs are accumulated separately for each area of interest and accounted using the successful efforts basis of accounting for such costs.

Under this basis, accumulated costs of exploration are capitalised and carried forward on the balance sheet where one or both of the following conditions are met:

- Costs are expected to be recouped through successful development and exploitation of each area of interest or by sale of the area of interest; and/or
- Exploration activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves and exploration activities are continuing in the area of interest.

Expenditures which no longer satisfy the above policy are written-off or an allowance is provided against such expenditure where management is of the opinion that the carried forward net cost may not be recoverable.

Upon commencement of development and production, these exploration costs are amortised by using the straight line basis over the period that they are expected to provide economic benefits. Mining concession fees and acquisition costs have an estimated useful life of 5 to 16 years and are amortised accordingly or over the life of the mine, whichever is shorter.

2.10 Intangible assets

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives, not exceeding a period of 3 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include labour costs of the software development team and an appropriate portion of relevant overheads.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, not exceeding a period of 3 years.

2.11 Environmental restoration costs

Expenditures related to ongoing environmental restoration programs are charged against earnings as incurred. Where future costs relating to environmental liabilities have arisen as a result of past events, the Company establishes a provision over the period in which the obligation is incurred, which is over the useful life of the related asset. These provisions are made on an undiscounted basis.

The estimated restoration costs of the Mae Sod mine are accrued over the life of the mine. The estimated restoration costs for the residue ponds located at the Tak zinc smelter facility are accrued over the useful life of the residue ponds.

2.12 Impairment of assets

Property, plant and equipment and other non-current assets, including intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

2.13 Employee benefits

The Company operates a provident fund that is a defined contribution plan. The assets of which are held in a separate trust fund. The provident fund is funded by payments from employees and by the Company at a certain percentage of the employee basic salary. Contributions to the provident fund are charged to the statement of income in the year to which they relate.

The Company has commitments for 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 Thai Government Bonds.

2.14 Provisions

Provisions, excluding the provisions for employee benefits, are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods net of output tax, rebates and discounts, and after eliminating sales within the Group for the consolidated financial statements. Revenue from sales of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer which is at the time when the goods are delivered to the customer or as contractually agreed.

Interest income is recognised on a time proportion basis, taking into account the outstanding principal and the effective rate over the period to maturity, when it is determined that such income will accrue to the Company. Dividends are recognised when the right to receive payment is established.

2.16 Dividends

Dividends are recorded in the consolidated and company's financial statements in the period in which they are approved by the shareholders.

2.17 Financial instruments

Financial assets and liabilities carried on the balance sheet include cash and cash equivalents, trade accounts receivables, related parties receivables and payables, bank overdraft, trade accounts payables, accrued expenses and loans.

The Company enters into derivative financial instruments that reduce its exposure to fluctuations in foreign currency exchange rates with respect to recognised foreign currency assets or liabilities. The derivative instruments comprise forward foreign exchange contracts, protecting the Company from movements of foreign currency exchange rates by establishing the rate at which a foreign currency asset or liability will be realised or settled. They are measured at fair value and any related gains or losses (realised or unrealised) are recognised in the current period income. The fair values of the contracts are based on closing exchange quotations.

The Company also enters into forward derivative contracts to protect itself from movements in the zinc metal price changes related to production, and contracted purchases of concentrate and metal and sales of finished products. Those instruments comprise forward contracts for the sale and purchase of zinc metal. Such derivatives are not recognised on balance sheet at inception, since they relate to future transactions (or underlying) which are not yet reflected in the financial statements. Gains and losses on those derivative contracts are recognised in the financial statements upon settlement of the transactions; their valuation at period end is nevertheless mentioned in Note 27.

2.18 Critical accounting estimates 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.

3. 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.

4. 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 instalments 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.

5. 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 present no material difference in risks and rewards to the Company.

6. Cash and cash equivalents

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Cash on hand	640,000	640,000	480,000	480,000
Deposits held at call with banks	207,662,673	295,301,506	188,080,014	260,772,704
Cash and bank balances	208,302,673	295,941,506	188,560,014	261,252,704
Bill of exchange	421,818,923	747,352,298	248,904,377	539,526,488
Cash and cash equivalents	630,121,596	1,043,293,804	437,464,391	800,779,192

The average interest rates on deposits and short-term investments are in the range of 0.10% - 1.07% (2008: 0.13% - 2.32%).

7. Trade accounts receivables-net

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Trade accounts receivables-third parties-gross	318,813,177	346,806,891	317,117,099	338,197,287
<u>Less:</u> Allowance for doubtful accounts	-	(8,088,267)	-	-
Trade accounts receivables-net	318,813,177	338,718,624	317,117,099	338,197,287

Outstanding trade accounts receivables as at 31 December 2009 and 2008 can be analysed as follows:

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Up to 3 months	318,813,177	338,576,974	317,117,099	338,055,637
3-6 months	-	-	-	-
6-12 months	-	-	-	-
Over 12 months	-	8,229,917	-	141,650
	318,813,177	346,806,891	317,117,099	338,197,287
<u>Less:</u> Allowance for doubtful accounts	-	(8,088,267)	-	-
	318,813,177	338,718,624	317,117,099	338,197,287

8. Inventories-net

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Raw materials	653,061,292	638,050,973	653,061,292	638,050,973
Spare parts and consumables	156,520,039	259,010,984	156,520,039	259,010,984
Goods in transit	1,096,846,801	2,068,971	1,096,846,801	2,068,971
Work in process	597,581,581	488,645,211	597,581,581	488,645,211
Finished goods	223,406,562	220,650,141	223,406,562	220,650,141
	2,727,416,275	1,608,426,280	2,727,416,275	1,608,426,280
<u>Less:</u> Allowance for slow moving and obsolete inventories	(19,937,350)	(21,249,609)	(19,937,350)	(21,249,609)
Allowance for diminution of inventories	-	(38,738,500)	-	(38,738,500)
Inventories-net	2,707,478,925	1,548,438,171	2,707,478,925	1,548,438,171

9. Other current assets

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Advances to suppliers				
- principal	35,071,032	35,071,032	35,071,032	35,071,032
- interest	11,133,011	11,133,011	11,133,011	11,133,011
Recoverable taxes	31,385,236	30,931,268	31,385,236	30,931,268
Others	15,252,008	167,696,341	13,870,986	166,181,415
	92,841,287	244,831,652	91,460,265	243,316,726
<u>Less:</u> Allowance for doubtful accounts	(46,204,043)	(46,204,043)	(46,204,043)	(46,204,043)
Total	46,637,244	198,627,609	45,256,222	197,112,683

10. Investments in subsidiaries and jointly controlled entity

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Opening net book amount	212,657,612	132,743,660	474,205,123	371,660,597
Share of loss	(45,348,440)	(20,711,048)	-	-
Increase in share capital (Note 26 (i))	-	100,625,000	-	102,544,526
Liquidate	-	-	(4,950,000)	-
Closing net book amount	167,309,172	212,657,612	469,255,123	474,205,123

During the year, the Company received returns of capital investment of Baht 4.95 million from a subsidiary which has registered its resolution with the Ministry of Commerce since 8 May 2008. As at 31 December 2009, the subsidiary completed its liquidation.

Investments in jointly controlled entity	Business	Country of incorporation	% Ownership interest	
			2009	2008
Maesod Clean Energy Co., Ltd.	Production and distribution of ethanol	Thailand	35	35

The Company has a 35% interest in a jointly controlled entity, Maesod Clean Energy Co., Ltd., which produces ethanol as an alternative energy source. The following amounts represent the significant financial information as at and for the year ended 31 December 2009 and 2008 of the jointly controlled entity:

	2009 Baht	2008 Baht
Property, plant and equipment	2,149,809	1,495,198
Current assets	615,185	548,878
Non-current assets	2,504	2,497
Total assets	2,767,498	2,046,573
Long-term borrowing	1,350,000	1,264,505
Current liabilities	939,470	174,474
Total liabilities	2,289,470	1,438,979
Net assets	478,028	607,594
Revenues	352,093	62,667
Expenses	(481,660)	(121,841)
Net loss for the year	(129,567)	(59,174)

There are no contingent liabilities relating to the Company's interest in the jointly controlled entity.

11. Property, plant and equipment-net

	Consolidated						
	Land and land		Machinery	Equipment,		Building and	
	improvements	Buildings	and heavy	furniture	Vehicles	machinery	Total
	Baht	Baht	equipment	and fixtures	Baht	under	Baht
			Baht	Baht		constructions	
						Baht	
At 31 December 2008							
Cost	718,610,701	1,653,277,135	4,960,163,885	438,816,065	240,341,805	83,112,786	8,094,322,377
Less: Accumulated depreciation	(290,858,669)	(1,222,500,058)	(3,839,796,760)	(367,211,985)	(163,083,529)	-	(5,883,451,001)
Accumulated provision for impairment	(3,308,744)	(112,386)	(165,055,719)	(1,292,766)	(183,122)	-	(169,952,737)
Net book amount	<u>424,443,288</u>	<u>430,664,691</u>	<u>955,311,406</u>	<u>70,311,314</u>	<u>77,075,154</u>	<u>83,112,786</u>	<u>2,040,918,639</u>
Year ended 31 December 2009							
Opening balance	424,443,288	430,664,691	955,311,406	70,311,314	77,075,154	83,112,786	2,040,918,639
Additions	-	-	-	2,332,928	-	83,450,392	85,783,320
Transfers	788,278	654,694	147,858,860	3,679,079	5,322,340	(158,303,251)	-
Disposals of property, plant and equipment	-	-	-	(330,559)	-	-	(330,559)
Write-off property, plant and equipment	-	-	-	(33,801)	-	-	(33,801)
Closing book amount	<u>425,231,566</u>	<u>431,319,385</u>	<u>1,103,170,266</u>	<u>75,958,961</u>	<u>82,397,494</u>	<u>8,259,927</u>	<u>2,126,337,599</u>
Less: Depreciation expense	(21,469,691)	(75,128,372)	(252,120,026)	(24,466,633)	(19,160,095)	-	(392,344,817)
Provision for impairment	-	(6,194,407)	(2,534,947)	(74,977)	(168,877)	-	(8,973,208)
Closing net book amount	<u>403,761,875</u>	<u>349,996,606</u>	<u>848,515,293</u>	<u>51,417,351</u>	<u>63,068,522</u>	<u>8,259,927</u>	<u>1,725,019,574</u>
At 31 December 2009							
Cost	719,398,979	1,653,931,829	5,079,062,359	443,575,369	241,761,157	8,259,927	8,145,989,620
Less: Accumulated depreciation	(312,328,360)	(1,297,628,431)	(4,068,760,348)	(390,790,275)	(178,340,637)	-	(6,247,848,051)
Accumulated provision for impairment	(3,308,744)	(6,306,792)	(161,786,718)	(1,367,743)	(351,998)	-	(173,121,995)
Net book amount	<u>403,761,875</u>	<u>349,996,606</u>	<u>848,515,293</u>	<u>51,417,351</u>	<u>63,068,522</u>	<u>8,259,927</u>	<u>1,725,019,574</u>

Fully depreciated property, plant and equipment still in use as at 31 December 2009 amount to Baht 3,385.7 million (2008: Baht 2,791.3 million).

	Company						
	Land and land improvements	Buildings	Machinery and heavy equipment	Equipment, furniture and fixtures	Vehicles	Building and machinery under constructions	Total
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
At 31 December 2008							
Cost	722,120,639	1,653,277,135	4,960,163,885	435,416,787	240,321,804	83,112,786	8,094,413,036
Less: Accumulated depreciation	(290,858,669)	(1,222,500,058)	(3,839,796,760)	(365,867,048)	(163,064,025)	-	(5,882,086,560)
Accumulated provision for impairment	(3,308,744)	(112,386)	(165,055,719)	(1,292,766)	(183,122)	-	(169,952,737)
Net book amount	<u>427,953,226</u>	<u>430,664,691</u>	<u>955,311,406</u>	<u>68,256,973</u>	<u>77,074,657</u>	<u>83,112,786</u>	<u>2,042,373,739</u>
Year ended 31 December 2009							
Opening balance	427,953,226	430,664,691	955,311,406	68,256,973	77,074,657	83,112,786	2,042,373,739
Additions	-	-	-	1,024,590	-	83,450,392	84,474,982
Transfers	788,278	654,694	147,858,860	3,679,079	5,322,340	(158,303,251)	-
Write-off property, plant and equipment	-	-	-	(33,801)	-	-	(33,801)
Closing book amount	428,741,504	431,319,385	1,103,170,266	72,926,841	82,396,997	8,259,927	2,126,814,920
Less: Depreciation expense	(21,469,691)	(75,128,372)	(252,120,026)	(23,717,268)	(19,160,093)	-	(391,595,450)
Provision for impairment	-	(6,194,407)	(2,534,947)	(74,977)	(168,877)	-	(8,973,208)
Closing net book amount	<u>407,271,813</u>	<u>349,996,606</u>	<u>848,515,293</u>	<u>49,134,596</u>	<u>63,068,027</u>	<u>8,259,927</u>	<u>1,726,246,262</u>
At 31 December 2009							
Cost	722,908,917	1,653,931,829	5,079,062,359	439,456,514	241,741,157	8,259,927	8,145,360,703
Less: Accumulated depreciation	(312,328,360)	(1,297,628,431)	(4,068,760,348)	(388,954,175)	(178,321,132)	-	(6,245,992,446)
Accumulated provision for impairment	(3,308,744)	(6,306,792)	(161,786,718)	(1,367,743)	(351,998)	-	(173,121,995)
Net book amount	<u>407,271,813</u>	<u>349,996,606</u>	<u>848,515,293</u>	<u>49,134,596</u>	<u>63,068,027</u>	<u>8,259,927</u>	<u>1,726,246,262</u>

Fully depreciated property, plant and equipment still in use as at 31 December 2009 amount to Baht 3,385.1 million (2008: Baht 2,791.1 million).

Provision for asset impairment

Asset impairment charges represent a write-down in the book value of assets which exceed their estimated recoverable amount based on a review of each asset's respective value in use.

Changes in impairment provision movement are shown as follows:

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Opening balances	169,952,737	170,896,321	169,952,737	170,896,321
Provision for impairment	8,973,208	3,064,909	8,973,208	3,064,909
Reversal from disposals	(5,803,950)	(4,008,493)	(5,803,950)	(4,008,493)
Ending balances	173,121,995	169,952,737	173,121,995	169,952,737

12. Exploration and acquisition costs

Exploration and acquisition costs as at 31 December 2009 and 2008 comprise:

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
<u>Exploration costs</u>				
Opening balance for the year	831,552,330	401,134,493	106,103,538	75,057,297
Expenditure incurred during the year	114,862,616	445,949,872	5,472,474	45,878,275
Deferred capitalised interest	28,405,604	-	-	-
Expenditure written-down	(533,440)	(15,532,035)	(533,440)	(14,832,035)
Ending balance for the year	974,287,110	831,552,330	111,042,572	106,103,537
<u>Mining acquisition costs</u>				
Capitalised deferred cost				
Opening balance for the year	60,000,000	60,000,000	60,000,000	60,000,000
Accumulative depletion	(40,000,032)	(33,333,360)	(40,000,032)	(33,333,360)
Ending balance for the year	19,999,968	26,666,640	19,999,968	26,666,640
Land use compensation-net	32,846,459	37,254,779	32,846,459	37,254,779
Other capitalised expenditure-net	18,727,868	21,390,836	18,727,868	21,390,836
Ending balance for the year	71,574,295	85,312,255	71,574,295	85,312,255
Concession operating right				
Opening balance for the year	-	-	-	-
Expenditure incurred during the year	51,048,294	-	-	-
Accumulative amortisation	(2,862,564)	-	-	-
Ending balance for the year	48,185,730	-	-	-
Total mining acquisition costs	119,760,025	85,312,255	71,574,295	85,312,255
Total (Note 12 (i), (ii))	1,094,047,135	916,864,585	182,616,867	191,415,792

i) Exploration costs

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

Puthep Co., Ltd.

On 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 the Company's 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. As such, PNA (Puthep) Pty Ltd. has the right to obtain a 51% working interest in the Puthep Project by completing a bankable feasibility study. The Agreement also includes further options for PNA (Puthep) Pty Ltd. to acquire a total interest of either 60% or 70% in Puthep Co., Ltd.

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. Accordingly, on 29 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 have funded approximately a total of USD 2 million of project expenditures in Puthep Co., Ltd.. Consequently, on 9 June 2008, under the term of the Second Earning Period of the Participation Agreement, PNA (Puthep) Pty Ltd. obtained an additional share of 12.51% in Puthep Co., Ltd. for a total share of 33.17% in Puthep Co., Ltd.. On 19 November 2009, in accordance with the terms of a Loan Agreement (See Note 26 (ix)) signed between PNA (Puthep) Pty Ltd. and Puthep Co., Ltd., PNA (Puthep) Pty Ltd. obtained further 15.83% additional shares in Puthep Co., Ltd. for a total shareholding of 49%.

The capitalised exploration and acquisition costs incurred by Puthep Co., Ltd. amount to Baht 836 million. On 1 November 2006 the Royal Forestry Department (RFD) granted permission to the Department of Primary Industry and Mine (DPIM) until 31 October 2008 to gain land access, enabling Puthep Co., Ltd. to conduct complementary exploration and technical studies needed to confirm the feasibility of the project. As of 31 December 2009, the bankable feasibility study has not been submitted to an independent expert as required under the Participation Agreement. Currently the process of evaluating the feasibility study is underway while Kasetsart University is preparing an environment impact assessment (EIA). Processing alternatives under the project's feasibility study are being reviewed prior to a decision on the appointment of an independent expert. The results from this review will be taken into the consideration of further steps in the project.

ii) Concession operating right

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 an agreement with Mayflower Mining Enterprises Ltd. ("MME"), a third party, registered in the Union of Myanmar. Under this agreement, SEAMET has obtained the operating rights of a mining concession owned by MME. SEAMET made a payment of USD 1 million or Baht 34 million on 16 September 2009 in respect of these rights. SEAMET has the right to extend this agreement for a period of 5 plus 5 years after 10 August 2010 through a payment of USD 500,000 or Baht 17 million subject to MME obtaining an extension of mining rights in the mining concession. This request for extension is expected to be completed before 10 August 2010.

13. Other non-current assets

Other non-current assets as at 31 December 2009 and 2008 comprise:

i) Deferred environmental rehabilitation expenses-net

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Opening balance	34,981,178	-	34,981,178	-
Additions	-	36,608,210	-	36,608,210
Closing book amount	34,981,178	36,608,210	34,981,178	36,608,210
<u>Less:</u> Amortisation expense	(2,440,547)	(1,627,032)	(2,440,547)	(1,627,032)
Closing net book amount	32,540,631	34,981,178	32,540,631	34,981,178

ii) Deferred environmental risk assurance expenses-net

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Opening balance	30,833,096	-	30,833,096	-
Additions	-	32,267,193	-	32,267,193
Closing book amount	30,833,096	32,267,193	30,833,096	32,267,193
<u>Less:</u> Amortisation expense	(2,151,146)	(1,434,097)	(2,151,146)	(1,434,097)
Closing net book amount	28,681,950	30,833,096	28,681,950	30,833,096

Deferred risk assurance costs related to payments made for future environmental restoration costs and are amortised over the life of the related mining licences.

iii) Others

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Deposits and instalment payments for condominium units	74,932,723	74,932,723	-	-
<u>Less:</u> Allowance for doubtful accounts	(74,932,723)	(74,932,723)	-	-
Total	-	-	-	-
Capitalised software				
Opening balance	7,031,536	5,573,490	6,344,810	5,573,490
Additions	1,683,709	4,061,025	1,671,559	3,315,781
Transfers	(441,004)	-	-	-
Closing book amount	8,274,241	9,634,515	8,016,369	8,889,271
<u>Less:</u> Amortisation expense	(3,325,686)	(2,602,979)	(3,252,826)	(2,544,461)
Closing net book amount	4,948,555	7,031,536	4,763,543	6,344,810
Deposits	1,064,911	1,068,311	719,311	719,311
Others	3,134,726	3,758,626	3,134,725	3,164,727
Total	9,148,192	11,858,473	8,617,579	10,228,848

A subsidiary has provided an allowance of Baht 74.9 million against deposits and instalment payments for certain condominium units whose construction was suspended due to unfavourable economic conditions.

Others

The Company also has other investments in the amount of Baht 14.4 million that have been fully written down in value.

14. Short-term loans from financial institutions

Short-term loans from financial institutions as at 31 December 2009 and 2008 comprise:

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Trust Receipts	247,305,978	603,335,939	247,305,978	603,335,939
Promissory Notes	111,581,478	151,000,000	111,581,478	151,000,000
Total	358,887,456	754,335,939	358,887,456	754,335,939

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 1.29% - 1.65%.

Financing arrangements available

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Bank Overdraft	60,000,000	60,000,000	60,000,000	60,000,000
Short-term Loans	3,836,222,400	3,622,844,000	3,836,222,400	3,622,844,000
Bank Guarantee	1,449,376,000	1,483,688,000	1,449,336,000	1,483,648,000
Total	5,345,598,400	5,166,532,000	5,345,558,400	5,166,492,000

15. Bank guarantees

As at 31 December 2009, the Company and subsidiaries have provided letters of guarantee in the ordinary course of business issued by banks of approximately Baht 444.0 million (2008: Baht 494.7 million).

16. Provisions for restoration expenses

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Balance at the beginning of the year	87,032,557	13,571,494	87,032,557	13,571,494
Additional provisions charged to				
- deferred assets (Note 13 (i) and note 13 (ii))	-	68,875,403	-	68,875,403
- the statement of income	42,400,444	28,334,186	42,400,444	28,334,186
Amounts utilised	(58,772,849)	(23,748,526)	(58,772,849)	(23,748,526)
Balance at the end of the year	70,660,152	87,032,557	70,660,152	87,032,557

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

17. Provisions for employee retirement benefits

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Balance at the beginning of the year	113,790,600	91,905,766	113,790,600	91,905,766
Additional provisions charged to the statement of income	13,078,660	11,759,176	13,078,660	11,759,176
Amounts utilised	(7,261,750)	(919,300)	(7,261,750)	(919,300)
Actuarial (gain) loss recognised in equity	(4,461,786)	11,044,958	(4,461,786)	11,044,958
Balance at the end of the year	115,145,724	113,790,600	115,145,724	113,790,600

The Company recognises the costs of employee retirement benefits payable in accordance with Thai Labor Law. The amount of 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 year which they occur as shown above.

18. Other current liabilities

Other current liabilities as of 31 December 2009 and 2008 comprise:

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Social security and other taxes	9,469,202	9,770,803	8,333,703	8,632,976
Accrued expenses	91,433,635	65,599,300	67,011,626	58,738,188
Other payables	166,126,384	131,676,436	171,081,341	80,566,944
Total	267,029,221	207,046,539	246,426,670	147,938,108

19. Capital expenditures and commitments

As at 31 December 2009 and 2008, the Company has the following commitments for the acquisition of plant and equipment that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Not later than 1 year	64,452,021	77,886,931	64,452,021	77,886,931

As at 31 December 2009 and 2008, the Company has the following commitments for the purchase of raw materials and consumables that have been contracted but not recorded as liabilities:

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Not later than 1 year	310,836,753	251,754,356	310,836,753	251,754,356

In addition, as at 31 December 2009, the Company has commitments for the purchase of raw materials that have been contracted only in term of quantities at 17,119-20,119 wet metric tons and 20,550 dry metric tons (31 December 2008: 47,000-50,000 wet metric tons and 20,000-30,000 dry metric tons).

20. Share capital and premium on share capital

	Number of shares	Ordinary shares Baht	Shares premium Baht	Total Baht
For the years ended 31 December 2009				
Opening balance	226,000,000	2,260,000,000	602,413,600	2,862,413,600
Movement during the year	-	-	-	-
Closing balance	226,000,000	2,260,000,000	602,413,600	2,862,413,600

As at 31 December 2009, the total authorised number of ordinary shares is 226,000,000 shares (2008: 226,000,000 shares) with a par value of Baht 10 per share (2008: Baht 10 per share). All issued shares are fully paid.

21. Legal reserve

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Balance at the beginning of the year	186,003,887	171,962,698	186,003,887	171,962,698
Appropriation during the year	16,957,914	14,041,189	16,957,914	14,041,189
Balance at the end of the year	202,961,801	186,003,887	202,961,801	186,003,887

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. The legal reserve is non-distributable.

22. Expenses by nature

The following expenditures items, classified by nature, have been charged in arriving at the operation profit:

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Changes in inventories	(184,410,612)	281,686,426	(184,410,612)	281,686,426
Raw materials, spare parts and consumables	3,014,022,144	4,435,853,559	3,014,022,144	4,435,853,559
Employees benefits expenses	507,944,627	464,306,193	507,541,871	463,629,051
Energy expenses	1,448,818,592	1,350,510,934	1,448,612,881	1,350,306,964
Depreciation and amortisation expenses	416,092,669	385,204,610	413,177,931	385,152,298

23. Finance costs-net

Finance costs relate to the following:

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
For the years ended 31 December				
Interest income	8,387,537	24,926,055	6,038,114	18,562,430
Interest expense	(15,277,333)	(21,985,696)	(15,277,333)	(22,001,312)
Finance costs-net	(6,889,796)	2,940,359	(9,239,219)	(3,438,882)

24. 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 year.

	Consolidated		Company	
	2009	2008	2009	2008
For the year ended 31 December				
Net profit attributable to common shareholders (Baht)	296,354,305	265,051,674	339,158,290	280,823,776
Weighted average number of ordinary shares on issue (Shares)	226,000,000	226,000,000	226,000,000	226,000,000
Basic earnings per share (Baht)	1.31	1.17	1.50	1.24

There are no potential dilutive ordinary shares in issue for the years ended 31 December 2009 and 2008.

25. Dividend

At the Annual Ordinary General Meeting of Shareholders held on 23 April 2009, shareholders approved the annual dividend payment from net profit of the Company for the year ended 31 December 2008 of Baht 0.82 per share (2007: Baht 2.74 per share) totalling Baht 185.3 million (2007: totalling Baht 619.1 million). The dividend was paid on 20 May 2009.

26. 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.

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

	Consolidated				Company				Consolidated				Company				
	31 December				31 December				31 December				31 December				
	2009				2009				2008				2008				
	Equity	Paid-up	%	Cost	Equity	Paid-up	%	Cost	Equity	Paid-up	%	Cost	Equity	Paid-up	%	Cost	
	Baht	Baht	investment	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Subsidiaries																	
Padaeng Properties Co., Ltd.	-	80,000,000	100	80,000,000	-	80,000,000	100	80,000,000	-	80,000,000	100	80,000,000	-	80,000,000	100	80,000,000	
Putthep Co., Ltd.	-	285,589,732	51	145,650,772	-	217,942,152	66.83	145,650,772	-	217,942,152	66.83	145,650,772	-	217,942,152	66.83	145,650,772	
Padaeng Industry (Laos) Co., Ltd.	-	27,569,653	100	27,569,653	-	27,569,653	100	27,569,653	-	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	-	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	-	9,000,000	55	4,950,000	
Total	-			253,320,425	-			258,270,425	-			258,270,425	-			258,270,425	
Less: Diminution																	
Padaeng Industry (Laos) Co., Ltd.	-			(20,215,102)	-			(20,215,102)	-			(20,215,102)	-			(20,215,102)	
Padaeng International Mining Co., Ltd.	-			(100,000)	-			(100,000)	-			(100,000)	-			(100,000)	
Investments in subsidiaries-net	-			233,005,323	-			237,955,323	-			237,955,323	-			237,955,323	

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

Jointly controlled entity

Maesod Clean Energy Co., Ltd.	167,309,172	675,000,000	35	236,249,800	212,657,612	675,000,000	35	236,249,800
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Subsidiaries

As at 31 December 2009, **Padaeng Industry (Laos) Co., Ltd.** has total authorised share capital of USD 1,273,000 of which USD 797,000 has been issued and paid up. The current investment value of Padaeng Industry (Laos) Co., Ltd. in the Company's books net of diminution in value of investment is Baht 7,354,551 (31 December 2008: Baht 7,354,551). The Company is aware that the balance share capital of USD 476,000 will be called by the first quarter of 2010. In addition, the Company is aware that in year 2010, subject to the approval of its board of directors and shareholder, Padaeng Industry (Laos) Co., Ltd. will also increase its authorised capital to USD 2,500,000.

On 9 June 2008, the shareholders at the Extraordinary Shareholders' Meeting passed a resolution to approve an increase in the authorised share capital of **Puthep Co., Ltd.** from 2,960,900 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. Puthep Co., Ltd. received subscriptions for 554,296 additional shares at Baht 62 par value which were priced at Baht 69 per share. Accordingly, the paid-up share capital and premium on share capital increased by Baht 34,366,352 and Baht 3,878,476 respectively. The Company registered the increase in share capital with the Ministry of Commerce at the same date.

On 19 November 2009, the shareholders at the Extraordinary Shareholders' Meeting of Puthep Co., Ltd. passed a resolution to approve an increase in the authorised share capital of 3,515,196 ordinary shares with a par value of Baht 62 per share to 4,606,286 ordinary shares. Puthep Co., Ltd. received a subscription of 1,091,090 additional shares at Baht 62 par value which were priced at Baht 124.7 per share. Accordingly, the paid-up share capital and premium on share capital increased by Baht 67,647,580 and Baht 68,428,424 respectively. On 1 December 2009, the company registered the increased share capital with the Ministry of Commerce. As at 31 December 2009, the company has a total of 4,606,286 shares outstanding for a cumulative amount of Baht 377,102,615.

Jointly controlled entity

On 9 October 2006, **Maesod Clean Energy Co., Ltd.** was created together with MP Energy Co., Ltd. and Thai Oil Public Company Limited. The jointly controlled entity will produce ethanol as an alternative energy source. 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. In September 2007, Maesod Clean Energy Co., Ltd. called for payment of the balance of the initial shares. The entity is consolidated under the equity method.

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, the Company 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 31 December 2009, Padaeng Industry Plc. has subscribed to a total of 23,625,000 shares with par value of Baht 10 per share fully paid for a cumulative amount of Baht 236,249,800.

ii) Sales of goods and services

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Sales of goods and services:				
Padaeng Properties Co., Ltd.	-	-	979,200	1,087,200
Padaeng Industry (Laos) Co., Ltd.	-	-	3,819,939	1,609,072
Puthep Co., Ltd.	-	-	1,874,325	760,975
Maesod Clean Energy Co., Ltd.	141,581	-	141,581	-
Umicore Marketing Services (Thailand) Co., Ltd.	-	36,879,003	-	36,879,003

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

iii) Purchases of goods and services

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Purchases of goods and services:				
Padaeng Properties Co., Ltd.	-	-	2,760,815	2,172,894
Maesod Clean Energy Co.,Ltd.	-	185,650	-	185,650
Umicore Marketing Services (Thailand) Co., Ltd.	-	6,157,680	-	6,157,680

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

iv) Short-term loans

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Minority Shareholder of Sila Enterprise Co., Ltd.	-	2,449,000	-	-
Total	-	2,449,000	-	-

As at 31 December 2009, Sila Enterprise Co., Ltd. has finished the registration to complete its liquidation and the short-term loan has already been paid.

v) Other receivables-related parties-net

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Padaeng Properties Co., Ltd.	-	-	82,002	94,842
Padaeng Industry (Laos) Co., Ltd.	-	-	6,962,762	2,993,215
Puthep Co., Ltd.	-	-	609,278	219,388
Padaeng International Mining Co., Ltd.	-	-	99,272	73,910
Maesod Clean Energy Co.,Ltd.	3,989,549	-	3,989,549	-
	3,989,549	-	11,742,863	3,381,355
<u>Less: Allowance for doubtful accounts</u>	-	-	(99,272)	(73,910)
Total	3,989,549	-	11,643,591	3,307,445

vi) Advance to related parties-net

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Padaeng Industry (Laos) Co., Ltd.	-	-	16,965,416	1,316,416
Padaeng International Mining Co., Ltd.	-	-	374,800	344,800
Total	-	-	17,340,216	1,661,216
<u>Less:</u> Allowance for doubtful accounts	-	-	(374,800)	(344,800)
Advance to related parties-net	-	-	16,965,416	1,316,416

Advance from the Company amount of Baht 16,965,416 represents an advance for share subscription payment in Padaeng Industry (Laos) Co., Ltd.

As at 31 December 2009, the above mentioned loans to Padaeng International Mining Co., Ltd. is calculated at interest rates of MLR+1% p.a.

vii) Other payables-related parties

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
Padaeng Properties Co., Ltd.	-	-	243,587	273,053
Maesod Clean Energy Co.,Ltd.	-	185,650	-	185,650
Total	-	185,650	243,587	458,703

viii) Advances from other party

	Consolidated		Company	
	2009 Baht	2008 Baht	2009 Baht	2008 Baht
<u>PNA (Puthep) Pty Ltd.</u>				
Beginning balance of the year	451,168,863	126,240,767	-	-
Advances increase during the year	-	324,928,096	-	-
Converted to share capital	(140,019,259)	-	-	-
Converted to long-term loan	(311,149,604)	-	-	-
Ending balance of the year	-	451,168,863	-	-

ix) Long-term loans from other party

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

	Consolidated		Company	
	2009	2008	2009	2008
	Baht	Baht	Baht	Baht
<u>PNA (Puthep) Pty Ltd.</u>				
Beginning balance of the year	-	-	-	-
Converted from advance	311,149,604	-	-	-
Loan increase during the year	127,958,420	-	-	-
Ending balance of the year	439,108,024	-	-	-
Accrued interest expenses	28,405,604	-	-	-

27. Risk management policy for assets and liabilities

27.1 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 consumables and capital equipment. When needed, the Company uses financial instruments (mainly spot and forward contracts) to reduce the exposure to adverse fluctuations in foreign exchange rates.

The Company is also exposed to risk resulting from fluctuation in commodity prices. The Company currently engages only in transactional hedging with the purpose of hedging price exposure from difference in timing between purchased raw material and metal sales. Any settlement gains or losses realized from hedging arrangements are recorded into the operating profit or loss. As at 31 December 2009, there is a short position of 2,275 metric tonnes outstanding on the London Metal Exchange ("LME"). The changes in fair value of this open position on the LME is covered by the corresponding changes in value of the Company's physical zinc stock. 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 recognized in these financial statements.

In 2009, the Company does not undertake any structural or strategic hedging.

27.2 Fair values

The carrying amounts at the financial statements 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 other parties, accrued interest expenses, accrued electricity expenses, royalty payable, other current liabilities and provision for restoration expenses approximate their fair values.

27.3 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.

27.4 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.

27.5 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 12(i) of these financial statements. Following the simultaneous approval of several exploration licenses and in particular the Puthap 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.

28. Litigation

As of 31 December 2009, the Company was served with notice of four complaints by 1,007 plaintiffs filed in the Bangkok Southern Civil Court. The plaintiffs are seeking compensation of Baht 3,556 million from the Company alleging that it caused cadmium contamination in the Mae Sod district of Tak province. The Company has not yet been required to file an answer to the claims. It is in the process of evaluating the merit of the case, 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.

29. Reclassification

Certain items in the balance sheet as at 31 December 2008 and statements of income for the year ended 31 December 2008 have been reclassified for comparative purpose to coincide with balance sheet as at 31 December 2009 and statements of income for the year then ended.

30. Subsequent event

On 6 January 2010, the Company was served with notice of the additional complaint by 84 plaintiffs filed in the Bangkok Southern Civil Court. The plaintiffs are seeking compensation of Baht 228 million from the Company alleging that it caused cadmium contamination in the Mae Sod district of Tak province. (See Note 28)

On 16 February 2010, the Board of Directors decided to propose to the Annual Shareholders Meeting of April 2010 the payment of dividend of Baht 0.92 per share totalling Baht 207.9 million from the 2009 operating results.

Corporate Governance

The Company conducts business in conformity with “The Principles of Good Corporate Governance, published in 2006”, as set out by the Stock Exchange of Thailand. By doing so, the Company demonstrates its commitment to standards and conduct in building confidence of the shareholders, investors and other related entities or persons. Audit Committee, through internal audit department, supervises financial statements, internal control, and practices of good corporate governance to ensure compliance to policies. The Company has also enacted a Code of Ethics to which all executives and employees are expected to adhere to in conducting business. The Company has set up a Nomination and Remuneration Committee to oversee the process of directors’ nomination and to recommend fair and reasonable annual remuneration for the Board, the subcommittees and the top executives. To ensure efficient and productive business operations a Strategic Committee has been established to propose the Company’s strategic plan to Board of Directors.

The Company has taken steps in other areas as well, in an effort to be accepted by its stakeholders and other related entities, as having good corporate governance as called for by the Stock Exchange of Thailand.

1. Rights of shareholders

The Company considers each shareholder as an equal and stipulates procedures for the meeting according to the law and in compliance with guidelines of the Stock Exchange of Thailand.

In 2009 the Company held one annual shareholder’s meeting on 23 April 2009 at the Queen Sirikit National Convention Center. An invitation letter with agenda of the meeting and related documents were sent to the shareholders 7 days prior to the meeting. Topics on the agenda included the opinion of Board of Directors and minutes of the last meeting in order to allow shareholders ample time and opportunity to review and consider the topics. The Company made every effort to accommodate shareholders by arranging the meeting in a convenient location with an appropriately sized meeting space and permitted shareholder proxies in the event they were unable to attend. The Company has also posted the information regarding shareholders’ meeting on the

Company’s website and shareholders could send questions related to the Company operations through the website prior to the meeting date.

During the 2009 annual shareholders’ meeting, a total of 8 directors attended, including the Chairman of Audit Committee. The Chairman of the meeting allowed equal opportunity for all shareholders to question, comment or give suggestions regarding conduct of company operations. Notable inquiries and opinions were recorded in the minutes of the meeting.

In addition to the annual shareholders’ meeting, the Company will call additional shareholders’ meeting, if necessary, in the event that specific emergency agenda topics, which are vital to the shareholders’ interests or relate to by-laws or regulations require shareholders’ approval.

2. Equitable treatment of shareholders

The Company considers each shareholder as an equal and stipulates procedures for the meeting according to the law and in compliance with guidelines of the Stock Exchange of Thailand. Shareholders can send in their proxies in the event that they are unable to attend.

To protect against conflict of interest and use of inside information for personal gain, Board of Directors investigates any instance which may lead to a dispute and has established a policy and guidelines to prevent executives and related persons from using internal company information for personal gains. During each Board of Directors’ meeting, a summary of company holdings by directors and executives is submitted for review monitor any use of inside information for gains by executives.

The Company has established a channel (through Company’s website) to allow shareholders to submit names of qualified candidates to be nominated as board members and to propose an agenda for and in advance of the annual general shareholders’ meeting.

3. Role of stakeholders

The Company places much significance upon the rights of every group of stakeholders, particularly the society, its shareholders, customers and employees.

Commitment to customers

PDI commits to provide, on time and at a reasonable price, products and services meeting standards required by customers.

Commitment to shareholders

PDI commits to profitable and secure operations yielding an attractive long-term return.

Commitment to employees

PDI considers its employees to be the Company's most valuable asset and commits to competitive compensation with appropriate benefits, opportunities for career advancement, and safe and healthy working conditions.

Commitment to the community (local and national)

PDI commits to its obligations and responsibilities to the society, natural resources and environment. PDI commits to a good citizenship in the local communities where it operates.

In undertaking the above commitments, PDI strives to ensure that the interests of all parties - customers, shareholders, employees and community - are balanced. The Company will not favour abusively one party to the detriment of the others.

4. Disclosure and transparency

It is the Company's philosophy to conduct business with honesty, righteousness and ethics, with responsibility towards all stakeholders, namely, customers, shareholders, employees, society. The Company has issued a Code of Ethics, which gives guidelines for work and employee conduct. All related persons are to use this manual as a reference for carrying out duties according to the mission of the Company. The new Code of Ethics has been put in effect in 2008.

The Company ensures that important information, both financial and non-financial, as specified in relevant regulations through the channel of the SET is disclosed correctly, accurately, on a timely basis and transparently. In addition financial report, annual statements (Form 56-1), and annual reports, are disclosed on the Company's website.

Board of Directors has also called for the disclosure of company information in an accurate, complete, transparent and widespread manner. As such financial information as well as general information about the Company, which might impact the value of company stock, is readily available. Shareholders and other interested parties may locate any such information through the various the Stock Exchange of Thailand media outlets or from the Company's website. A specific investor relations function has been established and existing and potential investors can obtain information by contacting the Company directly at Tel: 0 2695 9499 or at www.padaeng.com or e-mail inquiries to the Investor Relation Manager at woratipr@padaeng.co.th.

The Company also recognizes the importance of internal control systems on both management and operational levels and has created an authority manual as the definitive reference. An independent internal audit department, reporting directly to Audit Committee, works as an internal checks and balances and conducts audits as needed.

5. Responsibilities of the Board

The Company's Board of Directors is responsible for acting in compliance with by-laws, objectives and guidelines of the Company and resolutions of the shareholders' meeting, with honesty and prudence in the best interests of the Company. In addition Board of Directors has played a part in establishing the vision, mission, strategy, objectives, business plans and budget of the Company with effectiveness and efficiency. Also the Board ensures that the management team conducts operations in accordance with the Company's business plan, to add value to its business and ensure maximum stability for its shareholders.

Board of Directors is of the opinion that the Company maintains adequate internal controls and can reasonably show credibility towards its financial statements as of December 31, 2009.

Balance of power for Non-Executive Directors

The Company's Board of Directors consists of qualified directors with a broad realm of experience, totalling 12 members at the end of 2009 as follows:

Executive Directors	3 members
Non-Executive Directors	9 members

Directors representing major shareholders 4 members

- Bali Ventures Limited holds 2 seats
- Ministry of Finance holds 1 seat
- RAK Minerals & Metals Investments FZ-LLC holds 1 seat

Independent directors 4 members
(3 of the independent directors are Audit Committee members)

Aggregation or segregation of positions

The position of the Chairman of Board of Directors and position of MD are kept separate as to ensure a clear distinction between responsibilities, that of policy making and that of day to day operations respectively. The Company has clearly defined the authority and responsibilities of management at every level.

Remunerations for Directors and Management

Remuneration for Directors - Remuneration for Company directors has been determined in a clear manner and is comparable to that of similar companies in the industry. The amount of remuneration has been approved by shareholders. Directors who have been selected to sit on Audit Committee, Strategic Committee

and Nomination and Remuneration Committee receive additional remuneration reflective of the added work responsibility.

Remuneration for Top Executives - Remuneration for top executives has been determined in accordance with the principles and policy set by Board of Directors and corresponds with overall company performance and that of each individual executive.

Remuneration for the Board, subcommittees and top executives is reviewed by Nomination and Remuneration Committee before submitting to the Board.

Remuneration for Directors in 2009 is detailed in Section Remuneration for Executives.

Meetings of Board of Directors

Board of Directors has regular meetings held every 3 months and may call additional special meetings as needed. Clear agenda topics and agenda minutes of the meetings are prepared in advance of each meeting and the Company Secretary sends out an invitation letter and relevant documents to board members prior to the meeting, so as to allow sufficient time for review. During 2009, Board of Directors met 4 times with records of attendance as follows:

Name	Term appointed to office	No. of meetings	Excused	Attendance (times)
1. Mr. Arsa Sarasin	23 Apr. 07-30 Apr. 10	4	-	4
2. Mr. Paron Israsena	23 Apr. 09-30 Apr. 12	4	-	4
3. Mr. Aswin Kongsiri	23 Apr. 07-30 Apr. 10	4	-	4
4. Mr. Vinai Vamvanij	23 Apr. 08-30 Apr. 11	4	-	4
5. Mrs. Sirinuj Bisonyabut	23 Apr. 08-30 Apr. 11	4	-	4
6. Mr. Pinit Vongmasa	23 Apr. 09-30 Apr. 12	4	-	4
7. Mr. Karel Vinck	23 Apr. 08-30 Apr. 11	4	-	4
8. Mr. Ahmad Bin Fahad	23 Apr. 09-30 Apr. 12	4	-	4
9. Mr. Madhu Koneru	23 Apr. 08-30 Apr. 11	4	4	-
10. Dr. Pablo Fetter	11 Nov. 08-22 Apr. 09	1	-	1
11. Mr. Jürgen Heppe	11 May 09-06 Oct. 09	1	1	-
12. Mr. Gable F. Gao	10 Nov. 09-30 Apr. 11	-	-	-
13. Mr. André R. van der Heyden	23 Apr. 09-30 Apr. 12	4	-	4
14. Mr. Vinij Ongnegnun	23 Apr. 08-30 Apr. 11	4	-	4

Board self assessment

The Board has conducted self assessment yearly to allow all members of the Board to consider the Board's performance and solve any problems they may have.

Committees

Board of Directors has established Audit Committee, made up of independent directors, to supervise and be

responsible for the integrity of the financial statements and internal control system. The opinions of Audit Committee are written in the annual report. In addition the Company set up Strategic Committee and Nomination & Remuneration Committee to help in supervising company operations. Each committee has its own members, scope of work and responsibilities, which are detailed in section Management structure.

Shareholders and Management

Shareholders' structure

The Company has 2,260 million Baht registered capital, which is fully paid up. It is divided into 226,000,000 ordinary shares at 10 Baht per share.

List of the top 10 shareholders of Padaeng Industry Public Company Limited as of 30 September 2009, which is the latest date of the close of the shareholders' register, is as follows:

No.	Name	No. of shares	% of Total shares
1.	Bali Ventures Limited	49,087,200	21.72
2.	Ministry of Finance	31,200,000	13.81
3.	RAK Minerals & Metals Investments FZ-LLC	28,162,400	12.46
4.	Goldman Sachs International	19,634,840	8.69
5.	Thai NVDR Company Limited	16,994,380	7.52
6.	Thailand Securities Depository Company Limited for Depositor	11,699,000	5.18
7.	Bangkok Bank Public Company Limited	7,301,070	3.23
8.	Government Pension Fund	4,520,000	2.00
9.	Mr. Anan Utharntharm	2,260,000	1.00
10.	Mrs. Nanta Roongnobbakoonsri	2,218,300	0.98

Note: Investors can look up the present shareholders of the Company at www.padaeng.com before the 2010 shareholders' meeting.

Major shareholders

No.	Name	No. of shares	% of Total shares
1.	Bali Ventures Limited	49,087,200	21.72
2.	Ministry of Finance	31,200,000	13.81
3.	RAK Minerals & Metals Investments FZ-LLC	28,162,400	12.46

Policy for payment of dividends

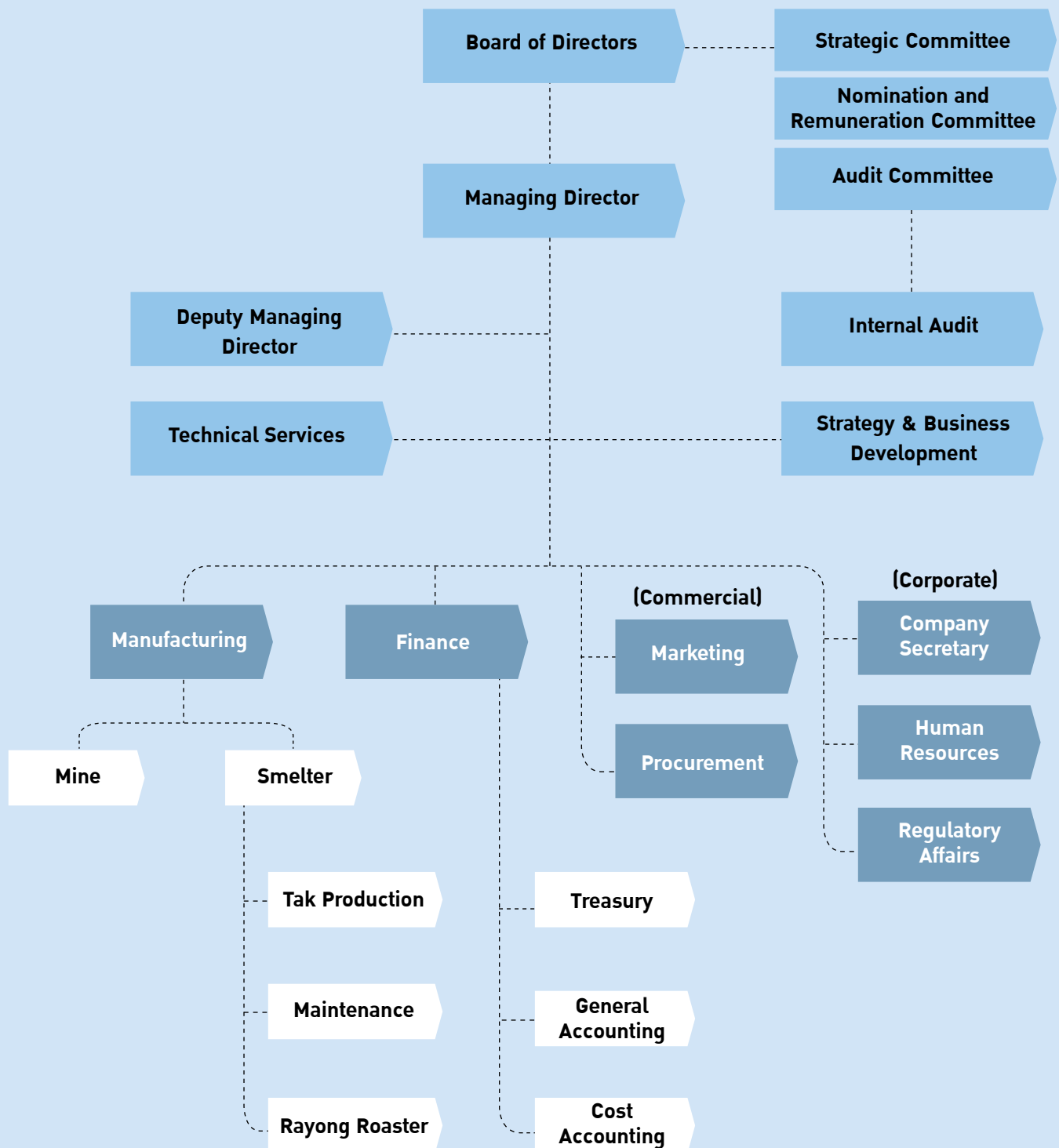
An amount of at least 5% of profits after corporate income taxes must be put in reserve, until the total amount in reserve equals 10% of the Company's authorized share capital. The Company will normally pay dividends up to 50% of profits after corporate income taxes, unless the Board determines that the near future cash needs of the Company justify reserving part of the profit to cover those needs.

At the meeting of 23 April 2009, and after reviewing the financial statements of 31 December 2008, the Board proposed and the shareholders approved the payment of a dividend for 2008 of 0.82 Baht per share, in excess of the by-laws guidelines. The Shareholders entitled to receive

the dividend shall be those listed in the shareholders' Register of the Stock Exchange of Thailand as of Wednesday 6 May 2009. Also, Thursday 7 May 2009 shall be the book closing date on which the shareholders are listed as specified in Section 225 of the Securities and Exchange Act. The receipt of such dividend shall be within 10 years. And the dividend payment will be made on Wednesday 20 May 2009.

There is no fixed dividend payment policy for subsidiaries. However subsidiary will generally follow the policy of the Company.

Organisation chart of Padaeng Industry Public Company Limited



Management

Padaeng Industry Public Company Limited has 4 sets of committees.

1) Board of Directors

The duties and responsibilities of the Company's Board of Directors are as follows:

1. Manage company operations according to the law, rules and regulations, mission of the Company and resolutions of the Company shareholders.

2. Determine the amount of dividend to be paid to shareholders.

3. Determine the amount of compensation or bonus to be awarded to officers or employees or other staff working for the Company (permanent or temporary employees), not including pension benefits or other remuneration paid to directors.

4. Review the Company's strategic work plan and assessment of operations as submitted by Strategic Committee.

In carrying out its duties and responsibilities, Board of Directors may assign the Managing Director, any or several directors or any other person (s) to take action on its behalf.

The Company's Board of Directors consists of 12 members as follows:

No.	Name	Title
1.	Mr. Arsa Sarasin	Chairman
2.	Mr. Paron Israsena	Independent Director
3.	Mr. Aswin Kongsiri	Independent Director
4.	Mr. Vinai Vamvanij	Independent Director
5.	Mrs. Sirinuj Bisonyabut	Director
6.	Mr. Pinit Vongmasa	Director
7.	Mr. Karel Vinck	Independent Director
8.	Mr. Ahmad Bin Fahad	Director
9.	Mr. Madhu Koneru	Director
10.	Mr. Gable F. Gao	Director
11.	Mr. André R. van der Heyden	Managing Director
12.	Mr. Vinij Ongnengnun	Deputy Managing Director
	and Dr. Surin Tanticharoenkiat	Company Secretary

The definition of Independent Director

1. Holding shares not more than 5% of paid-up capital of the Company, affiliated company, associated company or related company, which shall be inclusive of the shares held by related persons.

2. Being a director who does not take part in the management of the Company, affiliated company, associated company, related company or majority shareholder of the Company. Not being an employee, staff member or advisor who receives a regular salary from the Company, affiliated company, associated company, related company or majority shareholders of the Company.

3. Being a director who has no direct or indirect benefit or interest in finance and management of the Company, affiliated company, associated company or majority shareholders of the Company.

Being a director who has no benefit or interest of the said nature during the period of 1 year before his appointment as a director except where Board of Directors has carefully considered that such previous benefit or interest does not affect the performance of duties and the giving of independent opinions.

4. Being a director who is not a related person or close relative of any management member or majority shareholders of the Company.

5. Being a director whom is not appointed as a representative to safeguard interests of the Company's directors, majority shareholders of the Company who are related to the Company's majority shareholders.

6. Being capable of performing duties, giving opinions or reporting the results of performance of work according to the duties delegated by Board of Directors free and clear of the management or the majority shareholders of the Company including related persons or close relatives of the said persons.

Authorized Directors

The authorized directors consist of Mr. Arsa Sarasin, Mr. André R. van der Heyden, and Mr. Vinij Ongnengnun, two among three persons affix their signatures and seal of the Company.

2) Audit Committee

Audit Committee has been established on 22 December 1998 and at present consists of 3 directors as follows:

No.	Name	Title
1.	Mr. Vinai Vamvanij	Chairman
2.	Mr. Paron Israsena	Member
3.	Mr. Aswin Kongsiri	Member
	and Dr. Surin Tanticharoenkiat	Secretary to Audit Committee

Mr. Vinai Vamvanij, Chairman of Audit Committee, who has knowledge and experience reviewing financial statements of the Company. His backgrounds on financial statements reviews are as follows:

Year	Position	Company
1967-1968	Senior Auditor	Price Waterhouse & Co., Chartered Accountants
1963-1966	Audit & Accounting Clerk	R.J. Oehr & Church, Chartered Accountants Melbourne, Australia

In 2009 the committee met quarterly. In addition there was one non-management meeting among the committee and the auditors and reported to Board of Directors.

Audit Committee's scope of authority is as follows:

1. Audit Committee shall have the authority to request any information it sees relevant to its activities from the director or any managers of the Company.
2. Audit Committee may seek independent professional advice as it considers necessary.
3. Audit Committee will have no executive powers with regard to its findings and recommendations.

3) Strategic Committee

Strategic Committee has been established on 13 July 2000 and at present consists of 4 members as follows:

No.	Name	Title
1.	Mr. Vinai Vamvanij	Member
2.	Mr. Madhu Koneru	Member
3.	Mr. André R. van der Heyden	Member
4.	Mr. Vinij Ongnognun	Member
	and Dr. Surin Tanticharoenkiat	Secretary to Strategic Committee

In 2009 the committee held 3 meetings and reported to Board of Directors.

Strategic Committee is responsible for preparing and providing the Company's strategic work plan and assessment for consideration by Board of Directors, as well as giving recommendations to Board of Directors. All matters regarding strategy and planning should be channeled through Strategic Committee for presentation and/or recommendation to Board of Directors for consideration. Moreover, Strategic Committee acts as an advisor to Board of Directors, but does not have decision-making authority.

4) Nomination and Remuneration Committee

Nomination and Remuneration Committee has been established on 25 February 2005 and at present consists of 4 members as follows:

No.	Name	Title
1.	Mr. Paron Israsena	Chairman
2.	Mr. Aswin Kongsiri	Member
3.	Mr. Ahmad Bin Fahad	Member
4.	Mr. Pinit Vongmasa	Member
	and Dr. Surin Tanticharoenkiat	Secretary to Nomination and Remuneration Committee

In 2009 the committee held 4 meetings and reported to Board of Directors.

Nomination and Remuneration Committee is responsible for

1. To recommend new nominees to the Board to fill positions made vacant by directors who complete their terms or resign.

2. To review for the Board the succession plan of the Company's top executives.

3. To recommend fair and reasonable annual remuneration for the Board, the subcommittees and the top executives.

Meetings of Board of Directors which are detailed in section Corporate Governance.

Executives (2009)

1. Arsa Sarasin

73 Years Old

Chairman

Education • B.A. (Business Administration), Boston University, U.S.A.

Training • Thai Institute of Directors Association - Director Accreditation Program (DAP) - Finance for Non-Finance Directors - Audit Committee Program (ACP)

Current position • Chairman, Padaeng Industry Public Company Limited • Chairman, Thai Asia Pacific Brewery Company Limited • Chairman, Siam Makro Public Company Limited • Chairman, Amata City Company Limited • Director, Thai Pure Drinks Company Limited

• Director, Thai Tapioca Development Institute • Director and Member of the Governance and Nomination Committee, the Siam Cement Public Company Limited • Independent Director and Audit Committee Member of Charoen Pokphand Foods Public Company Limited

Working experience • Chief Executive Officer, Padaeng Industry Public Company Limited • Director-General, Department of Political Affairs, Ministry of Foreign Affairs • Director-General, Department of Economic Affairs, Ministry of Foreign Affairs • Thai Ambassador to Belgium & Chief of Mission to the European Community • Thai Ambassador to the U.S.A. • The Permanent Secretary of the Ministry of Foreign Affairs • The Minister of Foreign Affairs • Chairman of the Asia-Europe Business Forum II • Vice Chairman of the Board of Directors, Bangkok Bank Public Company Limited • Chairman of the Thai-Laos Association

2. André R. van der Heyden

62 Years Old

Managing Director

Education • Master's Degree in Metallurgical Engineering, Université Catholique de Louvain (UCL), Belgium

Current position • Managing Director, Padaeng Industry Public Company Limited

Working experience • Director, Mali Mining & Metallurgy Pte. Ltd., Singapore • Managing Director, Padaeng Industry Public Company Limited, Thailand • Senior Vice President - Zinc, Union Minière, Belgium • Executive Vice President - Carolmet Inc., U.S.A.

3. Vinij Ongnognun

60 Years Old

Deputy Managing Director

Education • Bachelor Degree in Mechanical Engineering, Chulalongkorn University • Certificate: Five-Year Course in Pulp and Paper Management, University of Maine, U.S.A.

Training • Strategic Marketing Management, Harvard University, U.S.A. • Leading Change and Innovation, University of Chicago, U.S.A. • Thai Institute of Directors Association - Directors Certification Program (DCP 58/2005)

Current position • Deputy Managing Director, Padaeng Industry Public Company Limited

Working experience • Managing Director: Thai Paper Company Limited/Siam Cellulose Company Limited/Thai Union Paper Public Company Limited • Director, Phoenix Pulp and Paper Public Company Limited • Managing Director: Siam Kraft Industry Company Limited/Thai Kraft Paper Industry Company Limited/Thai Union Paper Industry Company Limited • Audit Director, United Pulp and Paper Co., Inc. • Executive Director, Thai Cane Paper

Public Company Limited • Director, the Federation of Thai Industries • Vice President, the Thai Pulp and Paper Industries Association

Professional license • Chartered Engineer, Mechanical Engineering, Council of Engineers (Kor Vor. 567)

4. Chaiyan Roojnawate

61 Years Old

Chief Manufacturing Officer

Education • Bachelor of Engineering (Mechanical), Chulalongkorn University

Current position • Chief Manufacturing Officer, Padaeng Industry Public Company Limited

Working experience • Senior Vice President - Zinc Plant Operations, Padaeng Industry Public Company Limited

5. Waykin Utharntharm

48 Years Old

Chief Financial Officer

Education • Bachelor Degree in Economics, Sydney University, Australia

Current position • Chief Financial Officer, Padaeng Industry Public Company Limited

Working experience • Director, Mali Mining & Metallurgy Pte., Ltd. • Senior Vice President - Procurement, Padaeng Industry Public Company Limited

6. Suwit Uawanichkul

56 Years Old

Plant Manager

Education • Bachelor of Science (Chemistry), Chiang Mai University

Current position • Plant Manager, Padaeng Industry Public Company Limited

Working experience • Vice President - Production, Padaeng Industry Public Company Limited

7. Tianchai Singhakarn

53 Years Old

Mine Manager

Education • Bachelor's Degree of Engineering (Mining), Prince of Songkla University

Current position • Mine Manager, Padaeng Industry Public Company Limited

Working experience • Managing Director, Sila Enterprise Company Limited

The selection of Company Directors and Executives

The Company has set up Nomination and Remuneration Committee. The committee will recommend new nominees to the Board to fill positions made vacant by directors who complete their terms or resign.

Of all the Company's directors, four are representatives from the main shareholders. Bali Ventures Limited of UAE holds 2 seats, The Ministry of Finance holds 1 seat, and RAK Minerals & Metals Investments FZ-LLC of UAE holds 1 seat on Board of Directors.

The selection of Independent Directors

Nomination and Remuneration Committee will consider from the list of candidates and nominate person/s with proper qualification, experiences which be beneficial to the Company.

The appointment of a director requires a majority vote from the eligible voting shareholders present at the shareholders' meeting. Voting shall be according to the following guidelines:

- 1) Each shareholder shall have one vote for each share.
- 2) Each shareholder must exercise all the votes he has under item (1) to elect one or several persons to be directors but cannot divide his votes to any person particularly.
- 3) The candidates shall be ranked in order descending from the highest number of votes received to the lowest, and shall be elected as directors equivalent to the number of directors who are to be elected.
- 4) If there is a tie in the last to be elected and this exceeds the said number of directors, the presiding Chairman shall have an additional casting vote.

Remuneration for Executives consists of:

1. In the form of cash

(a) In the year 2009 the Company paid a total of 5,205,831.74 Baht to Directors, 4 Strategic Committee Members, 3 Audit Committee Members and 4 Nomination and Remuneration Committee Members as director's fees and director's remuneration, detail as follows:

Directors	Position	Remuneration (Baht) ³⁾	Director Bonus for 2009 (Baht) ¹⁾
1. Mr. Arsa Sarasin	Chairman	-	- ²⁾
2. Mr. Paron Israsena	Independent Director	260,000.00	234,738.00
	Audit Committee Member	200,000.00	
	Nomination and Remuneration Committee Member	80,000.00	
3. Mr. Aswin Kongsiri	Independent Director	260,000.00	234,738.00
	Audit Committee Member	200,000.00	
	Nomination and Remuneration Committee Member	60,000.00	
4. Mr. Vinai Vamvanij	Independent Director	260,000.00	234,738.00
	Audit Committee Chairman	200,000.00	
	Strategic Committee Member	60,000.00	
5. Mrs. Sirinuj Bisonyabut	Director	260,000.00	234,738.00
6. Mr. Pinit Vongmasa	Director	260,000.00	234,738.00
	Nomination and Remuneration Committee Member	80,000.00	
7. Mr. Karel Vinck	Independent Director	260,000.00	234,738.00
8. Mr. Ahmad Bin Fahad	Director	260,000.00	
	Nomination and Remuneration Committee Member	40,000.00	234,738.00
9. Mr. Madhu Koneru	Director	200,000.00	234,738.00
	Strategic Committee Member	-	
10. Dr. Pablo Fetter (Until 22 April 2009)	Director	77,088.00	72,029.00
11. Mr. Jürgen Hepp (During 11 May - 6 Oct. 09)	Director	81,282.87	95,825.00
12. Mr. Gable F. Gao (Since 10 November 09)	Director	28,260.87	33,442.00
13. Mr. André R. van der Heyden	Director	-	- ²⁾
	Managing Director	-	
	Strategic Committee Member		
14. Mr. Vinij Ongnognun	Director	-	- ²⁾
	Deputy Managing Director	-	
	Strategic Committee Member		
		<u>3,126,631.74</u>	<u>2,079,200.00</u>

Note: 1) Director Bonus will be proposed to the 2010 Shareholders' Meeting for approval.

2) Executive Directors' bonus are included in b) the Company bonus paid to the executives.

3) No remuneration payment for the executive directors.

b) The Company paid a total of 54,661,300.00 Baht to the 7 executives in the year 2009, as salaries and bonuses.

2. In other forms:

The Company contributed to employees' provident fund savings, as a percentage of salary and period of time enrolled in the fund, ranging from 5 to 10%.

Detail of the subsidiary and affiliated companies' directors

Padaeng Properties Company Limited

1. Mr. Vinij Ongnegnun
2. Mr. Chitchai Thaveepanich
3. Dr. Kitilil Kalayanakoul

Puthep Company Limited

1. Mr. André R. van der Heyden
2. Mr. Waykin Utharntharm
3. Mr. Unnop Tungkananukulchai
4. Mr. Gary Stafford
5. Mr. Alistair Maclean

Padaeng Industry (Laos) Company Limited

1. Mr. Arsa Sarasin
2. Mr. André R. van der Heyden
3. Mr. Pinit Vongmasa
4. Mr. Tianchai Singhakarn
5. Mr. Chaya Hasdiseve
6. Mr. Unnop Tungkananukulchai

Padaeng International Mining Company Limited

1. Mr. Vinij Ongnegnun
2. Dr. Surin Tanticharoenkiat
3. Mr. Chaya Hasdiseve

Sila Enterprise Company Limited

1. Mr. Tianchai Singhakarn
2. Mr. Chaya Hasdiseve
3. Dr. Surin Tanticharoenkiat
4. Mr. Chitchai Thaveepanich
5. Mr. Vanich Wongthanasarnsin
6. Mr. Somjit Limleurcha
7. Mr. Niyom Viyarachpanich
8. Mr. Suchart Treeratwattana

Padaeng Poongsan Metals Company Limited

1. Mr. Arsa Sarasin
2. Mr. Somluck Toonkumtornchai
3. Mr. Chitchai Thaveepanich
4. Mr. Yongyuth Tariyo
5. Mr. Byun Min Sue
6. Mr. Jin Roy Ryu

South East Asia Metals Company Limited

1. Mr. Vinij Ongnegnun
2. Mr. Somluck Toonkumtornchai
3. Mr. Chitchai Thaveepanich
4. Dr. Surin Tanticharoenkiat
5. Mr. Chaya Hasdiseve
6. Mr. Siam Dowmanee

Controlling the use of internal information

The Company has established a policy and guidelines to prevent executives and related persons from using internal company information for personal gains. Each quarter, a summary of company holdings by directors and executives is submitted for review to monitor any use of inside information by executives.

Internal control

During Board of Directors' meeting, No. 01-2010, held on Tuesday 16 February, 2010, the Board assessed the system of internal control, the organization and external conditions, risk management, method of disseminating, communicating and monitoring information, it was determined that the Company employs an adequate system of internal control regarding transactions with major shareholders, directors, management and related persons, as well as internal control in other areas.

Following is an opinion of the auditor, Mrs. Nattaporn Phan-Udom, Certified Public Accountant (Thailand) No. 3430, PricewaterhouseCoopers ABAS Ltd.:

"In planning and performing our audit of the financial statements of Padaeng Industry Public Company Limited for the year-ended 31 December 2009, we obtained an understanding of the internal control system in order to determine the nature, timing and extent of our audit procedures, for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control system.

The management of Padaeng Industry Public Company Limited are responsible for establishing and maintaining an internal control system to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

Because of inherent limitations in any internal control system, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal control system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, after consideration of the internal control system, we noted no matters involving the internal control system and its operation that we consider to be material weaknesses under Thai Auditing Standard 400 "Risk assessments and internal control". Material weaknesses as defined in the Auditing Standard are the weaknesses in internal control that could have a material effect on the financial statements"

Related parties transactions

The Company's policy on related parties transactions is based on the principles of free trade, using the world price as a reference, and is conducted in the best interest of the Company. The internal audit department has from time to time carried out audits on the related party transaction.

Details of related parties transactions can be found in Notes to Financial Statement No. 26 Related parties transactions.

Legal disputes

See Notes to Financial Statement No. 28 Litigation.

Auditor's fee

1. Audit fee

The Company and its subsidiaries has paid audit fees to audit companies, individual auditors or other businesses relating to the auditors and auditing companies during the previous fiscal year totaling 3,815,000 Baht.

2. Non-audit fee

The Company and its subsidiaries has paid non-audit fees for legal and tax related services, to audit companies, individual auditors or other businesses relating to the auditors and auditing companies during the previous fiscal year totaling 240,000 Baht.

Structure of Corporate Shareholding

Name	Address	Nature of business	Number and types of all the shares issued and paid up			Number and types of all the shares held by the Company	
			No. of ordinary shares	Paid up capital (Baht)	Par value each (Baht)	No. of ordinary shares	% of Total shares
(A) Padaeng Industry Public Company Limited	191/18-25 CTI Tower, 26-27 Floor, Ratchadaphisek road, Khlong Toei, Bangkok 10110 Tel. +66 (0) 2695-9499 Fax +66 (0) 2695-9495	Mining and smelting of zinc ore and concentrate as well as marketing of zinc metal and other by-products	226,000,000	2,260,000,000	10	-	-
(B) Subsidiary & affiliated companies							
1. Padaeng Properties Company Limited	191/18-25 CTI Tower, 26-27 Floor, Ratchadaphisek road, Khlong Toei, Bangkok 10110 Tel. +66 (0) 2695-9499 Fax +66 (0) 2695-9495	Land development and real estate	3,200,000	80,000,000	25	3,200,000	100.00
2. Puthep Company Limited	191/18-25 CTI Tower, 26-27 Floor, Ratchadaphisek road, Khlong Toei, Bangkok 10110 Tel. +66 (0) 2695-9499 Fax +66 (0) 2695-9495	Prospecting and mining for copper and other base metals	4,606,286	285,589,732	62	2,349,206	51.00
3. Padaeng Poongsan Metals Company Limited	191/18-25 CTI Tower, 26-27 Floor, Ratchadaphisek road, Khlong Toei, Bangkok 10110 Tel. +66 (0) 2695-9499 Fax +66 (0) 2695-9495	Manufacturing of copper and brass sheet/ strip coin blank and case cup <u>N.B.</u> Registered to dissolve the Company on 6 June 2006 and declared bankruptcy on 24 March 2008	10,000,000	250,000,000	25	6,197,746	61.98

			Number and types of all the shares issued and paid up			Number and types of all the shares held by the Company	
Name	Address	Nature of business	No. of ordinary shares	Paid up capital (Baht)	Par value each (Baht)	No. of ordinary shares	% of Total shares
4. Padaeng Industry (Laos) Company Limited	Mekong Apartment, Room 2221, Luangphabang road, Vientiane, LAOS PDR.	Prospecting and mining for base metals in Laos	USD 1,273,000	USD 1,273,000	-	-	100.00
5. Padaeng International Mining Company Limited	191/18-25 CTI Tower, 26-27 Floor, Ratchadaphisek road, Khlong Toei, Bangkok 10110 Tel. +66 (0) 2695-9499 Fax +66 (0) 2695-9495	Investing in exploration and mine development project in Vietnam (Inactive)	1,000	100,000	100	1,000	100.00
6. Sila Enterprise Company Limited	68/5-68/6 Asia Highway, Mae Sod, Tak Tel. +66 (0) 5553-3777 Fax +66 (0) 5554-7285	Marketing of aggregate limestone <u>N.B.</u> Registered to dissolve the Company in May 2008 and completed the liquidation on 19 May 2009	100	9,000,000	90,000	55	55.00
7. South East Asia Metal Company Limited	191/18-25 CTI Tower, 26-27 Floor, Ratchadaphisek road, Khlong Toei, Bangkok 10110 Tel. +66 (0) 2695-9499 Fax +66 (0) 2695-9495	Trading various base metals and their by-products	2,000,000	200,000,000	100	2,000,000	100.00 (Held by Padaeng Properties Company Limited)
(C) Joint venture companies							
1. Maesod Clean Energy Company Limited	191/18-25 CTI Tower, 26-27 Floor, Ratchadaphisek road, Khlong Toei, Bangkok 10110 Tel. +66 (0) 2695-9499 Fax +66 (0) 2695-9495	Produce ethanol as an alternative energy source	67,500,000	675,000,000	10	23,625,000	35.00
(D) Other companies							
1. ASEAN Potash Mining Public Company Limited	16 Floor, SG Tower, 161/1 Soi Mahadlekluang 3, Rajdamri road, Lumpini, Pathumwan, Bangkok 10330 Tel. +66 (0) 2650-2711 Fax +66 (0) 2650-2715	Potash mining operation	22,266,614	1,145,597,300	100	100,100	0.87

Other References

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Advisor or contractor under management agreement

- None -

SEC contents in accordance with form 56-2

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and environment**

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